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D.Logistics is now Deufol.
We are thus sharpening our brand profile as a specialist for packaging and related services.

PDF – ONLINE

DEUFOL

Financial Calendar

April 7	2011	Publication of Annual Financial Statements 2010
May 12	2011	Interim Report I/2011
June 29	2011	Annual General Meeting
August 11	2011	Semi-Annual Financial Report II/2011
November 10	2011	Interim Report III/2011

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Key Figures for the Deufol Group

figures in € million	2010	2009	± (%)
Results of operations			
Revenue (total)	307.1	290.0	5.9
Germany	161.1	158.1	1.9
Rest of the World	146.0	131.9	10.6
International revenue ratio (%)	47.5	45.5	—
EBITDA	20.0	16.2	23.4
EBITA	10.6	6.4	65.7
EBIT	10.6	3.8	179.3
EBT	6.3	(0.4)	—
Income tax income (expenses)	(3.0)	1.1	—
Income for the period	3.3	0.7	344.5
of which attributable to minority interests	0.4	0.4	1.3
of which attributable to the shareholders of the parent company	2.9	0.3	693.2
Earnings per share (€)	0.067	0.008	694.0
Balance sheet			
Noncurrent assets	150.1	154.5	(2.8)
Current assets	76.8	81.5	(5.8)
Balance sheet total	226.9	236.0	(3.9)
Equity	99.0	95.1	4.1
Liabilities	127.9	140.9	(9.2)
Equity ratio (%)	43.6	40.3	—
Net financial liabilities	49.3	47.5	3.7
Cash flow/investments			
Cash flow from operating activities	19.9	15.0	32.3
Cash flow from investing activities	(4.4)	(2.8)	128.8
Cash flow from financing activities	(13.5)	(9.5)	21.6
Investments in property, plant and equipment	8.1	6.7	21.5
Employees			
Employees (average)	2,721	2,890	(5.8)
Personnel costs	90.6	94.3	(3.8)

Table of contents, key to symbols and financial calendar: See back cover

START

D.Logistics is now Deufol. We are thus sharpening our brand profile as a specialist for packaging and related services. At the same time, we are bringing together all our Group companies under a single umbrella brand. Our relaunch as Deufol reflects your Company's consistent transformation into an internationally active premium service provider which offers intelligent and individual services, strategies, concepts and solutions in relation to our core competence of packaging.

ACT

The times are changing – and so are we. Deufol is always a step ahead of the pack when it comes to reacting to changing market conditions, customer demands and packaging services requirements. Together with our customers we aim to identify and implement the next wave of innovation – and the one after that.

LOAD

Our customers are able to rely on us and our competence at all times – around the globe. Deufol develops intelligent and innovative packaging solutions which are specially tailored to our customers' requirements. Our unique range of services encompasses all the elements of the packaging process, including pre- and post-packaging services. We can package absolutely anything – from a tiny hearing aid to an entire industrial plant – with a range of packaging which runs from stylish to sea freight-compatible. We develop strategies for our partners to enable them to maintain their success.

DESIGN

The Deufol Group now has a uniform image. Our corporate logo clearly symbolizes our packaging competence: straightforward and intelligent. Our slogan “Packaging. Next level.” expresses our goal of becoming a leading provider of intelligent packaging services worldwide while offering more than mere packaging.

NAME

Who packaged this? If this question always meets with the same answer, that is down to our new uniform name. Deufol expresses tradition, reputation and a solid future! For five decades now, it has represented confidence and reliability for the German and European markets. Now and in future, Deufol stands internationally for flexible, intelligent and innovative packaging services.

DEUFOL

Packaging. Next level.

RE

SULT

D.Logistics is history – the future belongs to Deufol. Your Company Deufol is now supremely positioned through our umbrella brand strategy and renaming process and the associated organizational adjustments. Together with our employees, customers and shareholders, we are shaping the growth of the Deufol Group in its international markets.

RE PORT

TO OUR SHAREHOLDERS

Foreword by the Executive Board

Fiscal year 2010: A Milestone in Our Company's History

Dear shareholders, 2010 was in many respects an eventful and significant year for your Company. The economy realized a faster and more sustained recovery from the worst economic crisis in decades, particularly in Germany. We too felt the impact of this clearly positive trend. Besides the favorable economic trend, developments within the Group also shaped the past fiscal year. On June 22, a landmark decision was made at the Annual General Meeting: D.Logistics AG was renamed Deufol AG. In 2010, we consistently executed this change of name and the associated umbrella brand strategy and have now almost completed this process.

The positive business trend permitted us to increase our original sales and earnings target figures for 2010. With annual sales of € 307 million we have achieved this target. In 2009, sales amounted to € 290 million. With an operating result (EBITA) of € 10.6 million, we have exceeded our original planning but have failed to realize our revised annual goal. This result represents a significant improvement on the previous year – in 2009, EBITA amounted to € 6.4 million. Deufol AG realized net income of € 2.9 million in 2010 compared to € 0.4 million in 2009. Its earnings per share were € 0.07 (previous year: € 0.01).

In 2010, we completed our acquisition of Industrial Goods Packaging and fully integrated it within the Group. Besides the final installment of the purchase price of € 2 million, a payment under an earn-out clause of € 7 million was also due. A total purchase-price amount of € 9 million was thus payable for this acquisition. We largely financed this through existing lines and our operating cash flow.

Our consolidation efforts proved successful in the USA in 2010. The focus on just a single location was the correct strategy and was clearly beneficial to our business' lasting recovery. We thus achieved our key goals in the USA – but we still have quite a lot of work ahead of us.

A Group with a Global Umbrella Brand

Deufol is an intelligent, innovative and flexible provider of solutions in the area of packaging and related services. By turning away from the word "logistics" – which was previously a key element of our company name – we are clearly signaling a reorientation of our business model. We offer our customers individual services and concepts – overall solutions which support their strategies. We are committed to our customers worldwide and through our solutions we strengthen their competitive position. Our choice of "Deufol" is not a made-up name but rather one which has been established in the field of export packaging for many decades now. It resulted from a combination, in German, of the words "German" and "foil". With its positive history, it represents reliability and inspires confidence. The related slogan "Packaging. Next level." shortly and succinctly expresses our brand competence.

Andreas Bargende is a lawyer and spent nine years at KPMG, most recently as a partner in the area of Financial Advisory Services/Corporate Restructuring. In 2002, he left KPMG to join the Executive Board of the then D.Logistics AG and became its CEO in June 2009. Andreas Bargende is responsible for Operations, Business Development and Group Communications.

Andreas Bargende
CEO

Tammo Fey has worked for the Group since 1998 in the areas of Accounting and Controlling. In February 2006, he was appointed its Chief Financial Officer. His activities focus on establishing the Group's controlling system within the framework of its international expansion. His competences also include Taxes, Real Estate and IT.

Tammo Fey

Detlef W. Hübner acquired Dönne+Hellwig GmbH from his grandfather in 1979. Following the company's stock market listing as D.Logistics AG in 1998, he developed it into the global premium service provider Deufol. Within the Group, he combines the advantages and values of a family company with his market expertise and industry knowledge and thus shapes its strategic focus. Detlef W. Hübner also handles Corporate Governance, Investor Relations and Human Resources.

Detlef W. Hübner

Our customers operate worldwide – which is why they also expect their partners to have an international orientation. It is therefore necessary for us to operate as a globally active group. This is the only way in which we can grow together with our customers. Through our umbrella brand Deufol we have established a single profile which makes us recognizable for our customers in all our divisions and regions. All the relevant Group units have now adopted the "Deufol" name. Instead of location-specific services, we offer core competences which we are able to handle at all our locations. These five global core competences are as follows:

- Automated Packaging – mechanical packaging using high-speed systems including manufacturing of packaging
- Promotional & Display Packaging – production of advertising packaging and displays for sales-boosting presentation of merchandise at the point of sale
- Export & Industrial Goods Packaging – individual and serial industrial goods packaging for land, water and air-based transportation as well as storage
- Gift Cards & Data Management – multipacks for two to eight gift cards including a sophisticated single-scan solution for mechanical card activation at cash registers
- Supplementary Services – supporting services from documentation via customs handling to repackaging, tracking and labeling

We have thus abandoned our previous business fields – Consumer Goods Packaging, Industrial Goods Packaging and Warehouse Logistics – and will adjust our segment reporting accordingly. This Annual Report will be the final one prepared in this form.

Our customers and employees have responded consistently positively to our external and internal reorientation. We have promoted the overall renaming process through intensive discussions and received favorable feedback – our employees have rapidly and easily come to identify with the new Deufol brand. This active implementation of our umbrella brand strategy in our employees' daily work is a major contribution to our customers' understanding of us as an international service provider which speaks with a single voice.

With Deufol we are following a clear growth strategy. Through our previous strategy – involving general managers in our regions – we were unable to realize our desired international growth. We have therefore separated operational responsibility and responsibility for customers. For the first time, we now have simple business development teams which promote the evolution of our services at a global level. Our goal is worldwide development of our services rather than their regional execution.

Growing in International Markets Together with Our Customers

Deufol is a company which is in robust financial health and has emerged from the economic crisis in an outstanding position thanks to its own strength and its solid financial structure. Not only has our regular premium clientele been stable for ten years now, it also offers exciting development potential for the future. On this basis, we will shape our future growth. We have extensive experience and leading know-how in handling complex packaging tasks for key global industries such as plant and mechanical engineering and vehicle construction. This means we are outstandingly well-placed to profit from continuing sector growth as an international packaging specialist.

Our new business clearly shows that we are on the correct path. In Italy – where we previously operated as a packaging service provider for costume jewelry – we have this year begun to provide our export and industrial packaging services for Kosme, a Krones Group company. We have thus for the first time, achieved customer-specific geographical expansion across national borders. At the same time we have demonstrated that we offer our services on a non-location-specific basis and thereby benefit from a high level of international know-how transfer with an exchange of experience which transcends frontiers. Following the same model, we also plan to collaborate with Siemens for the first time outside Germany, in the USA. We are also establishing ourselves in Asia through our application for a production license for China and execution of our first orders there. We will carefully but assiduously continue to develop our Asian business.

Deufol's goal is to succeed as a profitable company which is ready to face the future. For this reason, we are committed to a sustainable dividend policy which gives prime consideration to our Company's interests. We would here like to thank our employees, shareholders and partners in particular, whose confidence and support has provided an important contribution to the success of our business. We maintain a highly optimistic view of the future and can assure you that in 2011 we will remain firmly committed to the success of Deufol AG.

Andreas Bargende Tammo Fey Detlef W. Hübner

Report of the Supervisory Board

In the year under review, the Supervisory Board performed the duties assigned to it by law and the Articles of Association. It regularly advised the Executive Board on matters relating to the management of the Company, and monitored the management of the Company's business activities. The Supervisory Board was directly involved in all decisions of fundamental importance for the Company. This is based in particular on a detailed catalog of transactions requiring the prior approval of the Supervisory Board, which is contained in the by-laws for the Executive Board. This catalog is adjusted on an ongoing basis in accordance with the changing requirements.

During the reporting period, the Executive Board informed the Supervisory Board, both verbally and in writing, of all relevant issues concerning the Company's position and material business transactions. The Supervisory Board receives a monthly report consisting of a current income statement for the Group and its three divisions as well as overviews of sales and operating results development at the individual subsidiaries together with target/actual comparisons and corresponding prior-period figures. The Supervisory Board regularly submits questions to the Executive Board on the basis of this data, which the Executive Board then answers accordingly.

The Supervisory Board regularly and promptly receives the minutes of the Executive Board's meetings as well as up-to-date reports on trends not documented in special Executive Board minutes. There was frequently a comprehensive exchange of opinions between the Chairman of the Supervisory Board and the Executive Board on these issues. The Chairman informed the other members of the Supervisory Board about these discussions in detail.

Meetings of the Supervisory Board

The Supervisory Board discussed the reports of the Executive Board and other decision papers in a total of five meetings and also in frequent telephone conversations, and considered them in detail with the Executive Board.

In three cases, resolutions were adopted outside meetings. These urgent decisions, that could not be delayed until a regular Supervisory Board meeting, were regularly preceded by an in-depth exchange of information by e-mail and/or telephone. With the exception of a single meeting, all Supervisory Board members attended all of its meetings, and none of its members thus attended less than half of them.

Key Topics of Discussion

Besides the Group's general ongoing development, in the period under review the Supervisory Board's discussions with the Executive Board mainly focused on the Group's restructuring, its US business and the development of Deufol Exportverpackungen GmbH in Oberhausen. Its meetings and resolutions were also concerned with the further adjustment of its portfolio and an acquisition.

The development of the Group's US business remained a key topic at three meetings of the Supervisory Board. The internal rationalization measures, a more streamlined reporting system and the recovery of the overall economy led to a noticeable improvement in earnings. Nonetheless, the Supervisory Board closely monitored this trend, particularly in terms of its sustainability. The Supervisory Board attentively and critically observed the development of Industrial Goods Packaging and intensively discussed this in two meetings.

Significantly increased wood prices and higher lease expenses led to a reduction in earnings which was partially made up for by a positive overall trend.

The Supervisory Board noted the economic planning for 2010 at its meeting held on March 30, 2010.

Other Topics of Discussion

The Supervisory Board also discussed the sell-off of the Group's loss-making investment in PickPoint AG – which did not form part of its core business – and its acquisition of the Austrian Richard Wolfsberger Verpackungen GmbH, and consented to both of these transactions. As Deufol Austria GmbH, Wolfsberger GmbH will handle and intensify the Group's Austrian business together with the existing Austrian subsidiary Logis Industriedienstleistung GmbH.

The declaration of conformity in accordance with section 161 of the German Stock Corporation Act was unanimously approved and submitted by the Executive Board and the Supervisory Board in February 2010.

Committees

The Supervisory Board only consists of three members, so that it is not necessary to establish committees.

Audit Pursuant to Section 107 (3) of the German Stock Corporation Act

Since the Group has opted not to establish an audit committee, the members of the Supervisory Board are responsible for performing the checks laid down in section 107 (3) of the German Stock Corporation Act.

The Supervisory Board already monitors the accounting process in its monthly reporting. The plausibility of the figures provided in income statements for the key business divisions is regularly verified and they are examined for possible discrepancies. Implausible data are promptly clarified with the Executive Board member responsible for Finance. In accordance with Deufol AG's holding structure, the discussions with the Executive Board and the auditors focus on the valuation of the financial assets, and the results of the annual impairment test in particular.

The Group continued to develop its internal control system. This task is discharged by an internal compliance officer together with an external consultant. The Chairman of the Supervisory Board participated on a case-by-case basis in the preparatory discussions, while the project's current status was discussed at the Supervisory Board's meetings. In the key company areas/subsidiaries, a large number of control targets and possible controls were defined and are continuously subject to completeness and efficiency assessments.

The internal auditing tasks were assigned to an external service provider which issues a regular interim report. The internal auditing is based on a large number of control matrixes which are completed by the affected organizational units. On their basis, auditing measures are implemented which are continuously revised and extended. The reports on the internal control and auditing systems are regularly submitted to the Supervisory Board, which incorporates them in its control function.

Deufol AG has had a risk management system in place for some time now. The Supervisory Board was involved in the development of this system. The Supervisory Board regularly receives the quarterly risk assessments, and significant risks identified here are discussed at the Supervisory Board's meetings. The reports must be read in conjunction with the monthly reporting in order to understand their findings in the context of the current situation.

Prior to the start of the audit, the auditors provided a statement confirming their independence. They do not provide any additional services.

Audit of the Single-Entity and Consolidated Financial Statements

In accordance with the resolution passed by the Annual General Meeting on June 22, 2010 and the subsequent audit engagement issued by the Supervisory Board, the annual financial statements for the fiscal year from January 1 to December 31, 2010 prepared by the Executive Board in accordance with the German Commercial Code, as well as the management report of Deufol AG, were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, and issued with an unqualified audit opinion.

The consolidated financial statements of Deufol AG were prepared in accordance with the International Financial Reporting Standards as stipulated by section 315a of the German Commercial Code. The auditors issued the consolidated financial statements and the Group management report with an unqualified audit opinion.

All documents relating to the annual financial statements, including the management report and Group management report, the Executive Board's proposal for the appropriation of net profit and the audit reports issued by the auditors, were presented to the Supervisory Board. The Supervisory Board examined these documents and discussed them in the presence of the auditors. The Supervisory Board concurred with the results of the audit and, based on the results of its own examination, did not raise any objections. The Supervisory Board approved the annual financial statements of Deufol AG for 2010 and the consolidated financial statements at its meeting held on March 31, 2011. The annual financial statements were thereby adopted. The Supervisory Board also approved the Executive Board's proposal for the appropriation of net profit.

Report on Dependence

The Executive Board has also compiled a report regarding the Company's relationships with associates and presented this to the Supervisory Board together with the audit report produced by the auditors. The auditors have issued the following audit opinion for the report:

"In accordance with our due audit and assessment, we confirm that

1. the factual information in the report is correct,
2. for the legal transactions stated in the report the Company's performance was not inappropriately high."

Within the framework of its own audits of the report regarding the Company's relationship with associates, the Supervisory Board has determined that no objections are applicable and agrees with the auditors' findings.

Composition of the Executive Board and the Supervisory Board

The membership of the Executive Board remained unchanged in the year under review. The Annual General Meeting held on June 22, 2010 appointed Mr. Georg Melzer to the Supervisory Board by way of a replacement for the Supervisory Board's previous Chairman Dr. Wolfgang Friedrich. At the subsequent procedural session of the Supervisory Board, Mr. Melzer was appointed its Chairman. The Executive and Supervisory Boards have thanked Dr. Friedrich deeply for his many years of service.

The Supervisory Board would like to thank the management and all the employees of the Company for their commitment and dedication in fiscal year 2010.

Hofheim, March 30, 201
The Supervisory Board

Georg Melzer
Chairman

The Share

Key information for the Deufol share

Security code number	510 150
International Securities Identification Number (ISIN)	DE0005101505
Stock exchange code	LOI
Reuters Frankfurt	LOIG.F
Reuters Xetra	LOIG.DE
Bloomberg	LOI GY

Key figures for the share

figures in €	2010	2009
Earnings per share	0.07	0.01
Equity per share	2.26	2.17
Equity ratio (%)	43.62	40.31
Dividend	0.03	—
Peak price	1.84	1.59
Lowest price	1.02	0.83
Closing price for the year	1.52	1.19
Daily trading volume (Ø, units)	58,819	40,401
Number of shares	43,773,655	43,773,655
Market cap. (€ million)	66.54	52.09

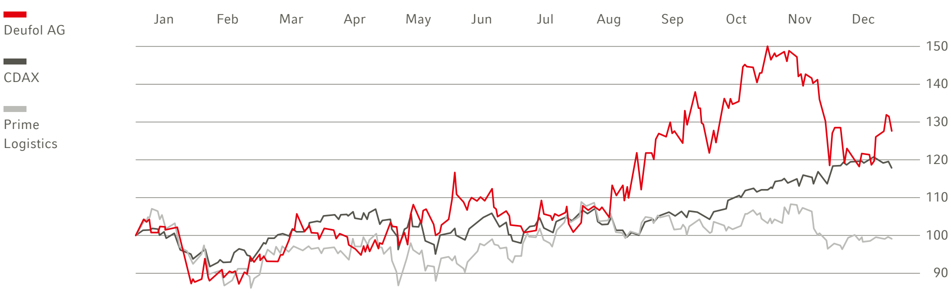
2010 a Generally Positive Year for the Share

Following the economic crisis in 2009, the past year was characterized by an economic recovery which exceeded expectations and was driven by the emerging markets. In the industrialized nations, growth forecasts were also revised upward in the course of the year and generally exceeded the cautious predictions. However, the upturn was supported in particular by economic stimulus programs, the central banks' liberal monetary policies and the additional liquidity which was injected through bond purchases. In this environment, corporate profits rose significantly.

The MSCI World Index gained around 8 %. On the leading US stock exchange, quotations rose by 11 %, measured against the Dow Jones Index, and the NASDAQ technology exchange moved up approx. 17 %. German shares led the way on the European stock markets. German companies benefited particularly strongly from the recovery of the global economy which was especially characterized by strong demand for German export goods from Asia's emerging markets. In European terms, in 2010 Germany headed the leading country indexes with growth of 16 % measured against the DAX. The small caps' performance was even better; the SDAX gained almost 46 % in the course of the year. The CDAX, which maps the broad market, rose 18.5 %. In contrast, on many other European stock exchanges the leading indexes declined in the course of the year. The EURO STOXX 50 suffered a fall of almost 6 %.

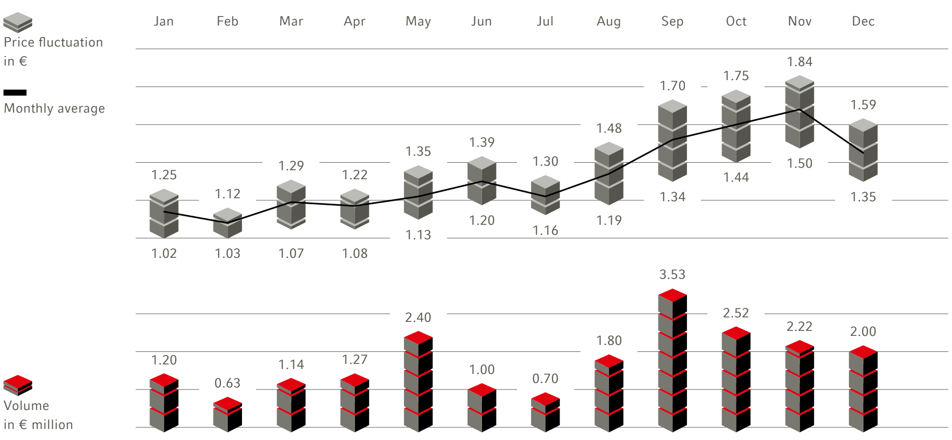
Relative performance of the Deufol share

indexed, as %, January 1 – December 30, 2010



Highs and lows of the Deufol share

figures in €



Deufol Share Realizes Significant Gain

The Deufol share ended the year with a price gain of 27.7 %. Over the course of the year, it fluctuated in a corridor between € 1.02 and € 1.84. In the first quarter, it reached its lowest closing price of € 1.04 on several occasions between late January and mid-February. Its subsequent recovery continued into the fourth quarter, where it reached its highest closing price of € 1.79 on November 1. Prices subsequently fell again and the Deufol share closed the year at a price of € 1.52.

The sector index of logistics stocks (DAXsubsector Logistics) quoted in the Prime Standard – which includes Deufol – fell by 0.7 %.

In Xetra and floor trading on German stock exchanges, approx. 14.9 million Deufol shares were traded in fiscal year 2010 with a value of € 20.4 million. This corresponds to a numerical increase of approx. 45 % or a rise in value of 63 % on the previous year. Sales achieved a rise in value of 13 % on all the German stock exchanges.

Subscribed Capital Unchanged

The registered share capital remained constant in the past fiscal year and amounts to € 43,773,665. It is divided up into the same number of no-par value shares made out to the bearer.

The number of shares admitted to stock market trading remained constant as of December 31, 2010 at 46,292,011 units.

An amount of € 20,000,000 was available as Approved Capital as of December 31, 2010 for the issuance of new shares in return for cash contributions or contributions in kind. This capital is available until June 15, 2014.

Shareholder Structure – Executive Board Member Detlef W. Hübner has Majority Holding

Deufol AG's ownership structure is crucially determined by the Company's founder and Executive Board member Detlef W. Hübner. The holdings attributed to him remained constant at 52.8 % in the past fiscal year. A further 5 % to 10 % of the shares are held by institutional investors while the remainder is divided up among 23,000 private shareholders.

Earnings per Share

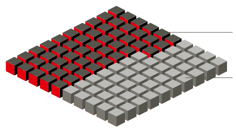
The earnings per share result from dividing the result due to the shareholders of Deufol AG by the weighted average number of shares in circulation. In fiscal year 2010, on average 43,773,655 units (previous year: 43,807,806) were in circulation. The earnings per share on this basis were € 0.07 (previous year: € 0.01).

Deufol AG Financial Calendar

Publication of Annual Report 2010	April 7, 2011
Interim Report I/2011	May 12, 2011
Annual General Meeting	June 29, 2011
Semi-Annual Financial Report/2011	August 11, 2011
Interim Report III/2011	November 10, 2011

Shareholder structure

figures in %



52.8 %	Detlef W. Hübner
47.2 %	Other shareholders

RE VIEW

MANAGEMENT REPORT (Summarized)

Business and Economic Environment

Organizational Structure and Business Fields

Decentralized Structure of the Deufol Group

In the 2010 period under review, the Deufol Group had a decentralized organizational structure with Deufol AG as the ultimate holding company. In almost all cases, we have majority holdings in our investments. Please see the chapter "Facts & Figures" on page ▶ 138 for a summary of our operationally active investments and their corporate structure.

As a management holding company, we do not have any operating business ourselves and instead mainly perform management activities. These include defining strategic business fields, strategic control, appointments to management positions and control of the flow of capital within the Group. We have also established a compliance structure for the Group and control risk management. The holding also initiates and supervises Group-wide projects such as "Business Development" and "Operational Excellence".

The managing directors of the subsidiaries have a high level of independence as they are best able to assess regional specifics. Management is in the form of annual budget planning, target agreements and regular meetings. In addition, internal corporate governance guidelines specify consent requirements for specific types of transactions, e.g. investment schemes exceeding a specific volume.

D.Logistics Renamed Deufol

In 2010, we renamed our holding company and most of our Group companies to reflect the single "DEUFOL" brand. This step was necessary to ensure a common image in relation to our customers and stakeholders. In connection with the new name, our subsidiaries now have a uniform market profile and they are all featured at our central website www.deufol.com.

The move away from "D.Logistics" as the Company's name was a deliberate shift away from the concept of "logistics" toward a new corporate focus: Deufol is an intelligent, flexible and innovative provider of solutions related to our core competence of packaging. This is also highlighted through our new brand slogan: "Deufol – Packaging. Next level."

As a global premium service provider, our services are now no longer restricted to individual locations and are available universally. We thus benefit from an intensive exchange of experience at an international level. We have divided up our expertise into the following five services which are provided throughout the Group:

- Automated Packaging
- Promotional & Display Packaging
- Export & Industrial Goods Packaging
- Gift Cards & Data Management
- Supplementary Services

Separation of Business Development and Operational Responsibility

In the past year, we introduced a distinction in terms of human resources between operational and customer responsibility. Instead of general managers, managers with permanent operational responsibility are appointed for each location who focus intensively on smooth handling of day-to-day business and optimization of business processes. The Group also features business development managers whose primary task is to promote the ongoing global development of business with existing customers and to acquire new customers. This enables an earlier and improved understanding of their needs and challenges so that we are able to respond to our partners more rapidly and offer them more specific solutions, thus strengthening their competitive positions. We can only grow together with our customers. This human resources distinction between dedicated customer responsibility and operational responsibility thus provides the basis for our growth strategy.

Core Features of the Group

The Deufol Group is a strong service partner for its customers with finely-honed industry and methodological expertise. Its core features are as follows:

- Intelligent, flexible and innovative provider of solutions related to our core competence of packaging
- An international presence with a global orientation
- Sector-independent service provider with specific know-how, particularly for industrial goods (mechanical and plant engineering, power station construction) and consumer goods (incl. automobile industry and consumer goods producers)
- Market leader in Germany for industrial export packaging
- Internal IT expertise for continuous ongoing development of software reflecting customers' individual requirements

Service-Oriented Segment Structure

In accordance with the main type of services they offer, Deufol AG's equity investments are allocated to the three business fields of Industrial Goods Packaging, Consumer Goods Packaging and Warehouse Logistics. From fiscal year 2011, we envisage a change in this segment structure which is currently in the planning stages.

Industrial Goods Packaging Notes 41, 42, 43

The Industrial Goods Packaging segment comprises specific logistics activities for capital and investment goods manufacturers. This includes the construction of packaging, production of special packaging, export packaging logistics, long-term packaging and management of major industrial projects. The Group's advanced IT expertise is a major factor for success here. We also provide further industrial services such as disassembly services and spare-parts warehousing.

Consumer Goods Packaging Notes 41, 42, 43

The Consumer Goods Packaging segment comprises packaging services for the consumer goods industry. The main activities in this division are packaging design and production and the entire spectrum from fully automated to manual packaging (displays). Our Consumer Goods Packaging services are also increasingly reinforced through data management. We also provide support services such as warehouse planning and management, distribution logistics, transport and document management and value-added services.

Warehouse Logistics Notes 41, 42, 43

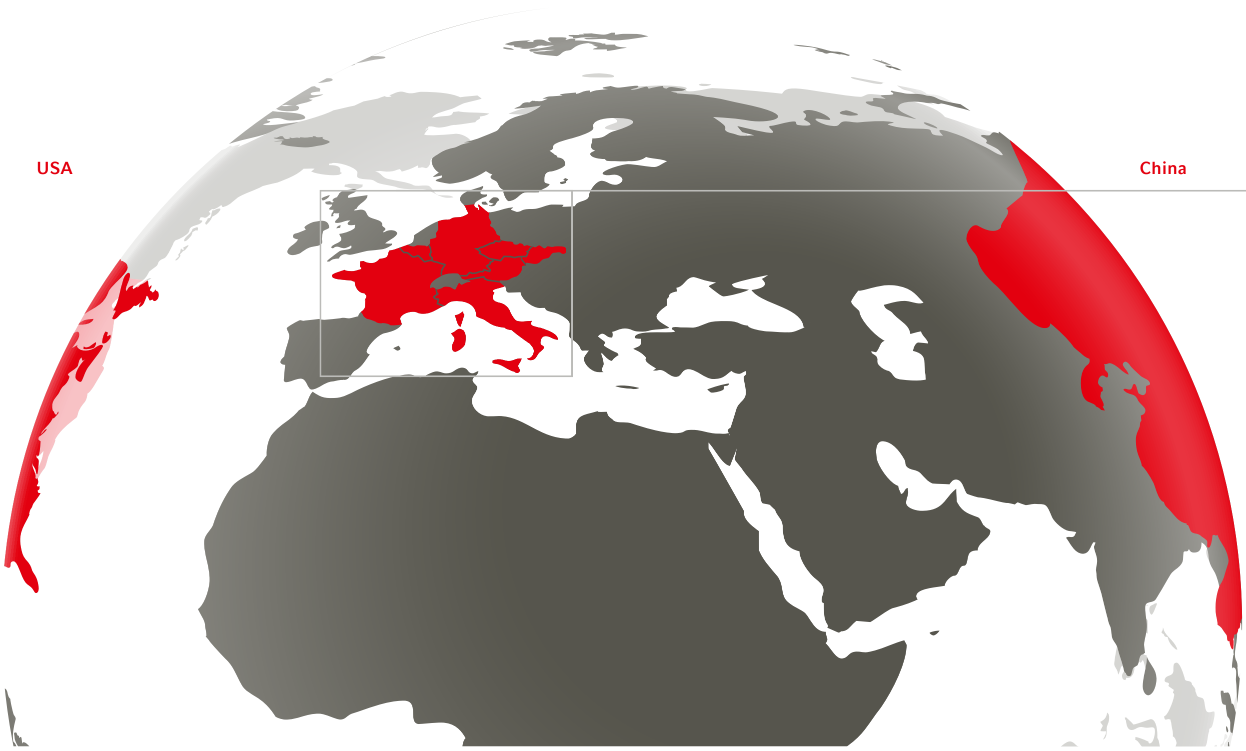
The Warehouse Logistics division's main services are warehouse planning and management, assembling, spare-parts logistics, just-in-time logistics and value-added services.

Locations of the Deufol Group

Majority of Locations in Germany

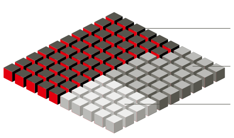
In connection with the business activities of the Deufol Group, the terms “location” and “sales market” are more or less synonymous. As a service provider, we mainly provide our services on a customer- and project-specific basis; as a rule, sales occur where the service is provided.

In Germany, as of December 31, 2010, we had 56 locations which account for a total of 52.5 % of Group sales. The rest of Europe – which accounts for around 27.7 % of business – comprises 16 operational facilities in Belgium, France, Italy, Austria, the Slovak Republic and the Czech Republic.



