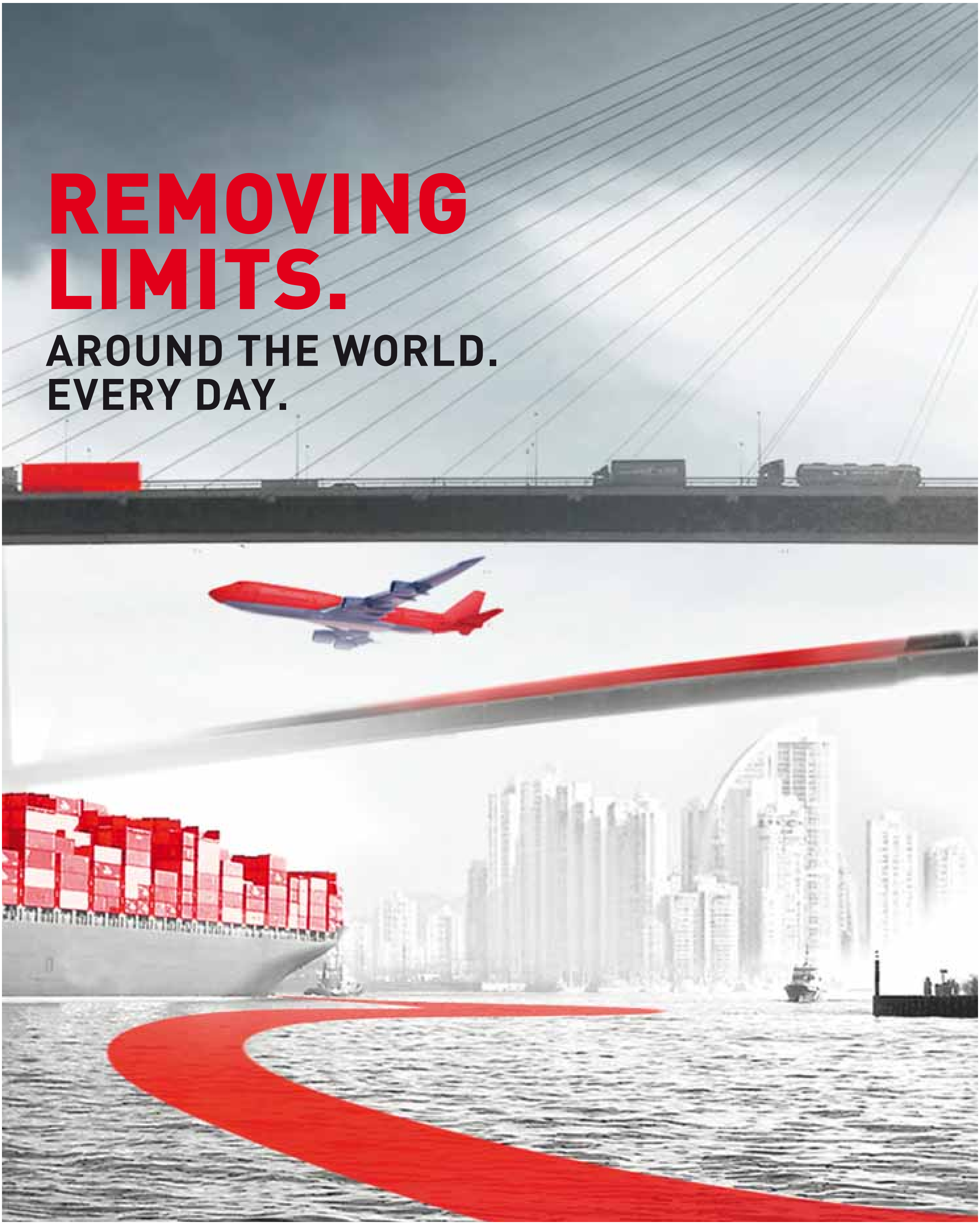
DEUFOL
Packaging. Next level.

REMOVING LIMITS.

AROUND THE WORLD. EVERY DAY.



