Amended Group Management Report & Amended Consolidated Financial Statements

for the Financial Year from 01.01.2016 to 31.12.2016

of

Aves One AG

Amended Group Management Report 2016

CONTENTS

1. BASES

1.1 BUSINESS MODEL

1.1.1. Overview

Aves One AG (formerly „PriCon Invest AG“) is a stock exchange listed (Prime Standard) company based in Hamburg. The main areas of activity of the Aves One AG Group (“Aves Group” hereinafter; Aves One AG as a single entity is also referred to as “Aves” or “Company”) are the business units Container, Rail, Special and Resale Equipment. The Aves Group invests in long term logistics assets with strong sustainable cash flows in liquid markets. Very good access to the equipment market as well as extensive management knowledge in the area of financing and an excellent network of partners from both areas form the basis of the continuing expansion and extension of business activities. It is aimed to achieve a further extension of the operating activities in all business areas to attain an asset volume in the region of EUR 750 million by the end of 2018 and of at least EUR 1 billion managed by the Aves Group in the year 2020. In all four business areas, an extension of the degree of vertical integration as well as an optimization of profitability in addition to growth by acquisitions and organic growth are key measures implemented by the Group.

1.1.2. Business structure

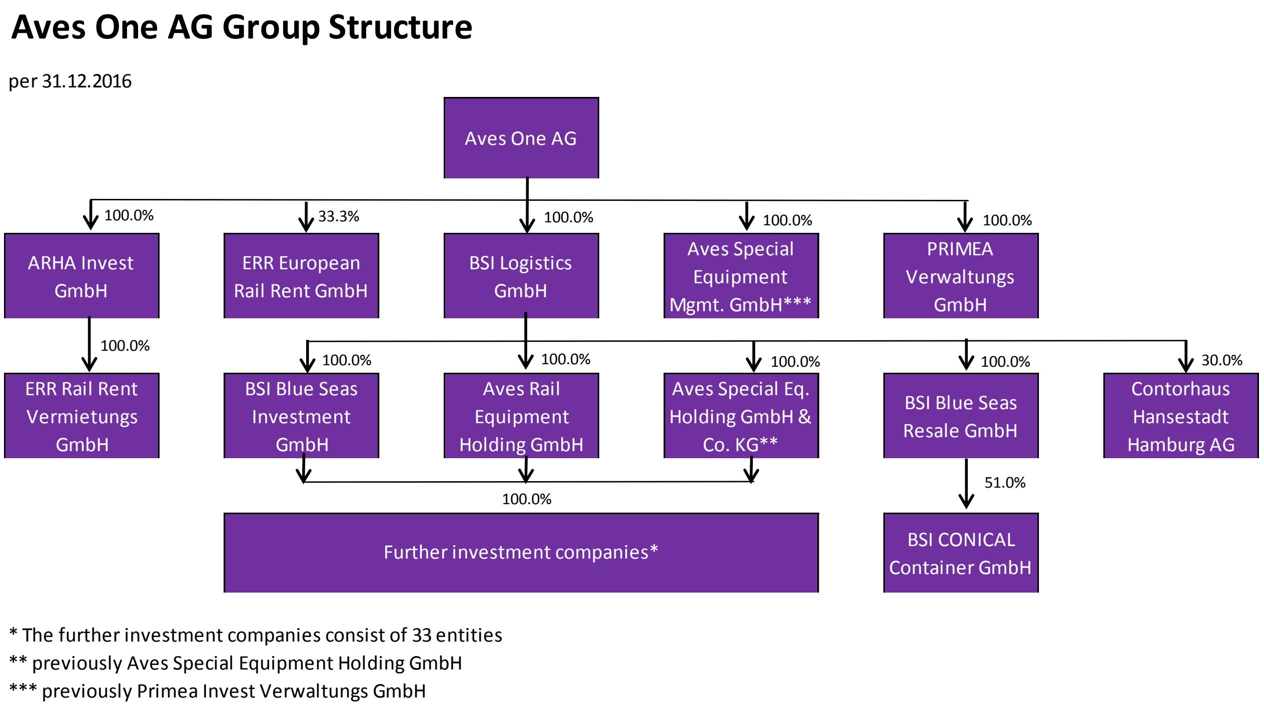

Image 1: Group structure as at 31.12.2016

At the extraordinary general meeting on 18 April 2016, resolutions were passed amongst others to change the name of the company from “PriCon Invest AG“ to „Aves One AG“ together with further changes to the statutes with respect to the object of the company. The company bears its new name with effect from the recording of the change of name in the commercial register on 25 April 2016.

On 22 August 2016, Aves entered into share purchase agreements with respect to the acquisition of all the shares in ERR Rail Rent Vermietungs GmbH, Vienna, Austria, (hereinafter „ERR Vienna“) as well as 33.3% of the shares in ERR European Rail Rent GmbH, Duisburg (hereinafter „ERR Duisburg“), subject to contingencies. The closing of the transaction took place on 25 October 2016.

At the 31 December 2016 balance sheet date, the Aves Group is made up of the parent company Aves One AG and the 100% subsidiaries ARHA Invest GmbH (formerly Benatis GmbH), PRIMEA Verwaltungs GmbH (now Aves Storage Verwaltungs GmbH), BSI Logistics GmbH (formerly Aves Logistics AG) and Aves Special Equipment Management GmbH & Co. KG. Aves holds 33.3% of the shares in ERR European Rail Rent GmbH.

The subsidiary BSI Logistics GmbH itself holds four 100% subsidiaries as at 31 December 2016, which act as holding companies for the segments Container Equipment, Rail Equipment, Special Equipment and Resale Equipment. In addition to a minority participation and a joint venture with a 51% participation, number of 100% subsidiaries each subject to varying financing structures are included beneath these holding entities. Furthermore, BSI Logistics GmbH holds 30% of the shares in CH2 Contorhaus Hansestadt Hamburg AG.

1.1.3 The business model

The Aves Group invests in long term logistics assets with strong sustainable cash flows in liquid markets. Business activities are focused on the holding and active management of mobile logistics assets. At the balance sheet date 31 December 2016, the portfolio of assets under management amounted to in excess of EUR 440 million in total. The main areas of operation are the segments Container, Rail, Special and Resale Equipment. The very good access to the equipment market as well as extensive management knowledge in the area of financing and an excellent network of partners from both areas form the basis of the continuing expansion and extension of business activities.

Within the mobile logistics assets sector, it remains apparent that logistics businesses prefer to lease assets as opposed to purchasing and recording them in the balance sheet. The preferred solution is to hold a reduced level of assets to cover basic ongoing requirements and to revert to leasing solutions for peak requirements. The reasons for this are reduced capital requirements, concentration on core business, empty state coffers or the liberalization of markets. This can be observed in particular in the rail sector. These developments are viewed as an opportunity for the Aves Group, which has tailored its business model accordingly:

The Aves Group Three-Column-Model:

1. Access to mobile logistics assets

Its extensive connections in the sector provide access to the various logistics Assets for the company (sea containers, freight wagons, swap bodies, tank containers etc.) which acquires them in large tranches, to date mainly from investment companies and asset managers. The partnerships gained in connection with this can be made further use of in the context of a sustainable business model.

2. Strong partners

The operational management of the assets remains directly with the asset managers. The main advantages are that:

- The contacts of the asset managers to specific customers have been in place for numerous years
- Considerable know-how exists as to the management and optimization of the leasing of the assets
- As a result, an optimal utilization and support of the assets is ensured.

3. Flexible Financing

The financial market is subject to permanent change. It is therefore particularly important to react to new market developments in as flexible a manner as possible. In the light of many years of experience, a well thought-out company structure and founded know-how, the Company is in a position to avail itself of a wide range of external financing possibilities and funding partners and is in this context always open for new and innovative external financing alternatives. Currently, the obtaining of external sources of finance mainly takes place in the following four ways:

- Direct investments
- Institutional Investors
- Bank financing
- Leasing finance

In addition, the current low level of interest rates provides a solid financing basis for investments in long term assets with good growth opportunities. Furthermore, the direct investments and partially also investments from institutional investors are to be refinanced with long term bank loans.

1.1.4. Business units

The operational activities of the Aves Group can be subsumed within four business units:

- Container Equipment (via BSI Blue Seas Investment GmbH)
- Rail Equipment (via Aves Rail Equipment Holding GmbH)
- Special Equipment (via Aves Special Equipment Holding GmbH & Co. KG)
- Resale Equipment (via BSI Blue Seas Resale GmbH)

The units Container Equipment and Rail Equipment constitute separate segments in the Group accounts of the business year. The business units Special Equipment and Resale Equipment are not disclosed as separate individual segments, as they have not yet reached a sufficient size for an own segment.

1.1.4.1 Container Equipment:

In the Container Equipment segment, the Company has concentrated its activities on the three most common types of container (20 and 40 foot standard, 40 foot high cube container) with a useful economic life of up to 15 years. As at the 31 December 2016 balance sheet date, the Container Equipment segment manages a fleet of approximately 103,000 containers, equivalent to approximately 141,000 CEU (= Cost Equivalent Unit; a standard measure for the valuation of various container types). The containers were purchased both by asset managers as well as funds.

Active management by reputable asset managers:

The asset managers engaged by the Aves Group lease out the containers in their own name but for the account of the Aves Group to shipping companies such as Hapag Lloyd, Maersk, Evergreen and others. The asset managers engaged by Aves, Florens, CAI International and UES Hong Kong are amongst the leading market participants. The containers are leased out either as short term leases (typically one to three years or for an unspecified term – master lease) or longer term leases (typically more than three year long term lease). The Aves Group monitors the activities of the asset managers actively in order to obtain optimized joint results.

Financing:

The financing of container equipment is partially provided via BoxDirect AG and BoxDirect Vermögensanlagen AG (hereinafter also „BDVAG“) by means of the sale of direct investments. Investors acquire containers from BoxDirect AG and BDVAG, which in turn acquire them from subsidiaries of Aves. Concurrently, the containers are leased back by the investors to BoxDirect AG/BDVAG and in turn leased back to BoxDirect AG/BDVAG to the subsidiaries of Aves. The subsidiaries of Aves are required to buy back the containers at specified dates, whereby the lease payments, duration and repurchase value are contractually agreed at inception. It is planned successively to replace the direct investments with long term bank loans. These have been successfully been negotiated in some cases in the Special Equipment business unit.

1.1.4.2 Rail Equipment:

The business unit Rail Equipment is specialized in the holding of freight wagons with useful lives between 40 and 45 years. The market has already now shown a strong tendency towards consolidation and the transfer of activities to leasing companies or active portfolio holders. With a portfolio of 331 freight carriages, the fundament for this area was laid with two transactions in 2015 and activities are to be extended in subsequent years. Follow-on transactions are being implemented and further deals are planned. In this context, Aves signed a share purchase agreement covering ERR Vienna as well as 33.3% of the shares in ERR Duisburg in August 2016. After the closing of this transaction on 25 October 2016 as well as further acquisitions, the portfolio held by the Aves Group currently encompasses 4,230 freight carriages (3,899 of which ERR) or approximately EUR 225 million as one of the on average youngest and most modern fleets on the market. The customers of the Aves Group are large industrial enterprises and, in particular, state railway companies.

Active management by reputable rail managers:

Freight carriages are managed by ERR Duisburg, which has over a long period of time gained extensive expertise in the leasing, management as well as the construction or conversion of freight wagons and from which Aves acquired its first freight wagons in 2015. Aves is however not exclusively committed to a single manager and will give consideration to the services of other established asset managers in the case of the acquisition of further portfolios.

Financing:

For the financing of the Rail business unit, the Aves Group has to date concentrated on classic bank or leasing finance (for medium to long terms) as well as financing by institutional investors, but is willing to investigate in parallel alternative sources of finance.

1.1.4.3 Special Equipment:

The Special Equipment business unit focuses on specialized logistics equipment such as e.g. swap bodies or tank containers with an average useful economic life of up to 20 years. The current Special Equipment Portfolio is fully leased out. Customers are generally large enterprises in the logistics and chemicals sectors. The business unit is still in the process of being built up. In an initial tranche, the first swap bodies were acquired with internal funds in 2015, with further acquisitions of tank containers and swap bodies taking place in 2016, as a result of which the Special Equipment portfolio encompasses a volume of 2,792 units or approximately EUR 20 million as at 31 December 2016.

Active management by reputable asset managers:

In the course of the acquisition, management contracts were agreed with some specialists for the sale and leasing of logistics assets, in particular swap bodies. The Aves Group plans to acquire further suitable tranches of various asset types in this niche market and to expand the business unit continuously.

Financing:

For the financing of the Special Equipment business unit, the Aves Group has to date concentrated on classic bank or leasing finance (for medium to long terms) as well as financing by institutional investors, but is willing to investigate in parallel alternative sources of finance.

1.1.4.4 Resale Equipment:

The business unit Resale Equipment encompasses the sale and leasing of former sea containers after the end of their useful economic lives of up to 15 years, the trading of new containers as well as self-storage business.

In the business unit Self Storage, the Aves Group constructs garage parks (so-called "Drive Up Self-Storage Parks") in commercial zones of large cities. Potential is seen here in particular in conurbations and cities with more than 200,000 inhabitants, as most of the inhabitants of larger cities live in rented accommodation and have a far more restricted access to storage space than is the case in rural areas. Trade businesses can however also use these logistically well located areas in an optimal manner. The German language area market is hardly developed and therefore offers considerable growth potential. The first park was constructed in the city of Münster in March 2017. Administration and rental management services for the storage parks are provided by an Aves Group company.

Financing:

A bond was issued in order to finance the first storage parks. For the sale and rental of the former sea containers, a joint venture was founded together with CONICAL Container Industrie Consulting-Agentur and -Leasing GmbH, Hamburg, which is largely engaged in sales to the building trade and low volume container trading. The change of use of used sea containers e.g. for storage or housing purposes increases their relevant economic useful life to 20 to 30 years.

1.1.5 Officers and staff

Numerous changes to the composition of the Management Board took place during the reporting year. With effect from 1 April 2016, the Supervisory Board of Aves One AG appointed Mr. Henrik Christiansen, Ahrensburg, as member of the Management Board of the Company. The areas of responsibility were assigned such that Mr. Daniel L. Grosch remains responsible for the operational business and strategy and Mr. Christiansen was responsible for the financial function.

With effect from 21 September 2016 Mr. Peter Kampf, Hamburg, and Mr. Jürgen Bauer, Perchtoldsdorf (Austria), were appointed as members of the Management Board of Aves One AG. Mr. Kampf is responsible for the business units Containers, Special and Resale Equipment and has over 20 years of experience in the areas of the acquisition, financing and management of intermodal assets. Mr. Bauer, who has long-standing experience in the international wagon leasing market and has been managing director of ERR Vienna for many years, is responsible for Rail Equipment. At the same time, Mr. Grosch ceased to be a member of the Management Board in the light of the completion of the operational restructuring. Mr. Christiansen remains responsible for the finance function.

Changes also took place within the Supervisory Board. The Supervisory Board member Ms. Antje Montag resigned from the Supervisory Board with effect from 15 February 2016. In accordance with an application of the Management Board, the Hamburg local court appointed Ms. Britta Horney, Attorney from Appen, as member of the Supervisory Board with effect from 16 February 2016. In a Supervisory Board meeting held on the same day, the Supervisory Board elected Mr. Kretzenbacher as its chairman and Ms. Horney as his deputy. Mr. Florian Kühl is a further member of the Supervisory Board. The Extraordinary General Meeting on 18 April 2016 duly confirmed by vote the appointment of Ms. Horney as member of the Supervisory Board.

Mr. Kühl resigned as member of the Supervisory Board on 31 October 2016. In accordance with an application of the Management Board, the Hamburg local court appointed Mr. Rainer Baumgarten, Commercial Manager from Hamburg, as member of the Supervisory Board with effect from 15 November 2016. In its constituent meeting on the same day, the Supervisory Board elected Mr. Kretzenbacher as Chairman and Ms. Horney as his deputy.

At the 31 December 2016 balance sheet date, the Aves Group employs 28 (PY: 24) members of staff.

On 3 September 2015, the Supervisory Board set a target ratio for women on the Management Board of 0% in accordance with § 111 (5) AktG (German law pertaining to public stock companies) for the first defined period (until 30 June 2017). At the time of the adoption of the resolution, the company had significantly expanded its operating business and extended the Management Board in the context of a strategic realignment. After the expiry of the first defined period, the Supervisory Board will therefore re-examine the appointment of women to the Management Board.

At the time of resolution, the Supervisory Board consisted of one woman and two men, and accordingly it set a target ratio for women of 33% in accordance with § 111 (5) AktG for the first defined period (until June 30, 2017). This target ratio was met throughout the 2016 financial year.

On 3 September 2015, the Supervisory Board set a target ratio for women in the two management levels below the Management Board of 0% in accordance with § 111 (5) AktG for the first defined period (until 30 June 2017), to the extent that such management levels existed at that time. At the time of resolution, no management levels existed below the Management Board. At the time of the statement on the management in the of the company, the Company's number of employees increased by 2 in addition to the Management Board (28 at Group level) in the context of the expanded operating business of the subsidiaries. After the expiry of the above-mentioned term, the Management Board will re-examine the staffing with women of management roles below the Management Board, if these levels then exist, against the background of personnel resources and business plans.

1.2 Targets and strategies

The Aves Group is exclusively focused on business with logistics assets with sustainable stable cash flows. By 2018, the Group aims to hold a portfolio made up in equal parts of Rail and Container Equipment as well as comprising the business units Resale and Special Equipment.

By the year 2020, a total asset volume of EUR 1 billion is planned to be exceeded. This is expected to encompass investment volumes in excess of EUR 200 million in both 2017 and 2018, so that an asset volume of approximately EUR 750 million is scheduled to be under management by the end of 2018. A further expansion of business activities as well as additional investments (in the purchase of further assets as well as by means of friendly business takeovers), in particular in the business areas Rail Equipment and Container Equipment, which provide interesting opportunities, are targeted.

An appropriate financing approach is a prerequisite for this strategy. As soon as specific asset acquisitions have been identified, the Company evaluates suitable methods of finance. Short term financing therefore often takes place via direct investments and institutional investors, whereas bank financing is used for longer term funding purposes. In all four business areas, in addition to growth by acquisitions and organic growth, the Group aims to increase the degree of vertical integration and improve profitability.

1.3 Monitoring system

The monitoring of Aves One AG takes place by means of the budget, which the Management and Supervisory Boards coordinate and agree, which covers a three year period and is agreed prior to the beginning of each business year. This enables the budget to be continually adapted to changing circumstances and amended in accordance with resulting opportunities.

For the ongoing assessment of various risks, Aves One AG applies a „traffic light“-based risk management system, within which different types of risks are classified in accordance with their probability of arising and implications for the Company and its subsidiaries. Identified risks are reevaluated also in the case of changing circumstances. The risk management system is subject to permanent ongoing redevelopment and extension measures. A multi-stage, intensive examination process has been defined and implemented for potential transactions.

A regular comparison of actual business development with targets enhances transparency and enables the application of counter-measures where negative variances from business projections are identified. In this case, central operational and financial references are monitored: The performance indicators utilization/utilization rate, (lease days / calendar days of the month), lease revenue, gross profit, earnings before interest, tax, depreciation and amortization (EBITDA) as well as earnings before tax (EBT) are evaluated. Particular attention is paid to utilization levels and lease revenues, respectively the utilization yield, as this has a direct impact on lease revenues. In this context, the Management Board reviews and evaluates the monthly management reporting information for the relevant business units and companies. In order to control the sufficiency of liquidity levels, bank balances are checked on a daily basis and a rolling monthly liquidity forecast is prepared.

2. BUSINESS REPORT

2.1 GENERAL ECONOMIC SITUATION

According to the economic research institution Institut für Wirtschaftsforschung in Kiel, global economic growth increased to 3.1% in 2016. After a weak first half year a slight improvement in the growth dynamics was noted from the middle of the year onwards. Notwithstanding this, this growth rate was the lowest noted since the crisis year 2009. In the summer half year, economic activity increased both in the industrialized countries as well as the emerging nations, although certain emerging nations (including Brazil, Argentina and Venezuela) are still faced with larger problems. In the Euro area, the gross domestic product (GDP) increased by 1.7% according to Eurostat. In the fourth quarter of 2016, the Eurozone was able to improve economic growth by a strong additional +0,5%. Whilst the unexpected Brexit vote in the summer of 2016 did lead to some uncertainty and turbulences on the financial markets, it appeared not to have a substantial negative effect on EU economic output.

2.2 SECTOR SITUATION

In the following sections, the economic situation relating to the sectors in which the Aves Group is active are discussed.

Focus Container Equipment

The container throughput index of the economic research institute RWI – Leibniz-Institut für Wirtschaftsforschung und the maritime research institute Instituts für Seeverkehrswirtschaft und Logistik (ISL) increased by 1.9 points to its highest ever recorded level of 124.3 in December 2016. It thereby exceeded the record level dating from February 2015 by 1.5 points.

The figures for November were revised upwards slightly. The fourth increase in the index in succession indicates that world trade has gathered a significant momentum towards the end of 2016. The Hanjin insolvency in the late summer 2016 also led to a significant increase in rental rates and a marked improvement in utilization. In addition to these positive expectations, Drewry predicts an increase in container trading of 2.1% and Maersk of even 2.5% to 3% for 2017. 2016 order levels for new containers from producers were lower than the increased demand, which led to rising costs both for new containers and used containers.

Focus Rail Equipment

The European Commission has set out the target that 30% of freight traffic over 300 km and, as of 2050, 50% of traffic should be transferred to carriers such as trains and ships. Deutsche Bahn is planning record network investment levels in 2017. 7.5 billion Euro are to be invested in rail infrastructure. This shows the importance of rail freight transport in Europe. At the beginning of 2016, market players expected a market volume of EUR 17.5 billion in European rail freight transport. However, the modal split share of rail has declined. This is a result of the fact that road traffic has grown disproportionately. Whilst partly relevant growth exists in the rail sector, it is however lower than that of the road sector. In comparison to other European countries, Switzerland and Austria have for example succeeded in shifting a substantial proportion of goods traffic to rail. In the case of rail traffic in Germany, quantities transported decreased by 1.6% to 361 million tonnes.

The European freight car stock is about half a million wagons. Only about 7,000 to 15,000 new wagons are added each year, so that the market for new rail freight cars in Europe is small and volatile and does not meet market requirements. At the same time, old fleets are being scrapped. Fleet optimization strategies are becoming more important – currently, investments are being made amongst others in quieter brakes ("whisper brakes"). For example, DB Cargo, the freight transport subsidiary of Deutsche Bahn, has set aside an investment volume of EUR 230m for the equipment of 64,000 freight wagons with low-noise compound material brake pads until 2020. Here, too, it is expected that the tendency of the railways no longer to invest in own freight wagons, which has already been described in 2.2, will have a positive effect on the rental market of the freight wagons. As a result, growth for wagon rental companies will be disproportionately higher than growth in rail transport.

Focus Special Equipment

In 2016, road transport tonnages rose by 2.8% and further growth is expected for the next year, driven by online trading.[11] Specialized transport containers such as swap bodies, which are precisely adapted to requirements, can result in time and thus cost savings, so that the market for special solutions is constantly developing. Demand is also increasing for other special transport solutions, as the realization of further cost savings for transport solutions in production and trade is increasingly becoming an area of focus. An above-average growth trend in the transport of liquids and gases in tank containers also exists. At present, about half of the tank containers in the market are held by leasing companies, mostly in the hands of specialists. Price levels for tank containers have been less volatile than those for dry freight containers over the last five years.

Focus Resale

The Resale business unit comprises the areas Self Storage as well as the trading of containers (Resale Equipment).

80% of the total self-storage facilities in Europe are located in only six countries. France and Great Britain have the highest population density in cities (urbanization) compared to the rest of Europe and people pay a disproportionately high element of their income for living space. Urbanization is becoming more and more important also in Germany as cities and their green belts grow, living space is being sought in cities and their peripheries and prices are rising. Underground car parks are replacing basement storage areas, but also there is often insufficient space for cars in garages.

There are currently (Q2/2016) c. 200 self-storage facilities on offer for in excess of 80 million people. In Great Britain, the per capita supply is 10-12 times greater, in the USA even 100-fold greater – with overall utilization rates of >85-90 %.

The European Selfstorage Market grew by a total of 7.1% in 2015. In 2014 the rate was 4.9%. Growth in Germany is in excess of 15% p.a. Awareness in Germany is growing, and acceptance is increasing rapidly – self-storage is increasingly becoming a flexible short-term to medium-term solution for people with a need for space.

The trading of containers, both of surplus equipment of shipping companies and asset holders as well as the purchase and sale of new containers, also belongs to this sector. These containers can be used as storage containers, as construction site and residential containers or in offshore areas. Buyers are therefore also public authorities and public institutions, in addition to construction companies, rental companies and dealers. The prices in the resale market have been under pressure, as were the prices for new containers, but they recovered at the end of the year. Resale market demand is expected to rise further due to the wide range of possible applications. In particular, the use of used containers as storage containers or in the context of one-off transports for large, heavy, high-quality or critical loads is becoming increasingly popular in the market. Furthermore, new containers are procured in Asia and sold in the USA to shipping companies and asset-holders.

2.3 Course of Business

In the reporting year, the focus was on the implementation of the strategic realignment initiated at the end of 2015 as a holder and manager of mobile logistics assets, which was successfully completed. In this context, business in the four segments Container Equipment Rail Equipment, Special Equipment and Resale Equipment was established or expanded. In the light of several transactions as well as organic growth financed by equity and external funding, assets managed by Aves reached a total volume of more than EUR 440m as at the 31 December 2016 balance sheet date. With the completion of the strategic realignment, changes in the Management and Supervisory Boards of the Company took place. In detail, the following significant business transactions and events occurred in 2016:

The Supervisory Board member Ms. Antje Montag resigned from the Supervisory Board with effect from 15 February 2016. In accordance with an application of the Management Board, the Hamburg local court appointed Ms. Britta Horney, Attorney from Appen, as member of the Supervisory Board with effect from 16 February 2016. In a Supervisory Board meeting held on the same day, the Supervisory Board elected Mr. Kretzenbacher as its chairman and Ms. Horney as his deputy. Mr. Florian Kühl is a further member of the Supervisory Board.

The Extraordinary General Meeting on 18 April 2016 duly confirmed by vote the appointment of Ms. Horney as member of the Supervisory Board. Further resolutions passed at the Extraordinary General Meeting comprise the changing of the name of the company from "PriCon Invest AG" to „Aves One AG" together with further changes to the statutes with respect to the object of the company. Furthermore, the share capital of the Company was increased by EUR 990,000 to initially EUR 5,940,000 from Company funds (by converting a balance of EUR 4,950,000 of the capital reserve disclosed in the annual balance sheet of the Company as at 31 December 2015 to share capital). The 4,950,000 new bearer shares with no nominal value and a proportional value of EUR 1.00 per share were issued to shareholders in a ratio of 1:5 and are entitled to profits as of 1 January 2015. The aforementioned resolutions were recorded in the commercial register on 25 April 2016, so that the Company has been incorporated as Aves One AG since that date.

With effect from 1 April 2016, the Supervisory Board of Aves One AG appointed Mr. Henrik Christiansen, Ahrensburg, as member of the Management Board of the Company. The areas of responsibility were assigned such that Mr. Daniel L. Grosch remains responsible for the operational business and strategy and Mr. Christiansen is responsible for the financial function.

In the first half of 2016, assets with an overall volume of EUR 1,008k were acquired, which are rented out to solvent lessors. These included e.g. 46 new swap bodies and 40 used tank containers. The business activities of the Aves Group were extended by the realization of storage projects in large cities. In this context, the Company entered into a purchase contract for a c. 5,100 sq.m. site in Münster, on which 166 prefabricated garages of c. 9 to 29 sq.m. were erected. Completion took place in March 2017.

On 22 August 2016, Aves entered into share purchase agreements with respect to the acquisition of all the shares in ERR Vienna as well as 33.3% of the shares in ERR Duisburg for a price of EUR 33.5m. The acquisition of ERR Vienna was financed by loans from an institutional investor, which were agreed on 25 October 2016, and it was therefore possible to consolidate it fully within the Aves Group. The transaction has enabled Aves to establish itself further within the strategically significant freight market. The ERR Group is one of the fastest growing in Europe and is also one of the important rental platforms for standard freight carriages due to its young and modern wagon fleet.

In order to give consideration to the high significance of the Rail Equipment Segment, the Supervisory Board appointed the managing director of ERR Vienna, Mr. Jürgen Bauer, Perchtoldsdorf (Austria), to the Management Board (COO) of Aves One AG with effect from 21 September 2016. Also with effect from 21 September 2016, Mr. Peter Kampf, Hamburg, was appointed to the Management Board. Mr. Kampf is responsible for the Sea Container and Special Equipment Segments. In the light of the successful Mr. Grosch ceased to be a member of the Management Board in the light of the completion of the operational restructuring at the same time with effect from 21 September 2016.

On 5 September 2016 the Annual General Meeting of Aves One AG for the 2015 financial year took place. At the Annual General Meeting, amongst other items the share capital was increased by up to EUR 2,970,000 by means of a cash contribution by issuing 2.970.000 new bearer shares. Furthermore, Aves was empowered to issue convertible bonds, warrant-linked bonds and participating certificates with or without conversion or option entitlements as well as with an exclusion of option entitlements with a total nominal value of up to EUR 50,000,000. The holders of these bonds may be granted up to 2,970,000 bearer shares in the Company with a proportional value of issued capital of up to EUR 2,970,000.

Correspondingly, a resolution was approved to create authorized capital of EUR 2,970,000 by issuing 2,970,000 new bearer shares with an entitlement to profits as of the beginning of the financial year.
The issue price of the new shares was set at EUR 6.00 per share and the number of shares to be issued at 2,970,000 by the Management and Supervisory Boards of Aves One AG on 26 October 2016and 18 November 2016 for the capital increase by cash contribution for which a resolution was passed at the General Meeting. The related prospectus was published on the Internet site of the Company on 27 October 2016. In view of the strong demand, it was possible to place all the 2,970,000 new shares before the end of the subscription period from 4 to 17 November 2016. The resulting gross revenues of c. EUR 17.8m (gross issue proceeds including the greenshoe amount to EUR 19.6m) are being applied by the Company mainly for an increase in the volume of managed assets. On 23 November 2016, the increase in the share capital from EUR 5,940,000.00 by EUR 2,970,000.00 to EUR 8,910,000.00 was recorded in the commercial register.

On 28 November 2016 the shares in Aves One AG were listed in the highest trading segment of the regulated market of the Frankfurt stock exchange, the prime standard, as well as the regulated markets of the Hamburg and Hanover stock exchanges under the ISIN DE000A168114 (WKN A16811).

In the fourth quarter of 2016, a further change in the composition of the Supervisory Board took place when Mr. Florian Kühl resigned from the Supervisory Board on 31 October 2016. In accordance with an application of the Management Board, the Hamburg local court appointed Mr. Rainer Baumgarten, commercial manager from Hamburg, as member of the Supervisory Board with effect from 15 November 2016. In its subsequent constituent meeting held on the same day, the Supervisory Board elected Mr. Kretzenbacher as its chairman and Ms. Horney as his deputy.

2.4 PROFITABILITY

Increase of Group revenue and other income
Aves was able to increase its sales at Group level significantly to EUR 28,646k (PY: EUR 21,619k). At EUR 20,061k (PY: EUR 20,728k), sales mainly related to the Container Equipment Segment, with a further EUR 7,621k (PY: EUR 852k) being realized by the substantially extended Rail Segment. The effect of lower utilization and rent levels had a slightly detrimental effect on sales, with both rent and utilization showing a clear positive trend towards the end of the year. Additionally, other operating income of EUR 14,912k (PY: EUR 18,684k) was recorded. These mainly result from the conversion at the balance sheet date of Euro-denominated liabilities from the point of view of the functional currency US Dollar in the Segment Container Equipment in connection with the fall in the EUR/USD exchange rate (EUR 13,216k after EUR 18,302k in the prior year) and a claim for damages against a container manager.

Operating charges
Total costs also increased considerably in the year under review. As a result, the cost of materials rose to EUR 9,111k compared to EUR 8,829k in the previous year, in line with the increased volume of business activity (purchase of additional assets – mainly rail carriages – and the full year effect of container portfolios acquired during the course of the previous year). Consequently, depreciation and amortization also increased from EUR 4,762k to EUR 8,508k. Personnel expenses increased to EUR 2,338k (PY: EUR 1,266k) in the light of the employment of staff during the course of the previous year and further personnel growth in 2016.

Other operating costs increased significantly to EUR 16,711k from EUR 10,155k in the prior year and are made up as follows. Foreign currency losses increased from EUR 4,507k to EUR 8,170k. These result almost entirely from the valuation of Euro-denominated transactions, in particular the conversion of EUR-receivables in connection with the fall in the EUR/USD exchange rate, to the functional currency US Dollar in the Segment Container Equipment.
Losses from asset disposals arose in an amount of EUR 3,064k (PY EUR 1,925k) and mainly relate to disposals of containers located at sites with a difficult rental perspective, but also to insurance claims falling short of book values in connection with losses of containers. External services obtained have fallen slightly from EUR 1,656k auf EUR 1,323k and essentially result from the management services of BoxDirect AG in connection with direct investments.

