#2012 PACKAGING. NEXT LEVEL.

DEUFOL

ANNUAL REPORT

Key Figures for the Deufol Group

figures in € million	2012	2011	± (%)
Results of operations			
Revenue (total)	333.0	315.2	5.7
Germany	176.0	173.6	1.4
Rest of the World	157.0	141.6	10.9
International revenue ratio (%)	47.1	44.9	—
EBITDA	15.0	19.5	(23.2)
EBITA	6.2	10.7	(42.1)
EBIT	6.2	10.7	(42.1)
EBT	2.8	7.4	(62.0)
Income tax income (expenses)	(2.4)	(3.5)	(31.6)
Income (loss) from continuing operations	0.4	3.9	(89.5)
Income (loss) from discontinued operation	(0.3)	(3.3)	(89.6)
Profit (loss) for the period	0.1	0.6	(89.2)
of which noncontrolling interests	0.3	0.5	(33.9)
of which shareholders of the parent company	(0.3)	0.1	n/m
Earnings per share (€)	(0.006)	0.002	n/m
Balance sheet			
Noncurrent assets	144.8	146.7	(1.3)
Current assets	76.1	86.7	(12.2)
Balance sheet total	220.9	233.4	(5.3)
Equity	96.7	98.3	(1.6)
Liabilities	124.2	135	(8.0)
Equity ratio (%)	43.8	42.1	—
Net financial liabilities	55.0	57.9	(5.0)
Cash flow / investments			
Cash flow from operating activities	16.0	4.6	246.2
Cash flow from investing activities	(2.4)	(0.4)	558.0
Cash flow from financing activities	(17.7)	(9.8)	(81.5)
Investments in property, plant and equipment	8.7	7.3	20.0
Employees			
Employees (average)	2,764	2,818	(1.9)
Personnel costs	98.1	92.5	6.1

Table of Contents

002 TO OUR SHAREHOLDERS

002 Foreword by the Managing Directors
004 Report of the Administrative Board
008 The Share

011 MANAGEMENT REPORT

012 Business and Economic Environment
022 Corporate Governance
035 Results of Operations, Financial and Asset Position
045 Position of Deufol SE
048 Risk Report
053 Report on Dependence, Post-Balance-Sheet Date Events and Expected Developments

059 FINANCIAL STATEMENTS

060 Consolidated Income Statement
060 Statement of Total Comprehensive Income
061 Consolidated Balance Sheet
062 Consolidated Cash Flow Statement
063 Consolidated Statement of Changes in Equity

064 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

064 General Information
064 Basis of Preparation
078 Scope of Consolidation
082 Consolidated Income Statement Disclosures
088 Consolidated Balance Sheet Disclosures
102 Consolidated Cash Flow Statement Disclosures
103 Other Disclosures
110 Segment Information by Region and Service
113 Supplementary Disclosures
116 Auditors' Report
117 Responsibility Statement by the Management

119 FACTS & FIGURES

120 Information on Deufol SE
120 Income Statement of Deufol SE
121 Balance Sheet of Deufol SE
122 Key Subsidiaries / Affiliates of Deufol SE
123 Glossary
124 Key Group Figures – Five-Year Overview
126 Operating Subsidiaries / Affiliates of Deufol SE
128 Imprint

Foreword by the Managing Directors

Fiscal Year 2012: Renewal, Operational Excellence, Business Continuity

**Dear shareholders and business partners,
ladies and gentlemen,**

2012 was a year of significant change and renewal for Deufol SE. Beside the conversion from a German to a European stock corporation (Societas Europaea) at the end of the year and the introduction of registered shares, important personnel and organizational changes have been initiated throughout the Company. While several personnel changes were associated with the clear-up of fraudulent activities committed by some managers over the past few years, most of these changes were linked to the need to establish structures and processes to enable a long-term, competitive framework so as to continue to satisfy our customers' expectations of optimum quality.

Deufol has an extremely broad and strong customer base. Our future success is founded upon the maximum quality and reliability of our services, benchmarked against our customers' ever-increasing demands. Our work in 2012 focused on preparing Deufol so that it can continue to grow in parallel with our customers' requirements. The integration of our Group companies and business locations continued – both nationally and internationally – as a key prerequisite for "best practice sharing" which is now critical for our Company. On the other hand, an "Operational Excellence" initiative was established. The goal is to inculcate a continuous spirit of innovation, to boost productivity and to offer first-class service quality on a long-term basis, while exploiting advantages of size and diversity. This initiative was launched in 2012 but will continue over the course of the next few years and place demands on the management's attention. It is intended to benefit everyone – our customers, our employees and naturally also our shareholders.

Our outstanding qualities as a packaging services provider include our international presence. Many of our customers have a "global footprint", which means that it is essential for us to develop and provide our services with our customary level of quality, at an international level. For coordinated fulfillment with this goal, among other measures we have established a World Board which coordinates "best practice sharing" and promotes business development at a global level. The development of our Asia business is particularly critical in terms of our international presence. We have realized a basic precondition for the development of this business segment through our new management appointments in Asia. In 2012, we continued to concentrate on establishing a clear structure for our Asia operations. We expect that this region will play a critical role for our customers and for our Company.

In many locations, the year 2012 was marked by uncertainty over the economic trend and cautious behavior on the part of our customers. This was particularly evident in Italy and Belgium. We are delighted to have gained new customers in Italy despite a challenging economic environment. This should boost the Company's performance in the coming year. In Belgium, our Tienen location is currently focusing on consolidation due to the regional withdrawal of a major customer. On the other hand, we can look back on a solid performance in the Czech Republic and Slovakia. Our companies in these two countries both converged with Industrial Packaging in Germany in the past year and should benefit from an enhanced international Group-wide relationship in future. In the USA we established a new platform for our battery packaging business, particularly due to the implementation of our Operational Excellence initiative. In 2012, we were highly confident regarding the outlook for this segment, in view of strong Data Packaging growth. However, our main customer has been forced to consolidate his activities due to overproduction of gift cards – a disappointing development, to be sure – and our US organization is now concentrating on reorganizing this segment. This task will certainly be one of the key challenges for 2013.

Activities in Germany in the past year were clearly marked by continuing integration and installation of central structures. In the current fiscal year, our goals include streamlining of our Group operations. We aim to reduce the high volume of expenditure which has resulted from clear-up and conversion activities in particular. Looking forward, it will also be crucial for us to focus on our strengths. With our extraordinarily high quality standard, our international presence, our IT competence and our potential for innovation, we are ideally placed for the continuing development of our business, nationally and internationally, on behalf of our customers, our employees and our shareholders.

We continue to stand by the goal of establishing Deufol as an unparalleled provider of packaging services.

We would therefore like to thank our business partners and our shareholders for the confidence which you have placed in us. We are especially grateful for this trust during the current period of transformation. Naturally, we would also like to express special thanks to our employees, who have achieved great things and who guarantee Deufol's quality.

We still have some challenges ahead of us. We look forward to tackling them!

Yours sincerely,

The Managing Directors

Dr. Tillmann Blaschke, Jens Hof, Dennis Hübner, Detlef W. Hübner,
Jürgen Schmid, Manfred Weirich

Report of the Administrative Board

In the following report, the Administrative Board provides notice of its key activities in fiscal year 2012. Pursuant to the resolution passed by the Annual General Meeting on July 4, 2012 and the entry made in the commercial register on December 21, 2012, Deufol AG underwent a change of corporate form and was converted to become Deufol SE. Prior to its conversion, the Supervisory Board advised and monitored the Executive Board in its management of the Company's activities. Following its conversion, the Company is managed by its Administrative Board ("one-tier system") which determines the basic profile of its activities and monitors their implementation by the managing directors. The key areas of the Administrative Board's management, supervisory and advisory activities, the activities of the committees, the audit of the annual and consolidated financial statements, relationships with associates and changes to the executive bodies are commented on below.

Prior to its conversion, 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 six 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. All of the members of the Supervisory Board attended all of its meetings.

Key Topics of Discussion

In the period of review, the now completed conversion of Deufol AG into Deufol SE, the extensive preparatory activities and restructuring of the executive bodies were a strategic focus for the Supervisory Board's discussions with the Executive Board.

The conversion has significantly strengthened management structures within the Group as a whole and has thus fulfilled a key prior goal.

In addition, the Supervisory Board intensively examined sales and results of operations in the individual business segments, with a clear focus on increased operational efficiency in Industrial Packaging in Germany and on the development of international business activities in the USA, China, Belgium and Italy.

The ongoing development of the Company's medium- and long-term financing strategy was another core focus of the Supervisory Board's activities.

The Supervisory Board noted the economic planning for 2012 at its meeting held on March 21, 2012.

Other Topics of Discussion

Together with the Executive Board, the Supervisory Board resolved and brought a civil action seeking compensation from the former Executive Board members Andreas Bargende and Tammo Fey as well as other former executives. In addition, on April 4, 2012 the Executive and Supervisory Boards filed criminal charges of bribery and corruption as well as embezzlement. This was discussed in detail at the Annual General Meeting held on July 4, 2012.

The Company's former Executive Board members have brought remuneration claims in connection with their dismissal. The Company has rejected these claims and they are currently the subject of employment law disputes.

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 2012.

Committees

The Supervisory Board only consists of three members, so that it was 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 were responsible for performing the checks laid down in section 107 (3) of the German Stock Corporation Act. It is thus responsible for accounting and monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, internal auditing, compliance and auditing, particularly concerning the independence of the auditors and the additional services provided by the auditors. 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 July 4, 2012 and the subsequent audit engagement issued by the Supervisory Board, the annual financial statements for the fiscal year from January 1 to December 31, 2012 prepared by the managing directors in accordance with the German Commercial Code, as well as the management report of Deufol SE, were audited by Warth & Klein Grant Thornton, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion.

The consolidated financial statements of Deufol SE were prepared in accordance with the International Financial Reporting Standards as stipulated by section 315 a 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 managing directors' proposal for the appropriation of net profit and the audit reports issued by the auditors, were presented to the Administrative Board. The Administrative Board examined these documents and discussed them in the presence of the auditors. The Administrative Board concurred with the results of the audit and, based on the results of its own examination, did not raise any objections. The Administrative Board approved the annual financial statements of Deufol SE for 2012 and the consolidated financial statements at the meeting held on April 17, 2013. The annual financial statements were thereby adopted. The Supervisory Board also approved the managing directors' proposal for the appropriation of net profit.

Report on Dependence

The managing directors have also compiled a report regarding the Company's relationships with associates and presented this to the Administrative 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 or disadvantages were balanced out,
3. in respect of the measures stated in the report, there are no factors suggesting an assessment significantly different from that of the managing directors."

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

Administrative Board

Pursuant to the resolution passed by the Annual General Meeting of Deufol AG held on July 4, 2012, Mr. Helmut Olivier, Prof. Dr. Wolfgang König, Mr. Wulf Matthias, Dr. Helmut Görling, Mr. Detlef Hübner, Dr. Tillmann Blaschke and Mr. Dennis Hübner were appointed as the shareholder representatives of the first Administrative Board of Deufol SE, in accordance with section 9 (3) of the Articles of Association of Deufol SE.

The Administrative Board members thus appointed commenced their terms of office at the constitutive meeting of the Administrative Board held on December 20, 2012, at which they were all present. Detlef Hübner was elected Chairman and Helmut Olivier Deputy of the Administrative Board. They both accepted their appointments. The Company's managing directors were subsequently appointed. Finally, the by-laws for the Administrative Board and the managing directors were enacted and brought into force.

Hofheim, April 17, 2013

For the Administrative Board
Detlef W. Hübner
Chairman

The Share

Key information for the Deufol share

Security code number	
to Feb. 1, 2013	510 150
from Feb. 4, 2013	A1R 1EE
International Securities Identification Number (ISIN)	
to Feb. 1, 2013	DE0005101505
from Feb. 4, 2013	DE000A1R1EE
Stock exchange code	
to Feb. 1, 2013	LOI
from Feb. 4, 2013	DE1

Key figures for the share

figures in €	2012	2011
Earnings per share from continuing operations	0.001	0.077
Earnings per share from discontinued operation	(0.008)	(0.074)
Equity per share	2.21	2.25
Equity ratio (%)	43.79	42.14
Dividend	n/a	0.03
Peak price	1.20	1.75
Lowest price	0.78	0.92
Closing price for the year	1.02	0.98
Daily trading volume (Ø, units)	26,916	42,916
Number of shares	43,773,655	43,773,655
Market cap. (€ million)	44.65	42.68

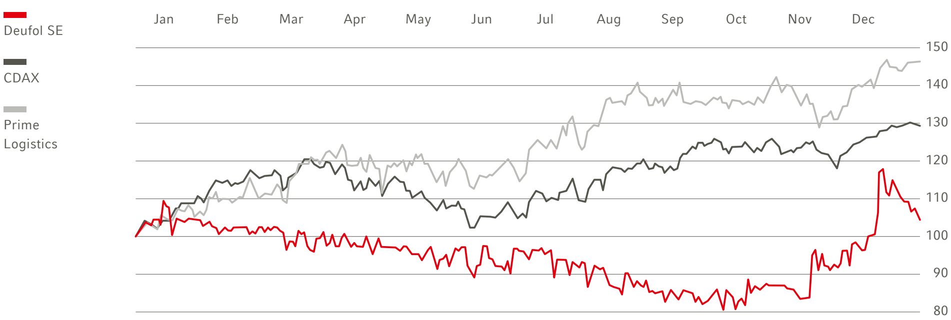
Highly Favorable Stock Market Year 2012

The 2012 stock exchange year was shaped by a positive net price trend on most stock markets. Following a favorable start to the year, the stock exchanges then lost ground in the period leading up to the summer. This was due to the historic debt haircut recognized in Greece, the concerns over Spain and the rising fears of a collapse of the Eurozone. The tide only turned in late July when the European Central Bank announced that it would do everything possible to secure the euro's continuing viability, and with the establishment of the permanent Eurozone rescue facility. Prices rose considerably on almost all major indexes in the period up to the end of the year.

The MSCI World Index climbed almost 13 % in the past year. On the leading US stock exchange, the representative Standard & Poor's 500 index was up a good 13 %, while the NASDAQ technology exchange realized slightly stronger gains of 16 %. In Japan, prices rose by almost 23 %, relative to the Nikkei 225. European stock markets also gained considerable ground, and the EURO STOXX 50 was up by a good 14 %. The German stock market benefited particularly strongly from this trend. Measured against the DAX, blue chips rose around 29 %. Small caps were not quite able to keep up with this performance, but the SDAX nonetheless gained almost 19 % over the course of the year.

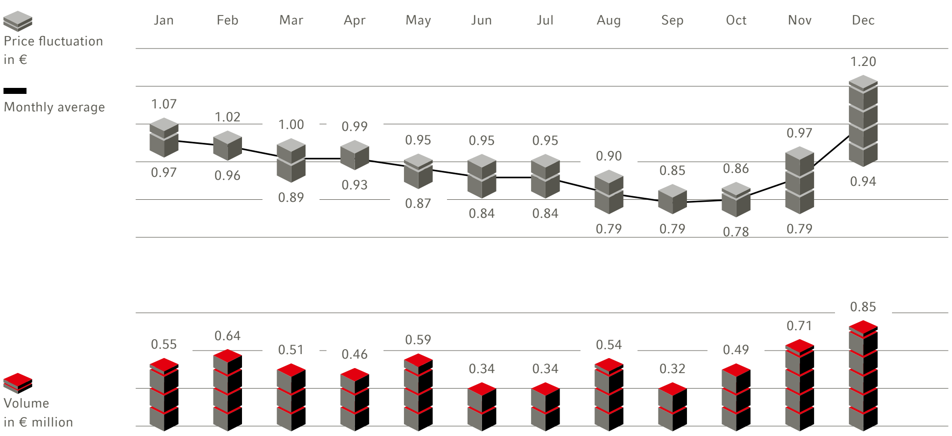
Relative performance of the Deufol share

indexed, as %, January 1 – December 31, 2012



Highs and lows of the Deufol share

figures in €



Deufol Share Realizes Slight Growth

The Deufol share ended the year with a price rise of 4.1 %. Adjusted for the dividend of 3 cents, the growth amounted to 7.1 %. Over the course of the year it fluctuated in a corridor between € 0.78 and € 1.20. The share reached its lowest closing price in late September and early October, at € 0.79. This was followed by an upward movement which continued as far as early December, with fluctuations. The share reached its highest closing price on December 7, at € 1.15. Toward the end of the year its price fell again slightly, and the Deufol share closed the year at a price of € 1.02. The sector index of logistics stocks (DAXsubsector Logistics) quoted in the Prime Standard – which includes Deufol – rose by 46 %.

In Xetra and floor trading on German stock exchanges approx. 6.8 million Deufol shares were traded in fiscal year 2012 with a value of € 6.3 million. This corresponds to an average daily trading volume of 26,916 shares.

Deufol SE Financial Calendar

Annual Financial Statements 2012	April 18, 2013
Interim Report I/2013	May 14, 2013
Annual General Meeting 2013	July 2, 2013
Semi-Annual Financial Report 2013	August 13, 2013
Interim Report III/2013	November 12, 2013

Conversion to Registered Shares – Subscribed Capital Unchanged

The Annual General Meeting held on July 4 resolved the conversion of Deufol AG into a European stock corporation (Societas Europaea, SE). Through its conversion to an SE, Deufol AG has responded to the increasing internationalization of its business activities and its workforce. Deufol SE was entered in the commercial register on December 21, 2012. The Annual General Meeting also resolved the conversion of bearer shares to registered shares. Registered shares enable enhanced direct communication between a stock corporation and its shareholders. Since February 4, 2013, the Deufol share has been listed as a registered share.

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 (since February 4, 2013: registered shares). The number of shares admitted to stock market trading remained constant as of December 31, 2012 at 46,292,011 units. An amount of € 20,000,000 was available as Approved Capital as of December 31, 2012 for the issuance of new shares in return for cash contributions or contributions in kind. This capital is available until June 15, 2014.

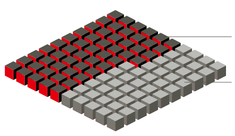
Shareholder Structure – Administrative Board Member Detlef W. Hübner has Majority Holding

Deufol SE's ownership structure is crucially determined by the Company's founder and Administrative Board member Detlef W. Hübner. The holdings attributed to him increased slightly in the past fiscal year to 53.7 % (previous year: 52.9 %).

A further 5 % to 10 % of the shares are held by institutional investors while the remainder is divided up among approx. 18,500 private shareholders.

Shareholder structure

figures as %



53.7 %	Detlef W. Hübner
46.3 %	Other shareholders

Earnings per Share

The earnings per share result from dividing the result due to the shareholders of Deufol SE by the weighted average number of shares in circulation. In fiscal year 2012, as in the previous year, an average of 43,773,655 shares were in circulation. The earnings per share from continuing operations on this basis were € 0.001 (previous year: € 0.077). Earnings per share from the discontinued operation amounted to – € 0.008 (previous year: – € 0.074).

Promotional & Display Packaging

When you need a compelling presentation of your products at the point of sale, you can depend on the services of Deufol. As a full-service provider, we develop custom-tailored, flexible solutions for your promotions, which we will package for you "on demand". This means the packaging is produced precisely when it is actually needed, allowing you to respond faster to changes in demand and to profit from maximum flexibility.

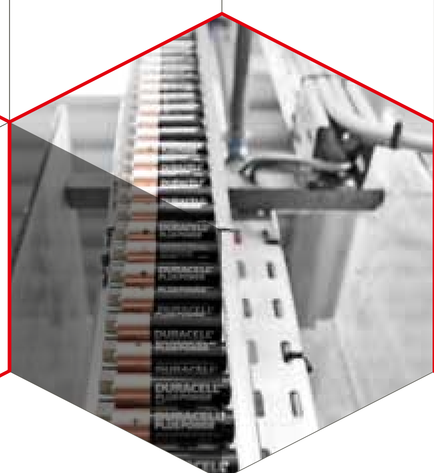
Deufol provides services across the entire process chain for Promotional & Display Packaging – including design, procurement, and distribution. This enables us to convert fixed customer costs for the purchase of packaging materials into variable costs, and bolster the trend toward increased economical and ecological sustainability by reducing the materials required.

Automated Packaging

The ability to package large volumes quickly and (cost-) efficiently is the very essence of productivity and defines the success of the packaging of bulk commodities and consumer goods. Deufol has distilled this into a strategy that guarantees our customers a decisive advantage over their competition in a way no other international packaging specialist can. At Deufol, Automated Packaging is an integrated process where the production of the packaging materials, the automated act of packaging itself, and the preparation for secondary packaging go hand in hand.

Our exceptional expertise in the adept utilization of high-tech machinery sets us apart from the others, allowing us to set in motion optimum packaging and process engineering for each product based on the customer's requirements and the demands of the product.

012 Business and Economic Environment
022 Corporate Governance
035 Results of Operations, Financial and Asset Position
045 Position of Deufol SE
048 Risk Report
053 Report on Dependence, Post-Balance-Sheet Date Events and Expected Developments



Business and Economic Environment

Organizational Structure and Business Fields

Structure of the Deufol Group

The Deufol Group (together with its key subsidiaries and investments) is a global premium service provider in the field of packaging and related services. Deufol SE is the Group's parent company and is seated in Hofheim (Wallau). It has direct or indirect interests in key Group companies which handle operating business in the individual countries. Overall, on the balance sheet date, 36 direct and indirect subsidiaries were included in the consolidated group of Deufol SE. Of these companies, 21 were German companies while 15 were domiciled in other countries. Please see the chapter "Facts & Figures" on pages ▶ 120 ff. for a summary of our operationally active investments and their corporate structure.

Organization and Management

In the past fiscal year, Deufol AG underwent a change of corporate form and was converted into a European company (Societas Europaea, SE) pursuant to the resolution passed by the Annual General Meeting on July 4, 2012 and the commercial register entry of December 21, 2012.

Deufol SE has a one-tier management system and its Administrative Board acts as a uniform management body. The Company's managing directors handle its business in accordance with prevailing law, the Articles of Association, the by-laws for the managing directors and the guidance of the Administrative Board, by fulfilling the basic tasks and instructions specified by the Administrative Board.

As a management holding company Deufol SE does not have any client business and instead mainly handles management and control tasks. These include defining strategic business fields, appointments to management positions, and control of the flow of capital within the Group.

The managing directors and site managers are responsible for on-site management of operational processes, with due consideration of regional specifics. Management is in the form of annual budget planning, individual 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.

As a global premium service provider, in general we offer our services at all of our locations and benefit from extensive international experience. We have divided up our expertise into the following five service areas:

- Export & Industrial Packaging
- Automated Packaging
- Promotional & Display Packaging
- Data Packaging
- Supplementary Services

Export & Industrial Packaging

The Export & Industrial Packaging service group mainly comprises packaging activities for manufacturers in the mechanical and plant engineering sector. This includes computer-based construction of packaging, individual and serial crate production, export packaging logistics, sea freight, air freight and hazardous goods packaging as well as the management of major industrial projects. Our proprietary IT solutions, our high-quality CAD crate design and our software support system for management of separate parts within the scope of the packaging process are key factors in our success. Within the framework of Export & Industrial Packaging, we also provide further industrial services such as disassembly services and spare parts warehousing.

Automated Packaging and Promotional & Display Packaging

Our Automated Packaging and Promotional & Display Packaging services comprise consumer goods packaging services. They include the entire spectrum from fully automated packaging of bulk commodities using high-tech machinery to manual stocking of exceptionally eye-catching displays. We ensure the continuous development of our range of services as integrated services and provide support services for the packaging process such as labeling, repackaging, distribution logistics, and transport and document management.

Data Packaging

The Data Packaging service area comprises innovative packaging solutions, particularly for gift cards. Automated packaging of gift cards is supplemented with highly effective data management services and is offered with integrated, seamless data tracking. This area of competence also includes design and personalization of cards, specialty packs (enclosure of promotional articles) and multipacks of up to eight cards.

Supplementary Services

This comprises services such as warehouse planning and management, handling small volumes and samples, commissioning, contract logistics and value-added services.

Business Development and Operational Responsibility

Business Development comprises all activities associated with the development of our existing business operations globally and at all of our locations. Besides operational responsibility for ensuring the smooth handling of day-to-day business, the site managers are responsible for maintaining and developing local customer relationships as well as developing new ones. Each site manager works hand in hand with Business Development.

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 packaging (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
- Strong in-house IT expertise ensuring intelligent packaging and warehouse logistics

Locations of the Deufol Group

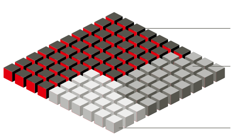
Globally Positioned with Locations in Ten Countries

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, 2012 we had around 54 locations which account for a total of 52.9 % of Group sales. The Rest of Europe – which accounts for around 25.8 % of business – comprises 16 operational facilities in Belgium, France, Italy, Austria, the Slovak Republic and the Czech Republic.