ANNUAL REPORT **#2016**

Overview of the Deufol Group

Figures in € million	2016	2015	± (%)
Results of operations			
Total sales	341.0	324.8	5.0
Germany	175.7	170.9	2.8
Rest of the World	165.2	153.9	7.3
Ratio of foreign sales (%)	48.5	47.4	2.3
EBITDA	19.2	15.6	23.1
EBIT(A)	9.4	8.2	14.6
EBT	5.7	5.5	3.6
Income tax income (expenses)	(1.1)	(1.9)	(42.1)
Result for the period	4.63	3.59	29.0
thereof noncontrolling interests	(0.43)	0.30	(243.3)
thereof shareholders of the parent company	5.06	3.30	53.3
Earnings per share (EPS), (€)	0.118	0.075	57.3
Assets structure			
Noncurrent assets	151.9	137.1	10.8
Current assets	86.6	87.5	(1.0)
Balance sheet total	238.5	224.6	6.2
Equity	108.1	102.4	5.6
Liabilities	130.4	122.2	6.7
Equity ratio (%)	45.3	45.6	(0.7)
Net financial liabilities	46.9	39.4	19.0
Cash flow/investments			
Cash flow from operating activities	12.0	5.5	118.2
Cash flow from investing activities	(5.9)	(2.9)	103.5
Cash flow from financing activities	(4.9)	(4.3)	14.0
Investments in property, plant and equipment	9.1	5.2	75
Employees			
Employees (average)	2,899	2,641	9.8
Personnel costs	111.7	103.2	8.2

Table of Contents

MOVING FORWARD. TOGETHER.

93 LOCATIONS IN 11 COUNTRIES ON 3 CONTINENTS.

To enable our customers to continue to grow, we too have grown. Through our merger with RIEDER® in Austria, we have further expanded our global network for IT-based packaging and logistics solutions. The strategically important port of Antwerp also represents a significant expansion of our network of locations. We have achieved this through our acquisition of Novaedes, the Belgian market leader for export packaging. To meet the requirements of the digital networking which is necessary for Industry 4.0 as well as flexible but nonetheless highly automated series production, in 2016 we laid the foundation stone for our new production plant in Cheb (Czech Republic). As the market leader, we are now even better placed to meet our customers' individual requirements, even more rapidly and even more effectively.


93
OPERATIONS
11
COUNTRIES

Foreword by the Managing Directors

Fiscal Year 2016

Dear shareholders and business partners,
Dear colleagues,

It was not just investors who were kept spellbound by the Brexit vote, Donald Trump's election as the president of the United States of America and the refugee crisis in 2016. However, the associated risk of a weak economic trend has not materialized. In Germany in particular, the economy has proved to be highly robust and has even gained ground. Moreover, the Eurozone – which is of critical importance for the DEUFOL Group – continued its modest recovery in 2016.

In 2016, the DEUFOL Group registered sales growth of 5.4 % and EBIT growth of 15 %. We expect that the economic environment will remain favorable for DEUFOL in 2017.

In 2016, the flourishing German economy enjoyed its strongest level of growth in the past five years. To ensure that our customers can likewise achieve further growth, we have further expanded our global network for IT-based packaging and logistics solutions in the field of industrial packaging. For in 2016, we continued to uphold our motto: WE FOCUS ON PACKAGING + SUPPLY CHAIN LIMITS AND REMOVE THEM. While the DEUFOL Group mainly achieved organic growth in 2015, 2016 was also shaped by external growth. Acquisitions of new locations enabled us to strengthen our network, our market presence and our know-how in a targeted fashion.

On the one hand, through the merger of our subsidiary DEUFOL Austria with the RIEDER Group, the leading all-round provider in the packaging services segment in Austria. Here, as the market leader through our IT solutions together with our international network we are now able to offer even better and more goal-oriented and customer-specific solutions in the packaging market, including upstream and downstream stages of the value chain.

Our acquisition of the Belgian market leader for export packaging, Novaedes, and the associated locations marked another important and far-sighted step in strengthening our business. The reinforcement of our physical presence close to our central European customers and the expansion of DEUFOL's HUB network thanks to the strategically important port of Antwerp – the largest handling facility for break bulk in Europe – represent decisive and far-sighted steps in order to expand our range of services. This will enable us to serve all of our customers' locations even more rapidly and even more effectively. Together with our innovative, digital real-time solutions in the field of export packaging and logistics, this acquisition marks a landmark step for further optimization of the transparency and reliability of our global value chain for our customers.

Through these acquisitions, Deufol is continuing to focus on its core competences, which we see as lying in the field of industrial packaging and related services. In this respect, in 2016 we let go of some business divisions with low value added or a strongly divergent strategic focus and plan to implement further such steps in future.

A further DEUFOL location in a geographically central location was added to the DEUFOL network in 2016. Our new production plan in Cheb, Czech Republic, offers the digital networking which is necessary for Industry 4.0 as well as flexible and standardized series production. The shortening of the "time-to-market" packaging process necessitated the decision to invest in a new location.