Sales by region

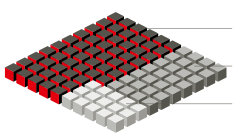
figures in € million



161.1	Germany
85.2	Rest of Europe
60.8	USA

Assets by region

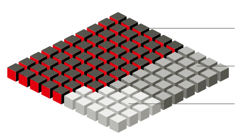
figures in € million



121.9	Germany
59.6	Rest of Europe
33.1	USA

Employees by region

Deufol Group



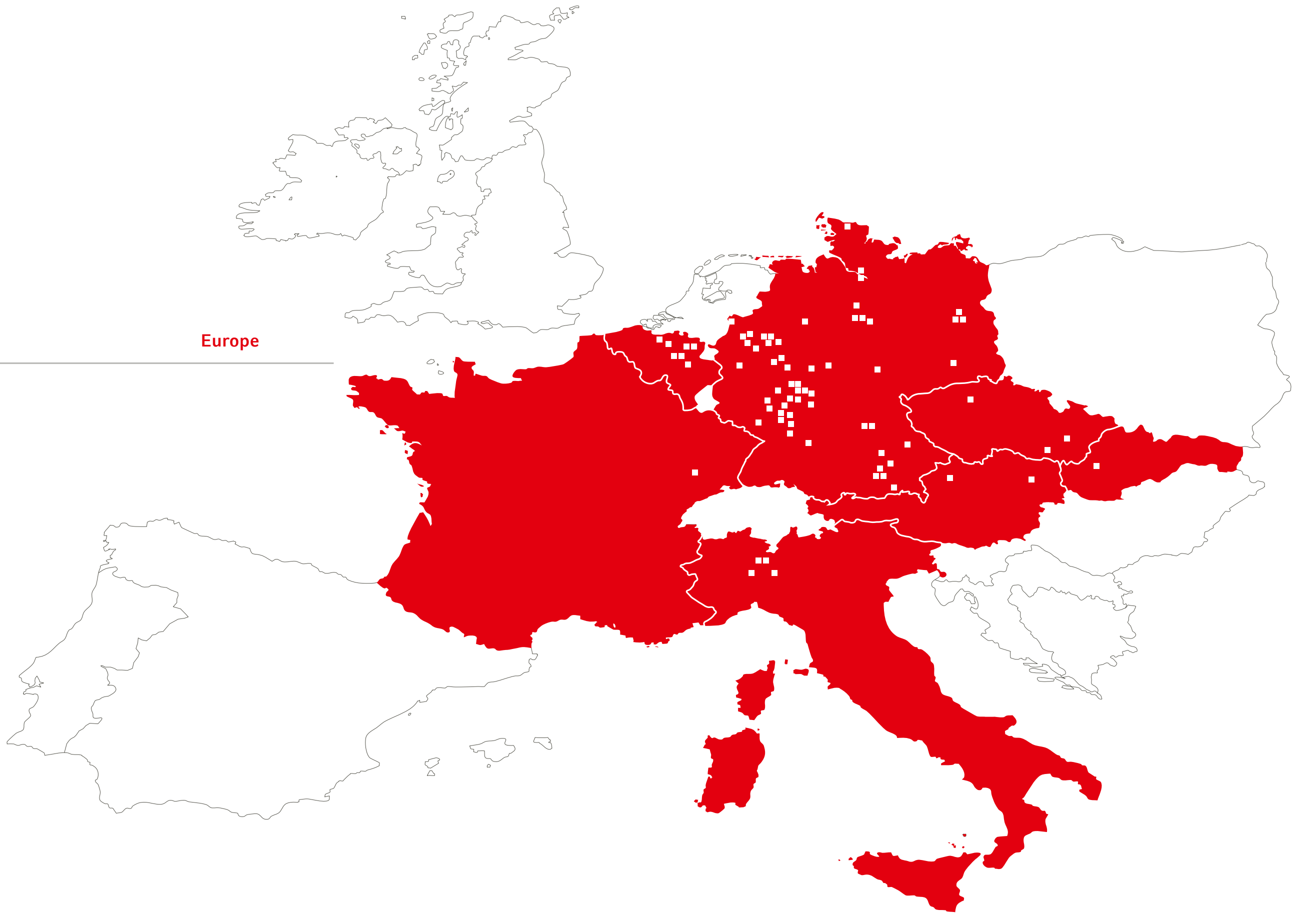
1,637	Germany
676	Rest of Europe
469	USA

In the USA – which provides approx. 19.8 % of our sales – we have consolidated our current business in a single location. Our second location currently provides reserve capacity. In China (Suzhou), in late 2010 we launched operating activities in accordance with our planning and have already gained two well-known European mechanical engineering firms there as customers.

Together with our customers we will continue to grow and develop new locations. In 2011, we plan to open two new operations centers in Italy and the USA.

The Deufol Group's geographical presence is shown in the following diagram.

Europe



Number of locations

Industrial Goods Packaging	53
Consumer Goods Packaging	8
Warehouse Logistics	13

Competition Environment

High Level of Customer Loyalty, Varying Levels of Competition

The Deufol Group provides its services in a range of different competitive scenarios in the various regions and business sectors. The Industrial Goods Packaging segment continued to expand its strong market position in Germany in 2010. A broad customer base and customer relationships of many years' standing are testimony to this segment's successful performance in competition. In future, we expect it to continue to consolidate its customer relationships and therefore its competitive position.

The orientation of the Consumer Goods Packaging segment is mainly product-specific and in accordance with customer relationships. Due to the frequently strong level of integration with customers, this sector is only subject to limited competition.

In the Warehouse Logistics segment, the intensity of competition varies. The in-house/outsourcing divisions are generally subject to a lower degree of competition due to their close relationship with customers. Where warehouse logistics is provided in so-called "multi-user structures", i. e. multiple customers at a single warehouse, the Deufol Group does business in a highly competitive environment. Successful future performance here hinges on providing customer-specific additional services.

Corporate Management, Goals and Strategy

Internal Control System

The Company's control instruments are intended to support the goal of a long-term increase in enterprise value and are oriented in accordance with profitable sales growth. Deufol AG controls its subsidiaries in accordance with their growth perspectives and individual income situations.

For this purpose, it has a planning and budgeting process comprising both targets (top-down planning) and detailed planning for the individual units (bottom-up planning). The resulting targets are monitored by a monthly reporting system and deviations are rapidly analyzed. To establish a Group controlling system, human resources were increased in the controlling division in the past fiscal year. Regular meetings between the Executive Board of Deufol AG and the management of the subsidiaries support this process and enable a prompt reaction in case of any discrepancies.

Financial Goals

Deufol's key financial goals are constant, profitable sales growth to be achieved both organically and through acquisitions. For the operating business segment, at Group level there is a medium-term EBITA margin (EBITA defined as the result for the period before taxes, financial income, financial expenses, shares of profits of companies accounted for using the equity method and amortization/impairment of goodwill) target of more than 5 % (2010: 3.5 %).

In the nonoperating business segment, the aim is a further improvement in the financial result and optimization of tax expenditure.

In terms of the level of debt, the goal is for the Deufol Group's equity ratio to clearly exceed 30 % on a long-term basis (December 31, 2010: 43.6 %).

Operational Goals

Our strategic orientation and our associated continuous evolution into a global packaging service provider have a central influence on the Company's operational development. Information technology and data management are increasingly significant here. A close relationship with our customers enables us to rapidly, efficiently and reliably implement these various tasks and processes. In this way, our services are continually expanded, while being tailored to our customers' requirements.

Both "cross-border learning" and "knowledge sharing" play an important role in the process of communicating to the overall Group the specific know-how of individual locations.

We have separated operational responsibility and customer responsibility so as to leverage the further growth and income potential in both of these areas.

Strategic Focus on Intelligent, Flexible and Innovative Services

Deufol is a global premium service provider in the field of packaging and related services. Our services exceed the narrow scope of packaging. Besides executing projects, we offer our customers solutions which reinforce their strategies. These solutions are not tied to individual locations and undergo continuous development.

Through this approach we grow together with our customers and expand beyond national borders. In early 2011, we achieved our first customer-specific geographical expansion in Italy. Our Italian company Deufol Italia S.p.A. – which previously focused on packaging and services for writing materials and costume jewelry – will in future also handle export and industrial goods packaging at this new location. We are also expanding our service in the USA this year and will shortly launch a new operations center. Regional expansion together with our clients is a key pillar of our growth strategy.

China is one exception here. Due to its rapid growth and a strong focus on the customer side, we have decided to handle the Chinese market separately. In 2009, with Deufol (Suzhou) Packaging Consulting Co. Ltd. we launched a company which provides us with new opportunities at a local level. This company commenced its operating activities in late 2010 and will realize further growth in the current year.

Research and Development

No Conventional Research Expenditure

A service provider such as the Deufol Group does not have any conventional R&D expenditure. Instead, we constantly develop new products and innovative services while preparing new projects and in close cooperation with our customers.

Outline Economic Conditions

Global Economic Recovery

In 2010, the world economy recovered from the deep collapse which followed in the aftermath of the global financial crisis. The 0.9 % decline in 2009 gave way to a strong rise in global gross domestic product which should amount to 4.8 % for the year as a whole, according to the Kiel Institute for the World Economy (measured on the basis of purchasing-power parities). However, in the course of the year this global economic expansion suffered a significant loss of impetus. The Kiel Institute's indicator for global economic activity, which is based on sentiment indicators for 41 countries, fell significantly from the middle of the year onward; in the fourth quarter, the gross domestic product was likely only a little more than 4 % higher than in the same period in the previous year.

On the one hand, the slowdown in the economy is attributable to the gradual decline in the supportive effect provided by the inventory cycle. In the second half of 2009 and at the beginning of 2010, production was driven by the replenishment of warehouses which had been drastically reduced worldwide in the course of the financial crisis. However, this process is now probably largely over. On the other hand, the economic stimulus programs approved in many countries are now gradually winding down; in a series of countries, financial policy was already having a restrictive effect over the course of the year. Moreover, some emerging markets tightened monetary policy in order to counter the risk of their economies overheating. Finally, inflation accelerated significantly over the course of the year, particularly due to the strong rise in commodity prices. Not least the pronounced increase in food prices deprived consumers of purchasing power from the middle of the year onwards and noticeably curbed demand for goods in many countries.

Stabilized Economy in the Eurozone

According to estimates from Eurostat, for 2010 as a whole, GDP increased in both the Eurozone and the EU27 by 1.7 %, compared to –4.1 % or –4.2 % in 2009.

In the current year, the Eurozone economy has stabilized. Some member states experienced a clear upswing, particularly Germany. In the peripheral countries the picture is restrained. While output was surprisingly strong in Portugal, in Spain and Ireland there was hardly any growth in gross domestic product over the course of the year and the Greek economy slipped into a deep recession. Due to the massive consolidation efforts which are underway in all the peripheral countries, the Kiel Institute considers that at least temporary falls in output are highly likely in Spain, Ireland and Portugal too.

According to Eurostat, the average rate of inflation was 1.6 % (2009: 0.3 %) in the Eurozone and 2.1 % (2009: 1.0 %) in the EU27.

Strong Recovery in Germany

The upturn in the German economy slowed slightly toward the end of 2010. In the fourth quarter of 2009, according to the German Federal Statistical Office the country's price-adjusted gross domestic product (GDP) was 0.4 % higher than the level in the previous quarter. In the first three quarters, growth rates of between 0.6 % and 2.2 % were achieved. Thus, in overall terms, German GDP in 2010 grew by 3.6 % in price-adjusted terms relative to the previous year. This amounts to a significant recovery in relation to the previous year, which recorded a decline of 4.7 %.

The current account balance – i.e. the difference between exports and imports of goods and services – provided the key contribution to growth, having made a negative contribution in 2009. This was mainly due to significantly increased foreign demand combined with a disproportionally low rise in German industry's import propensity. German exports fell by 14.1 % in 2009, having risen by as much as 14.2 % in 2010. At the same time, imports increased in price-adjusted terms by just 12.6 % (previous year: −9.4 %).

Gross fixed-capital investments – the second most important pillar of the economy – recorded a rise of 6.0 %, with plant and equipment investments increasing in particular (+10.9 %) while construction investments rose only slightly (+2.8 %).

Growth in 2010 was curbed by consumer spending. Government consumption expenditure grew by 2.3 % but private consumer spending rose on balance by just 0.4 % following falls in the first half of the year.

On average, in 2010 the consumer price index for Germany rose by 1.1 % (previous year: 0.4 %) on 2009; the rate of inflation thus remained moderate.

Group figures

figures in € million	2010	± (%)
Sales	307.1	5.9
EBITA	10.6	66.7
Net financial liabilities	49.3	3.7

Goal achievement 2010

figures in € million	Sales	EBITA
Original planning	280 – 300	> 10
Revised planning	> 300	> 11
Actual figures	307.1	10.6

Overall Summary of Business Performance

Deufol Group: Positive Business Development in 2010

In 2010, the Deufol Group recorded a positive trend characterized by rising sales and a disproportionately strong improvement in its results.

Industrial Goods Packaging – the pillar of the Deufol Group – consolidated its national market leadership and reinforced business relationships with customers. Our subsidiary in China (Suzhou) has commenced its business activities in the current year. On the results side, Industrial Goods Packaging suffered due to rising timber prices and a lack of project business and was thus unable to fulfill the profit expectations in this segment. In Consumer Goods Packaging, our restructuring measures in the USA have borne fruit. With rising sales, a positive operating result was realized here. Our Italian subsidiary and our Belgian companies exceeded expectations. Warehouse Logistics achieved its goals in overall terms, with the performance of most of the companies surpassing expectations.

In the organizational field, we have laid the foundations for further growth through the introduction of a uniform external profile under the "DEUFOL" brand and a human resources distinction between operational and customer responsibility.

Our financial structure was largely stable in the past financial year. In 2010, net financial indebtedness increased slightly by € 1.8 million to € 49.3 million. The Company's equity ratio increased from 40.3 % in late 2009 to 43.6 % at the end of the past year.

Revised Planning Targets Partially Missed

With annual sales of € 307.1 million, we have exceeded our planning figures which had been updated in the third quarter. In 2009, sales amounted to € 290.1 million.

The operating result (EBITA) reached € 10.6 million and was thus approx. 3 % lower than our revised planning target. This was due to unscheduled expenses not resulting from operational business such as consumer-tax back payments resulting from external audits and an additional valuation adjustment on an item of real estate in the USA. In the previous, year EBITA amounted to € 6.4 million.

CORPORATE GOVERNANCE

Corporate Governance

Corporate Governance Statement

Responsible Corporate Governance

The term “corporate governance” stands for responsible corporate management and control that is geared towards long-term value creation. It primarily relates to the way in which the management bodies operate, cooperation between them, and monitoring of their actions. Key aspects of good corporate governance include respect for shareholder interests, efficient cooperation between the Executive Board and the Supervisory Board, ensuring that the interests of the Company are given priority in the case of conflicts of interest, and open and transparent corporate communication.

Corporate governance forms an integral part of corporate management at Deufol, which is aimed at increasing enterprise value. The key provisions of the Code are documented in the Articles of Association and the by-laws of the Executive Board and the Supervisory Board, and are observed by the management when performing all business activities.

Further information on the activities of the Supervisory Board and cooperation between the Executive Board and the Supervisory Board can also be found in the Report of the Supervisory Board starting on page ▶ 18. This section is followed by the report on the remuneration of the Executive Board and the Supervisory Board on page ▶ 41.

Cooperation between the Executive Board and the Supervisory Board

Deufol AG is a company incorporated under German law. A dual management system comprising an executive board and a supervisory board as separate organs – each equipped with its own independent competences – is a basic principle of German stock corporation law. The Executive Board and Supervisory Board of Deufol AG enjoy a close and trusting working relationship in their monitoring and control of the Company.

The Executive Board of Deufol AG currently consists of three members. The by-laws specify the competencies of the Executive Board as a whole as well as those of its Chairman and individual members. The areas of responsibility of the individual members of the Executive Board are defined in an organizational chart. The management structure of the Executive Board reflects the international orientation of the Company and its function as a management holding company.

The members of the Executive Board are jointly responsible for managing the Company’s business activities. The Executive Board determines the Group’s business targets, fundamental strategic orientation, corporate policy and organizational structure. In particular, this includes the management of the Group and its financial resources, the development of its human resources strategy, appointments to management positions within the Group and the professional development of senior executives, as well as the presentation of the Group to the capital markets and the public as a whole. The Executive Board keeps the Supervisory Board promptly and comprehensively informed of planning, business trends and the Group’s position.

The Supervisory Board has three members. It monitors and advises the Executive Board in its management of the Company’s business activities, and is responsible for business development, profit planning and further strategic development. It issues the audit engagement to the auditors and approves the single-entity and consolidated financial statements. It also appoints and dismisses the members of the Executive Board, working in conjunction with the latter to ensure long-term succession planning.

Any transactions or measures resolved by the Executive Board that materially impact the asset ratios, financial ratios or results of operations of the Company require the prior approval of the Supervisory Board. These are listed in a catalog of transactions requiring approval, which is contained in the by-laws for the Executive Board of Deufol AG.

In its report to the Annual General Meeting, the Supervisory Board describes any conflicts of interest and how these are handled. Material conflicts of interest relating to a member of the Supervisory Board that are not merely temporary should result in the termination of that person's membership of the Supervisory Board. In the year under review, there were no conflicts of interest relating to members of the Supervisory Board of Deufol AG.

Makeup of the Supervisory Board

The makeup of the Supervisory Board of Deufol AG generally reflects its members' various technical profiles. The Supervisory Board thus meets the existing requirements in terms of industry expertise, special knowledge and experience in the fields of accounting and internal control procedures plus knowledge of the outline legal conditions as well as requirements relating to the Company's international focus and expertise. Moreover, the Supervisory Board's members are independent and are not exposed to any conflicts of interest. They do not include any previous Executive Board members and none of its members performs organ or advisory functions for the Group's competitors. The makeup of the Supervisory Board thus means that in overall terms its members have the knowledge, abilities and technical experience which are necessary for the due performance of its tasks.

With regard to its future makeup, the Supervisory Board has resolved to maintain its balance of technical qualifications and to amplify its focus on the goal of diversity and due consideration of women. For instance, appropriate representation of women is a goal for future Supervisory Board appointments, subject to equal aptitude and availability. However, in view of the fact that the Supervisory Board only has three members it has opted to waive a fixed goal in terms of a percentage or time period in order to maintain the necessary level of flexibility in seeking suitable members. In the event that the Supervisory Board acquires more than its current three members – which is not a goal at the present time – at least one of these members is to be female, subject to the above-mentioned conditions of equal aptitude and availability.

Shareholders and Annual General Meeting

Shareholders exercise their rights and vote at the Annual General Meeting. Each share of Deufol AG entitles the holder to one vote. There are no shares with multiple voting rights, preferential voting rights or maximum voting rights. The Annual General Meeting resolves a number of key issues, including the appropriation of net profit and approval of the actions of the members of the Executive Board and the Supervisory Board, the appointment of the auditors and the election of the members of the Supervisory Board. In addition, the Annual General Meeting resolves on amendments to the Articles of Association, corporate measures, and the authorization of certain intercompany agreements.

Accounting and Auditing

The consolidated financial statements of the Deufol Group are prepared in accordance with the International Financial Reporting Standards (IFRS). The single-entity financial statements of Deufol AG are prepared in accordance with the German Commercial Code.

The auditors are elected by the Annual General Meeting in accordance with the relevant statutory provisions. The Supervisory Board prepares the proposal to the Annual General Meeting on the election of the auditors. To ensure their independence, the Supervisory Board must obtain from the auditors a declaration concerning any grounds for disqualification or partiality. In issuing the audit engagement to the auditors,

- it is agreed that the Chairman of the Supervisory Board will be informed immediately of any grounds for disqualification or partiality on the part of the auditors which arise during the performance of the audit,
- the auditors will report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit, and
- the auditors will inform the Chairman of the Supervisory Board and/or note in the Auditors' Report if, during the performance of the audit, they become aware of facts which show a misstatement in the declaration on the German Corporate Governance Code submitted by the Executive Board and the Supervisory Board.

Risk Management in the Group

Deufol has a risk management system that reflects the Company's global orientation. The risk management system forms part of the planning, control and reporting process, and is intended to ensure that the Company's management identifies material risks at an early stage and is able to take measures to counteract these risks. The Chairman of the Supervisory Board remains in regular contact with the Executive Board to discuss issues relating to risk management, as well as the strategy and business development of the Group.

Transparency and Communications

Deufol provides shareholders, financial analysts, shareholders' associations, the media and other interested parties with regular information on the financial position of the Company and key developments in its business activities. Information is published in line with the principle of fair disclosure. Accordingly, Deufol AG makes new information available to all shareholders and other interested parties at the same time as this information is disseminated to financial analysts and institutional investors. To ensure that information is provided in a timely manner, Deufol uses the Internet and other means of communication. A Financial Calendar lists all the dates of key publications (e.g. the Annual Report, Interim Reports or the Annual General Meeting) well in advance. The Financial Calendar is printed at the end of this Annual Report and is also available from our website www.deufol.com.

In addition to its regular reporting, Deufol immediately publishes any new information that could have a significant effect on the Company's share price (ad hoc disclosures).

In accordance with statutory requirements, Deufol also issues a statement immediately after receiving notification that a shareholder's stake in the Company has reached, exceeded or fallen below the thresholds of 3 %, 5 %, 10 %, 25 %, 30 %, 50 % or 75 % of the voting rights in Deufol AG, whether by way of acquisition, disposal or otherwise. Furthermore, in accordance with statutory requirements, details of transactions in financial instruments of Deufol AG by members of the Executive Board or the Supervisory Board (and persons defined by the German Securities Trading Act as related parties) are published promptly. An overview of the transactions effected is also provided on the Company's website (www.deufol.com) under "The share" in the "Investor & Public Relations" section.

Shareholdings of Members of the Executive Board and the Supervisory Board

The Executive Board member Mr. Detlef W. Hübner holds 52.8 % of the share capital of Deufol AG (amounting to 23.1 million shares) directly as well as indirectly through Lion's Place GmbH. The other Executive Board Members hold 73 thousand shares. A detailed breakdown can be found under "Supplementary Disclosures" on page ▶ 126.

The members of the Supervisory Board do not hold either shares or options to purchase shares in Deufol AG.

Declaration of Conformity with the German Corporate Governance Code

The declaration of conformity issued by the Executive Board and the Supervisory Board of Deufol AG in February 2011 in accordance with section 161 of the German Stock Corporation Act is available on the Internet at www.deufol.com. In the declaration of conformity, the Executive Board and the Supervisory Board of Deufol AG state that the Company complies with most of the recommendations of the German Corporate Governance Code and has done so in the past. The Executive Board and the Supervisory Board of Deufol AG intend to continue to observe the recommendations of the German Corporate Governance Code in the version dated May 26, 2010 in future.

Only in the following cases does Deufol AG not comply with the recommendations of the Code:

Executive Board remuneration (section 4.2.3 of the Code)

Due to tax requirements for the avoidance of a concealed dividend payment due to his position as the majority shareholder, the Executive Board member Detlef Hübner receives variable remuneration as a fixed percentage of the Group's income from ordinary activities. This bonus may not exceed a maximum of 25 % of the overall remuneration. These tax requirements thus mean that the Supervisory Board is unable to stipulate for the relevant Executive Board member variable remuneration calculated over a period of several years.

The Supervisory Board determines the variable remuneration for the other Executive Board members on a discretionary basis so that a calculation over a period of several years does not apply.

Age limit for members of the Executive Board (section 5.1.2 of the Code) and the Supervisory Board (section 5.4.1 of the Code)

No age limit has been specified for the members of these bodies, as their physical and mental capacity is given appropriate consideration as part of the selection process regardless of their age.

Establishment of Supervisory Board committees (section 5.3 of the Code)

The Supervisory Board has not established any committees. Since the Supervisory Board only has three members, the committee members would inevitably be the same persons as the Supervisory Board members.

Remuneration of members of the Supervisory Board (section 5.4.6 of the Code)

The remuneration paid to members of the Supervisory Board currently only contains a fixed component. The exercise of Deputy Chair positions is not considered separately.

Publication of consolidated financial statements within 90 days (section 7.1.2 of the Code)

Due to the large number of companies included in the consolidated financial statements, it was not possible to publish the statements within the required time after the end of the respective reporting periods. The Company will endeavor to comply with this recommendation in future.

Remuneration Report

The remuneration report also complies with disclosure requirements under commercial law pursuant to section 285 no. 9 and section 289 (2) no. 5, and section 314 (1) no. 6 and section 315 (4) no. 9, respectively, of the German Commercial Code.

Supervisory Board Compensation

Supervisory Board compensation is governed by section 15 of Deufol AG's Articles of Association. Supervisory Board members receive fixed compensation of € 20 thousand for each full fiscal year of service on the Supervisory Board, remitted pro rata at the end of the quarter. The Supervisory Board Chairman receives twice this amount. Supervisory Board members sitting on the Supervisory Board for less than a full fiscal year receive pro rata compensation based on length of service on the Board. Supervisory Board members also enjoy full expenses reimbursement and reimbursement of any sales tax payable in connection with their compensation and expenses.

In 2010, Supervisory Board compensation amounted to € 80 thousand (previous year: € 80 thousand). This amount was divided up as follows between the individual Supervisory Board members: Georg Melzer (Chairman from June 22, 2010) € 20 thousand, Helmut Olivier € 20 thousand, Prof. Kai Furmans € 20 thousand, Dr. Wolfgang Friedrich (Chairman to June 22, 2010) € 20 thousand. In addition, the members of the Supervisory Board were reimbursed expenses of € 0.5 thousand (previous year: € 0.5 thousand).

Executive Board Compensation

All the Executive Board members of Deufol AG receive fixed and variable remuneration in accordance with the employment contracts newly concluded on February 13, 2009. The variable remuneration consists of a cash bonus.

For two Executive Board members, the Supervisory Board decides on a discretionary basis on the value of their cash bonuses. This may not exceed 25 % of the overall remuneration (basic salary and cash bonus). The cash bonus is determined on the basis of the personal performance of the Executive Board member and the business success which he has achieved for the Company plus the following parameters in particular:

- Deufol AG's result after taxes,
- the result for the period after taxes and third-party interests in the Group,
- the Company's medium and long-term performance,
- the Company's current liquidity position.

Due to tax requirements for the avoidance of a concealed dividend payment due to his position as the majority shareholder, one other Executive Board member receives variable remuneration as a fixed percentage of the Group's income from ordinary activities. This bonus may not exceed a maximum of 25 % of the overall remuneration. The new employment contracts do not provide for any stock options.

The Executive Board members receive further non-performance-related compensation, consisting mainly of use of a company car. Individual Executive Board members are responsible for paying tax on noncash benefits. No pension commitments exist with regard to Executive Board members as the Group does not as a rule provide pension plans.

Executive Board compensation for the fiscal year totaled € 1,388 thousand (previous year: € 1,396 thousand). The following table shows the compensation received by the individual members of the Executive Board:

Executive Board compensation
figures in € thousand

	Fixed salary	Other compensation	Performance-based components	Total
Andreas Bargende	480	21	50	551
Tammo Fey	240	12	50	302
Detlef W. Hübner	480	5	50	535
Total	1,200	38	150	**1,388**

This does not include any components with a long-term incentive effect.

Commitments to Executive Board Members in Case of Early Termination

These provisions have now been standardized in the three Executive Board members' employment contracts.

Upon early termination of the service contract instigated by the Company, each Executive Board member is entitled to a severance package on the basis of his fixed salary plus average annual bonuses granted up to the date of the early termination and for the remaining duration of the contract, but not exceeding full remuneration for two years overall. This does not apply in the case of immediate termination for due cause. The relevant Executive Board member enjoys special termination rights with three calendar months' notice in the event that the organizational structure of the Company should be altered in such a way as to compromise materially the competences of the member of the Executive Board or in case the Executive Board has more than four members. In this case, the severance package may not exceed three full annual salary installments. All settlement amounts are to be discounted at a rate of 6 %.

All three Executive Board member contracts provide for a one-year non-compete clause upon departure from the Company. Departing Executive Board members receive an indemnification equal to 100 % of basic salary.

Already in the previous year, the Supervisory Board pursued detailed discussions regarding the consequences resulting from the German Law Regarding the Appropriateness of Remuneration for Executive Board Members (VorstAG). The currently effective service contracts for Deufol AG's Executive Board members are still subject to protection of vested rights since the amendment of section 87 (1) of the German Stock Corporation Act does not affect Executive Board contracts which had already been concluded when this provision came into effect. Nonetheless, the Supervisory Board is obliged pursuant to section 87 (2) of this Act to verify whether, in case of a deterioration in the Company's position, it would be unreasonable to continue to grant this compensation and whether a reduction would thus be appropriate. In the light of the Company's development in the past fiscal year, the Supervisory Board did not deem it appropriate to implement any reduction in this compensation. Irrespective of this, in the Supervisory Board's opinion, the current system of Executive Board remuneration largely complies with the goal of the new regulations stipulated in VorstAG.

Information on Acquisitions

The following section provides a statement on acquisitions pursuant to section 289 (4) and section 315 (4) of the German Commercial Code.

Capital

As of December 31, 2010, the Subscribed Capital is € 43,773,655 (previous year: € 43,773,655) and is divided up into the same number of no-par value shares to bearer. Each share provides a single vote and there are no special membership rights or voting right restrictions.

As of December 31, 2010, Mr. Detlef W. Hübner, Executive Board member of Deufol AG, holds a capital share of 52.8 % (previous year: 52.8 %) directly as well as indirectly through Lion's Place GmbH, Hofheim am Taunus.

An amount of € 20,000,000 remained unchanged as Approved Capital as of December 31, 2010 for the issuance of new shares in return for cash contributions or contributions in kind (end of previous year: € 20,000,000). In accordance with the resolution passed by the Annual General Meeting on June 16, 2009, the Company has been authorized to increase the Company's share capital by up to € 20,000,000 by June 15, 2014.

In accordance with the resolution passed by the Annual General Meeting on June 22, 2010, the Company has been authorized to purchase up to 4,377,365 of its own shares in the period from June 22, 2010 to June 21, 2015; this corresponds to nearly 10 % of the share capital as of June 2010.

Appointment and Dismissal of the Executive Board

The appointment and dismissal of the Executive Board is regulated by section 84 in combination with section 85 of the German Stock Corporation Act; accordingly, the Supervisory Board appoints the members of the Executive Board for a maximum period of five years. Where several persons are appointed Executive Board members, the Supervisory Board may appoint one of these members as Chairman of the Executive Board. The Supervisory Board may cancel an Executive Board appointment or an appointment to the position of Chairman of the Executive Board for good cause.

At Deufol AG, the appointment and makeup of the Executive Board is regulated in section 8 of the Articles of Association, in accordance with the relevant statutory provisions. Accordingly, the Executive Board has at least two members, who are appointed by the Supervisory Board. The Supervisory Board also specifies the number of Executive Board members and may appoint a Chairman and Deputy Chairman of the Executive Board.

Changes to the Articles of Association

Changes to the Articles of Association are regulated in accordance with section 179 and section 133 of the German Stock Corporation Act. Paragraph 1 of section 179 specifies that any change to the Articles of Association requires a vote by the Annual General Meeting. The Annual General Meeting may assign to the Supervisory Board the power to make changes pertaining to the version only. Paragraph 2 states that an Annual General Meeting resolution requires a majority of the share capital represented at the vote, at least three quarters. The Articles of Association may specify a different equity majority, but may only specify a larger equity majority for a change to the Company's purpose of business. It may also specify further requirements.

The Articles of Association of Deufol AG do not stipulate any different equity majorities or other requirements. In the case of Deufol, section 14 of the Articles of Association authorizes the Supervisory Board to make changes pertaining to the version only.

Further disclosures in accordance with section 289 (4) and section 315 (4) of the German Commercial Code are provided in the remuneration report.

Please see the disclosures in the Notes regarding the details of direct and indirect capital shares which exceed 10 % of the voting rights.