Sales by region

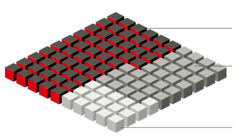
figures in € million



176.0	Germany
85.9	Rest of Europe
71.1	USA/ Rest of the World

Assets by region

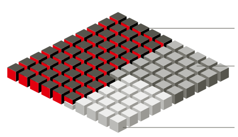
figures in € million



120.9	Germany
68.0	Rest of Europe
36.1	USA/ Rest of the World

Employees by region

Deufol Group

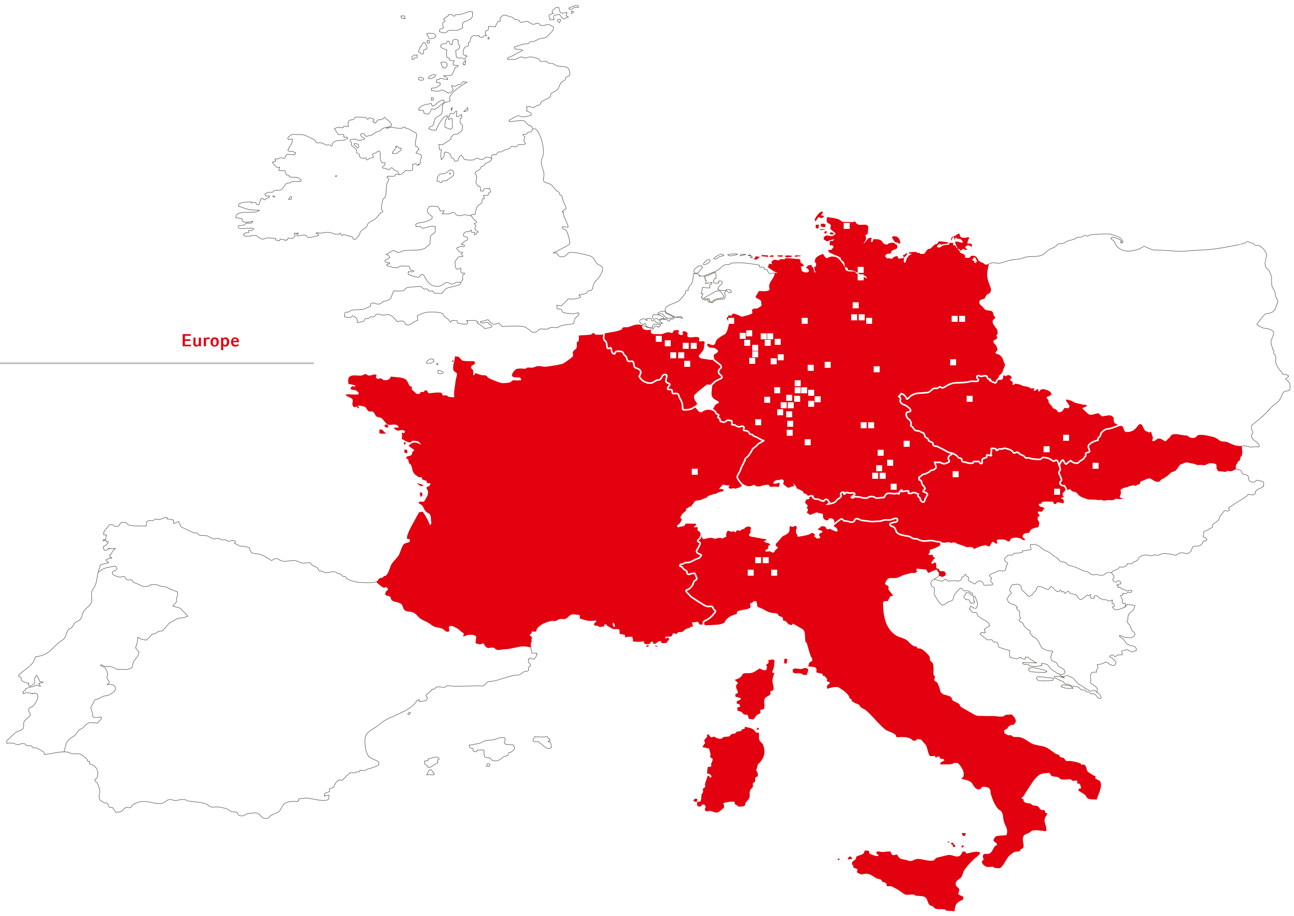


1.459	Germany
709	Rest of Europe
556	USA/ Rest of the World

In the USA/Rest of the World – which contribute approx. 21.3 % of sales – business is handled through our two locations in Charlotte and Sunman. Our locations in Asia are situated in the eastern People's Republic of China, in Suzhou in the vicinity of Shanghai, and in Singapore.

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

Europe



Number of locations

Germany	54
Rest of Europe	16
USA/Rest of the World	4

Region-Oriented Segment Structure Notes 42, 43

The management and reporting structure of Deufol SE is based on the following geographical regions which are summarized for management purposes:

- Germany
- Rest of Europe
- USA / Rest of the World

Competition Environment

High Level of Customer Loyalty, Varying Levels of Competition

The Deufol Group provides its services in a range of different competitive scenarios through its presence in various regions. In 2012, Export & Industrial Packaging maintained its strong market position in Germany. This is a fragmented market, and as one of the key players Deufol is able to exploit economies of scale.

The orientation of the Automated 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. Competition is stronger in Promotional & Display Packaging due to the high volume of manual work.

Multipack gift cards solutions – a key Data Packaging service – are provided on the basis of many years of know-how in Automated Packaging and strong IT expertise, which yields a competitive advantage over other providers. In this service area we also gained important orders in the USA and Europe, enabling us to further strengthen our market position.

For our Supplementary Services – particularly warehouse logistics – the intensity of competition varies since 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. for 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 SE controls its subsidiaries in accordance with their growth perspectives and individual income situations. For this purpose, in fiscal year 2012 a performance-related remuneration system was introduced for the first time at the level of site managers.

This is based on a planning and budgeting process comprising both clear 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. Regular meetings between the managing directors of Deufol SE 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 at-equity method, and amortization / impairment of goodwill) target of more than 5 % (2012: 1.9 %).

In the nonoperating 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 exceed 40 % on a long-term basis (December 31, 2012: 43.8 %).

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. We are thus continuously developing our services in line with our customers' requirements. Ongoing optimization of our crate production system is also a key focus.

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.

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.

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, or through close cooperation with our customers.

Economic Outline Conditions

Weaker Global Economy in 2012

According to the Kiel Institute for the World Economy (IfW), the global economy noticeably weakened in the course of 2012. In the second quarter, global gross domestic product expanded at a current annual rate of 2.1 %, the lowest level of growth since global recession was overcome in 2009, while in the second half of the year expansion remained weak, with levels of around 2.5 %. However, there are now increasing signs of a clear revival of output. In particular, sentiment indicators have clearly risen worldwide since last autumn. The IfW's indicator for global economic activity – which reflects corporate sentiment in 42 countries – has signaled a clear upturn in global economic activity for the first quarter of 2013. The significant rise in this indicator reflects above all an improvement in sentiment in the advanced economies. The corresponding indicators in the emerging markets rose only slightly (but these had already overcome their lows in previous months).

According to the IfW, the advanced economies weakened significantly in the course of the past year. In the fourth quarter, gross domestic product even contracted in the G7 countries. Output decreased significantly in Europe but increased slightly in the United States and Japan. The other advanced economies in the Asia region likewise realized only moderate growth. However, the collapse in the autumn of the previous year had followed an extended phase of merely middling output growth. In the advanced economies, in view of gross-domestic-product growth levels which are likely lower than the growth rate for productive capacity, with average levels of less than 2 %, talk of an upturn has been misplaced for some time now.

Recession in the Eurozone

In the view of the IfW, in the past year the Eurozone's economy was shaped by the sovereign debt and bank crisis. Economic activity has now been on the decline since the winter of 2011–2012. The fourth quarter of 2012 marked the strongest fall in gross domestic product to date; overall economic output contracted by an annualized rate of 2.3 %. As well as investments – which clearly declined with a current annual rate of 4.5 % – private consumption also decreased significantly. As in the previous two quarters, government consumption fell slightly. Besides domestic utilization, which has been declining for some time now, the current account balance also fell in the past quarter. In particular, exports – which had previously buoyed the economy – noticeably contracted. This is likely also attributable to external factors such as weaker overall global trade. The Eurozone's nominal goods exports to the rest of the world fell for the first time since the Great Recession.

According to Eurostat, the average rate of inflation was 2.2 % (2011: 2.7 %) in the Eurozone and 2.3 % (2011: 3.0 %) in the EU27.

Germany: Gradual Economic Recovery

According to the IfW in Kiel, in the past year Germany's real gross domestic product increased by just 0.7 %. The German economy thus significantly outperformed the rest of the Eurozone, but this nonetheless represented a clear slowdown on the previous year. The economic trend clearly weakened over the course of the year, and in the final quarter of 2012 overall economic output suffered a strong decline. With a current annual rate of 2.3 %, the fall in gross domestic product was significantly stronger than a year previously, when the economy had also suffered a setback due to the Eurozone crisis. Slack foreign trade was the key factor here. Exports fell strongly due to the weak foreign economic trend, while imports declined only slightly. Foreign trade provided its most negative contribution to the gross-domestic-product trend in almost four years. On the other hand, domestic utilization has improved again for the first time in a good year, albeit only slightly. While private consumer spending has increased slightly, plant and equipment investments have once again significantly decreased. They have already been falling for more than a year now. Continuing uncertainty regarding the future economic outlook (particularly in other European countries) is likely a factor here.

According to the IfW, the weaker economy has had less of an impact on the labor market than expected. While the number of employees subject to social insurance contributions rose more slowly than in the last few months of 2012, the trend continued to point clearly upward.

In 2012, prices of all private consumer goods and services were on average 2.0 % higher than in the previous year. Annual inflation was thus lower than in the previous year (2011: +2.0 %). In 2012, inflation was shaped by the above-average trend for energy products, the prices of which rose 5.7 %.

Overall Summary of Business Performance

Group figures

figures in € million	2012	± (%)
Sales	333.0	5.7
EBITA	6.2	(42.1)
Adjusted EBITA	10.1	5.2
Net financial liabilities	55.0	(5.0)

Deufol Group: Business Performance in 2012

In 2012, the Deufol Group realized a positive sales trend which was mainly driven by the American market, where sales rose by 30.4 % to € 71.1 million (20.5 % on a currency-adjusted basis). In the Rest of Europe we were at almost the same level as in the previous year (€ 85.9 million, compared to € 87.0 million) while in Germany, at € 175.7 million, we were slightly higher than in the previous year (€ 173.2 million).

The figures were negatively affected by one-off expenses associated with the action for damages versus former managers of the Company. In 2012, Deufol SE filed criminal charges against the former managing director of the subsidiary Deufol Nürnberg GmbH and the former CEO of Deufol SE and others. In the period from 2006 to 2011, the above persons are suspected of having acted in business dealings to the detriment of the Deufol Group. The total damages asserted in the civil action currently amount to € 26 million. In this connection, one-off expenses of € 3.9 million have arisen at the level of the holding company for investigations, court proceedings and reorganization. The expenses associated with the launch of a European stock corporation (SE) and the registered shares are a small proportion of this amount.

On the results side, Germany has performed well. This is mainly attributable to improved results in Export & Industrial Packaging. In the USA, results were disappointing (especially in the fourth quarter). In the Rest of Europe, earnings were also lower than in the previous year. This decrease is largely attributable to one-off items in 2011 which are now no longer applicable (these totaled approx. € 1.6 million and resulted from the release of a liability to employees and from income from a legal dispute) as well as reduced packaging volumes at our Belgian automotive location. In overall terms, the operating result was at € 6.2 million lower than in the previous year (€ 10.7 million). Allowing for the positive one-off items in 2011 in the amount of € 1.6 million and the one-off expenses of € 0.5 million which arose in 2011, the comparative operating basis amounts to € 9.6 million. The comparative operating result is at € 10.1 million approx. € 0.5 million higher than in the previous year.

Goal achievement 2012

figures in € million	Sales	EBITA
Original planning	315 – 330	12 – 14
Revised planning*	325 – 330	8.1 – 10.1
Actual figures	333.0	6.2

* EBITA revised for one-off expenses in connection with the action for damages versus former managers

Revised Planning Targets Partially Missed

With an annual sales volume of € 333 million we achieved our target and marginally exceeded our original corridor of € 315 million to € 330 million.

The operating result (EBITA) reached € 6.2 million and thus fell below our revised planning corridor. Our disappointing performance in the USA (particularly in the fourth quarter) was a key factor in our failure to match our adjusted planning targets.

012 Business and Economic Environment
022 Corporate Governance
035 Results of Operations, Financial and Asset Position
045 Position of Deufol SE
048 Risk Report
053 Report on Dependence, Post-Balance-Sheet Date Events and Expected Developments

Corporate Governance

Corporate Governance Statement

Responsible Corporate Management

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, the cooperation between them, and the monitoring of their actions. Key aspects of good corporate governance include respect for shareholder interests, efficient cooperation between the Administrative Board and the managing directors, 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.

Conversion of Deufol AG to Deufol SE

Pursuant to the resolution passed by the Annual General Meeting on July 4, 2012 and the entry made in the commercial register on December 21, 2012, Deufol AG has undergone a change of corporate form and has been converted to become Deufol SE.

Declaration of Conformity with the German Corporate Governance Code

Pursuant to Art. 9 (1) c) (ii) of the SE Regulation and section 22 (6) of the German SE Implementation Act (SE-Ausführungsgesetz, SEAG) in connection with section 161 of the German Stock Corporation Act, the Administrative Board of Deufol SE hereby declares that Deufol SE (previously Deufol AG, hereinafter "Deufol SE" or the "Company") has complied and currently complies – and if not, why not – with the recommendations of the "Government Commission on the German Corporate Governance Code" as stipulated in the version of the Code as of May 26, 2010 (valid since July 2, 2010) and the version of the Code as of May 15, 2012 (valid since June 15, 2012) (both hereinafter jointly the "Code") since its last declaration of conformity in February 2012, with due consideration of the specific features of Deufol SE's one-tier system (as detailed in Item 1) and with the deviations indicated in Item 2. The Administrative Board also accounts for the Company's non-compliance with specific recommendations.

1. Specific features of the one-tier corporate governance system

In accordance with Art. 43 – 45 of the SE Regulation in connection with sections 20 ff. SEAG, in the one-tier system the SE is controlled by a uniform management body, its Administrative Board (cf. Para. 7 of the preamble to the Code). The Administrative Board manages the Company, determines the basic profile of its activities and monitors their implementation by the managing directors. The managing directors handle the Company's business, represent the Company in and out of court and are bound by the instructions of the Administrative Board.

In principle, Deufol SE applies the provisions of the Code concerning the Supervisory Board to its Administrative Board, and those concerning the Executive Board to its managing directors. The following exceptions may apply in relation to the one-tier system which is provided for by law:

- In deviation from section 2.2.1 clause 1 of the Code, the Administrative Board is required to present the annual financial statements and the consolidated financial statements to the Annual General Meeting, section 48 (2) clause 2 SEAG.
- In deviation from sections 2.3.1 clause 1 and 3.7 (3) of the Code, the Administrative Board is responsible for convening the Annual General Meeting, sections 48 and 22 (2) SEAG.
- The Administrative Board handles the tasks of the Executive Board indicated in sections 4.1.1 (management of the company), 4.1.2 in connection with 3.2 semi-clause 1 (development of the company's strategic orientation), 6.1 (publication of insider information) and 6.2 (publication of voting-right notices) of the Code, section 22 (1) SEAG.
- The Administrative Board of Deufol SE handles the functions of the Executive Board detailed in sections 2.3.3 (instruction-bound proxies), 3.7 (1) (statement concerning a takeover offer) and (2) (conduct in case of a takeover offer) and also 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and controlling) of the Code, section 22 (6) SEAG.
- In deviation from section 5.1.2 clauses 5 and 6 of the Code, unlike Executive Board members, managing directors do not have a fixed and maximum term of office, section 40 (1) clause 1 SEAG.
- In deviation from sections 5.4.2 and 5.4.4 of the Code, members of the Administrative Board may be appointed managing directors provided that a majority of the members of the Administrative Board continue to consist of non-executive members, section 40 (1) clause 2 SEAG.

2. Deviations from the Code's recommendations

Spokesman of the managing directors (section 4.2.1 of the Code)

Deufol SE currently has six managing directors whose tasks and competences on the committee are firmly defined and which have functioned successfully in the relationship between the various managing directors. Particularly in view of the overarching functions and overall powers which the appointment of a spokesman would entail, during the implementation phase for its new corporate structure Deufol SE has waived the appointment of a spokesman for the time being. If this issue requires regulation or if the number of managing directors continues to increase, the Company will reconsider the issue of whether to appoint a spokesman for its managing directors.

Remuneration of the managing directors (section 4.2.3 of the Code)

Due to tax requirements which are designed to avoid a concealed dividend payment due to his position as the majority shareholder, the managing director 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 his overall remuneration. Accordingly, due to tax provisions the Administrative Board considers that it is unable to provide variable remuneration which reflects a multiple-year assessment for the managing director in question.

For the other managing directors, in accordance with section 40 (5) SEAG and in relation to the Company's long-term development the Administrative Board decides on appropriate variable remuneration on a discretionary basis, with particular consideration of the Company's result after taxes and third-party interests in the Company, taxes and third-party interests in the Group, its medium- and long-term business development and the liquidity trend.

Age limit for the managing directors (section 5.1.2 of the Code) and for the members of the Administrative Board (section 5.4.1 of the Code)

No age limit has been specified for the members of these bodies since Deufol SE gives due consideration to their physical and mental capacity as part of the selection process, regardless of age.

Diversity of the managing directors (section 5.1.2 of the Code) and the members of the Administrative Board (section 5.4.1 of the Code)

With regard to the future makeup of the managing directors, the Administrative Board has resolved to maintain its balance of qualifications and to increasingly focus on the goal of diversity and due consideration of women. Appropriate representation of women is a goal for future appointments to the Administrative Board and for managing directors, subject to equal aptitude and availability. However, given the current lack of availability, at present the Administrative Board has opted to waive a fixed percentage- or time-period-based goal in order to maintain the necessary recruitment flexibility.

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

The Company has not established Administrative Board committees since the need for them is directly dependent on the size of the Administrative Board, in consideration of the efficiency with which tasks are handled. Since the Administrative Board currently only has seven members, these members can communicate as necessary, without the reduced efficiency which the additional notification and coordination processes for committees would entail. In case of an increase in the number of members of the Administrative Board, the issue of committees will be reconsidered.

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.

Operating Routine of the Executive and Supervisory Boards (Before the Conversion) and of the Administrative Board and the Managing Directors (Following the Conversion)

The Executive Board and Supervisory Board of Deufol AG enjoyed a close and trusting working relationship in their monitoring and control of the Company.

The Executive Board of Deufol AG consisted of two members. The by-laws specified the competences of the Executive Board, and the areas of responsibility of the individual members of the Executive Board were defined in an organizational chart.

The members of the Executive Board were jointly responsible for managing the Company's business activities. The Executive Board kept the Supervisory Board promptly and comprehensively informed of strategy, business trends and the Group's position.

The Supervisory Board consisted of three members and monitored and advised the Executive Board in its management of the Company's business activities. It was responsible for business development, profit planning and further strategic development. It issued the audit engagement to the auditors and approved the single-entity and consolidated financial statements.

Any transactions or measures resolved by the Executive Board that materially impact the asset ratios, financial ratios or results of operations of the Company required the prior approval of the Supervisory Board. These were 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 described any conflicts of interest and how they were treated. 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.

Following the Company's conversion to Deufol SE on December 21, 2012, it is managed by its Administrative Board ("one-tier system") which determines the basic profile of its activities and monitors their implementation by the managing directors.

Makeup of the Supervisory Board (Before the Conversion) and of the Administrative Board (Following the Conversion)

The Supervisory Board of Deufol AG had three members. The makeup of the Supervisory Board of Deufol AG reflected its members' various technical profiles. The Supervisory Board thus met 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 legal outline conditions as well as requirements relating to the Company's international focus and expertise. The makeup of the Supervisory Board thus meant that in overall terms its members had the knowledge, abilities and technical experience which are necessary for the due performance of its tasks.

In accordance with the Company's Articles of Association, the Administrative Board of Deufol SE has at least three members. The Articles of Association of Deufol SE resolved by the Annual General Meeting (section 9) specify the members of the Company's first Administrative Board. These persons are indicated by name in the Notes (see page ▶113). As with the Supervisory Board previously, the makeup of the Administrative Board 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 Administrative 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 Administrative Board appointments, subject to equal aptitude and availability. However, given the current lack of availability, the Administrative Board has opted to waive a fixed percentage- or time-period-based goal in order to maintain the necessary recruitment flexibility.

Shareholders and Annual General Meeting

Shareholders exercise their rights and vote at the Annual General Meeting. Each share of Deufol SE 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 Administrative Board and the managing directors, the appointment of the auditors and the election of the members of the Administrative 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 SE are prepared in accordance with the German Commercial Code (HGB).

The auditors are elected by the Annual General Meeting in accordance with the relevant statutory provisions. The Administrative Board prepares the proposal to the Annual General Meeting on the election of the auditors. To ensure their independence, the Administrative 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 Administrative 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 Administrative Board which arise during the performance of the audit, and
- the auditors will inform the Chairman of the Administrative 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 Administrative 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 Administrative Board remains in regular contact with the managing directors 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 SE 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 above the table of contents 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 SE, whether by way of acquisition, disposal or otherwise. Furthermore, in accordance with statutory requirements, details of transactions in financial instruments of Deufol SE by members of the Administrative Board or the managing directors (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.

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 or section 314 (1) no. 6 and section 315 (4) no. 9 of the German Commercial Code, respectively.

Remuneration of Supervisory Board / Administrative Board

Supervisory Board remuneration was governed by section 15 of the Deufol AG Articles of Association. Supervisory Board members received fixed remuneration of € 20 thousand for each full fiscal year of service on the Supervisory Board, remitted pro rata at the end of the quarter. The Chairman of the Supervisory Board received twice this amount. Supervisory Board members sitting on the Supervisory Board for less than a full fiscal year receive pro-rata remuneration 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 remuneration and expenses.

In 2012, Supervisory Board remuneration totaled € 77.6 thousand (previous year: € 80 thousand). This amount was divided up as follows between the individual Supervisory Board members: Helmut Olivier (Chairman to December 20, 2012) € 38.8 thousand, Prof. Dr. Wolfgang König (to December 20, 2012) € 19.4 thousand, Mr. Wulf Matthias (to December 20, 2012) € 19.4 thousand. In addition, the members of the Supervisory Board were reimbursed expenses of € 0.0 thousand (previous year: € 0.2 thousand).

Administrative Board remuneration is governed by section 13 of the Deufol SE Articles of Association. Administrative Board members receive fixed remuneration of € 25 thousand for each full fiscal year of service on the Administrative Board, remitted pro rata at the end of the quarter. The Chairman receives twice this amount, while the Deputy Chairman of the Administrative Board receives € 40 thousand. Administrative Board members sitting on the Administrative Board for less than a full fiscal year receive pro-rata remuneration based on length of service on the Board. In the event that a member of the Administrative Board is simultaneously a managing director, in accordance with the above provision his Administrative Board remuneration will be offset against the remuneration which he receives as a managing director.

In 2012, Administrative Board remuneration totaled € 3.4 thousand (previous year: € 0 thousand). This amount was divided up as follows between the individual Supervisory Board members: Helmut Olivier (Deputy Chairman from December 21, 2012) € 1.20 thousand, Prof. Dr. Wolfgang König (from December 21, 2012) € 0.75 thousand, Wulf Matthias (from December 21, 2012) € 0.75 thousand, Dr. Helmut Görling (from December 21, 2012) € 0.75 thousand. In addition, the members of the Administrative Board were reimbursed expenses of € 0 thousand (previous year: € 0 thousand). Mr. Detlef W. Hübner, Dr. Tillmann Blaschke and Mr. Dennis Hübner did not receive any separate remuneration for their Administrative Board positions, since this is offset against their remuneration as managing directors in accordance with the Company's Articles of Association.

Remuneration of Executive Board / Managing Directors

Deufol AG's Executive Board members received both fixed and variable remuneration. The variable remuneration consisted of a cash bonus.

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 W. Hübner (to December 20, 2012) received 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 Executive Board member Dr. Tillmann Blaschke (to December 20, 2012) was granted a bonus of up to € 120 thousand p. a. This target bonus consisted of two components: one component was measured and assessed according to long-term criteria (three years) (LTI) while the second component was exclusively measured and assessed on the basis of the past fiscal year (STI). The Company's performance is key for the LTI calculation, including sales and income and its organizational, share price and business sector development. The Supervisory Board specifies appropriate criteria and standards for the assessment of goal achievement. The STI is determined on the basis of the personal performance of the Executive Board member and the business success which he has achieved for Deufol AG, plus the following parameters in particular:

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

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

Deufol SE's managing directors receive both fixed and variable remuneration. The variable remuneration consists of a cash bonus.

The remuneration received by the managing directors Detlef W. Hübner (from December 21, 2012) and Dr. Tillmann Blaschke (from December 21, 2012) for their Executive Board positions remains unchanged.