Accordingly, the DEUFOL Group now comprises 93 locations in 11 countries and on 3 continents, thus supporting our customers' competitiveness in global markets through a comprehensive range of packaging and other services. We appreciate our customers' diversity as much as we appreciate the diversity of our own employees. Underpinned by strong foundations, in 2016 the DEUFOL Group developed and rolled out its DEUFOL EXPERT PROGRAM, or "DEXPRO" for short. DEXPRO supports, encourages and motivates our employees worldwide. It develops management and employee skills, improves communication channels and brings to life the vision of the DEUFOL Group. We thus ensure continuous optimization of our internal processes and services. The performance capacity of the DEUFOL Group is based on that of its employees.

Through this continuous improvement of our services and thanks to healthy organic growth, we increased sales in Germany by 3 % in 2016; we also achieved significant improvements in our EBIT and our EBIT margin. In the Rest of Europe, sales rose by 20 % due to our acquisitions. The EBIT figure fell slightly short of the previous year's result. In the USA, our sales and EBIT figures were slightly lower than the previous year's figures but remained at a high level. On the other hand, in China at € 4.5 million sales tripled and our EBIT figure almost doubled.

The fact that a stock market listing entails not insignificant costs prompted our decision in 2015 to delist. Since this time, DEUFOL shares can be traded through SCHNIGGE Wertpapierhandelsbank SE.

For our company's future development, we will continue to rely on the continuous improvement of our services as well as optimized fulfillment of the requirements of our customers. Thanks to our open and cooperative business culture and our focus on digital processes, we consider that we are well placed for the future. We remain true to our motto: WE FOCUS ON PACKAGING + SUPPLY CHAIN LIMITS AND REMOVE THEM.

As you can see, an eventful and successful year lies behind us, in which we repositioned ourselves as a corporate group in many respects. We would like to thank our business partners, our shareholders and our dedicated employees for a consistently constructive and trusting working relationship.

Yours sincerely,

The Managing Directors
Klaus Duttiné, Dennis Hübner, Detlef W. Hübner, Jürgen Schmid

Report of the Administrative Board

In the following report the Administrative Board provides notice of its key activities in fiscal year 2016. Deufol SE 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 audit of the annual and consolidated financial statements, relationships with associates and changes to the executive bodies are commented on below.

The Administrative Board has performed the duties assigned to it by law as well as the Articles of Association and the by-laws. It has managed the Company, determined the basic profile of its activities and monitored their implementation by the managing directors. The Administrative 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 Administrative Board, which is contained in the by-laws for the managing directors.

During the reporting period, the managing directors informed the Administrative Board, both verbally and in writing, of all relevant issues concerning the Company's position and material business transactions. The Administrative Board received a monthly report consisting of a current income statement, balance sheet and cash flow statement for the Group as well as overviews of the development of sales, operating results and other indicators for the individual subsidiaries together with target/actual comparisons and corresponding prior-period figures. The Administrative Board regularly submitted questions to the managing directors on the basis of these data, which the managing directors then answered accordingly.

The Administrative Board regularly and promptly received the minutes of the meetings of the managing directors as well as up-to-date reports on trends not documented in special minutes. There was frequently a comprehensive exchange of opinions between the Administrative Board and the managing directors on these issues. In addition, the members of the Administrative Board maintain regular verbal and written contact with the managing directors.

Meetings of the Administrative Board

The Administrative Board considered the reports of the managing directors and other decision papers in a total of five meetings and also in frequent electronic and telephone conversations and discussed them in detail with the managing directors.

In six cases, resolutions were adopted outside meetings. These urgent decisions, that could not be delayed until a regular Administrative Board meeting, were preceded by an in-depth exchange of information by e-mail and telephone. At three out of the five meetings held, two Administrative Board members excused themselves from attending in each case. Otherwise, all of the members of the Administrative Board attended all of its meetings; none of its members attended less than half of them.

Key Topics of Discussion

In the period under review, Deufol's current sales and results of operations in its individual business segments – with a particular focus on its business activities in Germany, Belgium, Austria and the USA as well as its future business development in these fields – were a strategic priority for the Administrative Board's discussions with the managing directors. Deufol continued to focus on further optimization of its production locations in the Industrial Packaging segment in Germany and the Czech Republic in 2016. The goals here are optimized use of resources and the improvement of software-based business processes, which will then improve performance through synergy-based cost savings.