Internal Control and Risk Management System Relating to the Accounting Process

The Deufol Group has an internal control and risk management system (ICS) for control and monitoring of its accounting process. This ICS is based on the recognized standards published by the COSO (Committee of Sponsoring Organizations of the Treadway Commission).

Deufol AG's internal control system encompasses all the principles, procedures and measures required to safeguard effectiveness, profitability and orderly accounting as well as to ensure compliance with the key legal regulations. The Group's accounting guidelines and account schedule are drawn up by its controlling department and provide the conceptual framework for the preparation of its consolidated financial statements. They are applied for all the Group's units. New laws, accounting standards and other official statements are continuously analyzed in terms of their relevance and effects on the consolidated financial statements and the Group management report. Where necessary our accounting guidelines and account schedule are revised accordingly. The conceptual and deadline requirements plus monitoring of their fulfillment are intended to reduce the risk of a failure to prepare or disclose the consolidated financial statements appropriately and within the required time limits.

The various units' accounting records serve as a basis for the financial information provided by Deufol AG and its subsidiaries which yields the data for preparation of the consolidated financial statements. The subsidiaries performed the accounting, but in future this will be increasingly centralized so as to achieve even more efficient bookkeeping and reporting. We employ the services of external specialists to value pension commitments assumed within the framework of transfers of enterprises within the Deufol Group as well as tax accruals.

The consolidation measures required for the preparation of the consolidated financial statements are subject to manual and technical controls at every level. The employees involved in the accounting process were assessed for their technical aptitude at the time of hiring and have undergone regular training. The dual control principle is applied at every level of the preparation process and for the release of accounting-related information. Target/actual comparisons and analyses and reviews of monthly results together with the managers of the various business divisions serve as additional control mechanisms.

In the accounting-related IT systems access, rules are defined in order to protect accounting-related data against unauthorized access and tampering. Guidelines have been drafted so as to guarantee data protection and integrity as well as the availability of the Group's IT systems.

The activities performed by internal auditing provide a further element in our control system. Through continuous and Group-wide audits, internal auditing ensures compliance with guidelines as well as the reliability and functioning capacity of our control system and the appropriateness and effectiveness of our risk management system. Auditing regularly reports to the Executive and Supervisory Boards on its audit findings in the various audited divisions.

As the parent company of the Deufol Group, Deufol AG is integrated in the Group-wide accounting-related internal control system outlined above. In principle, the above statements also apply for the single-entity financial statements of Deufol AG.

RESULTS OF OPERATIONS, FINANCIAL AND ASSET POSITION

Results of Operations, Financial and Asset Position

Results of Operations

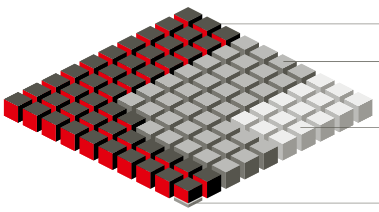
Rising Sales — Notes 01, 42

In an economic environment showing a positive overall trend, in the reporting period sales increased by 5.9 % on the previous year to € 307.1 million. We thus achieved our planning targets, which had envisaged sales in excess of € 300 million.

If the sales trend is adjusted for the changes in the scope of consolidation, this shows organic growth of 7.7 %. If one also takes into consideration the US dollar's appreciation against the euro of around 5 % on average, this represents adjusted growth of 6.6 %.

Consolidated sales by segment

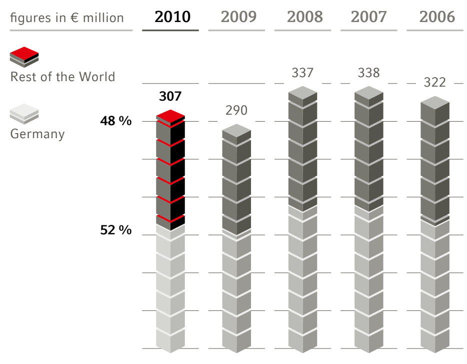
figures in € million



		2010	2009
45.6 %	Industrial Goods Packaging	140.1	137.1
39.0 %	Consumer Goods Packaging	119.8	107.8
15.3 %	Warehouse Logistics	46.9	44.8
0.1 %	Holding company	0.3	0.3
100.0 %	Total	**307.1**	290.1

Sales

figures in € million



Industrial Goods Packaging Still Strongest Segment — Note 42

In the past year, Industrial Goods Packaging maintained its position as the area of activity providing the largest volume of sales for the Deufol Group. With slightly increased sales (+2.2 % to € 140.1 million) in 2010, it contributed 45.6 % (previous year: 47.3 %) to Group sales.

In the second-strongest segment, Consumer Goods Packaging, sales increased significantly (+11.1 % to € 119.8 million) in the reporting period, providing 39.0 % (previous year: 37.2 %) of Group sales. However, this rise was unevenly distributed among the Group's regions, with +5.2 % in Belgium, −9.6 % in Italy and +24.4 % in the USA. The dollar's appreciation was a positive factor in the USA; US sales rose 18.2 % in local-currency terms.

In Warehouse Logistics, sales increased 4.8 % to € 46.9 million. This means that this segment now represents around 15.3 % (previous year: 15.4 %) of Group activities. This relatively low increase is due to the disposal of Air Cargo Wings GmbH (previously D.Logistics Airport Services GmbH) in mid-2009; adjusted for this disposal, the rise in sales amounts to 17.4 %.

USA Provides Increased Share of Sales — Note 43

With a lower sales share of around 52.4 % (previous year: 54.5 %), Germany remains the Group's key market. The proportion of sales elsewhere in Europe decreased slightly, from 28.6 % to 27.7 %. The USA increased noticeably in significance, from 16.9 % to 19.8 %.

Consolidated sales by region

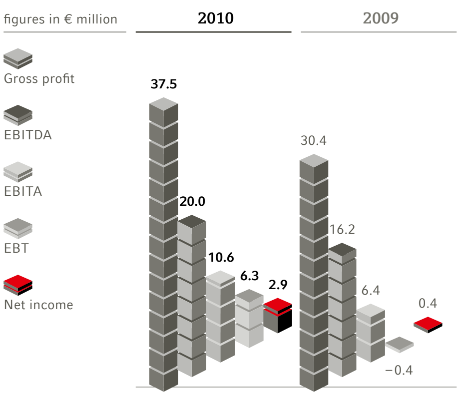
figures in € million	2010	2009
Germany	160.9	157.8
Share (%)	52.4	54.4
Rest of Europe	85.2	83.1
Share (%)	27.7	28.6
USA/Rest of the World	60.8	48.9
Share (%)	19.8	16.9
Holding company	0.3	0.3
Share (%)	0.1	0.1
Total	**307.1**	290.1

Cost development

figures in € million	2010	2009
Cost of sales	269.7	259.7
as % of sales	87.8	89.5
Selling expenses	5.9	5.5
as % of sales	1.9	1.9
General and administrative expenses	20.4	20.6
as % of sales	6.6	7.1
Other operating income	(2.6)	(4.4)
as % of sales	(0.8)	(1.5)
Other operating expenses	3.1	2.2
as % of sales	1.0	0.8
Total	**296.5**	283.6
as % of sales	96.5	97.8
of which personnel costs*	90.6	94.3
as % of sales	29.5	32.5

*Total personnel costs included in all cost items

Income development



Operating Costs Ratio Decreased on Balance Notes 02–06, 11

At 87.8 % (previous year: 89.5 %), the ratio of the cost of sales to sales recorded a falling trend. This is mainly due to the reduced personnel costs (–3,9 %). Costs of materials (+15.1 %) and expenditure on purchased services (+5.5 %), which rose disproportionately strongly, were the main negative factors here.

Selling expenses rose by € 0.4 million to € 5.9 million and accounted for around 1.9 % of sales as in the previous year. General and administrative expenses remained almost constant at € 20.4 million; the expense ratio amounted to 6.6 % (previous year: 7.1 %). Cost increases resulted e. g. for rental and lease expenses (+18.8 %) and legal and consulting costs (+14.6 %). Items such as depreciation/amortization (–38.2 %) and space costs (–20.7 %) fell.

Other operating income declined strongly. It fell by € 1.8 million to € 2.6 million, reducing the ratio to sales to 0.8 % (previous year: 1.5 %). Here, other income and income from the release of accruals in particular decreased. In contrast, the total other operating expenses rose (+0.9 to € 3.1 million), the quota amounted to 1.0 % (previous year: 0.8 %).

In overall terms, the cost quota has thus decreased from 97.8 % to 96.5 %. This corresponds to an EBITA margin of 3.5 % (previous year: 2.2 %).

Economic Recovery Leads to Improvement in Operating Result

In the past fiscal year, the gross profit increased by 23.4 % to € 37.5 million. The gross margin thus increased to 12.2 % compared to 10.5 % in 2009. Personnel costs in particular decreased while the cost of materials rose especially strongly.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 20.0 million, compared to € 16.2 million in the previous year. The EBITA margin reached 6.5 %, compared to 5.6 % in 2009. Depreciation of property, plant and equipment declined slightly and amounted to € 8.2 million (previous year: € 8.5 million), amortization of other intangible assets marginally declined from € 1.3 million to € 1.2 million.

In the period under review, the operating result before goodwill amortization (EBITA) increased by 65.7 % to € 10.6 million and thus exceeded our original planning target of € 10 million but fell short of our revised planning goal of € 11 million. This was due to unscheduled expenses not resulting from operational business such as consumer-tax back payments resulting from external audits and an additional valuation adjustment on an item of real estate in the USA. The EBITA margin was 3.5 % in 2010, compared to 2.2 % in 2009.

Slightly Lower Financial Result Note 07

At –€ 4.3 million, the financial result was slightly lower than in the previous year (– € 4.2 million). Finance costs fell from € 6.7 million to € 6.4 million. The reduced expenses are mainly due to the fact that the finance costs resulting from the convertible bond (€ 0.3 million) were no longer applicable. The average level of financial indebtedness was slightly lower (€ 78.6 million, compared to € 80.4 million in 2009). Financial income declined from € 1.6 million to € 1.5 million. This resulted from slightly reduced income from financial leases (– € 0.1 million).

The profit from associates declined, falling from € 0.9 million to € 0.6 million.

Significantly Higher Net Income Realized Notes 08–10

Earnings before taxes amounted to € 6.3 million in the past year and were thus significantly above the level in 2009 (–€ 0.4 million).

In the past fiscal year, on balance the overall tax expenditure amounted to € 3.0 million compared to tax proceeds of € 1.1 million in the previous year. Current tax expenditure for taxes on income increased from € 3.2 million to € 3.4 million. For the deferred taxes, income of € 0.4 million was recorded, compared to € 4.3 million in 2009. In 2009, this item was affected by the recognition of deferred taxes in the amount of € 2.9 million due to the profit and loss transfer agreement between Deufol AG and Deufol Tailleur GmbH. As a consequence of this agreement, tax income recorded by Deufol Tailleur GmbH can be partially offset against tax losses carried forward by Deufol AG.

This means a result for the period of € 3.3 million (previous year: € 0.7 million). The profit share for non-controlling interests amounts to € 0.4 million as in the previous year.

The profit attributable to the shareholders of Deufol AG amounted to € 2.9 million in the period under review, compared to € 0.4 million in the same period in the previous year. Earnings per share were € 0.067 in 2010 (previous year: € 0.008).

Margin development

figures as % of sales	2010	2009
Gross margin	12.2	10.5
EBITDA margin	6.5	5.6
EBITA margin	3.5	2.2
EBIT margin	3.5	1.3
EBT margin	2.1	(0.1)
Net income margin	1.0	0.1

Financial Position

Decentralized Financing for the Deufol Group Notes 24, 40

The Deufol Group is financed in a decentralized form. Most financing is provided by means of bilateral bank loans and syndicated borrowing facilities. Credit lines of € 34.1 million are available to the Group at various banks (previous year: € 32.9 million). As of December 31, 2010, € 23.8 million (previous year: € 21.2 million) of this had been utilized, subject to variable interest rates. The variable-interest loans carried in the balance sheet are subject to standard interest-rate risks; in some cases, these are limited through interest rate hedges. In fiscal year 2010, the average weighted interest rate for short-term loans was 4.16 % (previous year: 4.37 %). The payable credit margins are partially dependent on achieving certain financial ratios (so-called "covenants").

In the Executive Board's opinion, the Deufol Group's financial resources are sufficient to meet payment obligations at any time.

Financial liabilities

figures in € million	2010	2009
Liabilities to banks	68.82	70.77
thereof current	39.10	32.21
thereof noncurrent	29.72	38.56
Finance leasing	9.32	8.00
Other	0.05	0.05
Total	**78.19**	78.82

Financial Indebtedness Largely Unchanged Notes 19, 24

In the past fiscal year, the financial liabilities of the Deufol Group decreased slightly, from € 78.8 million to € 78.2 million.

Net financial liabilities – defined as the total financial liabilities less financial receivables and cash – increased by € 1.8 million from € 47.5 million on December 31, 2009 to € 49.3 million at the end of the period under review. This increase resulted despite the increase in cash held (+€ 2.0 million) due to a decrease in financial receivables (–€ 4.4 million). The balance of liabilities to banks and call deposits at banks is –€ 52.0 million (previous year: –€ 55.9 million).

Higher Investment Volume Notes 12, 13

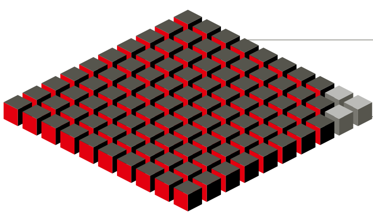
In the period under review, at € 8.4 million investments including leased assets were in overall terms 16.0 % higher than in 2009 (€ 7.2 million).

In the past fiscal year, investments in plant, property and equipment were € 8.1 million (previous year: € 6.7 million). The investment quota as a ratio of capital expenditure to sales was 2.6 % in 2010 (previous year: 2.3 %).

Investments by segment

figures in € million	2010	2009
Industrial Goods Packaging	4.83	2.37
Consumer Goods Packaging	1.91	2.97
Warehouse Logistics	1.41	1.42
Holding company	0.22	0.45
Total	**8.37**	7.21

Investments



figures in € million		2010	2009
97.1 %	Property, plant and equipment	8.13	6.69
2.9 %	Intangible assets	0.24	0.52
0.0 %	Financial assets	0.00	0.00
100.00 %	Total	**8.37**	7.21

Leased assets (€ 4.1 million) is the largest capital expenditure item. This is followed by operating and office equipment (€ 1.5 million), land and buildings (€ 1.2 million), technical equipment and machinery (€ 1.0 million) and assets under construction (€ 0.3 million).

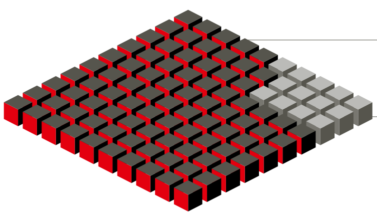
€ 0.2 million (previous year: € 0.5 million) was invested in other intangible assets.

Reduced Depreciation / Amortization Notes 12, 13

Depreciation of property, plant and equipment and amortization of intangible assets were slightly lower on the previous year (€ 9.4 million compared to € 12.4 million). Depreciation of property, plant and equipment was € 8.2 million (previous year: € 8.5 million), amortization of other intangible assets € 1.2 million (previous year: € 1.3 million). In 2009, this item had included an impairment of goodwill in the USA in the amount of € 2.6 million.

Depreciation, amortization and impairment

figures in € million



		2010	2009
87.1 %	Property, plant and equipment	8.18	8.54
12.9 %	Intangible assets	1.21	3.89
0.0 %	Financial assets	0.00	0.00
100.0 %	Total	**9.39**	12.43

Depreciation, amortization and impairment by segment

figures in € million	2010	2009
Industrial Goods Packaging	4.07	3.76
Consumer Goods Packaging	3.18	6.38
Warehouse Logistics	1.85	1.66
Holding company	0.29	0.63
Total	**9.39**	12.43

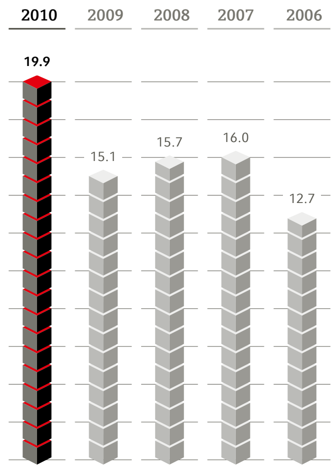
Strong Operating Cash Flow Notes 29–33

The operating cash flow amounted to € 19.9 million in the period under review and was thus 32.3 % higher than the level in the previous year (€ 15.1 million).

Net cash used in investing activities was –€ 4.4 million (previous year: –€ 2.8 million). Cash-based fixed-assets investments were € 4.3 million. On the other hand, the disposal of intangible assets and property, plant and equipment produced fund inflows in the amount of € 0.7 million. Further proceeds resulted from interest and dividends received (€ 2.2 million) and from the decrease in financial receivables (€ 4.4 million). Outflows of funds resulted from the acquisition of non-controlling interests (€ 7.4 million). This mainly reflects the late purchase price-payment associated with the acquisition of the non-controlling interests in Industrial Goods Packaging in 2007.

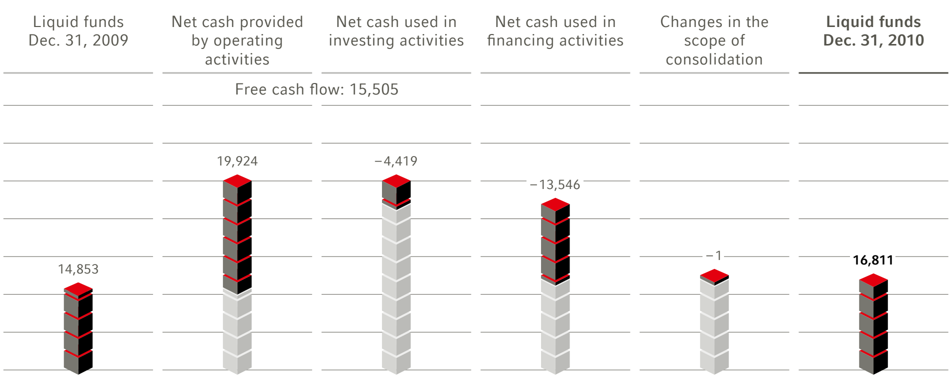
Net cash provided by operating activities

figures in € million



Change in liquid funds

figures in € thousand



Accordingly the free cash flow – which is made up of net cash provided by operating activities and net cash used in investing activities – amounted to € 15.5 million, compared to € 12.3 million in the previous year.

Net cash used in financing activities was −€ 13.5 million (previous year: −€ 9.5 million). Financial liabilities decreased in cash terms by a net amount of € 6.6 million. Further outflows of funds resulted from paid interest (−€ 6.5 million) and the dividends paid to non-controlling interests (−€ 0.4 million).

Cash and cash equivalents increased by € 2.0 million to € 16.8 million as of December 31, 2010.

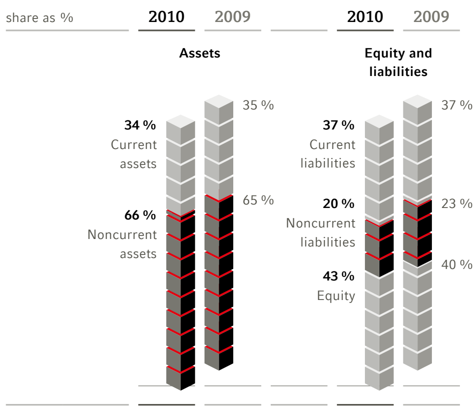
Asset Position

Lower Balance Sheet Total Notes 12 – 19

In 2010, the balance sheet total of the Deufol Group decreased by 3.9 % to € 226.9 million. On the asset side of the balance sheet, the noncurrent assets decreased by 2.8 % from € 154.5 million as of the period-end in the previous year to € 150.1 million as of the reporting date. This decrease resulted from lower financial receivables (–3.7 to € 9.8 million). Plant, property and equipment rose slightly (+0.3 to € 51.4 million). The asset depreciation ratio (ratio of accumulated depreciation to historical cost) rose by 1.7 percentage points on the previous year to 62.4 %, while the property, plant and equipment ratio (the ratio of property, plant and equipment to the balance sheet total) increased from 22 % to 23 %. Other intangible assets fell by –€ 0.9 million to € 2.8 million. The other noncurrent assets changed only slightly.

The current assets decreased from € 81.5 million to € 76.8 million. This is mainly due to reduced trade receivables (–6.5 to € 37.8 million). The financial receivables also declined (–0.7 to € 2.3 million). Both cash and cash equivalents and inventories increased (+2.0 to € 16.8 million, and +0.7 to € 12.4 million, respectively). The working capital – the difference between current assets and current non-interest-yielding liabilities – increased from € 28.2 million to € 34.6 million.

Balance sheet structure



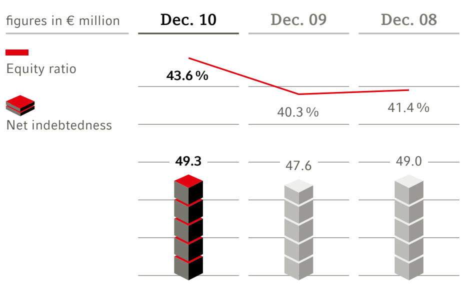
Increased Equity Notes 20 – 28

At the end of fiscal year 2010, the Deufol Group's equity was at € 99.0 million € 3.9 million higher than the previous year's level (€ 95.1 million). Since the balance sheet total fell, this led to an increase in the equity ratio from 40.3 % to 43.6 %.

The equity increased due to the profit for the period (+€ 3.3 million) and the other comprehensive income (+€ 1.3 million). The recognition of goodwill in equity due to the acquisition of non-controlling interests in Deufol Hamburg GmbH (–€ 0.3 million) and the distributions to non-controlling interests (–€ 0.4 million) had a negative effect.

The noncurrent assets declined from € 53.6 million to € 44.7 million. In particular, the financial liabilities decreased here (–7.8 to € 37.1 million). The other liabilities also fell (–0.8 to € 3.9 million). The other noncurrent liabilities hardly changed. Asset cover ratio II – the ratio of equity and noncurrent liabilities to fixed assets – was 114.4 %, compared to 117.8 % at the end of 2009.

Net financial indebtedness and equity ratio



The current liabilities decreased by € 4.1 million to € 83.2 million. The other liabilities recorded the strongest decrease (–€ 9.5 to € 12.7 million). This was due to the settlement of the late purchase-price liability resulting from the acquisition of the non-controlling interests in Deufol Tailleur GmbH. Current financial liabilities increased by € 7.1 million to € 41.1 million while the other accruals decreased by –€ 1.1 million to € 1.9 million and tax liabilities by –€ 0.5 million to € 1.6 million.

Employees

Rising Number of Employees Note 11

As of the end of 2010, the Deufol Group had 2,782 employees. This represents an increase of 100 employees or 3.7 % on the previous year. As of December 31, 2010, the Group had 1,637 employees in Germany (58.8 %) and 1,145 employees (41.2 %) elsewhere.

Industrial Goods Packaging had 36 more employees while Consumer Goods Packaging recorded a decrease of 22 employees; its US workforce recorded a particularly significant decrease (–15 employees). Warehouse Logistics gained 82 employees, mainly due to new hirings in Germany.

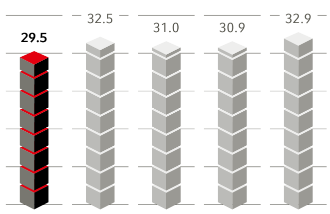
Personnel costs decreased in the reporting period by 3.9 % to € 90.6 million. The personnel cost ratio as a ratio of personnel costs to sales fell from 32.5 % to 29.5 %.

Overview of employees

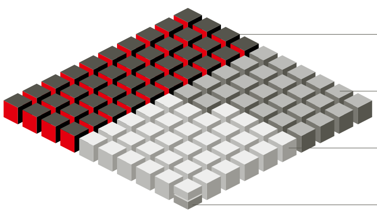
Deufol Group	2010	2009
Germany	1,637	1,548
Rest of the World	1,145	1,134
Female	791	813
Male	1,991	1,869
Total	**2,782**	2,682
Average	2,721	2,890

Personnel expense ratio

share as %	2010	2009	2008	2007	2006



Employees by segment



Deufol Group		2010	2009
40.3 %	Industrial Goods Packaging	1,121	1,085
26.1 %	Consumer Goods Packaging	725	747
33.3 %	Warehouse Logistics	927	845
0.3 %	Holding company	9	5
100.0 %	Total	**2,782**	2,682

Thanks for Commitment

The Executive Board would like to thank all the Company's employees for the dedication and flexibility they displayed in fiscal year 2010.

Development in the Segments

Industrial Goods Packaging Notes 41–43

In 2010, Industrial Goods Packaging only partially benefited from the positive trend in much of the mechanical and plant engineering sector, so that consolidated sales rose by as little as 2.2 % to € 140.1 million.

EBITA in this sector decreased by 34.5 %, from € 9.7 million to € 6.4 million. The EBITA margin declined from 7.1 % to 4.5 %. Besides a lack of project business, this result – which was disappointing in view of the economic trend – was mainly due to the strong rise in timber prices which it is only possible to pass on to customers with a time lag. The segment result also suffered due to the operating losses of BVU Bayerisches Verpackungsunternehmen mbH (–€ 0.7 million), which has now been removed from the consolidated group.

Nonetheless, the overall trend for Industrial Goods Packaging should be seen as positive. This segment reinforced its national market leadership and further strengthened its business relationships with customers, and its subsidiary established in 2009 in China (Suzhou) commenced its business activities in the past year.

Industrial Goods Packaging

figures in € million	2010	2009
Sales	166.6	160.6
Consolidated sales	140.1	137.1
Gross profit	14.8	16.7
EBITA = EBIT	6.4	9.7
EBITA margin (%)	4.5	7.1
EBT	5.2	9.3

Consumer Goods Packaging Notes 41–43

The Consumer Goods Packaging segment achieved consolidated sales of € 119.8 million, an increase of 11.1 % on the level in the previous year. However, this rise was unevenly distributed among the Group's regions, with +5.2 % in Belgium, −9.6 % in Italy and +24.4 % in the USA. The dollar's appreciation was a positive factor in the USA; US sales rose 18.2 % in local-currency terms.

The operating result (EBITA) for this segment was positive at € 3.6 million, following a loss of € 1.5 million in the previous year.

The segment's results declined in Italy but improved in Belgium. In the USA, this segment was once again able to break even following its unexpectedly high loss (–€ 4.3 million) in 2009. The volume of core business has risen significantly here and the measures implemented in 2009 have also borne fruit. This higher volume has led to an improved utilization of existing production capacities and was reflected in a significantly higher contribution margin.

Consumer Goods Packaging

figures in € million	2010	2009
Sales	122.1	109.9
Consolidated sales	119.8	107.8
Gross profit	14.4	8.8
EBITA	3.6	(1.5)
EBITA margin (%)	3.0	(1.4)
EBIT	3.6	(4.1)
EBT	0.9	(6.7)

Warehouse Logistics

figures in € million	2010	2009
Sales	48.4	46.9
Consolidated sales	46.9	44.8
Gross profit	7.7	4.9
EBITA = EBIT	3.2	0.1
EBITA margin (%)	6.7	0.2
EBT	2.7	(0.2)

Warehouse Logistics Notes 41–43

In Warehouse Logistics, consolidated sales increased 4.8 % to € 46.9 million. This relatively low increase is due to the disposal of Air Cargo Wings GmbH (previously D.Logistics Airport Services GmbH) in mid-2009; adjusted for this disposal the rise in sales amounts to 17.4 %.

The EBITA for this segment rose significantly from € 0.1 million to 3.2 million. The Belgian companies also performed favorably, once again significantly improving their results. The German Warehouse Logistics business saw a strong improvement in its results. In the previous year, it had suffered due to the general weakness of the economy as well as start-up losses of € 1.3 million for the new "customization center" in Euskirchen.

Overall Summary of Economic Position

At the time of preparing these consolidated financial statements, the Deufol Group's economic position is stable.

The economic recovery has led to significant volume increases in most segments of the Deufol Group. Clearly improved results were recorded in the USA in particular and in the Warehouse Logistics segment in some cases. Due to its somewhat lagging character, the Industrial Goods segment only partially benefited from the upswing. But on the results side, this improvement has so far been offset by rising timber prices. Our financial and asset position remains solid.

Position of Deufol AG

Sales and Results of Operations

In fiscal year 2010, Deufol AG realized sales of € 2,150 thousand (previous year: € 1,857 thousand) and other operating income of € 2,582 thousand (previous year: € 965 thousand).

These sales mainly resulted from amounts billed to associates for services provided and rents. Sales in the amount of € 1,535 thousand (previous year: € 1,274 thousand) were realized outside Germany.

The other operating income mainly consists of income from the write-up of financial assets in the amount of € 2,121 thousand (previous year: € 0 thousand), income from exchange-rate differences in the amount of € 162 thousand (previous year: € 0 thousand), income from passed-on expenses in the amount of € 118 thousand (previous year: € 312 thousand), income from the release of accruals in the amount of € 56 thousand (previous year: € 429 thousand) and income from the reduction on item-by-item allowances in the amount of € 50 thousand (previous year: € 183 thousand). The income from the release of accruals and the reduction on item-by item allowances is income unrelated to the accounting period.

The other operating expenses (€ 4,042 thousand compared to € 9,712 thousand in the previous year) mainly comprise bad debt charges in the amount of € 1,457 thousand (previous year: € 4,032 thousand), external services in the amount of € 747 thousand (previous year: € 628 thousand), legal fees and consulting expenses in the amount of € 625 thousand (previous year: € 616 thousand), travel and vehicle expenses in the amount of € 261 thousand (previous year: € 272 thousand), space costs in the amount of € 251 thousand (previous year: € 266 thousand), advertising costs in the amount of € 152 thousand (previous year: € 180 thousand) and passed-on expenses in the amount of € 117 thousand (previous year: € 305 thousand).

The financial result decreased from € 10,368 thousand to € 5,462 thousand in the past year. Net interest income improved from –€ 352 thousand to +€ 216 thousand and net income from investments decreased from € 10,720 thousand to € 5,246 thousand. This was mainly due to reduced income from profit transfer agreements in the amount of € 1,015 thousand (previous year: € 8,823 thousand). Income from investments rose to € 4,231 thousand (previous year: € 2,420 thousand). Income from ordinary activities thus amounted to € 3,864 thousand (previous year: € 1,050 thousand). The net profit for the year under review amounted to € 3,670 thousand (previous year: € 682 thousand).

Deufol AG: Income statement

figures in € thousand	2010	2009
Sales	2,150	1,857
Other operating income	2,582	965
Personnel costs	(2,030)	(1,855)
Depreciation, amortization and impairment	(258)	(573)
Other operating expenses	(4,042)	(9,712)
Financial result	5,462	10,368
Income/loss from ordinary activities	**3,864**	1,050
Taxes	(194)	(368)
Annual net profit	**3,670**	682

Assets and Financial Position

In the year under review, the balance sheet total of Deufol AG decreased from € 113.3 million to € 106.2 million. Fixed assets increased from € 101.1 million to € 103.7 million and current assets fell due to the strong decline (–€ 7.8 million) in receivables from profit and loss transfer agreements from € 12.1 million to € 2.4 million. Depreciation on property, plant and equipment and amortization on intangible assets amounted to € 258 thousand (previous year: € 573 thousand), investments to € 221 thousand (previous year: € 280 thousand). Investments in financial assets amounted to € 898 thousand (previous year: € 7,069 thousand). In addition, writedowns made in previous periods in the amount of € 2,121 thousand on the investment in Deufol Tailleur GmbH were reversed.

Assets and Financial Position

Deufol AG: Balance sheet

figures as % of total assets	2010	2009
Fixed assets	97.7	89.2
of which financial assets	91.6	83.2
Current assets	2.3	10.8
Balance sheet total	**100.0**	100.0
Equity	73.7	65.8
Provisions	0.7	1.3
Liabilities	25.6	32.9
of which financial liabilities	19.6	18.4
Balance sheet total	**100.0**	100.0

On the liabilities side of the balance sheet, equity increased due to the net profit for the year from € 74.6 million to € 78.2 million. As of December 31, 2010, the equity ratio had thus increased from 65.8 % to 73.7 %. Accruals decreased to € 0.7 million (previous year: € 1.5 million). Liabilities fell from € 37.3 million to € 27.2 million, mainly due to the payment of the purchase price for the acquisition of Deufol Tailleur GmbH.