Other operating costs increased from EUR 2,067k in 2015 to TEUR 4,154k in 2016. The increase in charges is materially influenced by additions to specific bad debt provisions totaling EUR 1,114k (PY TEUR 268). Other costs also increased to EUR 1,128k (PY TEUR 469). The development of other operating costs is the result of the strong growth of the Company.

Development of results

Earnings before interest, income taxes and depreciation and amortization (EBITDA) for continued business areas fell to EUR 15,356k (PY EUR 20,331k) in particular due to currency translation effects. Operational earnings (EBIT) fell significantly to EUR 6,848k (PY EUR 15,569k). The financial result of the Group changed from EUR -9,993k to EUR -13,296k. This is the result of further borrowing (in the form of bank loans, direct investments and loans from institutional investors) to finance newly acquired assets. In addition, in the previous year, interest charges were partially not reflected in profit and loss for the full year, since they were only obtained during the course of the year. These loans are now included in profit and loss for the full year.

Giving consideration to net interest payable, pre-tax results (EBT) of EUR -6,448k (PY EUR 5,636k) were recorded. After tax, a Group loss of EUR -7,666k (PY EUR 4,372k) was incurred.

Group comprehensive income amounts to EUR -7,035k (PY EUR 5,294k) and in particular additionally comprises the effect of the currency translation adjustment relating to the conversion of the functional currency USD to the reporting currency EUR.

2.5 Financial Situation & Net Assets

At the balance sheet date, the balance sheet total of the Aves Group increased EUR 526m, compared to the prior year value of c. EUR 267m.

Significant increase of assets through investments

Long-term assets increased to EUR 452,759k compared to the previous year level of EUR 240,225k. Intangible assets amounted to EUR 2,566k, mainly resulting from the capitalization of an agency commission for logistics real estate. In the previous year, EUR 5,639k had been recognized, which were reclassified to property, plant and equipment when brokered railway wagons were recorded in tangible fixed assets. Within property, plant and equipment, net book values increased to EUR 445,400k, compared to EUR 232,600k in the previous year. The acquisition of the ERR portfolio (EUR 195,561k) as well as additions of swap bodies and containers (EUR 21,587k) are reflected here.

Financial assets accounted for at equity are disclosed with a value of EUR 2,846k. These relate to the 30% participation in CH2 Contorhaus Hansestadt Hamburg AG as well as the 51% in BSI Conical Container GmbH. The 33.3% participation in ERR Duisburg is a new addition in the year. Deferred tax assets in an amount of EUR 1,831k (PY EUR 74k) were recognized.

Short term assets increased significantly to EUR 72,756k from EUR 26,926k in the prior year. Individually, trade accounts receivable increased to EUR 7,495k from EUR 4,690k. In addition to receivables from container rentals, these include a balance of EUR 2,245k receivable from ERR Duisburg for the first time in 2016.

Financial receivables increased to EUR 14,591k from EUR 4,759k in the prior year. The change relates to receivables from BoxDirect AG (EUR 6,884k), which are shown net of liabilities due to the existence of a clearing agreement (a deferral and clearing agreement exists with BoxDirect according to which both parties are entitled to defer balances receivable or payable falling due at an interest rate of 8.0% and to offset such items). Furthermore, a loan to BSI Conical Container GmbH of EUR 1,184k has been capitalized and a loan to Axis Intermodal Deutschland (EUR 3,428k) is recorded.

The increase in liquid funds (from EUR 11,484k in 2015 auf EUR 31,954k in the financial year) is amongst others – in an amount of EUR 7,213k – a result of the acquisition of ERR as well as the capital increase which took place in Q4 2016. The value of other receivables increased significantly to EUR 15,302k from EUR 5,023k in the previous year, which is explained by high VAT claims (in particular due to the acquisition of the rail portfolio). Inventories rose by TEUR 2,376 (PY EUR 0k) as a result of the construction in process of a self-storage park in Münster. Tax refund claims from income taxes rose slightly to

EUR 1,038k from EUR 970k in the previous year. They result from prepayments for trade taxes that exceed actual tax charges.

Share capital

The fully paid in or contributed share capital of the Company amounts to EUR 8,910,000 (PY EUR 990,000) at the balance sheet date. It is split into 8,910,000 (PY 990,000) bearer shares with no nominal value and a proportional share of issued share capital of EUR 1.00 per share.

Capital reserves

In connection with the capital increase from company funds agreed on 18 April 2016, the capital reserves of EUR 4,950k shown in the prior year were converted into share capital in accordance with §§207 nn. AktG.

In addition to the afore-mentioned capital increase from company funds, the increase of EUR 8,400,000 shown in the 2016 financial year is a result of the capital increase by cash contribution carried out at Aves One AG on 23 November 2016. Net capital procurement costs of EUR 1,438,628 incurred in this context have been deducted.

The foreign currency translation adjustment relates to the transformation of the functional currency USD applied in individual units (mainly the business segment Container Equipment) into the disclosure currency EUR and amounts to EUR 1,391k (PY EUR 760k).

Group retained profits fell from EUR 9,871k auf EUR 2,205k.

New external loan finance obtained – increase in indebtedness

In total, purely financial liabilities (short-term and long-term) of the Group amounted to EUR 468,938k (PY EUR 238,113k) in the reporting year. With respect to long-term liabilities, the financial liabilities increased to EUR 312,392k from EUR 169,253k in the previous year, while current financial liabilities amounted to EUR 156,546k, compared to EUR 68,860k in the prior year. The development of financial liabilities is the result of the funding requirements for new asset acquisitions in the 2016 financial year. A significant part of the liabilities fall due within one year and include bank financing as well as financing from institutional investors and direct investments, which are to be replaced as planned by new finance. Direct investment is planned to be reduced further in favor of bank and institutional investor funding.

Aves has knowingly accepted a foreign exchange risk (US dollar to EURO) as logistics assets are held in the long term and the time of sale of the assets can be deliberately chosen and thus the currency risk can be countered. A hedging of the currency risk on financial instruments would have an immediate cash flow effect that should be avoided. However, Aves regularly gives consideration to the hedging of currency risks and examines hedging possibilities by means of suitable financial instruments.

Deferred tax liabilities amount to EUR 5,995k (PY EUR 4,532k). The increase in deferred tax liabilities is explained by currency effects relating to the different conversion within the IFRS and tax accounts as well as loss carried forward which will partially not be utilizable over the next few years. Furthermore, deferred tax liabilities arise as a consequence of different depreciation rates applied in the IFRS and tax accounts. Further short term liabilities comprise trade accounts payable, which amount to EUR 21,999k together with other liabilities (PY EUR 5,361k).

Analysis of the statement of cash flows

The cash flow from ongoing business activities amounted to EUR 13,601k (PY EUR 3,951k). The cash flow from investment activities amounted to EUR -68,596k (PY EUR -105.327k). In the reporting year, further investments in tangible fixed assets in an amount of EUR -51,299k (PY EUR -96,554k) took place. Moreover, cash outflows of EUR 27k were incurred in connection with the acquisition of intangible assets, which subsequently gave rise to purchase-related costs being recorded within tangible fixed assets.

Cash flows from financing activities totaled EUR 73,978k (PY EUR 104,680k). After deduction of transaction costs, capital in an amount of EUR 17,820k (PY EUR 7,852k) was paid into the Company. For the financing of the containers, swap bodies and tank containers as well as the purchase of freight wagons and the acquisition of ERR, the company incurred liabilities in the amount of EUR 130,534k (PY EUR 184,648k) in the 2016 financial year. In addition, interest payments amounted to EUR -12,230k (PY EUR -12,054k). Payments for the redemption of bonds and (financial) loans amounted to EUR 60,706k (PY EUR 75,766k). The Aves Group was able to meet its payment obligations as and when they fell due at all times.

2.6 Financial and non-financial Performance indicators

The Aves Group uses various financial performance indicators to control the company. The main performance indicators are operating cash flows resulting from the cash flow statement, sales revenues and EBITDA (earnings before interest, taxes, depreciation and amortization). Non-financial performance indicators are insignificant in this business model and are therefore not used.

In view of the general target of a return on capital in excess of financing costs, the main aim – in addition to various measures aimed at optimizing the return on capital – is to reduce financing costs before taxes as a weighted average of the costs of equity and external financing. To this end, financing costs are continuously monitored and alternative debt finance sources evaluated. An emphasis is placed on the analysis as to how a refinancing of short-term direct investments into longer-term bank financing can take place. The implementation of this has already begun successfully and regular discussions are being held on the basis of the results.

Essential key performance indicators are reviewed in the course of comprehensive monthly reporting procedures for the respective business areas which are also compared to sector indicators. These include inter alia:

- Utilization
- Revenue per day
- Cash on cash (gross profit /(purchase costs + ancillary purchase costs))

The structure of the customers (shipping companies) is also examined, in particular with the aim of avoiding so-called cluster risks.

2.7 Forecast to Actual comparison

On the basis of the implementation measures for the strategic realignment as a holder and manager of mobile logistics assets, the Management Board expected significantly higher revenues and significantly improved earnings for the 2016 financial year. This was to be achieved by a further significant build-up of as-new logistics assets, especially in the Rail segment as well as for Special and Resale Equipment, together with a further reduction in financing costs. Many of these goals were achieved as shown in the following table.

	Forecast 2016	Actual 2016
Rail Equipment	Stable value expansion	Stable value expansion
Special Equipment	Significant expansion	Significant expansion
Revenue	Significant increase	Significant increase
Results (EBITDA)	Significant improvement	Worsening
Utilization	Slightly increasing	Slightly increasing

Revenues increased significantly from EUR 21,619k to EUR 28,646k in accordance with plan in the 2016 financial year, although some acquisitions of new logistics assets were partially delayed. EBITDA on the contrary could not be improved in line with expectations, but decreased from EUR 20,331k to EUR 15,356k. In particular, lower levels of exchange rate gains in comparison to the prior year and investments in additional personnel affected EBITDA in 2016.

The takeover of ERR Vienna has resulted in an equivalent expansion of the Rail and Container Equipment segments. The Special Equipment and Resale Equipment business areas have also been expanded. Capital costs were already reduced slightly as a result of discussions with institutional investors and banks, and the planned cash capital increase was successfully completed in November 2016.

Furthermore, as expected in the forecast, the utilization rate in the container sector was also improved. As expected, it was also possible to achieve full capacity utilization for the 2015 year-end business unit portfolios special equipment and rail on the basis of existing leases.
Financing costs have increased in absolute terms in the light of the further expansion. As expected, a first reduction in the average interest rate was achieved in 2016. Financing costs are understood to include interest and other costs incurred for the financing of investments.

Business development is viewed positively despite the reduced EBITDA in 2016, as the important growth trend remains intact and the diversification process has been initiated with respect to the Rail and Special Equipment segments, and the real estate sector is being built up.

3. Report on Opportunities and Risks

The Aves Group deploys a risk management system, which does not currently record potential opportunities.

3.1 Risk Management

In the context of its risk management system, the Aves Group identifies potential risks as early as possible and evaluates and manages these risks in close collaboration with the company's operating units.

The integral components of the system are systematic risk identification and risk assessment, whereupon measures for the prevention, reduction and limitation of risks can be initiated. The risk management system of the Aves Group reflect typical risks of comparable companies. It was further customized to reflect specific requirements by means of an individual risk identification log and other individualization measures aligned with the structure of the company. In principle, all recognizable risks are recorded, which is also demonstrated by the disclosure of a number of risks with a low risk disclosed below. Special attention is given to the early recognition of risks that constitute a threat to the company as a going concern: If a possible event threatens the business model or the profitability of a major business area and thus the company's continued existence, decision makers are informed about this in the short term. Countermeasures can be initiated or strategy changes can be promptly implemented. In view of the size of the company and their central role in the business, the Controlling and Accounting divisions are responsible for the risk management system. The increased integration of the newly acquired participations (e.g. ERR Vienna) into existing risk management has already been planned. The risk management is organized according to the business processes, whereby the overall economic risks are described in the upper section.

An evaluation system („traffic light system“) enabling a comparability and ranking of various types of risk and probabilities ot their arising makes up the core risk management element:

- A first step is to classify the different types of risk with regard to their impact on the company using numerical values (so-called triggers).
- In a second step, an assessment is made regarding the probability of occurrence.
- By multiplying the two triggers, risk indicators are created that allow a direct ranking and can be roughly grouped into a green, yellow or red area in an analogy to traffic lights
- Depending on the outcome, measures are developed and initiated that contribute to the reduction of the risk.

The product of the significance and probability of occurrence (the so-called criticality) gives rise to a classification into four categories:

  - low
  - material
  - critical

- going concern threat

The evaluation is not restricted to new investments or market opportunities; risks previously identified are regularly re-evaluated and re-classified as required by the changing circumstances.

The risks and their interrelationships are moreover summarized in the reporting.

In principle, a reporting system at the board level in accordance with § 90 AktG is in place, which ensures the communication of information to the Supervisory Board. Changes in business policy and major transactions with a significant impact on the company's profit and loss account are either reported as part of the quarterly ordinary Supervisory Board meetings or, if necessary, immediately. This also applies for example in the case of significant or going concern-related risks, which are classified as "critical" or "high". If such risk situations are identified, a rapid consultation as to action required takes place between the Management Board and the Supervisory Board.

3.2 Disclosure of Individual Risks

3.2.1 Overall Economic Risks

Aves is exposed to domestic and international economic risks and is directly affected by fluctuations in world trade. If macroeconomic developments deviate from budget assumptions, a variety of risks can develop. Fundamental economic shocks, such as economic and financial crises, can have a negative impact on Aves' business. Economic growth, on the other hand, encourages capacity utilization in the logistics sector. As a result of the economic development, interest rates and currency parities are also fluctuate regularly. Long-term contracts with the various customer groups should serve as a general hedge against short-term economic fluctuations.

Within the Aves Group, the highest possible degree of diversification of the logistics portfolio, with a focus on rail and container assets, is being pursued. An emphasis is also placed on long-term investments (long-term leases as well as assets with long expected useful lives).

The risk exists that the overall economic development in view of uncertainties amongst others in Russia, Turkey and the USA could run counter to the interests of the Aves Group.

The significance of macroeconomic risk is considered to be material at the time of the review, with the probability of occurrence declining somewhat as a result of the most recent forecasts for the development of the global economy.

3.2.1.1. Profitability risks

In addition to the strengthening of equity capital through capital measures, it is also necessary for the Group to be profitable when pursuing an expansionary growth path. This enables investor confidence in the Aves One Group's business idea to be further strengthened, facilitating the prospects of acquiring further assets and obtaining financing at favorable conditions. This risk is considered critical.

3.2.1.2. Financing risks

In addition to the generation of equity, it is essential to obtain borrowing on the most favorable terms possible. Through the stock exchange listing in combination with a higher equity level, important prerequisites for the future have been created. With the capital increase implemented in 2016, the equity structure was further strengthened. The Aves Group is essentially dependent on the receipt of financing for its business activities (in this context also by institutional investors who are also shareholders of Aves One AG providing a substantial portion of the financing).

In principle, loan repayments in excess of EUR 150 million in all areas are stipulated for 2017.

It is to be expected that the improvement of the equity structure will result in a more positive creditworthiness, which will enable even better access to more cost-effective and more flexible forms of financing. Related risks are proactively countered by measures to further business growth which have already been implemented, currently initiated or already planned. A critical asset volume, currently amounting to c. EUR 445 million, was not yet reached at the time of the review.

The first successes can be seen in the form of new financing or refinancing on favorable terms in the areas of Rail, Special Equipment and Containers.

However, further growth remains a fundamental business risk factor to which particular attention must be devoted. This risk is considered critical.

3.2.1.3. Risks with respect to the access to assets

The use of capital is a critical factor as a counterpart to the procurement of capital: It is necessary to generate viable logistics assets. For this purpose, access to new assets in the form of container portfolios for sale, batches of rail wagons or financing transactions in the field of special equipment is necessary. An extensive network in the various market areas and the establishment of new business contacts is crucial here. In doing so, it is necessary to identify investment opportunities that best meet the Company's requirements regarding the rental, duration, market risk and creditworthiness of the business partners. This risk factor represents a material risk at the time of the review.

3.2.2. Market risks

3.2.2.1 Market for container equipment

After the substantial increases over the last few years, the growth prospects for the container equipment market continue to be high, despite the recent downturn. Drewry expects a slight increase of the growth rate of 3.5% for 2017 to 2019.

The market is particularly dependent on world trade. It is expected that market participants will concentrate on their core business, e.g. shipping companies on ships and ports, and plan only limited budgets for the new acquisition of containers. This context, however, entails the risk that competition among leasing companies will increase leading to declining rental rates. Should the described general conditions change, this could lead either to a deterioration but also to an improvement in the business prospects of the Company.

The Aves cooperates with the established Top-10 container Managers Florens, CAI and UES who, through their monthly reporting, are able to point out negative market developments at an early stage and react to them by arranging new leases and ensuring supplies are in place in ports with high demand levels. In addition, an emphasis on recent equipment, long-term fixed leases and a focus on very common container sizes is of paramount importance in connection with the acquisition of new container portfolios. This risk area represents a material risk at the time of the review.

Since Q2-2016, positive and sustainable trends with regard to new prices, rental rates and utilization rates have been observed in the container market.

Therefore, the risk is considered to be fairly significant but not to have a very high likelihood of becoming likely critical at the time of the review.

3.2.2.2 Market for rail equipment

The market for rail freight transport is gradually recovering from the sharp slump in 2008. Analysts expect further growth in Europe. As state railway companies have limited financing options, they are increasingly focusing on investments in the rail network and passenger transport. This further strengthens the importance of leasing for rolling stock in freight transport. In the US, leasing companies account for approximately 65% of the freight carriage market, while this proportion is still low in

Europe at 30%. Replacement investments are and will remain market drivers because substantial replacement investment requirements will become necessary in the coming years due to the high average age of the freight carriage fleet in Europe.

The development of rail freight traffic is characterized by a high degree of regulation and various restrictions such as e.g. noise protection and the associated high organizational requirements. As a result, it is crucial to react quickly to imminent regulatory changes in order to maintain an unrestrictedly usable fleet. All freight wagons purchased by Aves comply with current standards and can thus be easily marketed on a long term basis. With ERR Duisburg as an experienced rail freight transport manager, Aves holds a 33.3% share in a partner with an excellent standing in the marketplace and corresponding know-how.

Should the described conditions change, this could lead to a deterioration in the company's outlook. At the time of the analysis, there is a low risk with regard to market conditions.

3.2.2.3 Market for special equipment

The market for special transport solutions will grow. Lessors are concentrating on their core business, thereby accelerating the growth of the leasing companies, which are also entering the market due to favorable financing conditions. As in the other markets, there is a risk that the competitive pressure will increase with a negative impact on market rent levels. The picture in the area of swap bodies can be summarized as follows: the trend towards leasing solutions also exists here, and lessors are interested in full-service solutions with special equipment adapted to their specific requirements.

As is the case in the other areas, Aves works together with a competent partner. Thanks to its long years of experience and established position, the cooperation partner Mobilboxx is in a position to recognize negative trends in the market and react to them in the short term. In this context, a diversified customer structure will continue to be built up and long-term contracts with customers will be concluded.

Should the described general conditions change, this could lead to a deterioration in the company's outlook. There is a low risk of this at the time of review.

3.2.2.4 Market for resale equipment

<u>Storage</u>
The market for the provision of external storage areas for private and commercial use is estimated to have a potential of more than 1,000 parks in Germany. It is important to participate in this development at an early stage in order to avoid increased competition from other developers. In this area, Aves cooperates with Magna (project development) and CH2 (sales, rental). The idea of self-storage property originates from America, although some recent experience can now also be derived from Great Britain and Europe. In Germany, the market is still a niche market, although growth potential is attributed to it, which, however, cannot be underpinned by reliable data in view of the absence of long-term investigations in this field. In addition to the location, a reliable and competent contract partner, a legally secure contract design, a location with high demand from self-storage users, a low level of building risks and a high quality of substance, effective administration, leasing and sale, appropriate long-term care, repair and maintenance planning, the greatest possible cost transparency as well as a solid financing and the right tax concept are essential factors for a successful investment in such a special property.

<u>Container resale market</u>
Der Resale Markt or secondary market is increasing in volume annually as a result of the high transfer level of in excess of one million TEU from the Sea Equipment market alone. Due to construction projects, mining and energy projects in Europe, North America, Brazil, Russia and Central Asia, a high demand level exists in the market. To this end, Aves has established a joint venture with the Hamburg company Conical GmbH in order to intensify its activities in this market in the sense of extending the value chain covered by its services. In addition, the joint venture deals with the sale of new containers.

Should one or more of the described conditions change, this could lead to a deterioration in the company's outlook. At the time of the analysis, there is a low risk with regard to market conditions.

3.2.3 Operational Risks

3.2.3.1 Utilization Risks

Utilization risks faced by the four areas are very diverse: The investment volume of the individual equipment item and the volatility of the respective market are the main influencing factors.

Container Equipment
The capacity utilization rate of the sea container fleet depends directly on the development of the world market and the supply of sea containers. This is to be viewed in conjunction with an oversupply of transport volume and related lower capacity utilization with low freight rates. The Company has therefore concentrated on acquiring transport equipment with long and medium-term leases and fixed rental income. Due to the fragmented structure of the container fleet, the universal possible deployment of the units and in some cases the short leases in older equipment, it is possible to counteract the effect of load fluctuations flexibly.

Existing assets are subject to constant control of utilization levels, which, once critical levels are breached, results in counter-measures, such as an alternative use of container types that are difficult to lease out on the market (transfer to the resale market), being initiated. In all newly acquired portfolios, particular attention is paid to a low age of units. Thus, the last large tranche (19,700 CEU) procured in 12/2015 via the container manager UES, Hong Kong, was on average only 1-2 years old. In addition, the cooperation with the established top-10 management companies Florens, CAI and UES ensures professional handling and access to the largest and highest-turnover customers. This considerably reduces the significance of this risk. At the time of the review, a risk exists which has, however, been effectively addressed. but this is well met. Moreover, a sustained and positive trend in the container market since Q2-2016 has led to an increase in capacity utilization in the 20 "and 40" high cube containers. Thus, the utilization rate risk is considered to be material at the time of observation.

Rail Equipment
In view of their long useful economic lives, the long lease terms and the high investment volume, utilization rate risks for freight carriages are subject to a very long-term evaluation. As a rule, the units are leased on a long-term basis, especially if they have been newly manufactured to meet the requirements of the railway operator. Utilization risks arise after the end of the term of leases. As a rule, an extension of a lease can be assumed. If this is not the case due to company-specific or economic reasons, the universal usability of the wagon type and its age determines how quickly the equipment can be leased out again on the market.

The company attaches great importance to acquiring equipment that is as new and modern as possible. Thus, the average age of the existing carriages is currently 15 years – whereas the average age on the European rail market is 35-40 years.

The assets currently held in the portfolio are largely leased out for a term of 3-5 years. Due to the generally prevalent high ages of the overall fleet and the continuing bottlenecks in the manufacturing of new carriages, the probability of risks arising in this context is low at the time of the survey. Compared to the previous year, however, we consider this risk to be significant as the importance of the Rail segment has grown strongly.

Special Equipment
In the case of specialized equipment, a greater basic cluster risk exists as a result of higher individual values of the assets, as well as the more difficult re-marketing after the end of the rental period. This is why long lease terms are the norm here too, ideally over the entire economic life of the equipment item. By investing in specialized means of transport, a niche strategy is pursued as a compensation for the very generic maritime container market. The rules of the market are exactly

opposite here: for the users, the benefit of the equipment lies in its optimal adaptation to their specific requirements, not in a global exchangeability.

The investments made so far in swap bodies are provided with lease terms in excess of 60 months as well as a daily return option. This type of equipment also ensures good further marketing perspectives through a standardized, generally usable design. Compared to the previous year, however, we consider the risk to be significant as the importance of the Special Equipment division has grown significantly.

<u>Resale Equipment</u>

<u>Storage</u>
In the Self-Storage unit, capacity utilization risks are also considered to be inherent. At the time of reporting, the storage park had not yet been completed, so there is currently no utilization risk. Our market analyzes suggest a high potential utilization. The utilization risk is therefore regarded as not given at the time of the review.

<u>Container</u>
Capacity utilization risks are inherent in this segment: units that are no longer rented out or difficult to lease in other areas (especially sea containers) are bundled here for further use – sale or lease. Thus, utilization problems virtually form the basis of this business area - it is the proactive reaction to the problem in the maritime container area. The market is very fragmented; in the case of leases, short-term contract terms are customary. However, these are usually accompanied by somewhat higher rates, although in the case of non-standard equipment, it is often necessary to accept reductions

The risk in this area mainly lies in the development of the economy, whereby trade levels are not the only influencing factor: as the construction and housing sectors are among the customers, governmental programs to stimulate a weakening economy here can directly counteract adverse tendencies in trade levels.

Utilization risks are therefore considered to be given at the time of observation, but not as significant. Nevertheless, it is necessary to support the maritime business. The utilization risk is thus regarded as low at the time of the review.

3.2.3.2 Risks in connection with changes in market prices of assets

In principle, Aves sees a risk in connection with price changes. The price decline for new and also used containers, which has been broadly recognized in the area of sea containers for years, appears to have stopped. A growing demand for transport capacities is being observed. An indirect influence on price changes is caused by steel price developments and not least by falling interest rates. Thus price changes are linked to economic fluctuations in several ways.

Due to the favorable purchase conditions for high volumes, critical situations do not immediately arise, although price risks need be monitored carefully with reference to the valuation of existing assets.

As far as freight rates are concerned, risk is countered in all business segments by long-term contracts. In the maritime container market there remains a dependency on price changes for the portion of the portfolio leased only at short notice. Compared to the previous year, however, we see the risk as significant, as the volatility of asset prices increased during the last year
With respect to freight rates, risk is mitigated by long-term contracts in all business segments. A price dependency exists in the maritime container market for the portion of the portfolio leased out on a short term basis only. Compared to the previous year, however, we consider the risk to be significant, as the volatility of asset prices increased during the last year

3.2.3.3 Foreign currency risks

The business areas of the company are affected by various types of currency risks. Thus, transactions in the Container Segment are denominated in US dollars, whereas a large part of the financing takes place on a EURO basis. Only the relationship between the US dollar and the euro is directly relevant, as revenues or costs are generally not settled in other currencies. Depending on the development of investment volumes and financing in different currencies, foreign currency risks may increase overall. At present the US Dollar to Euro exchange rate is positive for Aves. From an operational point of view, the existing risks are assessed as low, as the exchange rate effects have only a minor direct impact on cash flow and that foreign currencies are used only in the container business. The profit and loss effect of foreign currencies largely has a liquidity effect only when loans which are not refinanced are repaid, since container sales and expenses are predominantly settled in US Dollars, but the majority is financed in Euro.

Container Equipment
Transactions in the shipping area are traditionally settled in US Dollars. This applies both to the purchase and sale of containers as well as to the settlement of rental income, handling costs and management fees. Netting of payments in US dollars takes place in operational business. Currently, about 2/3 of the financing is in Euro, which results in a certain exchange rate fluctuation risk in the IFRS consolidated financial statements.

These exchange rate fluctuations have a minor impact on liquidity, but have a greater impact on earnings and in particular on equity. The liquidity risk is significantly lower, since repayments are spread over a longer period during the term of the loans. However, significant book gains / losses can arise in connection with the required balance sheet conversion of the Euro-denominated liabilities to the functional currency USD. No foreign exchange hedging takes place; however, a regular evaluation as to whether hedging would be likely to be advantageous takes place.
From an operational perspective, the existing risk is assessed as material.

Rail Equipment
Transactions in this area are currently settled exclusively in Euro, with both operational net payments and all financing being Euro-denominated. As a result, there are no effects at the time of observation and there is no quantifiable risk.

Special Equipment

This area is currently only subject to Euro-denominated settlements, all operational net payments as well as financing are in Euro. Consequently, no effects arise at the time of review, and no quantifiable risks exist.

Resale Equipment
In addition to the further use of maritime equipment at the end of its normal useful economic life, this area also includes the business unit Storage.

Storage
Garages are developed, financed on an interim basis and sold within the Storage subdivision. Until now, this has taken place entirely in Euro both from an operational and financing perspective.

Container
For Container Equipment, the same basic conditions as described above apply: The valuation of containers in connection with the transfer to this area is in US dollars. Handling costs and any short-term rental contracts are also denominated in USD. If a sale of containers is made in Euro in the domestic market or Eurozone, pricing will be based on the current global market prices in dollars.

To the extent that such equipment is financed in Euro, an exchange rate risk exists at the time of observation.

3.2.4. Organizational and personnel management risks

3.2.4.1 Risks relating to staffing levels

Due to the lean structure of the Company, a sufficient level of staff is a critical factor. It is essential to avoid delays arising due to capacity constraints in investment projects, investor care (interest/loan repayments) or even in dealing with public authorities (tax).
An appealing workplace and a professional management culture are aimed at furthering the identification of employees

with the company and ensuring their loyalty in the long term. Staff training measures take place in order to broaden the areas of expertise and responsibility of personnel and to raise potential and create internal capacity benefits.
It is imperative to create such capacity benefits in order to be able to bridge absence times (leave / illness). In order to mitigate the risk, the minimization of fluctuation levels is crucial in addition to timely personnel recruitment in the light of the expansion of business activity.
High fluctuation levels lead to higher costs due to recruitment and unproductive work due to additional training requirements.
Staffing level risks are considered to be material on the whole, but are assessed as being under good control at the time of observation.

3.2.4.2. Risks relating to qualification levels

In principle, the professional qualification of employees is a critical success factor. Personnel selection therefore takes place with the involvement of established recruitment consultants. The transfer of know-how is allowed enough time in connection with the training of new employees to enable a well-founded company-specific knowledge base to be built up.

An above average fluctuation level of managers and employees increases the risk that positions are not adequately occupied. Due to incorrect personnel decisions on the part of the management, mistakes and / or insufficient staffing levels may arise. This can lead to an overworking of the remaining employees, which in turn can lead to a higher sickness levels or further employee erosion.
Personnel qualification risks are generally considered to be significant, but are assessed as being under good control at the time of observation.

3.2.4.3. Risks relating to personal factors

An established network with stakeholders in the respective market areas is essential especially in connection with the acquisition of financing and assets. Trust, business, but also Personal and business relationships characterized by trust are important. These networks are linked to individuals, as a result of which the involvement of these persons with the company is a decisive success factor of the business model, and thus constitutes a risk area. The risk is viewed as significant. The close intertwining of personal economic interests with those of the company significantly lowers the probability of fluctuation.

The risk of personal factors is on the whole considered to be critical, whereas in the last year it was only considered to be significant.

3.2.4.4. Liability risks

In order to address risks pertaining to erroneous decisions made by company managers and executives, Aves has concluded an indemnity insurance policy. Appropriate measures have already been in place since Q3-2016. The risk is considered to be material.

3.2.4.5. Risks relating to the integration of ERR Wien

The interests of the Aves Group as a shareholder of ERR Vienna could be impaired due to the lack of local proximity and, to some extent differing internal processes of the acquired entities ERR Vienna and ERR Duisburg. The risk is considered to be material. This risk did not exist in the previous year.

3.2.4.6. Risks relating to minority interests

The interests of the Aves Group as minority shareholder in ERR Duisburg could run counter to those of the majority shareholders and the protection measures concerning rights of the minority shareholders which are to be implemented or are otherwise in place might be insufficient to protect the interests of the Aves Group. The risk is considered to be material. This risk did not exist in the previous year.

3.2.5. IT-Risks

3.2.5.1. Hardware

In order to manage its business, Aves relies on the permanent availability and functioning of IT systems. Only high-quality hardware is used, which is replaced at an early stage to ensure the current state of development is always applied. Sufficient replacement systems and hardware components are permanently available, so that failures only lead to small delays in the work process. Data backup is performed externally by a service provider to spread the risk of total loss of data by local distribution. A documentation of the hardware structure and list of contact persons is only in place to a limited extent.

This year, the significance and the probability of occurrence are judged to be higher than in the previous year, which results in an assessed as a significant risk.

3.2.5.2 Software

Standard software is mainly used for day-to-day processes, largely Microsoft Office products, DATEV and, since September 2016, the ERP system COMARCH, which will replace DATEV by mid-2017. The advantage of such products is a high quality standard, a wide user knowledge and a high flexibility with respect to the adaptation to specific requirements. Flexibility, however, entails the risk that specific local solutions are created without sufficient documentation, which can only be used by a limited number of employees (for example complex Excel calculation files). This risk must be countered by the furthering of specific knowledge of staff, the presence of documentation and a broad diversification of know-how. Furthermore, a database for the provision of data relating to investors and logistics assets is in place.

Due to the use of a functional currency, the consolidation is prepared in Excel, even though this reaches the limits of this software. The introduction of COMARCH is taking place successively, first in the US dollar-based container companies. This introduction is to be followed by other standard software products in order to mitigate possible risks.