As in previous years, the Administrative Board also intensively discussed the action for damages against the Company's former Executive Board members Andreas Bargende and Tammo Fey as well as other former executives.

Finally, the expansion of the Deufol network through external acquisitions in Austria and Belgium and the integration of these acquisitions in the existing Group were a further core aspect of the Administrative Board's work.

Audit of the Single-Entity and Consolidated Financial Statements

In accordance with the resolution passed by the Annual General Meeting on June 30, 2016 and the subsequent audit engagement issued by the Administrative Board, the annual financial statements for the fiscal year from January 1 to December 31, 2016 prepared by the managing directors in accordance with the German Commercial Code and the management report of Deufol SE were audited by Votum AG, 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. On April 26, 2017, the Administrative Board endorsed the annual financial statements of Deufol SE for 2016 and the consolidated financial statements. The annual financial statements have thus been approved. The Administrative 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 held on July 1, 2015, the existing members of the Administrative Board were reappointed for a new two-year term. The members of the Administrative Board subsequently elected Mr. Detlef W. Hübner as the chairman and Mr. Helmut Olivier as the deputy chairman of the Administrative Board. The by-laws of the Administrative Board remain applicable as before.

Hofheim, April 28, 2017

For the Administrative Board
Detlef W. Hübner
Chairman

ALWAYS IN TOUCH WITH YOUR BUSINESS.

IF IT IS POSSIBLE TO MAKE THINGS BETTER, WE WILL DO SO.

Improvements throughout the supply chain – holistically and effectively – that is the objective of our Deufol Data Connect System. Deufol developed this to meet our customers' requirements. We adapt our services in line with prevailing challenges and permanently develop further new and intelligent IT solutions. For instance, these include the CPC Tracker (Connected Pack Control), which records and transmits in real time information such as temperature, humidity, pressure, vibration, movement, inclination and light intensity data. It thus ensures the necessary level of transparency for flows of goods, enabling you to keep track of every detail. At any time.


PACK CENTER SOLUTION (VV)
TAKT-VERPACKUNG
CPC TRACKER
PHOTO DOCUMEN-TATION
DIGITAL SALES
LVS
DEUFOL DATA CONNECT SYSTEM
A/T DISENGAGE
FLAP

Operational Principles of the Group

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 am Taunus. It has direct or indirect interests in key Group companies which handle operating business in the individual countries. Overall, on the balance sheet date 42 direct and indirect subsidiaries were included in the consolidated group of Deufol SE. Of these companies, 18 were German companies while 25 were domiciled in other countries. Please see the chapter "Facts & Figures" on page ▶ 91 for a summary of our operationally active investments and their corporate structure.

Organization and Management

Deufol SE operates as a European company (Societas Europaea, SE). 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 and developing strategic business fields, acquiring strategic customers and partners, 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 in line with the Company's strategic orientation as well as regular meetings and monthly reviews. 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 three service areas:

- Export & Industrial Packaging
- Automated Packaging and Promotional & Display 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. In our Export & Industrial Packaging segment, we also provide further industrial services such as disassembly and assembly services, on-site management and spare parts warehousing, including the necessary IT solutions.

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.

Supplementary Services
This comprises services such as warehouse planning and management, handling small volumes and samples, commissioning, contract and spare parts 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. Interdisciplinary teams of experts are thus able to handle, in particular, major and even international tenders – in a targeted manner which focuses on the benefits for the customer.

Locations of the Deufol Group

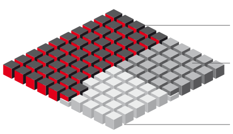
Globally Positioned with Locations in Eleven Countries

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, 2016 we had around 54 locations which account for a total of 51.4 % of Group sales. The Rest of Europe – which accounts for around 24.5 % of the Group’s business – comprises 32 operational facilities in Belgium, the Netherlands, France, Italy, Austria, the Czech Republic and Slovakia.