The following cash flow statement shows the financial position of Deufol AG:

Cash flow statement Deufol AG

figures in € thousand	2010	2009
Annual net profit	3,670	682
Depreciation/appreciation	(1,863)	1,096
(Gain) loss from disposal of property, plant and equipment	7	9
(Gain) loss from disposal of financial assets	0	2,833
Other noncash revenue/expenses	14	57
Increase (decrease) in accruals	(767)	(1,224)
Net changes in working capital	7,969	(949)
Operating cash flow	**9,030**	2,504
Purchase of intangible assets and property, plant and equipment	(221)	(280)
Purchase of financial assets	(7,038)	(69)
Proceeds from the sale of property, plant and equipment	190	104
Proceeds from the sale of financial assets	7	50
Net cash used in financing activities	**(7,062)**	(195)
Proceeds from borrowings	2,427	6,496
Repayment of borrowings and bonds	(4,443)	(5,393)
Payments for the purchase of Company shares	0	(389)
Dividend paid	0	(3,064)
Net cash used in financing activities	**(2.016)**	(2,350)
Change in cash	(48)	(41)
Cash at the beginning of the period	70	111
Cash at the end of the period	22	70

The payments for the acquisition of financial assets include an amount of € 7.0 million for the acquisition of Deufol Tailleur GmbH which was financed through our operating cash flow.

RISK REPORT

Risk Report

Risk Policy

The role of Deufol AG is to act as a management holding company for operationally active subsidiaries which provide logistics-related services in Germany and elsewhere, focusing on packaging. As part of its holding tasks, Deufol AG provides the resources required for risk management and monitors implementation of risk-policy and risk-management procedures on an ongoing basis. Corporate management and control, corporate governance, the by-laws and the risk policy are coordinated within the Deufol Group.

Exposure to risks is unavoidable in our efforts to achieve long-term success by taking advantage of opportunities in our services divisions and regions in an environment of constantly changing requirements and challenges. These are carefully examined and assessed on the basis of a risk/opportunity calculation. Our corporate and business strategy is to concentrate operational activities and the risks associated with them within separate legal entities in order to insulate the rest of the Group from possible negative influences.

The core risks are monitored on an ongoing basis and measures are implemented to reduce them. The core risks comprise, in particular, risks associated with the companies' current and future business situation. Risks include potential losses of customers due to relocations of packaging-related production locations or insufficiently rigorous development of market leadership in core business fields. Non-core and residual risks are accepted provided they can be specifically identified and mapped. Non-core risks are externalized (force majeure, liability to third parties for loss or damage etc.). In particular, corporate governance guidelines (including Deufol AG's by-laws) and the active monitoring of subsidiaries as parent company ensure that the deliberate acceptance of risks proceeds in a transparent and controlled fashion.

Deufol AG's Executive Board considers a highly-developed awareness of risk in all business divisions to be indispensable for the success of its risk policy. Awareness of existing and potential risks is an important element of business management. Due to the various risk areas and the different ways in which risks are applicable within the individual subsidiaries, this increased awareness is vital for the successful implementation of risk policy.

Risk Management

All activities of subsidiary companies are supported by an integrated risk management system without exception. The purpose of risk management activities is firstly to ensure that statutory requirements are complied with, and secondly to promote value-oriented management of individual subsidiaries and thus of the Deufol Group as a whole. According to the December 31, 2010 risk inventory, the system covers around 99.4 % (previous year: approx. 99.4 %) of subsidiary risks as measured against Group sales. The risk management system was audited in connection with the auditing of the annual financial statements.

Risk Controlling

Risks are identified by managing directors or site managers applying the following ten risk categories: strategy/planning, market/sales, procurement, service provision, finance, personnel, IT, contracts/legal, communication and other.

The responsible managers document the risks identified in "risk maps" on a quarterly basis. Aggregation is subsequently implemented at Group level and the Executive Board receives a quarterly report.

Risk measurement is standardized throughout the Group. Risks identified in risk maps are assessed by local or site managers in terms of probability of occurrence and amount of potential loss. Individual risks are assigned quantitative values requiring response upon reaching specific levels.

Measures taken to control identified risks are subject to regular on-site monitoring as to their effectiveness. The Executive Board additionally supervises risk identification procedures conducted by individual subsidiaries in the course of regular visits.

Specific Risks

Environment Risks

For 2011, we predict a marginally upward trend for the economy. Detailed commentary on the outlook for the economy is provided on page ▶ 65 ff. of the "Report on Expected Developments".

Raw materials prices, and oil prices in particular, may also pose a specific risk. A further rise would likely place a drag on the global economy. Increasing purchasing costs would result, potentially coupled with falling demand affecting sales in key markets for our Group such as our export-oriented mechanical and plant engineering business, which might then affect our business further down the line.

Acquisition and Investment Risks

Acquisition and investment decisions intrinsically involve complex risks as they tie up substantial capital on a long-term basis. Such decisions can only be made on the basis of specific, predefined terms governing responsibilities and approval requirements.

Performance-Related Risks

Sales and earnings of the subsidiaries are largely dependent on a relatively small number of business relationships with larger customers. Customers come from different industries (e.g. Procter & Gamble in the consumer goods industry, VW in the automotive industry), creating a certain risk diversification effect in addition to the fact that different, unrelated services are performed for one and the same customer.

A primary objective of the Deufol Group is to promote customer loyalty, for example, through joint process and efficiency improvement projects etc. with our customers and while maintaining a high level of customer commitment (e.g. through customer surveys). Customer surveys conducted for this purpose have provided positive feedback for Deufol Group locations, enabling measures for a further increase in customer satisfaction. One such measure has been the redoubling of our employee training and education efforts. The acquisition of smaller customers is also important in order to broaden our customer base.

The structuring of contracts with customers also poses certain risks, such as where amortization periods for investments exceed the initial contract term. Older contracts only allow limited reaction to quantitative or qualitative changes affecting our business. At the same time, price adjustment clauses are not always adequate for promptly passing on unexpected procurement price increases for raw materials to customers.

Personnel Risks

A major part of the business success of the Deufol Group rests upon the skills and qualifications of its employees and the motivation of the managerial staff of our corporate subsidiaries. For this reason, employees undergo regular training in order to ensure that the quality of the services provided meets customer requirements. Employees at all levels of the Company are being progressively sensitized to risk issues to ensure compliance with risk policy. Senior management remuneration packages have been systematically restructured to emphasize variable, performance-related components such as bonuses as an incentive for reaching targets.

External contractors are utilized in some cases, particularly in view of the legal environment in certain countries. This allows managing phases of increased business activity without having to take on permanent employees, creating the potential for capacity underutilization later on.

Nearly all subsidiaries are now run by managers with close ties to Deufol and an entrepreneurial attitude. The risk of loss of know-how through the departure of key personnel is limited through documentation of relevant know-how and its possession by several persons by virtue of the decision-making process structure.

IT Risks

In principle, possible IT risks may result from the failure of networks or the falsification or destruction of data through operating or programming errors. However, the IT infrastructure of the Deufol Group is in line with the Group’s decentralized structure. There are therefore only isolated IT risks in the individual units and there are no Group-wide IT risks. The individual companies have extensive protection measures such as virus-protection concepts, firewalls and emergency and recovery plans as well as additional external backup solutions in accordance with specific requirements.

Financial Risks

Different financing groups exist within the Deufol Group. The operating companies are largely financed on a decentralized basis. Deufol AG’s financial risks mainly concern guarantees and loans extended to subsidiaries.

In some cases within the Group, credit agreements are tied to compliance with financial ratios (“covenants”). A violation of the covenants provides the banks with a right to terminate an agreement but does not automatically trigger a repayment obligation. In addition, the agreed credit margin and thus the Group’s financing costs may be increased. In one case, an agreed financial ratio as of December 31, 2010 had not been complied with. This relates to amounts due to banks in the amount of € 7.5 million. This did not trigger an automatic repayment obligation. In contrast, it is at the financing banks’ discretion to demand or waive a repayment if the ratio has still not been complied with as of March 31, 2011. The financing banks have declared that they do not intend to exercise their right of termination. However, the noncurrent portion of the affected amounts owed to banks in the amount of € 5.4 million was reported under current liabilities pursuant to IFRS as of the reporting date of December 31, 2010.

The situation on the financial markets improved slightly in 2010. The Deufol Group was able to finance investments which were required in 2010 as well as the outstanding purchase-price payments for its acquisition of the non-controlling interests in Deufol Tailleur GmbH through its own cash flow as well as borrowed loan capital. Besides scheduled investments, in 2011 the financing of the Group's American subsidiary plus further lines are due for extension. At the present time, we expect to be able to organize successful follow-up financing, though it cannot be ruled out that this may only be possible subject to worse conditions than in the past. From the current perspective, generally rising interest-rate levels are to be expected. This may lead to increased financing costs in case of variable-interest loans.

Interest rate derivative contracts are still in place for managing and limiting interest rate risk in connection with medium-term financing. These are directly assigned to specific debt positions as cash flow hedges (see "Other Disclosures", page ▶ 117).

The risks resulting from exchange-rate fluctuations only apply within the scope of consolidation as a result of the conversion of the annual financial statements of companies outside the euro currency zone. Exchange rates have only a marginal effect on operating business. In the single-entity financial statements, currency risks exclusively apply for transactions with subsidiaries outside the euro currency zone.

The Group has recognized goodwill in consequence of its expansion strategy. Impairment testing pursuant to IAS 36 may necessitate goodwill amortization/impairment. The impairment testing implemented in 2010 did not identify any amortization/impairment requirement.

Legal Risks

The Deufol Group is exposed to general legal risks resulting from its business activities and from tax affairs. It is not possible to state with any certainty the outcome of currently pending or future proceedings, so that expenses may result due to judicial or official rulings or settlements such as are not covered or are not fully covered by insurance benefits and which may significantly affect our business operations and earnings.

Overall Group Risk Position

In summary, as in the previous year, no operational or financial risks are currently identifiable which potentially jeopardize the continued existence of the Group as a going concern. The Group structure entailing a wide range of services offered in a variety of sectors and regions under a management holding company has proven effective from a risk standpoint. Operating risks for individual subsidiaries are covered through appropriate insurance protection as far as possible. The risk management system is being continually upgraded and enhanced to allow risks to be identified at an early stage and appropriate countermeasures taken.

REPORTS ON DEPENDENCE, POST-BALANCE SHEET DATE EVENTS AND EXPECTED DEVELOPMENTS

Report on Dependence

Since there is no control agreement with the majority shareholder, pursuant to section 312 of the German Stock Corporation Act the Executive Board of Deufol AG was obliged to prepare a report on Deufol AG's relationships with associates. This report covers the relationships with Lion's Place GmbH plus its majority shareholder Detlef W. Hübner, and with the companies of the Deufol Group. The Executive Board declares pursuant to section 312 (3) of the German Stock Corporation Act: "With regard to the legal transactions listed in the report on Deufol AG's relationships with associates, for each such transaction our Company has received an appropriate counterperformance in accordance with the known circumstances at the time of its execution. No disadvantageous events for the Company occurred during the fiscal year such as are subject to a reporting obligation."

Report on Post-Balance Sheet Date Events

No material events occurred after the balance sheet date for which a reporting obligation is applicable pursuant to IAS 10.

Report on Expected Developments

Planned Orientation and Strategic Opportunities for the Group

The Deufol Group is a global premium service provider in the field of packaging and related services. It will maintain the structure of the Group as before, since this has proven its worth as a basis enabling the Group to respond to different requirements in its various regions and markets. This also provides not least for risk limitation.

As part of this strategy, we focus even more intensively on our customers, so as to understand more rapidly and clearly their requirements and the challenges which they present. This enables us to offer faster and more specific solutions for our partners. To achieve this goal, we have made increased use of business relationship managers whose primary task will be to establish close relationships with our customers/partners. On the other hand, we have empowered managers with operational responsibility to concentrate more intensively on day-to-day business and optimization of organizational processes.

The strategic opportunities for the Group also lie in support for our customers in other regions. We have already realized initial successes here. In the current year in the USA, China and Italy we will provide packaging services for customers whom we have previously only supported in Germany; at the same time, together with US clients we are currently developing packaging center solutions for Europe. The presence of the Deufol Group on three continents creates significant growth opportunities and strengthens our position as our customers increasingly focus on core service providers. We continue to adhere to the goal of providing additional services around our core focus of packaging activities. These include warehouse logistics, purchasing, inflow control for projects and packaging solutions consulting.

Our services will remain supported by IT expertise. The development of our own software services has provided a not inconsiderable contribution to the success of the Deufol Group in strengthening its existing customer relationships and also acquiring new customers.

We have also standardized our external profile under the single "DEUFOL" brand in support of our growth strategy. We will thus offer our innovative and intelligent services worldwide through a uniform market profile.

Outline Economic Conditions

Continuing Dynamic Global Economic Growth in the Near Term

According to the Kiel Institute for the World Economy, in early 2011 the global economy once again enjoyed strong growth. The economic slowdown over the summer of 2010 proved to be merely temporary in nature. While in the fourth quarter of 2010 the rise in global gross domestic product was likely once again only moderate, sentiment indicators improved significantly toward the end of the year and thus point to a very strong rise in output for the first quarter of the current year.

The position of the global economy thus remains divided. In the developing and emerging markets, output has in many cases reached or even surpassed the growth trajectory seen before the crisis, with the risk of these economies overheating in case of continuing strong economic growth. This is particularly true for economies in the Asian region and also for parts of Latin America. In contrast, in general the recovery in the advanced economies remains anemic. It is especially weak in countries directly affected by banking or real estate crises such as the United States, the United Kingdom and Spain. In the assessment of the Kiel Institute, the economic trend is thus consistent with a post-recession pattern seen in the past in connection with such crises.

The short-term outlook for the global economy in 2011 has improved significantly over the past few months. Output and sales increased considerably in the Asian region in particular over the final months of last year, and the current indicators suggest that overall economic output rose significantly in most regions at the start of the year. However, due to a series of factors, the global economic trend may be expected to lose impetus in the course of this year. The emerging markets' strong economic performance entails stability risks which governments are countering through restrictive measures. The advanced economies have implemented consolidation measures within the scope of financial policy which are having a dampening effect; in some cases they are also reducing the degree of monetary expansion. In the short term, the rise in oil prices should noticeably curb global economic growth.

All in all, the Kiel Institute predicts a rise in global output of 4.3 % in the current year. For 2012, economists predict a 3.9 % increase in global gross domestic product. The present year should once again see a very strong rise in global trade. However, in the coming year, the increase will be no higher than the medium-term average level.

Eurozone Economy Remains Sluggish

According to the Kiel Institute, at the beginning of this year the Eurozone economy is on an upward trend. Corporate sentiment has continued to improve and industry has recorded a noticeable rise in incoming orders. The EUROFRAME indicator also suggests significant growth. Consumer sentiment also recently improved though it still remains moderate, particularly in the Eurozone excluding Germany. Exports – on account of the strong global economic trend – and private fixed-asset investments – thanks to favorable financing terms – should provide the key stimulus for positive overall economic growth in the first half of the year. Due to the marginal improvement on the labor market, rising tax burdens and strongly increased energy prices, private consumption is not likely to make any significant contribution to growth in demand. This area of the economy will not provide any notable stimulus until the end of the forecast period, when the situation on the labor markets will have eased slightly. Throughout the forecast period, public consumption and public investments are likely to have a clear dampening effect in view of the huge pressure to consolidate public budgets. This will have a particularly serious impact on peripheral countries such as Greece and Portugal.

In the second half of the year, the Kiel Institute expects to see a flattening trend, particularly due to the strong consolidation of public budgets. The researchers thus predict gross domestic product growth of 1.7 % for the Eurozone in average annual terms. For the Eurozone excluding Germany, this growth should be significantly lower at 1.2 %, especially since consolidation measures here are much stronger. The coming year should then see a moderate pickup in the trend – buoyed by private consumption as well as private investments – which will likely also spread to the peripheral countries. Accordingly, in overall terms, output growth of 1.5 % is predicted for the Eurozone and 1.4 % for the Eurozone excluding Germany. With this level of output, by the end of 2012 the Eurozone excluding Germany will not yet have returned to its pre-crisis level.

Moderate Recovery in Germany

The Kiel Institute for the World Economy predicts a continuing favorable outlook for the German economy. During the forecast period, exports will continue to provide significant impetus for the German economy. German companies will benefit particularly strongly from the high level of demand in the emerging markets which have served as the engine of the global economy over the past two years and will maintain strong growth rates in future. German companies’ strong presence in these countries and their major comparative advantage in the production of capital goods are significant here. The investment trend will also gradually stabilize in the advanced economies. In general, exporters are benefiting from strong international competitiveness, even though there is unlikely to be any further improvement here as in previous years.

In terms of the domestic German economy, it is significant that the labor market has proved unusually robust, particularly thanks to long-enduring wage restraint and flexibility in work hours. Consumer spending is thus buoyed, particularly as private households are not strongly over-indebted – an effect which is curbing consumption in a series of other countries. The fact that financing terms are particularly favorable in Germany has recently provided growth impetus for domestic demand. The ECB's key interest rates are lower than would be appropriate for the position of the economy and the price trend in this country.

All in all, the economists expect strong foreign demand for German products and the stimulus provided by monetary policy to contribute to a broad-based upturn. Capacity utilization in the overall economy should continue to rise for a further two years.

Gross domestic product will grow by 2.8 % this year. Domestic demand is expected to provide the largest growth contribution, but exports are also expected to have a positive impact. In average annual terms, the number of unemployed should be slightly lower than 3 million, nearly 300,000 less than the level in the previous year. At 2.2 % the inflation rate will be significantly higher than in 2010 (1.1 %).

In the coming year, the economists expect the recovery to continue at a weaker pace. Real gross domestic product growth will at 1.6 % be lower than in 2010. Price buoyancy is expected to weaken in the next year, while an inflation rate of 2.0 % is estimated.

Company-Specific Outlook

Predicted Sales and Results of Operations

At the time of writing it is not yet possible to assess the effects which the dramatic events currently unfolding in Japan will have on the overall economic picture. However, in the context of a continuing economic recovery the Deufol Group predicts sales in a corridor between € 310 million and € 325 million for fiscal year 2011. Its operating result (EBITA) will be between € 12 and 14 million.

With regard to the sales trend, we predict growth in Export & industrial Goods Packaging and in the Gift Cards & Data Management segment. For our other services, we expect unchanged or slightly higher sales, even though experience shows that it is difficult to provide a forecast for autumn seasonal business in Automated Packaging and Promotional & Display Packaging.

In terms of the earnings outlook, in Export & industrial Goods Packaging we expect to see a significant rise and a further improvement in our business in the USA.

For 2012, if the economic recovery continues, we expect to see a positive sales and income trend.

The proposal for payment of a dividend for fiscal year 2011 will be decided on in accordance with the result of the single-entity financial statements.

Expected Financial Position

At present, current business activities do not on balance require external financing. Our financial resources secure our existing liquidity requirements and provide room for organic growth. If our business performance matches our forecasts, we expect to see a significant decrease in our net financial indebtedness in the current fiscal year.

In the current year, investments in property, plant and equipment with a volume of around € 5 million are planned; this corresponds to an investment quota (investments in property, plant and equipment in relation to sales) of 1.6 % of sales. The planned investments are thus lower than those in fiscal year 2010 (€ 8.4 million). They will be financed through the net cash provided by operating activities.

In the event of acquisitions, it may be necessary to borrow additional external funds.

Executive Board's Overall Summary of the Group's Expected Development

In the next few years, the Deufol Group will continue to develop its profile as a packaging services provider. This is also compatible with our clear brand profile among new and existing customers. We expect to reinforce our market position through our uniform profile under the "DEUFOL" brand. Our broad customer base and many years of business relationships, our specific know-how and our financial resources enable us to maintain a confident outlook regarding the Group's further development. This means that we continue to expect a positive trend for the Group over the next few years.

RE CALL

FINANCIAL STATEMENTS

Consolidated Financial Statements

as of December 31, 2010

Consolidated Income Statement

figures in € thousand	2010	2009	Note/Page
Sales	**307,132**	290,053	01/95
Cost of sales	(269,675)	(259,692)	02/95
Gross profit	**37,457**	30,361	
Selling expenses	(5,907)	(5,481)	03/95
General and administrative expenses	(20,369)	(20,588)	04/96
Other operating income	2,585	4,373	05/96
Other operating expenses	(3,126)	(2,244)	06/96
Profit (loss) from operations before impairment of goodwill (EBITA)	**10,640**	6,421	
Impairment of goodwill	0	(2,611)	
Profit (loss) from operations (EBIT)	**10,640**	3,810	
Financial income	1,496	1,602	07/97
Finance costs	(6,434)	(6,656)	07/97
Share of profit of associates	603	864	07/97
Profit (loss) before taxes (EBT)	**6,305**	(380)	
Income tax income (expenses)	(2,998)	1,124	08/97
Income (loss)	**3,307**	744	
of which income attributable to non-controlling interests	380	375	09/99
of which income attributable to equity holders of parent	**2,927**	369	

Earnings per share

in €

Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol AG	0.067	0.008	10/99
Average number of shares in circulation	43,773,655	43,816,469	10/99

Statement of Total Comprehensive Income

figures in € thousand	2010	2009 adjusted*	Note/Page
Income	**3,307**	744	
Other recognised income and expense	**1,301**	(567)	
Exchange rate differences on translation of foreign operations			
Before tax	1,109	(471)	
Tax	0	0	
After tax	1,109	(471)	
Gain (loss) on cash flow hedges			
Before tax	273	(136)	
Tax	(81)	40	
After tax	192	(96)	
Total comprehensive income after tax	**4,608**	(177)	
of which attributable to non-controlling interests	380	375	
of which attributable to equity holders of parent	4,228	(198)	

* Concerning the adjustment of the previous year's figures see the explanation on page 85

Consolidated Balance Sheet

Assets figures in € thousand	Dec. 31, 2010	Dec. 31, 2009 adjusted*	Jan. 1, 2009 adjusted*	Note/Page
Noncurrent assets	**150,136**	154,520	159,128	
Property, plant and equipment	51,411	51,112	54,425	12/100
Investment property	439	495	892	12/100
Goodwill	67,979	67,977	70,653	13/100
Other intangible assets	2,814	3,672	5,417	13/100
Equity-method accounted investments	2,704	2,813	2,739	14/101
Financial receivables	9,775	13,423	13,205	15/104
Other financial assets	225	225	250	
Other receivables and other assets	3,987	3,974	3,362	16/104
Deferred tax assets	10,802	10,829	8,185	08/97
Current assets	**76,746**	81,496	80,288	
Inventories	12,366	11,688	11,497	17/105
Trade receivables	37,824	44,282	43,874	18/105
Other receivables and other assets	5,903	6,019	8,903	16/104
Tax receivables	1,532	1,637	2,050	
Financial receivables	2,310	3,017	1,821	15/104
Cash and cash equivalents	16,811	14,853	12,143	19/106
Total assets	**226,882**	236,016	239,416	

Equity and Liabilities figures in € thousand	Dec. 31, 2010	Dec. 31, 2009 adjusted*	Jan. 1, 2009 adjusted*	Note/Page
Equity	**98,976**	95,127	99,031	
Equity attributable to equity holders of Deufol AG	97,805	93,857	97,503	
Subscribed capital	43,774	43,774	44,155	20/106
Capital reserves	107,240	107,240	107,243	21/107
Retained earnings (accumulated losses)	(51,207)	(53,854)	(51,159)	
Other recognized income and expense	(2,002)	(3,303)	(2,736)	
Equity attributable to non-controlling interests	1,171	1,270	1,528	22/107
Noncurrent liabilities	**44,722**	53,612	63,612	
Financial liabilities	37,103	44,869	44,593	24/108
Provisions for pensions	1,298	1,335	1,385	25/111
Other provisions	382	508	478	26/112
Other liabilities	3,883	4,688	13,330	27/113
Deferred tax liabilities	2,056	2,212	3,826	08/97
Current liabilities	**83,184**	87,277	76,773	
Trade payables	25,926	26,084	23,893	28/113
Financial liabilities	41,083	33,948	31,526	24/108
Other liabilities	12,672	22,147	16,373	27/113
Tax liabilities	1,615	2,083	1,982	
Other provisions	1,888	3,015	2,999	26/112
Total equity and liabilities	**226,882**	236,016	239,416	

*Concerning the adjustment of the previous year's figures, see the explanation on page 85.

Consolidated Cash Flow Statement

figures in € thousand	2010	2009	Note/Page
Profit (loss) from operations (EBIT)	10,640	3,810	
Adjustments to reconcile income (loss) to cash flows from operating activities			
Depreciation and amortization charges	9,391	12,428	12, 13/100
(Gain) loss from disposal of property, plant and equipment	(115)	24	05, 06/96
(Gain) loss from sale of investments	(118)	(542)	
Other noncash expenses (revenue)	0	3	
Taxes paid	(3,789)	(2,708)	
Changes in assets and liabilities from operating activities			
Change in trade accounts receivable	6,372	(1,399)	
Change in inventories	(793)	(191)	
Change in other receivables and other assets	403	1,360	
Change in trade accounts payable	(64)	2,232	
Change in other liabilities	(589)	(146)	
Change in accrued expenses	(1,162)	(25)	
Change in other operating assets/liabilities (net)	(252)	214	
Net cash provided by (used in) operating activities	**19,924**	15,060	29/114
Purchase of intangible assets and property, plant and equipment	(4,275)	(5,302)	
Proceeds from the sale of intangible assets and property, plant and equipment	665	2,164	
Proceeds from the sale of financial assets	0	1,012	
Dividends received	712	790	
Purchase of non controlling interests	(7,350)	(1,500)	
Payments for the purchase and the sale of subsidiaries	0	(69)	30/114
Proceeds from the sale of shares of subsidiaries	0	50	
Net change in financial receivables	4,355	(1,414)	
Interest received	1,474	1,463	
Net cash provided by (used in) investing activities	**(4,419)**	(2,806)	31/114
Net change in borrowings	(2,294)	4,403	
Payments for the purchase of treasury stock	0	(389)	
Dividends paid to equity holders of Deufol AG	0	(3,064)	
Dividends paid to non-controlling interests	(409)	(633)	
Net change in other financial liabilities	(4,296)	(3,478)	
Interest paid	(6,547)	(6,338)	
Net cash provided by (used in) financing activities	**(13,546)**	(9,499)	32/114
Effect of exchange rate changes and changes in the scope of consolidation on cash and cash equivalents	(1)	(45)	
Change in cash and cash equivalents	**1,958**	2,710	33/114
Cash and cash equivalents at the beginning of the period	14,853	12,143	
Cash and cash equivalents at the end of the period	16,811	14,853	

Consolidated Statement of Changes in Equity

figures in € thousand	Subscribed Capital	Capital reserves	Accumulated losses	Other recognized income and expense: Cumulative translation adjustment	Other recognized income and expense: Reserve for cash flow hedges	Equity attributable to equity holders of Deufol AG	Equity attributable to non-controlling interests	Total equity
Balance at Jan. 01, 2009, as reported	**44,155**	**107,243**	**(51,159)**	**(4,406)**	**(637)**	**95,196**	**1,528**	**96,724**
Adjustment*	—	—	—	2,307	—	2,307	—	2,307
Balance at Jan. 01, 2009, adjusted*	**44,155**	**107,243**	**(51,159)**	(2,099)	(637)	97,503	1,528	99,031
Income (loss)	—	—	369	—	—	369	375	744
Changes recognized directly in equity	—	—	—	(471)	(136)	(607)	—	(607)
Deferred taxes for valuation changes recognized directly in equity	—	—	—	—	40	40	—	40
Total recognized income and expense	**—**	**—**	**369**	**(471)**	**(96)**	**(198)**	**375**	**177**
Capital increases	1	1	—	—	—	2	—	2
Treasury stock	(382)	(7)	—	—	—	(389)	—	(389)
Share-based payment	—	3	—	—	—	3	—	3
Dividends	—	—	(3,064)	—	—	(3,064)	(633)	(3,697)
Purchase of non-controlling interests								
Balance at Dec. 31, 2009	**43,774**	**107,240**	**(53,854)**	**(2,570)**	**(733)**	**93,857**	**1,270**	**95,127**
Income (loss)	—	—	2,927	—	—	2,927	380	3,307
Changes recognized directly in equity	—	—	—	1,109	273	1,382	—	1,382
Deferred taxes for valuation changes recognized directly in equity	—	—	—	—	(81)	(81)	—	(81)
Total recognized income and expense	—	—	**2,927**	**1,109**	**192**	**4,228**	**380**	**4,608**
Purchase of non-controlling interests	—	—	(280)	—	—	(280)	(70)	(350)
Dividends	—	—	—	—	—	—	(409)	(409)
Balance at Dec. 31, 2010	**43,774**	**107,240**	**(51,207)**	**(1,461)**	**(541)**	**97,805**	**1,171**	98,976

*Concerning the adjustment of the previous year's figures, see the explanation on page 85.

Notes to the Consolidated Financial Statements

For the financial year from January 1, 2010 to December 31, 2010

General Information

Deufol Aktiengesellschaft (previously D.Logistics AG), domiciled in Hofheim am Taunus, was established by way of a notarial instrument dated October 26, 1998. The Company was entered in the Frankfurt am Main commercial register under the number HRB 46331 on December 22, 1998. The Articles of Association were adopted on October 26, 1998 and last amended on November 15, 2010. The Company's change of name to "Deufol AG" was resolved at the Annual General Meeting held on June 22, 2010 and became effective through an entry made in the commercial register on November 22, 2010 (announcement in the electronic version of the German Federal Official Gazette on November 29, 2010).

Deufol is a global premium service provider in the field of packaging and additional services. Please see the disclosures in the segment reporting for further details.

The address of the Company's registered office is Johannes-Gutenberg-Strasse 3–5, 65719 Hofheim, Germany. The Company's shares are traded on the Regulated Market of the Frankfurt Stock Exchange. Lion's Place GmbH is the parent company which prepares the consolidated balance sheet for the largest group of companies.

The Executive Board approved the IFRS consolidated financial statements on March 31, 2011 so that they could then be forwarded to the Supervisory Board.

Basis of Preparation

Deufol AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as mandatorily applicable in the European Union. In addition, the provisions of section 315a (1) of the German Commercial Code (HGB) are complied with and applied in the preparation of the consolidated financial statements. All IFRSs (IFRSs, IASs, IFRICs, SICs) as adopted by the European Union and mandatorily applicable as of the balance sheet date were applied. In principle, the consolidated financial statements are prepared using the historical cost concept. This excludes derivative financial instruments and financial assets available for sale, which are measured at fair value.

Consolidation

All subsidiaries over which Deufol AG has legal or practical control are included in the consolidated financial statements. In addition to Deufol AG, the consolidated financial statements include 25 (previous year: 23) fully consolidated subsidiaries in Germany and 12 (previous year: 13) in other countries (hereinafter referred to as the "Deufol Group" or the "Group").

Joint ventures are included in the consolidated financial statements using the equity method in accordance with IAS 31 in combination with IAS 28. Other significant equity investments are accounted for using the equity method if the Deufol Group does not hold a controlling interest, but is able to exert a significant influence on the operating and financial policies of the investee. This is always the case if it holds between 20 % and 50 % of the voting rights ("associates").

On acquisition of an equity investment accounted for using the equity method, the difference between cost and proportionate equity is initially allocated to the assets and liabilities of this investment by making certain adjustments to the fair values. Any remaining excess of cost of acquisition over net assets acquired is recognized as goodwill, and is not amortized.

If the recoverable amount of an investment in an associate (the higher of its value in use and its fair value less costs to sell) falls below the carrying amount this will lead to a corresponding impairment. The impairment loss will be recognized in the income statement.

The annual financial statements of consolidated companies are prepared as of the reporting date of the consolidated financial statements.