In order to protect itself from the risk of system failures, Aves uses state-of-the-art back-up systems, including external data back-up, and has developed plans that enable a rapid system recovery in an emergency. This takes place in cooperation with service providers specialized in the storage of critical data and the creation and rapid provision of back-up systems.

Sensitive or confidential data, in particular from partners, must always be protected against access by unauthorized third parties. Data protection is ensured by current firewall systems, virus protection and encryption programs as well as physical and data access control systems. Within the company, graduated access rights to data have been implemented. A documentation and inventory of the IT software and the application is currently not available. A documentation of the Asset Oracle database is subject to improvement.

The IT risk is therefore considered to be material at the time of review.

3.2.6. Financial risks

3.2.6.1 Liquidity risk

A liquidity risk exists if liquid funds are not sufficient to settle financial obligations at a certain amount and at a certain point in time. This applies in particular to loan repayments and loan interest payable. Failure or delays in payments or bad debts from customers and business partners could result in such a situation. Aves manages these risks by always holding sufficient liquidity reserves in its affiliates so as to be in a position to bridge unexpected liquidity shortfalls. In addition, the company regularly prepares liquidity plans and compares these to the actual development of the company. Liquidity levels on the Company's accounts are checked daily. Access to the capital market always remains an option for Aves in order to enable the choice of the most favorable alternative in view of the economic circumstances. As a result, unexpected short-term liquidity shortfalls are not to be expected, but nonetheless constitute a critical risk at the reporting date. In the previous year, this risk was only considered to be material, but the significance of liquidity is considered to be higher in this year.

3.2.6.2 Risks relating to creditworthiness and bad debts

A risk that the economic situation of customers and business partners of Aves will deteriorate economically or that they could become insolvent resulting in receivables not being recoverable exists in particular in times of high economic volatility. The Aves Group therefore seeks to diversify its customer base and sales partner structure and makes use of offsetting rights.

A preselection of the leasing partners arises in the context of the cooperation with large, established container or rail portfolio managers such as CAI, Florens, UES or ERR. Prior to agreeing leases with ship owners, for example, clear minimum standards with regard to the Dynamar rating are in place. Risks are also spread as a result of the wide customer base in the shipping sector. The relevant experience of the partners is applied arranging the settlement of receivables. No credit insurance is currently in place, although the receivables are covered credit insurance at the level of the container managers in connection with their leasing with end customers.

The overall risk is considered to be significant but not probable and thereby not critical at the time of reporting.

3.2.6.3 Financing risks

<u>Direct investments</u>
Direct investment from the private sector through BoxDirect AG and BoxDirect Vermögensanlagen AG is one of the bases of financing. Through its sales partner, CH2 AG, a dependable base of private investors with small-scale direct investments was established. The small-scale fragmentation of the investments and the different maturities ensure a stability of the capital inflows and outflows. Reinvestment of matured investments (buy-back of the containers from the investor by BoxDirect AG and BoxDirect Vermögensanlagen AG) of existing investors and the acquisition of new investors ensure a steady inflow of fresh investment capital. With this form of financing, the risk for the company consists in a possible lack of new investment, since the acquired logistics assets have a long economic life (> 10 years) and, on the other hand, the financing takes place on a short term basis (<3 years). In addition to effect of general market developments, the attractiveness of container investments can be impaired as a result of reputational damage affecting sales partners or the container investment sector as a whole, caused by own actions, by factors outside the control of the Group or other external influences. In addition, the effect of interventions by the regulator BaFin also needs to be considered. The companies BoxDirect AG and BoxDirect Vermögensanlagen AG as 100% sister companies of Aves, and CH2 AG through the 30% shareholding of Aves constitute related parties in accordance with company law. This risk is therefore considered to be critical. In comparison to the prior year, when the risk was considered to be only material, the risk weighting was increased due to its greater significance.

<u>Institutional investors</u>
In addition to direct investments, a number of long-term, partnership-based relationships exist with institutional investors who supply funding for clearly defined and specifically secured investments. Due to the as a rule generally higher investment amounts, significant one-off inflows and outflows occur, which are, however, predictable. A reliable adherence to contract terms is of particular importance in order to maintain the trust which forms the basis for new investments and reinvestments.

At the time of review, relationships based on mutual trust with selected institutional investors are in place. As a result of the stock exchange listing and the related improvement in creditworthiness, interest in the business has increased and the circle of interested parties has grown. A trustworthy collaboration with institutional investors provides a rapid and straightforward access to financing. Consequently, the risk of losing this form of financing in the future is regarded as critical.

<u>Bank finance</u>
Bank financing is subject to the highest requirements for collateral and reporting. Certain key figures are specified in loan agreements, so-called financial covenants, which are precisely defined and regularly reported to the banks. These

covenants are partly very strict in terms of capacity utilization and sales. Entire loans may need to be repaid prior to maturity if reporting requirements are not met. This form of financing would as a consequence then possibly also not be available any further. For this reason, the Management Board monitors the provisions by means of the existing reporting, control and risk management system of Aves. Compliance with obligations has always been ensured, which is confirmed by the successful completion of further financing agreements with reputable banks. At present, this form of financing is used in the Rail segment only. However, initial successes relating to the improved equity level can be seen in connection with new financing or refinancing arrangements in the areas Rail, and Special Equipment with more favorable terms and conditions. First talks were held in the container area.

The risk is considered to be material at the time of reporting.

3.2.6.4 Valuation risks for participations

A risk exists that Aves may incur losses as a result of an insufficient profitability of participations. This risk is countered by an ongoing and intensive review of the financial data of existing or planned participations.
Current participations are:

- a 30% share in CH2 Vertriebsgesellschaft Contorhaus Hansestadt Hamburg AG (CH2 AG)
- a 51% joint venture, CONICAL Container Industrie Consulting-Agentur und –Leasing GmbH, in the Resale area.
- a 33.3% share in ERR Duisburg

The companies do not hold any assets as fixed assets, so that no valuation risks exist in this context. All participations are of an operational nature and do not give rise to significant financial risks.

The valuation risks with respect to participations are considered to be low at the time of review.

3.2.6.5 Valuation risks concerning fixed assets

Fixed assets capitalized are subject to estimation risks in connection with impairment matters relating to fluctuations on the disposal as well as procurement markets and in particular also with reference to their value in use depending on internal and external assumptions as to their useful economic lives and utilization levels. A latent risk therefore exists that the net book values of fixed assets are potentially in excess of net realizable values or values in use. Assumptions and estimates can be subject to fluctuations relating to underlying market developments and changes in those could give rise to write-downs in fixed assets and related impairment charges against income.

A valuation risk which is considered material and is subject to ongoing observation currently exists with respect to maritime containers.

3.2.6.6 Risks concerning the capitalized asset „agency commission“

Agency commission portfolio supplier
A performance-related, flat-rate fee of EUR 2.5 million for the provision of brokerage services in connection with logistics real estate for a negotiated transaction volume of at least EUR 100 million was agreed in a brokerage agreement concluded between BoxDirect AG and BSI Blue Seas Investment GmbH dated 07.12.2016, which was due 10 days after the conclusion of the contract.

There is the risk that the capitalized amount of EUR 2.5 million may be impaired in whole or in part if no purchase contracts for logistics properties are concluded. This risk is considered to be low.

3.2.6.7 Interest risk

The Group is exposed to an interest rate risk in the context of debt financing. Refinancing costs may change as a result of interest rate fluctuations. Interest rates are fixed for all interest-bearing liabilities as at 31.12.2016. In order to limit refinancing risks, interest rate agreements are concluded with the maximum terms possible. The current low interest rate is likely to give rise to increasing interest rates in the medium term. While account can be taken of related increases in cost levels in connection with new investments, liabilities currently existing give rise to opportunities rather than risks, although this risk is still considered to be significant.

3.2.6.8 Risks relating to market capitalization values

As a listed company, the Aves is subject to special risks arising from the tradability of the company's shares and the related regulations. This includes possible insider trading, manipulation, unequal treatment of shareholders and dependency risk, as well as incorrect ad hoc or other communications. Both unintentional and deliberate activities must be excluded here. A sensitive handling of confidential information is just as important as transparent structures, double-checking and a well-founded knowledge of employees.

The European Market Abuse Regulation (MAR) and the Market Abuse Directive (MAD) form the European legal framework for market abuse. The MAR entered into force at the beginning of July 2014. The provisions addressed to issuers and other market participants apply from 3 July 2016.

Even small irregularities can have a significant impact on the market capitalization value of the company, which is why the risk is considered to be significant at the valuation date.

3.2.6.9 Reputational risks

The reputation of the Company is closely linked to its stock exchange value. For its further development and access to capital, financing and assets, it is as a company to act in a reputable and professional manner.

A reputation for reliability and consistency is essential to establish an appropriate standing in this relatively small market, where personal connections and recommendations play an essential role.

Again, small incidents can cause lasting damage, which is why the risk is considered to be significant at the valuation date.

3.2.7 Legal and regulatory risks

The Aves Group is subject to a large number of different and often changing legal provisions within the framework of its business activities. The resulting public or private-civil law consequences can entail substantial costs. Costs may arise which are not or not fully covered by insurance, due to judicial or administrative decisions or as a result of settlements.

<u>General conditions for direct investments</u>
Direct investments are exclusively handled by BoxDirect AG and BoxDirect Vermögensanlagen AG and distributed exclusively through CH2 AG. This ensures the highest degree of continuity and reliable creditworthiness among investors, but also gives rise to a dependency risk with respect to CH2 AG. In order to counter this risk and to ensure an influence over CH2 AG can be exerted, a 30% stake in the company was realized. As a long-standing market specialist, CH2 AG has, in addition to experience, the necessary legal know-how to minimize contract risks.

A regulatory risk arises from the regulator BaFin's efforts to increase investor protection by controlling market access. The laws were tightened on 1 January 2016 and certain market barriers were created. For CH2 AG, this means initially higher expenses in order to comply with the requirements (prospectus obligation). On the other hand, a clearance of the market and improved creditworthiness of direct investments in the perception of potential investors is likely to result in opportunities for reputable market participants. Both the authorities and all market participants are entering new territory, and experience in this field will have to be gained on all sides. It is only in the course of 2017 that the first effects will become apparent.

On 8 June 2011, the directive for alternative investment fund managers (the so-called AIFM) was adopted by the European Parliament and the European Council. The Directive was transposed into national law on 22 July 2013 in the form of the so-called Capital Investment Code (KAGB).

The Aves Group assumes that it is not covered by the scope of the KAGB. However, a risk exists that this will not be the case and that Aves needs to be restructured as a consequence, which may require third-party approval. It cannot also be excluded that historical transactions may need to be reversed. This could have a material adverse effect on the financial results achievable by investors, leading to a partial or complete loss of amounts invested.

In general, the introduction of new supervisory and regulatory requirements as well as the further tightening of existing regulatory requirements or the adoption of a possible regulatory requirement by the relevant supervisory authorities may lead to increased costs, a partial or comprehensive restriction of the business activities of the provider and its premature liquidation, which would reduce the returns achievable by investors and could even lead to a partial or total loss of amounts invested.

Due to the proactive measures initiated by CH2 AG in this area, opportunities rather than risks are to be expected in this context. However, the obligation to prepare prospectuses may result in higher compliance-related expenses. As the relative importance of the DIs in the total volume of funding is set to decrease, Aves has not assigned any critical significance to this at the time of the review.

General conditions for institutional investors

Institutional investors usually face restrictions as to creditworthiness and risk grading in connection with their investment activities. The capital increase and stock exchange listing of the Aves (see 3.3.1) can be expected to lead to a more favorable risk classification.

As a result, these risks are adequately addressed at the reporting date and are not critical from a going concern perspective.

3.2.7.1. Risks relating to the stock exchange listing

As a listed company, Aves is subject to a variety of regulatory requirements and requirements. A considerable loss of reputation in addition to financial sanctions may arise if Aves does not or only partly fulfills these company and civil law statutory requirements. This risk has been included for the first time in the current risk management assessment and is considered to be significant for this year.

3.2.7.2. Litigation risks

From time to time, the Aves Group is affected by claims and legal disputes relating to its business activities. With the exception of the litigation described below, the Aves Group is not involved in any governmental, legal or arbitration proceedings (including proceedings which the Aves Group is aware of which are outstanding or have not yet been initiated) which have or may in the future have a significant impact on the net assets, financial situation or profitability of Aves One AG and / or the Aves Group.

3.2.7.3. Litigation claim and counterclaim in connection with a container purchase agreement

On 23 December 2014, SLI Dritte Verwaltungsgesellschaft mbH & Co. KG ("SLI") filed a lawsuit against BSI Blue Seas Investment GmbH (“BSI Blue Seas”) for the payment of a contract penalty of USD 3,000,000.00 plus interest of 5% above base rate at the Regional Court of Hamburg.

SLI bases its claim on a contractual agreement in a container framework purchase agreement in which BSI Blue Seas had to draw containers individually at a total cost of USD 90,000,000.00 by 15 November 2013. In the case of this minimum volume not having been reached, the contract provided for a contractual penalty of USD 50,000.00 per day for the period between 16 November 2013 and 15 December 2013 plus an amount of USD 1,500,000.00 for failing to meet the minimum volume after 15 November 2013. The parties had agreed a maximum amount of USD 3,000,000.00 for the contract penalty.

BSI Blue Seas raised numerous objections in its defense and argued that the preconditions for the penalty under the purchase contract were not fulfilled.

For its part, BSI Blue Seas raised a counterclaim for damages in an amount of USD 6.8 million and a claim for reimbursements in an amount of USD 1.2 million.

On 09.02.2017 a ruling was issued by the Regional Court requiring BSI Blue Seas to pay USD 3.5 million plus interest to SLI and SLI to pay USD 0.2 million to BSI Blue Seas. SLI III. and BSI Blue Seas have agreed that BSI Blue Seas is to provide a bank guarantee. This can only be made use of once the litigation has been finally decided.

This judgment is not in accordance with the assessment of BSI Blue Seas, and hence an appeal was immediately lodged.

A risk exists that the appeal will not be successful and that the ruling of the regional court will be final. This risk is assessed as being significant for this year, although the Management Board as well as legal advisors engaged consider it more likely than not that the original ruling will not be upheld.

3.2.7.4. Risks from the acquisition of ERR Vienna

It is not possible to determine with final certainty whether the ownership of individual or all freight wagons of ERR Vienna were effectively transferred to this company, so that, following its acquisition of ERR Vienna the Aves Group may not have become the owner of all freight wagons and, may after completion of the acquisition of ERR Vienna be subject to release claims by the actual owners or claims of the financing bank to which the freight wagons have been assigned as collateral.

For contracts concluded by the ERR Vienna, further fees could be paid by ERR Vienna under the 1957 Austrian Fees Act.

It is not possible to quantify a potential profit and loss effect. This risk was non-existent in the previous year and is considered to be significant this year.

3.2.8. Tax risks

Incorrect assessments of tax issues, e.g. in the context of the calculation of tax accruals, may have adverse financial effects amongst others in the course of tax audits. Furthermore, the reputation of the company may be damaged if, due to non-compliance with regulations or deadlines, the company becomes the focus of official investigations. In Moreover, tax disadvantages in the context of company purchases / sales or restructuring must always be reflected in the strategic company planning. The risk management system in place counteracts such developments. Accruals are made with respect to tax risks resulting from different valuation questions. The risk is reduced by the involvement of external and internal tax law specialists.

The risk is assessed as being material at the time of review.

Business related tax risks

The sale of containers due to unfavorable positioning by the management companies usually takes place abroad. Sales transactions are sometimes also completed during maritime transport or in duty free port areas. Therefore, VAT is only taken into account when sales are made when the sale is demonstrably in Germany. The correct tax treatment for sales abroad is primarily the responsibility of the container management companies, which carry out transactions on behalf of Aves. However, the seller, i.e. Aves, remains liable for taxes.

In this context, a risk of VAT regulations being breached exists. Since transaction volumes are not very high, the risk is classified as low at the time of the review.

3.2.9. Other risks

In addition to the risks described above, influences which are unpredictable and thus difficult to control arise in the course of business. In the event of occurrence, they could adversely affect the development of Aves. Such events include natural disasters, war, epidemics and terrorist attacks.

Risks relating to the loss of equipment are covered by insurance. Other risks have an indirect effect on the overall economic environment or market developments and are dealt with in the relevant sections of this report.

3.2.10. General overview of risk situation

The business model of the Aves Group is based the reaching of a critical business volume to ensure three essential interrelated factors: generation of capital, access to favorable financing conditions and entry opportunities in long-term logistics assets with sustainable strong cash flows in liquid markets.

These three factors constitute the core, company-critical risk areas. The activities of the Aves Group are characterized by this situation. Its efforts are focused on the further optimization of finance arrangements on a favorable basis. At the same time, investment projects meeting requirements in terms of sustainability and return on investment are being initiated and developed. The supply of cash and cash equivalents, which must be secured at all times in order to meet obligations (in particular loan amortizations) towards investors, but also to react rapidly to investment opportunities in the market, is closely linked to this. In addition to all other risk areas, which are subject to constant monitoring, the Company's existing expertise and stable corporate structure enable it to address these fundamental requirements in order to carry out necessary capital procurement measures successfully. As at the balance sheet date, significant and also critical risks exist, which do not however either individually or in their entirety constitute a threat to the ability of the Group to continue as a going concern risks.

3.3 Report on opportunities

The opportunities facing the Aves Group have again improved further compared to the previous year. The improvement in the utilization of the logistics assets, the increase in lease rates and the increasing demand for logistics assets are clear indicators in this respect. In particular, the courier and parcel market are growing at a significant rate, so that branching out business activities to the area of logistics real estate makes sense. Opportunities can be summarized as follows in accordance with their current significance for the Aves Group:

Container

The market for container equipment is particularly dependent on world trade, which according to estimates by the International Monetary Fund is estimated to grow by 3.5% to 4% p.a. until 2020. Especially in the container sector, the increased steel price and the decision of the Chinese government to use so-called "waterborne paints" play a role in increasing procurement costs of containers. The insolvency of the Hanjin shipping company in the late summer of 2016 also had an impact on significantly increasing freight rates. Furthermore, market participants such as shipping companies, are expected to concentrate on their core business and plan only limited budgets for the acquisition of new containers. As a result, these market participants will increasingly use the services of other providers such as the Aves Group.

The prices for new containers (from 1,300 USD to 2,300 USD) and used containers have risen in recent months, which has a positive effect on the market and has also opened up opportunities for increased capacity utilization and higher rental rates. At the same time, as shipping margins are under pressures, interesting container portfolios are regularly becoming available for purchase. Thanks to its excellent network in the market, Aves has already been offered first portfolios. A favorable procurement environment for containers in conjunction with a growing demand for the leasing of containers is therefore in place.

Rail

As a result of liberalization, new market segments have emerged within the value chain of the rail freight market (e.g. rental of locomotives, wagons and personnel, maintenance). In this context, Aves can tap additional growth through existing resources (for example wagon fleets) and economies of scale.

According to a target of the European Commission, 30% of freight traffic is to be transferred from road to other means of transport such as rail or ship by 2030. The ongoing discussion on particulate matter pollution in road traffic and growing levels of online sales will also drive rail transport growth. As state railway companies have limited financing options, they are increasingly focusing on investments in rail networks and passenger transport. In the US, leasing companies control approximately 65% of the freight car market, while in Europe the corresponding proportion is currently low at 30%. Since 2006, however, market shares have also increasing here and an end to this trend appears unlikely. Replacement investments are and will remain drivers in the market for rail equipment as significant replacement investments will be necessary in the coming years due to the high average age of the freight car fleet in Europe. According to information received by us from operators and manufacturers, fewer carriages are currently being produced than are required for replacement purposes, so that the average age of the fleets is continuing to rise. The Aves sees good opportunities to participate in this growth as well as to provide additional initial investment or upgrade investments in order to cover the growing gap between demand and supply in the market. In particular, Aves intends to expand this business significantly by further acquisitions of its subsidiaries.

Special Equipment

In the Special Equipment segment, logistics companies from the so-called courier, express and parcel market (CEP market) are among the main lessors of swap bodies. One of the main growth drivers remains the growing online trade in the B2C segment (business-to-customer). Road freight transport volumes (in Germany) continued to grow by 2.6% in 2016. According to estimates by the Federal Association for Packaged Goods and Express Logistics, the market for swap bodies will grow by 6.4% annually by 2019, after 4.6% in 2014. The tank container market is also growing steadily, with a rate of 12.6% being recorded in 2014. With regard to tank containers, the international growth of liquid transports in the chemicals, foodstuffs and petrochemical sectors will continue.

Logistics providers are focusing on their core business or, in the light of accounting disclosures, are not in a position to acquire these mobile assets. Hence, these two factors accelerate the growth of the leasing companies, which are entering the market in the light of the current low financing costs. In addition, at the moment prices for tank containers are 25% lower than in the 2010 financial year, indicating a favorable time for the market entry of investors.

A similar picture emerges in the area of swap bodies: Here, too, the trend is towards leasing solutions, and lessors are interested in obtaining full-service solutions with special equipment adapted to their specific requirements. This gives rise to various opportunities for the Aves, particularly to increase market shares, if appropriate measures can be implemented within the necessary timeframe.

As a result of the extension of the value chain in connection with its activities in the strongly growing resale market area, excellent opportunities for the gaining of significant market shares, a positioning in an emerging market and the creating of competitive advantages present themselves to the Aves Group.

The use of containers as a low cost storage solution and excellent access to real estate sites have given rise to the development concept of so-called storage parks in the periphery of large cities. Due to the increasing demand for living space in inner city locations, cellars, lofts or other storage areas no longer form part of new housing constructions. Thus, the demand for easily accessible storage space has increased greatly. Here, Aves Storage will develop, construct and market new storage parks in the coming years. As the value chain covered by Aves will also encompass the conception, letting, sale and facility management the Aves, the Company sees great potential here.

If the markets develop as anticipated and strategic measures are implemented, good opportunities to increase the utilization rates across all business areas and thus significantly improve profitability can be expected. In addition, current and future markets will be evaluated as to opportunities for strategic acquisitions, participations or partnerships to complement organic growth. Such activities can strengthen the competitive position of the Aves Group in areas where it is already active, open up new markets or complement the portfolio in selected areas.

4. Internal control system within the accounting process

The Aves Group has implemented an internal control and risk management system in accordance with § 91 para. 2 AktG with respect to the accounting process, in which suitable structures as well as processes are defined and deployed within the organization. The system is based on an individual analysis of the needs and requirements specific to the business. This is conceived so as to enable a timely, consistent and accurate recording of all business processes or transactions. It enables compliance with legislative requirements, accounting principles and internal accounting policies, which are mandatory for all the entities included in the group financial statements. Changes to legislation, accounting standards and other decrees are analyzed on an ongoing basis as to their relevance and implications for the individual and group financial statements, with resulting changes in the accounting records and financial statements being given due consideration. The internal control system reflects systems-based and manual reconciliation processes, the segregation of duties as well as the adherence to guidelines and operational instructions. In this context, the specific segregation of duties within various processes affecting the accounting function, for example ordering, authorization, release, signature authorities for banks and payment processes plays an important role.

The Aves Group implements a number of measures to ensure that the accounting policies and principles applicable for the group financial statements are in line with legal and professional requirements. The Aves Group has a central accounting and financial statement preparation function which operates on the basis of a uniform chart of accounts and common work guidelines. This ensures that accounting matters are recorded in the individual accounts in a reliable, orderly and timely manner. Various analyses such budget/actual comparisons, forecasts, developments as well as comparisons are performed and evaluated as control measures on an ongoing basis.

In 2016, Aves One AG has initiated optimization processes relating to its financial accounting software and has recorded first successes in this context. The implementation is to be continued in 2017. The measures are targeted at reducing the extent of manual involvement in the financial statement preparation process and to continue the optimization of further accounting processes.

The Aves Group Financial Statements are prepared in accordance with IFRS. The financial statements are prepared in the context of a structured process and applying a fixed timetable. The Management Board of Aves is closely involved in all questions in connection with the preparation of the Group Financial Statements. Furthermore, the Management Board and the staff of the subsidiaries communicate intensively over all significant matters.

An internal audit function has not yet been implemented. The Management Board has evaluated the effectiveness of the internal control system relating to the accounting function. This gave rise to the conclusion that the internal control system was functional in the 2016 financial year. The effectiveness of the internal control system is monitored by the Supervisory Board on the basis of the requirements of the HGB (German limited liability company law) and AktG. Irrespective of this, it should be noted that an internal control system cannot provide absolute security, and is rather designed so as to ensure that material inaccuracies in the accounts are prevented or identified.

5. Risk Report with Respect to the Utilization of Financial instruments

No material risks arise for Aves One AG a result of the utilization of financial instruments.

6. Outlook

6.1 Overall Economic Situation

For 2017, the International Monetary Fund (IMF) expects an increase in global economic output of 3.4%, followed by + 3.6% in 2018. The industrialized countries' GDP is expected to increase by 1.9% in 2017 and 2.0 % In 2018. The IMF currently sees uncertainties about the outlook in connection with the new US policy direction. However, emerging markets will be the main driver of the improving growth dynamics of the global economy, as the current difficult macroeconomic situation of some major economies will gradually normalize. Emerging market GDP is expected to grow by 4.5% in 2017 and by 4.8% in 2018.

For the euro area, the European Commission expects a sustained moderate growth rate of + 1.5% for 2017 followed by + 1.7% in 2018. A positive development on the labor market and rising private consumer expenditure are to some extent offset by a series of growth obstacles. Risks are seen by the European Commission in the context of the impact of the Brexit vote, the uncertain development of the Chinese economy as well as increasingly with respect to geopolitical conflicts (including Russia and Turkey).

German economic output will also be robust in 2017, thereby for the eighth year in a row. According to its annual economic report 2017, the German federal government expects an increase in GDP of 1.4%. The decline in the growth rate compared to the previous year is almost entirely due to the lower number of working days. In addition to private and public consumption spending, which both increased strongly by 1.4% and 2.3%, investments in residential construction are expected to be a major growth driver. Private consumer spending is being pushed by the positive labor market situation and rising net wages and salaries. In 2017, the number of employed persons will reach a new high of 43.8 million, thus growing for the eleventh year in a row.

6.2 Sector situation

Focus Container Equipment

According to its "Germany Monitor", Deutsche Bank sees world trade growth rates at the level of global GDP growth for the next three to five years. This will be reflected accordingly in reduced global freight transport flow dynamics. However, as the volume of world trade expanded at a markedly slower rate than global GDP in the year under review, a moderate acceleration in exports is expected for 2017.

Industry experts see a turnaround in container shipping trends. The insolvency of Hanjin Shipping, one of the world's largest container shipping companies, in the late summer of 2016 was a final indicator of a reversal of the market decline. As a result freight rates increased in some regions. For the current year 2017, a recovery in market profitability is expected with increasing freight rates and volumes. At the same time, virtually no new container ships have been ordered recently, providing further relief to the market, with scrapping levels increasing at the same time. In addition to freight rates, container prices have also risen. This resulted from increased steel prices, but also from the Chinese statutory requirement to use water-soluble paints in connection with the manufacturing of new containers. In the short term, the new paints lead to a more complex production process for container manufacturers. The costs are passed on to the customers by the manufacturers, which leads to price increases of USD 150-200. This has no implications for containers produced previously. There is no requirement for equivalent upgrades or similar measures to be carried out for existing containers. The January RWI / ISL container handling index also reports that the positive trend is continuing.

Focus Rail Equipment

Until 2019, annual growth rates of 1% are expected for European rail freight transport by market experts. The European rail freight market is currently under pressure due to poor profitability, instability, changes in the customer base and the strong competition from road freight transport in terms of costs and flexibility. Investments in the market are necessary to increase quality and productivity, to create flexible networks and tailor-made assets. The majority of railway companies have recognized the need to consolidate and establish networks to maintain innovative capacities, and some mergers and acquisitions have already taken place. In addition, the technical innovation network „Netzwerk Technischer Innovationskreis Schienengüterverkehr“ (TIS) has been established. Its objective is to create a sector-wide innovation approach and to upgrade the existing car fleet completely by 2030 (with a focus on, among other things, an increase in annual mileages, significant reductions in noise emissions – e.g. by “whisper brakes” – and rapid investment amortization) as well as only to manufacture new freight wagons in accordance certain standards.

Focus Special Equipment

In the Special Equipment segment, logistics companies from the so-called courier, express and parcel market (CEP market) are among the main lessors of swap bodies. The German parcel and express logistics trade organization Bundesverband Paket und Expresslogistik e. V. expects an annual growth of the volume of parcels transported of 5.4% to a total of 3.8 billion shipments by the year 2020 (2016: 3.1 billion). The growing online trade in the B2C segment (business-to-customer) remains one of the main growth drivers.

Focus Resale Equipment

The concept of the drive-up self-storage site originally stems from the USA. In Germany, the market is still a niche market, with significant growth potential being attributed to it. The European self-storage Market grew by a total of 7.1% in 2015. In 2014 this was 4.9%. In comparison to the overall European market, Germany is growing by more than 15% p.a. Its exposure level is increasing in Germany, its acceptance is growing rapidly – more and more, self-storage is becoming a flexible solution for people with space requirements.

6.3 Outlook

Through its four divisions, the business model of the Aves Group is based on a solid foundation. The Rail and Container segments will be a particular area of focus in the 2017 financial year. Growth in the Rail segment will increase continuingly, whilst in the Container segment this will depend on interesting opportunities for the Company, so that given sufficient investment opportunities, equivalent investments can be made in these segments. The currently smaller business units Special Equipment and Resale Equipment (in particular in the area of Storage in this context) are also to be expanded significantly. In view of its focus on these four divisions, Aves is clearly unique in comparison to its competitors.

For the current fiscal year 2017, the Management Board expects significantly higher revenues than in 2016 based on the measures being implemented. In addition to the initial full consolidation of ERR Austria for the entire 2017 financial year (compared to only 2 months in 2016), this is to be achieved by means of a further significant build-up of as-new logistics assets, self-storage parks and, given appropriate opportunities, the acquisition of logistics properties.

In view of this, a significant improvement of EBITDA (before exchange rate effects) is expected, with the business units Rail, Special and Resale Equipment expected to be the main drivers of this. The EBITDA for the Container Equipment segment is expected to improve slightly before currency translation effects. Aves points out again in this year that the Group results can be significantly affected by exchange rate effects.

In terms of capacity utilization levels, a strong improvement is expected for Container Equipment, and it is expected that the Rail segment will show further improvements from an already high level.
In the Resale Equipment business unit, strong demand is expected in particular for the comparatively new sub-unit Storage.

In order to finance the growth of the Aves Group and essentially to increase its own asset base through the acquisition of portfolios of mobile logistics assets, various long-term financing options are being examined. In this context, a further reduction in financing costs through the shifting of financing/refinancing is also being sought.

The Aves Group expects revenues to grow – in some cases significantly – across all divisions in 2017. This growth in sales results from the logistics assets already acquired in 2016 as well as logistics assets to be acquired in 2017.

Relative financing costs are expected to decline slightly in the Container Equipment, Special and Resale Equipment segment. In the Rail segment, financing costs are forecast at a constantly lower level, mainly due to the fact that they consist of long term bank financing. The current low interest rate level is therefore likely to have a continuing positive influence on the profitability of the Rail segment. Due to the fact that the financing of the ERR takeover was only in place for part of the past year and a significant increase in the assets is expected for the 2017 financial year, the financing costs for all business units are expected to be higher in absolute terms than in the 2016 financial year.

A significant increase is expected for the 2017 financial year in relation to the consolidated results.

7. Information in Accordance with § 315 Para. 4 HGB

Composition of Issued Capital

The issued capital of Aves One AG totaling EUR 8,910,000.00 is split into 8,910,000 bearer shares with no nominal value. It is fully paid in or contributed.

Restrictions relating to voting rights or the transferability of shares

In connection with the capital increase by cash contribution carried out in 2016, the large shareholders SUPERIOR Group and the Management Board of Aves One AG entered into an obligation not to dispose of their shares held in Aves One AG for a period of two years after the date of initial admission to trading on the regulated market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) on 24 November 2016.

Furthermore, an agreement is in place covering the joint execution of voting rights between SUPERIOR Beteiligungen AG and RSI Societas GmbH.

Direct or indirect participations in excess of 10% the capital of the company

The information relating to direct or indirect participations in excess of 10% of the capital of the company is set out in the Section „Participations communicated in connection with WpHG“ in the Notes to the Financial Statements.

Shares with special rights

Shares with special rights granting control were not in issue in the 2016 financial year.

Voting right controls in the case of employee participation in capital

No voting right controls in accordance with § 315 Para. 4 No. 5 HGB were in place during the 2016 financial year.

Entitlement to acquire or sell own shares with exclusion of the drawing and offer rights of shareholders

The Company is entitled to acquire its own shares up to a maximum amount of 10% of its issued share capital at the time of resolution. The right became effective on 5 September 2016 and is valid until 4 September 2021. Acquisitions are made in by decision of the Management Board and within the constraints set out in accordance with the equal treatment principle (§ 53a AktG) either via the stock exchange or outside the stock exchange, the latter in particular by public tender offer and also under exclusion of the offer rights of shareholders. In the case of a public tender offer, the Company may set a price or a price range for the purchase. In the case of an acquisition via the stock exchange, the price paid per share (excluding purchase charges) must not exceed or fall short of the average share price (final auction prices for shares in the Company within the XETRA® trading system or successor thereto) (“relevant price”) of the last ten stock exchange trading days prior to the purchase by more than 5%.