For the four other managing directors (from December 21, 2012), in accordance with section 40 (5) SEAG and in relation to the Company's long-term development the Administrative Board decides on appropriate variable remuneration on a discretionary basis, with particular consideration of the Company's result after taxes and third-party interests in the Company, taxes and third-party interests in the Group, its medium- and long-term business development and the liquidity trend.

The following overall remuneration has been agreed for the individual members of the Executive Board / for the managing directors:

Remuneration of Executive Board / Managing Directors

in € thousand	Fixed salary	Other compensation	Performance-based components	**Total 2012**	Total 2011
Detlef W. Hübner	480	2	0	482	645
Dr. Tillmann Blaschke	280	13	0	293	208
Jens Hof (from December 21, 2012)	6.0	0	0	6.0	—
Dennis Hübner (from December 21, 2012)	4.5	0	0	4.5	—
Jürgen Schmid (from December 21, 2012)	4.5	0	1.5	6.0	—
Manfred Weirich (from December 21, 2012)	4.5	0	2.0	6.5	—
Total	779.5	15	3.5	**798**	853

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

Commitments to Managing Directors in Case of Early Termination

Upon early termination of the agency contract instigated by the Company, the two former Executive Board members and the current managing directors are entitled to a severance package on the basis of their 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 former Executive Board member and current managing director 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 his competences. 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 %. The contracts of the former Executive Board members also provide for a one-year non-compete clause upon their departure from the Company. The respective managing director will receive compensation amounting to 100 % of his basic salary. However, Deufol SE is entitled at any time to waive compliance with the non-compete clause, subject to three months' notice, such that both Deufol SE and the relevant managing director will be released from its provisions.

The contracts of the other four managing directors are permanent and do not include any provisions concerning the premature termination of their positions. The contracts of three managing directors include non-compete clauses upon their departure from the Company. These clauses apply for a term of two years in two cases and for one year in the third contract. The respective managing director will receive annual compensation amounting to 50 % of his basic salary.

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, 2012, 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, 2012, capital shares amounting to 53.7 % (previous year: 52.9 %) were attributable to Mr. Detlef W. Hübner, Administrative Board member of Deufol SE, 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, 2012 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 approx. 10 % of the share capital as of June 2010.

Appointment and Dismissal of Managing Directors

The appointment and dismissal of the Company's managing directors is regulated by section 40 SEAG, pursuant to which the Administrative Board appoints the managing directors. Members of the Administrative Board may be appointed managing directors, provided that managing directors do not constitute a majority of the members of the Administrative Board. Managing directors may be removed from their positions at any time through a resolution passed by the Administrative Board.

In addition, according to the Articles of Association of Deufol SE, managing directors who are simultaneously members of the Administrative Board may only be removed for cause, within the meaning of section 84 of the German Stock Corporation Act, or upon termination of their employment contracts. The Administrative Board also determines the number of managing directors and may appoint a chief executive officer and one or two deputy chief executive officers.

Changes to the Articles of Association

The rules for changes to the Articles of Association comply with Art. 9 (1) c) (ii) in sections 133 and 179 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 Administrative Board the power to make changes pertaining to the version only. Paragraph 2 states that an Annual General Meeting resolution requires at least a three-quarters majority of the share capital represented at the vote. 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 SE do not stipulate any different equity majorities or other requirements. In the case of Deufol, section 8 of the Articles of Association authorizes the Administrative 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 SE'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 SE and its subsidiaries which yields the data for preparation of the consolidated financial statements. Accounting was handled at the Group's headquarters in Wallau for its key German subsidiaries. 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. 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 reports to the managing directors and the Administrative Board.

As the parent company of the Deufol Group, Deufol SE 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 SE.

012 Business and Economic Environment
022 Corporate Governance
035 Results of Operations, Financial and Asset Position
045 Position of Deufol SE
048 Risk Report
053 Report on Dependence, Post-Balance-Sheet Date Events and Expected Developments

Results of Operations, Financial and Asset Position

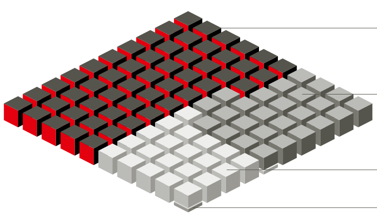
Results of Operations

Rising Sales Notes 01, 43

In a weaker overall economic environment, in the reporting period sales from continuing operations increased by 5.7 % on the previous year to € 333.0 million. We have thus slightly exceeded our planning targets, which had envisaged sales in a corridor of between € 315 million and € 330 million.

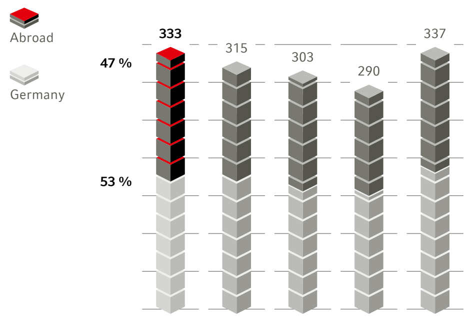
Adjusted for the US dollar's appreciation against the euro of around 7.7 % on average, this represents adjusted growth of 3.9 %.

Consolidated sales by segment



figures in € million		2012	2011
52.8 %	Germany	175.7	173.2
25.8 %	Rest of Europe	85.9	87.0
21.3 %	USA/Rest of the World	71.1	54.5
0.1 %	Holding company	0.3	0.5
100.0 %	Total	**333.0**	315.2

Sales



Germany is Deufol's Key Market Note 43

In the past year, Germany maintained its role as the Deufol Group's most important sales market. With slightly increased sales (+1.5 % to € 175.7 million) in the past fiscal year, it provided 52.8 % (previous year: 55.1 %) of Group sales.

The second-largest segment, Rest of Europe, provided 25.8 % (previous year: 27.6 %) of Group sales with a slight decrease in the sales volume (–1.3 % to € 85.9 million). However, this sales trend was unevenly distributed among the Group's regions, with +0.3 % in Belgium, –13.1 % in Italy and +10.4 % in the Slovakia/Czech Republic/Austria region.

In the USA/Rest of the World, sales rose by 30.4 % to € 71.1 million. This means that this segment now represents around 21.3 % (previous year: 17.3 %) of Group activities. Adjusted for the US dollar's appreciation against the euro of around 7.7 % on average, this represents adjusted growth of 20.5 %.

Consumer & Data Packaging Accounts for an Increased Share of Sales Note 44

With a share of sales of approx. 49.3 % (previous year: 49.9 %), Export & Industrial Packaging is the Group's most important business segment. Sales realized in Consumer & Data Packaging increased from 34.9 % to 37.2 %. Supplementary Services' sales volume declined from 15.1 % to 13.4 %.

Consolidated sales by services

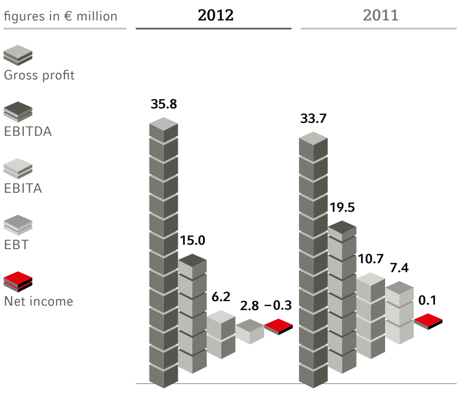
figures in € million	2012	2011
Export & Industrial Packaging	164.1	157.2
Share (%)	49.3	49.9
Consumer & Data Packaging	124.0	110
Share (%)	37.2	34.9
Supplementary Services	44.6	47.6
Share (%)	13.4	15.1
Holding company	0.3	0.5
Share (%)	0.1	0.1
Total	**333.0**	315.2

Cost development

figures in € million	2012	2011
Cost of sales	297.2	281.5
as % of sales	89.2	89.3
Selling expenses	5.1	5.1
as % of sales	1.5	1.6
General and administrative expenses	25.8	20.8
as % of sales	7.7	6.6
Other operating income	(3.0)	(4.4)
as % of sales	(0.9)	(1.4)
Other operating expenses	1.7	1.5
as % of sales	0.5	0.5
Total	**326.8**	304.5
as % of sales	98.1	96.6
of which personnel costs*	98.1	92.5
as % of sales	29.5	29.3

* Total personnel costs included in all cost items

Income development



Operating Costs Ratio Increased on Balance

Notes 02–06, 12

At 89.2 % (previous year: 89.3 %) the ratio of the cost of sales to sales remained largely unchanged. The increase in the cost of materials was disproportionately low (+5.5 %), while personnel costs (+6.2 %) and purchased services (+7.5 %) realized slightly above-average growth.

Selling expenses remained unchanged at € 5.1 million and accounted for 1.5 % of sales. General and administrative expenses increased significantly (€ 25.8 million); the expense ratio amounted to 7.7 % (previous year: 6.6 %). Cost increases resulted, in particular, for legal and consulting costs (+121.9 %). This chiefly reflects the costs associated with the action for damages. Personnel costs also recorded above-average growth (+6.8 %).

Other operating income was significantly lower. It fell by € 1.4 million to € 3.0 million, reducing the ratio to sales to 0.9 % (previous year: 1.4 %). In particular, this reflected lower insurance compensation and other indemnification (−66.0 %) as well as lower income from the release of accruals (−58.8 %). On the other hand, total other operating expenses have increased slightly (+ € 0.2 million to € 1.7 million); their proportion remained unchanged at 0.5 %.

In overall terms, the cost quota has thus increased from 96.6 % to 98.1 %. This corresponds to an EBITA margin of 1.9 % (previous year: 3.4 %).

Comparative Operating Result Approx. € 0.5 Million Higher than in Previous Year

In the past fiscal year, the gross profit increased by 6.4 % to € 35.8 million. The gross margin thus amounted to 10.8 %, compared to 10.7 % in 2011.

The figures below the gross profit were negatively affected by one-off expenses associated with the action for damages versus former managers of the Company. In 2012, Deufol SE filed criminal charges against the former managing director of the subsidiary Deufol Nürnberg GmbH and the former CEO of Deufol SE and others. In the period from 2006 to 2011, the above persons are suspected of having acted in business dealings to the detriment of the Deufol Group. The total damages asserted in the civil action currently amount to around € 26 million. In this connection, one-off expenses of € 3.9 million have arisen at the level of the holding company for investigations, court proceedings and reorganization. The expenses associated with the launch of a European stock corporation (SE) and the registered shares are a small proportion of this amount.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 15.0 million, compared to € 19.5 million in the previous year. The EBITDA margin was 4.5 %, compared to 6.2 % in 2011. Depreciation of property, plant and equipment was at € 7.6 million somewhat higher than in the previous year (€ 7.5 million) while amortization of other intangible assets fell slightly, from € 1.3 million to € 1.2 million.

The unadjusted operating result before goodwill amortization (EBITA) fell in the reporting period from € 10.7 million to € 6.2 million. Adjusted for the one-off expenses it amounted to € 10.1 million. The EBITA margin was 1.9 % in 2012, compared to 3.4 % in 2011.

Allowing for the one-off items in 2011 in the amount of € 1.1 million (release of liabilities to employees in the amount of € 0.8 million, income from a legal dispute in the amount of € 0.8 million, one-off expenses for the action for damages amounting to –€ 0.5 million), the comparative operating basis amounts to € 9.6 million. The comparative operating result is at € 10.1 million approx. € 0.5 million higher than in the previous year.

The income trend is favorable in Germany. On the other hand, the Rest of Europe (Belgium, in particular) and the USA have fallen short of our expectations.

Margin development

figures as % of sales	2012	2011
Gross margin	10.8	10.7
EBITDA margin	4.5	6.2
EBIT(A) margin	1.9	3.4
EBT margin	0.8	2.3
Net income margin	(0.08)	0.03

Financial Result Note 07

At – € 3.4 million, the financial result was slightly lower than in the previous year (–€ 3.3 million). Financial expenses fell from € 6.0 million to € 5.4 million. Among other factors, the lower expenses are attributable to a significant decrease in expenses resulting from financial liabilities (–€ 0.6 million). Financial income declined from € 2.0 million to € 1.2 million. This was attributable to the loss of income from legal disputes (–€ 0.4 million) as well as lower income from bank balances (–€ 0.2 million) and financial leases (–€ 0.2 million).

The income from equity-accounted affiliates increased from € 0.7 million to € 0.8 million.

Net Income Notes 08 – 11

Earnings before taxes (EBT) in the past year were € 2.8 million (previous year: € 7.4 million). On balance, overall tax expenditure in the past fiscal year amounted to € 2.4 million, compared to € 3.5 million in the previous year. Current tax expenditure for taxes on income decreased significantly and amounted to approx. € 2.6 million (previous year: € 3.4 million). The Company recognized marginal income in the amount of € 0.2 million (previous year: expenses of € 0.1 million) for deferred taxes.

Accordingly, there is income from continuing operations of € 0.4 million (previous year: € 3.9 million). The discontinued operation “Carton Business” in the USA led to a loss of € 0.34 million (previous year: – € 3.3 million). This consists of a current loss of € 0.08 million and an increase in the pension commitment of € 0.26 million.

This means a result for the period of – € 0.1 million (previous year: € 0.6 million). The profit share for noncontrolling interests is € 0.3 million (€ 0.5 million).

Earnings attributable to the shareholders of Deufol SE amounted to – € 0.3 million in the period under review, compared to € 0.1 million in the same period in the previous year. Earnings per share were –€ 0.006 in 2012 (previous year: € 0.002).

Financial Position

Financing of the Deufol Group Notes 25, 41

Various financing groups exist within the Deufol Group. In 2011, the Deufol Group restructured significant elements of its financing. In Germany, it concluded a variable-interest syndicated financing arrangement with a volume of € 45 million and a term of four years. This largely refinanced existing liabilities. This financing safeguards medium-term liquidity requirements and provides scope for growth for the Group.

Further significant financing groups exist in the USA (mainly operating credit line), Belgium (mainly real estate and plant and equipment) and Italy (mainly operating credit line).

Credit lines of € 46.7 million are available to the Group at various banks (previous year: € 54.1 million). As of December 31, 2012, € 25.8 million (previous year: € 26.9 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 2012, the average weighted interest rate for short-term loans was 4.37 % (previous year: 4.93 %). 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	2012	2011
Amounts due to banks	63.49	70.65
thereof current	16.93	28.15
thereof noncurrent	46.56	42.5
Finance leasing	7.39	8.92
Other	0.05	0.05
Total	**70.93**	79.62

Decline in Financial Indebtedness Notes 20, 25

In the past fiscal year, the financial liabilities of the Deufol Group clearly decreased, from €79.6 million to €70.9 million.

Net financial liabilities – defined as the total financial liabilities less financial receivables and cash – decreased less strongly, by € 2.9 million from € 57.9 million on December 31, 2011 to € 55.0 million at the end of the period under review. This was due to the decrease in cash held (– € 4.1 million) and lower financial receivables (–€ 1.7 million). The balance of liabilities to banks and call deposits at banks is –€ 56.2 million (previous year: –€ 59.2 million).

Liabilities to banks include loan liabilities in the amount of €11.2 million for our US subsidiary. Of this amount, €3.5 million relates to noncurrent liabilities. Due to non-compliance with a financial covenant as of the balance sheet date, the financing bank has issued a waiver letter in which it has waived its option under the loan agreement to call in these loans.

Higher Investment Volume Notes 13, 14

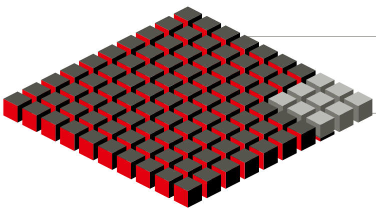
In the period under review, at € 9.6 million, investments including leased assets were in overall terms clearly higher than in 2011 (€ 8.5 million).

In the past fiscal year, investments in property, plant and equipment were € 8.7 million (previous year: € 7.3 million). The investment quota as a ratio of capital expenditure to sales was 2.6 % in 2012 (previous year: 2.3 %).

Technical equipment and machinery (€ 3.3 million) is the largest capital expenditure item. This is followed by assets under construction (€ 2.5 million), leased assets (€ 1.7 million), operating and office equipment (€ 1.2 million) and land and buildings (€ 0.1 million); € 0.8 million (previous year: € 0.6 million) was invested in other intangible assets.

Investments

figures in € million



		2012	2011
91.3 %	Property, plant and equipment	8.72	7.27
8.7 %	Intangible assets	0.83	1.26
100.0 %	Total	**9.55**	8.53

Investments by segment

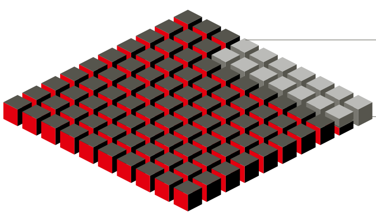
figures in € million	2012	2011
Germany	3.44	3.67
Rest of Europe	1.25	1.69
USA/Rest of the World	3.95	1.82
Holding company	0.92	1.35
Total	**9.56**	8.53

Reduced Depreciation/Amortization Notes 13, 14

Depreciation of property, plant and equipment and amortization of intangible assets were marginally lower than in the previous year (€ 8.77 million compared to € 8.79 million). Depreciation of property, plant and equipment was slightly higher (€ 7.6 million, compared to € 7.5 million in the previous year), while amortization of other intangible assets amounted to € 1.2 million (previous year: € 1.3 million).

Depreciation, amortization and impairment

figures in € million



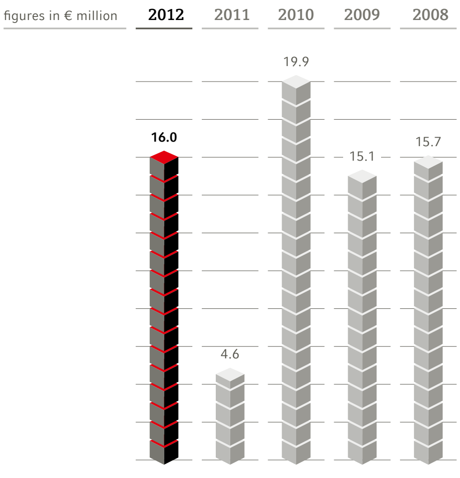
		2012	2011
86.6 %	Property, plant and equipment	7.60	7.48
13.4 %	Intangible assets	1.17	1.31
100.0 %	Total	**8.77**	8.79

Depreciation, amortization and impairment by segment

figures in € million	2012	2011
Germany	3.69	4.20
Rest of Europe	3.08	2.97
USA/Rest of the World	1.60	1.32
Holding company	0.40	0.30
Total	**8.77**	8.79

Cash Flow Notes 30 – 34

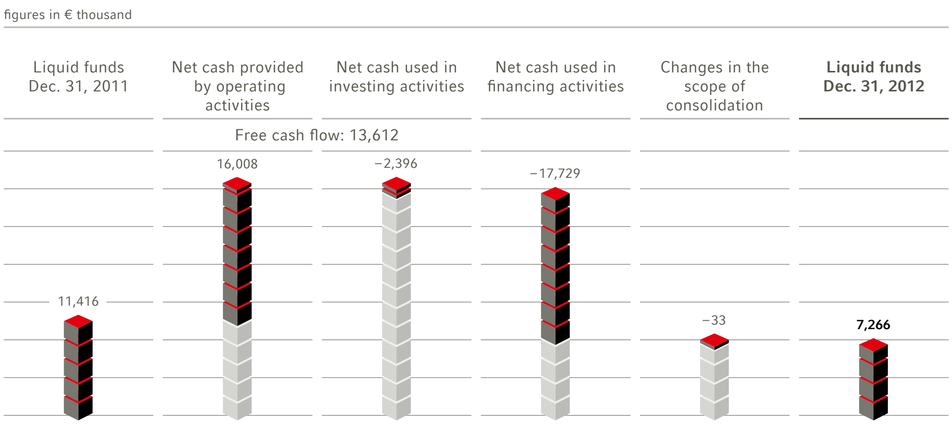
Net cash provided by operating activities



The operating cash flow amounted to € 16.0 million in the period under review and was thus significantly higher than in the previous year (€ 4.6 million). This rise is predominantly due to the € 5.1 million decrease in trade receivables. In the previous year, trade receivables increased by € 10.8 million while decreasing cash flow. In addition, the loss resulting from the discontinued operation was around € 3.0 million lower.

Net cash used in investing activities was – € 2.4 million (previous year: –€ 0.4 million). Cash-based fixed assets investments were € 7.9 million. Further fund outflows resulted from the acquisition of subsidiaries (€ 0.1 million). On the other hand, inflows resulted from the decrease in financial receivables (€ 1.7 million). Further proceeds resulted from interest and dividends received (€ 1.6 million) and from the sale of subsidiaries (€ 0.5 million). The disposal of intangible assets and property, plant and equipment produced fund inflows in the amount of € 2.0 million.

Change in liquid funds



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 € 13.6 million, compared to € 4.3 million in the previous year.

Net cash used in financing activities was – € 17.7 million (previous year: –€ 9.8 million). Financial liabilities decreased in cash terms by a net amount of € 10.6 million. Further outflows of funds resulted from paid interest (–€ 5.7 million), dividends (–€ 1.3 million) and the dividends paid to noncontrolling interests (–€ 0.4 million).

Cash and cash equivalents decreased by € 4.2 million to € 7.3 million as of December 31, 2012.

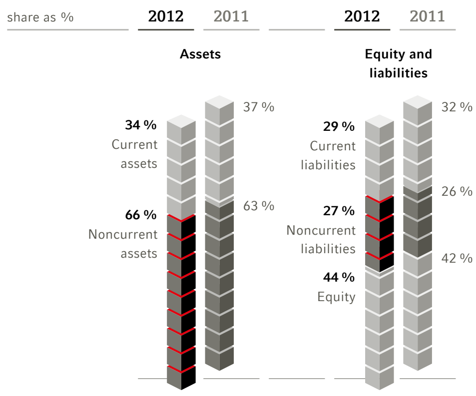
Asset Position

Lower Balance Sheet Total Notes 13 – 21

In 2012, the balance sheet total of the Deufol Group decreased by 5.3 % to € 220.9 million. On the asset side of the balance sheet, the noncurrent assets decreased by 1.3 % from € 146.7 million as of the period-end in the previous year to € 144.8 million as of the reporting date. This fall resulted from the decrease in financial receivables (– € 1.3 million to € 7.0 million). Deferred tax assets (–€ 0.6 million to € 10.5 million) and other receivables and other assets (–€ 0.5 million to € 3.7 million) also decreased. Property, plant and equipment increased slightly (+ € 0.4 million to € 48.5 million). The asset depreciation ratio (ratio of accumulated depreciation to historical cost) rose by 1.2 percentage points on the previous year to 62.9 %, while the property, plant and equipment ratio (i. e. the ratio of property, plant and equipment to the balance sheet total) increased from 21 % to 22 %. Goodwill remained constant at € 68.6 million. Other noncurrent assets changed only slightly.

The current assets decreased from € 86.7 million to € 76.1 million. This is mainly attributable to lower trade receivables (–€ 5.2 million to € 43.9 million) and reduced cash and cash equivalents (–€ 4.2 million to € 7.3 million). In addition, the 2011 figures still included the property in Brookville (USA) in the amount of € 2.0 million. This property has now been sold. Other receivables and other assets rose (+ € 0.7 million to € 9.4 million). Other current assets changed only slightly. The working capital – the difference between current assets and current non-interest-yielding liabilities – decreased from € 39.4 million to € 31.8 million.

Balance sheet structure



Slight Increase in Equity Ratio Notes 22 – 29

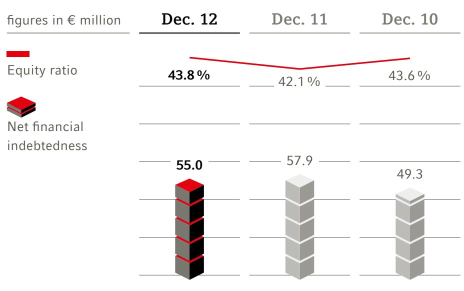
At the end of fiscal year 2012, the Deufol Group's equity was at € 96.7 million € 1.6 million lower than the previous year's level (€ 98.3 million). Since the balance sheet total fell, this led to an increase in the equity ratio from 42.1 % to 43.8 %.

The equity decreased due to the loss for the period (– € 0.3 million) and the dividend payout (–€ 1.3 million). Other comprehensive income and noncontrolling interests remained unchanged.

The noncurrent liabilities increased from € 59.3 million to € 60.8 million. Noncurrent financial liabilities (+ € 2.6 million to € 51.9 million) and pension provisions (+ € 0.4 million to € 4.3 million) rose. Deferred tax liabilities (–€ 0.6 million to € 2.0 million) and other liabilities (–€ 0.6 million to € 2.5 million) fell. The other noncurrent liabilities hardly changed. The "Asset cover ratio II" – the ratio of equity and noncurrent liabilities to fixed assets – was 127.4 %, compared to 128.2 % at the end of 2011.

The current liabilities decreased by € 12.3 million to € 63.4 million. Current financial liabilities recorded the strongest decrease (– € 11.3 million to € 19.0 million), which was associated with refinancing of two expired note loans totaling € 10.0 million by means of longer-term funds. Other liabilities also decreased (–€ 1.8 million to € 11.7 million). Trade payables rose (+ € 1.5 million to € 30.5 million). Other current liabilities changed only slightly.