Acquisition accounting is performed in accordance with the purchase method, whereby the cost of the acquired interests is eliminated against the parent's share of the revalued equity at the date of acquisition. Any resulting difference is allocated to the corresponding assets and liabilities of the subsidiary insofar as it is due to hidden reserves or hidden liabilities. Any remaining excess of cost of acquisition over net assets acquired is recognized as goodwill. In accordance with IFRS 3 (Business Combinations) in combination with IAS 36 (Impairment of Assets), goodwill is not amortized over the expected useful life, but instead tested at least annually to establish whether there is any need to recognize impairment losses.

Noncontrolling interests represent the share of net profit/loss and net assets that is not attributable to the Group. They are reported separately in the consolidated income statement and the consolidated balance sheet. They are reported on the face of the consolidated balance sheet as a separate component of equity from the equity attributable to the shareholders of the parent company.

Intercompany receivables and liabilities, revenue, expenses, income and profits are eliminated as part of consolidation.

Currency Translation

The consolidated financial statements are prepared in euros, the functional and presentation currency of the Deufol Group. Unless indicated otherwise, all amounts are given in thousands of euros.

Each company within the Deufol Group determines its own functional currency. The annual financial statements of the foreign subsidiaries included in the consolidated financial statements whose functional currency is not the euro were converted into the Group currency (euro) on the balance sheet cut-off date pursuant to IAS 21 in accordance with the functional currency concept. Financial statements are translated using the modified closing rate method, i.e. balance sheets are translated from the functional currency to the reporting currency at the middle rate on the balance sheet date, while income statements are translated at the average rates for the year. The equity is translated at historical rates.

Differences resulting from the translation of assets and liabilities compared with the translation of the previous year and translation differences between the income statement and the balance sheet are taken directly to equity and are reported under "Other recognized income and expense". When a foreign operation is disposed of, the cumulative amount recognized in equity for this foreign operation is reversed to the income statement.

Foreign-currency transactions are translated at the spot rate of the foreign currency to the functional currency prevailing at the transaction date. Foreign-currency monetary assets and liabilities are translated at the rate on the balance sheet date. The resulting foreign exchange differences are recognized in profit or loss for the period, with the exception of foreign exchange differences resulting from foreign-currency loans insofar as the loans are used to hedge a net investment in a foreign operation. These are recognized directly in equity until the net investment is disposed of and only recognized in profit or loss on the date of disposal.

The exchange rates for the translation of key currencies that are not part of the European Monetary Union changed as follows:

Foreign currency	Middle rate as of the balance sheet date		Average rate for the year	
per €	**2010**	2009	**2010**	2009
US dollar	1.3362	1.4406	1.3257	1.3948
Czech crown	25.0610	26.4730	25.2840	26.4350

Sales Recognition

Sales are primarily generated from services, products and rental agreements. Sales resulting from the provision of services and from third-party use of assets of the Company will only be recognized where it is sufficiently probable that the economic benefits associated with the transaction will flow to Deufol and the amount of income can be measured reliably. Sales resulting from selling of goods will be recognized where the key risks and opportunities associated with ownership of the sold merchandise and products have been transferred to the purchaser, Deufol does not retain any right or power of disposal for the sold merchandise and products, the amount of sales can be measured reliably, it is sufficiently probable that the economic benefits associated with the transaction will flow to Deufol and the costs resulting in connection with the sale can be measured reliably. Sales are recognized net of purchase price reductions such as cash and sales discounts and rebates.

Cost of Sales

The cost of sales comprises the costs of the products and services sold. As well as direct material and manufacturing costs, it also includes indirect overheads such as depreciation of manufacturing equipment, amortization of certain intangible assets and write-downs on inventories. The cost of sales is recognized in the income statement in accordance with the realization of sales.

Earnings per Share

Earnings per share (EPS) are calculated in accordance with IAS 33. Basic earnings per share are calculated by dividing the net profit/loss for the period attributable to the holders of common shares of the parent company by the weighted average number of common shares in circulation. Shares newly issued or repurchased during a period are included pro rata for the time they are in circulation. Diluted earnings per share are calculated by dividing the adjusted net profit/loss for the period attributable to the holders of common shares of the parent company by the weighted average number of common shares in circulation and the weighted average number of common shares that would be issued following the conversion of all potential common shares with a dilutive effect into common shares.

Intangible Assets and Goodwill

Purchased intangible assets with finite useful lives are recognized at cost and amortized on a straight-line basis over their economic lives. Capitalized software licenses are amortized over their expected useful life of three to eight years or over the term of the relevant agreement. The amortization recognized is allocated to the relevant functions in the income statement based on the asset's use. If there are indications of impairment and the recoverable amount is less than amortized cost, impairment losses are recognized on the intangible assets. If the reasons for impairment cease to apply, the impairment losses are reversed accordingly, up to the amortized cost. This does not apply to capitalized goodwill.

Goodwill is recognized in accordance with IFRS 3 (Business Combinations) in conjunction with IAS 36 (Impairment of Assets). These standards require goodwill to be tested annually for impairment rather than amortized.

The accounting principles for intangible assets are as follows:

	Customer relationships	Licenses and software
Amortization method used	Straight-line	Straight-line
Useful life	5 years	3–8 years
Remaining useful life	3–4 years	up to 8 years

Amortization of intangible assets is included in the cost of sales as well as the general and administrative expenses and the selling expenses.

Property, Plant and Equipment

Property, plant and equipment is carried at cost less straight-line depreciation recognized over the useful life of the respective item.

Assets are removed from the balance sheet on disposal or scrapping; any disposal gains or losses are recognized in income.

The following useful lives are used for depreciation:

Useful lives of property, plant and equipment	
Factory and office buildings	10–50 years
Operating and office equipment	3–10 years
Machinery and equipment	6–20 years
Vehicle fleet	5–7 years

If there are indications of impairment and the recoverable amount is less than amortized cost, impairment losses are recognized on the items of property, plant and equipment. If the reasons for impairment cease to apply, the impairment losses are reversed accordingly, up to the amortized cost. More complex items of property, plant and equipment consisting of clearly separable components with different useful lives are split into these components for the purposes of calculating depreciation. Depreciation is calculated using the useful lives of the individual components.

Investment Property

Investment property as defined by IAS 40 is carried at depreciated cost and, if applicable, depreciated on a straight-line basis over the same useful lives used for items of property, plant and equipment of the same type. The fair value of investment property is determined using recognized valuation techniques or on the basis of the current market price of comparable properties and disclosed in the Notes.

Leases

The process of determining whether an arrangement contains a lease is performed on the basis of the substance of the arrangement at the date on which it is entered into, and requires a judgment on whether meeting the respective contractual obligations is dependent on the use of one or more specific assets and whether the arrangement transfers the right to use those assets.

Group as Lessee

Finance leases that transfer substantially all the risks and rewards incident to ownership of an asset to the Group result in the leased asset and the corresponding liability being recognized at the inception of the lease at the lower of the fair value of the asset or the present value of the minimum lease payments.

If there is no reasonable certainty that the Deufol Group will obtain ownership at the end of the lease term, recognized leased assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset.

Lease payments are apportioned between the finance costs and the repayment of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability. Finance costs are recognized immediately as expenses in the financial results.

Leases that do not transfer substantially all the risks and rewards associated with the leased item to the Group are classified as operating leases. Lease payments under operating leases are expensed on a straight-line basis over the term of the lease.

Group as Lessor

Leases that do not transfer substantially all the risks and rewards incident to ownership of an asset from the Group to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and expensed over the lease term in proportion to the recognition of rental income. Contingent rent is recognized in the period in which it is generated.

Leases that transfer substantially all the risks and rewards incident to ownership of an asset from the Group to the lessee are classified as finance leases with the Group as lessor. Lease payments are divided up into finance income and repayment of lease receivables.

Sale and Lease-Back Transactions

Leases resulting from sale and lease-back transactions are classified in accordance with the general leasing criteria and are treated either as finance or operating leases. In the case of a finance lease, the carrying amount of the capital good is continues to be amortized as before. Any disposal gain is recognized and reversed in the income statement against the applicable finance expenditure over the term of the agreement.

Joint Ventures and Associates

Investments in joint ventures and associates are accounted for using the equity method. The cost of equity-method accounted investments is increased or decreased annually by changes in equity insofar as these are attributable to the Deufol Group.

Non-Derivative Financial Assets

Under the provisions of IAS 39, these financial instruments are classified as “financial assets at fair value through profit or loss”, “loans and receivables”, “held to maturity investments” or “available-for-sale financial assets”.

Financial assets are recognized for the first time at fair value plus any transaction costs (excluding financial instruments held for trading and financial assets at fair value through profit or loss).

Financial assets at fair value through profit or loss are carried at fair value, with fair value changes recognized in the income statement. This includes financial assets held for trading.

Loans and receivables are measured at amortized cost with application of the effective interest method and less impairments. Income/losses are recorded in the income (loss) for the period.

Held-to-maturity investments are carried at amortized cost using the effective interest method.

Available-for-sale financial assets are carried at fair value, with fair-value changes less income tax expense recognized as gains or losses from the fair-value measurement of financial instruments and presented as a portion of the accumulated changes recognized directly in equity.

To date there have been no redesignations within the individual categories. The Company's management classifies financial assets on acquisition and checks their classification at each balance sheet date.

All standard market purchases and sales of financial assets are recorded in the balance sheet on the transaction date, i.e. the date on which the Company entered into the obligation to purchase the asset.

In case of objective indications of an impairment of assets accounted for at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows (with the exception of expected future loan losses which have yet to occur), discounted at the original effective interest rate for the financial asset, i.e. the effective interest rate determined at the initial valuation. The carrying amount for the asset is reduced with use of a valuation account. The impairment loss is recognized in the income statement.

In case of a decrease in the valuation adjustment in the following reporting periods, where this decrease is objectively attributable to circumstances occurring after recording of the valuation adjustment, the previously recorded valuation adjustment will be canceled. However, the new carrying amount of the asset may not exceed the amortized cost at the reinstatement of the original value. The reinstatement of the original value will be recognized in income.

In case of objective indications for trade receivables that amounts due will not all be received in accordance with the originally agreed invoice terms (e.g. probability of an insolvency or significant financial difficulties for the debtor), an impairment will occur with use of a valuation account. Receivables are closed out once they are classified as uncollectible.

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) will be closed out subject to one of the three following conditions:

- The contractual rights to receive cash flows resulting from a financial asset have expired.
- The Group will retain the rights to receive cash flows resulting from financial assets but assumes a contractual obligation of immediate payment of the cash flows to a third party under an agreement fulfilling the conditions laid down in IAS 39.19 (Pass-through Arrangement).
- The Group has transferred its contractual rights to receive cash flows resulting from a financial asset, thereby either (a) substantially transferring all risks and opportunities associated with ownership of the financial asset or (b) not having substantially transferred or retained all risks and opportunities associated with ownership of the financial asset, but having transferred the power of control over the asset.

Derivative Financial Instruments

Derivate financial instruments are exclusively used by the Group to hedge interest-rate fluctuation risks. The Group's cash flow hedges are for fluctuations in the value of cash flows resulting from variable-interest loans. The Group applies the hedge accounting rules pursuant to IAS 39 in the course of its accounting. The effective portion of the profit or loss resulting from a cash flow hedge is recorded directly in equity as a portion of the accumulated changes recognized directly in equity, including deferred taxes, while the ineffective portion is immediately recognized in income. Derivatives are measured according to recognized methods and in consideration of current market parameters. The "critical term match" method is used to determine effectiveness. The financial instruments in their entirety are explained in Note (40).

Where a fixed obligation not shown in the balance sheet is classified as an underlying transaction, the following accumulated change in the fair value of the fixed obligation attributable to the hedged risk will be recognized in the result for the period as an asset or liability with a corresponding profit or loss. The changes in the fair value of the hedging tool will also be recognized in the period result.

Cash Flow Hedges

The amounts recognized in equity will be reclassified in the income statement in the period in which the hedged transaction affects the period result, e. g. if hedged financial income or expenses are recognized or if an expected sale is executed. Where a hedge leads to the reporting of a nonfinancial asset or a nonfinancial liability, the amounts recognized in equity will form part of the costs of acquisition at the time of the addition of the nonfinancial asset or nonfinancial liability.

Where the stipulated transaction or fixed obligation is no longer expected to be realized, the amounts previously recognized in equity will be reclassified to the income statement. In case of the expiry or sale, termination or exercise of the hedging tool without a replacement or the rollover of the hedging tool into another hedging tool, the amounts previously recognized in equity will remain a separate equity item until the envisaged transaction or fixed obligation has been realized.

Cash and Cash Equivalents

Cash and cash equivalents on the face of the balance sheet comprise cash on hand, checks, bank balances and short-term deposits with an original maturity of up to three months.

Inventories

Inventories are carried at the lower of cost and net realizable value. As a rule, carrying amounts are calculated using the weighted average cost method; for certain inventories, the FIFO method is used. Cost comprises all production-related costs, calculated on the basis of normal employment. As well as direct costs (such as direct material and manufacturing costs), it also includes fixed and variable material and manufacturing overheads relating to the production process and appropriate portions of depreciation of manufacturing equipment.

Deferred Taxes

Deferred taxes are calculated using the balance sheet liability method in accordance with IAS 12. This standard requires deferred taxes to be recognized for all temporary differences between the tax bases of the individual companies and the carrying amounts according to IFRSs and on consolidation adjustments. Deferred tax assets are also recognized for future benefits expected to arise from tax loss carryforwards. However, deferred tax assets have only been recognized for accounting differences and for tax loss carryforwards to the extent that it is probable that the asset will be realized. Deferred tax assets are measured at the applicable national rates of income tax. In Germany, deferred tax assets were calculated using a tax rate of 29.37 % (previous year: 29.44 %). This includes corporation tax at 15 %, the solidarity surcharge of 5.5 % on the corporation tax and the average rate of trade tax within the Group. The reduction in the tax rate on the previous year is due to changes in the average rate of trade tax.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when an asset is realized or a liability is settled. Deferred taxes for items recognized directly in equity will also be recognized directly in equity. Deferred tax liabilities are not recognized in case of taxable temporary differences associated with investments in subsidiaries and associates where the timeframe for the reversal of the temporary differences may be controlled and a reversal of the temporary differences is not probable in the foreseeable future.

Other Recognized Income and Expense

Items taken directly to equity are reported under this item, unless they result from capital transactions with shareholders, such as capital increases or dividend payments. This item includes the cumulative translation adjustment and unrealized gains or losses from the fair-value measurement of financial instruments, and derivatives used in cash flow hedges. They are recognized including deferred taxes, where applicable.

Provisions for Pensions and Similar Obligations

The actuarial valuation of pension provisions for defined benefit plans is based on the "projected unit credit method" prescribed in IAS 19. The interest element of pension expenses is shown as a finance cost. Prior-period actuarial gains and losses that exceed 10 % of the greater of the defined benefit obligation or the fair value of the plan assets are recognized immediately as income or expense.

In the case of defined contribution pension plans (e.g. direct insurance schemes), the contributions payable are recognized immediately as an expense. Provisions are not recognized for defined contribution plans, as in these cases, the Group has no other obligation above and beyond its obligation to pay premiums.

Other Provisions

Other provisions are recognized where a present obligation exists to third parties as a result of a past event, an outflow of resources is expected and the amount can be reliably measured. They are uncertain obligations that are recognized in the amount of the best estimate. Provisions with a remaining maturity of more than one year are discounted at market interest rates reflecting the risk specific to the liability and the period of time until the settlement date.

Nonderivative Financial Liabilities and Other Liabilities

Financial liabilities are carried at amortized cost. Differences between historical cost and the repayment amount and transaction costs are accounted for using the effective interest method. Other liabilities are carried at their nominal value or the repayment amount. Noncurrent other liabilities bearing no interest are accounted for at their present value.

A financial liability will be closed out in case of the fulfillment, cancellation or expiry of the underlying obligation for this liability.

Where an existing financial liability is replaced by another financial liability of the same lender subject to substantially different contract terms or where the terms of an existing liability are subject to substantial change, this replacement or change will be treated as a closing-out of the original liability and a valuation for a new liability. The difference between the respective carrying amounts will be recognized in income.

Treasury Stock

Where the Group acquires treasury stock, this is recognized at cost on acquisition and deducted from equity. The purchase, sale, issue or withdrawal of treasury stock is not recognized in income. Differences between the net carrying amount and the counterperformance are recorded in the capital reserves.

Cash Flow Statement

The cash flow statement is prepared in accordance with the provisions of IAS 7 and shows the changes in the Group's cash and cash equivalents in the course of the year under review as a result of cash inflows and outflows. A distinction is made between cash flows from operating activities, investing activities and financing activities. Cash flows from operating activities are presented using the indirect method.

Segment Reporting

Segment reporting is performed in accordance with IFRS 8 (Operating Segments). The segments correspond to those of the internal reporting structure. Segmentation aims to make transparent the assets and financial position and results of operations of the Group's individual activities and its various regions.

Borrowing Costs

All borrowing Costs are expensed in the period in which they are incurred. The Group does not have any qualified assets requiring mandatory inclusion of borrowing costs in their historical costs.

Government Grants

Deufol has received government grants relating to its investment projects. Pursuant to IAS 20 these are deducted when determining the carrying amount of the respective asset and recognized as income over the asset's useful life by means of a reduction in depreciation or, in case of performance-related grants, deducted from the corresponding expenses in the income statement. Government grants are recognized if there is reasonable assurance that the grants will be received and the Company meets the conditions attached to the grants.

Management Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in accordance with IFRSs sometimes requires the Executive Board to make estimates or assumptions that can affect the reported amounts of assets, liabilities and financial liabilities as of the balance sheet date, and the income and expenses for the reporting period. Actual amounts and changes may differ from these estimates and assumptions.

The significant judgments and estimates applied are described in the following section:
A significant portion of the valuation adjustment for doubtful accounts receivable relates to assessments and judgments regarding individual receivables which are based on the credit worthiness of the relevant customer, current economic trends and an analysis of historical losses of receivables outstanding on a portfolio basis.

Recognition and measurement of other provisions are based on an estimate of the probability of the future outflow of benefits, supplemented by past experience and the circumstances known at the balance sheet date. As such, the actual outflow of benefits may differ from the amount recognized under other provisions. Please see Note (26) for further disclosures.

Deferred tax assets from tax loss carryforwards are recognized on the basis of an estimate of the future recoverability of the corresponding tax benefits, i. e. if there is expected to be sufficient taxable income or reduced tax expense in future. The next five years is assumed as the assessment timeframe for this. The actual taxable income situation in future periods, and hence the extent to which tax loss carryforwards can actually be utilized, may differ from the estimate performed at the date on which the deferred taxes are recognized. Please see Note (8) for further disclosures.

Significant forward-looking estimates and assumptions are made in the context of the impairment tests performed on goodwill, because the discounted cash flow method used for these tests requires the calculation of future cash flows, an appropriate rate of interest and long-term future growth rates. Any change in these factors may affect the results of such impairment tests. Please see Note (13) for further disclosures.

Measurement of property, plant and equipment and intangible assets with a limited useful life requires the use of estimates for calculation of the fair value at the time of acquisition, particularly for assets acquired in connection with a business combination. In addition, these assets' expected useful life is to be determined. Calculation of the fair values of the assets and their useful life and the impairment testing in case of indications of impairment are based on judgments made by the management. Please see Notes (12) and (13) for further disclosures.

Where an agreement regarding a business combination stipulates an adjustment of the costs of acquisition for the combination such as is dependent on future events, the amount of this adjustment will be incorporated in the costs of acquisition for the combination at the time of acquisition if the adjustment is probable and can be reliably measured.

Further judgments may be required for the classification of leases.

Adjustments on the Basis of Corrected Errors

During preparation of the financial statements an error was determined in the currency conversion for the American subsidiaries' US dollar-denominated financial statements for previous years. This led to the reporting of excessively low goodwill and an excessively low compensating item for such foreign exchange differences in equity. This error was corrected as of January 1, 2009 in accordance with IAS 8 and the consolidated balance sheet as of December 31, 2009 was adjusted accordingly. As a result, the balance sheet items "Goodwill" and "Other comprehensive income" have each increased by € 3,513 thousand as of December 31, 2009 and by € 2,307 thousand as of January 1, 2009.

Changed Accounting and Valuation Methods

In principle, the balancing and valuation methods used are the same as those used in the previous year, with the exception of the following IFRS standards and interpretations (New Accounting Standards) used for the first time in the fiscal year.

New Accounting Standards

The following new accounting standards published in previous years by the IASB and IFRIC were newly applicable for fiscal year 2010 due to their recognition through the EU's endorsement process:

IFRS 1 "First-Time Adoption of IFRS": revision providing for new structure and thus simplified application plus new exemptions, IFRS 2 "Share-Based Payment Arrangements": clarification regarding reporting of group cash-settled share-based payment arrangements in consolidated and separate financial statements of subsidiaries, IFRS 3 "Business Combinations" ("Business Combinations Phase II"): general revision within the scope of the convergence project of the IASB and the Financial Accounting Standards Board (FASB), IAS 27 "Consolidated and Separate Financial Statements" ("Business Combinations Phase II"): general revision within the scope of the convergence project of the IASB and FASB, IAS 39 "Financial Instruments: Recognition and Measurement": revision of the requirements for eligible hedged items, IFRIC 12 "Service Concession Agreements", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", IFRIC 17 "Distribution of Non-Cash Assets to Owners", IFRIC 18 "Transfers of Assets from Customers"; and Improvements to IFRS 2009 for the following ten standards and two interpretations: IFRS 2 "Share-Based Payment" (clarification of the scope of IFRS 2 and IFRS 3R), IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" (clarification that in principle only the reporting requirements of IFRS 5 apply for noncurrent assets or disposal groups which, according to IFRS 5, are classified as held for disposal or as discontinued operations), IFRS 8 "Operating Segments" (clarification of the disclosure of information about segment assets and segment liabilities), IAS 1 "Presentation of Financial Statements" (revision concerning classification of special conversion privileges for liability components), IAS 7 "Statement of Cash Flows" (only expenditure that results in a recognized asset can be classified as a cash flow from investing activities), IAS 17 "Leases" (amendments regarding classification of land leases), IAS 18 "Revenue" (clarification regarding balance-sheet reporting of brokerage transactions), IAS 36 “Impairment of Assets” (clarification of the level at which an impairment test is to be performed), IAS 38 “Intangible Assets” (clarifications regarding measurement of the fair value of intangible assets which were acquired within the scope of a business combination and follow-up changes resulting from the revised version of IFRS 3), IAS 39 “Financial Instruments: Recognition and Measurement”/IFRIC 9 “Reassessment of Embedded Derivatives” (these amendments relate to the assessment of prepayment penalties as embedded derivatives, stipulate the scope of exemption for business combination contracts under IAS 39, and include clarifications concerning cash flow hedge accounting) and IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (amendment of the restriction on the entity that can hold hedging instruments).

The standards which are relevant for the Deufol Group and their effects on these consolidated financial statements are outlined below:

The IASB published the revised standards IAS 27 and IFRS 3 in January 2008 and they are first applicable in a period beginning on or after July 1, 2009. These standards were subject to comprehensive revision as part of the IASB/FASB convergence project. The material changes refer, in particular, to the introduction of an option in the valuation of noncontrolling interests to choose between recognition of the identifiable pro-rata net assets (so-called “partial goodwill method”) and the so-called “full goodwill method”, according to which the acquired company’s entire goodwill – including goodwill relating to noncontrolling interests – is to be recognized.

Also worthy of emphasis are the reevaluation as income or expense of existing investment holdings as of first-time control (step acquisition), mandatory consideration at fair value, at the time of acquisition, of a consideration tied to the occurrence of future events and the treatment of transaction costs as income. The transitional provisions stipulate that, in principle, the new rule is to apply prospectively. In principle, there are no changes for assets and liabilities resulting from business combinations prior to the first-time application of the new standard. Application of the full goodwill method, reporting of step acquisitions and mandatory recognition of contingent considerations at fair value at the time of acquisition may generally lead to higher goodwill in case of future acquisitions. This has not affected these consolidated financial statements.

The amendment of IAS 36 “Impairment of Assets” through the improvements to IFRS (2009) has clarified the level at which an impairment test is to be performed. The largest unit permitted for allocating goodwill is the operating segment defined in IFRS 8 before aggregation for reporting purposes (reporting segments). Deufol’s impairment tests have already been implemented at the level of operating segments in the past, so that this clarification has not resulted in any amendment to these consolidated financial statements.

Through the amendment to IAS 17 “Leases” within the scope of the improvements to IFRS (2009) the previous assumption for land held in leasing contracts – whereby these were in the past classified in principle as operating leases in the context of their normally unlimited useful life – no longer applies. Accordingly, in future for real-estate leasing transactions, too, both the land element and the building element will be classified as operating or financing leases according to the applicable criteria. Despite retrospective application of this amendment, no deviations in value resulted for the real-estate leases as of the date of these consolidated financial statements in relation to the prior-year period.

The IASB has published the following standards and interpretations which have already been incorporated in EU law within the framework of the comitology procedure but whose application was not yet mandatory in fiscal year 2010. The Group opted to waive early application of these standards and interpretations:

Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”: The amendment to IFRS 1 was published in January 2010 and is first applicable in a fiscal year beginning on or after July 1, 2010. The new rule permits first-time adopters of IFRS to make use of the transitional arrangements applicable for the amendment of IFRS 7 “Improving Disclosures about Financial Instruments”, which was published in March 2009. These provisions give relief from providing comparative information in the disclosures required by the amendments in the first year of application.

IAS 24 “Related Party Disclosures”: The revised standard IAS 24 was published in November 2009 and is first applicable in a fiscal year beginning on or after January 1, 2011. It revises the definition of a related party to simplify the identification of related-party relationships and includes a partial exemption from the disclosures for government-related entities. This standard is applied retrospectively. As a result of the extended definition, in future further disclosures will likely result concerning the Group’s related parties. Application of the revised definition is currently being examined.

However, the amendment will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements and the results in future fiscal years.

Amendment to IAS 32 “Classification of Rights Issues”: The amendment to IAS 32 was published in October 2009 and is first applicable in a fiscal year beginning on or after February 1, 2010. The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if the rights are given pro rata to all of the existing owners of the same class of an entity’s nonderivative equity instruments in order to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. This standard is applied retrospectively. Since the Group has not granted any such rights issues, this regulation has no effect on its net assets, financial position or results of operations.

Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement”: The amendment to IFRIC 14 was published in November 2009 and is first applicable in a fiscal year beginning on or after January 1, 2011. Application of the interpretation IFRIC 14 – which was published in July 2007 and seeks to limit an asset resulting from a defined-benefit plan to its recoverable amount – had certain unforeseen consequences for companies in some countries. The amendment is intended to enable companies to recognize an asset for prepayments of a minimum funding requirement. The amendment is applied retrospectively. Since Deufol AG has not launched any defined-benefit pension plans, this interpretation is not expected to have any effect on the consolidated financial statements.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”: IFRIC interpretation 19 was published in November 2009 and is first applicable in a fiscal year beginning on or after July 1, 2010. This interpretation clarifies that at the issuance of equity instruments to creditors for the extinction of a financial liability, these equity instruments are to be classified as a “consideration paid” pursuant to IAS 39.41. The issued equity instruments will be carried at fair value. If it is not possible to reliably determine this, they are to be measured at the fair value of the extinguished liability. Any gain or loss is recognized immediately in profit or loss. This amendment is applied retrospectively. This amendment does not apply to the Group and therefore has no effect on its net assets, financial position or results of operations.

Improvements to IFRS 2010: The improvements to IFRS 2010 are a combined standard which was published in May 2010 and features amendments to various IFRSs. The dates of application and transitional arrangements are prescribed by means of a standard. Unless otherwise stipulated below, individual provisions are first applicable for the fiscal year commencing on or after January 1, 2011. Deufol AG assumes that – with the exception of provisions whose effects are separately indicated – new rules within the scope of this improvement project will not have any significant effect on the consolidated financial statements.

IFRS 1 “First-Time Adoption of International Financial Reporting Standards”: “Accounting policy changes in the year of adoption”: The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 “Interim Financial Reporting”, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS. The amendment is applied prospectively.

“Revaluation basis as deemed cost”: The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRS but during the period covered by its first IFRS financial statements, the adjustment is recognized directly in retained earnings (or, if appropriate, another category of equity). Entities that adopted IFRS in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective.

“Use of deemed cost for operations subject to rate regulation”: The amendment expands the scope of “deemed cost” for property, plant and equipment or intangible assets to include items used subject to rate-regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These balances may include amounts that would not be permitted for capitalization under IAS 16 “Property”, “Plant and Equipment”, IAS 23 “Borrowing Costs” and IAS 38 “Intangible Assets”. The amendment is applied prospectively.

IFRS 3 “Business Combinations”: “Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS”: This amendment clarifies that the amendments to IFRS 7 “Financial Instruments”: Disclosures, IAS 32 “Financial Instruments: Presentation” and IAS 39 “Financial Instruments”: Recognition and Measurement that eliminate the exemption for contingent consideration do not apply to contingent considerations that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). The amendment is applicable to annual periods beginning on or after July 1, 2010.

“Measurement of noncontrolling interests (NCI)”: The amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity’s net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments’ proportionate share of the acquiree’s identifiable net assets. Other components of NCI are measured at their acquisition-date fair value, unless another measurement basis is required by another IFRS, e. g., IFRS 2. The amendment is applicable to annual periods beginning on or after July 1, 2010.

“Un-replaced and voluntarily replaced share-based payment awards”: The amendment requires an entity (in a business combination) to account for the replacement of the acquiree’s share-based payment transactions (whether obliged or voluntarily), i. e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree’s awards that expire as a consequence of the business combination, these are recognized as post-combination expenses.

The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: If vested, they are part of NCI and measured at their market-based measure; if unvested, they are measured at market-based value as if granted at acquisition date, and allocated between NCI and post-combination expense. The amendment is applicable to annual periods beginning on or after July 1, 2010. This standard is applied prospectively from the moment of first-time application of IFRS 3 (2008).

IFRS 7 “Financial Instruments: Disclosures”: The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. In particular, it includes amendments to quantitative and credit risk disclosures. This amendment is applied retrospectively and is expected to lead to a marginal reduction in disclosures concerning financial instruments. It will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements and the Group result.

IAS 1 “Presentation of Financial Statements”: The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively. Deufol AG will provide this analysis unchanged in its statement of changes in equity. This amendment will not therefore have any effect on the presentation in the consolidated financial statements.

IAS 27 “Consolidated and Separate Financial Statements”: The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 “The Effects of Changes in Foreign Exchange Rates”, IAS 28 “Investments in Associates” and IAS 31 “Interests in Joint Ventures” apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27 is applied earlier. The amendment is applicable to annual periods beginning on or after July 1, 2010. The standard is applied retrospectively. Due to a lack of corresponding transactions in the relevant reference period, Deufol AG does not expect this change to have any effect on the consolidated financial statements.

IAS 34 “Interim Financial Reporting”: The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds the following items to the list of disclosure requirements: the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair-value hierarchy; changes in classification of financial assets; changes in contingent liabilities and assets. This amendment is applied retrospectively and may lead to an increase in reporting in the interim financial statements. However, it will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements and the Group result.

IFRIC 13 “Customer Loyalty Programmes”: The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. This amendment is applied retrospectively.

The IASB has published the following standards and interpretations which were not yet bindingly applicable in fiscal year 2010. These standards and interpretations have not yet been recognized by the EU and are not applied by the Group.

Amendment of IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”: The amendment to IFRS 1 was published in December 2010 and is first applicable in a fiscal year beginning on or after July 1, 2011. The amendment proposes to remove the fixed dates relating to the derecognition and day-one gain or loss provisions in IFRS 1 “First-Time Adoption of International Financial Reporting Standards”, and replace them with a relative date, the date of transition to IFRS. It also proposes to clarify how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because it had a functional currency that was subject to severe hyperinflation.

Amendment to IFRS 7 “Disclosures – Transfers of Financial Assets”: The amendment to IFRS 7 was published in October 2010 and is first applicable in a fiscal year beginning on or after July 1, 2011. This amendment provides for extensive new qualitative and quantitative disclosures concerning transferred financial assets which have not been closed out and a commitment continuing beyond the reporting date in the case of transferred financial assets. This amendment is expected to further increase the scope of disclosures concerning financial instruments.