Sales by region

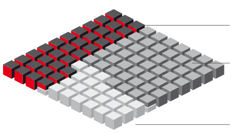
Figures in € million



175.1	Germany
83.5	Rest of Europe
81.8	USA/ Rest of the World

Assets by region

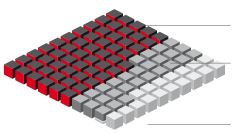
Figures in € million



78.5	Germany
110.1	Rest of Europe
53.5	USA/ Rest of the World

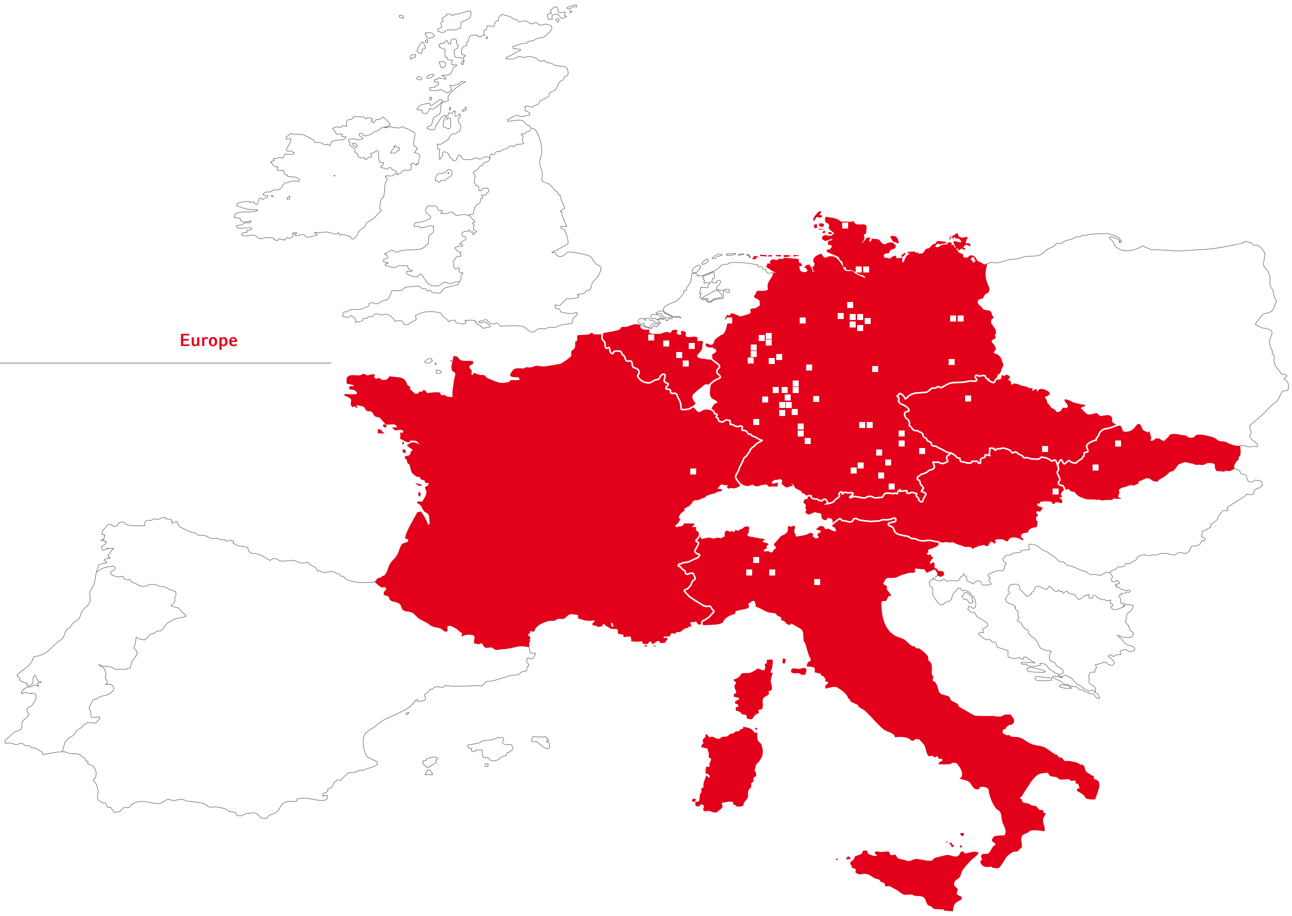
Employees by region

Deufol Group



1,625	Germany
776	Rest of Europe
498	USA/ Rest of the World

We have 6 locations in the USA / Rest of the World, which contribute approx. 24.0 % of sales. Our business in the USA is handled through our two main locations in Charlotte and Sunman. We have four locations in Asia. Overall, we have 3 locations in the People's Republic of China. As well as our existing location in Suzhou, in Yantai and Taicang we have 2 locations which we operate together with joint venture partners. We also have a plant in Singapore. The Deufol Group's geographical presence is shown in the following diagram.