Net financial indebtedness and equity ratio



Employees

Slight Decrease in Workforce Note 12

As of the end of 2012, the Deufol Group had 2,724 employees. This represents a decrease of 48 employees or 1.8 % on the previous year. As of December 31, 2012, the Group had 1,459 employees in Germany (53.6 %) and 1,265 employees (46.4 %) elsewhere.

In Germany, the Group had 160 fewer employees, while the Rest of Europe added nine employees. In the USA/Rest of the World, the workforce increased by 93. This increase was mainly associated with the expansion of the gift card business of our US subsidiary in Sunman. The Group also hired eleven additional employees in Suzhou (China).

Personnel costs increased in the reporting period by 6.1 % to € 98.1 million. The personnel cost ratio as a ratio of personnel costs to sales increased slightly to 29.5 % (previous year: 29.3 %).

Thanks for Commitment

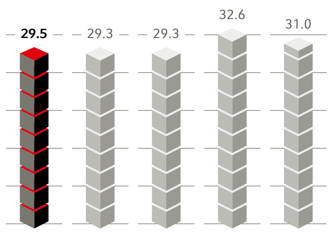
The managing directors would like to thank all the Company's employees for the dedication and flexibility they displayed in fiscal year 2012.

Overview of employees

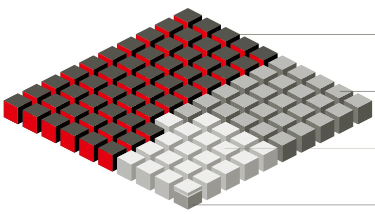
Deufol Group	**2012**	2011
Germany	1,459	1,619
Rest of the World	1,265	1,153
Female	683	803
Male	2,041	1,969
Total	**2,724**	2,772
Average	2,764	2,818

Personnel expense ratio

figures as % | **2012** | 2011 | 2010 | 2009 | 2008



Employees by segment



Deufol Group		**2012**	2011
52.9 %	Germany	1,440	1,610
26.0 %	Rest of Europe	709	690
20.4 %	USA/Rest of the World	556	463
0.7 %	Holding company	19	9
100.0 %	Total	**2,724**	2,772

Development in the Segments

Germany Notes 42–44

At € 175.7 million, consolidated sales in Germany in 2012 slightly exceeded sales in the previous year, which amounted to € 173.2 million.

EBITA in this sector increased by 39.5 % from € 5.4 million to € 7.5 million. The EBITA margin rose from 3.1 % to 4.3 %. This increase is primarily attributable to stronger results for "Export & Industrial Packaging". This reflects initial success for the reorganization and integration measures as well as the central purchasing system which has now been established.

Rest of Europe Notes 42–44

In the Rest of Europe, we realized consolidated sales of € 85.9 million, which is only slightly lower than in the previous year (€ 87.0 million). However, this sales trend was unevenly distributed among the Group's regions, with +0.3 % in Belgium, −13.1 % in Italy and +10.4 % in the Slovakia/Czech Republic/Austria region.

In the past year, the operating result (EBITA) fell from € 7.4 million to € 4.3 million. This decrease is primarily due to poorer results in Belgium. In 2011, this included one-off items (release of liabilities to employees and income from a legal dispute, each of which amounted to € 0.8 million). We also realized lower volumes at our Belgian automotive location. In Italy, the figures were slightly lower than in the previous year (as expected), while the Slovakia/Czech Republic/Austria region reported significantly improved results.

Germany

figures in € million	2012	2011
Sales	201.4	197.8
Consolidated sales	175.7	173.2
Gross profit	17.2	12.1
EBITA = EBIT	7.5	5.4
EBITA margin (%)	4.3	3.1
EBT	6.4	3.8

Rest of Europe

figures in € million	2012	2011
Sales	95.5	95.3
Consolidated sales	85.9	87.0
Gross profit	15.4	16.5
EBITA = EBIT	4.3	7.4
EBITA margin (%)	5.0	8.5
EBT	4.3	8.0

USA/Rest of the World

figures in € million	2012	2011
Sales	71.2	54.6
Consolidated sales	71.1	54.5
Gross profit	5.5	4.5
EBITA = EBIT	0.4	1.1
EBITA margin (%)	0.6	2.0
EBT	(2.1)	(1.4)

USA/Rest of the World Notes 42–44

In the USA/Rest of the World segment, consolidated sales were at € 71.1 million 30.4 % higher than in the previous year. This is mainly attributable to higher volumes in Data Packaging. Sales realized from the operations in Charlotte and Suzhou have increased by more than two-thirds but are still in the low single-digit million range. Adjusting sales by segment by 7.7 % on average – to allow for the US dollar's appreciation against the euro – the increase amounted to 20.5 %.

EBITA in this segment amounted to € 0.4 million, compared to € 1.1 million in the previous year. Our subsidiaries Deufol Packaging (Suzhou) Co., Ltd. and Deufol Charlotte LLC both recorded small losses. Our newly established subsidiary in Singapore (Deufol Singapore PTE. LTD.) was included in the scope of consolidation for the first time, but did not yet have any operating business.

Overall Summary of Economic Position

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

The business trend in our key segment "Germany" was generally favorable. The "Rest of Europe" was still solidly profitable despite slight decreases. Only in the USA is the situation currently unsatisfactory, and this represents one of the challenges for the current fiscal year.

Our financial and asset position remains solid.

Position of Deufol SE

Sales and Results of Operations

In fiscal year 2012, Deufol SE realized sales of € 3,060 thousand (previous year: € 2,240 thousand) and other operating income of € 1,656 thousand (previous year: € 498 thousand).

These sales mainly resulted from amounts billed to associates for services provided and from rents. Outside Germany, sales amounted to € 1,191 thousand (previous year: € 1,647 thousand).

The other operating income mainly consists of bonuses associated with central material purchasing in the amount of € 628 thousand (previous year: € 322 thousand), income from exchange-rate differences in the amount of € 346 thousand (previous year: € 1 thousand), gains from the disposal of property, plant and equipment in the amount of € 97 thousand (previous year: € 0 thousand), income from the reduction on item-by-item allowances and from the release of accruals in the amount of € 42 thousand (previous year: € 89 thousand) and income from passed-on expenses in the amount of € 215 thousand (previous year: € 85 thousand). The income from the reduction on item-by item allowances and the release of accruals is income unrelated to the accounting period.

The other operating expenses (€ 7,855 thousand compared to € 3,331 thousand in the previous year) mainly comprise legal fees and consulting expenses of € 3,563 thousand (previous year: € 895 thousand), bad debt charges in the amount in the amount of € 314 thousand (previous year: € 321 thousand), external services in the amount of € 691 thousand (previous year: € 717 thousand), travel and vehicle expenses in the amount of € 588 thousand (previous year: € 306 thousand), space costs in the amount of € 276 thousand (previous year: € 255 thousand), advertising costs in the amount of € 357 thousand (previous year: € 170 thousand) and passed-on expenses in the amount of € 821 thousand (previous year: € 85 thousand). Expenses unrelated to the accounting period amounted to € 300 thousand (previous year: € 9 thousand). Of this, € 177 thousand (previous year: € 0 thousand) related to passed-on expenses, € 59 thousand (previous year: € 9 thousand) to suppliers' invoices and € 52 thousand (previous year: € 0 thousand) to additional payments for insurance premiums.

The financial result increased from € 7,880 thousand to € 8,387 thousand in the past year. Net interest income improved from + € 158 thousand to + € 218 thousand, while net income from investments (including income from profit transfer agreements) increased from € 7,722 thousand to € 8,169 thousand. This was mainly due to higher income from profit transfer agreements in the amount of € 7,500 thousand (previous year: € 5,140 thousand). Income from investments decreased to € 669 thousand (previous year: € 3,593 thousand). No amortization was recognized on financial assets in fiscal year 2012 (previous year: –€ 1,011 thousand). Income from ordinary activities amounted to € 2,339 thousand (previous year: € 4,596 thousand). The net profit for the year under review amounted to € 2,161 thousand (previous year: € 4,486 thousand).

Deufol SE: Income statement

figures in € thousand	2012	2011
Sales	3,060	2,240
Other operating income	1,656	498
Personnel costs	(2,525)	(2,422)
Depreciation, amortization and impairment	(384)	(269)
Other operating expenses	(7,855)	(3,331)
Financial result	8,387	7,880
Income/loss from ordinary activities	**2,339**	4,596
Taxes	(178)	110
Annual net profit	**2,161**	4,486

Assets and Financial Position

In the year under review, the balance sheet total of Deufol SE increased from € 120.5 million to € 145.5 million. Fixed assets rose slightly, from € 106.0 million to € 106.5 million, while current assets increased from € 13.8 million to € 38.4 million due to the strong increase in receivables from affiliated companies. Depreciation on property, plant and equipment and amortization on intangible assets amounted to € 384 thousand (previous year: € 269 thousand), investments to € 843 thousand (previous year: € 224 thousand). Investments in financial assets amounted to € 113 thousand (previous year: € 1,264 thousand).

Assets and Financial Position

Deufol SE: Balance sheet

figures as % of the balance sheet total	2012	2011
Fixed assets	73.2	88.0
of which financial assets	68.6	82.7
Current assets	26.8	12.0
Balance sheet total	**100.0**	100.0
Equity	56.5	67.6
Provisions	0.5	0.8
Liabilities	43.0	31.6
of which financial liabilities	23.4	22.1
Balance sheet total	**100.0**	100.0

On the liabilities side, equity was affected by the dividend payment (– € 1.3 million) and the net profit for the year (+ € 2.2 million) and increased from € 81.5 million to € 82.3 million. Nonetheless, as of December 31, 2012 the equity ratio had fallen from 67.6 % to 56.5 % due to the increased balance sheet total. Accruals decreased to € 0.7 million (previous year: € 0.9 million). Liabilities rose from € 38.1 million to € 62.5 million. This was mainly due to increased liabilities to affiliated companies and the further centralization of the financing structure.

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

Cash flow statement Deufol SE

figures in € thousand	2012	2011
Annual net profit	2,161	4,486
Depreciation/appreciation	384	269
(Gain) loss from disposal of property, plant and equipment	(97)	88
Other noncash revenue/expenses	(2)	289
Increase (decrease) in accruals	(195)	198
Net changes in working capital	(6,645)	(6,621)
Net cash provided by operating activities	**(4,394)**	(1,291)
Purchase of intangible assets and property, plant and equipment	(843)	(224)
Purchase of financial assets	(113)	(1,263)
Proceeds from the sale of property, plant and equipment	0	0
Proceeds from the sale of financial assets	0	25
Net cash used in investing activities	**(956)**	(1,462)
Proceeds from borrowings	10,000	24,500
Repayment of borrowings	(2,288)	(18,715)
Payments resulting from loans	0	(2,161)
Noncash valuation adjustments on financial assets	0	1,011
Dividend paid	(1,313)	(1,313)
Net cash used in financing activities	**6,399**	3,322
Change in cash	1,049	569
Cash at the beginning of the period	591	22
Cash at the end of the period	1,640	591

012 Business and Economic Environment
022 Corporate Governance
035 Results of Operations, Financial and Asset Position
045 Position of Deufol SE
048 Risk Report
053 Report on Dependence, Post-Balance-Sheet Date Events and Expected Developments

Risk Report

Risk Policy

The role of Deufol SE is to act as a management holding company for subsidiaries which provide services in Germany and elsewhere, focusing on packaging. As part of its holding tasks, Deufol SE 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 suitable measures are implemented to reduce them. The core risks comprise, in particular, risks associated with the Company's current and future business situation. Risks include potential losses of customers due to the relocation of packaging-related production locations or insufficiently rigorous development of market leadership in core business fields. Noncore and residual risks are accepted provided they can be specifically identified and mapped. Noncore risks are externalized (force majeure, liability to third parties for loss or damage, etc.). In particular, corporate governance guidelines (incl. the Deufol SE by-laws) and the active monitoring of subsidiaries as the parent company ensure that the deliberate acceptance of risks proceeds in a transparent and controlled fashion.

The managing directors of Deufol SE consider 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 successful implementation of risk policy.

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. 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 managing directors and site managers are regularly sensitized in relation to risk identification.

The responsible managers document the risks identified in “risk maps” on a quarterly basis. Aggregation is subsequently implemented at Group level and the managing directors receive a report.

Risk measurement is standardized throughout the Group. Risks identified in risk maps are assessed by the companies’ local or site managers in terms of probability of occurrence and amount of potential loss, in the context of the gross risk level. Individual risks are assigned quantitative values requiring response upon reaching specific limits. The net risk level is subsequently evaluated following implementation of the measures.

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

Specific Risks

Environment Risks

For 2013, we expect that the overall economic trend will be slightly better than in the previous year. Detailed commentary on the outlook for the economy is provided on pages ▶ 054 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 represents the consumer goods sector, VW the automotive industry and Siemens plant engineering), 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. 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 (e.g. wood) 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 multiple 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 risks. The individual companies have extensive protection measures such as virus-protection concepts, firewalls and emergency and recovery plans as well as additional external back-up solutions in accordance with specific requirements.

Financial Risks

Various financing groups exist within the Deufol Group. In 2011, the Deufol Group restructured significant elements of its financing. In Germany, it concluded a variable-interest syndicated financing arrangement with a volume of € 45 million and a term of four years. This largely refinanced existing liabilities. Further significant financing groups exist in the USA and Belgium.

Within the Group, credit agreements are mainly 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 case of a deterioration in the ratios.

An interest-rate-derivative contract is still in place for managing and limiting interest rate risk in connection with medium-term financing. This cash flow hedge is directly assigned to a specific debt position (see "Other Disclosures", page ▶ 105).

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.

Please see the "Financial Risk Management" section (Note 41 on pages ▶ 104 f.) for further information on financial risks.

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 2012 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.

Please see the "Contingencies and Contingent Liabilities" section (Note 35 on page ▶ 103) for further information on legal risks.

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 to be taken.

012 Business and Economic Environment
022 Corporate Governance
035 Results of Operations, Financial and Asset Position
045 Position of Deufol SE
048 Risk Report
053 Report 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 managing directors of Deufol SE were obliged to prepare a report on Deufol SE's relationships with associates. This report covers the relationships with Lion's Place GmbH and its majority shareholder, Detlef W. Hübner, as well as 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 SE'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

Under loan agreements, the Deufol Group is obliged to comply with minimum and maximum limits for firmly defined financial covenants. Within the scope of an amendment agreement signed on March 4, 2013 – which encompassed a € 7.5 million increase in the operating credit line as well as the exercise of the extension option provided for in the syndicated loan agreement of Deufol SE for a further year – the minimum and maximum limits for the financial covenants prescribed in the syndicated loan agreement were revised for the entire remaining duration of the loan agreement with retrospective effect from December 31, 2012.

The main customer of one of our Belgium subsidiaries based at our Tienen location last year decided to relocate capacities to Eastern Europe and to itself handle some of the services which it had previously outsourced to us. The necessary adjustment in our workforce was initiated in close cooperation with our customer as well as our employees and the trade unions. The annual financial statements show an accrual for personnel-related restructuring measures in the amount of € 266 thousand. We will shortly complete negotiations with our employees.

In the first quarter of 2013, our main customer in the Data Packaging segment of our US subsidiary initially reduced its predicted order volumes for the current year before cancelling them entirely.

Accordingly, we have immediately adjusted our personnel capacities. Alongside this release of production capacities, we have launched extensive and promising business development activities to acquire new customers and new business.

At the present time, fixed assets depreciation cannot be ruled out in connection with the restructuring of the Data Packaging business.

Report on Expected Developments

Planned Orientation and Strategic Opportunities for the Group

The Deufol Group will maintain its structure as a management holding company for risk limitation purposes. In this way we will also preserve our on-site flexibility and will be able to better satisfy the different requirements of various markets and regions.

However, at the same time we have strengthened our Company's headquarters in Hofheim (Wallau) as the key organizational unit for overall control functions. By bringing together areas such as personnel and financial accounting we have pooled resources in order to realize transparency and efficiency in our overall operations. This pooling enables our various packaging locations to focus on core business and on purely operational activities.

In particular, among the strategic opportunities which this offers for a corporate group is that we are able to exploit the advantages of our size as a significant market player. For this purpose, in the past year a strategic central purchasing system was established as a key measure, with an optimized procurement process.

The process of working toward a single brand is largely complete. As a global premium service provider in the field of packaging and related services, we offer our clients, who are active worldwide, holistic solutions which support their strategies. We are constantly expanding our business divisions to include additional services to complement packaging, as well as proprietary software solutions which intelligently round off the packaging process to provide a valuable range of services. We thus offer our customers real added value and meet their continuously increasing requirements. At the same time, we are consolidating our position as our customers increasingly focus on just a few core service providers.

Our outstanding qualities as a packaging services provider include our international presence. Many of our clients have a "global footprint", which means that it is essential for us to develop and provide our services with our customary level of quality, at an international level. For coordinated fulfillment with this goal, among other measures we have established a World Board which coordinates "best practice sharing" and promotes business development at a global level. The development of our Asia business is particularly critical in terms of our international presence. We have realized a basic prerequisite for the development of this business segment by establishing a subsidiary in Singapore and through our new management appointments in Asia.

Economic Outline Conditions

World Economy Gradually Recovering

According to the Kiel Institute for the World Economy, the indicators for the global economy have considerably improved recently. They suggest that world economic growth will pick up again at the start of the year. However, the recovery is still not strong enough to mask the impact of any disruptions triggered by the financial markets or a rise in commodities prices, for instance. The further outlook still crucially depends on the development of the Eurozone crisis and the associated impact on demand and financial markets. In the Kiel Institute's assessment, a collapse of the Eurozone would prompt a severe recession and subdue economic growth in the rest of the world through the channel of trade and also via the international financial markets. In the United States, economic risks remain applicable that have their origins in the imponderabilities of the struggle between the opposing political camps and which might trigger further uncertainty, e.g. in connection with the need to raise the debt ceiling.

According to the Kiel Institute, the pace of world economic growth should pick up in the course of this year. However, the sluggishness of the advanced economies will endure. While monetary policy is still highly expansionary, its effect on demand should remain limited since the private sector in many countries is still seeking to reduce its debt leverage. Financial policy will also have a curbing influence, in the Eurozone somewhat less so, but increasingly in the USA. Only in Japan will financial policy stimulate the economy. Overall, for this group of countries the Kiel Institute predicts gross domestic product growth of 1.0 % in the coming year, a low rate by historical standards. In 2014, output growth should be significantly higher, at 1.9 %. However, this rate cannot yet be characterized as a strong upturn. This growth is hardly likely to be enough to significantly reduce unemployment. In view of the slowdown in growth, economic policy in the emerging markets is increasingly seeking to stimulate economic activity. Together with the improved environment for exports, in the forecast period this should lead to a stronger growth rate for global economic output. However, a return to high growth levels similar to those seen before the financial crisis is not foreseeable in the absence of support in the form of a strong rise in demand in the advanced economies.

All in all, the Kiel Institute predicts a rise in global output of 3.4 % in the current year. For 2014, the Institute predicts a 4.0 % increase in global gross domestic product. In 2013, world trade will likely once again realize very weak growth, with a level of 3 %. For 2014, the Institute expects the trend to pick up as far as 4.5 %.

Eurozone: Slow Economic Upturn

According to the Kiel Institute, since the start of 2013 the Eurozone economy has once again been marginally on the upturn. Sentiment indicators in particular suggest that overall economic output should improve slightly in the first half of the year. Since October last year, the Kiel Institute's indicator for corporate confidence has been continuously on the rise, and the outlook among consumers also appears to be more confident than six months ago. While the indicators are still at a low level, the EUROFRAME indicator also points to slight gross domestic product growth at the start of 2013.

In the Kiel Institute's view, the economy will only slowly recover from recession. Private consumption will once again decline this year, due to the weak wage trend and the continuing rise in unemployment. In addition, in several countries private households will likely continue to reduce their levels of debt. Moreover, governments will further consolidate their finances in 2013 and thus curb economic activity. Due to poor domestic sales outlooks and financing terms which remain unfavorable, companies will only moderately commit themselves to new investment projects. However, exports should provide positive momentum throughout the forecast period. Since imports will probably only realize moderate growth due to the weak domestic economy, in the forecast period foreign trade will provide a clearly positive contribution to gross domestic product growth.

All in all, the Eurozone economy should pick up again slightly over the next few quarters. Nonetheless, according to the Kiel Institute's forecast overall economic output should once again fall in the current year, though at 0.2 % less strongly than in the previous year. In 2014, the recovery will likely stabilize and output will rise by 1 %.

Germany: Forces of Recovery Gradually Gaining Ground

In the opinion of the Kiel Institute, the German economy should pick up again slightly in the current year. Momentum from activities outside Germany will gradually improve, following the slack export trend which was a key factor in the weak phase in the past year. Domestic utilization should also return to a clearly stronger growth level. Interest rates which remain low are an especially positive factor; they will cause demand for housing construction in particular to gradually rise. The labor market has remained stable despite the economic slowdown and has buoyed private consumer spending. However, uncertainty remains very high and is an obstacle to the strong upturn which might be expected on the basis of the extremely favorable outline monetary conditions. This uncertainty relates to economic development in the Eurozone's crisis-torn countries, where a lasting improvement is not yet in sight.

In the first quarter of this year, overall economic output should once again clearly improve. Foreign trade will provide significant momentum. Following the pronounced weakness of exports, we now expect to see a recovery. German companies' export perspectives have recently improved, and the business climate has also brightened up for key trading-partner countries. In the course of the current year, domestic utilization will achieve significantly stronger growth than in 2012. However, the investment engine is yet to get going, even though company surveys suggest that the fall in plant and equipment investments has bottomed out. Private consumer spending, which is benefiting from the robust labor market, should remain a source of support. Employment has continued to improve despite the decrease in capacity utilization.

For 2013 as a whole, the Kiel Institute expects to see gross domestic product growth of 0.6 %, compared to 0.7 % in 2012. At 2.0 %, inflation should match the level of the previous year.

In 2014, economic growth should consolidate in the absence of new disruptions triggered by the Eurozone crisis. The favorable outline monetary conditions should increasingly pay off, while the recession tendencies in the rest of the Eurozone gradually wane. Corporate investments will also achieve stronger growth. The IfW expects output to improve by 2.6 %. Inflation will likely amount to 2.6 % in 2014, and will thus be higher than in the rest of the Eurozone.

Company-Specific Outlook

Predicted Sales and Results of Operations

In view of a weaker economic environment, for the fiscal year 2013 the Deufol Group envisages sales in a corridor between € 310 million and € 325 million. Earnings (EBITDA) are expected in a range between € 18 million and € 20 million.

In regard to the sales trend, we expect to see a significant decrease in the USA, where a major customer has recently canceled its orders. In Germany, we envisage an improvement, while in the Rest of Europe we expect a slight fall in sales. At our automotive location in Belgium, our customer is planning to gradually handle some aspects of this service itself.

With regard to our results forecast, we expect our core business in the USA to improve. This reflects improvements in our contracts with our Automated Packaging customers. At the present time, fixed assets depreciation cannot be ruled out in connection with the restructuring of the Data Packaging business. For the Rest of Europe, we envisage slightly falling results. On the other hand, in Germany we expect all of our services to report significantly improved results.

For 2014, 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 2013 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 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 € 6 million are planned; this corresponds to an investment quota (investments in property, plant and equipment in relation to sales) of slightly less than 2 % of sales. The planned investments are thus lower than those in fiscal year 2011 (€ 9.4 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.

Managing Directors' 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. 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 expect a positive trend for the Group over the next few years.

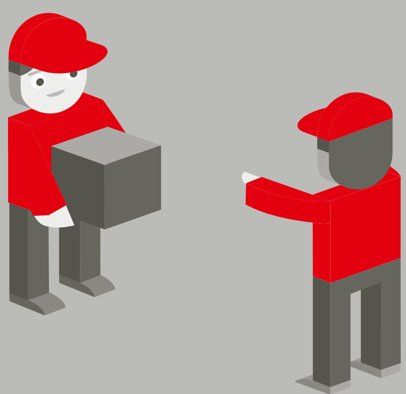
Export & Industrial Packaging

Packaging industrial goods and even entire facilities so that they arrive at the designated delivery location safely and on time is an enormous feat. Not only does everything have to arrive complete and intact from the tiniest screw to the turbines, the goods also need to be packaged in such a way that allows them to be unpacked, installed, and placed into service on site without any delays – this is the crucial factor for the success of Export & Industrial Packaging.

With Deufol at your side, you have a partner that provides more than “just packaging”: Our comprehensive process takes into account the materials, production, and climate conditions, and our proprietary BoxCAD and VV software solutions provide an appreciable level of efficiency and intelligence.