IFRS 9 "Financial Instruments: Classification and Measurement": The first part of phase I in the preparation of IFRS 9 "Financial Instruments" was published in November 2009 and is first applicable in a fiscal year beginning on or after January 1, 2013. This standard includes new rules on the classification and measurement of financial assets. Under these rules, depending on their characteristics and according to the applicable business model, debt instruments are to be recognized either at amortized cost or in income at fair value. Equity instruments are always to be recognized at fair value. However, fluctuations in the value of equity instruments may be recognized in other comprehensive income due to the granted instrument-specific option which may be exercised at the time of the financial instrument's addition. In this case, only specific dividend income would be recognized in income for equity instruments. Financial assets which are held for trading and which must be recognized in income at fair value are an exception. In October 2010, the IASB completed the second part of phase I of this project. The requirements for financial liabilities were added to this standard. It prescribes that the existing classification and valuation rules for financial liabilities are to be maintained, with the following exceptions: Effects resulting from the change to the credit risk for financial liabilities which have been classified as measured in income at fair value are to be recognized directly in equity, and derivative liabilities on non-quoted equity instruments may no longer be carried at amortized cost. The date of application remains unchanged (January 1, 2013). However, companies are free to opt for early adoption of the prescriptions laid down in the 2009 version separately from the rules on financial liabilities. Early adoption of the rules on financial liabilities is also permitted, but in this case together with the 2009 version. In principle, this standard is applied retrospectively. This project is expected to be completed in mid-2011. Application of the first part of phase I will affect the classification and measurement of the Group's financial assets. The second part of this project phase is not expected to have any significant effect on the Group's assets and financial position and results of operations. To provide a comprehensive picture of potential effects, the Group will only quantify the effect in connection with the other phases once they have been published.

Amendment of IAS 12 "Deferred Tax: Recovery of Underlying Assets": The amendment to IAS 12 was published in December 2010 and is first applicable in a fiscal year beginning on or after January 1, 2012. Proposes to require that deferred tax assets or liabilities for certain specified assets be measured based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale. In the German legal system, application of this amendment is not expected to have any effect on the Group's assets and financial position and results of operations.

Scope of Consolidation

Consolidated Companies

In addition to Deufol AG, the group of fully consolidated companies includes all major subsidiaries and subgroups over which Deufol AG has legal or practical control.

figures in € thousand	Dec. 31, 2009	Additions	Disposals	Dec. 31, 2010
Consolidated subsidiaries	36	3	2	37
thereof in Germany	23	3	1	25
thereof abroad	13	0	1	12
Companies valued using the equity method	4	0	0	4
thereof in Germany	3	0	0	3
thereof abroad	1	0	0	1
Total	40	3	2	**41**

The following table shows the companies fully consolidated as of December 31, 2010:

Companies fully consolidated as of Dec. 31, 2010	Country	Equity interest (%)*
Aircon Airfreight Container Maintenance GmbH, Mörfelden-Walldorf	Germany	56.7
Baumann Technologie GmbH, Oberhausen	Germany	56.0
Deufol Services & IT GmbH, prev. D.Logistics Services GmbH, Hofheim	Germany	100.0
D.Services Immobilien GmbH & Co. KG i. L., Hofheim	Germany	94.8
Deufol Mitte GmbH, prev. Dönne+Hellwig Logistics GmbH, Hofheim	Germany	100.0
Dualogis GmbH, Erlenbach	Germany	51.0
Deufol Tailleur GmbH, Oberhausen (incl. subsidiaries)	Germany	100.0
Deufol Hamburg GmbH, prev. Alltrans Exportverpackung GmbH, Hamburg	Germany	100.0
Deufol Frankfurt GmbH, prev. APL Techno-Pack Verpackungsgesellschaft mbH, Frankfurt	Germany	100.0
Deufol West GmbH, prev. Deufol Exportverpackungsgesellschaft mbH, Oberhausen	Germany	100.0
Deufol Nord GmbH, Peine	Germany	100.0
Deufol Nürnberg GmbH, prev. Deutsche Tailleur Industrie-Service GmbH, Nuremberg	Germany	100.0
Deufol Bochum GmbH, prev. DTG Eggemann Industrieverpackung GmbH, Bochum	Germany	100.0
Deufol Süd GmbH, Neutraubling	Germany	100.0
Deufol Produktionsgesellschaft mbH, Hofheim	Germany	100.0
DTG Verpackungslogistik GmbH, Fellbach	Germany	51.0
Fischer Kisten GmbH, Mühlhausen	Germany	100.0
GGZ Gefahrgutzentrum Frankenthal GmbH, Frankenthal	Germany	100.0
Deufol Kirchheimbolanden GmbH, Hofheim, prev. GTV Logistik GmbH, Bruchsal	Germany	100.0
Günter Baumann Transport+Verpackung GmbH, Oberhausen	Germany	100.0
Horst Lange GmbH, Hamburg	Germany	56.7
IAD Industrieanlagen-Dienst GmbH, Munich	Germany	100.0
Deufol München GmbH, Munich, prev. IAS Industrieanlagen-Service GmbH, Nuremberg	Germany	100.0

Companies fully consolidated as of Dec. 31, 2010	Country	Equity interest (%)*
Deufol Berlin GmbH, prev. Tailleur & Topp GmbH, Berlin	Germany	100.0
Walpa Gesellschaft für Übersee- und Spezialverpackung mbH, Walldorf	Germany	100.0
Logis Industriedienstleistung GmbH, Tulln a. d. Donau	Austria	100.0
Logis průmyslové obaly a. s., Ivancice	Czech Republic	100.0
Deufol Slovensko s. r. o., prev. Logis priemyselné obaly s. r. o., Krušovce	Slovak Republic	100.0
Deufol North America Inc., prev. D.Logistics America Inc., Sunman, Indiana (incl. subsidiary)	USA	100.0
Deufol Sunman Inc., Sunman, Indiana, prev. J & J Packaging Co., Brookville, Indiana	USA	100.0
Deufol Packaging Tienen N. V., prev. D.Logistics Packing N. V., Tienen	Belgium	100.0
Deufol Logistics Tienen N. V., prev. D.Logistics Tienen N. V., Tienen	Belgium	100.0
Deufol België N. V., prev. D.Logistics Services N. V., Tienen (incl. subsidiaries)	Belgium	100.0
Arcus Installation B. V. B. A., Houthalen	Belgium	100.0
AT+S N. V., Houthalen	Belgium	100.0
Deufol Waremme S. A., prev. D.Logistics Waremme S. A., Waremme	Belgium	98.8
Deufol Italia S. p. A., prev. So. Ge. Ma. S. p. A., Fagnano Olona	Italy	100.0

* attributable to the relevant parent

Investments Accounted for Using the Equity Method

The following companies were included in consolidation using the equity method:

Companies accounted for using the equity method as of Dec. 31, 2010	Country	Equity interest (%)
SIV Siegerländer Industrieverpackungs GmbH, Kreuztal	Germany	50.0
Abresch Industrieverpackung GmbH, Viernheim	Germany	50.0
Deutsche Tailleur Bielefeld GmbH & Co. KG, Bielefeld	Germany	30.0
Deufol St. Nabord SAS, prev. D.Logistics France SAS, Saint Nabord	France	24.0

Information in Accordance with § 343 para. 2 No. 4 of the German Commercial Code

Deufol AG holds at least 20 % of the shares in the following companies:

Company's name and registered office	Country	Equity interest (%)	Equity in € thousand	Result for the fiscal year in € thousand
BVU Bayerisches Verpackungs-unternehmen GmbH i. L., prev. BVU Bayerisches Verpackungs-unternehmen GmbH, Munich*	Germany	100.00	363	(704)
Deufol Securitas Int. GmbH, Hamburg*	Germany	50.00	84	(4)
Deutsche Tailleur Bielefeld Beteiligungs GmbH, Bielefeld*	Germany	30.00	51	3
Securitas Int. B. V., Antwerp	Belgium	50.00	—	—
Deufol Packaging Italy S. R. L. i. L., Fagnano Olona	Italy	100.00	21	7

* as of December 31, 2009

Deconsolidation

BVU Bayerisches Verpackungsunternehmen mbH filed for insolvency on August 30, 2010. This company was thus removed from the consolidated group with effect as of August 31, 2010. This removal resulted in a profit of € 136 thousand. In the first eight months of 2010, BVU realized an operating result of – € 691 thousand.

The assets and liabilities removed from the consolidated group are shown in the following table:

figures in € thousand	Aug. 31, 2010	Dec. 31, 2009
Noncurrent assets	445	491
Current assets	237	744
Total assets	**682**	1.235
Noncurrent liabilities	189	202
Current liabilities	629	466
Total liabilities	**818**	668
Net assets	**(136)**	567
Disposal profit	136	—
Disposal proceeds	**0**	—
less disposal of cash and cash equivalents	(1)	—
Cash outflow	**(1)**	—

On October 28, 2010, Deufol Packaging Italy S.r.l., Fagnano Olona, Italy, filed for insolvency. This company was therefore removed from the consolidated group with effect as of October 31, 2010. Deufol Italia S.p.A. now handles this company's business activities. Expenditure in the amount of € 18 thousand arose in connection with its removal from the consolidated group.

Acquisitions and Start-ups 2010

With effect as of January 1, 2010, Deufol Berlin GmbH acquired the outstanding shares in Deufol Hamburg GmbH (previously Alltrans Exportverpackung GmbH) for a purchase price of € 350 thousand. Since the increase of an investment in a fully consolidated subsidiary is not an acquisition of control within the meaning of IFRS 3, the identifiable assets and liabilities have not been measured.

Under a notarial contract of October 18, 2010, Deufol AG established Deufol Nord GmbH, Peine. The company has been fully consolidated for the first time as of December 31, 2010.

Under a notarial contract of October 18, 2010, Deufol AG established Deufol Produktionsgesellschaft mbH, Hofheim. The company has been fully consolidated for the first time as of December 31, 2010.

Under a notarial contract of October 18, 2010, Deufol AG established Deufol Süd GmbH, Neutraubling. The company has been fully consolidated for the first time as of December 31, 2010.

All these companies have been provided with subscribed capital in the amount of € 25 thousand. The actual payments amounted to € 13 thousand each and were made in cash.

Sales and Mergers 2009

Deufol AG sold its shares in Air Cargo Wings GmbH, prev. D.Logistics Airport Services GmbH, under a notarial contract of July 3, 2009. Of the selling price of € 0.5 million, € 0.05 million has already been received. The remainder of the purchase price is due by June 30, 2012 and has been reported in the balance sheet as a long-term receivable with a present value of € 0.42 million (previous year: € 0.39 million). The sale resulted in a disposal profit of € 0.54 million in the consolidated financial statements of Deufol AG.

Under a contract dated August 19, 2009, DTG Mannheim GmbH was merged with Deufol Nürnberg GmbH, prev. Deutsche Tailleur Industrieservice GmbH.

Consolidated Income Statement Disclosures

01 Sales

The sales mainly resulted from the provision of services and, to a lesser extent, from rents. They include rental income from the investment properties in the amount of € 109 thousand (previous year: € 90 thousand). In respect of further comments on the sales, we refer to the segment reporting on page ▶ 122 ff.

02 Cost of Sales

The cost of sales includes the following expenses:

figures in € thousand	2010	2009
Personnel costs	73,839	77,747
Cost of purchased services	79,248	75,103
Cost of materials	67,991	59,056
Rental and lease expenses	18,389	18,582
Depreciation, amortization and impairment	8,376	8,185
Space costs	6,953	7,249
Maintenance costs	3,621	3,801
Insurance premiums	2,876	2,397
Vehicle fleet costs	2,034	2,373
Expenses for loss or damage incurred	771	803
Miscellaneous	5,577	4,396
Total	**269,675**	259,692

The cost of sales includes expenses for the investment properties in the amount of € 96 thousand (previous year: € 65 thousand). Income was achieved through these properties throughout the fiscal year.

03 Selling Expenses

The selling expenses include the following expenses:

figures in € thousand	2010	2009
Personnel costs	4,453	4,205
Travel expenses	467	473
Advertising costs	320	268
Depreciation, amortization and impairment	113	104
Cost of purchased services	44	48
Other selling expenses	510	383
Total	**5,907**	5,481

04 Administrative Expenses

The general and administrative expenses include the following expenses:

figures in € thousand	2010	2009
Personnel costs	12,278	12,313
Legal and consulting costs	1,823	1,591
Depreciation, amortization and impairment	716	1,159
IT and communications costs	796	805
Cost of purchased services	576	656
Rental and lease expenses	593	499
Travel expenses	277	342
Annual General Meeting and financial reports	298	270
Space costs	325	410
Other administrative expenses	2,687	2,543
Total	**20,369**	20,588

05 Other Operating Income

The following table shows the breakdown of other operating income:

figures in € thousand	2010	2009
Release of accruals and liabilities	851	1,100
Insurance compensation and other indemnification	368	736
Income from deconsolidation	136	542
Income from disposal of fixed assets	164	98
Exchange-rate gains	14	101
Miscellaneous	1,052	1,796
Total	**2,585**	4,373

06 Other Operating Expenses

The following table shows the breakdown of other operating expenses:

figures in € thousand	2010	2009
Other space costs	722	690
Depreciation of property, plant and equipment	186	369
Valuation adjustments on trade receivables	681	0
Losses on disposal of fixed assets	49	122
Exchange-rate losses	80	47
Expenses for deconsolidation	18	0
Miscellaneous	1,390	1,016
Total	**3,126**	2,244

07 Financial Result

The financial result can be broken down as follows:

figures in € thousand	2010	2009
Financial income	**1,496**	1,602
from bank balances	247	246
from finance leases	1,175	1,269
from recognition of the interest rate swap in income	52	53
Accumulation of receivables	22	34
Finance costs	**(6,434)**	(6,656)
from financial liabilities	(5,010)	(4,953)
from convertible bond	0	(340)
from finance leases	(1,129)	(796)
Accumulation of liabilities and accruals	(295)	(567)
Shares of profits of equity method-accounted companies	**603**	864
Total	**(4,335)**	(4,190)

08 Tax Proceeds/Expenses

The Group's income taxes can be broken down as follows:

figures in € thousand	2010	2009
Effective income tax expense	**3,432**	3,222
Germany	1,076	1,242
Rest of the World	2,356	1,980
Deferred income taxes due to the occurrence or reversal of temporary differences	**(434)**	(4,346)
Germany	(271)	(4,013)
Rest of the World	(163)	(333)
Total	**2,998**	(1,124)

Deferred tax proceeds can be broken down as follows:

figures in € thousand	2010	2009
Recognition of loss carryforwards	(295)	(3,435)
valuation of property, plant and equipment	13	59
valuation of clientele	(119)	(115)
valuation of convertible bond	0	(51)
valuation of financial receivables	9	(1,063)
Finance leasing	(177)	239
Other	135	20
Total	**(434)**	(4,346)

As of December 31, 2010, deferred taxes were calculated for German companies with an overall tax rate of 29.37 % (previous year: 29.44 %). The relevant national tax rate applies for the deferred taxes of companies outside Germany.

The following table shows the reconciliation between the expected and reported income tax expense for the Group, subject to the 29.37 % (previous year: 29.44 %) income tax rate for Deufol AG:

figures in € thousand	2010	2009
Profit before taxes	6,305	(380)
Income tax rate of the Deufol Group as %	29.37	29.44
Expected tax expense	**1,852**	(112)
Effect of different tax rates	309	(72)
Unrecognized deferred tax assets on loss carryforwards	901	2,069
Use of previously unconsidered tax losses	(432)	(3,308)
Effect of tax-exempt income	(575)	(985)
Effect of expenses not deductible for tax purposes	516	344
Effect of impairment of goodwill	0	769
Prior-period tax effects	280	142
Other	147	29
Income taxes	**2,998**	(1,124)
Effective tax rate (%)	**47.55**	(295.79)

Deferred tax assets can be broken down as follows:

figures in € thousand	2010	2009
Tax loss carryforwards	9,194	9,111
Finance leases	1,208	1,209
Cash flow hedges	225	306
Provisions for pensions	45	49
Other	778	769
Deferred tax assets	**11,450**	11,444
Offset against deferred tax liabilities	(648)	(615)
Total	**10,802**	10,829

Deferred tax assets include € 10,540 thousand (previous year: € 10,564 thousand) for consolidated companies in Germany. In Germany, tax loss carryforwards can be carried forward indefinitely, although domestic income is subject to minimum taxation. As of December 31, 2010, corporate income tax loss carryforwards amounted to a total of € 77.4 million (previous year: € 82.5 million). Of this amount, € 72.4 million (previous year: 79.0 million) can be carried forward indefinitely. The trade tax loss carryforwards of German Group companies amount to € 71.9 million (previous year: € 84.7 million) and can be carried forward indefinitely. Temporary differences relating to shares in subsidiaries for which no deferred tax es were accounted total € 23.7 million (previous year: € 21.7 million).

Deferred tax liabilities can be broken down as follows:

figures in € thousand	2010	2009
Compensation claims	1,416	1,401
Plant, property and equipment	611	787
Finance leases	239	352
Clientele	63	53
Other	375	234
Deferred tax liabilities	**2,704**	2,827
Offset against deferred tax assets	(648)	(615)
Total	**2,056**	2,212

09 Profit/Loss Attributable to Noncontrolling Interests

The consolidated net profit attributable to noncontrolling interests primarily consists of profit shares attributable to companies in the Deufol Tailleur Group.

10 Earnings per Share

Income figures in € thousand	2010	2009
Result attributable to the holders of Deufol AG common stock	2,927	369
Shares in circulation figures in units		
Weighted average number of shares	43,773,655	43,816,469

11 Other Consolidated Income Statement Disclosures

The following personnel costs are included in the expense items:

figures in € thousand	2010	2009
Wages and salaries	72,333	74,851
Social security contributions	18,237	19,414
Total	**90,570**	94,265

The average number of employees in 2010 was 2,721 (previous year: 2,890), of which Industrial Goods Packaging accounted for 1,102 employees (previous year: 1,092), Consumer Goods Packaging 728 employees (previous year: 807) and Warehouse Logistics 884 (previous year: 984). The holding had 7 employees on average (previous year: 7). As of the reporting date December 31, 2010, the Group had 2,782 employees (previous year: 2,682).

The Group auditors' fees recognized in the consolidated income statement amounted to € 290 thousand (previous year: € 377 thousand) for audits of financial statements and € 10 thousand (previous year: € 0 thousand) for other services.

Consolidated Balance Sheet Disclosures

12 Property, Plant and Equipment

Property, plant and equipment also includes leased buildings and technical equipment and machinery where the Group as lessee is considered to be the economic owner because all substantial risks and rewards incident to the use of the leased assets are transferred.

Within leased assets, the following amounts are attributable to the "Operating and office equipment" and "Technical equipment and machinery" asset classes:

figures in € thousand	2010	2009
Cost	11,039	8,312
Accumulated depreciation and amortization charges	(5,364)	(4,295)
Net carrying amount	**5,675**	4,017

The following amounts are attributable to "Buildings":

figures in € thousand	2010	2009
Cost	7,502	7,502
Accumulated depreciation and amortization charges	(4,818)	(4,360)
Net carrying amount	**2,684**	3,142

As of December 31, 2010, the fair value of investment property was € 0.6 million (previous year: € 0.6 million). The fair value of investment property was measured on the basis of the Company's yield analysis.

13 Intangible Assets

Intangible assets primarily consist of the goodwill recognized on consolidating acquirees.

The following table shows the breakdown of goodwill by segment:

figures in € thousand	Industrial Goods Packaging	Consumer Goods Packaging	Warehouse Logistics	Total
Carrying amount as of Jan. 1, 2010	52,883	7,891	7,203	**67,977**
Additions	(7)	0	0	(7)
Impairments	0	0	0	0
Currency translation adjustments	9	0	0	9
Carrying amount as of Dec. 31, 2010	52,885	7,891	7,203	**67,979**

In accordance with IAS 36 (Impairment of Assets), goodwill should be tested for impairment at least once a year. In the course of impairment testing, the carrying amount of a cash-generating unit (CGU) is compared with its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

In principle, the lowest level within the Group at which goodwill is monitored for internal management purposes is the level for operating segments as defined by IFRS 8. Accordingly, goodwill is allocated to the operating segments Industrial Goods Packaging and Warehouse Logistics. However, in the Consumer Goods Packaging segment the management monitors goodwill at the level of three regionally classified cash-generating units. The recoverable amount corresponds to the value in use and was calculated as the present value of future cash flows.

Future cash flows are determined on the basis of the multiple-year financial plans of the companies included in the scope of consolidation. The concrete planning period in each case is three years. The forecasts contained therein are based on past experience and the expected future segment and market development.

The discount rates before taxes are calculated on the basis of market data. For the Group's individual CGUs they are between 7.35 % and 10.33 % (previous year: 9.52 % to 10.88 %). The terminal growth rates (1.5 % to 2 %; previous year: 1.5 % to 2 %) do not exceed the long-term growth rates for the industry and region in which the cash-generating units operate.

Impairment testing did not identify the need to recognize impairment losses for the CGUs defined above. A modification of the basic assumptions regarding an increase in the discount interest rate by 1.0 percentage point and a simultaneous reduction in the long-term growth rate by 1.0 percentage point would not lead to any need to recognize impairment losses.

14 Investments Accounted for Using the Equity Method

As of December 31, 2010, the carrying amount of the investments in associates accounted for using the equity method amounts to € 2,704 thousand (previous year: € 2,813 thousand).

The following table provides summary information for the companies accounted for using the equity method. The figures are for the Group's share in the associates:

Assets figures in € thousand	Dec. 31, 2010	Dec. 31, 2009
Current assets	2,361	2,196
Noncurrent assets	2,462	2,418
Total assets	**4,823**	4,614
Equity and liabilities figures in € thousand		
Debt	2,144	1,844
Equity	2,679	2,770
Total equity and liabilities	**4,823**	4,614
Total sales	9,875	10,776
Total expenses	9,254	(9,891)
Income	**621**	885

In 2010, the pro-rata profits of a company accounted for using the equity method (Deufol St. Nabord SAS) in the amount of € 18 thousand (previous year: € 21 thousand) were not recognized; the cumulative unrecognized losses amount to € 25 thousand (previous year: € 43 thousand).

Consolidated statement of changes in assets 2009 and 2010

figures in € thousand	Procurement and production costs						
	Jan. 1, 2010	Currency translation adjustments	Changes in the scope of consolidation	Additions	Disposals	Reclassifi-cations	**Dec. 31, 2010**
Property, plant and equipment							
Land, land rights and buildings	38,577	1,123	(643)	1,171	(1,568)	35	38,695
Technical equipment and machinery	44,838	1,773	(232)	1,013	(728)	630	47,294
Operating and office equipment	30,279	130	(279)	1,505	(335)	(97)	31,203
Assets under construction	985	68	0	345	(70)	(35)	1,293
Leased assets	15,814	33	(150)	4,094	(717)	(533)	18,541
Investment property	983	0	0	0	0	0	983
Total	131,476	3,127	(1,304)	8,128	(3,418)	0	**138,009**
Intangible assets							
Patents, licenses, trademarks and similar rights and assets	12,020	216	(35)	241	(21)	0	12,421
Goodwill	70,588	9	0	0	(7)	0	70,590
Total	82,608	225	(35)	241	(28)	0	**83,011**
Sum total	214,084	3,352	(1,339)	8,369	(3,446)	0	**221,020**

figures in € thousand	**Jan. 1, 2009**						**Dec. 31, 2009**
Property, plant and equipment							
Land, land rights and buildings	39,161	(508)	0	295	(446)	75	38,577
Technical equipment and machinery	43,465	(770)	0	1,636	(363)	870	44,838
Operating and office equipment	29,789	(53)	(346)	1,926	(1,054)	17	30,279
Assets under construction	395	(29)	0	991	0	(372)	985
Leased assets	15,480	7	0	1,841	(947)	(567)	15,814
Investment property	1,981	0	0	0	(995)	(3)	983
Total	130,271	(1,353)	(346)	6,689	(3,805)	20	**131,476**
Intangible assets							
Patents, licenses, trademarks and similar rights and assets	13,013	(53)	(494)	454	(880)	(20)	12,020
Goodwill	70,653	(134)	0	69	0	0	70,588
Total	83,666	(187)	(494)	523	(880)	(20)	**82,608**
Sum total	213,937	(1,540)	(840)	7,212	(4,685)	0	**214,084**

Depreciation and amortization charges							Net amounts	
Jan. 1, 2010	Currency translation adjustments	Changes in the scope of consolidation	Additions	Disposals	Reclassifications	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**
16,104	441	(551)	1,546*	(1,206)	0	16,334	22,473	22,361
35,258	1,323	(200)	1,684	(601)	612	38,076	9,580	9,218
19,364	105	(202)	2,059	(290)	(13)	21,023	10,915	10,180
0	0	0	0	0	0	0	985	1,293
8,655	14	(121)	2,833	(600)	(599)	10,182	7,159	8,359
488	0	0	56	0	0	544	495	439
79,869	1,883	(1,074)	8,178	(2,697)	0	**86,159**	51,607	**51,850**
8,348	100	(35)	1,213	(19)	0	9,607	3,672	2,814
2,611	0	0	0	0	0	2,611	67,977	67,979
10,959	100	(35)	1,213	(19)	0	**12,218**	71,649	**70,793**
90,828	1,983	(1,109)	9,391	(2,716)	0	**98,377**	123,256	**122,643**
Jan. 1, 2009						**Dec. 31, 2009**	Dec. 31, 2008	**Dec. 31, 2009**
14,325	(199)	0	2,016*	(42)	4	16,104	24,836	22,473
33,407	(588)	0	2,188	(308)	559	35,258	10,058	9,580
18,093	(43)	(278)	2,138	(546)	0	19,364	11,696	10,915
0	0	0	0	0	0	0	395	985
8,040	2	0	2,101	(929)	(559)	8,655	7,440	7,159
1,089	0	0	100	(697)	(4)	488	892	495
74,954	(828)	(278)	8,543	(2,522)	0	**79,869**	55,317	**51,607**
7,596	(28)	(494)	1,274	0	0	8,348	5,417	3,672
0	0	0	2,611	0	0	2,611	70,653	67,977
7,596	(28)	(494)	3,885	0	0	**10,959**	76,070	**71,649**
82,550	(856)	(772)	12,428	(2,522)	0	**90,828**	131,387	**123,256**

* The additions to the depreciation and amortization changes include amortization changes in the amount of € 186 thousand (previous year: € 369 thousand).

15 Financial Receivables

The Deufol Group has rental and lease agreements under which Deufol is the lessor and essentially all risks and opportunities are transferred to the lessee. These are classified as finance leases with Deufol as the lessor. They relate primarily to buildings, technical equipment and machinery that is used exclusively on a customer-specific basis. Corresponding financial receivables have been recognized on the basis of the net investment in the future lease installments to be paid by the customer.

The total of the future payments from leasing contracts can be broken down as follows as of December 31, 2010:

figures in € thousand	2010	2009
Total future payments	**16,764**	19,672
thereof due within one year	2,859	2,908
thereof due between one and five years	8,952	10,043
thereof due in more than five years	4,953	6,721
Present value of future payments	**12,532**	14,323
thereof due within one year	1,867	1,778
thereof due between one and five years	6,304	6,887
thereof due in more than five years	4,361	5,658
Interest element	**4,232**	5,349

These amounts differ from the amounts reported under financial receivables in the balance sheet by € 891 thousand (previous year: € 972 thousand) due to the fact that beside the minimum lease payments also expected future investments are included.

The financial receivables also include liquid funds of € 0 thousand (previous year: € 1,850 thousand) which are subject to limited availability and a normal rate of interest as well as loans in the amount of € 444 thousand (previous year: € 1,239 thousand).

16 Other Receivables and Other Assets

The following table shows the breakdown of the “Other receivables and other assets” item:

	2010		2009	
figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes receivable	3,096	3,096	1,771	1,771
Deferred expenses	1,278	1,148	2,119	1,771
Guarantees	1,115	187	1,091	163
Airport purchase price receivable	415	0	394	0
Receivables from related parties	388	173	470	470
Insurance compensation and indemnification	200	200	0	0
Receivables from employees	47	47	61	61
Miscellaneous	3,351	1,052	4,087	1,783
Total	**9,890**	**5,903**	9,993	6,019

17 Inventories

The following table shows the breakdown of inventories:

figures in € thousand	2010	2009
Raw materials, consumables and supplies	8,535	7,772
Finished products and merchandise	1,986	1,898
Work in progress	1,845	2,018
Total	**12,366**	11,688

The reversal amount for inventories recorded as a reduction in the cost of sales amounts to € 97 thousand (previous year: € 143 thousand). The carrying amount of the inventories reported at the net disposal value amounts to € 104 thousand (previous year: € 71 thousand).

18 Trade Receivables

All trade receivables are non-interest-bearing and are generally due within 30 to 90 days.

figures in € thousand	2010	2009
Trade receivables	38,846	45,304
Valuation adjustments	(1,022)	(1,022)
Trade receivables, net	**37,824**	44,282

Trade receivables from related parties amount to € 179 thousand (previous year: € 380 thousand).

As of December 31, 2010, the age structure of the trade receivables was as follows:

			Overdue, but not value-impaired				
figures in € thousand	Total	Neither overdue nor value-impaired	< 30 days	30–60 days	60–90 days	90–180 days	> 180 days
2010	**37,824**	29,091	6,447	716	223	431	916
2009	44,282	32,918	8,128	1,461	397	404	974

In respect of the receivables which are neither value-impaired nor overdue, as of the reporting date there are no indications that the debtors will be unable to meet their payment obligations.

The following table shows the development of valuation adjustments on trade receivables:

figures in € thousand	2010	2009
Valuation adjustments at start of period	**1,022**	1,005
Currency translation adjustments	9	0
Changes to scope of consolidation	(3)	(11)
Addition	209	316
Utilization	(157)	(1)
Reversal	(58)	(287)
Valuation adjustments at end of period	**1,022**	1,022

19 Cash and Cash Equivalents

The following table shows the breakdown of cash and cash equivalents:

figures in € thousand	2010	2009
Cash on hand	50	69
Checks	2	2
Bank balances	16,759	14,782
Total	**16,811**	14,853

There are no restrictions on the amounts reported as cash.

20 Subscribed Capital

As of December 31, 2010, the Subscribed Capital is € 43,773,655 (previous year: € 43,773,655) and is divided up into the same number of no-par value shares to bearer.

An amount of € 20,000,000 remained unchanged as Approved Capital as of December 31, 2010 for the issuance of new shares in return for cash contributions or contributions in kind (end of previous year: € 20,000,000).

In accordance with the resolution passed by the Annual General Meeting on June 16, 2009, the Company has been authorized to increase the Company's share capital by up to € 20,000,000 by June 15, 2014.

As of December 31, 2010, the Contingent Capital amounts to € 8,413,296 (end of previous year: € 8,507,046).

In accordance with the resolution passed by the Annual General Meeting on June 22, 2010, the Company has been authorized to purchase up to 4,377,365 of its own shares in the period from June 22, 2010 to June 21, 2015; this corresponds to 10 % of the share capital as of June 2010.

21 Capital Reserves

At the end of 2010, the capital reserves continue to amount to € 107,240 thousand. The capital reserves mainly consist of the premium resulting from the issue of shares plus payments by the shareholders.

22 Noncontrolling Equity Interests

The noncontrolling equity interests primarily consist of shares held by external third parties in Deufol Tailleur Group companies. The development of these shares is outlined in detail in the statement of changes in equity.

Proposal for the Appropriation of Net Profit

The Executive Board and the Supervisory Board propose to the Annual General Meeting to pay a dividend of 0.03 € out of the net income of Deufol AG for fiscal year 2010 in the amount of € 6,238 thousand, calculated in accordance with the principles of the Handelsgesetzbuch (HGB – German Commercial Code). The remaining amonut shall be carried forward to new account.