Number of locations

Germany	54
Rest of Europe	32
USA / Rest of the World	6

Region-Oriented Segment Structure

Notes 40, 41

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 2016 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.

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. with 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.

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, innovative services and IT solutions for increased process efficiency, while preparing new projects or through close cooperation with our customers.

Report on the Economic Environment

Economic Outline Conditions

World Economy: Upwards Trend Despite Risks in 2016

According to the Kiel Institute for the World Economy, the global economy strengthened in 2016 despite an increased level of political uncertainty. The change of government in the USA evidently stirred hopes of strong economic policy-based momentum there, while in Europe the euro's devaluation against the dollar had a supportive effect. However, in view of various structural obstacles which remain in place a strong global upturn is not in prospect. In the second half of 2016, global gross domestic product increased by 1.8 % and thus almost exactly matched the average rate of growth since the end of the global financial crisis in 2009. The trend for global trade remains weak. In 2016, growth amounted to just 1.8 %. This growth is very low by comparison with the global gross domestic product figure (weighted in line with purchasing-power parities), which at 3.1 % in the fourth quarter of 2016 was higher than in the previous year.

Momentum has picked up in the advanced economies. The outcome of the US presidential election buoyed stock markets worldwide. At the same time, the measured level of economic uncertainty has increased, particularly outside of the United States. Due to the size of the US economy, the USA's economic policy decisions are highly significant for the entire world economy. Announcements to date point to a clearly expansionary fiscal policy. However, a protectionist trade policy would represent a risk for the global economy.

Continuing Moderate Growth in the Eurozone

The Eurozone's economic recovery continued at a moderate pace. In the second half of 2016, overall economic output increased by 0.8 % and has thus been continuously buoyant for almost four years now. Of the major countries, Italy's upward trend remained weak. At 12 %, unemployment in the Eurozone excluding Germany is still significantly higher than before the financial crisis, when it amounted to a good 7 %.

However, all in all the positive factors in the Eurozone remain intact. Unemployment is continuing to fall, many leading indicators are clearly on an upward trajectory and the economy will remain buoyed by very low interest rates as well as the euro's low external value. In the EU countries outside of the Eurozone, the economic trend gathered pace in the second half of 2016 in particular and remains highly robust. To date, nor has the United Kingdom's decision to withdraw from the EU had any impact on this.

In 2016 as a whole, the moderate level of output growth was disproportionately limited to the private services sector. In particular, trade and transport and the information and communications sector contributed to growth in this sector. However, the structural consolidation of public budgets ground to a halt in 2016. While the budget deficit decreased due to one-off factors which ceased to apply in 2016, the structural deficit increased, above all due to the expansionary policy adopted in countries such as Spain and France. A risk thus continues to apply in terms of the future economic development of the EU.

Germany: the Upturn Continues

According to the Kiel Institute for the World Economy, in 2016 Germany's gross domestic product increased by 1.9 %, compared to 1.7 % in 2015. Investments are thus slowly picking up again. However, investments in equipment generally remained weak in 2016, but should gradually pick up steam in 2017 due to the robust global economy. In the past two years, the level of investment in equipment was very low due to various uncertainties in the international environment. Moreover, exports are increasingly significant as the world economy recovers and should buoy the upturn in Germany from 2017 onwards at the latest.

The upswing in Germany has thus now completed its fourth consecutive year. Various leading indicators are also providing further growth signals for 2017. German industry's order books are well filled. According to the ifo Institute's business climate survey, the assessment of the business situation recently reached a five-year high. In line with this trend, the labor market remains highly robust.

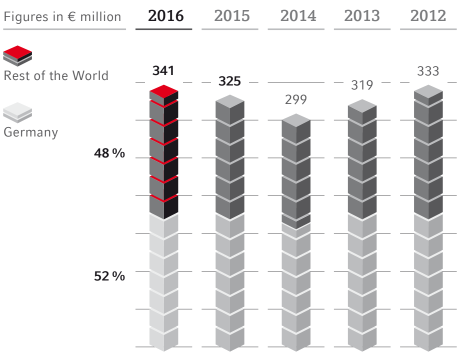
Exports increased by 2.6 % in 2016. This figure is clearly lower than in the previous year. While exports are benefiting from the continuing recovery in the Eurozone as well as the more stable economic situation in China, other key sales markets such as the USA and the United Kingdom registered negative momentum. Consumption significantly increased. In particular, this relates to public consumption, which in 2016 reached its highest level since 1992 due to the refugee situation. On the other hand, investments in equipment increased by just 1.0 % but should pick up again in 2017, since the overall outline conditions are highly positive with a generally rising level of capacity utilization.