FINANCIAL STATEMENTS

060 Consolidated Income Statement
060 Statement of Total Comprehensive Income
061 Consolidated Balance Sheet
062 Consolidated Cash Flow Statement
063 Consolidated Statement of Changes in Equity
064 Notes to the Consolidated Financial Statements
116 Auditors' Report
117 Responsibility Statement by the Management



Consolidated Financial Statements

as of December 31, 2012

Consolidated Income Statement

figures in € thousand	2012	2011	Note/Page
Sales	**333,014**	**315,190**	01/082
Cost of sales	(297,197)	(281,538)	02/082
Gross profit	**35,817**	**33,652**	
Selling expenses	(5,130)	(5,063)	03/082
General and administrative expenses	(25,793)	(20,747)	04/083
Other operating income	2,990	4,360	05/083
Other operating expenses	(1,677)	(1,489)	06/083
Profit from operations (EBIT)	**6,207**	**10,713**	
Financial income	1,161	2,014	07/084
Finance costs	(5,405)	(6,035)	07/084
Share of profit of associates	845	690	07/084
Earnings before taxes (EBT) from continuing operations	**2,808**	**7,382**	
Income taxes	(2,402)	(3,510)	08/084
Income from continuing operations	**406**	**3,872**	
Loss from discontinued operation (net of tax)	(340)	(3,261)	09/086
Income for the period	**66**	**611**	
of which income attributable to noncontrolling interests	345	522	10/087
of which income attributable to equity holders of parent	**(279)**	**89**	

Earnings per share

in €	2012	2011	Note/Page
Basic and diluted earnings per share, based on the profit (loss) attributable to common shareholders of Deufol SE	(0.006)	0.002	11/087
Basic and diluted earnings per share, based on the profit (loss) from continuing operations attributable to common shareholders of Deufol SE	(0.001)	0.077	11/087

Statement of Total Comprehensive Income

figures in € thousand	2012	2011	Note/Page
Income for the period	**66**	**611**	
Other recognized income and expense	**(4)**	**498**	
Exchange-rate differences on translation of foreign operations			
Before tax	(178)	253	
Tax	0	0	
After tax	(178)	253	
Gain (loss) on cash flow hedges			
Before tax	247	346	
Tax	(73)	(101)	
After tax	174	245	
Total comprehensive income after tax	**62**	**1,109**	
of which attributable to noncontrolling interests	345	522	
of which attributable to equity holders of parent	(283)	587	

Consolidated Balance Sheet

Assets figures in € thousand	Dec. 31, 2012	Dec. 31, 2011	Note/Page
Noncurrent assets	**144,784**	**146,660**	
Property, plant and equipment	48,536	48,155	13/088
Investment property	328	383	14/088
Goodwill	68,616	68,612	14/088
Other intangible assets	2,429	2,778	14/088
At-equity accounted investments	3,344	2,794	15/089
Financial receivables	7,003	8,339	16/092
Other financial assets	249	248	
Other receivables and other assets	3,739	4,237	17/092
Deferred tax assets	10,540	11,114	08/084
Current assets	**76,124**	**86,689**	
Inventories	12,438	12,276	18/093
Trade receivables	43,876	49,037	19/093
Other receivables and other assets	9,408	8,664	17/092
Tax receivables	1,506	1,356	
Financial receivables	1,630	1,953	16/092
Cash and cash equivalents	7,266	11,416	20/094
Assets classified as held for disposal	0	1,987	21/094
Total assets	**220,908**	**233,349**	

Equity and Liabilities figures in € thousand	Dec. 31, 2012	Dec. 31, 2011	Note/Page
Equity	**96,735**	**98,336**	
Equity attributable to equity holders of Deufol SE	95,483	97,079	
Subscribed Capital	43,774	43,774	22/095
Capital reserves	107,240	107,240	23/095
Retained earnings (accumulated losses)	(54,023)	(52,431)	
Other recognized income and expense	(1,508)	(1,504)	
Equity attributable to noncontrolling interests	1,252	1,257	24/095
Noncurrent liabilities	**60,801**	**59,361**	
Financial liabilities	51,910	49,308	25/096
Provisions for pensions	4,269	3,885	26/098
Other provisions	122	420	27/100
Other liabilities	2,486	3,105	28/101
Deferred tax liabilities	2,014	2,643	08/84
Current liabilities	**63,372**	**75,652**	
Trade payables	30,509	28,971	29/101
Financial liabilities	19,020	30,312	25/096
Other liabilities	11,736	13,519	28/101
Tax liabilities	1,426	1,673	
Other provisions	681	1,177	27/100
Total equity and liabilities	**220,908**	**233,349**	

Consolidated Cash Flow Statement

figures in € thousand	2012	2011	Note/Page
Income (loss) from operations (EBIT) from continuing operations	6,207	10,713	
Income (loss) from discontinued operation	(340)	(3,261)	
Adjustments to reconcile income (loss) to cash flows from operating activities			
Depreciation and amortization charges	8,769	9,156	13, 14/088
(Gain) loss from disposal of property, plant and equipment	512	(319)	05, 06/083
Other noncash expenses (revenue)	42	2,503	
Taxes paid	(2,960)	(3,137)	
Changes in assets and liabilities from operating activities			
Change in trade accounts receivable	5,129	(10,863)	
Change in inventories	(169)	126	
Change in other receivables and other assets	(701)	(2,885)	
Change in trade accounts payable	1,594	2,875	
Change in other liabilities	(1,789)	688	
Change in accrued expenses	(26)	(829)	
Change in other operating assets/liabilities (net)	(261)	(144)	
Net cash provided by (used in) operating activities	**16,007**	**4,623**	30/102
Purchase of intangible assets and property, plant and equipment	(7,904)	(6,172)	
Proceeds from the sale of intangible assets and property, plant and equipment	1,957	1,674	
Dividends received	400	500	
Purchase of noncontrolling interests	(106)	0	
Payments for the purchase and the sale of subsidiaries	450	(150)	31/102
Net change in financial receivables	1,659	1,793	
Interest received	1,149	1,991	
Net cash provided by (used in) investing activities	**(2,395)**	**(364)**	32/102
Net change in borrowings	(7,374)	107	
Net change in other financial liabilities	(2,967)	(1,987)	
Interest paid	(5,725)	(6,139)	
Dividends paid	(1,313)	(1,313)	
Dividends paid to noncontrolling interests	(350)	(436)	
Net cash provided by financing activities	**(17,729)**	**(9,768)**	33/102
Effect of exchange-rate changes and changes in the scope of consolidation on cash and cash equivalents	(33)	114	
Change in cash and cash equivalents	**(4,150)**	**(5,395)**	34/102
Cash and cash equivalents at the beginning of the period	11,416	16,811	
Cash and cash equivalents at the end of the period	7,266	11,416	

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 SE	Equity attributable to noncontrolling interests	**Total equity**
Balance at Dec. 31, 2010	**43,774**	**107,240**	**(51,207)**	**(1,461)**	**(541)**	**97,805**	**1,171**	**98,976**
Income (loss)	—	—	89	—	—	89	522	611
Changes recognized directly in equity	—	—	—	253	346	599	—	599
Deferred taxes for valuation changes recognized directly in equity	—	—	—	—	(101)	(101)	—	(101)
Total recognized income and expense	**—**	**—**	**89**	**253**	**245**	**587**	**522**	**1,109**
Purchase of noncontrolling interests	—	—	(280)	—	—	(280)	(70)	(350)
Dividends	—	—	(1,313)	—	—	(1,313)	(436)	(1,749)
Balance at Dec. 31, 2011	**43,774**	**107,240**	**(52,431)**	**(1,208)**	**(296)**	**97,079**	**1,257**	**98,336**
Income (loss)	—	—	(279)	—	—	(279)	345	66
Changes recognized directly in equity	—	—	—	(178)	247	69	—	69
Deferred taxes for valuation changes recognized directly in equity	—	—	—	—	(73)	(73)	—	(73)
Total recognized income and expense	**—**	**—**	**(279)**	**(178)**	**174**	**(283)**	**345**	**62**
Dividends	—	—	(1,313)	—	—	(1,313)	(350)	(1,663)
Balance at Dec. 31, 2012	**43,774**	**107,240**	**(54,023)**	**(1,386)**	**(122)**	**95,483**	**1,252**	**96,735**

* Cf. Notes (22) – (24) to the consolidated financial statements

Notes to the Consolidated Financial Statements

For the fiscal year from January 1, 2012 to December 31, 2012

General Information

Pursuant to the resolution passed by the Annual General Meeting on July 4, 2012 and the entry made in the commercial register on December 21, 2012, Deufol Aktiengesellschaft underwent a change of corporate form and was converted to become Deufol SE. Deufol SE is domiciled in Hofheim am Taunus and has been entered in the Frankfurt am Main commercial register under the number HRB 95470. Its Articles of Association were approved on July 4, 2012.

Deufol is a global premium service provider in the field of packaging and supplementary 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 Company's managing directors approved the IFRS consolidated financial statements on April 8, 2013 so that they could then be forwarded to the Administrative Board.

Basis of Preparation

Deufol SE 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 315 a (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 SE has legal or practical control are included in the consolidated financial statements. In addition to Deufol SE, the consolidated financial statements include 21 (previous year: 23) fully consolidated subsidiaries in Germany and 15 (previous year: 14) in other countries (hereinafter referred to as the "Deufol Group" or the "Group").

Joint ventures are included in the consolidated financial statements using the at-equity method in accordance with IAS 31 in combination with IAS 28. Other significant equity investments are accounted for using the at-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 at-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 €	**2012**	2011	**2012**	2011
US dollar	1.3194	1.2939	1.2848	1.3920
Renminbi	8.2207	8.1588	8.1052	8.9960
Singapore dollar	1.6111	—	1.6055	—
Czech crown	25.1510	25.787	25.1490	24.5900

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	1 – 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 economic 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 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 at-equity method. The cost of at-equity accounted investments is increased or decreased annually by changes in equity insofar as these are attributable to the Deufol Group.

Nonderivative 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 (excl. 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.

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. the 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

Derivative 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 (41).

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 29.55 % (previous year: 29.48 %). 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 increase 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 (27) 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 (08) 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 (14) 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 (13) and (14) 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.

Discontinued Operation

Deufol has applied IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" in these financial statements. IFRS 5 requires the presentation and disclosure of information that enables readers of the financial statements to assess the financial impact of discontinued operations and noncurrent assets held for sale (or disposal groups).

A discontinued operation is defined as a group of assets including allocable liabilities which are to be jointly disposed of by means of a sale or otherwise. Deufol has reported the "Cartons" business field of Deufol Sunman Inc. (Sunman, Indiana) as a "discontinued operation".

The earnings contributions of discontinued business divisions are reported separately in the income statement under the item "Income (loss) from discontinued operation (net of tax)", subject to corresponding adjustments for the same period in the previous year. Unless otherwise noted, all disclosures concerning the income statement in the Notes exclusively relate to continuing operations.

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 by the IASB and IFRSIC were newly applicable or could be applied for fiscal year 2012 due to their recognition through the EU's endorsement process:

Amendment to IFRS 7 "Financial Instruments: Transfer of Financial Assets"
In October 2010, the IASB issued the pronouncement "Disclosures – Transfers of Financial Assets" as an amendment to IFRS 7 "Financial Instruments: Disclosures". The amendment requires quantitative and qualitative disclosures to be made for transfers of financial assets where the transferred assets are derecognized in their entirety or the transferor retains continuing involvement. The amendment is intended to provide greater transparency around such transactions (e. g. securitizations) and help users understand the possible effects of any risks that may remain with the entity that transferred the assets. The amendment also requires supplementary information to be disclosed if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period. The amendments are applicable for fiscal years beginning on or after July 1, 2011. The European Union endorsed this pronouncement in November 2011. Application of the amendments to IFRS 7 has not had any significant effect on the Company's consolidated financial statements.

The IASB has published the following standards and interpretations which were not yet bindingly applicable in fiscal year 2012. The Group opted to waive early application of these standards and interpretations.

Amendment of IAS 12 "Deferred Tax: Recovery of Underlying Assets"
In December 2010, the IASB issued the pronouncements "Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12". The amendment sets presumptions for the recovery of certain assets. This is relevant in those cases where different tax consequences can arise depending on how the carrying amounts are recovered. The pronouncement introduces a rebuttable presumption that the carrying amount of an investment property that is measured using the fair-value model in IAS 40 "Investment Property" will be recovered through sale. In any case, there is also a non-rebuttable presumption that the carrying amount of a non-depreciable asset that is measured using the fair-value model in IAS 16 "Property, Plant and Equipment" will be recovered through sale. Interpretation SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" was replaced by the new pronouncement. It is applicable for fiscal years beginning on or after January 1, 2012 and was endorsed by the European Union in December 2012. It must be applied here from 2013. This amendment is not relevant for the Company's consolidated financial statements.

Amendment to IAS 32 “Financial Instruments: Presentation”
This amendment to IAS 32 clarifies how the rules defining equity and debt are to be applied to subscription rights which are not denominated in the issuer’s functional currency. This amendment is mandatorily applicable from 2013 but is not relevant for the consolidated financial statements of Deufol SE.

In November 2009, the IASB issued IFRS 9 “Financial Instruments”. The European Union has not yet endorsed the amendments. The standard is the result of the first of three phases of the project to replace IAS 39 “Financial Instruments: Recognition and Measurement” with IFRS 9. IFRS 9 governs the classification and measurement of financial assets. The rules for impairment of financial instruments and hedge accounting are currently being revised by the IASB. IFRS 9 requires financial assets to be assigned to one of the following two measurement categories: “at amortized cost” or “at fair value”. IFRS 9 also grants a fair-value option which allows financial assets that would normally be assigned to the “at amortized cost” category to be designated as “at fair value” if the fair-value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the “at fair value” category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition and to designate it as “at fair value” through other comprehensive income. Dividend income resulting from the equity instrument is recognized in profit or loss. IFRS 9 is applicable for fiscal years beginning on or after January 1, 2015. Previous periods do not require any amendment in case of first-time application, but the effects of first-time application require disclosure. Deufol SE is currently assessing the effects for the presentation of the Group’s net assets, financial position and results of operations and its cash flows.

In October 2010, the IASB issued requirements on accounting for financial liabilities. These are integrated into IFRS 9 "Financial Instruments" and replace the existing provisions on this subject in IAS 39 "Financial Instruments: Recognition and Measurement". In the new pronouncement, the requirements relating to recognition and derecognition as well as most of the requirements for classification and measurement are carried forward unchanged from IAS 39. However, the requirements related to the fair-value option for financial liabilities are changed in the new IFRS 9 to address own credit risk and the prohibition of fair-value measurement is eliminated for derivative liabilities that are linked to an unquoted equity instrument and must be settled by delivery of an unquoted equity instrument. The pronouncement is applicable for fiscal years beginning on or after January 1, 2015. Previous periods do not require any amendment in case of first-time application, but the effects of first-time application require disclosure. The European Union has not yet endorsed this pronouncement. Deufol SE is assessing the effects for the presentation of the Group's net assets, financial position and results of operations and its cash flows.

In May 2011, the IASB published three new IFRSs (IFRS 10, IFRS 11, IFRS 12) and two revised standards (IAS 27, IAS 28) that govern the accounting for investments in subsidiaries, joint arrangements and associates. The provisions were endorsed by the European Union in December 2012 and must be applied for fiscal years beginning on or after January 1, 2013. Application of the new and revised IFRSs may affect the presentation of the Group's net assets, financial position and results of operations and its cash flows in case of future business combinations and may lead to additional Notes for the Deufol Group. However, this does not include the new version of IAS 27 since this exclusively covers single-entity financial statements and Deufol SE does not prepare any IFRS single-entity financial statements pursuant to section 325 (2a) HGB.

In 2012, further amendments were published by way of clarification of the transition requirements and regarding investment entities. The European Union has not yet endorsed these regulations. The amendments to IFRS 10 "Transition Guidance" must be applied for fiscal years beginning on or after January 1, 2013. The amendments to IFRS 10 "Investment Entities" must be applied for fiscal years beginning on or after January 1, 2014.

The IASB is introducing a harmonized consolidation model by issuing IFRS 10 "Consolidated Financial Statements". This new standard does away with the distinction between "traditional" subsidiaries (IAS 27) and special-purpose entities (SIC-12). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Upon its entry into force, IFRS 10 will replace SIC-12 "Consolidation – Special Purpose Entities" as well as the requirements relevant to consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements".

IFRS 11 “Joint Arrangements” will replace IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. It governs the accounting for joint ventures and joint operations. Proportionate consolidation for joint ventures will no longer be permissible as a result of the discontinuation of IAS 31. The amended IAS 28 “Interests in Associates and Joint Ventures” governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses and revenues is directly recognized in the consolidated financial statements and annual financial statements of a joint operator.

IFRS 12 “Disclosure of Interests in Other Entities” combines all disclosures required in the consolidated financial statements regarding subsidiaries, joint arrangements and associates, as well as unconsolidated structured entities.

In May 2011, the IASB also published IFRS 13 “Fair Value Measurement”. With this standard, the IASB has created a uniform, comprehensive standard for fair-value measurement. IFRS 13 must be applied prospectively for fiscal years beginning on or after January 1, 2013. IFRS 13 provides guidance on how to measure at fair value when other IFRSs require fair-value measurement (or disclosure). A new definition of fair value applies which characterizes fair value as the selling price of an actual or hypothetical transaction between any independent market participants under normal market conditions on the reporting date. The standard is almost universally applicable, with the only exemptions being IAS 2 “Inventories”, IAS 17 “Leases”, and IFRS 2 “Share-Based Payment”. While the guidance remains virtually unchanged for financial instruments, the guidance for other items (e.g. investment property, intangible assets and property, plant and equipment) is now more comprehensively and/or precisely defined. The established three-level fair-value hierarchy has to be applied across the board. Application of IFRS 13 is expected to lead to extended Notes to Deufol’s consolidated financial statements. The European Union endorsed these regulations in December 2012.

In June 2011, the IASB issued amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”. The amendments require that the items listed under other comprehensive income be split into two categories, according to whether or not they will be recognized in the income statement in future periods (“recycling”). The amendments to IAS 1 must be applied for fiscal years beginning on or after July 1, 2012 and were endorsed by the European Union in June 2012. Deufol SE is currently assessing the effects for the presentation of the Group’s net assets, financial position and results of operations and its cash flows and currently assumes that the above-mentioned amendments will be incorporated in its statement of comprehensive income.

In June 2011, the IASB also issued amendments to IAS 19 “Employee Benefits”. These amendments mean the discontinuation of existing options for the recognition of actuarial gains and losses. As the corridor method, as it is known, will no longer be permissible, with immediate effect actuarial gains and losses have to be recognized in full and exclusively directly in equity, which corresponds to the method we currently apply. Other amendments concern the recognition of past service cost and of the net interest income/expense resulting from defined-benefit plans as well as the differentiation between termination benefits and other employee benefits. One significant consequence of these amendments is that top-up payments made as part of partial retirement programs may no longer be recognized as termination benefits and therefore have to be accrued over their vesting period. Disclosure requirements are also being extended, e. g. for characteristics of defined-benefit plans and the risks arising from those plans. The amendments to IAS 19 must be applied retrospectively for fiscal years beginning on or after January 1, 2013 and were endorsed by the European Union in June 2012. Deufol SE currently expects that its financial statements will be affected by the extended disclosure obligations and is also examining the effects of this amendment for the presentation of the Group’s net assets, financial position and results of operations and its cash flows.

In December 2011, the IASB published amendments to IAS 32 “Financial Instruments: Presentation” specifying the requirements for offsetting financial instruments. To meet the new offsetting requirements in IAS 32, an entity’s right to set off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default or insolvency of the entity and all counterparties. It is further specified that a gross settlement system also complies with the offsetting requirements according to IAS 32, provided no major credit or liquidity risks remain and receivables and payables are processed in a single settlement step, making it equivalent to a net settlement. The new requirements must be applied retrospectively for fiscal years beginning on or after January 1, 2014 and were endorsed by the European Union in December 2012. Deufol SE is assessing the effects for the presentation of the Group’s net assets, financial position and results of operations and its cash flows but does not currently expect any significant changes.

In December 2011, the IASB also issued extended disclosure requirements regarding offsetting rights in IFRS 7 “Financial Instruments: Disclosures”. In addition to extended disclosures on offsetting activities actually carried out pursuant to IAS 32, disclosure requirements on existing rights to set off are introduced regardless of whether the offsetting under IAS 32 is actually carried out. The new requirements must be applied retrospectively for fiscal years beginning on or after January 1, 2013 and were endorsed by the European Union in December 2012. Deufol SE is assessing the effects for the presentation of the Group’s net assets, financial position and results of operations and its cash flows and assumes that extended disclosure requirements will result.

The IASB has published further pronouncements. These recently implemented accounting pronouncements and the IASB’s pronouncements which have not yet been implemented have not had any significant effect on Deufol’s consolidated financial statements.

Scope of Consolidation

Consolidated Companies

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

in € thousand	Dec. 31, 2011	Additions	Disposals	Dec. 31, 2012
Consolidated subsidiaries	37	1	2	36
thereof in Germany	23	0	2	21
thereof abroad	14	1	0	15
Companies valued using the at-equity method	4	2	0	6
thereof in Germany	3	2	0	5
thereof abroad	1	0	0	1
Total	**41**	**3**	**2**	**42**

The following table shows the companies fully consolidated as of December 31, 2012:

Companies fully consolidated as of Dec. 31, 2012

	Country	Equity interest (%)*
Aircon Airfreight Container Maintenance GmbH, Mörfelden-Walldorf	Germany	56.7
Baumann Technologie GmbH, Oberhausen	Germany	56.0
Deufol Services & IT GmbH, Hofheim	Germany	100.0
D.Services Immobilien GmbH & Co. KG i. L., Hofheim	Germany	94.8
Deufol Mitte GmbH, Hofheim	Germany	100.0
Deufol time solutions GmbH, Hofheim, previously Deufol Produktionsgesellschaft mbH, Hofheim	Germany	100.0
Dualogis GmbH, Erlenbach	Germany	51.0
Deufol Nürnberg GmbH, Nuremberg (incl. subsidiaries)	Germany	100.0
Deufol Hamburg GmbH, Hamburg	Germany	100.0
Deufol Frankfurt GmbH, Frankfurt	Germany	100.0
Deufol West GmbH, Oberhausen	Germany	100.0
Deufol Nord GmbH, Peine	Germany	100.0
Deufol Bochum GmbH, Bochum	Germany	100.0
Deufol Süd GmbH, Neutraubling	Germany	100.0
DTG Verpackungslogistik GmbH, Fellbach	Germany	51.0
Deufol Remscheid GmbH, Remscheid	Germany	100.0

Companies fully consolidated as of Dec. 31, 2012	Country	Equity interest (%)*
Horst Lange GmbH, Hamburg	Germany	56.7
IAD Industrieanlagen-Dienst GmbH, Munich	Germany	100.0
Deufol München GmbH, Munich	Germany	100.0
Deufol Berlin GmbH, Berlin	Germany	100.0
Deufol Südwest GmbH, Walldorf	Germany	100.0
Deufol Austria GmbH, Bruck a.d. Leitha	Austria	100.0
Deufol Česká republika a.s.	Czech Republic	100.0
Deufol Slovensko s.r.o., Krušovce	Slovak Republic	100.0
Deufol (Suzhou) Packaging Co. LTD, Suzhou	China	100.0
Deufol North America Inc., Sunman, Indiana (incl. subsidiaries)	USA	100.0
Deufol Sunman Inc., Sunman, Indiana	USA	100.0
Deufol Charlotte LLC., Charlotte, North Carolina	USA	100.0
Deufol Packaging Tienen N.V., Tienen	Belgium	100.0
Deufol Logistics Tienen N.V., Tienen	Belgium	100.0
Deufol België N.V., Tienen (incl. subsidiaries)	Belgium	100.0
Arcus Installation B.V.B.A., Houthalen	Belgium	100.0
Deufol Technics N.V., Houthalen, previously AT+S N.V., Houthalen	Belgium	100.0
Deufol Waremme S.A., Waremme	Belgium	98.8
Deufol Asia PTE. LTD., Singapore	Singapore	100.0
Deufol Italia S.p.A., Fagnano Olona	Italy	100.0

* Attributable to the relevant parent

Investments Accounted for Using the At-Equity Method

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

Companies accounted for using the at-equity method as of Dec. 31, 2012	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
Mantel Industrieverpackung GmbH, Stockstadt	Germany	50.0
DRELU Holzverarbeitung GmbH, Remscheid	Germany	25.1
Deufol St. Nabord SAS, previously D.Logistics France SAS, Saint Nabord	France	24.0

Information in Accordance with Section 313 (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. I., previously BVU Bayerisches Verpackungsunternehmen GmbH, Munich*	Germany	100.00	363	(704)
Deufol Securitas Int. GmbH, Hamburg*	Germany	50.00	84	(4)
GGZ Gefahrgutzentrum Frankenthal GmbH i. I., Frankenthal**	Germany	100.00	(177)	(189)
Deutsche Tailleur Bielefeld Beteiligungs GmbH, Bielefeld	Germany	30.00	57	3
Securitas Int. B.V., Antwerp	Belgium	50.00	—	—
Deufol Packaging Italy S.R.L. i.L., Fagnano Olona	Italy	100.00	18	(1)

* As of December 31, 2009
** As of December 31, 2011

Acquisitions and Sales

Under a notarial deed of July 18, 2012, Deufol SE concluded a trust agreement for 50.0 % of the shares in Mantel Industrieverpackung GmbH, Stockstadt (corresponding to share capital of € 100 thousand). Deufol SE is acting as a trustor. With effect as of July 1, 2012, this interest will be held by the trustor at the risk and at the expense of Deufol SE. Since July 1, 2012, Mantel Industrieverpackung GmbH has been included in the consolidated financial statements of Deufol SE on the basis of the at-equity method.