23 Share-Based Payment

Stock Option Plan August 2002

At the Annual General Meeting on August 13, 2002, a stock option plan was resolved for members of the Executive Board and members of the management of subsidiaries in Germany and abroad with a volume of up to 850,000 shares ("Stock Option Plan August 2002"). The issue period is limited to twelve days after publication of quarterly or annual financial statements. The subscription price is calculated as the average price after such a publication plus 25 %. Stock options may be exercised for the first time two years after issue and only during the issue period of ten days, starting twelve days after the publication of quarterly or annual financial statements. An exercise hurdle of an additional 50 % on the subscription price must be observed. The stock options could be issued on one or several occasions up to August 12, 2007, and have a term of three years.

Under the Stock Option Plan August 2002, stock options were issued as follows:

figures in units	2003	2004	2005	2006	2007
Stock options	33,334	100,000	100,000	80,000	93,750

The changes in the options issued to eligible employees under the Stock Option Plan August 2002 are summarized in the following table:

	2010		2009	
	Number	Exercise price (average, in €)	Number	Exercise price (average, in €)
Options outstanding (at January 1)	93,750	2.81	143,750	2.63
Options expired	93,750	2.81	50,000	2.28
Options outstanding (at December 31)	—	—	93,750	2.81
of which exercisable at December 31	—	—	93,750	2.81

In accordance with IFRS 2 (Share-Based Payment) the fair value of the stock options issued is determined using an option price model. The total value of the options at the issue date is recognized ratably as a personnel cost over the lock-up (vesting) period. In the year under review, the options issued under the Stock Option Plan August 2002 did not result in any personnel costs (previous year: € 3.0 thousand).

At the end of 2010, there are no longer any outstanding options. The weighted average remaining contractual term of the options outstanding as of December 31, 2009 is 0.31 years. The weighted average fair value was € 0 and the subscription price for the options outstanding at the end of fiscal year 2009 was € 2.81.

The fair value of equity-settled stock options is determined at the grant date using the Black–Scholes option pricing model. The calculation at the relevant exercise date was based on the following parameters:

Issue/valuation date	Jun. 6, 2005	Apr. 21, 2006	Sep. 5, 2006	Apr. 24, 2007
Share price at the issue date (€)	1.75	1.85	1.76	2.30
Subscription price (€)	2.10	2.28	2.17	2.81
Expected share price volatility (%)	48.0	35.0	30.0	23.0
Expected dividend yield (%)	0.0	0.0	0.0	0.0
Risk-free interest rate (%)	2.5	3.6	3.6	4.0
Term of options (years)	3	3	3	3

The expected volatility is based on the assumption that future trends can be inferred from historical volatility; however, actual volatility may differ from the assumptions made. No other factors relating to the option grant were incorporated into the measurement of fair value.

24 Financial Liabilities

The following table summarizes the financial liabilities of the Deufol Group:

	2010				2009			
		thereof with a remaining maturity of				thereof with a remaining maturity of		
figures in € thousand	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year	1 to 5 years	over 5 years
Amounts due to banks	68,815	39,093	24,282	5,440	70,770	32,212	30,330	8,228
Liabilities under financial leases	9,320	1,990	5,547	1,783	7,996	1,736	4,157	2,103
Other financial liabilities	51	0	51	0	51	0	51	0
Financial liabilities	**78,186**	**41,083**	**29,880**	**7,223**	78,817	33,948	34,538	10,331

Property, plant and equipment in the amount of € 33.8 million (previous year: € 34.3 million), trade receivables in the amount of € 7.3 million (previous year: € 7.1 million) and inventories in the amount of € 5.4 million (previous year: € 6.3 million) have been pledged as collateral to secure liabilities to banks and other financial liabilities. These assets have been collateralized subject to standard terms and modalities.

Amounts Due to Banks

Current account credit lines of € 34.1 million are available to the Group at various banks (previous year: € 32.9 million). As of December 31, 2010, € 23.8 million (previous year: € 21.2 million) of this had been utilized, subject to variable interest rates. The financial liabilities carried in the balance sheet are subject to standard market interest rate risks. In fiscal year 2010, the average weighted interest rate for short-term loans was 4,16 % (previous year: 4.37 %).

The following table shows the Group's material noncurrent amounts due to banks:

	2010				2009			
	Currency	Carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)	Currency	Carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)
Loans	EUR	8,913	8	6.05	EUR	9,860	9	6.05
Loans	EUR	4,564	13	5.77	EUR	4,938	14	5.77
Loans	EUR	2,119	3.5	5.25	EUR	2,378	4.5	5.25
Loans	EUR	10,000	2	variable*	EUR	10,000	3	variable*
Loans	EUR	7,500	3.5	variable*	EUR	9,643	4.5	variable*

*3-month EURIBOR +1.5 %

There are also further noncurrent amounts due to banks for financing of property, plant and equipment, particularly technical equipment and machinery, in the amount of € 11.4 million (previous year: € 9.7 million). The liabilities to banks also include liabilities under finance leases in the amount of € 6.5 million (previous year: € 7.3 million).

For the variable-interest loans, interest-rate hedging transactions have been concluded in some cases. Please see Note (39) on page 116 ff. for further disclosures.

In one case, an agreed financial ratio as of December 31, 2010 had not been complied with. This relates to amounts due to banks in the amount of € 7.5 million. This did not trigger an automatic repayment obligation. In contrast, it is at the financing banks' discretion to demand or waive a repayment if the ratio has still not been complied with as of March 31, 2011. The financing banks have declared that they do not intend to exercise their right of termination. However, the noncurrent portion of the affected bank liabilities in the amount of € 5.4 million was reported under current liabilities pursuant to IFRS as of the reporting date of December 31, 2010.

Liabilities under Financial Leases

The total of the future minimum lease payments from financial leases can be broken down as follows as of December 31, 2010:

figures in € thousand	2010	2009
Total future minimum lease payments	**23,191**	23,948
thereof due within one year	4,810	4,569
thereof due between one and five years	12,472	12,111
thereof due in more than five years	5,909	7,268
Present value of future minimum lease payments	**15,864**	15,298
thereof due within one year	3,369	3,044
thereof due between one and five years	8,582	7,797
thereof due in more than five years	3,913	4,457
Interest element	**7,327**	8,650

The following table shows the liabilities under financial leases included in the amounts due to banks:

figures in € thousand	2010	2009
Total future minimum lease payments	**8,308**	9,709
thereof due within one year	1,729	1,758
thereof due between one and five years	3,847	4,775
thereof due in more than five years	2,732	3,176
Present value of future minimum lease payments	**6,544**	7,302
thereof due within one year	1,379	1,311
thereof due between one and five years	3,034	3,641
thereof due in more than five years	2,131	2,350
Interest element	**1,764**	2,407

In several cases, extension or purchase options plus price-adjustment clauses apply which are based on standard indexes.

25 Provisions for Pensions

The Deufol Group has both defined-contribution and defined-benefit pension schemes in place. The defined-benefit pension plans include pension obligations (funded and unfunded) and noncurrent benefit entitlements (provisions for similar post-employment benefits). Noncurrent benefit entitlements are recognized in the balance sheet at the Italian subsidiary. The recognized provisions can be broken down as follows:

figures in € thousand	**2010**	2009
Provisions for pensions	672	653
Provisions for other post-employment benefits	626	682
Total	**1,298**	1,335

The pension obligations (actuarial present value of benefit entitlements or defined-benefit obligation) were calculated using actuarial methods. The calculations were based on the following parameters:

	Germany		Italy	
share as %	**2010**	2009	**2010**	2009
Discount rate	4.8	5.1	4.0	3.3
Turnover rate *	0.0	0.0	0.0	0.0
Index-linked salary increase	1.0	1.0	2.0	2.0
Index-linked pension increase	1.0	1.0	3.0	3.0

* No assumptions are made with regard to turnover, as all benefits are vested.

Pension obligations are measured in accordance with the provisions of IAS 19.

The following table shows the changes in the present value of the total obligation:

figures in € thousand	**2010**	2009
Present value of the obligation at January 1	1,269	1,264
Current service cost	2	3
Interest cost	52	59
Pension payments	(91)	(74)
Actuarial losses	(28)	17
Present value of the obligation at December 31	**1,204**	1,269

The present value of the total obligation was € 1,895 thousand at December 31, 2006, € 1,373 thousand at December 31, 2007 and € 1,264 thousand at December 31, 2008. The actuarial gains and losses were –€ 15 thousand at December 31, 2006, € 0 thousand at December 31, 2007 and –€ 113 thousand at December 31, 2008. The expected pension expenses for the year 2011 are –€ 54 thousand.

Adjustment to reconcile the total obligation to net pension provisions:

figures in € thousand	2010	2009
Present value of the total obligation at December 31	1,204	1,269
Unrealized gains	94	66
Net pension provisions at December 31	**1,298**	1,335

The net pension provisions recognized in the balance sheet changed as follows in the fiscal year:

figures in € thousand	2010	2009
Net pension provisions at January 1	1,335	1,385
Current pension expense	54	24
Pension payments	(91)	(74)
Net pension provisions at December 31	**1,298**	1,335

Pension expense in the fiscal year can be broken down as follows:

figures in € thousand	2010	2009
Current service cost	2	3
Interest cost	52	59
Actuarial losses	0	(38)
Total pension expense	**54**	24

For fiscal year 2011, lower pension payments than in the previous year are expected.

In the case of defined contribution plans, the Deufol Group does not enter into any obligations above and beyond its obligation to pay contributions. In 2010, pension expenses relating to defined contribution plans totaled € 321 thousand (previous year: € 777 thousand). In addition, contributions were paid to state pension insurance agencies in the amount of € 3,843 thousand (previous year: € 4,241 thousand).

26 Other Provisions

The following table shows the changes in other provisions:

figures in € thousand	Jan. 1, 2010	Utilization	Reversal	Addition	Changes in scope of consolidation	Dec. 31, 2010
Guarantee and liability risk	498	(170)	(77)	171	(10)	412
Litigation	1,283	(852)	0	0	(50)	381
Restructuring	206	(30)	0	393	0	569
Other risks	1,536	(298)	(316)	106	(120)	908
Total	3,523	(1,350)	(393)	670	(180)	**2,270**

Provisions for guarantee and liability risks included assuming obligations for former subsidiaries and the claims from damage and other warranties. These provisions were recognized on the basis of experience from previous years. The accrual for restructuring comprises social security plan costs incurred by the Italian subsidiary.

The provisions recognized by the Deufol Group are mainly current provisions. More specifically, the outflows are structured as follows based on when they are expected to be settled:

	Current		Noncurrent		Total	
figures in € thousand	**2010**	2009	**2010**	2009	**2010**	2009
Guarantee and liability risk	412	498	0	0	412	498
Litigation risk	381	1,233	0	50	381	1,283
Restructuring	569	206	0	0	569	206
Other risks	526	1,078	382	458	908	1,536
Total	**1,888**	3,015	**382**	508	**2,270**	3,523

27 Other Liabilities

Other liabilities can be broken down as follows:

	2010		2009	
figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes payable	1,909	1,909	1,816	1,816
Social security liabilities	428	428	342	342
Liabilities to employees relating to wages and salaries	1,899	1,899	1,640	1,640
Other liabilities to employees (annual leave, overtime, etc.)	4,572	4,572	4,825	4,825
Deferred income	3,531	555	3,867	429
Liabilities to related parties	1,078	1,078	9,773	9,773
Miscellaneous	3,138	2,231	4,572	3,322
Total	**16,555**	**12,672**	26,835	22,147

In the previous year, liabilities to related parties included the present value of purchase price liabilities resulting from the acquisition of the noncontrolling interests in Deufol Tailleur GmbH (€ 8,756 thousand). In fiscal year 2010, a residual purchase price of € 2.0 million plus a performance-related purchase price component in the amount of € 7.0 million were payable.

28 Trade Payables

Trade payables amounting to € 25,926 thousand (previous year: € 26,084 thousand) all have remaining maturities of less than one year. They include trade payables of € 1,944 thousand (previous year: € 1,575 thousand) that have not yet been invoiced.

Consolidated Cash Flow Statement Disclosures

The consolidated cash flow statement is prepared in accordance with IAS 7. It shows the origin and use of cash flows in fiscal years 2010 and 2009 and is therefore of key importance when it comes to assessing the financial position of the Deufol Group. The cash flow statement distinguishes between cash flows from operating activities, investing activities and financing activities.

The cash and cash equivalents reported in the cash flow statement correspond to the "Cash and cash equivalents" item in the balance sheet and comprise cash on hand, checks and immediately available bank balances with an original maturity of up to three months. A breakdown of cash and cash equivalents is provided in Note (19).

The cash flow from investing activities and the cash flow from financing activities are both calculated directly. In contrast, the cash flow from operating activities is derived using the indirect method.

29 Net Cash Provided by Operating Activities

In fiscal year 2010, operating activities provided net cash of € 19.9 million (previous year: € 15.1 million). It should be noted that adjustments were made for the effects of changes in the scope of consolidation.

30 Acquisitions and Sales

In fiscal year 2010, there were no acquisitions or sales of companies. Please see page ▶ 92 on the development of the scope of consolidation.

31 Net Cash Used in Investing Activities

In the past fiscal year, a € 4.4 million (previous year: € 2.8 million) outflow of funds from investing activities resulted. This includes in particular the payments made for the acquisition of noncontrolling interests in the amount of € 7.4 million. The investments in intangible assets and property, plant and equipment amounted to € 4.3 million, and an inflow of funds in the amount of € 0.7 million resulted from the disposal of intangible assets and property, plant and equipment. The net change in financial receivables in the amount of € 4.4 million and interest received in the amount of € 1.5 million were also significant.

32 Net Cash Used in Financing Activities

In the past fiscal year, a € 13.5 million (previous year: € 9.5 million) outflow of funds from financing activities resulted. This mainly consists of interest paid in the amount of € 6.5 million, the decrease in other financial liabilities in the amount of € 4.3 million, and distributions in the amount of € 0.4 million.

In 2010, Deufol AG did not pay any dividend. In 2009, a dividend of € 0.07 per share was paid, corresponding to a total dividend of € 3.1 million.

33 Change in Cash and Cash Equivalents

The cash and cash equivalents balance increased by € 2.0 million. Net financial indebtedness – defined as financial liabilities less the Group's financial receivables, cash and cash equivalents – rose by € 1.8 million.

Other Disclosures

34 Contingencies and Contingent Liabilities

Within the Group, guarantees have been granted to third parties only for items reported in the balance sheet or reciprocal rental payment guarantees within the Group. The Group has guarantees to associates totaling € 0 thousand (previous year: € 891 thousand).

Expenses amounting to € 18,982 thousand (previous year: € 17,682 thousand) were recognized in the consolidated income statement due to rental agreements and leases that do not qualify as finance leases under IFRS (operating leases). The proportion of contingent lease payments included therein is of minor significance.

We examine legal disputes and administrative procedures on an individual basis. We evaluate the possible outcomes of such legal disputes on the basis of the information we have received and in consultation with our lawyers and tax advisers. Where we are of the opinion that an obligation will probably lead to future fund outflows, we carry as a liability the present value of the expected fund outflows where these are deemed to be reliably measurable. Legal disputes and tax affairs present complex issues and are associated with a large number of imponderabilities and difficulties, including the facts and circumstances of the individual case and the authority involved. Deufol AG's key legal risks are indicated in the following.

Tax assessment notices were issued in January 2009 against a Group company for previous fiscal years, requiring an additional tax payment due to alleged concealed dividend payments to former shareholders of this subsidiary in the amount of € 3.7 million. Objections have been lodged against these notices. On the basis of legal assessments, due to the appeal procedure the Group considers it likely that the tax assessment notices will not be enforced. Moreover, Deufol AG is not obliged to settle this company's liabilities. Accordingly, as of December 31, 2010 no accrual was made for this item.

35 Obligations under Operating Leases – Group as Lessee

The future (nondiscounted) minimum lease payments under such noncancelable leases are as follows:

figures in € thousand	Dec. 31, 2010	Dec. 31, 2009
Not later than one year	12,740	12,912
Later than one year and not later than five years	24,215	20,639
Later than five years	7,692	5,816
Total minimum lease payments	**44,647**	39,367

These standard market obligations result primarily from leases for warehouse or office space, vehicles, and IT and office equipment. The leases have terms of between one and six years and, in some cases, contain a renewal option.

36 Receivables under Operating Leases – Group as Lessor

The Deufol Group has concluded leases for the commercial leasing of its investment property. These leases have remaining, noncancelable terms of between three and five years. All leases contain a clause under which the rent can be adjusted annually on the basis of prevailing market conditions.

In accordance with IAS 17, further contracts have been classified as operating leases with the Group as lessor. These contracts have remaining, noncancelable terms of between one and five years.

As of December 31, 2010, receivables in the form of future minimum lease payments under noncancelable operating leases are as follows:

figures in € thousand	Dec. 31, 2010	Dec. 31, 2009
Not later than one year	2,475	1,115
Later than one year and not later than five years	2,735	1,825
Later than five years	1,013	892
Total minimum lease payments	**6,223**	3,832

37 Contingent Assets

As of the balance sheet date, as in the previous year there were no contingent assets that could have a significant financial impact on the Deufol Group.

38 Government Grants

In 2010, the Deufol Group received a total of € 0.19 million in government grants for the reactivation of a rail connection.

39 Capital Management Disclosures

In principle, Deufol's goal is to secure its equity capital base on a long-term basis. A Group equity ratio in excess of 30 % is aimed for. At December 31, 2010, the Group's equity ratio was 43.6 % (previous year: 40.3 %). The equity ratio thereby functions merely as a passive management criterion, with sales and the operating result (EBIT) being used as active management variables.

In some cases within the Group, credit agreements are tied to compliance with financial ratios. In these cases, the development of the relevant financial ratios forms a fixed component of the reporting of the affected companies, for early recognition and rectification of undesirable trends and negotiations with the relevant lenders.

40 Financial Risk Management

The Deufol Group is exposed to various financial risks in its normal business activities. These include, in particular, market risks (currency risk, interest risk and goods price risk), the risk of nonpayment and the liquidity risk. The Deufol Group uses a standardized, Group-wide risk management system to manage these risks. The aim is to establish an operating routine based on actions, and therefore on constant risk minimization. Within the Deufol Group, derivatives are used exclusively for risk reduction purposes.

Currency risk

The currency risk is the risk of the fair value or future cash flows of a financial instrument being subject to change due to exchange-rate fluctuations. Overall, the risks resulting from the change in exchange rates are of minor significance for the operating activities of the Deufol Group. The main effect on the Group's assets position resulted from the translation of the American companies' US dollar-denominated financial statements into the reporting currency euro. Further currency risks result from the consolidation of the Czech company. Our current assessment is that these risks will not have any significant effects on the Group's asset and financial position or its results of operations.

The Deufol Group has not currently used any forward exchange transactions to hedge currency risks.

Interest rate risk

The interest rate risk is the risk of the fair value or future cash flows of a financial instrument being subject to fluctuation due to changes in the market interest rate. Businesses may be exposed to this risk through both variable-interest and fixed-interest financial instruments.

The Deufol Group holds both fixed-interest and variable-interest financial instruments. In some cases, interest-rate hedging transactions in the form of interest rate swaps have been entered into to secure significant, variable-interest noncurrent bank loans.

The following table shows the Group's interest-rate hedging transactions at December 31, 2010:

Interest rate derivatives	Maturity			
Currency	Notional amount	Fair value	Start date	Maturity date
Euro	7,500,000	(524,676)	Jun. 29, 2007	Jun. 30, 2014
Euro	5,000,000	(241,773)	Nov. 15, 2007	May 15, 2012
US dollar	2,180,556	(77,534)	Jan. 1, 2007	Jan. 1, 2012

The following table shows the interest-rate hedging transactions as of December 31, 2009:

Interest rate derivatives	Maturity			
Currency	Notional amount	Fair value	Start date	Maturity date
Euro	9,462,857	(703,595)	Jun. 29, 2007	Jun. 30, 2014
Euro	5,000,000	(335,163)	Nov. 15, 2007	May 15, 2012
US dollar	2,180,556	(119,550)	Jan. 1, 2007	Jan. 1, 2012

The euro-denominated interest rate swaps are allocated to directly and indirectly earmarked loans in the form of cash flow hedges. The change in the fair value of these interest rate swaps is reported in other recognized income and expense. The fair values are based on market prices for comparable instruments. Due to the entirely effective hedge relationship, no ineffectivity was recorded in the income statement. The US dollar-denominated hedge is no longer effective, so that changes in fair value are recorded in the income statement.

If the interest rate level as of December 31, 2010 had been 1.0 % higher (or lower), the market value of the interest rate swaps would have been € 442 thousand higher or € 208 thousand lower (previous year: € 378 thousand higher or € 370 lower).

If the interest rate level as of December 31, 2010 for variable-interest liabilities had been an average of 100 base points higher (lower), this would have had an effect on the Group's interest expense in the approximate amount of € 232 thousand (previous year: € 190 thousand).

Goods price risks

The Group's key requirements include packaging materials such as wood, foils, screws and cardboard. The purchasing prices for these products may fluctuate, depending on the market situation. It is not always possible to directly pass on fluctuating prices to customers. A goods price risk therefore applies which may influence the Group's earnings, equity and cash flow situation. To minimize risks, outline delivery agreements have been concluded with various suppliers. In addition, some agreements include a stipulation that the cost of materials will be passed on directly, so that no goods price risk applies in the case of these agreements.

Credit risks (nonpayment risks)

The Group only enters into business with creditworthy third parties. In almost all cases, customers of the Deufol Group are major industrial companies with good or very good credit standing. In addition, the Group's receivables are continuously monitored so that the Group is not exposed to any significant default risk. The maximum default risk for trade receivables is limited to their carrying amount. Please see Note (18) for further disclosures.

In case of other financial assets of the Group such as cash and cash equivalents, receivables under finance leases and other assets, the maximum credit risk in the event of the counterparty's default is the carrying amount of these instruments.

Liquidity risks

The liquidity risk is the risk of a company experiencing difficulties in meeting its payment obligations for its financial instruments.

The Deufol Group is financed in a decentralized form. Most financing is provided by means of bilateral bank loans and syndicated borrowing facilities. The consolidated companies' liquidity status is continuously monitored by means of a standardized monthly reporting system.

The following table shows all the contractually agreed payments for interest and repayment for financial liabilities shown in the balance sheet:

figures in € thousand	2011	2012 to 2015	after 2015
At December 31, 2010			
Amounts due to banks	35,803	34,297	6,291
Liabilities under financial leases	3,081	8,625	3,177
Other financial liabilities	0	51	0
Trade payables	25,926	0	0
Other liabilities (excluding tax liabilities)	10,208	63	0
Derivative financial liabilities	446	447	0

figures in € thousand	2010	2011 to 2014	after 2014
At December 31, 2009			
Amounts due to banks	34,106	35,681	8,466
Liabilities under financial leases	2,811	7,336	4,088
Other financial liabilities	0	51	0
Trade payables	26,084	0	0
Other liabilities (excluding tax liabilities)	20,146	92	0
Derivative financial liabilities	601	584	0

Further Financial Instruments Disclosures

The net result for the financial instruments in terms of valuation categories is as follows:

figures in € thousand	From subsequent measurement						
	From interest	At fair value	Currency translation	Valuation adjustment	From disposal	**2010**	2009
Loans and receivables	269	—	—	(832)	—	(563)	352
Financial assets available for sale	—	—	—	—	—	—	2
Financial assets held for trading	—	—	—	—	—	—	—
Financial liabilities measured at amortized cost	(5,305)	—	—	—	—	(5,305)	(5,801)
Financial liabilities held for trading	—	52	—	—	—	52	53

Valuation of financial instruments

Cash and cash equivalents and trade receivables normally have short residual maturities. Accordingly, on the reporting date their carrying amounts approximately correspond to the fair value.

Trade payables and other liabilities generally have short residual maturities. The figures shown in the balance sheet therefore approximately correspond to the fair values.

The fair values of interest-bearing loans and borrowings and lease liabilities are calculated as the present value of the payments associated with the liabilities, with use of market interest rates.

In the balance sheet as of December 31, 2010, derivative financial liabilities in the amount of € 844 thousand (previous year: € 1,158 thousand) were exclusively measured at fair value. The fair value of these liabilities was determined on the basis of factors which are observable directly (e. g. prices) or indirectly (e. g. derived from prices). This fair-value measurement is therefore allocable to level 2 of the hierarchical system of classification defined by IFRS 7. The fair-value hierarchy levels are as follows:

Level 1: Quoted market prices for identical assets and liabilities in active markets;

Level 2: Information other than quoted market prices which is observable directly (e. g. prices) or indirectly (e. g. derived from prices); and

Level 3: Information for assets and liabilities which is not based on observable market data.

The carrying amounts for the financial instruments in terms of valuation categories are as follows:

figures in € thousand	Balance sheet valuation (IAS 39)						
	Category	**Net carrying amount Dec. 31, 2010**	Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. IAS 17	**Fair value Dec. 31, 2010**
Assets							
Cash and cash equivalents	1)	16,811	16,811	—	—	—	16,811
Trade receivables	1)	37,824	37,824	—	—	—	37,824
Other receivables	1)	5,516	5,516	—	—	—	5,515
Receivables from financial leases	n. a.	11,641	—	—	—	11,641	16,015
Other financial receivables	1)	444	444	—	—	—	444
Financial assets	2)	225	225	—	—	—	225
Equity and liabilities							
Amounts due to banks	4)	68,815	68,815	—	—	—	69,269
Trade payables	4)	25,926	25,926	—	—	—	25,926
Liabilities under financial leases	n. a.	9,320	—	—	—	9,320	12,573
Other liabilities	4)	10,322	10,322	—	—	—	10,300
Derivatives with hedge relationships	n. a.	844	—	766	78	—	844
Aggregated by valuation category acc. IAS 39							
1) Loans and receivables		60,595	60,595	—	—	—	60,594
2) Financial assets available for sale		225	225	—	—	—	225
3) Financial assets held for trading		—	—	—	—	—	—
4) Financial liabilities measured at amortized cost		105,063	105,063	—	—	—	105,495
5) Financial liabilities held for trading		78	—	—	78	—	78

figures in € thousand	Category	Net carrying amount Dec. 31, 2009	Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. IAS 17	Fair value Dec. 31, 2009
		Balance sheet valuation (IAS 39)					
Assets							
Cash and cash equivalents	1)	14,853	14,853	—	—	—	14,853
Trade receivables	1)	44,282	44,282	—	—	—	44,282
Other receivables	1)	6,103	6,103	—	—	—	6,092
Receivables from financial leases	n. a.	13,351	—	—	—	13,351	15,459
Other financial receivables	1)	3,089	3,089	—	—	—	3,089
Financial assets	2)	225	225	—	—	—	225
Equity and liabilities							
Amounts due to banks	4)	70,770	70,770	—	—	—	70,748
Trade payables	4)	26,084	26,084	—	—	—	26,084
Liabilities under financial leases	n. a.	7,996	—	—	—	7,996	10,509
Other liabilities	4)	20,045	20,045	—	—	—	19,976
Derivatives with hedge relationships	n. a.	1,158	—	1,039	119	—	1,158
Aggregated by valuation category acc. IAS 39							
1) Loans and receivables		68,327	68,327	—	—	—	68,316
2) Financial assets available for sale		225	225	—	—	—	225
3) Financial assets held for trading		—	—	—	—	—	—
4) Financial liabilities measured at amortized cost		116,899	116,899	—	—	—	116,808
5) Financial liabilities held for trading		119	—	—	119	—	119

Segment Information by Business Division and Region

41 Segment Reporting

For the purpose of corporate management, the business fields of Deufol AG are organized in accordance with its products and services. As the segment result – used for assessment of the business success of the respective segments – the management has calculated the result for the period before taxes, financial income, financial expenses, shares of profits of companies accounted for using the equity method and amortization/impairment of goodwill (EBITA). The Deufol Group has the following segments for which reporting requirements apply:

Industrial Goods Packaging

The Industrial Goods Packaging segment performs specialist logistics activities for manufacturers of capital and investment goods, such as packaging design, the production of special packaging, export packaging logistics, long-term packaging and the management of major logistics projects.

Consumer Goods Packaging

The Consumer Goods Packaging segment comprises logistics services for the consumer goods industry. The activities consolidated under this segment include the design and production of packaging, primary packaging, secondary packaging (display construction), warehouse planning and management, distribution logistics, transport coordination, document management and value-added services.

Warehouse Logistics

The Warehouse Logistics division comprises logistics services such as warehouse planning and management, assembling, spare-parts logistics, just-in-time logistics and value-added services.

Holding Company

The holding company covers the Group's administrative activities and, in addition to Group management functions, includes support functions such as key account management and corporate communications.

The operating result for the business units is separately monitored by the management in order to make decisions on the allocation of resources and to determine the units' performance. The segments' development is mainly measured with reference to the operating result. As the Deufol Group has a decentralized organizational structure, financial expenses and income can be allocated to its business segments.

The Deufol Group mainly operates in Germany, Italy, Belgium, parts of Eastern Europe and the USA. Geographical information is presented accordingly for the following regions: Germany, Rest of Europe and USA/Rest of the World.

The prices charged between the business segments are determined on the basis of standard market conditions between unrelated parties.

Changes in Segment Reporting

In contrast to prior periods, the segment assets and liabilities are shown on a gross basis, i.e. before consolidation. This is for the purpose of a better presentation of the net assets of the individual segments. The prior-year figures were adjusted accordingly.

Segment Information by Business Division and Region

42 Segment Information by Business Field

figures in € thousand	Industrial Goods Packaging	Consumer Goods Packaging	Warehouse Logistics	Holding company	Elimination	**Group**
2010						
External sales	140,113	119,772	46,945	302	0	307,132
Internal sales	26,500	2,310	1,475	1,848	(32,133)	0
Total sales	166,613	122,082	48,420	2,150	(32,133)	**307,132**
EBITA (= EBIT)	6,364	3,601	3,165	(2,454)	(36)	10,640
Financial income	1,218	299	1,178	1,558	(2,757)	1,496
Finance costs	(2,958)	(3,050)	(1,649)	(1,534)	2,757	(6,434)
Earnings from associates	603	0	0	0	0	603
EBT	5,227	850	2,694	(2,430)	(36)	6,305
Taxes						(2,998)
Income						**3,307**
Assets	92,088	68,193	35,558	197,049	(178,340)	214,548
of which investments accounted for using the equity method	2,704	0	0	0	0	2,704
Non-allocated assets						12,334
Total assets						**226,882**
Financial liabilities	26,917	43,598	20,698	20,907	(33,934)	78,186
Other debt	39,044	21,319	10,790	7,199	(32,303)	46,049
Non-allocated debt						3,671
Total liabilities						**127,906**
Depreciation, amortization and impairment	4,069	3,176	1,852	294	0	9,391
Investments	4,827	1,910	1,410	222	0	8,369
2009						
External sales	137,096	107,830	44,800	327	0	290,053
Internal sales	23,492	2,071	2,142	1,530	(29,235)	0
Total sales	160,588	109,901	46,942	1,857	(29,235)	**290,053**
EBITA	9,714	(1,498)	74	(1,893)	24	6,421
Impairment on goodwill	0	(2,611)	0	0	0	(2,611)
EBIT	9,714	(4,109)	74	(1,893)	24	3,810
Financial income	1,079	368	1,288	1,353	(2,486)	1,602
Finance costs	(2,334)	(2,994)	(1,576)	(2,238)	2,486	(6,656)
Earnings from associates	864	0	0	0	0	864
EBT	9,323	(6,735)	(214)	(2,778)	24	(380)
Taxes						1,124
Income						**744**
Assets adjusted*	93,683	70,997	37,258	203,644	(182,032)	223,550
of which investments accounted for using the equity method	2,813	0	0	0	0	2,813
Non-allocated assets						12,466
Total assets						**236,016**
Financial liabilities	26,288	40,321	21,709	20,964	(30,465)	78,817
Other debt	40,997	22,645	11,388	18,141	(35,394)	57,777
Non-allocated debt						4,295
Total liabilities						**140,889**
Depreciation, amortization and impairment	3,761	3,765	1,657	634	0	9,817
Investments	2,367	2,973	1,421	451	0	7,212

*Concerning the changes in presentation see the explanation on page 85 and page 122.