Results of Operations

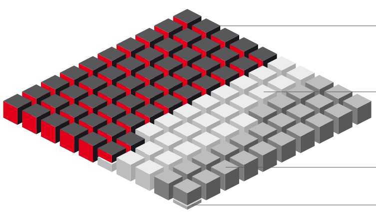
Sales Anhang 01, 41

In an uncertain overall economic environment, as outlined above, in the period under review sales amounted to € 341.0 million and rose by 5.0 % (previous year: € 324.8 million). We have thus exceeded our planning targets, which had envisaged sales in a range of between € 320 million and € 335 million. Adjusted for changes to the consolidated group through which sales of € 14.8 million were added for the first time, the change in Group sales amounts to + 0.4 %. Given the virtually unchanged intrayear dollar exchange rate, exchange rate fluctuations did not play any role. Our overall operating performance amounted to € 353.4 million (previous year: € 333.5 million).

Sales



Consolidated sales by segment



Figures in € million			2016	2015
	51.4 %	Germany	175.1	170.2
	24.5 %	Rest of Europe	83.5	70.7
	24.0 %	USA/Rest of the World	81.8	83.2
	0.1 %	Holding company	0.6	0.7
	100.0 %	Total	**341.0**	324.8

German Business Registers Slight Sales Growth Note 41

In the past year, Germany did not consolidate any further its role as the Deufol Group's most important sales market. With a sales volume of € 175.1 million (previous year: € 170.2 million) in the past fiscal year, it contributed 51.4 % (previous year: 52.4 %) to Group sales.

The Rest of Europe segment provided 24.5 % (previous year: 21.8 %) of Group sales, with a sales volume of € 83.5 million (previous year: € 70.7 million). € 14.8 million of this sales growth was due to companies included in the scope of consolidation for the first time.

In the USA / Rest of the World segment, sales fell slightly to € 81.8 million (previous year: € 83.2 million). This means that this segment now represents around 24.0 % (previous year: 25.6 %) of Group activities.

Export & Industrial Packaging Increases Share of Sales Note 42

With a share of sales of approx. 56.3 % (previous year: 52.0 %), Export & Industrial Packaging is the Group's most important business segment. Sales realized in Consumer Packaging decreased slightly, from 37.8 % to 34.5 %. The contribution provided by Supplementary Services declined from 10.0 % to 9.1 %.

Operating Costs Ratio Slightly Lower on Balance Notes 02–05

At 45.1 % (previous year: 47.3 %), the ratio of the cost of materials to Deufol's overall operating performance significantly declined. The share accounted for by raw materials, consumables and supplies and purchased merchandise has increased slightly to 24.7 % (previous year: 24.5 %), while the share of purchased services has decreased significantly to 20.4 % (previous year: 22.8 %).

At € 111.7 million (previous year: € 103.2 million), in absolute and relative terms personnel costs were higher and amounted to 31.6 % (previous year: 30.9 %) of Deufol's overall operating performance. The absolute increase in personnel costs is attributable to the sales-related growth in the average number of employees, in connection with our efforts to cover key areas of expertise in-house. In the past fiscal year, the Deufol Group had 2,899 employees (previous year: 2,641).

At € 9.8 million, depreciation is € 2.4 million higher than in the previous year. This includes extraordinary depreciation in the amount of € 2.0 million.

Total other operating expenses have increased significantly (+ € 6.1 million to € 63.1 million); the expense ratio has risen from 17.1 % to 17.8 %.

Overall, the costs ratio has decreased slightly to 97.3 % (previous year: 97.5 %) of Deufol's overall operating performance. This corresponds to an increase in the EBITA margin from 2.5 % to 2.7 %.