The Management Board is entitled to resell shares purchased on this basis or prior entitlements in accordance with § 71 Para. 1 No. 8 AktG with approval of the Supervisory Board and in accordance with the equal treatment principle (§ 53a AktG) for other purposes than the trading in its own shares.

Regulations in accordance with legislation or company statutes with respect to changes in the composition of the Management Board or the company statutes

Reference is made to the legal requirements set out in §§ 84 and 85 AktG with respect to the appointment and removal of members of the Management Board. Furthermore, § 5 of Section III. Management Board of the Aves company statutes sets out that the Management Board is made up of one or more members and that, moreover, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board may nominate a chairman of the Management Board, if the Management Board consists of more than one member. The Supervisory Board may also nominate a deputy chairman of the Management Board. Requirements as to amendments to the company statutes are in line with §§ 133 and 179 AktG.

Change of Control clauses in significant agreements with the Company

No agreements were in place with the Company which were subject to a change of control clause in the context of a takeover bid.

Compensation arrangements in the case of a takeover bid

No compensation arrangements in the case of a takeover bid were agreed with members of the Management Board.

8. REMUNERATION REPORT MANAGEMENT AND SUPERVISORY BOARD

In 2016, the members of the Management Board were granted the following remuneration – presented in accordance with the recommended table format set out in No. 4.2.5 of the German Corporate Governance Codex (version: 7 February 2017) – by the Company in accordance with their employment contracts. These disclose the remuneration granted by Aves to the Management Board for 2016 and the prior year. As the remuneration granted was not fully paid, the actual payments made to the Management Board are disclosed separately:

REMUNERATION GRANTED (EUR)	DANIEL L. GROSCH MANAGEMENT BOARD MEMBER APPOINTMENT: 18.02.2015 END OF TERM: 21.09.2016			
	2015	**2016**	**2016 (MIN.)**	**2016 (MAX.)**
Fixed remuneration	0.00	100,000.00	100,000.00	100,000.00
Benefits	0.00	0.00	0.00	0.00
Subtotal	**0.00**	**100,000.00**	**100,000.00**	**100,000.00**
One year variable remuneration	0.00	50,000.00	50,000.00	0.00
Multi-year variable remuneration	0.00	0.00	0.00	0.00
Subtotal	**0.00**	**50,000.00**	**50,000.00**	**50,000.00**
Retirement benefits	0.00	0.00	0.00	0.00
Total	**0.00**	**150,000.00**	**150,000.00**	**150,000.00**

PAYMENTS MADE (EUR)	DANIEL L. GROSCH MANAGEMENT BOARD MEMBER APPOINTMENT: 18.02.2015 END OF TERM: 21.09.2016	
	2015	**2016**
Fixed remuneration	0.00	100,000.00
Benefits	0.00	0.00
Subtotal	**0.00**	**100,000.00**
One year variable remuneration	0.00	50,000.00
Multi-year variable remuneration	0.00	0.00
Subtotal	**0.00**	**50,000.00**
Retirement benefits	0.00	0.00
Total	**0.00**	**150,000.00**

Remuneration granted (EUR)	Henrik Christiansen Management Board Member Appointment: 01.04.2016			
	2015	**2016**	**2016 (Min.)**	**2016 (Max.)**
Fixed remuneration	/	135,000.00	135,000.00	135,000.00
Benefits	/	13,649.04	13,649.04	13,649.04
Subtotal	**/**	**148,649.04**	**148,649.04**	**148,649.04**
One year variable remuneration	/	48,125.00	28,125.00	48,125.00
Multi-year variable remuneration	/	0.00	0.00	0.00
Subtotal	**/**	**48,125.00**	**28,125.00**	**48,125.00**
Retirement benefits	/	0.00	0.00	0.00
Total	**/**	**196,774.04**	**176,774.04**	**196,774.04**

Payments Made (EUR)	Henrik Christiansen Management Board Member Appointment: 01.04.2016	
	2015	**2016**
Fixed remuneration	/	135,000.00
Benefits	/	13,649.04
Subtotal	**/**	**148,649.04**
One year variable remuneration	/	28,125.00
Multi-year variable remuneration	/	0.00
Subtotal	**/**	**28,125.00**
Retirement benefits	/	0.00
Total	/	**176,774.04**

Remuneration granted (EUR)	Peter Kampf Management Board Member Appointment: 21.09.2016			
	2015	**2016**	**2016 (Min.)**	**2016 (Max.)**
Fixed remuneration	/	55,138.90	55,138.90	55,138.90
Benefits	/	0.00	0.00	0.00
Subtotal	**/**	**55,138.90**	**55,138.90**	**55,138.90**
One year variable remuneration	/	65,000.00	65,000.00	65,000.00
Multi-year variable remuneration	/	0.00	0.00	0.00
Subtotal	**/**	**65,000.00**	**65,000.00**	**65,000.00**
Retirement benefits	/	0.00	0.00	0.00
Total	**/**	**120,138.90**	**120,138.90**	**120,138.90**

Payments Made (EUR)	Peter Kampf	
	Management Board Member	
	Appointment: 21.09.2016	
	2015	**2016**
Fixed remuneration	/	55,138.90
Benefits	/	0.00
Subtotal	**/**	**55,138.90**
One year variable remuneration	/	65,000.00
Multi-year variable remuneration	/	0.00
Subtotal	/	**65,000.00**
Retirement benefits	/	0.00
Total	**/**	**120,138.90**

Remuneration granted (EUR)	Jürgen Bauer			
	Management Board Member			
	Appointment: 21.09.2016			
	2015	**2016**	**2016 (Min.)**	**2016 (Max.)**
Fixed remuneration	/	92,149.00	92,149.00	92,149.00
Benefits	/	9,299.83	9,299.83	9,299.83
Subtotal	**/**	**101,448.83**	**101,448.83**	**101,448.83**
One year variable remuneration	/	0.00	0.00	0.00
Multi-year variable remuneration	/	0.00	0.00	0.00
Subtotal	**/**	**0.00**	**0.00**	**0.00**
Retirement benefits	/	0.00	0.00	0.00
Total	**/**	**101,448.83**	**101,448.83**	**101,448.83**

Payments Made (EUR)	Jürgen Bauer	
	Management Board Member	
	Appointment: 21.09.2016	
	2015	**2016**
Fixed remuneration	/	92,149.00
Benefits	/	9,299.83
Subtotal	**/**	**101,448.83**
One year variable remuneration	/	0.00
Multi-year variable remuneration	/	0.00
Subtotal	**/**	**0.00**
Retirement benefits	/	0.00
Total	**/**	**101,448.83**

The remuneration of the members of the Management Board is determined and regularly reviewed by the Supervisory Board. The current remuneration system allows a remuneration level that is appropriate in the light of the activities and responsibilities of the members of the Management Board. In addition to their personal performance, the economic situation as well as the success and perspectives of the Group are given consideration. Additional remuneration or bonuses can be granted by the Supervisory Board on an individual basis.

A management board service contract was agreed with Mr. Daniel L. Grosch for the 2016 financial year which set out a fixed remuneration component of EUR 150k comprising a fixed salary of EUR 100k and a signing fee of EUR 50k. The management board service contract of Mr. Henrik Christiansen comprises a total remuneration made up of a fixed component irrespective of the results of the business and a success-based variable component. The fixed component amounts to EUR 149k gross for the 2016 business year, the variable remuneration to EUR 48k. The variable remuneration was partially paid February 2017. The management board service contract of Mr. Peter Kampf comprises a fixed remuneration component payable irrespective of the results of the business which totaled EUR 55k for the 2016 financial year as well as a signing fee of EUR 65k. The service contract of Mr. Jürgen Bauer sets out a total remuneration irrespective of the results of the business of EUR 101k for the 2016 financial since his appointment to the Management Board, and which relates to is existing contract with ERR Vienna.

In the case of a significant downturn of the economic situation, the Supervisory Board is entitled to reduce the remuneration as considered appropriate.

The total remuneration of the Supervisory Board was agreed at the 2016 General Meeting. According to this, each member of the Supervisory Board is entitled to a fixed annual remuneration of EUR 15k for each full financial year of appointment to the Supervisory Board. The deputy chairman receives 1.5 times that amount. The chairman receives an annual remuneration of EUR 50k. The remuneration is settled for a full year and is payable after the end of the financial year. In the case of an appointment or termination during the course of the year, the remuneration is adjusted proportionately in accordance with the duration of the term of service during that year.

The remuneration of the Supervisory Board is made up as follows:

EUR	Emmerich G. Kretzenbacher Supervisory Board Chairman	
	2015	**2016**
Remuneration in accordance with statutes	4,506.00	50,000.00
Disbursements	0.00	0.00
Total	**4,506.00**	**50,000.00**

EUR	Britta Horney Supervisory Board Deputy Chair	
	2015	**2016**
Remuneration in accordance with statutes	/	19,664.38
Disbursements	/	0.00
Total	**/**	**19,664.38**

EUR	Antje Montag Supervisory Board Member	
	2015	**2016**
Remuneration in accordance with statutes	0.00	0.00
Disbursements	0.00	0.00
Total	**0.00**	**0.00**

EUR	Florian T. Kühl Supervisory Board Member	
	2015	**2016**
Remuneration in accordance with statutes	0,00	12,500.00
Disbursements	0.00	0.00

Total	0.00	12,500.00

EUR	RAINER W. BAUMGARTEN	
	SUPERVISORY BOARD MEMBER	
	2015	2016
Remuneration in accordance with statutes	/	2,250.00
Disbursements	/	0.00
Total	**/**	**2,250.00**

During the year, remuneration payments totaling EUR32k were paid out. An accrual of EUR 73k was made for the residual amount.

Hence, the remuneration paid to the members of the management Board for the past financial year amounted to EUR 467k (PY: EUR 1k), that of the Supervisory Board to EUR 84k (PY: EUR 5k).

A D&O insurance policy was concluded for the members of the Management and Supervisory Boards in March 2016. Furthermore, a D&O insurance policy was in place for the Management and Supervisory Boards with effect from October 2016 in order to cover prospectus liability risks in connection with the capital increase by cash contribution which took place on 26 October 2016.

OWNERSHIP OF AND TRADE IN SHARES AND FINANCIAL INSTRUMENTS

TRANSACTIONS IN SECURITIES REQUIRING NOTIFICATION

The Company publishes all transactions in securities requiring notification carried out by directors and officers on its homepage under http://www.avesone.com/de/aves_investoren_wertpapiergeschaefte.html and allows access to this information for at least 5 years after publication.

The following transactions in securities requiring notification made by directors and officers in the 2016 financial year were published:

NAME	POSITION	TRANSACTION	PRICE	VOLUME	DATE	PLACE
Peter Kampf	Management Board	Purchase	EUR 9.76	EUR 1,499,994.88	27.09.2016	Outside stock exchange

9. Declaration on Business Conduct in Accordance with § 315 HGB, Including Corporate Governance Report

The Corporate Governance Codex declaration in accordance with § 315 HGB has been published under http://www.avesone.com/de/aves_investoren_corporategovernance.html in connection with the Corporate Governance Report.

Relationships with Related Undertakings

SUPERIOR Beteiligungen AG (previously SUPERIOR Private Equity GmbH) and RSI Societas GmbH gained control of Aves One AG in accordance with § 29 Abs. 2 WpÜG (Securities Takeover Law) on 6 March 2012 as a result of a share acquisition transaction. As at 31 December 2016, Mr. Jörn Reinecke is a 49.17% shareholder via this group of investors and has a factual general meeting majority.

As a consequence, the Management Board of the Company has prepared a report over relationships with related entities in accordance with § 312 Para. 1 AktG which contains the following concluding declaration:

„In accordance with § 312 Para. 3 AktG, we hereby declare that Aves One AG received consideration for all legal transactions set out in the foregoing report that was appropriate in the light of the circumstances that were known to us at the time at which the transactions were entered into. Measures unduly influenced by the controlling entity in the interest of the controlling entity or its related entities were neither initiated, nor failed to be initiated where appropriate."

Hamburg, 30 May 2017

The Management Board

Consolidated Balance Sheet

Aves One AG as at 31 December 2016

In EUR k	Note	31 Dec 2016	31 Dec 2015
Assets			
Intangible fixed assets	2.8, 6.1	2,566	5,639
Tangible fixed assets	2.9, 6.2	445,400	232,600
Financial investments accounted for at equity	6.3	2,846	1,878
Other financial investments	6.4	116	34
Deferred tax assets	2.18, 6.8	1,831	74
Long term assets		**452,759**	**240,225**
Inventories		2,376	0
Trade accounts receivable	6.6	7,495	4,690
Financial assets	2.11, 6.7	14,591	4,759
Other assets and prepayments	2.11, 6.7	15,302	5,023
Tax claims	2.18, 6.8	1,038	970
Liquid funds	2.13, 6.9	31,954	11,484
Short term assets		**72,756**	**26,926**
Balance sheet total		**525,515**	**267,151**

Consolidated Balance Sheet

Aves One AG as at 31 December 2016

in EUR k	Note	31 Dec 2016	31 Dec 2015
Equity			
Issued share capital	2.14, 6.11.1	8,910	990
Capital reserves	2.14, 6.11.4	15,992	7,524
Currency translation reserve	2.14, 6.11.6	1,391	760
Consolidated retained earnings	2.14, 6.11.5	2,197	9,871
Equity of shareholders of parent company		**28,490**	**19,145**
Equity		**28,490**	**19,145**
Liabilities			
Financial liabilities	2.16	312,392	169,253
Deferred tax liabilities	2.18, 21	5,995	4,532
Provisions	6.24	4	0
Long term liabilities		**318,391**	**173,785**
Tax liabilities	2.18, 21	39	0
Financial liabilities	2.16, 23.1	156,546	68,860
Trade accounts payable	2.15, 23.2	8,687	2,668
Other liabilities	6.13	13,312	2,693
Other accruals and provisions	2.19, 6.12	50	0
Short term liabilities		**178,634**	**74,221**
Total liabilities		**497,025**	**248,006**
Balance sheet total		**525,515**	**267,151**

Consolidated Profit and Loss

Aves One AG for the period from 1 January to 31 December 2016

in EUR k	Note	2016	2015
Sales	5.1	28,646	21,619
Other operating income	5.2	14,912	18,684
- thereof exchange rate gains: EUR 13,216k (Prior year: EUR 18,302k)			
Cost of materials and services	5.3	-9,111	-8,829
Personnel costs	5.4	-2,338	-1,266
Other operating costs	5.6	-16,711	-10,155
- thereof exchange rate losses: EUR 8,170k (Prior year: EUR 4,507k)			
Profit and loss share of undertakings accounted for at equity, net of taxes	5.7	-42	278
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**15,356**	**20,331**
Depreciation and amortisation	5.5	-8,508	-4,762
Operating result incl. at equity results (EBIT)		**6,848**	**15,569**
Interest and similar income	5.8	827	718
Interest and similar charges	5.8	-14,123	-10,651
Financial result		**-13,296**	**-9,933**
Earnings before tax (EBT)		**-6,448**	**5,636**
Taxes on earnings	5.9	-1,219	-828
Results of continued business areas		**-7,666**	**4,808**
Results of discontinued business areas (attributable to shareholders of Group parent company)	19.1	0	-436
Consolidated loss (PY: profit) for the year		**-7,666**	**4,372**
thereof attributable to:			
● Shareholders of Group parent company		**-7,666**	**4,372**
● Non-controlling shareholders		**0**	**0**
Earnings per share (diluted and undiluted) :			
● from continued business (EUR)	5.10, 6.11.7	-1.23	0.89
● from discontinued business (EUR)	5.10	0.00	-0.08
from consolidated profit (EUR)	5.10	**-1.23**	**0.81**
Average number of shares in circulation (diluted and undiluted)		6,256,475	5,426,630

Consolidated Statement of Comprehensive Income

Aves One AG for the period from 1 January to 31 December 2016

in EUR k	2016	2015
Consolidated loss (PY: profit) for the year	**-7,666**	**4,372**
Other comprehensive income		
Items subsequently reclassifiable to profit or loss		
Currency translation differences recorded in equity with no profit or loss effect	631	922
	631	**922**
Total changes in equity with no profit or loss effect	**631**	**922**
thereof relating at equity undertakings	**0**	**2**
Consolidated comprehensive income	**-7,035**	**5,294**
thereof attributable to:		
● Shareholders of Group parent company	-7,035	5,294
● Non-controlling shareholders	0	0
	-7,035	**5,294**

Consolidated Statement of Changes in Equity

Aves One AG for the period from 1 January to 31 December 2016 in EUR k

	Number of shares in circulation	Issued share capital AG	Capital reserves	Profit and loss reserves	Consolidated retained earnings	Currency translation differences	Net assets attributable to Aves-Group	Total equity
Balance at 01.01.2015	1,650,000	1,650	4	3	-2,208	0	6,875	6,324
Comprehensive income for the period	0	0	0	0	-436		5,730	5,294
Simplified capital reduction	-1,485,000	-1,485	0	0	1,485	0	0	0
Transfer from profit and loss reserves and capital reserves	0	0	-4	-3	7	0	0	0
Capital increase Aves Logistics AG	0	0	0	0	0	0	8,000	8,000
Costs of obtaining capital Aves Logistics AG capital increase (12/2015)	0	0	0	0	0	0	-407	-407
Implementation current capital structure/ capital increase PriCon Invest AG	825,000	825	7,590	0	11,023	760	-20,198	0
Costs of obtaining capital PriCon Invest AG capital increase (12/2015)	0	0	-66	0	0	0	0	-66
Balance at 31.12.2015	990,000	990	7,524	0	9,871	760	0	19,145
Comprehensive income for the period	0	0	0	0	-7,666	631	0	-7,035
capital increase from company resources (4/2016)	4,950,000	4,950	-4,950	0	0	0	0	0
capital increase(11/2016)	2,970,000	2,970	14,850	0	0	0	0	17,820
costs of obtaining capital Aves One AG captial increase (11/2016)	0	0	-1,440	0	0	0	0	-1,440
Balance at 31.12.2016	8,910,000	8,910	15,984	0	2,205	1,391	0	28,490

Amended Consolidated Cash Flow Statement

Aves One AG for the period from 1 January to 31 December 2016

in EUR k	Note	2016	2015
Earnings before taxes for the period		**-6,448**	**5,636**
Results of discontinued business operations (attributable to shareholders of Group parent company)		**0**	**-436**
Earnings before taxes for the period including discontinued business		**-6,448**	**5,200**
plus/minus:			
Intangible fixed asset amortisation, tangible fixed asset depreciation and amounts written off other financial investments		8,508	4,807
Changes in bad debt provisions for trade accounts receivable		1,114	268
Gains (-)/losses (+) on the sale/derecognition of tangible fixed assets		3,064	1,944
Profit or loss share of entities accounted for at equity, after taxes		42	-278
Interest income		-827	-718
Interest cost		14,123	10,651
Exchange gains (-)/losses (+) (not cash-effective)		-5,895	-13,481
Operational cash flow before changes in working capital		**13,681**	**8,393**
Changes in working capital			
Increase (-)/Decrease (+) of:			
Inventories		-2,376	0
Trade accounts receivable not attributable to investing/financing activities		422	620
Other assets und prepayments		-9,550	-3,114
Increase (+)/Decrease (-) of:			
Trade accounts payable not attributable to investing/financing activities		2,330	-2,528
Other liabilities and other accruals and provisions		9,250	1,914
Operating cash flow		**13,756**	**5,285**
Payments of taxes on earnings		-155	-1,334
Cash flow from ongoing business operations		**13,601**	**3,951**

Consolidated Cash Flow Statement

Aves One AG for the period from 1 January to 31 December 2016

in EUR k	Note	2016	2015
Cash flow from investment activities			
Payments for investments in intangible fixed assets		-27	-19,547
Receipts from disposals of tangible fixed assets		2,829	15,048
Payments for investments in tangible fixed assets		-51,299	-96,554
Receipts from disposals of financial assets		0	1,598
Payments for financial investmens acquired		-944	0
Receipts from financial asset investments in connection with short term financial management measures		0	432
Payments for financial asset investments in connection with short term financial management measures		-19,157	-3,826
Interest received		2	718
Cash flow from investment activities		**-68,596**	**-102,131**

in EUR k	Note	2016	2015
Cash flow from financing activities			
Receipts from capital injections by the shareholders		17,820	7,852
Payments made in connection with capitalized costs of equity increases		-1,440	0
Receipts from the issuing of bonds and financial loans		130,534	184,648
Amortization payments for bonds and financial loans		-60,706	-75,766
Interest paid		-12,230	-12,054
Cash flow from financing activities		**73,978**	**104,680**
Cash-effective changes in liquid funds		18,982	3,304
Liquid funds brought forward		11,484	7,490
Exchange rate related changes in liquid funds		1,488	690
Liquid funds carried forward		**31,954**	**11,484**

Amended Notes to the Consolidated Financial Statements

Aves One AG as at 31 December 2016

in EUR k	Note	2016	2015
Cash flow from investment activities			
Payments for investments in intangible fixed assets		-3,073	-19,547
Receipts from disposals of tangible fixed assets		2,829	15,048
Payments for investments in tangible fixed assets		-51,299	-96,554
Receipts from disposals of financial assets		0	1,598
Payments for financial investmens acquired		-944	0
Receipts from financial asset investments in connection with short term financial management measures		0	432
Payments for financial asset investments in connection with short term financial management measures		-19,157	-3,826
Interest received		2	718
Cash flow from investment activities		**-71,642**	**-102,131**

in EUR k	Note	2016	2015
Cash flow from financing activities			
Receipts from capital injections by the shareholders		17,820	7,852
Payments made in connection with capitalized costs of equity increases		-1,440	0
Receipts from the issuing of bonds and financial loans		130,534	184,648
Amortization payments for bonds and financial loans		-60,536	-75,766
Interest paid		-12,230	-12,054
Cash flow from financing activities		**74,147**	**104,680**
Cash-effective changes in liquid funds		18,982	3,304
Liquid funds brought forward		11,484	7,490
Exchange rate related changes in liquid funds		1,488	690
Liquid funds carried forward		**31,954**	**11,484**

1. Underlying information

1.1. The business

Foundation, name, seat, business year and term of Company

Aves One AG (hereinafter referred to as „Company“ or „Aves One AG“, incorporated as: Pricon Invest AG until 25 April 2016), the holding company of the Aves Group, was founded by notarial deed on 24 June 1898. The Company is a publicly listed company recorded in the Commercial register at the Hamburg Local Court under the register number HRB 124894. The seat of the Company is located in Hamburg, Große Elbstraße 45. The business year corresponds to the calendar year (1 January to 31 December). The term of the Company is unlimited. The shares of Aves One AG are listed for trading in the Prime Standard (regulated market) of the Frankfurt Stock Exchange as well as the General Market (regulated market) of the Hamburg-Hanover Stock Exchange.

Objects of the Company

Aves One AG acts as Group holding company; its functions encompass the management of domestic and foreign participations and financial investments in its own name and on its own behalf as well as the management of its own assets.

Business activities of the Aves Group

Aves One AG is a holder of logistic equipment which buys and (mainly through external managers) manages and leases (to third parties) such equipment with the four business segments Container Equipment, Resale Equipment, Special Equipment and Rail Equipment. The Aves Group invests in long term logistics assets with strong sustainable cash flows in liquid markets. A particular emphasis is placed on the business units Container, Rail, Special and Resale Equipment.

The Group’s engagement in particular in the rail equipment sector was advanced by means of the acquisition of ERR Rail Rent Vermietungs GmbH, Vienna, (hereinafter „ERR Vienna“) as well as 1/3 of the shares in ERR European Rail Rent GmbH, Duisburg (hereinafter „ERR Duisburg“).

Further business areas being continually built up are the leasing out of swap bridges, tank containers as well as the development and marketing of logistical real estate. These units have not, however, reached the stage of constituting individual segments and are therefore subsumed within the group “all other segments”.

In this context, the leasing out of logistical equipment takes place via external service providers.

1.2 Bases of preparation of the amended Group Financial Statements

The Group Financial Statements for the reporting period ending 31 December 2016 have been prepared in accordance with the mandatory accounting standards set out by the International Accounting Standard Board (IASB), the International Financial Reporting Standards (IFRS) as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC), in the form adopted by the European Commission of the European Union. The company law requirements set out in § 315a HGB (German Commercial Code) were applied. The Group Financial Statements and Group Management Report were published in the electronic Federal Register (Bundesanzeiger).

The Group Financial Statements of Aves Group are prepared in Euro. Unless otherwise specified, disclosure is in thousands of Euro (EURk). As the aggregates of individual line items is based on full amounts, rounding differences may arise where balance are disclosed in thousands of Euro. The financial statements of the individual consolidated entities are prepared as at the date of the Group Financial Statements.

The Group Financial Statements for the period ending 31 December 2016 (including comparative figures for the 2015 business year) were approved and cleared for publishing by the Management Board on 28 April 2017. The Supervisory Board approved the Group Financial Statements at their meeting on 28 April 2017.

The Group Financial Statements were in principle prepared on a historical cost basis. The balance sheet is divided into long and short term assets and liabilities in accordance with IAS 1. Assets and liabilities falling due within one year are disclosed as short term. In accordance with IAS 12, deferred tax assets and liabilities are shown as long term assets and liabilities respectively. The Group Statement of Profit or Loss is disclosed applying the total cost method (disclosure of costs by nature). Line items disclosed are described further in the Notes to the Group Financial Statements.

Amendment of the Consolidated Financial Statements

The consolidated financial statements were amended with respect to the following matters:

"Payments for investments in intangible fixed assets" also included additions to fixed assets which had not yet been settled as at 31 December 2016. A corresponding adjustment to increases/decreases of trade accounts payable not attributable to investment/financing was made. Additionally, further minor adjustments were made to the cash flow statement. As a result of these changes, cash flows from operating activities were adjusted from EUR 16,477k to EUR 13,601k. Cash flows from investment activities changed from EUR -71,642k to EUR -68,596k. Furthermore, errors in Table 14 as well as Table 15 with respect to the disclosure of tax charges relating to deferred taxes as well as in Table 21b with respect to the missing inclusion of a subsidiary within a line item "thereof" were corrected. In Table 28a disclosing the background of deferred taxes a sign was corrected with respect to financial liabilities.

In Table 41, the detail of the Management Board remuneration was incomplete. A correction was also made in this respect.

No amendments were required with respect to the balance sheet and profit and loss account. In addition to the cash flow statement, corrections were made to disclosures and detailed breakdowns which did not have a material impact on the net assets, financial situation and profitability set out.

In the context of these changes to the contents, further corrections of a formal nature as well as follow-on effects resulting from the amended cash flow statement were made to the Group Management Report.

The amended consolidated financial statements were approved by the Management Board and their publication authorized on 30 May 2017. The Supervisory Board is expected to approve the amended consolidated financial statements formally on 30 May 2017.

Definition EBITDA, EBIT, EBT

On 3 July 2016, the new ESMA (European Securities and Markets Authority) guidelines for the use of alternative performance indicators became effective. Alternative performance indicators include all indicators which are not defined within specific accounting standards. These indicators include the performance measures EBITDA, EBIT and EBT, which were applied in the 2015 annual report and which are also disclosed in the 2016 annual report. These guidelines were developed in order to ensure that the concepts of transparency and comparability are given consideration.

Performance indicators excluding holding charges were disclosed in the segmental reporting. This adjustment was commented on in section 4.2 "Notes on Segment data" in order to clarify that holding charges were adjusted which do not form part of the segment control by Group management.

Otherwise, the performance indicator EBITDA includes all profit and loss items with the exception of depreciation, amortization, interest and similar charges, interest and similar income, tax charges as well as the results of prior year discontinued business areas.

EBIT comprises EBITDA as well as the depreciation and amortization of the financial year.

EBT comprises EBIT as well as interest and similar charges and interest and similar income.

The relevant accounting and valuation principles applied in connection with the preparation of the Group Financial Statements as at 31 December 2016 are summarised in the following section.

1.3 Standards, interpretations and amendments initially applicable in the 2016 financial year

The Group applied the following standards and interpretations of the IASB as well as the following amendments to standards initially for the 2016 reporting period:

- Amendments to IAS 16 and IAS 38: Clarification of permissible depreciation and amortisation methods
- Annual IFRS improvement cycle 2012 – 2014 (IFRS 5, IFRS 7, IAS 19, IAS 34)
- Amendments to IAS 1 disclosure initiative

The initial application of these new regulations did not have a significant effect on the Group Financial Statements of Aves Group.

1.4 Published standards, interpretations and amendments that have not yet become effective

At the time of preparation of the Group Financial Statements, the following standards and interpretations of the IASB as well as its amendments and revisions have either not been adopted by the European Union or are not subject to mandatory application for the 2015 business year have as a result not been applied voluntarily in advance by Aves Group:

(a) Initial application as of 1 January 2017

- Amendments to IAS 7 – Statement of Cash Flow „Disclosure Initiative“
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual IFRS Improvement Cycle 2014 – 2016

(b) Initial application as of 1 January 2018

- IFRS 2 – Share-based Payment IFRS 15 – Revenue from Contracts with Customers
- IFRS 4 – Insurance Contracts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial Instruments
- Annual IFRS Improvement Cycle 2014 – 2016
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 – Investment Properties

(c) Initial application as of 1 January 2019

- IFRS 16 – Leasing

The above-mentioned standards and interpretations are applicable to the Group Financial Statements of Aves Group with effect from the 2017 business year or later, subject to EU endorsement. Aves Group currently expects only minor implications for the Group Financial Statements to result from the initial application of these standards, interpretations and amendments, with the exception of additional modified disclosure requirements.

Potentially material changes are conceivable in particular with respect to IFRS 16. IFRS 16 will replace the current standard IAS 17 on the accounting for leases. The implications of the new standard IFRS 16 are currently being investigated.

As the Aves Group is mainly active as lessor with respect to operating leases and is lessor only in a limited number of cases which are not considered to be material (office equipment, vehicles, property rents etc.), the Company currently does not expect that significant accounting changes will arise.

The Company does not currently expect any changes to arise from the remaining new standards.

2. Summary of significant accounting and valuation principles

The main accounting and valuation principles applied in the preparation of these Group Financial Statements are set out in the following section. The methods described were applied consistently in the disclosed reporting periods unless otherwise specified.

2.1. Consolidation principles

(a) Subsidiaries

Subsidiaries are defined as all entities that are controlled by Aves One AG. Aves One AG exerts control over a participation when it obtains power over the participation and is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A participation is initially consolidated on the date that Aves One AG obtains control of the entity. It is no longer consolidated once the control of Aves One AG over the participation ceases.

Acquisition of subsidiaries for cash:

Subsidiaries acquired are accounted for applying the acquisition method. The consideration transferred corresponds to the fair values of the assets transferred, equity instruments issued by the Group and the liabilities assumed at the time of acquisition from the former owners of the subsidiary taken over.

Furthermore, the consideration encompasses the fair value of all assets and liabilities resulting from the agreed contingent consideration. Identified assets acquired as well liabilities and contingent liabilities assumed in connection with a business combination are in principle valued at fair value at the time of acquisition. To the extent that the acquired subsidiary fulfils the criteria of an operational business, the difference between the consideration transferred and the net balance of assets and liabilities taken over is disclosed as goodwill. Where this is not the case, any difference is recorded in profit and loss.

Acquisition-related costs are recorded in profit and loss in the period in which they are incurred.

100% of the shares in ERR Vienna were acquired during the financial year. From its economic substance, this transaction constitutes a purchase of assets as opposed to a transaction in accordance with IFRS 3. ERR Vienna maintains no independent business operations; it rather acts as a holder of rail carriages. An organised workforce in accordance with IFRS App. B Para. B7 letter (b) therefore does not exist.

Intra-Group transactions and consistent valuation within the Group

Intra-Group transactions, balances and unrealised profits and losses from transactions within the Group are eliminated. Balances reported by the subsidiaries are, if necessary, adjusted so as to be in line with the accounting and valuation principles of the Group.

(b) Disposal of subsidiaries

Where the control of the Group over a subsidiary is relinquished, the potentially remaining residual share in the entity is valued at fair value at the time of the loss of control and the resulting difference is recorded in income as a profit or loss. This attributable fair value is the value recorded as an addition to associated undertakings, joint arrangements or financial assets. Furthermore, all other amounts recorded in other comprehensive income relating to the entity in question are accounted for as though the Group had disposed of the corresponding assets and liabilities directly. As a result, items previously recorded in other comprehensive income may be reclassified to the statement of profit or loss.

(c) Associated undertakings

Associated Undertakings are all entities over which the Group exerts significant influence but not control, which is generally the case for entities in which a participation in the voting rights of between 20% and 50% exists. Participations in associated entities are accounted for applying the equity method and are recorded at cost at the time of acquisition. In subsequent periods, the value of the holding increases or decreases in accordance with the Group's share in the results of the associated undertaking. The participation of the Group in an associated undertaking includes goodwill arising in connection with the acquisition as well as hidden reserves, if applicable.