43 Segment Information by Geographical Area

figures in € thousand	Germany	Rest of Europe	USA/ Rest of the World	Holding company	Elimi- nation	Group
2010						
External sales	160,866	85,169	60,795	302	0	307,132
Internal sales	23,674	6,611	0	1,848	(32,133)	0
Total sales	184,540	91,780	60,795	2,150	(32,133)	**307,132**
Assets	93,570	67,493	34,776	197,049	(178,340)	214,548
2009						
External sales	157,798	83,056	48,872	327	0	290,053
Internal sales	22,664	5,041	0	1,530	(29,235)	0
Total sales	180,462	88,097	48,872	1,857	(29,235)	**290,053**
Assets adjusted*	95,033	71,157	32,748	203,644	(182,032)	223,550

*Concerning the changes in presentation see the explanation on page 85 and page 122.

The Deufol Group has various customers which are themselves subsidiaries of a corporate group. As in the previous year, the Deufol Group realized approx. 24 % of its total sales with these customers. This relates to the Consumer Goods Packaging and Warehouse Logistics segments. None of these customers provided more than 10 % of sales.

44 Events after the Balance Sheet Date

No events occurred after the balance sheet date for which a reporting obligation is applicable in accordance with IAS 10.

Supplementary Disclosures

Concerning the Executive Bodies

The following persons were appointed to the Supervisory Board during the reporting period:

- Georg Melzer (Chairman of the Supervisory Board from June 22, 2010)
  Lawyer at the law firm Thum & Cie and Legal Officer at DZ Bank, appointed until the 2011 Annual General Meeting, Supervisory Board member of DeDeMa AG, Hofheim am Taunus
- Helmut Olivier (Deputy Chairman)
  Executive Board member of Lehman Brothers AG i. Ins., appointed until the 2011 Annual General Meeting
- Prof. Dr.-Ing. Kai Furmans, Holder of the Endowed Chair in Logistics at the University of Karlsruhe, appointed until the 2011 Annual General Meeting, Supervisory Board member of j & m Management Consulting AG, Mannheim (since July 1, 2007)
- Dr. Wolfgang Friedrich (Supervisory Board member to June 22, 2010)
  Ministerialrat (retired), appointed until the 2010 Annual General Meeting

No loans or advances were granted to members of the Supervisory Board, nor were any contingent liabilities assumed in favor of the members of the Supervisory Board.

In 2010, Supervisory Board compensation totaled € 80 thousand (previous year: € 80 thousand). This amount was divided up as follows between the individual Supervisory Board members: Georg Melzer € 20 thousand (previous year: € 0 thousand), Helmut Olivier € 20 thousand (previous year: € 20 thousand), Prof. Dr. Kai Furmans € 20 thousand (previous year: € 20 thousand), Dr. Wolfgang Friedrich € 20 thousand (previous year: € 40 thousand).

The following persons were appointed to the Executive Board during the reporting period:

Name and position	Other board positions held
Andreas Bargende Lawyer CEO Appointed until December 31, 2013	■ Managing Director of Aldama Beteiligungs- und Unternehmensberatungs- GmbH, Mainz (since September 04, 2007) ■ Chairman of the Supervisory Board of PickPoint AG, Hofheim (since January 14, 2003) Group positions: ■ Managing Director of Deufol Tailleur GmbH, Oberhausen (to January 26, 2010) ■ Member of the Board of Directors of Deufol Italia S. p. A., Fagnano Olona, (Italy) (since April 18, 2008) ■ Chairman of Deufol Sunman Inc., Sunman, Indiana (USA) (since March 4, 2008) ■ Director of Deufol North America Inc., Sunman, Indiana (USA) (since January 16, 2008)
Tammo Fey Businessman CFO Appointed until December 31, 2011	■ Member of the Supervisory Board of PickPoint AG, Hofheim (since August 14, 2006) Group positions: ■ Director of Deufol North America Inc., Sunman, Indiana (USA) (since January 16, 2008) ■ Managing Director of Deufol Tailleur GmbH, Oberhausen (since January 26, 2010) ■ Managing Director of Deufol West GmbH, Oberhausen (since November 17, 2010) ■ Managing Director of Deufol Bochum GmbH, Oberhausen (since January 28, 2011) ■ Managing Director of Deufol Services & IT GmbH, Hofheim (since October 22, 2009) ■ Supervisory Board member of Logis průmyslové obaly a. s., Ivancice, (since August 31, 2009)
Detlef W. Hübner Businessman Member of the Executive Board Appointed until December 31, 2013	■ Managing Director of Lion's Place GmbH, Hofheim (since December 21, 2007) ■ Managing Director of Hofgut Liederbach GmbH, Liederbach (since September 27, 2001) ■ Member of the Supervisory Board of DeDeMa AG, Hofheim (since October 24, 2001) ■ Member of the Supervisory Board of PickPoint AG, Hofheim (since August 14, 2006) ■ Executive Board member of the Detlef Hübner Foundation, Hofheim (since December 19, 2000)

The total remuneration of the Executive Board can be broken down as follows:

figures in € thousand	2010	2009
Fixed remuneration	1,200	1,200
Variable remuneration	150	0
Other remuneration	38	196
Total	**1,388**	1,396

Executive Board compensation in 2010 totaled € 1,388 thousand (previous year: € 1,396 thousand). For further information, please refer to the remuneration report contained in the management report.

Securities Held by the Organs

On December 31, 2010, the Executive Board held 23,183,832 shares. The options held by the Executive Board as of the end of 2009 have expired. The members of the Supervisory Board do not hold either shares or options to purchase shares in Deufol AG.

The securities holdings are as follows:

Executive Board	No-par value shares at Dec. 31, 2010	No-par value shares at Dec. 31, 2009	Options at Dec. 31, 2010	Options at Dec. 31, 2009
Andreas Bargende	58,000	58,000	0	50,000
Tammo Fey	15,000	15,000	0	43,750
Detlef W. Hübner	23,110,832	23,110,832	0	0
Total	**23,183,832**	23,183,832	**0**	93,750

Mr. Andreas Bargende holds some of his shares indirectly through ALDAMA GmbH, Mainz. Mr. Detlef W. Hübner holds most of his shares indirectly through Lion's Place GmbH, Hofheim am Taunus.

Directors' Dealings

Transactions of the organs involving financial instruments of Deufol AG are notified promptly in accordance with the statutory regulations. An overview of transactions can be found on Deufol AG 's website (www.deufol.com) in the "Investor & Public Relations" area under the heading "The share".

Declaration of Conformity in Accordance with Section 161 of the German Stock Corporation Act

The declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code required under section 161 of the German Stock Corporation Act was issued in February 2011 and made permanently available to shareholders on the Internet.

Information in Accordance with Section 264 (3) of the German Commercial Code

The consolidated financial statements of Deufol AG have a discharging effect for the preparation and disclosure of the annual financial statements of the consolidated corporations pursuant to section 264 (3) of the German Commercial Code once the preconditions laid down in these provisions have been fulfilled.

The following consolidated companies will in this case make use of the exemption provisions:

- Deufol Tailleur GmbH, Oberhausen
- Deufol Frankfurt GmbH, Frankfurt am Main
- Deufol West GmbH, Oberhausen
- Deufol Nürnberg GmbH, Nuremberg
- Günter Baumann Transport + Verpackung GmbH, Oberhausen
- IAD Industrieanlagen-Dienst GmbH, Munich
- Deufol Berlin GmbH, Berlin

Relationships with Related Parties

As well as the companies included in the consolidated financial statements, Deufol AG also has direct or indirect relations with joint ventures and associates in the course of its normal business. Business relationships with these companies are entered into on an arm's length basis.

The following table shows the services performed by the Group for related parties and for the Group by related parties in the past fiscal year:

figures in € thousand	Associates and other equity investments	Other related parties
2010		
Sales and other income	3,356	877
Expenses	(2,021)	(3,992)
Receivables	754	97
Liabilities	271	1,410
2009		
Sales and other income	3,194	1,065
Expenses	(2,332)	(5,638)
Receivables	907	132
Liabilities	177	10,058

The transactions with other related parties primarily relate to Mr. Manfred Wagner. Mr. Wagner is the managing director of Deufol Tailleur GmbH and held an indirect interest in the Deufol Tailleur subgroup until June 29, 2007. In fiscal year 2010, relationships with companies in which Mr. Wagner holds an interest resulted in expenses amounting to € 3,933 thousand (previous year: € 4,259 thousand) and sales of € 865 thousand (previous year: € 1,051 thousand). Services were provided at arm's-length prices in all cases and relate mainly to rental agreements and purchased materials.

The transactions with other related parties also include relationships with companies in which Mr. Detlef W. Hübner holds a majority interest. These transactions resulted in proceeds amounting to € 12 thousand (previous year: € 14 thousand) and expenses of € 21 thousand (previous year: € 12 thousand) in the year under review. At December 31, 2010, the Group had receivables from these companies in the amount of € 2 thousand (previous year: € 2 thousand) and liabilities in the amount of € 3 thousand (previous year: € 0 thousand).

Auditors' Report

"We have audited the consolidated financial statements – comprising the income statement, statement of income and accumulated earnings, balance sheet, cash flow statement, statement of changes in equity and notes – and the Company and Group management report prepared by Deufol AG (previously: D.Logistics AG, Hofheim am Taunus), for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the Company and Group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Company and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements 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 standards and in the Company and Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Company and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, 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 the Company 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 and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the 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 Company and Group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, March 31, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hanft	Bäcker
Certified auditor	Certified auditor

Responsibility Statement by the Management

“To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group 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.”

Hofheim (Wallau), March 31, 2011

Andreas Bargende | Tammo Fey | Detlef W. Hübner

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FACTS & FIGURES

Information on Deufol AG

Income Statement of Deufol AG

figures in € thousand	2010	2009
1. Sales	**2,150**	1,857
2. Other operating income thereof from currency translation: 162 (Vj. 0) Tsd. €	2,582	965
3. Personnel expenses a) Wages and salaries b) Social security contributions	 (1,942) (88)	 (1,778) (77)
4. Amortization of intangible assets and depreciation of property, plant and equipment	(258)	(573)
5. Other operating expenses	(4,042)	(9,712)
6. Income from profit and loss pooling agreements thereof from affiliated companies: € 1,015 thousand (previous year: € 8,823 thousand)	1,015	8,823
7. Income from investments thereof from affiliated companies: € 4,231 thousand (previous year: € 2,420 thousand)	4,213	2,420
8. Other interest and similar income thereof from affiliated companies: € 1,502 thousand (previous year: € 1,308 thousand)	1,559	1,353
9. Write-downs of financial assets	0	(523)
10. Interest and similar expenses thereof from affiliated companies: € 188 thousand (previous year: € 201 thousand)	(1,343)	(1,705)
11. Income/loss from ordinary activities	**3,864**	1,050
12. Income taxes	(183)	(321)
13. Other taxes	(11)	(47)
14. Net income/loss	**3,670**	682
15. Retained profits brought forward	2,568	2,275
16. Expenses for the withdrawal of treasury stock	0	(389)
17. Income from the capital reduction	0	382
18. Allocation to the capital reserves in accordance with § 237 (5) of the German Stock Corporation Act	0	(382)
19. Balance sheet profit	**6,238**	2,568

Balance Sheet of Deufol AG

Assets

figures in € thousand	Dec. 31, 2010	Dec. 31, 2009
A. Fixed assets	**103,709**	101,086
I. Intangible assets Acquired Patents, licenses, trademarks and similar rights and assets	209	19
II. Property, plant and equipment	6,218	6,797
1. Land, land rights and buildings including buildings on third-party land	5,978	6,490
2. Other equipment, operating and office equipment	240	307
III. Financial assets	97,282	94,270
1. Shares in affiliated companies	94,369	92,217
2. Loans to affiliated companies	2,913	2,053
B. Current assets	2,441	12,197
I. Receivables and other assets	2,419	12,127
1. Trade receivables	25	22
2. Receivables from affiliated companies	754	10,413
3. Other assets	1,640	1,692
II. Cash in hand, bank balances	22	70
C. Prepaid expenses	**20**	43
Total assets	**106,170**	113,326

Equity and Liabilities

figures in € thousand	Dec. 31, 2010	Dec. 31, 2009
A. Equity	**78,242**	74,572
I. Subscribed Capital Contingent Capital: € 8,413 thousand (previous year: € 8,507 thousand)	43,774	43,774
II. Capital reserves	28,184	28,184
III. Retained earnings Legal reserve	46	46
IV. Balance sheet profit thereof profit brought forward: € 2,568 thousand (previous year: € 2,275 thousand)	6,238	2,568
B. Provisions	**727**	1,494
1. Tax provisions	338	281
2. Other provisions	389	1,213
C. Liabilities	**27,192**	37,259
1. Liabilities to banks	20,838	20,854
2. Trade payables	353	107
3. Liabilities to affiliated companies	5,871	7,053
4. Other liabilities thereof taxes: € 60 thousand (previous year: € 207 thousand) of which social security liabilities: € 0 thousand (previous year: € 0 thousand)	130	9,245
D. Prepaid expenses	**9**	1
Total equity and liabilities	**106,170**	113,326

Key Subsidiaries/Affiliates of Deufol AG

	Equity interest (%)*	Subscribed capital (€ thousand)	Sales (€ thousand)	Employees
Consumer Goods Packaging				
Deufol Packaging N.V., Tienen, Belgium	100.00	927	11,248	159
Deufol België N.V., Tienen, Belgium	100.00	7,590	30,563	14
Deufol Suman Inc., Sunman, Indiana, USA	100.00	4,916	60,795	469
Deufol Italia S.p.A., Fagnano Olona, Italy	100.00	2,445	18,647	63
Industrial Goods Packaging				
Deufol West GmbH, Oberhausen	100.00	3,372	45,630	308
Deufol Nürnberg, Nuremberg	100.00	287	49,048	232
DTG Eggemann Industrieverpackung GmbH, Bochum	100.00	1,414	7,468	46
DTG Verpackungslogistik GmbH, Fellbach	51.00	420	6,806	28
Günter Baumann Transport + Verpackung GmbH, Oberhausen	100.00	330	9,050	63
Deufol Berlin GmbH, Berlin	100.00	266	13,060	52
Walpa GmbH, Walldorf	100.00	2,548	6,800	38
Warehouse Logistics				
Deufol Logistics Tienen N.V., Tienen, Belgium	100.00	952	12,009	179
Deufol Mitte GmbH, Hofheim	100.00	(2,157)	22,047	591
Dualogis GmbH, Erlenbach	51.00	1,015	4,000	51
Deufol Waremme S.A., Waremme, Belgium	98.75	3,900	10,360	73

*attributable to the relevant parent

Glossary

Acid test (%)
Ratio of cash and cash equivalents plus current receivables and inventories to current liabilities

Asset cover ratio I
Ratio of equity to noncurrent assets

Asset cover ratio II
Ratio of equity plus noncurrent liabilities to noncurrent assets

Asset depreciation ratio
Ratio of the accumulated depreciation of property, plant and equipment to the historical cost

Capital employed
Operating capital that is tied up in the operation of a company. It is the total of working capital, the net carrying amount of property, plant and equipment and other noncurrent assets (offset against other noncurrent, non-interest-bearing liabilities)

Cash ratio (%)
Ratio of cash and cash equivalents to current liabilities

Current ratio (%)
Ratio of cash and cash equivalents plus current receivables to current liabilities

Days payables outstanding
Ratio of trade payables to revenue

Day's sales in inventory
Turnover of inventories, expressed in days

Days sales outstanding
Ratio of trade accounts receivable to revenue

Dividend yield (%)
Dividend paid for the fiscal year as a ratio of the year-end stock exchange price

EBIT
Earnings before interest and taxes

EBITA
Earnings before interest, taxes and amortization / impairment of goodwill

EBITDA
Earnings before interest, taxes, depreciation and amortization / impairment of goodwill

EBT
Earnings before taxes

EBTA
Earnings before taxes and amortization / impairment of goodwill

Enterprise value
The enterprise value is the value (price) of a company if it were to be purchased and subsequently freed of debt (incl. the sale of non-operating assets such as financial assets). It is calculated as the sum of the company's market capitalization and net liabilities

Free cash flow
The net amount of cash flow from ordinary operating activities and cash flow from investing activities

Interest cover
The total of EBITA and interest income divided by interest expense

Inventory turnover
Ratio of cost of sales to inventories

Investment ratio
Ratio of expenditure on property, plant and equipment to revenue

Net carrying amount per share
Ratio of equity adjusted for deferred tax assets to the number of shares in circulation

Net financial liabilities
Financial liabilities less financial receivables and cash and cash equivalents

Operating cash flow
Net cash provided by operating activities

Personnel expense ratio
Ratio of personnel expenses to revenue

Price earnings ratio
Ratio of share price to earnings per share

Property, plant and equipment ratio
Ratio of property, plant and equipment to total assets

Receivables turnover
Ratio of revenue to trade accounts receivable

Working capital
Working capital is the difference between current assets and current non-interest-bearing liabilities

Key Group Figures – Five-Year Overview

Results of operations	2010	2009	2008	2007	2006
Sales (€ thousand)	307,132	290,053	336,748	337,737	322,363
Change as against previous year (%)	5.9	(13.9)	(0.3)	4.8	2.8
Gross profit (€ thousand)	37,457	30,361	41,000	39,572	38,054
Margin (%)	12.2	10.5	12.2	11.7	11.8
EBITDA (€ thousand)	20,031	16,238	24,001	20,767	26,356
Margin (%)	6.5	5.6	7.1	6.2	8.2
EBITA (€ thousand)	10,640	6,421	14,562	12,252	16,132
Margin (%)	3.5	2.2	4.3	3.6	5.0
EBT (€ thousand)	6,305	(380)	9,911	7,868	14,091
Margin (%)	2.1	(0.1)	2.9	2.3	4.4
Net income (€ thousand)	2,927	369	11,485	2,758	11,388
Margin (%)	1.0	0.1	3.4	0.8	3.5
Operating cash flow (€ thousand)	19,924	15,060	15,663	16,025	12,723
Margin (%)	6.5	5.2	4.7	4.7	3.9
Free cash flow (€ thousand)	13,505	12,254	15,113	(8,806)	8,755
Margin (%)	4.4	4.2	4.5	(2.6)	2.7

Asset ratios	2010	2009	2008	2007	2006
Current assets (€ thousand)	76,746	81,496	80,288	88,653	87,737
as % of balance sheet total	34.4	35.1	33.9	37.4	41.9
Noncurrent assets (€ thousand)	150,136	154,520	159,128	148,463	121,888
as % of balance sheet total	66.2	65.5	66.5	62.8	58.1
Balance sheet total (€ thousand)	226,882	236,016	239,416	237,116	209,625
change as against previous year (%)	(3.9)	(1.4)	1,0	13.1	(1.3)
Liabilities (€ thousand)	127,906	140,889	140,385	153,845	125,658
as % of balance sheet total	56.4	59.7	58.6	64.9	59.9
Shareholders' equity (€ thousand)	98,976	95,127	99,031	83,270	83,967
as % of balance sheet total	43.6	40.3	41.4	35.1	40.1
Working capital (€ thousand)	34,645	28,167	35,041	30,807	33,630
as % of balance sheet total	15.3	11.9	14.6	13.0	16.0
Capital employed (€ thousand)	175,531	172,241	173,546	161,487	148,396
as % of balance sheet total	77.4	73.0	72.5	68.1	70.8
Noncurrent/current assets	1.96	1.90	1.98	1.67	1.39
Shareholders' equity/liabilities	0.77	0.68	0.71	0.54	0.67
Property, plant and equipment ratio	0.23	0.22	0.23	0.24	0.27
Asset depreciation ratio (%)	61.5	60.7	57.5	56.6	56.0
Inventory turnover	21.8	22.2	25.7	20.9	20.7
Days sales in inventory	16.7	16.4	14.2	17.4	17.7
Inventories/sales (%)	4.0	4.0	3.4	4.2	4.3
Receivables turnover	8.1	6.6	7.7	6.3	6.2
Days sales outstanding	45.0	55.7	47.6	57.8	59.3
Days payables outstanding	30.8	32.8	25.9	35.2	38.8

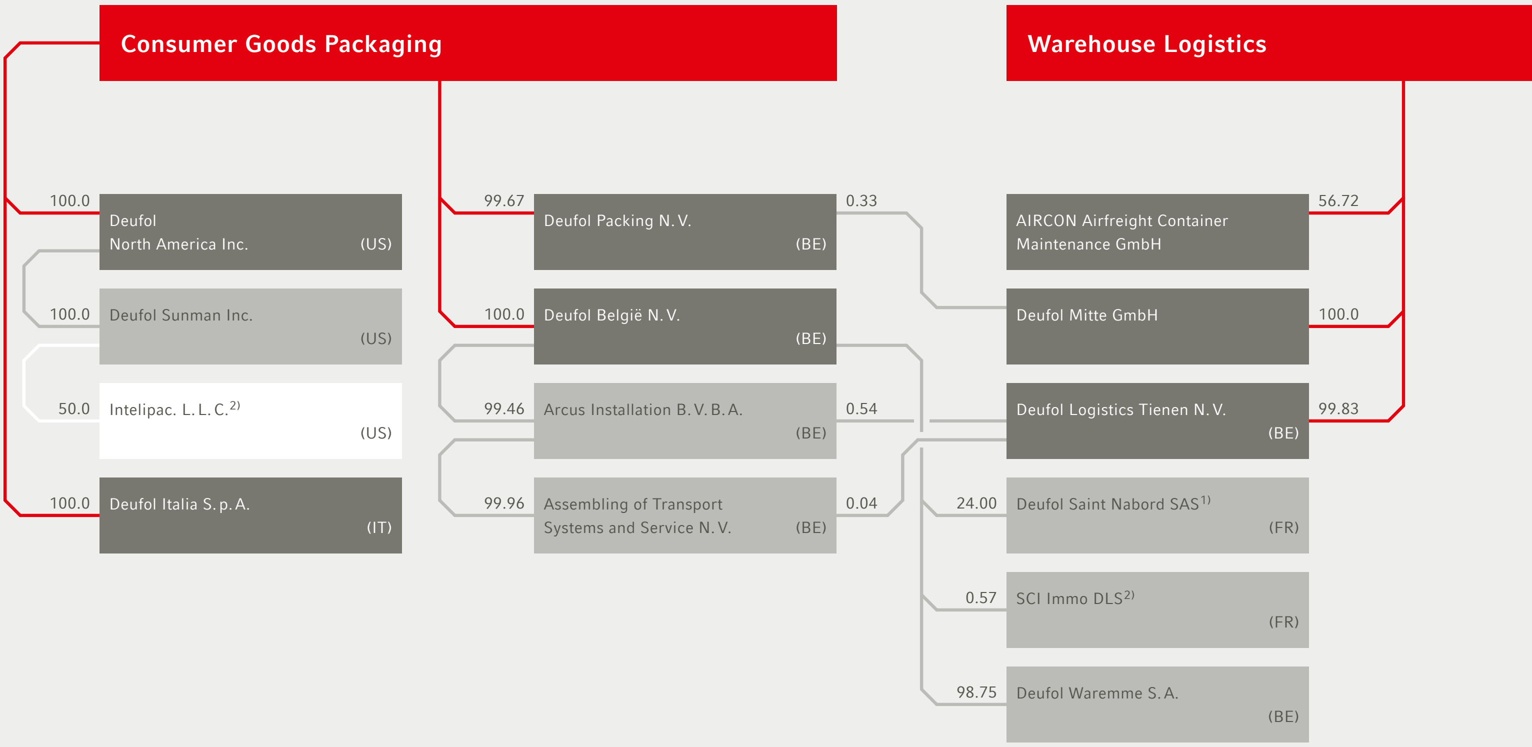
Financial and liquidity ratios	2010	2009	2008	2007	2006
Capital employed/sales (%)	57.2	59.4	51.5	47.8	46.0
Investment ratio (%)	2.6	2.3	2.1	1.6	2.3
Operating cash flow/investments	238.1	210.8	175.1	295.5	162.2
Asset cover ratio I (%)	78.8	75.3	73.2	64.2	82.9
Asset cover ratio II (%)	114.4	117.8	121.0	118.0	124.5
Interest cover	1.9	1.2	2.2	2.1	3.8
Cash ratio (%)	20.2	17.0	15.8	15.1	14.0
Acid test (%)	77.4	80.0	89.6	88.4	88.5
Current ratio (%)	92.3	93.4	104.6	105.4	105.0
Financial liabilities/shareholders' equity (%)	86.7	91.1	80.4	94.8	78.1
Financial liabilities/capital employed (%)	44.5	45.8	43.9	49.1	43.7
Net financial liabilities/EBITDA (%)	2.5	2.9	2.0	2.7	1.6
Net financial liabilities/market capitalization (%)	74.1	91.2	100.8	63.6	51.2

Productivity ratios	2010	2009	2008	2007	2006
Sales per employee (€)	105,908	100,364	105,663	110,697	102,500
EBITDA per employee (€)	6,907	5,619	7,534	6,809	8,380
EBITA per employee (€)	3,669	2,222	4,569	4,016	5,129
Operating cash flow per employee (€)	6,870	5,211	4,915	5,252	3,950
Personnel costs per employee (€)	31,231	32,670	32,726	34,232	33,712
Personnel cost ratio (%)	29.5	32.6	31.0	30.9	32.9

Per-share ratios	2010	2009	2008	2007	2006
Earnings per share (EPS) (€)	0.07	0.01	0.26	0.07	0.27
Price earnings ratio (PER)	22.7	141.3	4.3	30.1	7.1
Dividend per share (€)	0.03	0.00	0.07	0.00	0.00
Dividend yield (%)	2.0	—	6.36	—	—
Book value per share (€)	2.06	1.98	2.14	1.87	1.96
Price/book value	0.74	0.60	0.51	1.04	0.98
Book value per share less goodwill (€)	0.51	0.42	0.54	0.38	0.98
Price/book value less goodwill	3.0	2.8	2.0	5.1	2.0

Investment ratios	2010	2009	2008	2007	2006
Market capitalization/sales	0.22	0.18	0.14	0.26	0.25
Enterprise value/sales	0.40	0.39	0.32	0.45	0.39
Enterprise value/EBITDA	6.2	6.9	4.5	7.3	4.8
Enterprise value/EBIT	11.7	17.5	7.4	12.4	7.8
Enterprise value/operating cash flow	6.2	7.5	6.8	9.5	9.9
Enterprise value/free cash flow	9.2	9.2	7.0	n/m	14.3

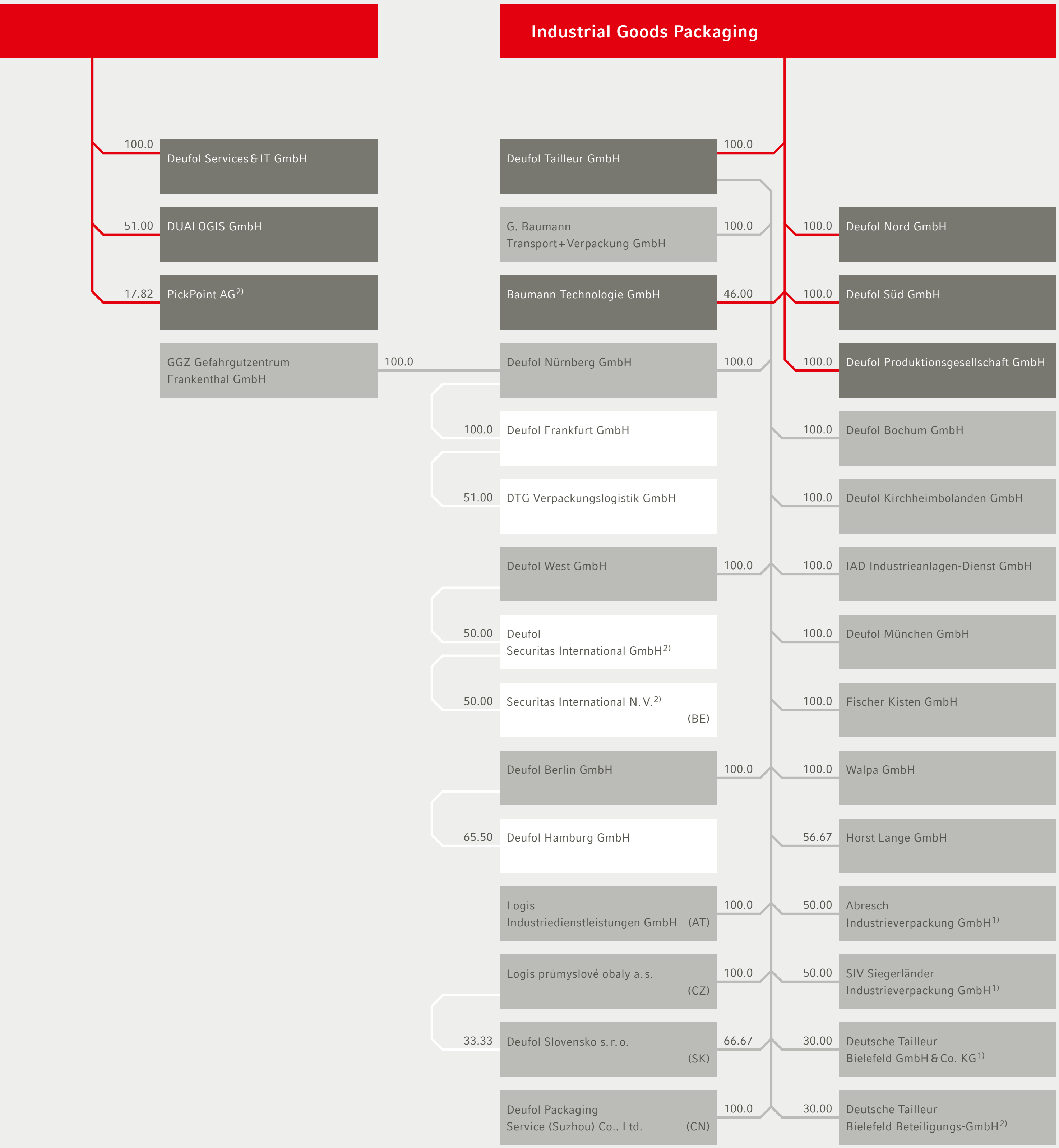
Operating Subsidiaries / Affiliates of Deufol AG *



Tier 1 investment
Tier 2 investment
Tiers 3 and 4 investment

1) included at equity
2) unconsolidated

* as at December 31, 2010 figures in %


Industrial Goods Packaging
100.0 Deufol Services & IT GmbH
51.00 DUALOGIS GmbH
17.82 PickPoint AG2)
GGZ Gefahrgutzentrum Frankenthal GmbH 100.0
Deufol Tailleur GmbH 100.0
G. Baumann Transport + Verpackung GmbH 100.0
Baumann Technologie GmbH 46.00
Deufol Nürnberg GmbH 100.0
100.0 Deufol Frankfurt GmbH
51.00 DTG Verpackungslogistik GmbH
Deufol West GmbH 100.0
50.00 Deufol Securitas International GmbH2)
50.00 Securitas International N.V.2) (BE)
Deufol Berlin GmbH 100.0
65.50 Deufol Hamburg GmbH
Logis Industriedienstleistungen GmbH (AT) 100.0
Logis průmyslové obaly a.s. (CZ) 100.0
33.33 Deufol Slovensko s.r.o. (SK) 66.67
Deufol Packaging Service (Suzhou) Co., Ltd. (CN) 100.0
100.0 Deufol Nord GmbH
100.0 Deufol Süd GmbH
100.0 Deufol Produktionsgesellschaft GmbH
100.0 Deufol Bochum GmbH
100.0 Deufol Kirchheimbolanden GmbH
100.0 IAD Industrieanlagen-Dienst GmbH
100.0 Deufol München GmbH
100.0 Fischer Kisten GmbH
100.0 Walpa GmbH
56.67 Horst Lange GmbH
50.00 Abresch Industrieverpackung GmbH1)
50.00 SIV Siegerländer Industrieverpackung GmbH1)
30.00 Deutsche Tailleur Bielefeld GmbH & Co. KG1)
30.00 Deutsche Tailleur Bielefeld Beteiligungs-GmbH2)

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