Under a notarial deed of September 26, 2012, Deufol SE acquired 25.1 % of the shares in DRELU Holz-verarbeitung GmbH, Remscheid (corresponding to share capital of € 6.4 thousand). Since October 1, 2012, Drelu Holzverarbeitung GmbH has been included in the consolidated financial statements of Deufol SE on the basis of the at-equity method.

Mergers

The merger of Fischer Kisten GmbH with Deufol Südwest GmbH was resolved through a notarial deed as of August 14, 2012.

Start-ups

Deufol SE established Deufol Asia PTE. LTD. on September 17, 2012. This company was fully consolidated in fiscal year 2012.

Deconsolidation

Provisional insolvency proceedings were instituted in relation to the assets of GGZ Gefahrgutzentrum Frankenthal GmbH on September 26, 2012. This company was thus removed from the consolidated group with effect as of September 30, 2012. This removal resulted in a disposal profit of € 274 thousand. In the first nine months of 2012, GGZ GmbH realized an operating loss of € 97 thousand.

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

in € thousand	Sep. 30, 2012	Dec. 31, 2011
Noncurrent assets	12	14
Current assets	89	59
Total assets	**101**	**73**
Noncurrent liabilities	0	0
Current liabilities	375	250
Total liabilities	**375**	**250**
Net assets	**(274)**	**(177)**
Disposal profit	274	—
Disposal proceeds	**0**	**—**
less disposal of cash and cash equivalents	(33)	—
Cash outflow	**(33)**	**—**

Consolidated Income Statement Disclosures

01 Sales

The sales mainly resulted from the provision of services and, to a lesser extent, from rents. The sales include rents from the investment properties in the amount of € 86 thousand (previous year: € 86 thousand). In respect of further comments on the sales, we refer to the segment reporting on pages ▶ 110 ff.

02 Cost of Sales

The cost of sales includes the following expenses:

figures in € thousand	2012	2011
Personnel costs	80,910	76,190
Cost of purchased services	81,228	75,535
Cost of materials	83,562	79,222
Rental and lease expenses	19,921	20,061
Depreciation, amortization and impairment	7,879	7,965
Space costs	7,131	6,557
Maintenance costs	4,298	3,646
Insurance premiums	2,715	2,983
Vehicle fleet costs	1,115	2,229
Expenses for loss or damage incurred	621	916
Other	7,817	6,234
Total	**297,197**	**281,538**

The cost of sales includes expenses for the investment properties in the amount of € 59 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	2012	2011
Personnel costs	3,394	3,365
Valuation adjustments on trade receivables and losses on receivables	573	651
Travel expenses	469	400
Advertising costs	112	243
Depreciation, amortization and impairment	82	72
Cost of purchased services	15	31
Other selling expenses	485	301
Total	**5,130**	**5,063**

04 Administrative Expenses

The general and administrative expenses include the following expenses:

figures in € thousand	2012	2011
Personnel costs	13,796	12,921
Legal and consulting costs	4,248	1,914
Depreciation, amortization and impairment	808	753
IT and communications costs	774	752
Cost of purchased services	840	714
Rental and lease expenses	706	544
Travel expenses	613	275
Annual General Meeting and financial reports	301	211
Space costs	328	304
Other administrative expenses	3,379	2,359
Total	**25,793**	**20,747**

05 Other Operating Income

The following table shows the breakdown of other operating income:

figures in € thousand	2012	2011
Release of accruals and liabilities	518	1,258
Insurance compensation and other indemnification	379	1,115
Reimbursement claim for taxes paid in previous periods	0	367
Income from disposal of fixed assets	163	17
Exchange-rate gains	13	65
Other	1,917	1,538
Total	**2,990**	**4,360**

06 Other Operating Expenses

The following table shows the breakdown of other operating expenses:

figures in € thousand	2012	2011
Expenses for damage incurred in previous periods	0	419
Other space costs	175	135
Additional payments of other taxes following external audit	0	135
Losses on disposal of fixed assets	675	19
Exchange-rate losses	70	24
Expenses for deconsolidation	43	0
Other	714	757
Total	**1,677**	**1,489**

07 Financial Result

The financial result can be broken down as follows:

figures in € thousand	2012	2011
Financial income	**1,161**	**2,014**
from bank balances	266	477
from finance leases	883	1,076
from legal disputes	0	438
Accumulation of receivables	12	23
Finance costs	**(5,405)**	**(6,035)**
from financial liabilities	(4,331)	(4,934)
from finance leases	(909)	(1,050)
Accumulation of liabilities and accruals	(165)	(51)
Shares of profits of at-equity accounted investments companies	**845**	**690**
Total	**(3,399)**	**(3,331)**

08 Tax Proceeds/Expenses

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

figures in € thousand	2012	2011
Effective income tax expense	**2,563**	**3,371**
Germany	466	816
Rest of the World	2,097	2,555
Deferred income taxes due to the occurrence or reversal of temporary differences	**(161)**	**139**
Germany	396	1,193
Rest of the World	(557)	(1,054)
Total	**2,402**	**3,510**

Deferred tax expenses are as follows:

figures in € thousand	2012	2011
Recognition of loss carryforwards	(132)	(795)
Supplementary capital for tax purposes	458	417
Valuation of property, plant and equipment	(204)	(38)
Valuation of clientele	(151)	(149)
Measurement of compensation claims and other legal disputes	43	682
Finance leasing	(43)	(129)
Other	(132)	143
Total	**(161)**	**139**

As of December 31, 2012, deferred taxes were calculated for German companies with an overall tax rate of 29.55 % (previous year: 29.48 %). 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 29.55 % (previous year: 29.48 %) income tax rate for Deufol SE:

figures in € thousand	2012	2011
Earnings before taxes from continuing operations	2,808	7,382
Earnings before taxes from discontinued operations	(340)	(3,261)
Income tax rate of the Deufol Group (%)	29.55	29.48
Expected tax expense	**729**	**1,215**
Effect of different tax rates	57	334
Unrecognized deferred tax assets on loss carryforwards	1,589	2,218
Use of previously unconsidered tax losses	(529)	(751)
Effect of tax-exempt income	(210)	(674)
Effect of expenses not deductible for tax purposes	734	762
Prior-period tax effects	142	382
Other	(110)	24
Income taxes	**2,402**	**3,510**
Effective tax rate (%)	**97.33**	**85.17**

Deferred tax assets can be broken down as follows:

figures in € thousand	2012	2011
Tax loss carryforwards	8,142	8,043
Supplementary capital for tax purposes	1,310	1,768
Finance leases	1,202	1,207
Cash flow hedges	51	124
Provisions for pensions	81	38
Other	490	488
Deferred tax assets	**11,276**	**11,668**
Offset against deferred tax liabilities	(736)	(554)
Total	**10,540**	**11,114**

Deferred tax assets include € 8,777 thousand (previous year: € 9,246 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, 2012, corporate income tax loss carryforwards amounted to a total of € 80.9 million (previous year: € 79.8 million). Of this amount, € 76.2 million (previous year: 75.3 million) can be carried forward indefinitely. The trade tax loss carryforwards of German Group companies amount to € 74.9 million (previous year: € 73.3 million) and can be carried forward indefinitely. Temporary differences relating to shares in subsidiaries for which no deferred taxes were accounted total € 22.2 million (previous year: € 20.2 million).

Deferred tax liabilities can be broken down as follows:

figures in € thousand	2012	2011
Property, plant and equipment	1,174	1,376
Finance leases	431	479
Clientele	98	248
Other receivables and other assets	786	743
Other	261	351
Deferred tax liabilities	**2,750**	**3,197**
Offset against deferred tax assets	(736)	(554)
Total	**2,014**	**2,643**

09 Income (Loss) from Discontinued Operation

Within the framework of its portfolio optimization, in fiscal year 2011 Deufol Sunman Inc. wound up its "Carton Business", i. e. production of carton packaging. This is classifiable as a discontinued operation in accordance with IFRS 5. Accordingly, all income and expenses for this operation are reported separately in the income statement under "Income (loss) from discontinued operation (net of tax)".

The position "Income (loss) from discontinued operation (net of tax)" in the consolidated income statement is made up as follows:

figures in € thousand	2012	2011
Income from operating activities	69	2,029
Expenses for operating activities	(153)	(2,787)
Expenses from the recognition of a liability in relation to a pension fund	(256)	(2,503)
Income (loss) from discontinued operation (before tax)	**(340)**	**(3,261)**
Taxes	0	0
Income (loss) from discontinued operation (net of tax)	**(340)**	**(3,261)**
Earnings per share from the discontinued operation (€)	**(0.008)**	**(0.074)**

The employees in the "Cartons" division have entitlements under a multi-employer pension plan. Non-covered pension claims were reportable as provisions for pensions following the closure of the "Cartons" business field. This obligation was recognizable in income at the time that it was incurred in 2011 and requires settlement over a period of 20 years through annual payments of € 305 thousand. The present value of this obligation is € 3,120 thousand (previous year: € 2,693 thousand). In 2011, the value of these pension claims had not yet been definitively calculated. This figure has been finally calculated in these financial statements. Please see Note (26) on page ▶ 100.

The cash flow is as follows:

figures in € thousand	2012	2011
Operating activities	413	485
Investing activities	0	1,099
Financing activities	0	0
Net cash flow	**413**	**1,584**

10 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 Nürnberg Group.

Income figures in € thousand	2012	2011
Result attributable to the holders of Deufol SE common stock	(279)	89
from continuing operations	61	3,350
from discontinued operation	(340)	(3,261)
Shares in circulation in units		
Weighted average number of shares	43,773,655	43,773,655
Earnings per share in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	(0.006)	0.002
from continuing operations	0.001	0.077
from discontinued operation	(0.008)	(0.075)

12 Other Consolidated Income Statement Disclosures

The following personnel costs are included in the expense items:

figures in € thousand	2012	2011
Wages and salaries	77,944	73,446
Social security contributions	20,156	19,030
Total	**98,100**	**92,476**

The average number of employees in 2012 was 2,764 (previous year: 2,818), of which Germany accounted for 1,540 employees (previous year: 1,648), the Rest of Europe for 685 employees (previous year: 698) and USA/Rest of the World for 522 employees (previous year: 463). The holding had 17 employees on average (previous year: 9). As of the reporting date December 31, 2012, the Group had 2,724 employees (previous year: 2,772).

The Group auditors' overall fees for the fiscal year amounted to € 262 thousand (previous year: € 186 thousand) for audits of financial statements and € 0 thousand (previous year: € 0 thousand) for other services.

Consolidated Balance Sheet Disclosures

13 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	2012	2011
Cost	12,203	11,759
Accumulated depreciation and amortization	(7,665)	(6,701)
Net carrying amount	**4,538**	**5,058**

The following amounts are attributable to "Buildings":

figures in € thousand	2012	2011
Cost	7,502	7,502
Accumulated depreciation and amortization	(5,734)	(5,276)
Net carrying amount	**1,768**	**2,226**

As of December 31, 2012, the fair value of investment property was € 0.7 million (previous year: € 0.7 million). The fair value of investment property was measured on the basis of the Company's yield analysis.

14 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	Germany	Rest of Europe	USA / Rest of the World	Total
Carrying amount as of Jan. 1, 2012	**52,666**	**15,946**	**0**	**68,612**
Additions	0	0	0	0
Impairments	0	0	0	0
Currency translation adjustments	0	4	0	4
Carrying amount as of Dec. 31, 2012	**52,666**	**15,950**	**0**	**68,616**

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 Germany, Rest of Europe and USA / Rest of the World. A full valuation adjustment has been implemented on the goodwill allocated to the USA / Rest of the World segment. In the Rest of Europe segment, the management monitors goodwill by distinguishing between 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 8.72 % and 9.89 % (previous year: 7.80 % to 8.52 %). The terminal growth rate (1.0 %, previous year: 1.0 %) does 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 while maintaining the long-term growth rate of 1.0 % would not lead to any need to recognize impairment losses.

15 Investments Accounted for Using the At-Equity Method

As of December 31, 2012, the carrying amount of the investments in associates accounted for using the at-equity method amounts to € 3,344 thousand (previous year: € 2,794 thousand).

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

Assets figures in € thousand	Dec. 31, 2012	Dec. 31, 2011
Current assets	3,770	2,374
Noncurrent assets	2,682	2,492
Total assets	**6,452**	**4,866**

Equity and liabilities figures in € thousand	Dec. 31, 2012	Dec. 31, 2011
Debt	3,202	2,072
Equity	3,250	2,794
Total equity and liabilities	**6,452**	**4,866**
Total sales	15,257	10,001
Total expenses	(14,547)	(9,286)
Income	**710**	**715**

The unrecognized losses amount to € 94 thousand (previous year: profits in the amount of € 25 thousand); cumulative unrecognized losses amount to € 94 thousand (previous year: € 0 thousand).

Consolidated statement of changes in assets 2011 and 2012

	Procurement and production costs							
	Jan. 1, 2012	Currency translation adjustments	Changes in the scope of consolida-tion	Additions	Disposals		Reclassifi-cations	Dec. 31, 2012
figures in € thousand					other	held for disposal		
Property, plant and equipment								
Land, land rights and buildings	34,361	(222)	(5)	110	(322)	0	173	34,095
Technical equipment and machinery	39,285	(345)	(3)	3,263*	(934)	0	165	41,431
Operating and office equipment	32,297	(28)	(71)	1,242	(900)	0	21	32,561
Assets under construction	528	(12)	0	2,458	0	0	(200)	2,774
Leased assets	19,261	(10)	0	1,651	(1,037)	0	(160)	19,705
Investment property	983	0	0	0	0	0	0	983
Total	**126,715**	**(617)**	**(79)**	**8,724**	**(3,193)**	**0**	**(1)**	**131,549**
Intangible assets								
Patents, licenses, trademarks and similar rights and assets	13,660	(13)	(11)	831	(4,368)	0	1	10,100
Goodwill	71,223	4	0	0	0	0	0	71,227
Total	**84,883**	**(9)**	**(11)**	**831**	**(4,368)**	**0**	**1**	**81,327**
Sum total	**211,598**	**(626)**	**(90)**	**9,555**	**(7,561)**	**0**	**0**	**212,876**

figures in € thousand	Jan. 1, 2011							Dec. 31, 2011
Property, plant and equipment								
Land, land rights and buildings	38,695	559	1	654	(287)	(5,610)	349	34,361
Technical equipment and machinery	47,294	90	2	2,494*	(11,396)	(207)	1,008	39,285
Operating and office equipment	31,203	50	121	2,082	(1,066)	(74)	(19)	32,297
Assets under construction	1,293	(22)	0	318	0	0	(1,061)	528
Leased assets	18,541	(7)	22	1,722	(740)	0	(277)	19,261
Investment property	983	0	0	0	0	0	0	983
Total	**138,009**	**670**	**146**	**7,270**	**(13,489)**	**(5,891)**	**0**	**126,715**
Intangible assets								
Patents, licenses, trademarks and similar rights and assets	12,421	34	640	625	(47)	(13)	0	13,660
Goodwill	70,590	(4)	0	637	0	0	0	71,223
Total	**83,011**	**30**	**640**	**1,262**	**(47)**	**(13)**	**0**	**84,883**
Sum total	**221,020**	**700**	**786**	**8,532**	**(13,536)**	**(5,904)**	**0**	**211,598**

* The additions for procurement and production costs include additions in the amount of € 0 thousand (previous year: € 1 thousand) from discontinued operations.
** The additions for depreciation and amortization include depreciation in the amount of € 0 thousand (previous year: € 366 thousand) from discontinued operations.

	Depreciation and amortization charges								Net amounts	
	Jan. 1, 2012	Currency translation adjustments	Changes in the scope of consolida-tion	Additions	Disposals other	Disposals held for disposal	Reclassifi-cations	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**
	14,100	(85)	(5)	1,321	(318)	0	25	15,038	20,261	19,057
	29,305	(199)	(2)	1,619**	(642)	0	149	30,230	9,980	11,201
	22,196	(25)	(60)	1,989	(717)	0	(20)	23,363	10,101	9,198
	0	0	0	0	0	0	0	0	528	2,774
	11,976	1	0	2,611	(1,034)	0	(155)	13,399	7,285	6,306
	600	0	0	55	0	0	0	655	383	328
	78,177	**(308)**	**(67)**	**7,595**	**(2,711)**	**0**	**(1)**	**82,685**	**48,538**	**48,864**
	10,882	(7)	(11)	1,174	(4,368)	0	1	7,671	2,778	2,429
	2,611	0	0	0	0	0	0	2,611	68,612	68,616
	13,493	**(7)**	**(11)**	**1,174**	**(4,368)**	**0**	**1**	**10,282**	**71,390**	**71,045**
	91,670	**(315)**	**(78)**	**8,769**	**(7,079)**	**0**	**0**	**92,967**	**119,928**	**119,909**
	Jan. 1, 2011							**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**
	16,334	258	0	1,331	(188)	(3,635)	0	14,100	22,361	20,261
	38,076	(85)	0	1,557**	(10,362)	(204)	323	29,305	9,218	9,980
	21,023	43	0	2,106	(847)	(65)	(64)	22,196	10,180	10,101
	0	0	0	0	0	0	0	0	1,293	528
	10,182	(2)	0	2,792	(737)	0	(259)	11,976	8,359	7,285
	544	0	0	56	0	0	0	600	439	383
	86,159	**214**	**0**	**7,842**	**(12,134)**	**(3,904)**	**0**	**78,177**	**51,850**	**48,538**
	9,607	21	0	1,314	(47)	(13)	0	10,882	2,814	2,778
	2,611	0	0	0	0	0	0	2,611	67,979	68,612
	12,218	**21**	**0**	**1,314**	**(47)**	**(13)**	**0**	**13,493**	**70,793**	**71,390**
	98,377	**235**	**0**	**9,156**	**(12,181)**	**(3,917)**	**0**	**91,670**	**122,643**	**119,928**

16 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 future payments from leasing contracts can be broken down as follows as of December 31, 2012:

figures in € thousand	2012	2011
Total future payments	**11,684**	**14,531**
thereof due within one year	2,391	2,847
thereof due between one and five years	7,597	8,231
thereof due in more than five years	1,696	3,453
Present value of future payments	**9,138**	**11,088**
thereof due within one year	1,629	1,953
thereof due between one and five years	5,839	5,947
thereof due in more than five years	1,670	3,188
Interest element	**2,546**	**3,443**

These amounts differ from the amounts reported under financial receivables in the balance sheet by € 505 thousand (previous year: € 796 thousand) since they include expected future investments as well as the minimum lease payments.

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

	2012		2011	
figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes receivable	3,622	3,622	3,184	3,184
Deferred expenses	1,864	1,341	2,430	1,408
Guarantees	766	335	696	265
Air Cargo Wings GmbH purchase price receivable	0	0	438	438
Receivables from related parties	545	300	425	196
Insurance compensation and indemnification	1,205	1,205	1,205	1,205
Receivables from employees	142	142	78	78
Other	5,003	2,463	4,445	1,890
Total	**13,147**	**9,408**	**12,901**	**8,664**

18 Inventories

The following table shows the breakdown of inventories:

figures in € thousand	2012	2011
Raw materials, consumables and supplies	9,475	9,493
Finished products and merchandise	1,804	1,295
Work in progress	1,159	1,488
Total	**12,438**	**12,276**

The reversal amount for inventories recorded as a reduction in the cost of sales amounts to € 24 thousand (previous year: € 26 thousand). The carrying amount of the inventories reported at the net disposal value amounts to € 36 thousand (previous year: € 59 thousand).

19 Trade Receivables

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

figures in € thousand	2012	2011
Trade receivables	45,457	50,568
Valuation adjustments	(1,581)	(1,531)
Trade receivables, net	**43,876**	**49,037**

Trade receivables from related parties amount to € 615 thousand (previous year: € 384 thousand).

As of December 31, 2012, 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
2012	**43,876**	**32,301**	**7,667**	**1,956**	**378**	**460**	**1,114**
2011	49,037	34,996	9,715	1,756	808	828	934

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	2012	2011
Valuation adjustments at start of period	**1,531**	**1,022**
Currency translation adjustments	2	(3)
Changes to scope of consolidation	0	0
Addition	568	732
Utilization	(449)	(65)
Reversal	(71)	(155)
Valuation adjustments at end of period	**1,581**	**1,531**

20 Cash and Cash Equivalents

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

figures in € thousand	2012	2011
Cash on hand	64	63
Bank balances	7,202	11,353
Total	**7,266**	**11,416**

There are no restrictions on the amounts reported as cash.

21 Assets Classified as Held for Disposal

The assets classified as held for disposal in the prior-year period related to a property in Brookville, Indiana, which was owned by our subsidiary Deufol Sunman Inc. This was sold in December 2012. This gave rise to a disposal loss of € 389 thousand.

22 Subscribed Capital

As of December 31, 2012, 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. Since February 4, 2013, the Deufol share has been listed as a registered share. The Annual General Meeting held on July 4, 2012 resolved this together with the Company's conversion to a European company (SE).

An amount of € 20,000,000 remained unchanged as Approved Capital as of December 31, 2012 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, 2012, the Contingent Capital amounts to € 8,413,296 (end of previous year: € 8,413,296).

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.

23 Capital Reserves

At the end of 2012, 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.

24 Noncontrolling Equity Interests

The noncontrolling equity interests primarily consist of shares held by external third parties in Deufol Nürnberg 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 Administrative Board will propose to the Annual General Meeting that the net income of Deufol SE for fiscal year 2012 in the amount of € 10,259 thousand (calculated in accordance with the principles of the German Commercial Code) be carried forward to new account.

25 Financial Liabilities

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

	2012				2011			
		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	63,488	16,933	44,102	2,453	70,653	28,150	38,720	3,783
Liabilities under financial leases	7,391	2,087	4,152	1,152	8,914	2,162	5,266	1,486
Other financial liabilities	51	0	51	0	53	0	53	0
Financial liabilities	**70,930**	**19,020**	**48,305**	**3,605**	**79,620**	**30,312**	**44,039**	**5,269**

Property, plant and equipment in the amount of € 31.6 million (previous year: € 30.7 million), trade receivables in the amount of € 10.6 million (previous year: € 10.6 million) and inventories in the amount of € 4.8 million (previous year: € 4.6 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.

Liabilities to Banks

Short-term credit lines of € 46.7 million are available to the Group at various banks (previous year: € 54.1 million). As of December 31, 2012, € 25.8 million (previous year: € 26.9 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 2012, the average weighted interest rate for short-term loans was 4.37 % (previous year: 4.93 %).

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

	2012				2011			
	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)
Loans	EUR	6,857	6	6.05	EUR	7,905	7	6.05
Loans	EUR	3,293	11	5.77	EUR	3,962	12	5.77
Loans	EUR	1,557	4.8	5.25	EUR	1,845	2.5	5.25
Loans	EUR	0	0	—	EUR	10,000	1	variable*
Loans	EUR	17,500	3	variable**	EUR	9,500	4	variable**

* 3-month EURIBOR + 1.5 %
** 3-month EURIBOR + 3.0 % (to September 27, 2012), 3-month EURIBOR + 3.5 % (from September 28, 2012)

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 € 8.5 million (previous year: € 10.6 million). The liabilities to banks also include liabilities under finance leases in the amount of € 4.1 million (previous year: € 5.3 million).

For the variable-interest loans interest-rate hedging transactions have been concluded in some cases. Please see Note (41) on pages ▶ 104 ff. for further disclosures.

Liabilities under Financial Leases

The total future minimum payments from financial leasing contracts can be broken down as follows as of December 31, 2012:

figures in € thousand	2012	2011
Total future minimum lease payments	**16,339**	**20,337**
thereof due within one year	4,104	4,705
thereof due between one and five years	8,743	10,969
thereof due in more than five years	3,492	4,663
Present value of future minimum lease payments	**11,444**	**14,217**
thereof due within one year	2,966	3,411
thereof due between one and five years	5,801	7,493
thereof due in more than five years	2,677	3,313
Interest element	**4,895**	**6,120**

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

figures in € thousand	2012	2011
Total future minimum lease payments	**5,211**	**6,707**
thereof due within one year	1,118	1,539
thereof due between one and five years	2,196	2,862
thereof due in more than five years	1,897	2,306
Present value of future minimum lease payments	**4,053**	**5,250**
thereof due within one year	880	1,254
thereof due between one and five years	1,649	2,168
thereof due in more than five years	1,524	1,828
Interest element	**1,158**	**1,457**

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

26 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	2012	2011
Provisions for pensions	704	689
Provisions for other post-employment benefits	445	503
Liability to pension fund	3,120	2,693
Total	**4,269**	**3,885**

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	
as %	2012	2011	2012	2011
Discount rate	3.0	4.5	2.1	3.4
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	2012	2011
Present value of the obligation at January 1	1,126	1,204
Current service cost	4	3
Interest cost	44	50
Pension payments	(91)	(145)
Actuarial losses	175	14
Present value of the obligation at December 31	**1,258**	**1,126**

The present value of the total obligation was € 1,264 thousand at December 31, 2008, € 1,269 thousand at December 31, 2009 and € 1,204 thousand at December 31, 2010. The actuarial gains and losses amounted to – € 113 thousand on December 31, 2008, – € 38 thousand on December 31, 2009 and – € 28 thousand on December 31, 2010.