Where the participation share in an associated company has been reduced but a significant influence continues to be exerted, only the part of the relevant result reflected in other comprehensive income is proportionately transferred to profit or loss.

Subsequent to the acquisition, the carrying value of participations in associated undertakings increases or decreases in accordance with the Group's share of the profits or losses of the associated undertaking recorded in the statement of profit or loss as well as changes in its other comprehensive income, which are recorded in the other comprehensive income of the Group. If the Group's share of the loss of an associated undertaking is equal to or exceeds its share, including unsecured balances receivable, the Group does not record any further losses, unless it has legal or factual obligations for the benefit of the associated undertaking or has made payments on behalf of the associated undertaking.

At each balance sheet date, the Group evaluates whether indications exist as to potential impairment risks with respect to an associated undertaking. Where this is the case, the required impairment write-down is determined on the basis of the difference between the carrying value of the associated undertaking and the corresponding realisable value and is disclosed separately in the statement of profit or loss.

No indications as to respective impairments existed at the balance sheet date, so there was no requirement for an impairment test to be performed.

Unrealised profits or losses from upstream or downstream transactions between Group entities and an associated undertaking may only be recorded in proportion to the third party share in the associated undertaking. Unrealised losses are eliminated, provided that the transactions do not provide an indication that a diminution in value of the transferred asset exists. The valuation and accounting policies were –to the extent necessary – adjusted so as to be in line with Group policies.

2.2. Business segments

The reporting on the operating segments is presented in a manner which is consistent with the internal reporting processes to the chief operating decision maker. The chief operating decision maker is responsible for the allocation of resources to the business segments as well as the valuation of their profitability. The chief operating decision maker was identified as the management board of Aves One AG, as this makes or made the respective strategic decisions.

Business activities are conducted internally via four business units (Container, Rail, Special Equipment and Resale Equipment). For reporting purposes, these are condensed to the three segments Container, Rail and all other segments, as the business units Special Equipment and Resale Equipment have not yet reached the thresholds for an individual reporting.

All administration and overhead costs and central services are summarized under the heading "Holding Activities" in the segmental reporting.

2.3. Foreign currency translation

(a) Functional currency and presentation currency

Items included in the financial statements of any business group are valued on the basis of the currency which corresponds to the currency of the primary economic environment in which the business operates (functional currency). The Group Financial Statements are prepared in Euro as the presentation currency of Aves One AG.

(b) Transactions and balances

Foreign currency transactions are translated at the exchange rates ruling at the time of the transaction or, in the case of revaluations, at the time of revaluation. Profits or losses resulting from the settlement of such transactions as well as the translation at the exchange rate at the balance sheet date are recorded in the statement of profit or loss. Foreign currency gains or losses are recorded separately under "other operating income" or "other operating costs"; they essentially relate to currency-related adjustments of Euro-denominated financial liabilities within operational entities with a US Dollar functional currency.

(c) Group businesses

The businesses engaged in the area of sea-containers have the functional currency US Dollar, as this currency constitutes the primary economic environment. The acquisition of containers as well as the main profits generated and main costs incurred in this context are US Dollar denominated. The results and balance sheet items of these Group entities, the functional currency of which differs from the Group presentation currency (EUR) are translated into Euro as follows:

- Assets and liabilities are translated at the exchange rate ruling at each balance sheet date.
- Income and costs are translated at the average exchange rate for all statements of profit or loss (unless the application of an average rate does not result in an appropriate approximation of the cumulative effects of a translation of the rates applicable at the respective time of the transaction; in this case, income and costs are translated at the exchange rate ruling at the time of the transaction).
- All resulting translation differences are recorded in other comprehensive income.

Currency translation is based on the following exchange rates:

	Balance sheet date rate		Average rate	
1 EURO =	31.12.2016	31.12.2015	2016	2015
US-Dollar	1.0541	1.0887	1.1069	1.1095

Table 1: Exchange rates

2.4. Determination of fair values

At level 1, the determination of fair values takes place on the basis of prices quoted on active markets for identical assets or liabilities. Where no market prices are available, fair values are determined at level 2 on the basis of input factors which can be observed directly or indirectly. If no such factors exist, other input factors are applied for valuation purposes.

2.5. Realisation of revenue and costs

Sales are recorded at the fair value of the related consideration received or receivable. They mainly encompass the consideration received from the sale of containers as well as the renting out of containers and rail carriages and are disclosed net, i.e. excluding value added taxes as well as deducting rebates and discounts, after eliminating intra-group sales.

The Aves Group records sales once the level of the income can be reliably determined, when it is sufficiently certain that an economic benefit will accrue to the business and when specific criteria – as described below – for each type of activity of the Group are fulfilled. Estimates as to returns are made by the Group on the basis of the experience of past levels, giving consideration to customer specific, transaction specific and contract specific matters. Income from the use of items by third parties is allocated and apportioned over time on the basis of relevant agreements:

- Revenue from the sale of containers is realised when the assets have been delivered and the transfer of risks has taken place.
- Income from asset use is allocated monthly over the term of the relevant agreement.

Dividends are recorded as income when the respective legal entitlement has arisen. Interest payable and receivable is apportioned over time, if relevant applying the effective interest method.

2.6. Balance sheet disclosure

Assets and Liabilities are disclosed in the balance sheet as long term assets and liabilities if their term to maturity exceeds one year. Terms of less than one year consequently result in a disclosure within short term assets and liabilities. Liabilities are generally considered to be short term to the extent that no unconditional entitlement to avoid settlement in the following year exists. Deferred tax assets or liabilities are shown as long term assets or liabilities. Current tax claims or liabilities are on the other hand disclosed as short term assets or liabilities. To the extent that assets or liabilities include long term and short term components, these are disclosed as long term and short term items respectively in accordance with the balance sheet disclosure format.

2.7. Impairment

Intangible assets with an indeterminate useful life are not subject to scheduled amortisation. They are however reviewed for impairment risks at least once annually.

Assets which are subject to scheduled depreciation or amortisation are reviewed for impairment risks when relevant events or changes in circumstances indicate that carrying values may exceed realisable values. An impairment write-down is made in the amount of the difference between the book value and the realisable value. The realisable value is the higher of the fair value attributable to the asset less disposal costs and its value in use. For impairment testing purposes, assets are subsumed at the lowest level at which cash flows can be identified separately (cash generating unit). The cash generating units (CGUs) individually comprise the segments “Container“ and “Rail“; reference is made to our comments below under 4. Segmental reporting for more information on the differentiation between segments. For non-monetary assets which were previously subject to an impairment write-down an assessment as to whether previous write-downs need to be written back is made at each balance sheet date. To the extent that the reasons for prior year write-downs no longer apply, appropriate amounts are written back.

The Company monitors the appropriateness of the carrying values of cash generating units on an ongoing basis. No indications for an impairment of fixed assets were noted.

2.8. Intangible fixed assets

Intangible fixed assets mainly comprise an “agency commission for logistics real estate” totalling EUR 2.5 million which results from a contractual arrangement with a related undertaking at the end of the 2016 business year. The commission has been capitalised as an ancillary purchase cost of logistics real estate yet to be purchased (purchased right, brokerage services), in conjunction with which it is to be subject to scheduled amortisation, as opposed to being amortised currently. Further details are disclosed in the comments under 13.1.3 Significant transactions with related undertakings.

The prior year balance was fully reallocated to acquired railway carriages as an ancillary purchase cost and is being amortized over the expected useful life of the railway carriages; reference is also made to the comments under 13.1.3 Significant transactions with related undertakings.

Purchased other intangible fixed assets with a determinable useful life are valued at cost and amortised generally over a three year period on a linear basis.

2.9. Tangible fixed assets

Tangible fixed assets are generally valued at purchase cost written down by scheduled depreciation on a linear basis in accordance with the expected useful life of the respective asset. Where necessary, unscheduled impairment write-downs are made. Purchase costs encompass all consideration required to acquire the asset and render it ready for operational use.

Assets with a limited useful life are depreciated on a linear basis. The balance subject to depreciation reflects an estimated residual value at the end of the useful life of the asset reflecting the specific characteristics of the asset and generally giving consideration to comparable market transactions.

Scheduled depreciation is generally based on the following economic useful lives and residual values; in the case of assets acquired in a used condition, depreciation is based on the residual useful lives based on overall useful lives:

Tangible fixed assets	Useful life	Residual values		
		EUR	USD	EUR [1]
Technical equipment and machinery	to 15 years	-	-	-
Containers				
- 20 foot container	to 15 years	-	1,250	1,186
- 40 foot container	to 15 years	-	1,550	1,470
- 40 foot high cube container	to 15 years	-	1,950	1,850
- 40 foot refrigerated container	to 15 years	-	4,500	4,269
Railway carriages				
- Freight cars	to 45 years	740-11.220	-	-
- Overhaul costs	six years	none	-	-
- Wheelsets	to 27 years	780	-	-
Swap bodies	to 12 years	500-1.000	-	-
tank containers	to 20 years	718-1.496	-	-
Resale containers[2]				
- 20 foot container	to 25 years	250	-	-
- 40 foot container	to 25 years	450	-	-
- 40 foot high cube container	to 25 years	450	-	-
Operating and office equipment	to 13 years	-	-	-

[1] Translated at the balance sheet date rate of USD/EUR 1.0541

[2] Resale containers are containers available for the so-called resale market. These are made up of storage containers on land, short term sea hire and containers for conversions and other purposes (e.g. residential containers)

Table 2: Useful lives of tangible fixed assets

Repair and maintenance costs incurred for tangible fixed assets are recorded in profit and loss as costs. Renewal expenditure is classified as ex-post production cost where it results in a significant extension of the useful life, substantial improvement or significant change in the functionality of the fixed asset.

Costs incurred for the overhaul of rail carriages are capitalised as separate components, as are wheelsets, and are depreciated over the term of the overhaul intervals or useful lives of replacement wheelsets.

2.10. Leasing arrangements

In connection with a number of lease agreements, the Company operates as lessor for operating leases, but is also lessee in connection with finance leases as a result of the acquisition of ERR Vienna in the 2016 financial year.

With respect to the disclosure, valuation and information to be provided in the notes, IAS 17 (leases), IFRIC 4 (determining whether an arrangement contains a lease), SIC 27 (evaluating the substance of transactions involving the legal form of a lease) were applied. As mentioned, IFRS 16 has not been implemented ahead of time.

2.10.1 Operating lease arrangements

Payments made in connection with operating leases are charged against income on a straight line basis over the term of the lease.

The financing by direct investment generally takes place via sale, leaseback and repurchase agreements, whereby sea containers as well as special equipment are sold to investors on a civil law basis via BoxDirect AG and BoxDirect Vermögensanlagen AG leased back and repurchased at the end of the contract term at a contractually agreed price. Given the nature of the contractual arrangements, this process is economically classifiable as a loan as opposed leasing arrangement.

Via its subsidiary ERR Vienna, the Company rents out railway carriages on a large scale on an operating lease basis. Contracts with customers are agreed in the name of ERR Duisburg, which is located in Germany, which passes on revenues a costs pertaining to these arrangements to ERR Vienna. From an economic perspective, these leases are therefore attributable to ERR Vienna and are treated as though the leases had been entered into in the name of ERR Vienna. From a legal perspective in accordance with in accordance with SIC 27.5c, the rail carriages are not formally rented out to ERR Duisburg; ERR Duisburg is rather empowered to rent out the carriages in its own name but on behalf of ERR Vienna.

Similar constellations exist for the lease agreements for containers, tank containers and swap bodies, where the respective asset managers appear as lessors vis-à-vis third parties, but whereby economically the Aves Group companies act as lessors.

2.10.2 Finance lease arrangements

Via the subsidiary ERR Vienna, the Group has become lessee in the case of two finance lease arrangements. The classification of these leasing arrangements as finance leases is based on an evaluation of the lease agreements with respect to minimum lease payments as well as clauses included in the agreements. Reference is also made to section 6.22 concerning this.

No conditional lease payments which would have been recorded in profit or loss in connection with the lease arrangements took place either in 2015 or 2016.

2.11. Financial instruments

IAS 32 defines a financial instrument as a contractually agreed entitlement or a contractually agreed commitment from which an inflow of outflow of financial assets or the issuing of equity rights will result. Financial instruments encompass financial assets and financial liabilities, such as trade accounts receivable and payable, financial receivables and payables as well as, in principle, derivative financial instruments. The recording of financial instruments takes place as and when the commitment to purchase or sell an asset takes place (trading date).

Financial assets are subsumed within the following categories:

(a) Financial assets valued at fair value through profit and loss (FVTPL),
(b) Loans and receivables (LaR),
(c) Financial assets held to maturity (HtM) and
(d) Available for sale financial assets (AfS).

The initial allocation to the valuation categories influences the subsequent valuation. The disclosure as long term or short term has no influence on the valuation, but is itself influenced by the allocation to individual categories.

Financial assets are derecognised when the entitlement to the settlement of the financial asset lapses or when the risks and opportunities relating to the asset have essentially been transferred to the Group.

At each balance sheet date an evaluation is made whether objective indications exist as to an impairment of the value of financial assets or group of financial assets.

a. Financial assets valued at fair value through profit and loss

Financial assets valued at fair value through profit and loss are financial assets held for trading purposes. A financial asset is considered to be held for trading if it is acquired with the principal aim of being disposed of in the short term. Derivatives are also allocated to this category to the extent that they were not designated as hedges. Assets within this category are disclosed as short term assets to the extent that the realisation of the asset is expected within twelve months. All other assets are categorised as long term.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not traded on an active market. They arise when the Group directly makes available to a debtor money, goods or services with no intention of trading the receivables. They are classified as short term assets to the extent that they fall due within twelve months of the balance sheet date. Where this is not the case, they are classified as long term assets. Loans and receivables are included in the balance sheet within trade accounts receivable and other short term assets. Loans and receivables are recorded at amortised cost reflecting transaction costs and are subsequently valued applying the effective interest method. All known individual risks as well as general credit risks reflecting past experience are given consideration by making appropriate impairment provisions.

c. Financial assets held to maturity

No assets that have been allocated to this category exist within the Aves Group.

d. Available for sale financial assets

Available for sale financial assets were either directly allocated to this category or could not be included in one of the other three categories. In the Aves Group, only shares in unconsolidated subsidiaries are shown here. The holdings held are not listed on a stock exchange and are not traded on an active market. Due to the fact that their fair value cannot be reliably determined, these shares are stated at amortized cost. A disposal of the shares is not planned.

Financial liabilities from financial instruments may either be valued at amortised cost or at fair value through profit and loss. In principle, the Aves Group values financial liabilities at amortised cost. At inception, financial liabilities are valued at attributable fair value after deduction of transaction costs. Differences between the balance received and the balance repayable as well as transaction costs are recorded in the statement of profit or loss over the term of the financial liabilities applying the effective interest method. Liabilities from loans are classified as short term to the extent that no unconditional entitlement to settle the loan at least twelve months after the balance sheet date exists. Financial liabilities are derecognised when the contractual obligations have been fulfilled, waived or have expired.

Foreign currency assets and liabilities are valued at the exchange rate ruling at the balance sheet date. Foreign exchange differences are shown separately in other operating expenses or income.

2.12. Trade accounts receivable

Trade accounts receivable consist of balances receivable from customers for goods sold or services provided. Where settlement is expected within twelve months of the balance sheet date (or within the normal business cycle, if this is longer), the receivables are classified as short term. Otherwise, they are classified as long term.

Trade accounts receivable are recorded at fair value and are subsequently valued at amortised value applying the effective interest method and reflecting impairment losses.

2.13. Liquid funds

In the balance sheet and cash flow statement, liquid funds encompass cash at bank and in hand, other highly liquid short term financial assets with an initial maturity of not more than three months, from which overdrafts are deducted where applicable.

2.14. Equity

Ordinary shares are classified as equity.

Costs relating to the issuing of new shares are deducted from equity as a reduction of the proceeds from the placement of shares. The deduction is reduced by tax benefits.

2.15. Trade accounts payable

Trade accounts payable are payment commitments for goods and services obtained in the normal course of business. Where settlement is expected within twelve months of the balance sheet date (or within the normal business cycle, if this is longer), the liabilities are classified as short term. Otherwise, they are classified as long term.

Trade accounts payable are initially recorded at attributable fair value net of associated transaction costs. They are subsequently valued at amortised value applying the effective interest method.

2.16. Financial liabilities

Financial liabilities are initially recorded at attributable fair value net of associated transaction costs. They are subsequently valued at amortised value; differences between the balance received and the balance repayable as well as transaction costs are recorded in the statement of profit or loss over the term of the financial liabilities applying the effective interest method.

2.17. Provisions for pensions and similar commitments

A defined contribution plan is in place to provide retirement benefits for staff members. In the case of a defined contribution plan, the business pays contributions to social security bodies or private pension funds on the basis of statutory requirements or contractual obligations. No obligations exist for the business in addition to the payment of the contributions.

2.18. Current and deferred taxes

The tax charge for the period comprises ongoing current taxes and deferred taxes. Taxes are recorded in the statement of profit or loss, unless they relate to items recorded directly in equity or in other comprehensive income. In such cases, the taxes are also recorded in equity or in other comprehensive income.

Current tax costs are determined on the basis of the tax rates in force at the balance sheet date (or to be in force shortly thereafter) based on German tax regulations. Management regularly reviews tax returns, in particular with reference to matters subject to interpretation, and accounts for balances receivable or to be accrued based on the balances expected to be receivable from or payable to the tax authorities. Current tax assets and liabilities are disclosed net where a legal right of offset exists and it is intended to settle the net amount or to apply the proceeds of a tax claim immediately to settle a corresponding liability.

Deferred taxes are in principle accounted for with respect to all temporary differences between the tax base of assets and liabilities and their carrying values in the IFRS financial statements. However, if – with the exception of the case of the acquisition of a business – a deferred tax effect arises from the initial recognition of an asset or liability, which at the time of the transaction had an effect neither on the balance sheet or tax profit or loss, no deferred tax is recorded either at the time of the transaction or subsequently. Deferred taxes are calculated at the tax rates (and regulations) in force at the balance sheet date (or to be in force shortly thereafter based on passed legislation) and which are expected to be in force at the time of the realization of the deferred tax assets or the settlement of the deferred tax liabilities.

Deferred tax assets are only recognised to the extent that it is expected that sufficient taxable income will be available in connection with which the related tax benefits can be utilised.

Deferred tax assets or liabilities resulting from temporary differences with respect to shares in subsidiaries or associated undertakings are recognised, unless the timing of the reversal can be determined by the Group and it is probable that no reversal of the temporary differences will take place in the foreseeable future.

As a rule, the Group has no influence over the timing of the reversal in the case of associated undertakings.

Deferred tax assets and liabilities are in general offset to the extent they relate to the same tax authority and fall due simultaneously.

2.19. Other provisions

Other provisions are made where legal or factual obligations towards third parties exist which are likely to give rise to an outflow of resources. They are recorded at the expected settlement amount giving consideration to all recognisable risks and are not reduced by related offsetting claims. They are valued on the basis of a best estimate of the current obligation at the balance sheet date reflecting a discount factor for long term obligations.

In the 2016 financial year, other provisions include a provision for legal and advisory costs in connection with litigation involving SLI Dritte Verwaltungsgesellschaft mbH & Co. KG and result from costs of legal advice which significantly exceed the usual level of costs for litigation of this nature and which are not reclaimable in the case of the refusal of the claim of SLI Dritte Verwaltungsgesellschaft mbH & Co. KG, which is expected the Management Board and legal counsel in connection with the appeal process.

Reference is made to section 2.20 for details on this matter.

Use of estimates and assumptions

Significant estimates and assumptions

In connection with the preparation of Group Financial Statements applying the IFRS adopted by the EU, management is required to make certain assumptions in the context of the application of valuation and accounting methods. Estimates and assumptions need to be made which have an effect on the level of assets and liabilities recorded in the balance sheet, contingent assets or liabilities at the balance sheet date as well as the income and costs of the reporting period.

Estimates and assumptions which are likely to give rise to a significant risk that material corrections to the value of carrying values of assets and liabilities are summarized in the following section.

Although these assumptions are made reflecting best knowledge and considering current business developments, actual results may in the event differ from these estimates.

a) Litigation risks

In principle, the Company is not faced with litigation risks in connection with its regular business. Potential disputes with customers are settled via the asset managers.

Litigation is currently pending with respect to a container purchase agreement from 2014:

By writ dated 23 December 2014 at the Hamburg regional court (Landgericht Hamburg, ref.: 403 HKO 29/15) the firm SLI Dritte Verwaltungsgesellschaft mbH & Co. KG, Salzburg, Austria, („SLI Dritte“) filed a lawsuit for the payment of damages of USD 3,000,000.00 plus interest. In 2015, SLI extended the claim by a further amount of USD 475,477.55 plus interest. Amounts receivable in connection with a framework container purchase agreement dated 19 August 2013 (the „Purchase Contract“), on the basis of which BSI acquired the entire container portfolio of SLI Dritte and, with the exception of a residual amount subject to dispute, obtained the ownership thereof, are the subject of the dispute.

A dispute over the orderly completion of the Purchase Contract, according to which BSI was granted a right to acquire the containers in tranches on the basis of a so-called call agreement by the end of its term (30 June 2014). BSI raised a counter-claim for the payment of USD 6,488,731.49 covering entitlements to settlements of revenue, repayment of containers which were not delivered or deliverable as well as damages from the Purchase Contract by SLI Dritte.

The following individual claims are under dispute:

Claim		Claim(s) USD	09.02.17 Ruling USD
A.)	**SLI claim => BSI**		
1.	Contract penalty	3,000,000.00	3,000,000.00
2.	Further claims	475,477.55	475,477.55
	Total SLI III	**3,475,477.55**	**3,475,477.55**

Counter-claim			
A.)	**BSI claim => SLI**		
1.	DPP sales	1,955,038.95	
2.	Damages disaster class container	1,221,562.50	
3.	Distributions from pool/trust agreement	456,043.58	
4.	Repayment containers not delivered	204,207.89	
5.	HSH Nordbank cost recharges	224,022.18	224,022.18
6.	Further damages	2,427,856.39	
	Total BSI BS	**6,488,731.49**	**224,022.18**
			plus interest

The main matter being disputed in the litigation is a contract penalty claim included in the Purchase Contract.

SLI Dritte has raised a claim to the payment of a contract penalty of USD 3,000,000.00 plus interest. According to the content of the Purchase Contract, the contract penalty would become payable by BSI in the event of it not calling and paying for containers with an accumulated purchase price of USD 90,000,000.00, despite the existence of conditions precedent. BSI did not complete the acquisition of the containers with a value in the above mentioned amount until after 15 December 2013. BSI refused payment of the contract penalty due to a breach of good faith (inadmissible execution of rights): SLI Dritte had not been in a position to supply the relevant quantity of containers and had therefore raised a claim for a contract penalty for items it would never have been able to supply due to the respective items having been pledged as security.

In accordance with the hearing of evidence on 12 January 2017, it is clear that it would not have been possible for the release mechanism set out in the contract to have been put into effect. Hence, SLI Dritte would not have been in a position to supply the containers free of encumbrance at a price of USD 90,000,000.00 in the case of a call for their release.

By ruling dated 9 February 2017, the Hamburg regional court ruled in favor of the claim of SLI Dritte with respect to the main claim of USD 3,475,477.55 as well as partially to the interest claim; with respect to the counterclaim, a favorable ruling was awarded only with respect to a partial balance of USD 224,022.18 plus interest, with the remaining counterclaims being rejected.

With reference to the contract penalty claim, the regional court took the view that the objective lack of enforceability of the Purchase Contract with reference to the release from liability to be declared by HSH Nordbank was thought to be a "procedural problem" and that it should have been acceptable for BSI to overcome this by pursuing a different solution for the release of the containers with a purchase price of USD 90,000,000.00.

The Management Board of the Aves Group, the managing directors of BSI and the lawyers representing it in the litigation do not share this view.

BSI raised the matter of the breach in good faith in the context of the litigation in the light of the fact that it would not have been possible to complete in accordance with the contract the transaction covered by the contract penalty.

Given that both the firm of lawyers leading the proceedings and a Hamburg firm of lawyers engaged separately which had previously not been involved have expressed an opinion that an appeal would be likely to be successful, on 16 March 2017 BSI appealed against the ruling at the Hanseatic court of appeal (Hanseatisches Oberlandesgericht Hamburg) .

On the balance of probabilities, the firm of lawyers leading the proceedings expects that the ruling will not be confirmed by the court of appeal. In particular, it is considered that a good likelihood exists i.e. it is more likely than not that the appeal court will amend the ruling inasmuch as the litigant SLI Dritte will not be awarded any damages after deduction of the counterclaims.

In view of the assessment of the lawyers as well as its own evaluation, the Management Board has decided not to make a provision.

To the extent that the proceedings relate to balances receivable arising prior to the initiation of the litigation, provisions have been made in order to value the receivables in the amount of expected future discounted cash-flows. No balances receivable for potential claims for damages have been recognized.

A guarantee account has been opened at a bank. BSI has agreed to provide an appeal bond for the period until the final binding ruling in order to avoid the execution of the claim from the ruling of first instance. The bank providing the guarantee would thus only be required to pay out the bond in the case of an unfavorable ruling for BSI also in connection with the appeal or possible further appeal. The potential application of the guarantee is therefore dependent on the outcome of the appeal process. As a consequence, the assets of BSI would until then be protected by such a bond.

b) Bad debt provisions for trade accounts receivable

Trade accounts receivable are recorded at the invoiced amount and are not subject to interest in view of their short term nature. Provisions for doubtful debts are based on best estimates of potential bad debt losses.

In order to determine the level of bad debt provisions, management makes assumptions as to the creditworthiness and payment behaviour of customers based on previous experience.

The Group reviews the bad debt provision at least once per quarter. Bad debts are written off against provisions when all possible recourse measures aimed at obtaining settlement have been exhausted and the likelihood of obtaining payment is assessed as being low. Actual bad debt losses may differ from estimated values.

Bad debt provisions made for trade accounts receivable are partially recorded in bad debt accounts. Whether a bad debt risk is recorded on a bad debt account or directly written off depends on the estimated likelihood of the bad debt and how reliably this likelihood can be assessed.

c) Amounts written off tangible fixed assets

The purchase costs of tangible fixed assets are depreciated on a linear basis over the expected useful life of the respective asset reflecting an estimated residual value at the end of the useful life of the asset.

Management estimates the useful lives and residual terms as described under 2.9. Changes in the degree of utilisation and technical developments can influence the useful lives and residual values of these assets. Hence, changes to future depreciation charges may arise.

d) Impairment test

Potential impairment tests for intangible or tangible fixed assets require assumptions to be made as to future cash flows during the budget period and in some cases subsequent periods as well as to the discount rate to be applied. These assumptions reflect assessments concerning the extent and probability of future events. They are made giving consideration to information derived from past experience as much as possible. All required data are derived from best estimates of Management as to the expected development of the Group.

e) Cut off procedures for income and expenditure for the rental business

The Company employs external service providers for the monitoring and billing of the rental business (containers, rail carriages, special equipment). With a delay of up to 45 days, the service providers prepare billing information for the recording of sales in addition to costs relating to the rental of these items. At the year end, the Company estimated these values for the months November and December based on previous experience. The estimates are based in particular on:

- Number of units rented out
- Unit rent per day
- Number of days in each month
- Average utilisation
- Operating costs per unit and day
- Management fee on rental surplus

f) Recognition and valuation of deferred tax assets

In connection with the determination of deferred tax assets, estimates need to be made with respect to future taxable earnings as well as the timing of the realisation of the deferred tax assets. In this context, budgeted operational earnings, the reversal effect of temporary differences with a tax effect as well as realisable tax strategies need to be given consideration. As future business developments are uncertain and are to some extent beyond the control of the Group, the assumptions that need to be made in connection with the determination of deferred tax assets are inherently subject to considerable uncertainty. At each balance sheet date, the carrying values of deferred tax assets are reassessed on the basis of budgeted taxable earnings for future tax years; to the extent that future tax benefits will not be partially or fully realisable with a probability of more than 50%, an impairment write-down of deferred tax assets is made as appropriate. In the case of companies with prior year tax losses, deferred tax assets are only capitalized if sufficiently strong indications that they will be utilizable in the next five years exist (in view of planned tax optimization and restructuring measures).

3. Consolidated entities in 2016 business year

In addition to Aves One AG, a total of 40 (prior year 36) domestic subsidiaries are incorporated in the Group Financial Statements. In addition to Aves One AG the following entities are included as at 31 December 2016:

Number	Name and seat of undertaking	Participation share in %	
	Fully consolidated entities	**31.12.2016**	**31.12.2015**
1	BSI Logistics GmbH (formerly: Aves Logistics AG), Hamburg	100.0	100.0
2	BSI Blue Seas Investment GmbH, Hamburg	100.0	100.0
3	BSI Regulierte Direktinvestment I GmbH & Co. KG, Hamburg	100.0	100.0
4	BSI Regulierte Direktinvestment II GmbH & Co. KG, Hamburg	100.0	100.0
5	BSI Asset GmbH (formerly: RSI Shipping GmbH), Hamburg	100.0	100.0
6	BSI Direktinvestment I GmbH & Co. KG , Hamburg	100.0	100.0
7	BSI Direktinvestment II GmbH & Co. KG , Hamburg	100.0	100.0
8	BSI Direktinvestment III GmbH & Co. KG (formerly:BSI Logistics I GmbH & Co. KG), Hamburg	100.0	100.0
9	BSI Logistics II GmbH & Co. KG, Hamburg	100.0	100.0
10	BSI Logistics III GmbH & Co. KG, Hamburg	100.0	100.0
11	BSI Logistics IV GmbH & Co. KG, Hamburg	100.0	100.0
12	BSI Logistics V GmbH & Co. KG, Hamburg	100.0	100.0
13	BSI Logistics VI GmbH & Co. KG, Hamburg	100.0	100.0
14	BSI Logistics VII GmbH & Co. KG, Hamburg	100.0	100.0
15	BSI Regulierte Direktinvestment Verwaltungs GmbH, Hamburg	100.0	100.0
16	BSI Direktinvestment Verwaltungs GmbH (formerly: BSI Verwaltungs GmbH), Hamburg	100.0	100.0
17	BSI Zweite Verwaltungs GmbH, Hamburg	100.0	100.0
18	BSI Dritte Verwaltungs GmbH, Hamburg	100.0	100.0
19	BSI Vierte Verwaltungs GmbH, Hamburg	100.0	100.0
20	BSI Fünfte Verwaltungs GmbH, Hamburg	100.0	100.0
21	BSI Sechste Verwaltungs GmbH, Hamburg	100.0	100.0
22	BSI Siebte Verwaltungs GmbH, Hamburg	100.0	100.0
23	ARHA Invest GmbH, Wien, Österreich (since 13.6.2016)	100.0	0.0
24	ERR Rail Rent Vermietungs GmbH, Wien, Österreich (since 25.10.2016)	100.0	0.0
25	Aves Rail Equipment Holding GmbH, Hamburg	100.0	100.0
26	Aves Rail Junior I Verwaltungs GmbH, Hamburg	100.0	100.0
27	Aves Rail Junior I GmbH & Co. KG, Hamburg	100.0	100.0
28	Aves Rail Junior II GmbH & Co. KG, Hamburg	100.0	100.0
29	Aves Rail Equipment I GmbH & Co. KG, Hamburg	100.0	100.0
30	Aves Rail Equipment II GmbH & Co. KG, Hamburg	100.0	100.0
31	Aves Rail Equipment Verwaltungs GmbH, Hamburg	100.0	100.0
32	Aves Rail Equipment Zweite Verwaltungs GmbH, Hamburg	100.0	100.0
33	Aves Special Equipment Holding GmbH & Co. KG, Hamburg (Aves Special Equipment Holding GmbH until 31 August 2016)	100.0	100.0
34	Aves Special Equipment I Verwaltungs GmbH, Hamburg	100.0	100.0
35	Aves Special Equipment Zweite Verwaltungs GmbH, Hamburg	100.0	100.0
36	Aves Special Equipment I GmbH & Co.KG, Hamburg	100.0	100.0
37	Aves Special Equipment II GmbH & Co. KG, Hamburg	100.0	100.0
38	Aves Special Equipment III GmbH & Co. KG, Hamburg (since 20.12.2016)	100.0	0.0
39	Aves Storage GmbH & Co. KG, Hamburg (since 20.5.2016)	100.0	0.0
40	BSI Blue Seas Resale GmbH, Hamburg	100.0	100.0
	Undertakings accounted for at equity		
41	BSI CONICAL Container GmbH, Hamburg (to 30.12.2015: 50%)	51.0	51.0
42	CH2 Contorhaus Hansestadt Hamburg AG, Hamburg	30.0	30.0
43	ERR European Rail Rent GmbH, Duisburg (since 25.10.2016)	33.3	0.0

Table 3: Consolidated entities

In comparison to 31 December 2015, four further companies have been initially consolidated. Aves Special Equipment III GmbH & Co. KG as well as Aves Storage GmbH & Co. KG were newly founded. ARHA Invest GmbH was acquired by share purchase agreement as a shell company containing no other items apart from its issued share capital (purchase price EUR 38,700.00). ERR Rail Rent Vermietungs GmbH was purchased for consideration (purchase price EUR 37,811k including directly attributable costs) and was, due to its economic nature, treated as a purchase of assets and debt. Reference is made to Section 2.1. (a) for details on this acquisition which does not fall under the rules of IFRS 3.

No companies were deconsolidated during the financial year.

Associated undertakings

Three companies are classified as associated undertakings of the Aves Group. They are accounted for in accordance with the equity method ERR European Rail Rent GmbH, Duisburg, in which a 33.3% participation is held, was acquired during the business year. The shareholdings in the two entities already reflected in the prior year balance sheet are unchanged.

- BSI CONICAL Container GmbH

BSI CONICAL Container GmbH was founded on 19 May 2015 by the two 50% shareholders BSI Blue Seas Resale GmbH and CONICAL Container Industrie Consulting-Agentur and -Leasing GmbH, Hamburg.

The objects of the company are the purchase of, trading with and management of means of transport and mobile residences, in particular containers, in its own name and on its own account.

In accordance with a share purchase agreement dated 30 December 2015, BSI Blue Seas Resale GmbH purchased a further one percent share in BSI CONICAL Container GmbH from CONICAL Container Industrie Consulting-Agentur and -Leasing GmbH. At the same time, the company statutes were changed, with a 60% majority being required for the passing of shareholders' resolutions, to the extent that no requirement for a higher majority is prescribed by legislation or the company statutes. The company is not fully consolidated in view of an absence of control.

The participation in BSI CONICAL was allocated to "all other segments".

- CH2 Contorhaus Hansestadt Hamburg AG

In accordance with a share purchase agreement dated 31 July 2015, 30% of the shares in CH2 Contorhaus Hansestadt Hamburg AG (CH2 hereinafter) were acquired. The options to acquire the remaining 70% of the shares in CH2 in place in the prior year were not exercised and expired on 30 June 2016.

Since 2011, CH2 AG has concentrated its activities on the selling of direct investments solely on an agency basis, i.e. via its network of sales partners it coordinates the sale of direct investments to the investment customers of its sales partners.

The individual initiators of the direct investment (including related entities of BoxDirect AG), which finance their portfolios of logictics equipment (containers and swap bodies) via direct investments of private investors, are the contract partners in the direct investment business. From a civil law perspective, these generally consist of finance lease transactions involving a purchase as well as sale, leaseback and repurchase contract for a fixed term between the rental company and the investor. CH2 AG is not party to the contract, but performs sales and marketing activities, monitors invoicing and settlement processes, sends out tax information and serves as contact for the investors.

The participation in CH2 Contorhaus Hansestadt Hamburg was allocated to the Segment "Containers", as it is mainly active in connection with the financing of containers.

- ERR European Rail Rent GmbH

By contract dated 22 August 2016, 33.3 % of the shares in ERR European Rail Rent GmbH, Duisburg (ERR Duisburg hereinafter) were acquired. The acquisition took place in the context of the purchase of the assets and debt of ERR Vienna. The total acquisition cost of EUR 38,806k was allocated to the shares in ERR Vienna in such a manner as to identify hidden reserves only within the fixed assets of ERR Vienna. Correspondingly, EUR 995k were allocated to ERR Duisburg. This corresponds to the proportional share in equity. In connection with ERR Duisburg, neither hidden reserves nor liabilities were identified in connection with the shares.

ERR Duisburg is responsible for the commercial and technical management of the railway carriages of ERR Vienna, other Aves companies as well as third parties. In this context, ERR Duisburg assumes all activities in connection with the maintenance, storage, insurance and potential conversions of the rail carriages. Furthermore, ERR Duisburg is holder of the wagons owned by ERR Vienna and enters into lease agreements on behalf of ERR Vienna .

In addition to providing services, ERR Duisburg engages in the trading of railway carriages and related spare parts.

The participation in ERR Duisburg was allocated to the Segment „Rail" in view of its area of activity and strategic importance for this segment.

The shares of neither of the companies are listed, so that no market price quotations exist for these shares.

No contingent liabilities exist with respect to the associated undertakings of the Group.

Summarised financial information concerning the associated undertakings:

Financial information concerning BSI CONICAL Container GmbH, Hamburg, CH2 Contorhaus Hansestadt Hamburg, Hamburg, and ERR European Rail Rent GmbH, Duisburg, accounted for in accordance with the equity method is summarised in the following table:

	BSI CONICAL Container GmbH, Hamburg		CH2 Contorhaus Hansestadt Hamburg AG, Hamburg		ERR European Rail Rent GmbH, Duisburg	
in EUR k	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016*	31.12.2015
Long term assets	106	0	425	308	259	0
Short term assets	1,458	2,649	549	399	8,582	0
Liquid funds	4	119	2,172	2,681	2,997	0
Short term liabilities	1,600	2,601	747	1,339	8,709	0
Long term liabilities	0	0	45	57	0	0
						0
Revenue	45	1,943	4,715	7,584	4,484	0
Depreciation and amortisation	0	0	77	74	10	0
Financial income	0	0	31	123	1	0
Earnings before tax	313	190	325	2,766	190	0
Taxes	118	38	138	899	43	0
Profit for the year	**-195**	**152**	**163**	**1,867**	**145**	**0**
Overall earnings	**-200**	**152**	**163**	**1,867**	**145**	**0**
Dividends received from joint arrangements	0	0	0	0	0	0

Table 4a: Associated Undertakings

The data encompass both the Group as well as third party share in the assets, liabilities and profit and loss items.

The summarised financial information disclosed can be reconciled to book values in accordance with the equity method as follows:

in EUR k	BSI CONICAL Container GmbH, Hamburg 31.12.2016	31.12.2015	CH2 Contorhaus Hansestadt Hamburg AG, Hamburg 31.12.2016	31.12.2015	ERR European Rail Rent GmbH, Duisburg 31.12.2016	31.12.2015
Net assets at time of acquisition/foundation	168	13	1,992	1,317	2,983	0
Earnings for year (where relevant from date of acquisition)	-195	152	163	675	145	0
Currency translation	-4	3	0	0	0	0
Distributions	0	0	0	0	0	0
Net assets, as at 31.12.	**-31**	**168**	**2,155**	**1,992**	**3,128**	**0**
						0
Aves One AG shares in net assets						0
in %	51.0%	51.0%	30.0%	30.0%	33.3%	0.0%
in EUR k	-16	86	647	598	1,043	0
provisions for unrealized profits	0	0	0	0	-40	0
Goodwill	0	0	1,197	1,197	0	0
Carrying value	**0**	**84**	**1,844**	**1,795**	**1,003**	**0**
						0
Maximum loss exposure	**0**	**84**	**1,844**	**1,795**	**1,003**	**0**

Table 4b: Associated Undertakings

4. Segmental reporting

4.1. Comments on the segments

The segmental reporting of the Aves Group is in accordance with the requirements of IFRS 8 Operating Segments. The subdivision of the Group into segments is based on the internal management of the business. The individual business and business elements are attributed to segments solely in accordance with economic criteria regardless of their legal participation structure. The accounting and valuation policies applied within the segments are consistent with those of the Group. Sales and EBITDA of the respective segment are the key performance indicators applied in principle for the management of the Segments.

An internal management takes place with respect to four business units (Container, Rail, Special Equipment and Resale Equipment). For reporting purposes, these were reduced to Container, Rail and all other Segments, as the business units Special Equipment and Resale Equipment have currently not met the thresholds for an individual reporting.

All administration and overhead costs and central services are summarized under the heading “Holding Activities” in the segmental reporting in a reconciling column to the Group, irrespective of in which company within the group legal structure these arose.

Container

The segment „Container“ encompasses the renting out of sea containers – 20 foot, 40 foot and 40 foot high cube as well as 40 foot reefer containers – whereby container management takes place via external service providers.

Rail

The segment „Rail“ encompasses the renting out of railway carriages – coil transport wagons (Shimmns), tarpaulin covered wagons (Rilnss), steel transport wagons (Sgmmns) and bulk transport wagons (Falns); management (technical and commercial) also takes place in this case by ERR Duisburg, in which the Company holds a 33.3% participation.

All other Segments

Other segments disclosed comprise the segments Special Equipment (leasing out of swap bodies and tank containers) as well as Resale (marketing of containers after the end of their maritime use as well as logistics real estate).

Holding Activities

In view of the structure of the Avis Group, internal services need to be recharged between the individual segments. These encompass administrative services provided by the holding companies. These services are valued at cost. Market rates for services performed constitute the upper limit for transfer prices. The activities of Aves One AG as well as BSI Logistics GmbH exclusively relate to the Group and are therefore included in a reconciling column together with consolidation adjustments to arrive at Group figures. These also include certain other costs from other companies (rent, personnel costs, certain advisory and similar costs etc.) to the extent that these relate to the overall group. This is a result of the historical development of the Group, which largely stems from an interim holding company in the container segment and which continues to provide various central services which cannot be directly attributed to a single segment.

4.2. Comments on segment data

In the segmental reporting, the key performance indicators segment sales, cost of services obtained, EBITDA (Earnings before interest, taxes, depreciation and amortisation), EBIT (Earnings before interest and taxes) and EBT (Earnings before taxes) are disclosed, as these indicators support the management and monitoring of the business on a value-oriented basis.

The performance indicators sales, EBITDA, EBIT and EBT are disclosed net of holding company charges, as these do not form part of the segment management and are also regularly affected by exceptional effects. These charges (revenues at the level of the holding entities, costs in the individual companies) also do not fall within the overall Group results, as they are eliminated in the context of the income and expense consolidation.

The indicators sales, EBITDA, EBIT and EBT shown in the column "Group results" are in accordance with the usual definition set out in section 1.2.

The sales are currently all realised by Group companies located within the European Union. The revenues of the "Rail" segment partially result from a participation in Austria, otherwise all revenues are realised by companies located in Germany. Therefore, no management on a regional basis takes place.

4.3. Key performance indicators by segment

For the business year ending 31 December 2016, the segmental results are summarised as follows, based on internal reporting (all numbers in EURk):

	Reporting segments				**Reconciliation to Group**		
	Container	Rail	All other segments	Total	Holding activities	Consolidation	**Group result**
Sales							
External sales	20,061	7,621	927	28,610	37	0	28,646
Intra-segment sales	846	14	-68	793	0	-793	0
Segment sales	20,908	7,636	859	29,403	37	-793	28,646
Expenses of purchased services	-7,184	-1,645	-1,016	-9,845	0	764	-9,080
Other segment sales and expenses	459	-510	-140	-191	-4,042	24	-4,209
EBITDA before holding allocation	14,183	5,481	-296	19,368	-4,005	-7	15,356
EBIT before holding allocation	8,275	3,495	-892	10,878	-4,023	-7	6,848
EBT before holding allocation	-1,644	884	-1,279	-2,039	-4,402	-7	-6,448
Impairment, amortization and depreciation intangible fixed assets and tangible fixed asset	-5,908	-1,986	-596	-8,489	-18	0	-8,508
Financial income	1,668	41	208	1,917	864	-1,955	827
Financial expenses	-11,586	-2,653	-596	-14,835	-1,242	1,955	-14,123
Financial result	-9,918	-2,612	-387	-12,918	-378	0	-13,296
Taxes on earnings	-714	-605	266	-1,053	-166	0	-1,219
Total assets	256,889	241,259	33,717	531,865	56,560	-62,908	525,516
total liabilities	-244,151	-237,558	-35,098	-516,807	-27,719	47,501	-497,025
intangible fixed assets by segments	2,501	0	10	2,511	55	0	2,566
tangible fixed assets by segments	195,374	225,762	24,213	445,349	52	0	445,400
Investments by segment	951	193,657	23,136	217,744	273	0	218,017
Carrying values of investments in associated companies	1,843	1,003	0	2,846	0	0	2,846
Profit contribution of associated companies	49	9	-100	-42	0	0	-42

Table 5a: Segmental reporting 2016

In accordance with the management reporting, the items disclosed under the heading "group reconciliation" also include costs not allocated to the segments (heading "holding activities"), in addition to inter-segment revenues and costs eliminated with no profit and loss effect (heading "consolidation"). The performance indicators are shown net of intra-group recharges of holding costs that cannot be directly attributed to segmental activities (overhead costs). These costs are monitored by group management at holding company level and do not form part of the segment management and are therefore shown in the column "holding activities".

Prior year segmental information is as follows:

	Reporting segments		All other segments	Total	Reconciliation to Group		Group result
	Container	Rail			Holding activities	Consolidation	
Sales							
External sales	20,728	852	33	21,613	6	0	21,619
Intra-segment sales	0	0	0	0	0	0	0
Segment sales	20,728	852	33	21,613	6	0	21,619
Expenses of purchased services	-8,703	-126	0	-8,829	0	0	-8,829
Other segment sales and expenses	-4,862	-232	-39	-5,133	-1,121	0	-6,254
EBITDA before holding allocation	21,065	494	-113	21,446	-1,115	0	20,331
EBIT before holding allocation							
EBT before holding allocation							
Impairment, amortisation and depreciation intangible fixed assets and tangible fiexed assets	-4,483	-266	-10	-4,759	-3	0	-4,762
Financial income	1,073	0	78	1,151	196	-629	718
Financial expenses	-10,456	-363	-87	-10,906	-374	629	-10,651
Financial result	-9,383	-363	-9	9,755	-178	0	-9,933
Taxes on earnings	-917	26	64	-827	-1	0	-828
Total assets	252,816	33,186	2,580	288,582	24,435	-45,866	267,151
total liabilities	-221,556	-33,160	-6,979	-261,695	-14,154	27,843	-248,006
intangible fixed assets by segments	5,635	0	0	5,635	4	0	5,639
tangible fixed assets by segments	199,722	28,627	4,206	232,555	45	0	232,600
Investments by segment	67,380	34,446	211	102,037	49	0	102,086
Carrying values of investments in associated companies	1,794	0	84	1,878	0	0	1,878
Profit contribution of associated companies	202	0	76	278	0	0	278

Table 5b: Segmental reporting 2015

5. Notes to the consolidated statement of profit or loss

(1) Sales

in EUR k	2016	2015
Segment Containers		
Rental	19,884	20,676
Other sales	1,024	52
	20,907	**20,728**
Segment Rail		
Rental	7,484	831
Other sales	151	21
	7,635	**852**
All other segments		
Rental	859	33
Other sales	0	0
	859	**33**
Holding		
Other sales	37	6
	37	**6**
Consolidation		
Other sales	-793	0
	-793	**0**
Total	**28,644**	**21,619**

Table 6: Sales

The business of the Aves Group is only subject to limited seasonal variations. The increase in sales is mainly the result of the expansion of business into the areas of renting out of railway carriages (as a result of the addition of ERR Vienna to the consolidated entities as well as the fact that the segment which was acquired in 2015 was consolidated for a full year) and the investments in so called special equipment (in particular swap bridges and tank containers) which was intensified in comparison to the prior year.

Investment levels were low in the area of containers, with an increase of 1,160 CEU. In the light of this, revenue increased slightly with respect to containers.

In the Rail Segment, the portfolio of carriages was increased substantially from 331 wagons in 2015 to a total of 4,230 wagons in the 2016 financial year through the acquisition of ERR Vienna as well as further purchases.

Significant investments also took place in swap bodies and tank containers, which generated revenue for part of the 2016 financial year.

(2) Other operating income

in EUR k	**2016**	**2015**
Profit on disposal/derecognition of fixed assets	89	0
Exchange gains	13,216	18,302
Income from settlement with related entity exerting control over the company	0	214
Other	1,607	168
Total	**14,912**	**18,684**

Table 7: Other operating income

The exchange gains disclosed essentially relate to the valuation of Euro-denominated financial liabilities recorded at the level of operational subsidiaries with the US Dollar as functional currency.

Income from claims for damages relate to a contractually agreed settlement with an asset manager.

(3) Cost of materials and services

in TEUR	**2016**	**2015**
Cost of purchased goods	31	0
Cost of purchased services	9,080	8,829
thereof Segment Container	*7,184*	*8,703*
thereof Segment Rail	*1,645*	*126*
thereof Segment Other	*1,016*	*0*
thereof Segment Holding	*0*	*0*
thereof consolidation among segments	*-764*	*0*
Total	**9,111**	**8,829**

Table 8: Cost of materials and services

The cost of materials and services for the business year almost entirely encompasses the cost of services obtained from external service providers in the segments “Containers“, ”Rail“ and “all other Segments”. These charges cover the commercial and operational management of assets including maintenance work carried out on leased assets and storage costs of assets not leased out.

(4) Personnel costs

in EUR k	2016	2015
Wages and salaries	2,107	1,131
Costs for social security and retirement benefits	231	135
thereof retirement benefits	*(15)*	*(10)*
Total	**2,338**	**1,266**

Table 9: Personnel costs

Social security and retirement benefit costs comprise ongoing contributions of EUR 121k (prior year: EUR 77k) to defined contribution schemes. This also includes payments to the state pension system „Versorgungsanstalt des Bundes und der Länder“.

Personnel costs increased in content of the further growth of the Company.

(5) Impairments and depreciation/amortisation

in EUR k	2016	2015
Impairment write-downs and amortization and depreciation on intangible fixed assets and tangible fixed assets	8,508	4,762
thereof impairment	*(0)*	*(0)*

Table 10: Depreciation and amortisation

Depreciation mainly related to the investments in railway carriages and special equipment. The fact that container and rail equipment was depreciated for the first time for the full year is a further factor.

No impairment write-downs were recorded in the business year.

(6) Other operating costs

in EUR k	2016	2015
Losses on disposal/derecognition of fixed assets	3,064	1,925
Exchange losses	8,170	4,507
Additions to specific bad debt provisions	1,114	268
Third party services	1,323	1,656
Rent/leases	375	80
Fees, charges, advisory costs	1,266	1,083
IT costs	101	45
Car leasing	74	64
Travel costs	96	58
Other costs	1,128	469
Total	**16,711**	**10,155**

Table 11: Other operating costs

The exchange losses disclosed result almost fully from the valuation of Euro-denominated receivables, which are accounted for in the functional currency US Dollar of the operational subsidiaries.

The losses from the sale/disposal of fixed assets are compensated by claims for compensation of EUR 1,085k (see also made to our comments on other operating income) and are therefore essentially unchanged.

The addition to bad debt provisions is affected in particular by the exceptional matter SLI III. A balance receivable of EUR 1,162k was recorded in connection with this, which has been provided in an amount of EUR 917 due to risk considerations. See also section 2.20a).

(7) Profit and loss share of undertakings accounted for at equity, after tax

in EUR k	2016	2015
Profit and loss share for entities accounted for at equity, after tax	-42	278
Total	**-42**	**278**

Table 12: Profit and loss share at equity undertakings

The balance of EUR 42k relates to BSI CONICAL with a proportional share of EUR -100k and at to CH2 with a proportional share of EUR +49k and to ERR Duisburg with a share of EUR 9k. The carrying value of BSI CONICAL fell to 0 during the financial year due to losses incurred by the entity. Losses in excess of this are therefore not recorded. No requirement to compensate the losses of the company exists.

(8) Financial result (net)

in EUR k	2016	2015
Interest and similar income	**827**	**718**
thereof from persons/entities with a controlling interest in the business	*326*	*19*
thereof from other related persons or entities	*387*	*576*
Interest and similar costs	**-14,123**	**-10,651**
thereof to persons/entities with a controlling interest in the business	*0*	*-30*
thereof to other related persons or entities	*-7,642*	*-5,946*
Total	**-13,296**	**-9,933**

Table 13: Financial result

The negative financial result increased in comparison to the prior year mainly as a result of the higher financing volume, which increased from EUR 238.1m at 31 December 2015 to EUR 468.9m at 31 December 2016. The increase mainly results from the acquisition of the ERR companies Vienna and Duisburg.

(9) Taxes on earnings

in EUR k	2016	2015
Current taxes in business year	64	-19
Deferred taxes		
- due to changes in tax rates	0	0
- due to temporary differences	6,887	3,326
- due to tax losses carried forward	-5,732	-2,479
	1,154	847
Taxes on earnings	**1,218**	**828**

Table 14: Taxation

The actual tax result of EUR 1.2m differs by EUR 3.3m from the expected tax charge of EUR -2.1m resulting from the application of the tax rate in force to the profit before taxes on earnings of the Group. A reconciliation of the actual to the expected tax charge is summarised in the following table:

in EUR k	2016	2015
Earnings before tax	**-6,447**	**5,636**
Tax rate	32.28%	32.28%
Expected tax charge	**-2,081**	**1,819**
Non-deductible charges against income	22	18
Adjustment in temporary differences	2,062	0
Adjustment in losses brought forward	30	0
Depreciation and disposal charges for incidential acquisition costs with no corresponding tax effect	613	566
Allocation trade tax	717	470
Other tax free income	0	-598
Effect of currency translation of tax balance sheet values to functional currencies	-221	-1,775
Impairment write-down DTA	134	357
Other effects	-57	-29
Disclosed taxes on earnings	**1,219**	**828**
Group tax rate	**-18.9%**	**14.7%**

Table 15: Tax reconciliation

Explanatory note to table 15: In comparison to the prior year, the currency translation effects were subsumed within one line item. In this context, the disclosure differs from the prior year.

The following tax rates were applied for the determination of deferred taxes for the German entities of the Aves Group:

in %	31.12.2016	31.12.2015
Future corporation tax rate expected	15.00	15.00
Future solidarity surcharge rate expected	0.83	0.83
Future trade tax rate expected	16.45	16.45
Future expected tax rate	**32.28**	**32.28**

Table 16: Expected tax rates

A corporation tax rate of 25% was assumed for the Austrian subsidiaries.

The taxes on earnings constitute a tax balance payable for the business year which corresponds to a rate of -18.9% of the pre-tax results. In the prior year, the tax charge amounted to 14.7% of earnings before taxes on earnings.

Further information on taxes on earnings is disclosed under 6.21.

(10) Earnings per share

2016 earnings per share amounted to EUR -1.23 (2015 – adjusted by new number of shares – see sub-heading 6.11.7: EUR 0.81).

The calculation is based on earnings after tax attributable to the owners of Aves One AG (parent company) in the numerator. Earnings per share are determined on the basis of the weighted average of outstanding ordinary shares. The number of shares in circulation applied for the calculation of the undiluted earnings per share for the period ending 31 December 2016 is 6,256,475 shares (31 December 2015: 5,426,630 shares, see sub-heading 6.11.7). The undiluted earnings per share were equal to the diluted earnings per share. It should be noted that the prior year number of shares was adjusted for the purposes of comparison. Reference is made to our comments on issued share capital under 6.11.1 for further information on the number of outstanding shares.

in EUR k	2016	2015
Shareholders' share of Group results (in EUR k)	**-7,666**	**4,372**
thereof:		
● *Results from continued business areas*	*-7,666*	*4,808*
● *Results from discontinued business areas*	*0*	*-436*
Weighted average nu,ber of shares	**6,256,475**	**5,426,630**
Earnings per share (in EUR)	**-1.23**	**0.81**
thereof:		
● Results from continued business areas	**-1.23**	**0.89**
● Results from discontinued business areas	**0.00**	**-0.08**

Table 17: Earnings per share

6. Notes to the consolidated balance sheet

(1) Intangible assets

In EUR k	Software	Agency commission	Container purchase rights	Total
Purchase/production cost				
As at 1 January 2016	**10**	**5,633**	**0**	**5,643**
Additions	69	2,500	0	2,569
Disposal	0	0	0	0
Reclassification	0	-5,600	0	-5,600
Foreign currency adjustment	0	-33	0	-33
To 31 December 2016	**79**	**2,500**	**0**	**2,578**
Accumulated amortization, depreciation and impairment charges				
As at 1 January 2016	**4**	**0**	**0**	**4**
Additions	8	0	0	8
Disposal	0	0	0	0
Reclassification	0	0	0	0
Foreign currency adjustment	0	0	0	0
To 31 December 2016	**12**	**0**	**0**	**12**
Net book values				
As at 1 January 2016	**6**	**5,633**	**0**	**5,639**
To 31 December 2016	**66**	**2,500**	**0**	**2,566**
Currency translation adjustment	**0**	**185**	**0**	**185**

Table 18a Intangible fixed assets 2016

In EUR k	Software	Agency commission mobile equipment	Container purchase rights	Total
Purchase/production cost				
As at 1 January 2015	**6**	**0**	**6,956**	**6,962**
Additions	4	5,528	0	5,532
Disposal	0	0	0	0
Reclassification	0	0	-6,956	-6,956
Foreign currency adjustment	0	105	0	105
To 31 December 2015	**10**	**5,633**	**0**	**5,643**
Accumulated amortization, depreciation and impairment charges				
As at 1 January 2015	**3**	**0**	**0**	**3**
Additions	1	0	0	1
Disposal	0	0	0	0
Reclassification	0	0	0	0
Foreign currency adjustment	0	0	0	0
To 31 December 2015	**4**	**0**	**0**	**4**
Net book values				
As at 1 January 2015	**3**	**0**	**6,956**	**6,959**
To 31 December 2015	**6**	**5,633**	**0**	**5,639**
Currency translation adjustment	**0**	**105**	**0**	**105**

Table 18 b Intangible fixed assets 2015

In the prior year, intangible fixed assets mainly comprise an "agency commission" reflected an agency commission in the form of a commitment to pay a success-based flat rate fee of EUR 5.6m in connection with the brokering of mobile logistics equipment with a transaction volume of up to EUR 275m. The agency services were fully provided during the business year and the related asset was reclassified to tangible fixed assets and capitalised as ancillary purchase costs with respect to acquired railway carriages.

By contract dated 7 December 2016, an agency agreement was signed for logistics real estate in the resale area, which included a commission of EUR 2.5m for agency services. This balance was initially capitalised as "agency commission logistics real estate” in intangible assets (reference is also made to 13.1.3 letter H). At the time of addition of the brokered real estate, the asset will be reclassified to the relevant real estate (ancillary purchase costs).

(2) Tangible fixed assets

in EUR k	Container	Railway carriages	Swap bodies	Tank-container	Other plant & equipment	Total
Purchase/production cost						
As at 1 January 2016	**210,289**	**28,893**	**164**	**0**	**148**	**239,494**
Additions	951	193,657	17,114	3,522	204	215,448
Disposal	-6,321	-221	0	0	0	-6,542
Reclassification	0	5,600	0	0	0	5,600
Foreign currency adjustment	6,234	0	0	0	0	6,234
To 31 December 2016	**211,153**	**227,929**	**17,278**	**3,522**	**352**	**460,234**
Accumulated amortisation, depreciation and impairment charges						
As at 1 January 2016	**6,576**	**266**	**3**	**0**	**49**	**6,894**
Additions	5,874	1,982	374	141	137	8,508
Disposal	-626	-20	0	0	0	-646
Reclassification	0	0	0	0	0	0
Foreign currency adjustment	78	0	0	0	0	78
To 31 December 2016	**11,902**	**2,228**	**377**	**141**	**186**	**14,834**
Net book values						
As at January 2016	**203,713**	**28,627**	**161**	**0**	**99**	**232,600**
To 31 December 2016	**199,251**	**225,701**	**16,901**	**3,381**	**166**	**445,400**
Currency translation adjustment	**6,156**	**0**	**0**	**0**	**0**	**6,156**

Table 19a Tangible fixed assets 2016

in EUR k	Container	Railway carriages	Swap bodies		Other plant & equipment	Total
Purchase/production cost						
As at 1 January 2015	**127,743**	**0**	**0**		**53**	**127,796**
Additions	67,380	28,918	164		92	96,554
Disposals	-8,460	-25	0		0	-8,485
Reclassification	6,956	0	0		0	6,956
Foreign currency adjustment	16,670	0	0		3	16,673
To 31 December 2015	**210,289**	**28,893**	**164**		**148**	**239,494**
Accumulated amortisation, depreciation and impairment charges						
As at 1 January 2015	**2,035**	**0**	**0**		**26**	**2,061**
Additions	4,498	266	3		21	4,788
Disposals	-256	0	0		0	-256
Reclassification	0	0	0		0	0
Foreign currency adjustment	299	0	0		2	301
To 31 December 2015	**6,576**	**266**	**3**		**49**	**6,894**
Net book values						
As at Janaury 2015	**125,708**	**0**	**0**		**27**	**125,735**
To 31 December 2015	**203,713**	**28,627**	**161**		**99**	**232,600**
Currency translation adjustment	**16,371**	**0**	**0**		**1**	**16,372**

Table 19b Tangible fixed assets

The increase in fixed assets in 2016 is mainly the result of investments in further railway carriages by means of the purchase of the assets of ERR Vienna as well as the purchase of swap bodies.

Agreements for the leasing out of containers, swap bodies and railway carriages entered into in the name of Group companies are classified as operating leases in accordance with IFRS. As a consequence, the Group is lessor for a large number of operating leases (rental agreements) of various types for mobile logistics equipment, which give rise to the major part of the Group’s revenues and profits.

The resulting revenues from leases amount to EUR 27.4m in the current business year (prior year: EUR 21.5m).

In connection with the operating leases currently in force with third parties and with the current stock of mobile logistics equipment items, the Group will obtain minimum lease revenues made up as follows:

in EUR k	Container 2016	Container 2015	Railway carriages 2016	Railway carriages 2015	Other 2016	Other 2015	Total 2016	Total 2015
	Future minimum leasing payments							
Less than one year	10,470	9,557	21,744	2,748	2,200	28	34,414	12,333
Between one and five years	15,081	19,652	33,359	8,116	5,598	98	54,039	27,866
More than five years	268	225	2,759	194	0	0	3,027	419
	25,819	**29,434**	**57,862**	**11,058**	**7,798**	**126**	**91,480**	**40,618**

Table 20 Future minimum lease payments

(3) Financial assets accounted for at equity

Of the total balance of this item of EUR 2.846k, EUR 1,843k relate to the carrying value of CH2, EUR 1,003k to ERR Duisburg and EUR 0 to the carrying value of BSI CONICAL. As a result of the recording of the negative results BSI CONICAL, its carrying value of was reduced to EUR 0k during the financial year. No requirement to compensate the losses of the company exists, so that no contingent liabilities or liabilities need to be disclosed.

(4) Other financial assets

The other financial assets of the Aves Group consist of investments in related undertakings which are not consolidated as well as an interest rate hedge (interest cap) at ERR Vienna, which was not treated as hedge accounting. The interest hedge is valued at fair value through profit or loss, based on observable market price quotations, in this case valuations by Commerzbank, BVB Bank as well as Erste Bank der oesterreichischen Sparkassen AG. Reference is made to section 7 for further details.

(5) Inventories

Inventories within the Aves Group include the storage Park in Münster which is current which is currently under construction. It is not intended to retain the assets being constructed there within the Group on a long term basis, so that they are disclosed as inventories.

(6) Trade accounts receivable

Trade accounts receivable all fall due within one year, as was the case in the prior year.

in EUR k	31.12.2016	31.12.2015
Trade accounts receivable	9,414	5,471
Bad debt provisions	-1,919	-781
Total	**7,495**	**4,690**

Table 21a Trade accounts receivable

With respect to credit loss risks arising in connection with trade accounts receivable, reference is made to the ageing and due dates set out in the table below. The bandwidths for overdue items selected are in accordance with the bandwidths generally used by the credit control management of the Aves Group.

in EUR k	Carring value 31.12.2016	thereof written down at balance sheet date	thereof neither written down nor overdue at balance	thereof not written down and overdue for the following intervals at balance sheet date			
				less than 30 days	30 to 60 days	61 to 90 days	more than 90 days
from third parties	6,173	1,919	2,068	759	505	667	256
from entities accounted for at equity	1,962	0	1,962	0	0	0	0
from other related persons or undertakings	1,278	0	1,278	0	0	0	0
Total	**9,414**	**1,919**	**5,309**	**759**	**505**	**667**	**256**

Table 21b Trade accounts receivable 2016

Until the end of March 2017, these trade accounts receivables had been settled with the exception of a balance of EUR 3.4m. The balance outstanding encompasses amongst others an amount of EUR 1.2m subject to pending legal proceedings, for which provisions of EUR 939k had been made as at 31 December 2016. Reference is made to Section 2.20 letter a) for details on this matter. Further outstanding accounts receivable mainly consist of balances due from container and rail managers, who general settle amounts due with considerable delay.

For the prior year, due dates for trade accounts receivable were as follows:

in EUR k	Carrying value	thereof written down at balance sheet date	thereof neither written down nor overdue at	thereof not written down and overdue for the following intervals at balance sheet date			
				less than 30 days	30 to 60 days	61 to 90 days	more than 90 days
from third parties	4,302	884	1,008	1,969	234	207	83
from entities accounted for at equity	40	0	0	40	0	0	0
from other related persons or undertakings	348	0	0	348	0	0	0
Total	**4,690**	**884**	**1,008**	**2,357**	**234**	**207**	**83**

Table 21c Trade accounts receivable

At the balance sheet date, there are no indications of credit loss risks existing for trade accounts receivable which are not overdue or have not been provided for.