Adjustment to reconcile the total obligation to net pension provisions:

figures in € thousand	2012	2011
Present value of the total obligation at December 31	1,258	1,126
Unrealized gains	(109)	66
Net pension provisions at December 31	**1,149**	**1,192**

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

figures in € thousand	2012	2011
Net pension provisions at January 1	1,192	1,298
Current pension expense	48	39
Pension payments	(91)	(145)
Net pension provisions at December 31	**1,149**	**1,192**

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

figures in € thousand	2012	2011
Current service cost	4	3
Interest cost	44	50
Actuarial losses	0	(14)
Total pension expense	**48**	**39**

The expected pension expense for 2013 is € 44 thousand.

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 2012, pension expenses relating to defined-contribution plans totaled € 91 thousand (previous year: € 346 thousand). In addition, contributions were paid to state pension insurance agencies in the amount of € 0 thousand (previous year: € 3,873 thousand).

The Company has carried as a liability in relation to a pension fund an amount of € 3,120 thousand (previous year: € 2,693 thousand) in connection with the closure of the so-called "Carton Business". No calculations in accordance with IAS 19 are required for this obligation but it requires repayment over a period of 20 years in equal installments of € 305 thousand. Please see Note (09) for further disclosures.

27 Other Provisions

The following table shows the changes in other provisions:

figures in € thousand	Jan. 1, 2012	Utilization	Reversal	Addition	Changes in scope of consolidation	Dec. 31, 2012
Guarantee and liability risks	368	(2)	(242)	44	(1)	167
Litigation risk	281	(30)	(50)	77	0	278
Restructuring	217	(136)	(81)	0	0	0
Other risks	731	(314)	(121)	62	0	358
Total	**1,597**	**(482)**	**(494)**	**183**	**(1)**	**803**

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 accruals for legal disputes were made for anticipated claims due to ongoing legal disputes. 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	**2012**	2011	**2012**	2011	**2012**	2011
Guarantee and liability risks	167	368	0	0	167	368
Litigation risk	278	281	0	0	278	281
Restructuring	0	217	0	0	0	217
Other risks	236	311	122	420	358	731
Total	**681**	**1,177**	**122**	**420**	**803**	**1,597**

28 Other Liabilities

Other liabilities can be broken down as follows:

	2012		2011	
figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes payable	1,100	1,100	2,461	2,461
Social security liabilities	798	798	681	681
Liabilities to employees relating to wages and salaries	2,077	2,077	2,187	2,187
Other liabilities to employees (annual leave, overtime, etc.)	5,718	5,718	5,750	5,750
Deferred income	2,696	484	3,079	503
Liabilities to related parties	13	13	4	4
Liabilities to former shareholders	587	587	587	587
Other	1,182	959	1,875	1,346
Total	**14,222**	**11,736**	**16,624**	**13,519**

29 Trade Payables

Trade payables amount to € 30,509 thousand (previous year: € 28,971 thousand) and all have a remaining term of less than one year. This includes liabilities for trade payables that have not yet been invoiced in the amount of € 1,366 thousand (previous year: € 1,899 thousand).

Consolidated Cash Flow Statement Disclosures

The consolidated cash flow statement is prepared in accordance with IAS 7. It shows the origin and appropriation of the money flows in the fiscal years 2012 and 2011. It is of key significance for an assessment of 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 (20).

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.

30 Net Cash Provided by Operating Activities

In fiscal year 2012, operating activities provided net cash of € 16.0 million (previous year: € 4.6 million). It should be noted that adjustments were made for the effects of changes in the scope of consolidation. In the "Other non-cash revenue and expenses" position, the € 0.4 million (previous year: € 2.5 million) increase in the pension commitment for the discontinued operation was also adjusted.

31 Acquisitions and Sales

Please see page ▶ 080 for details of acquisitions and sales.

32 Net Cash Used in Investing Activities

In the past fiscal year, a € 2.4 million (previous year: € 0.4 million) outflow of funds from investing activities resulted. The investments in intangible assets and property, plant and equipment amounted to € 7.9 million and an inflow of funds in the amount of € 2.0 million resulted from the disposal of intangible assets and property, plant and equipment. The net change in financial receivables in the amount of € 1.7 million and interest received in the amount of € 1.2 million were also significant.

33 Net Cash Used in Financing Activities

In the past fiscal year, a € 17.7 million (previous year: € 9.8 million) outflow of funds from financing activities resulted. This mainly comprises interest paid (€ 5.7 million) and distributions (€ 1.7 million).

In 2012, Deufol SE paid a dividend per share of € 0.03 (as in the previous year), corresponding to a total dividend of approx. € 1.3 million.

34 Change in Cash and Cash Equivalents

The cash and cash equivalents balance decreased by € 4.2 million from € 11.4 million to € 7.3 million. Net financial indebtedness – defined as financial liabilities less the Group's financial receivables, cash and cash equivalents – fell by € 2.9 million.

Other Disclosures

35 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: € 0 thousand).

Expenses amounting to € 20,664 thousand (previous year: € 20,605 thousand) were recognized in the consolidated income statement due to rental agreements and leases that do not qualify as finance leases under IFRSs (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 SE'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 SE is not obliged to settle this company's liabilities. Accordingly, as of December 31, 2012 no accrual was made for this item.

A tax audit of Deufol Italia S.p.A. identified the need for a significant additional tax payment. Management maintained that this audit finding was untenable and therefore lodged an appeal. The tax authorities have now fully withdrawn this contested audit finding. Accordingly, Deufol SE has not made any accrual for this in its consolidated financial statements.

The social security authorities in Belgium have notified Deufol Packaging Tienen N.V. that it belongs to a different category of employer with retrospective effect as of January 1, 2009 and therefore falls under the remit of other so-called joint committees. This would entail a higher wage structure and thus increased personnel costs, amounting to a maximum of approx. € 1.1 million as of December 31, 2012. Deufol Packaging Tienen N.V. maintains that this assessment is incorrect. It therefore brought an action against this notice before the competent labor court and was successful before the court of first instance in June 2011. The social authorities have unsuccessfully challenged this ruling. Their appeal was dismissed on January 24, 2013. They may bring a final appeal before the supreme court (the court of cassation) in the period to June 2013. Management envisages a successful outcome in case of proceedings before the supreme court and has therefore not established any accrual in the consolidated financial statements of Deufol SE.

36 Obligations under Operating Leases – Group as Lessee

The future (non-discounted) minimum lease payments under such non-cancelable leases are as follows:

figures in € thousand	Dec. 31, 2012	Dec. 31, 2011
Not later than one year	13,159	13,928
Later than one year and not later than five years	25,722	22,701
Later than five years	7,023	5,478
Total minimum lease payments	**45,904**	**42,107**

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.

37 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, non-cancelable 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, non-cancelable terms of between one and five years.

As of December 31, 2012, receivables in the form of future minimum lease payments under non-cancelable operating leases are as follows:

figures in € thousand	Dec. 31, 2012	Dec. 31, 2011
Not later than one year	715	1,668
Later than one year and not later than five years	1,145	3,972
Later than five years	0	545
Total minimum lease payments	**1,860**	**6,185**

38 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.

39 Government Grants

As in 2011, the Deufol Group did not receive any government grants in 2012.

40 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 40 % is aimed for. As of December 31, 2012, the Group's equity ratio amounted to 43.8 % (previous year: 42.1 %). 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.

41 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. If the euro were 10 % stronger (weaker) against the US dollar, the earnings of the Group would have been € 223 thousand higher (lower) and in the previous year € 312 thousand higher (lower). The balancing item in equity would have been € 1,997 thousand higher (lower) and in the previous year € 1,341 thousand higher (lower).

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, 2012:

Interest rate derivative	Maturity			
Currency	Notional amount	Fair value	Start date	Maturity date
Euro	15,000,000	(173,751)	Jun. 29, 2007	Jun. 30, 2014

The following table shows the interest-rate hedging transactions as of December 31, 2011:

Interest rate derivative	Maturity			
Currency	Notional amount	Fair value	Start date	Maturity date
Euro	15,000,000	(342,934)	Jun. 29, 2007	Jun. 30, 2014
Euro	5,000,000	(77,322)	Nov. 15, 2007	May 15, 2012

The euro-denominated interest rate swap is allocated directly to an earmarked loan in the form of a cash flow hedge. The change in the fair value of this interest rate swap is reported in other recognized income and expense. The fair value is based on market prices for comparable instruments. Due to the entirely effective hedge relationship, no ineffectivity was recorded in the income statement.

If the interest rate level as of December 31, 2012 had been 1.0 % higher (lower), the market value of the interest rate swaps would have been € 32 thousand higher or € 31 thousand lower (previous year: € 94 thousand higher or € 91 thousand lower).

If the interest rate level as of December 31, 2012 for variable-interest liabilities had been an average of 100 basis points higher (lower), this would have had an effect on the Group's interest expense in the approximate amount of € 274 thousand (previous year: € 249 thousand).

Goods price risk

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 risk (nonpayment risk)

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 (19) 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 risk

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 through various regional financing groups. Most financing is provided by means of syndicated borrowing facilities and bilateral bank loans. Local management continuously monitors the liquidity status of consolidated foreign Group companies and regularly notifies the Group's management of this; the Group's management handles daily liquidity monitoring and control centrally for the German companies.

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

figures in € thousand	2013	2014 to 2017	after 2017
At December 31, 2012			
Amounts due to banks	18,830	37,119	4,375
Liabilities under financial leases	2,986	6,547	1,595
Other financial liabilities	0	51	0
Trade payables	30,509	0	0
Other liabilities (excluding tax liabilities)	10,152	100	0
Derivative financial liabilities	121	11	0

figures in € thousand	2012	2013 to 2016	after 2016
At December 31, 2011			
Amounts due to banks	31,166	44,547	6,493
Liabilities under financial leases	3,166	8,107	2,357
Other financial liabilities	0	53	0
Trade payables	28,971	0	0
Other liabilities (excluding tax liabilities)	10,555	109	0
Derivative financial liabilities	272	118	0

Further Financial Instruments Disclosures

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

	From subsequent measurement						
figures in € thousand	From interest	At fair value	Currency translation	Valuation adjustment	From disposal	**2012**	2011
Loans and receivables	278	—	—	(809)	—	(531)	518
Financial assets available for sale	—	—	—	—	—	—	—
Financial assets held for trading	—	—	—	—	—	—	—
Financial liabilities measured at amortized cost	(4,496)	—	—	—	—	(4,496)	(4,985)
Financial liabilities held for trading	—	—	—	—	—	—	—

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, 2012, derivative financial liabilities in the amount of € 174 thousand (previous year: € 420 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:

			Balance sheet valuation (IAS 39)				
figures in € thousand	Category	**Net carrying amount Dec. 31, 2012**	Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. to IAS 17	**Fair value Dec. 31, 2012**
Assets							
Cash and cash equivalents	1)	7,266	7,266	—	—	—	7,266
Trade receivables	1)	43,876	43,876	—	—	—	43,876
Other receivables	1)	7,735	7,735	—	—	—	7,548
Receivables from the finance lease	n. a.	8,633	—	—	—	8,633	10,609
Other financial receivables	1)	—	—	—	—	—	—
Financial assets	2)	249	249	—	—	—	249
Equity and liabilities							
Amounts due to banks	4)	63,488	63,488	—	—	—	63,977
Trade payables	4)	30,509	30,509	—	—	—	30,509
Liabilities under financial leases	n. a.	7,391	—	—	—	7,391	10,194
Other liabilities	4)	10,303	10,303	—	—	—	10,288
Derivatives with hedge relationships	n. a.	174	—	174	—	—	174
Aggregated by valuation category acc. to IAS 39							
1) Loans and receivables		58,877	58,877	—	—	—	58,690
2) Financial assets available for sale		249	249	—	—	—	249
3) Financial assets held for trading		—	—	—	—	—	—
4) Financial liabilities measured at amortized cost		104,300	104,300	—	—	—	104,774
5) Financial liabilities held for trading		—	—	—	—	—	—

figures in € thousand	Category	Net carrying amount Dec. 31, 2011	Balance sheet valuation (IAS 39) Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. to IAS 17	Fair value Dec. 31, 2011
Assets							
Cash and cash equivalents	1)	11,416	11,416	—	—	—	11,416
Trade receivables	1)	49,037	49,037	—	—	—	49,037
Other receivables	1)	7,287	7,287	—	—	—	7,037
Receivables from the finance lease	n. a.	10,292	—	—	—	10,292	12,506
Other financial receivables	1)	—	—	—	—	—	—
Financial assets	2)	248	248	—	—	—	248
Equity and liabilities							
Amounts due to banks	4)	70,653	70,653	—	—	—	71,246
Trade payables	4)	28,971	28,971	—	—	—	28,971
Liabilities under financial leases	n. a.	8,914	—	—	—	8,914	11,837
Other liabilities	4)	10,717	10,717	—	—	—	10,695
Derivatives with hedge relationships	n. a.	420	—	420	—	—	420
Aggregated by valuation category acc. to IAS 39							
1) Loans and receivables		67,740	67,740	—	—	—	67,490
2) Financial assets available for sale		248	248	—	—	—	248
3) Financial assets held for trading		—	—	—	—	—	—
4) Financial liabilities measured at amortized cost		110,341	110,341	—	—	—	110,912
5) Financial liabilities held for trading		—	—	—	—	—	—

Segment Information by Region and Services

42 Segment Reporting

The segment reporting is prepared in accordance with the provisions of IFRS 8 (Operating Segments). Its primary reporting format is now based on geographical regions which have been grouped for the purpose of corporate management. 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 at-equity method and amortization/impairment of goodwill (EBITA).
The Deufol Group has the following segments for which reporting requirements apply:

- Germany
- Rest of Europe
- USA/Rest of the World

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 (EBITA) 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 and income taxes can be allocated to the individual business segments.

The prices charged between the business segments are determined on the basis of the arm's length principle.

43 Segment Information by Region

figures in € thousand	Germany	Rest of Europe	USA / Rest of the World	Holding company	Elimination	**Group**
2012						
External sales	175,703	85,900	71,094	317	0	333,014
Internal sales	25,650	9,545	80	2,693	(37,968)	0
Total sales	**201,353**	**95,445**	**71,174**	**3,010**	**(37,968)**	**333,014**
EBIT	7,482	4,291	435	(6,017)	16	6,207
Financial income	1,567	1,139	137	2,504	(4,186)	1,161
Finance costs	(3,441)	(1,193)	(2,671)	(2,286)	4,186	(5,405)
Earnings from equity-accounted affiliates	763	41	0	41	0	845
EBT	6,371	4,278	(2,099)	(5,758)	16	2,808
Taxes						(2,402)
Result for the period						**406**
Assets	120,903	67,959	36,098	235,811	(251,909)	208,862
of which investments accounted for using the at-equity method	3,140	57	0	147	0	3,344
Non-allocated assets						12,046
Total assets						**220,908**
Financial liabilities	25,303	17,775	47,126	45,795	(65,069)	70,930
Other debt	82,345	20,267	10,744	17,054	(80,607)	49,803
Non-allocated debt						3,440
Total liabilities						**124,173**
Depreciation, amortization and impairment	3,689	3,079	1,600	401	0	8,769
Investments	3,436	1,249	3,946	924	0	9,555
2011 adjusted						
External sales	173,166	87,040	54,525	459	0	315,190
Internal sales	24,636	8,279	34	1,781	(34,730)	0
Total sales	**197,802**	**95,319**	**54,559**	**2,240**	**(34,730)**	**315,190**
EBIT	5,365	7,433	1,064	(3,113)	(36)	10,713
Financial income	1,381	1,943	79	1,722	(3,111)	2,014
Finance costs	(3,617)	(1,413)	(2,550)	(1,566)	3,111	(6,035)
Earnings from equity-accounted affiliates	674	16	0	0	0	690
EBT	3,803	7,979	(1,407)	(2,957)	(36)	7,382
Taxes						(3,510)
Result for the period						**3,872**
Assets	102,338	68,844	35,155	212,853	(198,311)	220,879
of which investments accounted for using the at-equity method	2,778	16	0	0	0	2,794
Non-allocated assets						12,470
Total assets						**233,349**
Financial liabilities	27,592	21,409	44,720	32,653	(46,754)	79,620
Other debt	58,867	18,413	10,208	7,911	(44,322)	51,077
Non-allocated debt						4,316
Total liabilities						**135,013**
Depreciation, amortization and impairment	4,202	2,969	1,316	303	0	8,790
Investments	3,666	1,691	1,824	1,350	0	8,531

The Deufol Group has various customers which are themselves subsidiaries of a corporate group. As in the past year, the Deufol Group realized approx. 24 % (previous year: 24 %) of its total sales with these customers. This relates to the segments Germany, Rest of Europe and USA / Rest of the World. None of these customers provided more than 10 % of sales.

44 Information on Services

The following table shows the sales trend by service:

figures in € thousand	Export & Industrial Packaging	Consumer & Data Packaging	Supplementary Services	Holding company	Elimination	Group
2012						
External sales	164,126	123,987	44,584	317	0	333,014
Internal sales	27,958	2,237	5,080	2,693	(37,968)	0
Total sales	**192,084**	**126,224**	**49,664**	**3,010**	**(37,968)**	**333,014**
2011						
External sales	157,164	109,985	47,582	459	0	315,190
Internal sales	27,598	2,409	2,942	1,781	(34,730)	0
Total sales	**184,762**	**112,394**	**50,524**	**2,240**	**(34,730)**	**315,190**

45 Events after the Balance Sheet Date

Under loan agreements, the Deufol Group is obliged to comply with minimum and maximum limits for firmly defined financial covenants. Within the scope of an amendment agreement signed on March 4, 2013 – which encompassed a € 7.5 million increase in the operating credit line as well as the exercise of the extension option provided for in the syndicated loan agreement of Deufol SE for a further year – the minimum and maximum limits for the financial covenants prescribed in the syndicated loan agreement were revised for the entire remaining duration of the loan agreement with retrospective effect from December 31, 2012.

The main customer of one of our Belgium subsidiaries based at our Tienen location last year decided to relocate capacities to Eastern Europe and to itself handle some of the services which it had previously outsourced to us. The necessary adjustment in our workforce was initiated in close cooperation with our customer as well as our employees and the trade unions. The annual financial statements show an accrual for personnel-related restructuring measures in the amount of € 266 thousand. We will shortly complete negotiations with our employees.

In the first quarter of 2013, our main customer in the Data Packaging segment of our US subsidiary initially reduced its predicted order volumes for the current year before cancelling them entirely.

Accordingly, we have immediately adjusted our personnel capacities. Alongside this release of production capacities, we have launched extensive and promising business development activities to acquire new customers and new business.

Supplementary Disclosures

Disclosures Concerning the Executive Bodies

Disclosures Concerning the Executive Bodies
The Supervisory Board had the following members in the reporting period (to December 20, 2012):

- Helmut Olivier (Chairman of the Supervisory Board, appointed until 2013 Annual General Meeting)
  Executive Board member of Lehman Brothers AG i. Ins.
- Prof. Dr. Wolfgang König (Deputy Chairman, appointed until 2013 Annual General Meeting)
  Managing Director at House of Finance, Goethe University Frankfurt, Frankfurt am Main
- Mr. Wulf Matthias (appointed until 2013 Annual General Meeting)
  Managing Director at Bank Sarasin AG, Frankfurt am Main, Supervisory Board member of Wirecard AG, Wirecard Bank AG and Wirecard Technologies AG, each seated in Aschheim

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 2012, Supervisory Board remuneration totaled € 77.6 thousand (previous year: € 80 thousand). This amount was divided up as follows between the individual Supervisory Board members: Helmut Olivier € 38.8 thousand, Prof. Dr. Wolfgang König € 19.4 thousand, Mr. Wulf Matthias € 19.4 thousand.

The Executive Board had the following members in the reporting period (to December 20, 2012):

- Detlef W. Hübner (Businessman, appointed until December 31, 2013)
  Member of the Supervisory Board of DeDeMa AG (since October 24, 2001), Hofheim, Executive Board member of the Detlef Hübner Foundation (since December 19, 2000), Hofheim
- Dr. Tillmann Blaschke (Businessman, appointed until June 31, 2014)
  Member of the Board, Chairman, Deufol (Suzhou) Packaging Co. Ltd., Suzhou, China

The Administrative Board comprises four non-executive directors and three managing directors and had the following membership in the reporting period (from December 21, 2012):

Name and position	Other board positions held
Detlef W. Hübner (Chairman) Managing Director of Deufol SE Appointed until the 2013 AGM	■ Member of the Supervisory Board of DeDeMa AG, Hofheim ■ Executive Board member of the Detlef Hübner Foundation, Hofheim
Helmut Olivier (Deputy Chairman) Executive Board member of Lehman Brothers AG i. Ins. Appointed until the 2013 AGM	■ No other board positions held
Dr. Tillmann Blaschke Managing Director of Deufol SE Appointed until the 2013 AGM	Group positions: ■ Member of the Board, Chairman, Deufol (Suzhou) Packaging Co. Ltd., Suzhou, China
Dr. Helmut Görling Managing Director of Görling Rechtsanwaltsgesellschaft mbH, Frankfurt am Main Appointed until the 2013 AGM	■ No other board positions held
Dennis Hübner Managing Director of Deufol SE Appointed until the 2013 AGM	Group positions: ■ Member of the Board, Chairman, Deufol (Suzhou) Packaging Co. Ltd., Suzhou, China
Prof. Dr. Wolfgang König Managing Director at House of Finance, Goethe University Frankfurt Appointed until the 2013 AGM	■ Supervisory Board member of Veritas AG, Gelnhausen Member of the Advisory Board of DZ Bank AG, Frankfurt am Main
Wulf Matthias Managing Director at Bank Sarasin AG, Frankfurt am Main Appointed until the 2013 AGM	■ Member of the Supervisory Boards of Wirecard AG, Wirecard Bank AG and Wirecard Technologies AG, Aschheim

The Company had the following managing directors in the reporting period (from December 21, 2012):

Name	Departments
Dr. Tillmann Blaschke	■ Business Development & Customer Relations, Marketing & Communications, Finance, Legal & Compliance
Jens Hof	■ Purchasing, Property, Administration & Support
Dennis Hübner	■ Production, Operational Excellence & Quality, Human Resources, IT Services
Detlef W. Hübner	■ Strategy, Global Operations
Jürgen Schmid	■ Europe South
Manfred Weirich	■ Europe North

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

figures in € thousand	**2012**	2011
Fixed remuneration	779.5	1,270
Variable remuneration	3.5	250
Other remuneration	15	44
Total	**798**	**1,564**

The Executive Board's / the managing directors, compensation in 2012 totaled € 798 thousand (previous year: € 1,564 thousand). This relates to short-term benefits. For further information, please refer to the remuneration report contained in the management report.

Directors' Dealings

Transactions of the organs involving financial instruments of Deufol SE are notified promptly in accordance with the statutory regulations. An overview of transactions can be found on the website of Deufol SE (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 2013 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 SE have a discharging effect for the preparation and disclosure of the annual financial statements of the consolidated corporations pursuant to section 264 (3) HGB 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 Nürnberg GmbH, Nuremberg
- Deufol Frankfurt GmbH, Frankfurt am Main
- Deufol West GmbH, Oberhausen
- Deufol Süd GmbH, Neutraubling
- Deufol Remscheid GmbH, Remscheid
- 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 SE also has direct or indirect relations with non-consolidated subsidiaries, associates and joint ventures in the course of its normal business; these relations are indicated in the list of shareholdings. Business relationships with these companies are entered into on an arm's length basis.

Since a partner of the law firm Görling Acker & Partner, Frankfurt am Main, has served on the Administrative Board of Deufol SE since December 21, 2012, this firm qualifies as a related party. In the period from December 21, 2012 to the reporting date, no expenses or revenues arose. On December 31, 2012, the Company had liabilities in relation to Görling Acker & Partner in the amount of € 115 thousand.

The transactions with other related parties also include relationships with companies in which Mr. Detlef W. Hübner holds a majority interest. In the past fiscal year, these transactions resulted in sales of € 12 thousand (previous year: € 34 thousand) and expenses of € 42 thousand (previous year: € 262 thousand). On December 31, 2012, the Group had receivables from these companies in the amount of € 2 thousand (previous year: € 17 thousand) and liabilities in the amount of € 9 thousand (previous year: € 98 thousand).

In 2011, transactions with other related parties included transactions with Mr. Wagner, who was the managing director of Deufol Nürnberg GmbH until December 6, 2011. In the fiscal year 2011, this gave rise to expenses of € 6,480 thousand and to revenues of € 2,276 thousand.