Bad debt provisions have developed as follows over the reporting period:

in EUR k	2016	2015
Balance 31.12.2016/31.12.2015	781	277
Utilization	-5	0
Reversal	-15	0
Additions	1,035	268
Other additions / additions acquisition RSI Shipping	0	166
Foreign currency translation	122	70
Balance 31.12.2016/31.12.2015	**1,919**	**781**

Table 22a Bad debt provisions

In the following table, charges relating to bad debts fully written off as well as income from the settlement of trade accounts receivables written off are disclosed:

in EUR k	2016	2015
Costs arising in connection with full bad debt write-offs	61	25
Income from receipts for bad debts provided for	0	0

Table 22b Income from bad debts fully written off

All income and costs relating to trade accounts receivable written off are disclosed within other income and other costs respectively.

(7) Financial receivables and other assets

in EUR k	31.12.2016 Total	31.12.2016 Falling due after more than one year	31.12.2015 Total	31.12.2015 Falling due after more than one year
Financial receivables				
thereof from third parties	3,539	0	291	0
thereof from related persons or undertakings with a controlling interest in the business	1,946	0	2,051	0
thereof from other related persons or undertakings	9,105	0	2,417	0
Financial receivables	**14,591**	**0**	**4,759**	**0**
Other assets	**15,302**	**0**	**5,023**	**0**
thereof from related persons or undertakings with a controlling interest in the business	121	**0**	89	0
thereof from other related persons or undertakings	1,500	**0**	262	0
thereof from taxes	10,146	0	4,236	0
thereof prepayments	183	0	147	0
Other assets	**15,302**	**0**	**5,023**	**0**
Total	**29,892**	**0**	**9,782**	**0**

Table 23 Financial receivables and other assets

Financial receivables which total EUR 14.6m (prior year: EUR 4.8m) are not yet due at the balance sheet date, and no impairment provisions have been made for these items.

No indications exist at the balance sheet date that the respective debtors will not be in a position to fulfil their payment commitments.

Financial receivables mainly comprise receivables from related parties as well as Superior Beteiligungen AG, which have uniformly been subject to interest at 8.0% since September 2016 (previously 8.5%).

(8) Claims for taxes on earnings

in EUR k	31.12.2016	31.12.2015
Deferred tax assets	1,831	74
Current tax claims	1,038	970
Total	**2,869**	**1,044**

Table 24 Tax claims

Comments on deferred taxes are set out under 6.21.

(9) Liquid funds

in EUR k	31.12.2016	31.12.2015
Bank balances	31,952	11,483
thereof restricted access: EUR 8,877k; PY: EUR 1,574k		
Cash in hand	2	1
Total	**31,954**	**11,484**

Table 25 Liquid funds

Liquid funds mainly comprise liquid investments repayable at short notice subject to variable interest rates.

Cash at banks include balances of EUR 8.9m (prior year: EUR 1.6m) to which access is restricted. The increase is a result of the addition relating to ERR Vienna.

(10) Discontinued business operations

The business area „Insurance“ was discontinued in accordance by resolution of the Supervisory Board dated 9 December 2015. The business had previously not been designated as a discontinued business operation or business held for sale.

Business activities were discontinued already in 2015. No additional later revenues or costs occurred, so that there were no effects in 2016.

(10.1)

Results from discontinued business operations

in EUR k	2016	2015
Sales	0	556
Costs	0	-992
Earnings before tax of discontinued business areas	**0**	**-436**
Results after tax of discontinued business areas	**0**	**-436**
Earnings per share (diluted and undiluted) :	**0.00**	**-0.08**

Table 26a: Results from discontinued business areas

(10.2) Cash flows from discontinued business operations

in EUR k	2015	2015
Cash flow from operations	0	-275
Cash flow from investment activities	0	-4
Cash flow from financing activities	0	242
Total cash flow	**0**	**-37**

Table 26b Cash flows from discontinued business areas

(11) Equity

The development of equity is disclosed in the statement of changes in equity.

Other income disclosed within equity with no income effect is disclosed separately in the statement of other comprehensive income. Tax effects of EUR 686k relating to the individual items are already reflected within this disclosure.

(11.1) Issued share capital

At the balance sheet date, the fully paid in or settled share capital amounts to EUR 8,910,000.00 (prior year: EUR 990,000.00). It is divided into 8,910,000 (prior year: 990,000) bearer shares with no nominal value and a proportional value of EUR 1.00 per share.

(11.1.1) Capital increase from Company funds

By resolution of the Extraordinary General Meeting of the Company on 18 April 2016, the share capital of the Company was increased from EUR 990,000 to initially EUR 5,940,000 by converting a balance of EUR 4,950,000 of the capital reserve disclosed in the annual balance sheet of the Company as at 31 December 2015 in accordance with the regulations of §§ 207 et seq. AktG (German public stock company law).

4,950,000 new bearer shares with no nominal value and a proportional value of EUR 1.00 per share were issued to shareholders in a ratio of 1:5. The new shares are entitled to distributions as of 1 Januar 2015.

The capital increase was recorded in the commercial register on 25 April 2016.

(11.1.2) Capital increase by cash contribution

In addition to the capital increase from company reserves, by resolution of the General Meeting of the Company on 5 September 2016, the share capital was increased by a further EUR 2,970,000 from EUR 5,940,000 to EUR 8,910,000 by means of a cash contribution by issuing 2.970.000 new bearer shares with no nominal value and a proportional value of EUR 1.00 per share. The new shares are entitled to distributions as of 1 January 2016.

The issue price of the new shares was set at EUR 6.00 per share.

The execution of the capital increase by cash contribution was recorded in the commercial register of the Hamburg local court on 23 November 2016.

(11.2) Conditional share capital

By resolution of the General Meeting of the Company on 5 September 2016, the Company was empowered to issue convertible bonds, warrant-linked bonds and participating certificates with or without conversion or option entitlements as well as to exclude pre-emption rights with a total nominal value of up to EUR 50,000,000. The bearers of these bonds can be granted conversion or option rights of up to 2,970,000 bearer shares with no nominal value and a proportional share of the issued share capital of EUR 2,970,000. Correspondingly, a resolution was passed covering conditional capital of EUR

2,970,000 by issue of 2,970,000 new bearer shares with a profit entitlement as of the beginning of the financial year of their issue (Conditional Capital 2016).

(11.3) Authorized capital

By resolution of the Extraordinary General Meeting of the Company on 18 April 2016, the Management Board was empowered to increase the share capital of the Company in the period to 17 April 2021 by up to a total of EUR 2,970,000 by one or more issues of bearer shares with no nominal value by means of cash contribution or contribution in kind (Authorized Capital 2016).

Furthermore, by resolution of the General Meeting of the Company on 5 September 2016, the Management Board was empowered to increase the share capital of the Company in the period to 4 September 2021 by up to a total of EUR 1,485,000 by issuing up to 1,485,000 of bearer shares with no nominal value by means of cash contribution or contribution in kind (Authorized Capital 2016/II).

No use was made of these empowerments up to the 2016 balance sheet date.

After the balance sheet date, a further capital increase of EUR 297,000 was made by means of the exercising of the greenshoe option (see section 12). To this extent, the authorized share capital has been utilized as at the time of preparation of the accounts.

(11.4) Capital reserve

In connection with the capital increase from company reserves by resolution dated 18 April 2016, the capital reserve of EUR 4,950,000 disclosed in the prior year was converted to share capital in accordance with §§207 et seq. AktG.

In addition to capital increase from company reserves, the increase of EUR 8,400,000 disclosed in the 2016 financial year results from the capital increase by cash contribution at Aves One AG on 23 November 2016. Equity procurement costs arising in this context of EUR 2,125,854 less deferred taxes of EUR 686.226 were deducted.

Reference is made to the Statement of Changes in Group Equity as well as notes 2.14 and 13.1.3 for further information.

(11.5) Consolidated retained earnings

In addition to the consolidated retained earnings at the 2015 balance sheet date, consolidated retained earnings reflect the consolidated loss for the 2016 business year.

(11.6) Currency translation reserve

The equity item currency exchange reserve serves to record the cumulative differences from the conversion into the presentation currency (EURO) of operations with a functional currency that differs from the EURO.

Differences arising in the business year are shown in other results within other comprehensive income. Currency translation differences are recorded in profit and loss when a sale of foreign operations takes place. The changes in the currency translation reserve are shown within other results.

(11.7) Disclosure of earnings per share

In connection with the determination of the earnings per share, the number of shares in circulation in the prior year was retrospectively amended to 5,940,000 shares as of 1 January 2015 for comparability purposes; the previous number of shares of 990,000 was adjusted in accordance with IAS 33.27/28 by the number of shares (4,950,000) issued in connection with the capital increase from company reserves. The then shareholders participated to this extent in the capital increase without changes in equity (injection of resources) having taken place. This adjustment enables comparable earnings per share to be determined for the year 2015.

The 2,970,000 new shares issued in connection with the capital increase by cash contribution of 23 November 2016 were reflected only with effect from the time at which they were issued.

(12) Liabilities from taxes on earnings

in EUR k	31.12.2016	31.12.2015
Deferred tax liabilities	5,995	4,532
Current tax liabilities	39	0
Total	**6,034**	**4,532**

Table 27a Liabilities from taxes on earnings

The liabilities from taxes in income all fall due within one year.

Deferred taxes (net) developed as follows during the financial year:

in EUR k	31.12.2016
Net deferred tax, beginning of year (1.1.2016)	-4,458
Addition with no income effect through capital increase	686
Addition through acquisition of subsidiaries with no income effect	913
Currency translation effects with no income effect	-151
Taxes with income effect	-1,154
Balance 31.12.2016	**-4,164**

Table 27b Liabilities from current taxes on earnings

Deferred taxes were calculated on the basis of entity-specific tax rates (for the German entities: limited liability companies: 32.28% or 16.45% for partnerships; for the subsidiaries in Austria: 25%).

Balances arising from temporary differences between shares in subsidiaries and entities recorded in accordance with the equity method, for which no deferred tax liabilities were recorded in accordance IAS 12.39 amount to EUR 3.3m (prior year: EUR 7.4m).

The following deferred tax assets and liabilities result from recording and valuation differences relating to the individual balance sheet items:

	31.12.2016		31.12.2015	
In EUR k	Deferred tax asset by item	Deferred tax liability by item	Deferred tax asset by item	Deferred tax liability by item
Intangible fixed Assets	0	0	0	11
Tangible fixed assets	0	14,592	583	8,351
Financial assets	0	0	2	0
Trade accounts receivable	94	0	33	34
Other assets and prepayments	92	3	24	16
Loan interest prepayment	0	0	249	0
Financial liabilities	604	593	0	792
Trade accounts payable and other liabilities	0	615	68	0
Other liabilities	3	57	63	0
Losses carried forward	10,903	0	3,723	0
Total	**11,697**	**15,860**	**4,745**	**9,204**
Netting	-9,865	-9,865	-4,671	-4,672
	1,831	**5,995**	**74**	**4,532**

Table 28a Deferred taxes by balance sheet item

in EUR k	31.12.2016	31.12.2015
Deferred tax assets		
Deferred tax assets realizable after more than 12 months	1,707	58
Deferred tax assets realizable within 12 months	124	16
Deferred tax assets	**1,831**	**74**
Deferred tax liabilities		
Deferred tax liabilities realizable after more than 12 months	5,502	4,112
Deferred tax liabilities realizable within 12 months	493	420
Deferred tax liabilities	**5,995**	**4,532**

Table 28b Term of deferred taxes

Deferred tax assets for tax losses carried forward are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the tax losses carried forward can be set off.

In the case of companies with prior year tax losses, deferred tax assets are only capitalized if sufficiently strong indications that they will be utilizable in the next five years exist. Additionally, tax optimization measures aimed at making the best use of tax losses carried forward are taken account of. The resulting deferred taxes amount to EUR 3,207k.

The level of deferred taxes not recognised as well as the level of the corresponding tax losses carried forward is set out in the following table:

	2016		**2015**	
in EUR k	Losses carried forward	Deferred taxes thereon not capitalised	Losses carried forward	Deferred taxes thereon not capitalised
Corporation tax losses carried forward	42,309	823	19,059	563
Trade tax losses carried forward	32,379	560	13,675	686
Total		**1,383**		**1,249**

Table 28c Tax losses carried forward

Current taxes are calculated on the basis of a statutory corporation tax rate of 15.00% plus a solidarity surcharge of 5.5%. The trade tax rate amounts to 16.45% of earnings for trade tax purposes.

A corporation tax rate of 25% applies to the Austrian subsidiaries, and no trade tax is raised.

(13) Liabilities

in EUR k	Book value	Due within one year	more than five years	Book value	Due within one year	more than five years
Financial liabilities						
Institutional lenders	104,623	37,379	4,011	73,761	39,525	1,500
Banks	166,588	159,668	0	24,121	20,932	0
Related parties and businesses	5,688	0	0	86	0	0
Direct investors - towards other related parties and busineess	178,633	99,423	3,272	140,145	101,573	5,723
Bonds	3,500	0	0	0	0	0
Financial liabilities	9,883	6,169	2,469	0	0	0
Other	23	0	0	0	0	0
Financial liabilities	**468,938**	**302,640**	**9,752**	**238,113**	**162,030**	**7,223**
Trade accounts payable						
to third parties						
towards related persons or undertakings with a controlling interest in the business						
towards third parties	1,475	0	0	529	0	0
towards non-consolidated subsidiaries	0	0	0	14	0	0
towards other related persons or undertakings	7,212	0	0	2,124	0	0
	0	0	0	1	0	0
Other financial commitments	**8,687**	**0**	**0**	**2,668**	**0**	**0**
Other liabilities	**13,312**	**0**	**0**	**2,692**	**0**	**0**
thereof from taxes	8,247	0	0	45	0	0
thereof for social security	8	0	0	1	0	0
thereof from deferred items	229	0	0	0	0	0
Total	**490,937**	**302,640**	**9,752**	**243,473**	**162,030**	**7,223**

Table 30 Overview liabilities

(23.1) Financial liabilities

The Aves Group is mainly financed by loans from credit institutions, institutional lenders as well as direct investors subsumed within a related entity. Data as at 31 December 2016 and the prior year are set out as follows:

Credit institutions:

	31.12.2016			31.12.2015		
Lender	**Original balance in currency of issue**	**Interest/effec-tive interest***	**Balance 31.12. in EUR k**	**Original balance in currency of issue**	**Interest/effec-tive interest***	**Balance 31.12. in EUR k**
(a) Final financing tranches						
HSH Nordbank AG	10,200,000 EUR	3.34% *	9,647	10,200,000 EUR	3.34% *	9,955
HSH Nordbank AG	11,844,410 EUR	2.87% *	11,306	11,844,410 EUR	2.87% *	11,765
DVB Bank SE	153,300,000 EUR	2.50%	145,635			
(b) Interim financing tranches						
HSH Nordbank AG	2,400,700 EUR	1.50%	0	2,400,700 EUR	1.50%	2,401
Total			**166,588**			**24,121**

Table 31a Financial liabilities towards credit institutions

The loans from credit institutions are fixed interest loans.

Institutional lenders:

Institutional investors	31.12.2016 Original balance in currency of issue		Interest/effective interest*	Balance 31.12. in EUR k	31.12.2015 Original balance in currency of issue		Interest/effec-tive interest*	Balance 31.12. in EUR k
Container Equipment								
Various investors	11,588,576	EUR	6.25%	11,589	73,000,000	EUR	4.60-8.69% *	20,000
Various investors	44,583,657	USD	5.00-8.27% *	40,384	57,890,401	USD	5.00-10.71%	52,261
Rail Equipment								
Various investors	48,440,232	EUR	5.00-7.00%	48,333	1,500,000	EUR	6.00%	1,500
Special Equipment								
Various investors	4,316,900	EUR	5.00%	4,317				
Total				**104,623**				**73,761**

Table 31b Financial liabilities towards institutional lenders

The loans from institutional investors are fixed interest loans.

Direct investors:

Direct investors	31.12.2016 Original balance in currency of issue		Interest	Balance 31.12. in EUR k	31.12.2015 Original balance in currency of issue		Interest	Balance 31.12. in EUR k
Various products and investors	237,936,750	EUR	3.64% - 8.00%	176,952	152,526,386	EUR	3.75% - 7.56%	128,760
Various products and investors	12,541,393	USD	4.26% - 5.27%	1,681	12,541,393	USD	4.26% - 5.27%	11,385
				178,633				**140,145**

Table 31c Financial liabilities towards direct investors

The loans from direct investors are fixed interest loans.

Bonds:

Bond	31.12.2016 Original balance in currency of issue		Interest/effec-tive interest*	Balance 31.12. in EUR k	31.12.2015 Original balance in currency of issue	Interest/effec-tive interest*	Balance 31.12. in EUR k
Bond							
Anleihe Aves Storage ISIN: DE000A2BN5A4	3,500,000	EUR	9.00%	3,500			
Total				**3,500**			**0**

(13.2) Financial liabilities – finance leases

Via the subsidiary ERR Vienna, the Group is lessor in the case of two finance leases. The classification of the leases as a finance lease is based on an evaluation of the future minimum lease payments and the terms agreed for the leases.

Conditional lease payments requiring inclusion in profit and loss in the context of finance leases took place neither in 2015 nor in 2016.

Liabilities from finance leases are made up of the following:

	Future minimum lease payments		Interest payments		Present value of upcoming pyaments	
In EUR k	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
under 1 year	1,438	0	196	0	1,503	0
Between 1 -5 years	6,169	0	337	0	6,201	0
More than 5 years	2,469	0	0	0	2,179	0

Table 31d Financial liabilities from finance leases

The book value of financed assets amounted to EUR 7,443k as at 31 December 2016.

(13.3) Trade accounts payable

Trade accounts payable mainly comprise balances payable to related undertakings. Further information on the composition of trade accounts payable is disclosed under 13.1.3 Notes on relationships with related parties and undertakings.

(14) Other accruals and provisions

Other accruals and provisions comprise a provision for legal costs for the SLI III litigation described in detail in section 2.20 letter a).

in EUR k	Balance 01.01.2016	Utilisation	Reversal	Additions	Deconsoli-dation	currency translations	Balance 31.12.2016
provisions for legal fees	0	0	0	50	0	0	50
Other accruals and provisions	**0**	**0**	**0**	**50**	**0**	**0**	**50**

Table 32a Other accruals and provisions

	31.12.2016			31.12.2015		
		Remaining term			Remaining term	
in EUR k	Total	within one year	over one year	Total	within one year	over one year
provisions for legal fees	50	50	0	0	0	0
Other accruals and provisions	**50**	**50**	**0**	**0**	**0**	**0**

Table 32b Term of other accruals and provisions

7. Reporting on financial instruments

Financial instruments are contractual arrangements which result in rights or commitments of the Group. These result in an outflow or inflow of financial assets. In accordance with IAS 32 and IAS 39 they include originated and derivative financial instruments. Originating financial instruments include in particular balances at credit institutions, receivables, payables, loans and interest accruals. A derivative financial instrument (interest cap) was newly added in connection with the acquisition of ERR Vienna. No formal hedge relationship exists, so that hedge accounting does not apply. The valuation is therefore at fair value through profit or loss.

Attributable fair values and carrying values for financial instruments in accordance with valuation categories

The classification in accordance with IFRS 7 is based on balance sheet items. Homogeneous items such as trade accounts receivable from and payable to third parties, non-consolidated subsidiaries and other related parties or businesses are aggregated.

The following categories are relevant in accordance with IAS 39:

Loans and receivables	*LaR*
Financial assets at fair value through profit or loss	*FVTPL*
Financial liabilities measured at amortized cost	*FLAC*
Available for sale	*afS*

The following tables show the attributable fair values as well as the carrying values of the financial assets and financial liabilities included within the balance sheet in the 2015 business year as well as the prior year.

Book values, recorded balances and attributable fair values by category:			IAS 39 valuation		
in TEUR	IAS 39 category	Book value 31.12.2016	Amortised cost	Attributable fair value	IAS 17 balance sheet value
Long term financial assets without interest cap	afS	34	34	34	0
long term financial assets- interest cap	FVTPL	82	82	82	0
Trade accounts receivable	LaR	7,495	7,495	7,495	0
Financial receivables	LaR	14,591	14,591	14,591	0
Other receivables and other financial assets	LaR	15,302	15,302	15,302	0
Cash and cash equivalents	LaR	31,954	31,954	31,954	0
Long term financial liabilities	FLAC	-312,392	-312,392	-312,392	-8,380
Trade accounts payable	FLAC	-8,687	-8,687	-8,687	0
Other financial liabilities: short term element of long term financial liabilities	FLAC	-156,546	-156,546	-156,546	-1,503
Other liabilities	FLAC	-5,065	-5,065	-5,065	0
Aggregated balances in accordance with IAS 39:					
Financial assets affecting net income to fair value	FVTPL	34	82	82	0
long term financial assets- interst cap	FVTPL	82	82	82	0
loans and receivables	LaR	69,342	69,342	69,342	0
Financial liabilities measured an amortized cost	FLAC	-482,690	-482,690	-482,690	-9,883

Table 32a IFRS 7 information 2016

Book values, recorded balances and attributable fair values by category:			IAS 39 valuation		
in TEUR	IAS 39 category	Book value 31.12.2016	Amortised cost	Attributable fair value	IAS 17 balance sheet value
Long term financial assets	afS	34	34	34	0
Trade accounts receivable	LaR	4,690	4,690	4,690	0
Financial receivables	LaR	4,759	4,759	4,759	0
Other receivables and other financial assets	LaR	5,023	5,023	5,023	0
Cash and cash equivalents	LaR	11,484	11,484	11,484	0
Long term financial liabilities	FLAC	169,253	169,253	169,253	0
Trade accounts payable	FLAC	2,668	2,668	2,668	0
Other financial liabilities: short term element of long term financial liabilities	FLAC	68,860	68,860	68,860	0
Other liabilities	FLAC	2,648	2,648	2,648	0
Aggregated balances in accordance with IAS 39:					
available for sale	afS	34	34	34	0
loans and receivables	LaR	25,990	25,990	25,990	0
Financial liabilities measured an amortized cost	FLAC	243,429	243,429	243,429	0

Table 32b IFRS 7 information 2015

Trade accounts receivables, other financial assets and liquid funds are generally of a short term nature. As a consequence, their book values are generally equivalent to attributable fair values.

Trade accounts payable, other financial debt as well as other financial liabilities are generally of a short term nature, so that their book values generally correspond with attributable fair values.

Loans from credit institutions, institutional investors as well as direct investors are valued at amortised cost. As interest rates and credit risks have not fluctuated significantly in the past two years, it is considered that the carrying values of financial liabilities are equivalent to attributable fair values (according to market values, level 1 in accordance with IFRS 13).

Net results according to valuation categories

The net result is divided into the categories interest, valuation and other. Valuation encompasses results from foreign currency translation, valuation at attributable fair value or reflecting impairment write-downs. Other items mainly include income from dividends and disposals.

As at 31 December 2016, net results according to valuation categories are as follows:

in EURk	Interest	Valuation	Other	2016
From:				
Loans and receivables	827	-4,951	0	-4,124
Financial liabilities valued at amortized cost	-14,123	11,017	0	-3,106
Total	**-13,296**	**6,066**	**0**	**-7,230**

Table 33a Net results by valuation category

Within the category „valuation", loans and receivables include

- Impairment charges of EUR 1.0m (included in the line item "other operating costs")
- Charges from foreign exchange differences of EUR 3.9m (included in the line item "other operating costs").

Furthermore, also within the category „valuation", financial liabilities valued at amortised cost include

- Income from foreign currency translation of EUR 11.0m (included in the line item "other operating income").

In the prior year the net result was as follows:

in EUR k	Interest	Valuation	Other	2015
From:				
Loans and receivables	718	-3,248		-2,530
Financial laibilities valued at amortised cost	-10,651	16,775		6,124
Total	**-9,933**	**13,527**	**0**	**3,594**

Table 33b Net results by valuation category

With respect to loans and receivables, the column "valuation" included

- Charges relating to write-downs of EUR 0.3m (included in the line item "other operating costs")
- Charges relating to foreign currency translation of EUR 3.0m (included in the line item "other operating costs")

and with respect to financial liabilities valued at amortised cost, the column "valuation" included

- Income from foreign currency translation of EUR 16.8m (included in the line item "other operating income").

8. Hedging strategy and risk management

In connection with its business activities, the Aves Group is exposed to various financial risks. These specifically consist of default risks, liquidity risks and financial market risks which are commented on further in the following section.

With respect to further information on the risk management system of the Aves Group, reference is made to the comments on opportunities and risks within the Group Management Report.

8.1. Default risk

On the one hand, default risks include the delayed settlement of outstanding receivables, or the risk that they are settled only partially or not at all. On the other hand, a risk exists that suppliers do not or only partially fulfil their obligations relating payments on account made.

Default risks are addressed by an effective credit management.

The book value of financial loans granted or financial assets disclosed in the Group Financial Statements constitutes the maximum loss risk.

8.2. Liquidity risks

Liquidity risks arise in connection with the possibility that the Group is not in a position to fulfil its payment obligations towards external contract parties as and when they fall due. The Group monitors and maintains liquid funds which the Management Board considers necessary to finance the operational business of the Group and to counteract fluctuations in its cash flow.

The following overview of due dates for financial liabilities (contractually agreed undiscounted payments) shows their influence on the liquidity situation of the Aves Group:

	31.12.2016						
in EURk	2017	2018	2019 bis 2021	ab 2022	Total	Allocated transaction costs	Total
Bank loans	11,568	11,541	155,518	0	178,627	303	178,324
Loans from institutional investors	66,175	3,002	36,099	4,851	110,127	1,326	108,801
Direct investors	82,947	31,267	82,294	3,346	199,854	2,309	197,545
Bonds	3,623	0	0	0	3,623	0	3,623
Liabilities from finance leases	1,634	5,646	860	2,469			
Other loans	5,712	0	0	0	5,712	0	5,712
Total	**171,659**	**51,456**	**274,771**	**10,666**	**497,943**	**3,938**	**494,005**

Table 34a Liquidity risks 2016

	31/12/2015						
Between 1 -5 years	2016	2017	2018 to 2020	from 2021	Total	Allocated transaction costs	Balance 31.12.2015
More than 5 years							
Bank loans	3,189	788	20,312	0	24,289	168	24,121
Loans from institutional investors	32,736	820	40,663	1,500	75,719	1,958	73,761
Direct investors	32,850	40,587	60,985	5,723	140,145	0	140,145
Other loans	86	0	0	0	86	0	86
Total	**68,861**	**42,195**	**121,960**	**7,223**	**240,239**	**2,126**	**238,113**

Table 34b Liquidity risks 2015

Other loans comprise financial liabilities falling due in the short term. The liquidity requirements of the Aves Group as a whole are ascertained on the basis of the liquidity plan. In view of the business model, liquidity requirements are covered as follows. Liquidity requirements generated by investments made are as a rule financed to a degree of 75-90% by external sources of finance. The ability of Aves One AG and its subsidiaries to meet their liabilities as and when they fall due is maintained through operational cash flows.

Reference is made to 6.23 (Table 30) above for details of the due dates of financial loans, trade accounts payable and other financial liabilities.

Reference is made to information included under other financial commitments (11.2) with respect to payment commitments from rental and leasing contracts.

The following liquidity analysis shows which payments from financial liabilities are likely to arise over the next years. The column "Status" discloses the residual amounts repayable for financial liabilities excluding any accrued interest as at 31 December 2016. In view of the short term nature of trade accounts payable and other financial liabilities these are not reflected in cash flows disclosed. The cash flows are largely congruent with the balances set out under residual terms under number 6.23 (Table 30).

The contractually agreed undiscounted interest and amortisation payments of the original financial liabilities are shown in the overview. Budgeted amounts for future liabilities are not reflected.

in EUR k	31.12.2016	Cashflows 2017 Fixed interest	Cashflows 2017 Variable interest	Cashflows 2017 Repayment	Cashflows 2018 Fixed Interest	Cashflows 2018 Variable interest	Cashflows 2018 Repayment
Financial debts							
Bank loans	166,588	4,648	0	6,920	4,621	0	6,920
Loans from institutional investors	104,623	5,089	0	61,086	2,250	0	752
Direct investors	178,633	6,984	0	75,963	4,526	0	26,742
Bond	3,500	123	0	3,500	0	0	0
liabilities for finance lease	9,883	196	0	1,438	127	0	5,519
Other loans	5,712	0	0	5,712	0	0	0
Total	**468,939**	**17,039**	**0**	**154,619**	**11,524**	**0**	**39,932**

in EUR k	31.12.2016	Cashflows 2019- 2021 Fixed interest	Cashflows 2019- 2021 Variable interest	Cashflows 2019- 2021 Repayment	Cashflows 2022 ff. Fixed Interest	Cashflows 2022 ff. Variable interest	Cashflows 2022 ff. Repayment
Financial debts							
Bank loans	166,588	2,623	0	152,895	0	0	0
Loans from institutional investors	104,623	1,508	0	34,591	840	0	4,011
Direct investors	178,633	6,305	0	75,989	74	0	3,272
Bond	3,500	0	0	0	0	0	0
liabilities for finance lease	9,883	210	0	650	0	0	2,469
Other loans	5,712	0	0	0	0	0	0
Total	**468,938**	**10,646**	**0**	**264,125**	**914**	**0**	**9,752**

Table 34c Undiscounted interest and amortisation payments 2016

in EUR k	**Balance at 31.12.2015**	Cash flows 2016 Fixed interest	Cash flows 2016 Variable interest	Cash flows 2016 Amortisation	Cash flows 2017 Fixed interest	Cash flows 2017 Variable interest	Cash flows 2017 Amortisation
Financial liabilities							
Bank loans	24,121	657	0	3,189	634	0	788
Loans from institutional investors	73,761	4,235	0	32,736	2,668	0	820
Direct investors	140,145	6,015	0	32,850	3,870	0	40,587
Other loans	86	0	0	86	0	0	0
Total	**238,113**	**10,907**	**0**	**68,861**	**7,172**	**0**	**42,195**

in EUR k	**Balance at 31.12.2015**	Cash flows 2018- 2020 Fixed interest	Cash flows 2018- 2020 Variable interest	Cash flows 2018- 2020 Amortisation	Cash flows 2021 ff. Fixed interest	Cash flows 2021 ff. Variable interest	Cash flows 2021 ff. Amortisation
Financial liabilities							
Bank loans	24,121	1,623	0	20,312	0	0	0
Loans from institutional investors	73,761	3,926	0	40,663	450	0	1,500
Direct investors	140,145	5,264	0	60,985	0	0	5,723
Other loans	86	0	0	0	0	0	0
Total	**238,113**	**10,813**	**0**	**121,960**	**450**	**0**	**7,223**

Table 34d Undiscounted interest and amortisation payments 2015

8.3. Financial market risk

8.3.1. General

Interest and currency risks constitute the primary financial risks within the Aves Group.

The Aves Group does not currently use any financial instruments to manage its financial market risks.

IFRS 7 requires the performance of sensitivity analyses showing the implications of hypothetical changes of relevant risk variables, for the demonstration of financial market risks. Periodic effects are determined by applying the risk variables to the originated and derivative financial instruments at the balance sheet date. It is ensured that the respective balances at the balance sheet date are representative for the business year.

The following sensitivity analyses constitute hypothetical information which is subject to uncertainty. In view of unpredictable developments in the global financial markets actual developments may differ from the hypothetical examples.

8.3.2. Interest rate risk

Interest rate risks arise due to potential changes in interest rates that may have an adverse effect on the Group in the reporting period and in the following years.

With the exception of bank balances and other financial liabilities, the Group has no further assets or liabilities that are subject to interest rate risks. Assets which are interest bearing are mainly made up of short term bank deposits. The profitability and cash flow of the Group are predominantly unaffected by changes in market interest rates. In view of the risk minimisation strategy of the Group, the Group only takes out fixed interest loans, so that interest risks only arise in connection with the refinancing of loans at their maturity.

The interest rate risk that the Aves Group is exposed to currently consists of sensitivities with respect to payments relating to variable interest rate financial funds as a result in changes in the level of interest rates.

8.3.3. Foreign currency risks

According to the definition of IFRS 7, foreign currency risks arise in the case of originated and derivative financial instruments which are issued in a currency that differs from the functional currency of a business (foreign currency items). The US Dollar has been identified as a relevant risk variable within the Aves Group.

As at 31 December 2016 and 31 December 2015, no derivative financial instruments were in place in order to hedge planned transactions denominated in foreign currencies.

The foreign currency sensitivity analysis described below is based on an increase or decrease of the foreign currency US Dollar by 10% as at 31 December 2016 and 31 December 2015 respectively.

Upward revaluation	**31.12.2016**		**31.12.2015**	
in EUR k	p&l effect	no p&l effect	p&l effect	no p&l effect
US Dollar	-3,294	-2,228	-6,360	-3,949

Downward revaluation	**31.12.2016**		**31.12.2015**	
in EUR k	p&l effect	no p&l effect	p&l effect	no p&l effect
US Dollar	3,294	1,901	6,360	1,098

Table 35 Currency sensitivities

In addition to foreign exchange gains and losses, the currency effects with an impact on profit and loss set out above include deferred tax effects in the opposite direction (effect of EUR 4,371k in the case of an increase in the value of the US Dollar, EUR -4.372k in the case of a d increase in the value of the US Dollar). The prior year numbers were adjusted with respect to the tax effect (EUR 7,673k and EUR -7,673k respectively).