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 at-equity investments	Other related parties
2012		
Sales and other income	3,178	169
Expenses	(4,877)	(42)
Receivables	979	180
Liabilities	593	124
2011		
Sales and other income	3,083	2,310
Expenses	(2,038)	(6,743)
Receivables	981	17
Liabilities	289	98

Auditors' Report

We have audited the consolidated financial statements – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes – and the Company and Group management report prepared by Deufol SE (previously Deufol AG) for the fiscal year from January 1 to December 31, 2012. The Company's management is responsible for preparation of the consolidated financial statements and the summarized management and Group management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315 a (1) HGB. Our responsibility is to express an opinion on the consolidated financial statements and the summarized management report and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements 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 of Deufol SE, Hofheim, comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The summarized management report 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.

Frankfurt am Main, April 22, 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Robert Binder	Dirk Bauer
Certified auditor	Certified auditor

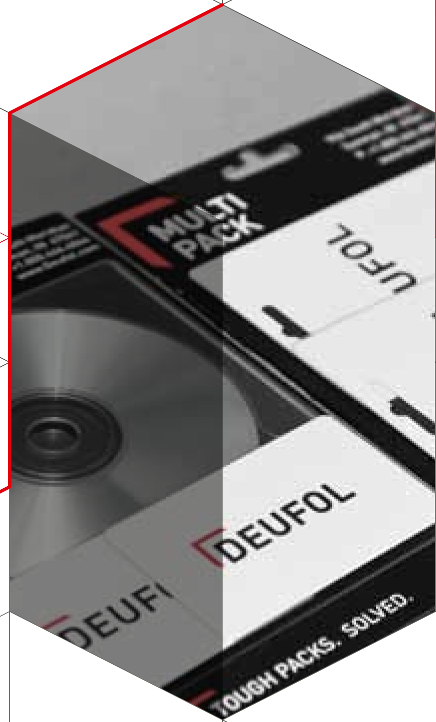
Responsibility Statement by the Management

“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), April 22, 2013

The Managing Directors

Dr. Tillmann Blaschke, Jens Hof, Dennis Hübner, Detlef W. Hübner, Jürgen Schmid, Manfred Weirich



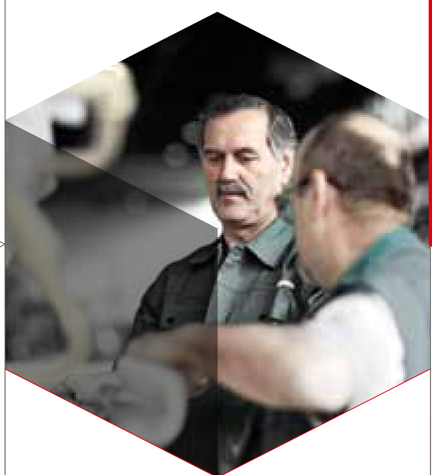
Export & Industrial Packaging

Gift cards are becoming increasingly popular – not only with consumers but also with companies, which utilize gift cards to acquire new customers. When it comes to your gift card promotions, you can depend on Deufol, the only company to provide automated packaging solutions for every facet of multipack gift cards. The automated packaging of cards is based on our years of experience with automated packaging – know-how that we have strategically supplemented with highly effective data management services. Here as in all of our other specialty areas, we offer a large selection of services that we are continually expanding so as to ensure that our customers can obtain all of the services for their projects from one source – establishing ourselves as a provider of integrated solutions for everything associated with gift cards & data packaging.

Supplementary Services

Deufol is not only one of the leading international experts in every area in which we provide services – we also see ourselves as a solution provider with comprehensive strategies. Our supplementary services allow us to custom-design each packaging process for the specific customer and project – no matter which industry, from the smallest hearing aid battery to the largest industrial facility.

Our supplementary services extend to warehouse services, auxiliary packaging services, sourcing, as well as shipping & distribution.



120 Information on Deufol SE

123 Glossary

124 Key Group Figures – Five-Year Overview

126 Operating Subsidiaries / Affiliates of Deufol SE

Information on Deufol SE

Income Statement of Deufol SE

figures in € thousand	2012	2011
1. Sales	**3,060**	**2,240**
2. Other operating income thereof from currency translation: € 346 thousand (previous year: € 1 thousand)	1,656	498
3. Personnel expenses		
a) Wages and salaries	(2,361)	(2,313)
b) Social security contributions	(164)	(109)
4. Amortization of intangible assets and depreciation of property, plant and equipment	(384)	(269)
5. Other operating expenses thereof from currency translation: € 47 thousand (previous year: € 7 thousand)	(7,855)	(3,331)
6. Income from profit-and-loss pooling agreements thereof from affiliated companies: € 7,500 thousand (previous year: € 5,140 thousand)	7,500	5,140
7. Income from investments thereof from affiliated companies: € 669 thousand (previous year: € 3,593 thousand)	669	3,593
8. Other interest and similar income thereof from affiliated companies: € 2,488 thousand (previous year: € 1,671 thousand)	2,504	1,722
9. Write-downs of financial assets thereof from affiliated companies: € 0 thousand (previous year: € 1,011 thousand)	0	(1,011)
10. Interest and similar expenses thereof from affiliated companies: € 400 thousand (previous year: € 296 thousand)	(2,286)	(1,564)
11. Income/loss from ordinary activities	**2,339**	**4,596**
12. Income taxes	(178)	38
13. Other taxes	0	(148)
14. Net income/loss	**2,161**	4,486
15. Retained profits brought forward	8,098	4,925
16. Balance sheet profit	**10,259**	**9,411**

Balance Sheet of Deufol SE

Assets figures in € thousand	Dec. 31, 2012	Dec. 31, 2011
A. Fixed assets	**106,482**	**105,964**
I. Intangible assets	708	165
1. Acquired patents, licenses, trademarks and similar rights and assets	545	165
2. Advance payments made	163	0
II. Property, plant and equipment	5,991	6,129
1. Land, land rights and buildings including buildings on third-party land	5,716	5,847
2. Other equipment, operating and office equipment	245	282
3. Advance payments made and assets under construction	30	0
III. Financial assets	99,783	99,670
1. Shares in affiliated companies	95,720	95,607
2. Loans to affiliated companies	4,063	4,063
B. Current assets	**38,441**	**13,704**
I. Receivables and other assets	36,801	13,168
1. Trade receivables	333	153
2. Receivables from affiliated companies	34,143	10,894
3. Other assets	2,325	2,066
II. Cash in hand, bank balances	1,640	591
C. Prepaid expenses	**587**	784
Total assets	**145,510**	**120,452**

Equity and Liabilities figures in € thousand	Dec. 31, 2012	Dec. 31, 2011
A. Equity	**82,263**	**81,415**
I. Subscribed Capital Contingent Capital: € 8,413 thousand (previous year: € 8,413 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: € 8,098 thousand (previous year: € 4,925 thousand)	10,259	9,411
B. Provisions	**729**	**925**
1. Tax provisions	285	26
2. Other provisions	444	899
C. Liabilities	**62,518**	**38,103**
1. Liabilities to banks	34,101	26,623
2. Trade payables	1,055	659
3. Liabilities to affiliated companies	27,283	10,719
4. Other liabilities thereof taxes: € 40 thousand (previous year: € 55 thousand) thereof social security liabilities: € 0 thousand (previous year: € 0 thousand)	79	102
D. Prepaid expenses	**0**	9
Total equity and liabilities	**145,510**	**120,452**

Key Subsidiaries / Affiliates of Deufol SE

	Equity interest (%)*	Subscribed Capital (€ thousand)	Sales (€ thousand)	Employees
Germany				
Deufol Berlin GmbH, Berlin	100.00	256	18,089	58
Deufol Bochum GmbH, Bochum	100.00	575	6,468	45
Deufol Mitte GmbH, Hofheim	100.00	(5,661)	22,168	373
Deufol München GmbH, Munich	100.00	(381)	5,179	19
Deufol Nord GmbH, Peine	100.00	903	18,660	161
Deufol Nürnberg GmbH, Nuremberg	100.00	17,198	16,756	120
Deufol Remscheid GmbH, Remscheid	100.00	330	12,021	59
Deufol Süd GmbH, Neutraubling	100.00	138	32,553	179
Deufol West GmbH, Oberhausen	100.00	2,177	31,585	149
DTG Verpackungslogistik GmbH, Fellbach	51.00	581	8,865	33
Dualogis GmbH, Erlenbach am Main	51.00	778	3,606	51
Deufol Südwest GmbH, Walldorf	100.00	3,323	8,950	56
Rest of Europe				
Deufol Austria GmbH., Bruck a. d. L., Austria	100.00	(82)	4,449	19
Deufol België N.V., Tienen, Belgium	100.00	10,964	32,601	13
Deufol Česká republika a.s., Ivancice, Czech Republic	100.00	1,659	12,145	195
Deufol Italia S.p.A., Fagnano Olona, Italy	100.00	2,039	16,653	58
Deufol Logistics Tienen N.V., Tienen, Belgium	100.00	426	9,159	146
Deufol Packaging N.V., Tienen, Belgium	100.00	1,289	7,930	133
Deufol Waremme S.A., Waremme, Belgium	98.75	4,620	8,603	82
USA / Rest of the World				
Deufol Sunman Inc., Sunman, Indiana (USA)	100.00	1,276	67,792	513

*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

Days 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 subsquently freed of debt (incl. the sale of nonoperating 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	2012	2011	2010	2009	2008
Sales (€ thousand)	333,014	315,190	303,026	290,053	336,748
Change as against previous year (%)	5.7	4.0	4.5	(13.9)	(0.3)
Gross profit (€ thousand)	35,817	33,652	38,701	30,361	41,000
Margin (%)	10.8	10.7	12.8	10.5	12.2
EBITDA (€ thousand)	14,976	19,503	20,562	16,238	24,001
Margin (%)	4.5	6.2	6.8	5.6	7.1
EBITA (€ thousand)	6,207	10,713	11,867	6,421	14,562
Margin (%)	1.9	3.4	3.9	2.2	4.3
EBT (€ thousand)	2,808	7,382	7,532	(380)	9,911
Margin (%)	0.8	2.3	2.5	(0.1)	2.9
Income (loss) from continuing operations (€ thousand)	406	3,872	4,534	744	12,369
Margin (%)	0.1	1.2	1.5	0.3	3.7
Net income (€ thousand)	(279)	89	2,927	369	11,485
Margin (%)	(0.1)	0.03	1.0	0.1	3.4
Operating cash flow (€ thousand)	16,007	4,623	19,924	15,060	15,663
Margin (%)	4.8	1.5	6.5	5.2	4.7
Free cash flow (€ thousand)	13,612	4,259	15,505	12,254	15,113
Margin (%)	4.1	1.4	5.1	4.2	4.5

Asset ratios	2012	2011	2010	2009	2008
Current assets (€ thousand)	76,124	86,689	76,746	81,496	80,288
as % of balance sheet total	34.5	37.1	33.8	35.1	33.9
Noncurrent assets (€ thousand)	144,784	146,660	150,136	154,520	159,128
as % of balance sheet total	65.5	62.9	66.2	65.5	66.5
Balance sheet total (€ thousand)	220,908	233,349	226,882	236,016	239,416
Change as against previous year (%)	(5.3)	2.9	(3.9)	(1.4)	1.0
Liabilities (€ thousand)	124,173	135,013	127,906	140,889	140,385
as % of balance sheet total	56.3	57.9	56.4	59.7	58.6
Shareholders’ equity (€ thousand)	96,735	98,336	98,976	95,127	99,031
as % of balance sheet total	43.8	42.1	43.6	40.3	41.4
Working capital (€ thousand)	31,772	39,362	34,645	28,167	35,041
as % of balance sheet total	14.4	16.9	15.3	11.9	14.6
Capital employed (€ thousand)	168,341	176,812	175,531	172,241	173,546
as % of balance sheet total	76.2	75.8	77.4	73.0	72.5
Noncurrent/current assets	1.90	1.69	1.96	1.90	1.98
Shareholders' equity/liabilities	0.78	0.73	0.77	0.68	0.71
Property, plant and equipment ratio	0.22	0.21	0.23	0.22	0.23
Asset depreciation ratio (%)	62.9	61.7	62.4	60.7	57.5
Inventory turnover	23.9	22.9	21.8	22.2	25.7
Days sales in inventory	15.3	15.9	16.7	16.4	14.2
Inventories/sales (%)	3.7	3.9	4.0	4.0	3.4
Receivables turnover	7.6	6.4	8.1	6.6	7.7
Days sales outstanding	48.1	56.8	45.0	55.7	47.6
Days payables outstanding	33.4	33.5	30.8	32.8	25.9

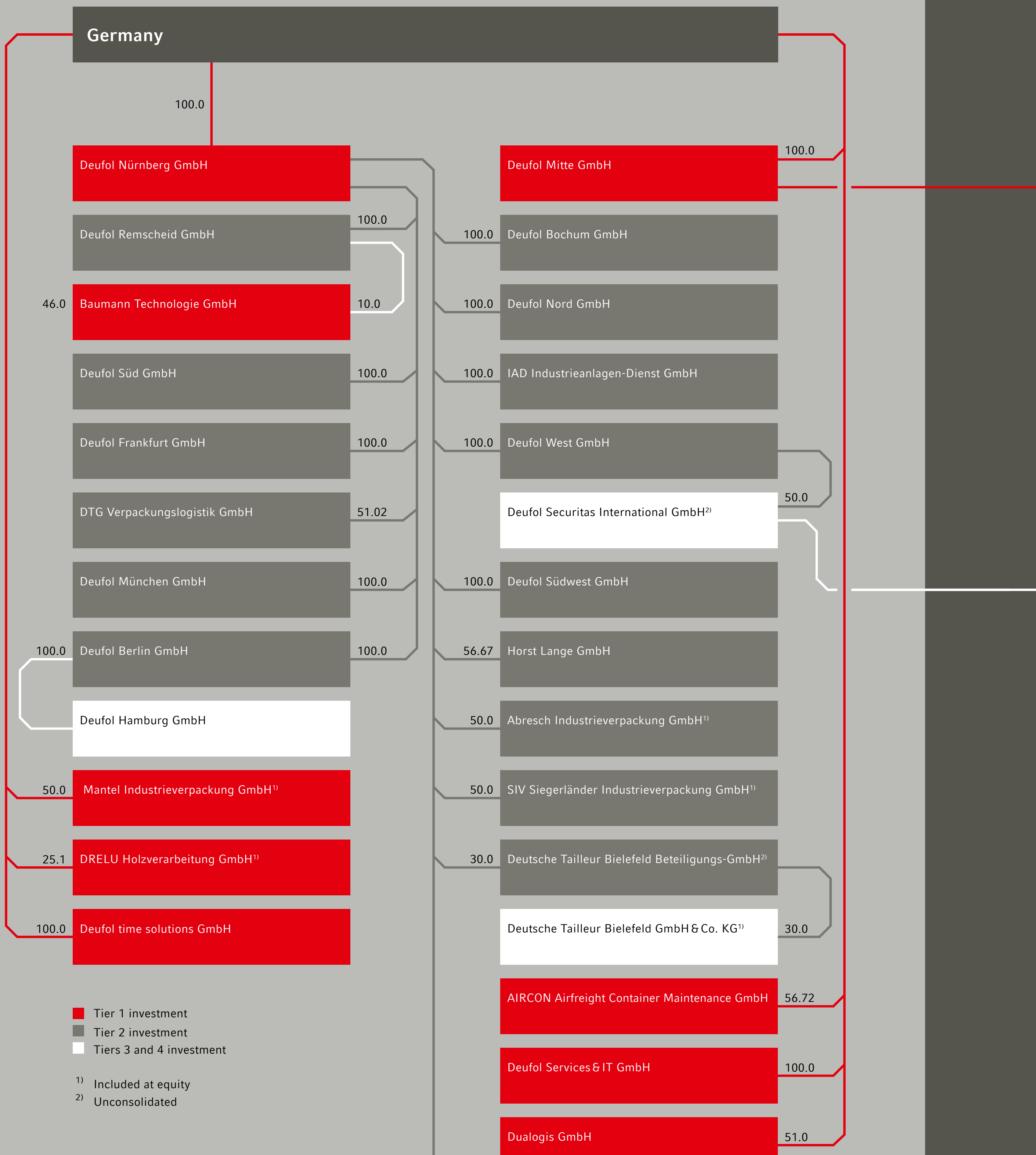
Financial and liquidity ratios	2012	2011	2010	2009	2008
Capital employed/sales (%)	50.6	56.1	57.9	59.4	51.5
Investment ratio (%)	2.6	2.3	2.7	2.3	2.1
Operating cash flow/investments	167.5	58.6	240.1	210.8	175.1
Asset cover ratio I (%)	78.3	80.0	78.8	75.3	73.7
Asset cover ratio II (%)	127.6	128.2	114.4	117.8	121.0
Interest cover	1.4	2.1	2.1	1.2	2.2
Cash ratio (%)	11.5	15.1	20.2	17.0	15.8
Acid test (%)	100.5	98.4	77.4	80.0	89.6
Current ratio (%)	120.1	114.6	92.3	93.4	104.6
Financial liabilities/shareholders' equity (%)	80.4	88.6	86.7	91.1	80.4
Financial liabilities/capital employed (%)	42.1	45.0	44.5	45.8	43.9
Net financial liabilities/EBITDA (%)	3.7	3.0	2.4	2.9	2.0
Net financial liabilities/market capitalization (%)	123.3	135.0	74.1	91.2	100.8

Productivity ratios	2012	2011	2010	2009	2008
Sales per employee (€)	120,483	111,849	111,366	100,364	105,663
EBITDA per employee (€)	5,418	6,921	7,557	5,619	7,534
EBITA per employee (€)	2,246	3,802	4,361	2,222	4,569
Operating cash flow per employee (€)	5,791	1,641	7,322	5,211	4,915
Personnel costs per employee (€)	35,492	32,816	32,638	32,670	32,726
Personnel cost ratio (%)	29.5	29.3	29.3	32.6	31.0

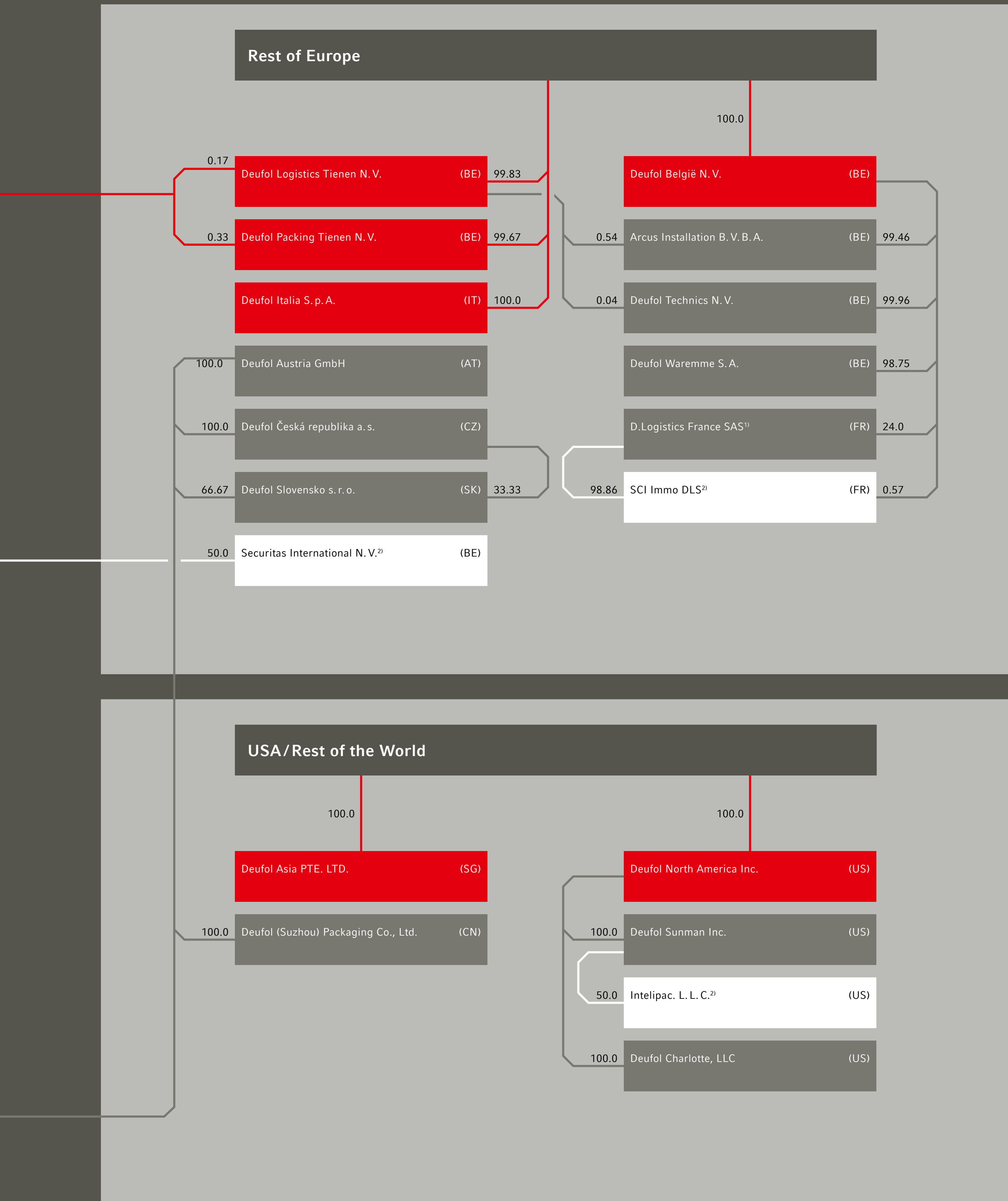
Per-share ratios	2012	2011	2010	2009	2008
Earnings per share from continuing operations (€)	0.001	0.08	0.10	0.01	0.26
Earnings per share (EPS) (€)	(0.006)	0.002	0.07	0.01	0.26
Price earnings ratio (PER)	n/m	—	22.7	141.3	4.3
Dividend per share (€)	n/a	0.03	0.03	0.00	0.07
Dividend yield (%)	—	3.1	2.0	—	6.36
Book value per share (€)	2.02	2.05	2.06	1.98	2.14
Price/book value	0.51	0.48	0.74	0.60	0.51
Book value per share (less goodwill) (€)	0.45	0.49	0.51	0.42	0.54
Price/book value (less goodwill)	2.3	2.0	3.0	2.8	2.0

Investment ratios	2012	2011	2010	2009	2008
Market capitalization/sales	0.13	0.14	0.22	0.18	0.14
Enterprise value/sales	0.33	0.35	0.41	0.39	0.32
Enterprise value/EBITDA	7.3	5.6	6.0	6.9	4.5
Enterprise value/EBIT	17.6	10.2	10.5	17.5	7.4
Enterprise value/operating cash flow	6.8	23.7	6.2	7.5	6.8
Enterprise value/free cash flow	8.0	25.8	8.0	9.2	7.0

Operating Subsidiaries / Affiliates of Deufol SE*



*As at December 31, 2012; figures in %


Rest of Europe
100.0
0.17
Deufol Logistics Tienen N. V. (BE)
99.83
Deufol België N. V. (BE)
0.33
Deufol Packing Tienen N. V. (BE)
99.67
0.54
Arcus Installation B. V. B. A. (BE)
99.46
Deufol Italia S. p. A. (IT)
100.0
0.04
Deufol Technics N. V. (BE)
99.96
100.0
Deufol Austria GmbH (AT)
Deufol Waremme S. A. (BE)
98.75
100.0
Deufol Česká republika a. s. (CZ)
D.Logistics France SAS1) (FR)
24.0
66.67
Deufol Slovensko s. r. o. (SK)
33.33
98.86
SCI Immo DLS2) (FR)
0.57
50.0
Securitas International N. V.2) (BE)
USA / Rest of the World
100.0
100.0
Deufol Asia PTE. LTD. (SG)
Deufol North America Inc. (US)
100.0
Deufol (Suzhou) Packaging Co., Ltd. (CN)
100.0
Deufol Sunman Inc. (US)
50.0
Intelipac. L. L. C.2) (US)
100.0
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Publisher:
Deufol SE
Johannes-Gutenberg-Strasse 3–5
D-65719 Hofheim (Wallau)
Phone: +49 (61 22) 50 - 00
Fax: +49 (61 22) 50 - 13 00
E-mail: info@deufol.com

Concept and design:
FIRST RABBIT GmbH, Cologne

Prepress:
FIRST RABBIT GmbH, Cologne

Contact:
Deufol SE
Claudia Ludwig
Johannes-Gutenberg-Strasse 3–5
D-65719 Hofheim (Wallau)
Phone: +49 (61 22) 50 - 12 38
E-mail: rainer.monetha@deufol.com

This report is available in German and English. Both versions are available on the Internet at www.deufol.com.

DEUFOL SE
JOHANNES-GUTENBERG-STRASSE 3–5
65719 HOFHEIM (WALLAU), GERMANY
PHONE: +49 (61 22) 50-00
FAX: +49 (61 22) 50-13 00
WWW.DEUFOL.COM