Deferred tax items with an effect on profit and loss are mainly the result of the fact that the fixed assets in the Sea Container unit accounted for in the functional currency US Dollar are not affected by exchange rate fluctuations, whereas the Euro-denominated tax balance sheet values are affected by exchange rate fluctuations upon conversion to the functional currency US Dollar.

The value disclosed assumes a full profit and loss impact of the resulting tax effects.

9. Capital structure management

The Group, which is still growing rapidly, manages its capital structure with the goal of maximising its income from participations by optimising its ratio of equity to external capital also with a view to securing the long term profitability of the business and consequently its sustainability. In this context, it is ensured that Group entities operate under a going concern assumption.

The capital structure of the Group comprises liabilities and liquid funds as well as the equity attributable to the shareholders of the parent company. This is made up of the shares issued, the capital reserves, profit and loss reserves as well as retained profits.

The ratio of net financial liabilities to EBITDA constitutes an evaluation measure.

Net financial liabilities are defined as the net balance of liquid funds and financial assets less financial liabilities, with the offsetting of transaction costs as per IAS 39 also taking place in connection with the determination of net financial debt (see also 6.23.2 under financial liabilities).

The net financial liabilities were determined as follows:

in EUR k	2016	2015
Financial funds	31,954	11,484
Financial assets	14,591	4,759
Financial liabilities	-468,938	-238,113
Net financial debt	**-422,393**	**-221,870**

Table 36a Capital structure management

The ratio of net financial liabilities to EBITDA is as follows:

in EUR k	2016	2015
Net financial debt	**422,393**	**221,870**
EBITDA	15,357	20,331
Ratio net financial debt/EBITDA	**28**	**11**

Table 36b Net financial debt to EBITDA

In view of the fact that the Group is still in a phase of rapid growth and that it has not yet reached its targeted operational size, the relevance of this measure is partially restricted. For instance, the fact that the EBITDA of ERR Vienna and ERR Duisburg had a comparatively small effect in view of their only being consolidated for the two months that they formed part of the Group, and that their financial debt is fully reflected at the balance sheet date has a significant impact.

Furthermore, the Aves Group has the basic target of securing its equity base in a sustainable manner whilst generating an adequate return on its capital employed. A high equity share is aimed for, as this will enhance the independence and competitiveness of the business.

A further aim is to ensure the continuation of the business of the operational entities and to finance growth by both organic and inorganic means. As at 31 December 2016, the equity to assets ratio of the Group amounted to 5.4% (prior year: 7.2%). The return on equity – the ratio of the profit share attributable to the shareholders of Aves One to equity at the balance sheet date – reached in the 2016 and 2015 business years amounted to -26.9 % and 22.8 % respectively.

10. Comments on the consolidated cash flow statement

The cash flow statement was prepared in accordance with IAS 7 and discloses the cash flows from operating activities, investment activities and financing. The cash flow from operating activities is derived on the basis of the indirect method, whereas the investment and financing cash flows are disclosed applying the direct method.

The cash flows of independent subsidiaries, the functional currency of which differs from the presentation currency, are in principle translated into the presentation currency at transaction exchange rates. Where operating cash flows are determined on the basis of the indirect method the currency exchange effects from the inventories of the subsidiaries are eliminated for the determination of working capital which did not correspond to actual movements.

Liquid funds comprise items such as short term deposits with a term not exceeding three months. At 31 December 2016, the availability was restricted for EUR 8.9m and, at 31 December 2015, EUR 1.6m of liquid funds.

The cash flow statement of the Aves Group discloses the development of cash flows separately according to inflows and outflows of funds from ongoing operational, investment and financial activities.

Outflows for investments in intangible assets and fixed assets (EUR 54.4m; Prior year: EUR 116.1m) mainly relate to the purchase of the shares in ERR Vienna as well as sea containers, railway carriages and swap bodies.

The investments were financed by taking out loans from credit institutions, direct investors (indirectly) as well as institutional investors (EUR 130.5m; prior year: EUR 184.7m). The amortisation of loans and other financial liabilities of EUR 60.6m (prior year: EUR 75.8m) mainly relate to the scheduled amortisation of financial liabilities.

Furthermore, inflows from additions to equity of EUR 17.8m relating to the capital increase were recorded in 2016.

Liquid funds of EUR 7.2m became additionally available to the Group in connection with the acquisition of ERR Vienna, which have been offset with cash outflows relating to investments in fixed assets.

Significant transactions with no cash effect:

2016:

- “Agency commission for logistics real estate”; reference is made to 13.1.3 material transactions with related parties and individuals for further details

2015:

- “Agency commission for mobile logistics equipment”; reference is made to 13.1.3 material transactions with related parties and individuals for further details.
- Costs of obtaining equity of EUR 325k in connection with the capital increase (cash contribution) at the former Aves Logistics AG.

11. Other information

11.1. Securities

In connection with the purchase of containers with a book value of EUR 199.3m (PY: EUR 203.7m), the Group companies granted chattel mortgages (direct investors) or pledges (institutional investors) over the acquired assets. Furthermore, all the shares in the respective partnerships as well as corresponding bank accounts over which payment streams with asset managers are handled were pledged as security to institutional investors. Additionally, as a precaution all claims against the respective asset managers were pledged.

In the context of the financing of railway carriages three Group companies pledged their carriages with a book value of EUR 225.7m (prior year: EUR 28.6m) as well as their receivables in connection with railway carriages as security.

The contractual arrangements include financial covenants, essentially covering the following main aspects:

- a particular ratio of free cash flow to the required interest and amortisation payments and
- a particular ratio of the residual balance of the loans with reference to the value of the assets pledged as security,

which, depending on the respective covenant, may not exceed or fall short of the specified ratio. A breaching of these covenants can have significant consequences for the Group, including a possible termination of the individual credit agreements. Consequently, the Group monitors the financial covenants continuously with due care on a forward looking basis in order to be in a position to take appropriate measures at an early stage so as to avoid breaching the covenants. The financial covenants were not breached.

11.2. Other financial commitments

The nominal values of other financial commitments for the business year 2016 and the prior year are disclosed as follows:

in EUR k	within one year	one to five years	over five years	Total 31.12.2016
Commitments from rental and leasing agreements	338	1,042	0	1,380
Pending purchase commitments	1,011	0	0	1,011
Total	**1,349**	**1,042**	**0**	**2,391**

Table 37a: Other financial commitments

in EUR k	within one year	one to five years	over five years	Total 31.12.2015
Commitments from rental and leasing agreements	229	849	52	1,130
Total	**229**	**849**	**52**	**1,130**

Table 37b: Other financial commitments

In the case of rental and leasing contracts, only those contracts where the Aves Group is not the economic owner of the rented or leased assets are disclosed.

Financial commitments consist of conversions of railway carriages which have been commissioned but have only been partially or not yet completed at the balance sheet date.

Total costs relating to rental and leasing contracts remain unchanged at EUR 0.4m for the 2016 business year (prior year: EUR 0.4m).

11.3. Auditor's fees

In the 2016 business year, the following fees charged by the auditor or group auditor were incurred (disclosure in accordance with § 314 (1) no. 9 HGB in connection with § 315a (1) HGB).

in EUR k	2016	2015
Audit	516	275
thereof for prior years	*138*	*0*
Tax advisory services	106	37
Other attestation services	144	68
Other services	108	53
Total	**874**	**433**

Table 38 Fees paid to auditor

The increase in the fees of the auditor as well as other advisory services is largely a result of the capital increase made as well as the related audits of quarterly financial statements and other advisory services.

11.4. Annual average number of employees

The following table sets out the average number of employees during the year. The personnel of ERR Vienna which was acquired during the year are reflected proportionally for a two month period and are employed in Austria.

	2016	2015
Salaried staff	26	15
Wage earners	0	0
Trainees	0	0
Total	**26**	**15**
thereof abroad	1	0

Table 39 Annual average staff numbers

11.5. Contingent liabilities

In accordance with the purchase and sale, leaseback and repurchase agreement described further under 13.1.2, the payment of a deposit to BoxDirect AG as security for payment commitments has been contractually agreed. The deposit is only payable if and when BoxDirect demands the payment in writing, whereby deposits for various individual lease agreements are to be subsumed within one payment.

The deposit requires settlement within two weeks of the request for payment and, at the option of the Group, can be settled as follows:

- in cash,
- by pledging a bank balance on a separate designated deposit security account, or
- by pledging containers or other assets.

As at 31 December 2016 and 31 December 2015 the providing of such securities had not been requested by BoxDirect AG. Deposits required under the current circumstances would remain unchanged at EUR 3.4m (prior year: EUR 3.4m).

In a ruling dated 9 February 2017, the Hamburg regional court upheld a claim for damages of USD 3,475k against BSI Blue Seas Investment GmbH, a subsidiary of Aves One AG. A counter-claim raised by BSI Blue Seas Investment GmbH was only upheld partially in an amount of USD 224k plus interest, and the counter-claim was otherwise rejected. This matter could give rise to future charges, should the appeal against this ruling not be successful, contrary to the assessment of the legal advisors and Management Board of Aves One AG. Reference is made to 2.20 letter a) for more details on this matter.

12. Post balance sheet date events

Exercising of greenshoe option

A further capital increase of EUR 297,000 was made in addition to the capital increase by cash contribution which had already taken place in 2016 by means of the exercising of the full greenshoe option by Quirin Bank, which results in a capital increase of a further EUR 297,000 of issued capital. Furthermore, the issuing of the shares from the greenshoe option gave rise to a further payment into capital reserves of EUR 1,485,000.

Changes in the Supervisory Board

The Supervisory Board member Ms. Britta Horney resigned with effect from 28 February 2017. In accordance with an application of the Management Board, the Hamburg local court appointed Mr. Ralf Wohltmann, commercial manager from Berlin to the Supervisory Board as chairman with effect from 1 March 2017. It is proposed that Mr. Wohltmann be confirmed as a member of the Supervisory Board in accordance with the statutes of the Company at the next general meeting.

The previous chairman of the Supervisory Board, Mr. Emerich G. Kretzenbacher, is now Deputy Chairman of the Supervisory Board.

Significant litigation

Reference is made to Section 2.20 under the letter a) for information on developments in coonection with significant litigation matters.

Further significant post balance sheet date events have not arisen.

13. Relationships with related undertakings and persons

13.1. Related undertakings and persons

13.1.1.General matters

The Group is controlled by Mr. Jörn Reinecke eK, who holds almost 50% of the shares in the Group via SUPERIOR Beteiligungen AG, Hamburg, and RSI Societas GmbH, Hamburg. In view of his further entrepreneurial activities, mainly via his direct and indirect participations in companies controlled by him which maintain business relationships with Aves One AG and its subsidiaries, Mr. Reinicke is to be considered a controlling business according to the meaning of public stock company law.

A company or individual is referred to as a related person or undertaking if

- The direct or indirect potential exists for the party to exert control or significant influence over the operational or financial decisions of the Group or, conversely, the Group is in an position to exert control or significant influence over the related party; or
- The party is under common control or common significant influence; or
- The business is controlled by key management personnel or is under common management of a business in which such a person holds a participation.

In addition to the subsidiaries included in the Group financial statements, Aves One AG maintains direct or indirect normal business relationships with non-consolidated subsidiaries as well as other participations.

13.1.2.Significant relationships with related undertakings or persons

Significant relationships exist with two sister companies of Aves One AG, BoxDirect AG and BoxDirect Vermögensanlagen AG, which provide the following services for the Group in connection with container equipment:

(1) Coordination of sales-related services for the placement of direct investments in containers
(2) Coordination of services in dealing with investors after the placement has taken place
(3) Administration and IT-services in the context of strategy, general and risk management
(4) Management services (from 2016)

The remuneration for the services provided by BoxDirect AG is as follows: Sales-related services (1) and investor relations services (2) are recharged based on actual services provided. Until 30 June 2016, when the bases for the provision of services were revised, sales-related services (1) were provided free of charge. Until 30 June 2016, fees charged for strategy, general and risk management services (3) amounted to 0.5% of the direct investment volume placed. From 1 July 2017 onwards, the remuneration will be based on actual services provided. As of 1 July 2016, management services (4) have been provided on the basis of a flat rate annual charge of EUR 250,000.00.

The remuneration for the services provided by BoxDirect Vermögensanlagen AG in accordance with (1) to (3) is based on actual services provided. Furthermore, BoxDirect Vermögensanlagen AG is entitled to an annual management fee which is based on the volume of sale, leaseback and resale ("SLR") agreements. For a volume of up to EUR 10,000,000.00, the annual management fee amounts to EUR 150,000.00, for a volume of up to EUR 20,000,000.00, the annual management fee amounts to EUR 210,000.00 and for a volume of up to EUR 30,004,234.00 annual management fee amounts to EUR 275,000.00 (§ 3).

BoxDirect AG as well as BoxDirect Vermögensanlagen AG provide the opportunity for private investors to subscribe to direct investments in containers. In view of legislation protecting small investors and the related extended prospectus-related requirements, BoxDirect Vermögensanlagen AG has taken over the placement of direct investments issued in 2016. The private placement of investments took place via BoxDirect AG in 2016. The investors obtain civil law ownership to the containers, which BoxDirect AG or BoxDirect Vermögensanlagen AG in turn acquires from subsidiaries of Aves One AG. At the same time, the containers are leased back by the investors to BoxDirect AG or BoxDirect Vermögensanlagen AG, and in turn BoxDirect AG or BoxDirect Vermögensanlagen AG leases them back to subsidiaries of Aves One AG. Already at the time of sale, the subsidiaries of Aves One commit themselves to a civil law repurchase of the containers at a specified date, whereby the lease instalments, the term of the lease and the repurchase value are all contractually agreed at the time of sale (sale, leaseback and repurchase agreement). The containers are then leased out to shipping and transport businesses by the respective container manager engaged.

The economic substance of the afore-mentioned transactions corresponds to the granting of a loan by the investors to BoxDirect AG or BoxDirect Vermögensanlagen AG and by BoxDirect AG or BoxDirect Vermögensanlagen AG to the Group, as the contract parties agree the repurchase at a fixed price after a predetermined interim rental period already at the time of the sale of the containers.

BoxDirect AG and BoxDirect Vermögensanlagen AG essentially engage CH2 Contorhaus Hansestadt Hamburg AG for the sales activities with direct investors.

13.1.3.Significant transactions with related undertakings and persons in the business and prior year

In the **2016 business year**, the following significant transactions took place with related undertakings and persons:

(A) Sale, leaseback and repurchase agreement with BoxDirect AG

In the context of existing SLR Agreements, loans totalling EUR 27.0m were granted to the Group by BoxDirect AG, so that loans to related undertakings of EUR 167.1m existed as at 31 December 2016. During the business year, interest payable on financial debt amounted to EUR 7.5m.

In 2016, Aves One AG granted independent maximum amount guarantees of EUR 3.3m, EUR 3.0m and EUR 20.0m. These are provided in order to secure the repurchase commitments from the container direct investment business of BoxDirect AG. The guarantee remains in place until the final settlement of all the repurchase commitments relating to the container direct investment business.

(B) Sale, leaseback and repurchase agreement with BoxDirect Vermögensanlagen AG

In the context of existing SLR Agreements, loans totalling EUR 11.1m were granted to the Group by BoxDirect Vermögensanlagen AG, which is equivalent to the balance payable to this related entity as at 31 December 2016. During the business year, interest payable on financial debt amounted to EUR 0.1m.

(C) Service agreement with BoxDirect AG

Group companies were invoiced a total of EUR 0.8m for services provided in 2016 in particular encompassing management and investor relations services in connection with the service agreement in place with BoxDirect AG.

(D) Service agreement with BoxDirect Vermögensanlagen AG

Group companies were invoiced a total of EUR 0.2m for services provided in 2016 in particular encompassing management and investor relations services in connection with the service agreement in place with BoxDirect Vermögensanlagen AG.

(E) Deferred settlement and netting agreement with BoxDirect AG

In 2015, the contract parties agreed that the settlement of receivables from the SLR and service agreements may be deferred by mutual agreement, with related balances receivable bearing interest at a rate of 8.75% p.a. It was furthermore agreed that, in order to simplify settlement procedures, balances falling due within the term of the agreement be treated on a basis equivalent to current account settlement procedures. At the end of each month, a netting process takes place with respect to balances receivable and payable, with the net balance being settled.

In 2016, the deferred settlement agreement gave rise to interest income of EUR 0.1m; at 31 December 2015, the balance of the deferred settlement and netting account outstanding from BoxDirect AG amounts to EUR 6.9m.

(F) Brokerage of freight transport equipment by BoxDirect AG

A payment commitment of EUR 6.7m arose in December 2015 in favour of BoxDirect AG in connection with the brokerage of freight transport equipment, which, after netting with the balance of EUR 5.0m described further under (C) above, is disclosed within trade payables. The net balance of EUR 5.6m was capitalised in intangible assets under the designation "agency commission for mobile logistics equipment". The balance consists of a success-based flat rate fee of EUR 5.6m for a transaction volume of up to EUR 275m payable at the end of the year in which a minimum transaction volume of EUR 25m is exceeded. Until 31 December 2015, brokerage services with respect to a transaction volume of EUR 29.0m had been provided, so that the success-based fee became payable.

In March 2016, the flat rate fee of EUR 5.6m was offset against balances receivable from BoxDirect AG from container purchases made in December 2015 which had not yet been settled. The closing of the ERR transaction took place in October 2016.

(G) Procurement commission capital increase Aves Logistics AG in 2015

Two related undertakings were engaged by the former Aves Logistics AG to identify and procure investors willing to subscribe to a capital increase at that company. These activities were subject to a success-based fee of 5% (plus VAT if applicable) of the share capital subscribed by these investors.

A commission of EUR 325k, included within trade payables at 31 December 2015, fell due for the procurement of two investors with a procurement volume of EUR 6.5m. The balance was offset against capital reserves as a cost of capital procurement. The tax effect was deducted from the balance.

The balances were settled by payment on 4 February and 10 February 2016.

(H) Procurement commission BoxDirect AG

BoxDirect AG was engaged to establish contacts with suppliers of logistics equipment.

As agent, BoxDirect AG is responsible to ensure that the principal is directly offered suitable logistics portfolios with a value of at least EUR 100.0m until 31 December 2018.

For these activities, the agent is entitled to a remuneration of EUR 2.5m which fell due in 2016. Additionally, in the event of the purchase and transfer of a logistics portfolio that is demonstrably brokered by the agent a fee of 5% of the total value of the logistics portfolio is payable. This fee is to be reduced by any further commission potentially being payable.

As at 31 December 2016, Aves One AG discloses a liability towards BoxDirect AG totaling EUR 2.5m plus VAT.

(I) Service agreement with Magna Immobilien AG

In connection with the construction of a storage park, MAGNA Immobilien AG was engaged to provide support and consultancy services as a commercial project manager.

The services are subject to a EUR 300k flat rate fee, of which EUR 275k were paid during the financial year. At the balance sheet date, the final instalment of EUR 25k is included within trade accounts payable.

(J) Loan granted to SUPERIOR Beteiligungen AG

A Group entity granted a loan subject to interest at 8.75% p.a. of up to EUR 2.5m, of which EUR 2.1m were outstanding at 31 December 2015, to SUPERIOR Beteiligungen AG for the purposes of ensuring the liquidity of the entity. By addendum to the agreement in November 2016, the following amendments were agreed:

- Fixed term to 30 November 2017,
- An adjustment of the rate of interest to 8.00% with effect from 1 August 2016 as well as
- Provision of a new directly enforceable bank guarantee with no fixed term by RSI Societas GmbH

The following significant transactions took place in the 2016 financial year with respect to entities accounted for at equity.

(K) Asset management agreement with ERR European Rail Rent GmbH

ERR European Rail Rent GmbH has been engaged to manage, service and maintain freight wagons. ERR European Rail Rent GmbH receives a fee of EUR 1.00 per day and carriage as well as 10% of the net wagon rent receivable by ERR European Rail Rent GmbH. In 2016, ERR European Rail Rent GmbH invoiced a total of EUR 1.1m.

Furthermore, ERR European Rail Rent GmbH is entitled to 5% of the value of wagons as well as spare parts procured by ERR European Rail Rent GmbH. In the 2016 financial year, assets with a total value of € 2.6m were procured by ERR European Rail Rent GmbH.

(L) Loan granted to BSI Conical Container GmbH

A Group entity granted a loan subject to interest at 8.75% p.a. of up to EUR 4.0m, of which EUR 1.0m was outstanding at 31 December 2016, to BSI Conical Container GmbH for the purposes of ensuring the liquidity if the entity. The loan is unsecured and may be terminated at three months' notice to the end of a month. In the 2015 business year, interest income of EUR 170k arose.

13.2. Details of relationships with related persons or entities

(1) Transactions recorded in fixed assets or equity, and items reflected in the valuation of financial liabilities

in TEUR	Note	31.12.2016	31.12.2015
Purchases of goods and services from related undertakings and persons with a controlling interest over the business			
Goods		0	0
Services		0	104
Purchases of goods and services from undertakings accounted for at equity			
Goods	K	2,570	0
Other rights and intangible fixed assets			
Services		0	0
Purchases of goods and services from related undertakings and persons			
Goods	I, F	300	8,537
Other rights and intangible fixed Assets	H	2,500	1,377
Services	D, G	2,366	325

Table 40a: Transactions with related persons/entities
Purchase of goods and services

(2) Transactions recorded in profit and loss

in EUR k	Note	2016	2015
Revenues from and costs charged by controlling entities			
Sales, other operating income		78	13
Costs		0	120
Interest receivable	J	326	19
Interest payable		0	0
Revenues from and costs charges by related persons or entities			
Sales, other operating income		242	57
Costs	C, D, E, K	2,064	948
Interest receivable	E, L	387	529
Interest payable	A, B, E	7,642	6,003

Table 40b: Transactions with related persons/entities
Income and costs

(3) Outstanding items in the balance sheet

in EUR k	Note	31.12.2016	31.12.2015
Receivables from controlling entities or persons			
From trading activities		0	16
Financial receivables	J	1,946	2,050
Other receivables		121	3
Receivables from other related entities or persons			
From trading activities	E	1,681	297
Financial receivables	E, L	8,275	2,452
Other receivables		0	203
Liabilities towards controlling entities			
From trading activities		0	0
Other liabilities		1	5
Liabilities towards other related persons or entities			
From trading activities	H	7,226	2,149
Financial liabilities	A, B	184,321	140,145
Other liabilities		0	1,640

Table 40c: Transactions with related persons/entities
Balances receivable or payable

13.3. Remuneration of Management Board, Supervisory Board and key management

The Management Board, the Supervisory Board and the key management of the Group as well as close members of the families of these individuals constitute related parties in accordance with IAS 24, whose remuneration needs to be shown separately.

in EUR k	2016	2015
Short term remuneration	**1,340**	**530**
thereof Management Board	568	0
thereof key Group management	688	525
thereof Supervisory Board	84	5
Post employment benefits	**0**	**0**
thereof Management Board	0	0
Total	**1,340**	**530**

Table 41: Remuneration

The Management Board member Mr. Daniel L. Grosch, was solely a legal representative of Aves One AG until 31 December 2015. He received no remuneration for his activities in 2015.

14. List of shareholdings

Name and seat of Company	Currency	Equity share in % direct	Equity share in % indirect	Equity in 1,000 currrency units	Results in 1,000 currrency units
A. Subsidiaries					
BSI Logistics GmbH, Hamburg	EUR	100.00%		11,316	12
BSI Blue Seas Investment GmbH, Hamburg	EUR		100.00%	7,413	-2,470
BSI Regulierte Direktinvestment I GmbH & Co. KG, Hamburg	EUR		100.00%	-1	-2
BSI Regulierte Direktinvestment II GmbH & Co. KG, Hamburg	EUR		100.00%	-3	-3
BSI Asset GmbH, Hamburg	EUR		100.00%	24,165	24
BSI Blue Seas Direktinvestment I GmbH & Co. KG , Hamburg	EUR		100.00%	15,376	-696
BSI Direktinvestment II GmbH & Co. KG , Hamburg	EUR		100.00%	-4	-4
BSI Direktinvestment III GmbH & Co. KG, Hamburg	EUR		100.00%	6,932	-641
BSI Logistics II GmbH & Co. KG, Hamburg	EUR		100.00%	7,660	-1,736
BSI Logistics III GmbH & Co. KG, Hamburg	EUR		100.00%	2,101	78
BSI Logistics IV GmbH & Co. KG, Hamburg	EUR		100.00%	890	-1,132
BSI Logistics V GmbH & Co. KG, Hamburg	EUR		100.00%	559	-698
BSI Logistics VI GmbH & Co. KG, Hamburg	EUR		100.00%	260	204
BSI Logistics VII GmbH & Co KG, Hamburg	EUR		100.00%	-3	-3
BSI Regulierte Direktinvestment Verwaltungs GmbH, Hamburg	EUR		100.00%	13	2
BSI Direktinvestment Verwaltungs GmbH (formerly: BSI Verwaltungs GmbH), Hamburg	EUR		100.00%	28	3
BSI Zweite Verwaltungs GmbH, Hamburg	EUR		100.00%	25	1
BSI Dritte Verwaltungs GmbH, Hamburg	EUR		100.00%	26	1
BSI Vierte Verwaltungs GmbH, Hamburg	EUR		100.00%	12	1
BSI Fünfte Verwaltungs GmbH, Hamburg	EUR		100.00%	12	0
BSI Sechste Verwaltungs GmbH, Hamburg	EUR		100.00%	13	1
BSI Siebte Verwaltungs GmbH, Hamburg	EUR		100.00%	11	0
Aves Storage GmbH & Co. KG, Hamburg	EUR		100.00%	-226	-236
Aves Rail Equipment Holding GmbH, Hamburg	EUR		100.00%	-1,051	-1,014
Aves Rail Junior I Verwaltungs GmbH, Hamburg	EUR		100.00%	14	2
Aves Rail Junior I GmbH & Co. KG, Hamburg	EUR		100.00%	-24	-15
Aves Rail Junior II GmbH & Co. KG, Hamburg	EUR		100.00%	-6	-6
Aves Rail Equipment I GmbH & Co. KG, Hamburg	EUR		100.00%	2,078	235
Aves Rail Equipment II GmbH & Co. KG, Hamburg	EUR		100.00%	2,487	298
Aves Rail Equipment Verwaltungs GmbH, Hamburg	EUR		100.00%	11	1
Aves Rail Equipment Zweite Verwaltungs GmbH, Hamburg	EUR		100.00%	11	0
Aves Special Equipment Holding GmbH & Co. KG, Hamburg (until 31 August 2016 Aves Special Equipment Holding GmbH)	EUR		100.00%	-186	-198
Aves Special Equipment I Verwaltungs GmbH, Hamburg	EUR		100.00%	12	1
Aves Special Equipment Zweite Verwaltungs GmbH, Hamburg	EUR		100.00%	12	1
Aves Special Equipment I GmbH & Co. KG, Hamburg	EUR		100.00%	-92	-87
Aves Special Equipment II GmbH & Co. KG, Hamburg	EUR		100.00%	377	-103
Aves Special Equipment III GmbH & Co. KG, Hamburg	EUR		100.00%	0	-1
BSI Blue Seas Resale GmbH, Hamburg	EUR		100.00%	-772	-707
ARHA Invest GmbH, Wien	EUR		100.00%	-436	-471
ERR Rail Rent Vermietungs GmbH, Wien	EUR		100.00%	38,491	678
B.Entities consolidated at equity					
BSI CONICAL Container GmbH, Hamburg	EUR		51.00	-31	-195
Contorhaus Hansestadt Hamburg AG, Hamburg	EUR		30.00	2,155	163
ERR European Rail Rent GmbH, Duisburg	EUR		33.33	3,128	145
C. Non-consolidated subsidiaries					
PRIMEA INVEST Verwaltungs GmbH (formerly PRIMEA INVEST Verwaltungs GmbH)	EUR		100.00	7	2
PRIMEA Verwaltungs GmbH (formerly PRIMEA Verwaltungs GmbH)	EUR		100.00	24	0

Table 42: List of participations

15. Supervisory Board

15.1. Supervisory board members

- Mr. Emmerich G. Kretzenbacher, Hamburg, Chairman (until 28 February 2017, Deputy Chairman thereafter), Wirtschaftsprüfer and Steuerberater (certified auditor and tax advisor)
- Mr. Florian Kühl, Hamburg (from 22 April 2015 until 31 October 2016), Lawyer
- Ms. Antje Montag, Hamburg, supervisory board member, Deputy Chairman (until 15 February 2016), Commercial Manager
- Ms. Britta Horney, Appen, supervisory board member (from 16 February 2016 until 28 February 2017), Lawyer

- Mr. Rainer W. Baumgarten, Hamburg (from 15 November 2016), Commercial Manager

15.2. Further appointments of the Supervisory Board

Mr. Emmerich G. Kretzenbacher:

- BoxDirect AG, Chairman
- BoxDirect Vermögensanlagen AG, Deputy Chairman
- Aves Logistics AG, Chairman (until change of legal form to BSI Logistics GmbH on 17 February 2016)
- AVW Grund AG (until change of legal form AVW Grund GmbH on 11 October 2016)
- Engel & Völkers Capital AG, Deputy Chairman
- JDC Group AG, Deputy Chairman

Ms. Britta Horney:

- SUPERIOR Beteiligungen AG (from 17 February 2016 until 28 February 2017)

16. Management Board

16.1. Members of the Management Board

Mr. Daniel L. Grosch, Cologne, Real Estate Manager (ebs) (to 21 September 2016)

Mr. Henrik Christiansen, Commercial Manager, (from 1 April 2016)

Mr. Peter Kampf, Commercial Manager, Berlin (from 21 September 2016)

Mr. Jürgen Bauer, Master of Philosophy (from 21 September 2016)

16.2. Other appointments of the Management Board

Mr. Henrik Christiansen:

- CH2 Contorhaus Hansestadt Hamburg AG (from 31 August 2016)

17. Application of § 264 b HGB

The following companies make use of the exemption requirements in accordance with § 264 b HGB for the 2016 business year:

- BSI Logistics IV GmbH & Co, KG
- BSI Direkt Investment I GmbH & Co. KG
- BSI Logistics III GmbH & Co. KG
- BSI Logistics V GmbH & Co, KG
- BSI Logistics VI GmbH & Co. KG
- BSI Direktinvestment III GmbH & Co. KG
- BSI Logistics II GmbH & Co. KG
- BSI Logistics VII GmbH & Co. KG
- BSI Reg. Direktinvestment I GmbH & Co. KG
- BSI Reg. Direktinvestment II GmbH & Co. KG
- BSI Direktinvestment II GmbH & Co. KG
- Aves Storage GmbH & Co. KG
- Aves Rail Junior II GmbH & Co. KG
- Aves Special Equipment Holding GmbH & Co. KG
- Aves Special Equipment I GmbH & Co. KG
- Aves Rail Junior I GmbH & Co. KG
- Aves Rail Equipment I GmbH & Co. KG
- Aves Rail Equipment II GmbH & Co. KG
- Aves Special Equipment II GmbH & Co. KG
- Aves Special Equipment III GmbH & Co. KG

18. Corporate Governance Codex declaration

The Management Board and Supervisory Board made the Corporate Governance Codex declaration prescribed by § 161 AktG; this has been filed for permanent shareholder access under http://www.avesone.com/de/aves_investoren_corporategovernance.html.

Hamburg, 30 May 2017

The Management Board

Responsibility Statement of legal representatives

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

Hamburg, 30 May 2017

The Management Board

Based on the results of our supplementary audit completed on 30 May 2017, we have issued the following opinion on the amended Consolidated Financial Statements of Aves One AG (formerly: PriCon Invest AG), Hamburg:

Audit Opinion

We have audited the consolidated financial statements prepared by Aves One AG, Hamburg, – comprising the consolidated statement of profit or loss, consolidated balance sheet, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the notes to the group financial statements – and Group management report for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework 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 in the Group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and 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 comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a para. 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 consolidated financial statements, is in accordance with statutory requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

This audit opinion is issued on the basis of our statutory audit completed on 28 April 2017 and our supplementary audit, which related to the changes to the statement of cash flows and the further amendments set out in Section 1.2 of the notes to the group financial statements. Reference is made to Section 1.2 of the notes to the group financial statements for information on the reasons for the amendments made by the Company.

Our supplementary audit did not give rise to any finding

Hamburg, 28 April 2017 / 30 May 2017

Roever Broenner Susat Mazars GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Jessen	Nommensen
Wirtschaftsprüfer	Wirtschaftsprüfer

The publication and/or circulation of the consolidated financial statements and/or Group management report in a form that differs from that on which we have expressed our opinion requires a renewed commentary on our part to the extent that our audit opinion is quoted or that reference is made to our audit; we make reference in particular to § 328 HGB.