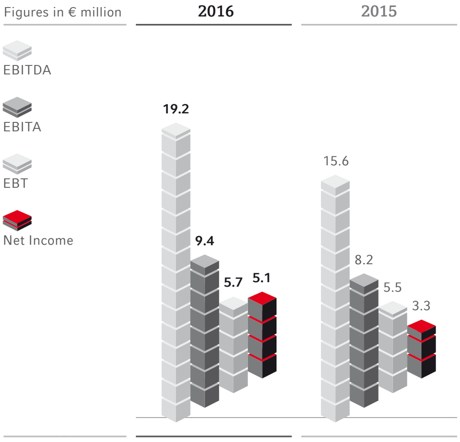
Consolidated sales by services

Figures in € million	2016	2015
Export & Industrial Packaging	191.9	168.9
Share (%)	56.3	52.0
Consumer & Data Packaging	117.5	122.6
Share (%)	34.5	37.8
Supplementary Services	30.9	32.6
Share (%)	9.1	10.0
Holding company	0.6	0.7
Share (%)	0.1	0.2
Total	**340.9**	324.8

Cost development

Figures in € million	2016	2015
Cost of materials	159.4	157.7
as % of overall operating performance	45.1	47.3
Personnel costs	111.7	103.2
as % of overall operating performance	31.6	30.9
Depreciation, amortization and impairment	9.8	7.4
as % of overall operating performance	2.8	2.2
Other operating expenses	63.1	57.0
as % of overall operating performance	17.8	17.1
Total	**344.0**	325.3
as % of overall operating performance	97.3	97.5

Income Development



Operating Result

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 19.2 million, compared to € 15.6 million in the previous year. The EBITDA margin was 5.4 % (previous year: 4.8 %). Depreciation of property, plant and equipment was at € 8.5 million significantly higher than in the previous year (€ 6.5 million). However, of this amount € 2.0 million is extraordinary depreciation. Amortization of other intangible assets likewise increased, to € 1.4 million (previous year: € 0.9 million).

The operating result before goodwill amortization (EBITA) amounted to € 9.4 million in the reporting period (previous year: € 8.2 million). The EBITA margin amounted to 2.7 % in 2016 (previous year: 2.5 %).

Financial Result Note 06

The negative financial result increased from – € 2.7 million to – € 3.7 million. Financial expenses rose from € 3.3 million to € 4.3 million. The higher volume of expenses is attributable to a valuation adjustment on loans and a loss on the sale of an investment accounted for using the equity method. Financial income increased by € 0.1 million to € 0.6 million. The profit from investments included in this amount was € 0.1 million (previous year: € 0.1 million).

Margin development

figures as % of sales	2016	2015
EBITDA margin	5.4	4.8
EBIT(A) margin	2.7	2.5
EBT margin	1.6	1.7
Net income margin	1.4	1.1

Net Income Notes 07–09

Earnings before taxes (EBT) in the past year were € 5.7 million (previous year: € 5.5 million). Overall tax expenditure in the past fiscal year amounted to € 1.1 million, compared to € 1.9 million in the previous year. Current tax expenditure for taxes on income decreased due to increased use of tax loss carryforwards and amounted to approx. € 1.8 million (previous year: € 2.4 million). The Company recognized income in the amount of € 0.7 million (previous year: € 0.5 million) for deferred taxes.

This means a result for the period of € 4.64 million (previous year: € 3.59 million). The share for noncontrolling interests is – € 0.43 million (previous year: + € 0.29 million).

Earnings attributable to the shareholders of Deufol SE amounted to € 5.06 million in the period under review, compared to € 3.30 million in the same period in the previous year. Earnings per share were € 0.118 in 2016 (previous year: € 0.075).

Financial Position

Financing of the Deufol Group
Notes 23, 39

Various financing groups exist within the Deufol Group. In Germany and Europe, as of late 2016 Deufol has a variable-interest syndicated financing arrangement with a volume of € 48 million and a term ending in October 2019. This financing arrangement was extended by a period of three years in the past fiscal year, since the original agreement would have expired in October 2016. In this respect, improvements were realized in the financial covenants specified in the loan agreement. The Group also expanded its existing financial leeway. Further significant financing groups exist in the USA (amortizing loan for real estate and plant and equipment and an operating credit line), Belgium (amortizing loan for real estate and an operating credit line) and Italy (mainly operating credit line).

Credit lines of € 56.3 million are available to the Group at various banks (previous year: € 47.1 million). As of December 31, 2016 € 24.3 million (previous year: € 26.4 million) of this had been utilized, subject to variable interest rates. The variable-interest loans shown in the balance sheet are subject to standard market interest rate risks. In fiscal year 2016, the average weighted interest rate for short-term loans was 2.32 % (previous year: 3.45 %). The payable credit margins are partially dependent on achieving certain financial ratios (covenants).

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

Development of Financial Indebtedness
Notes 17, 23

Due to the Deufol Group's acquisitions, its financial liabilities increased significantly in the past fiscal year. They amounted to € 65.8 million (previous year: € 58.2 million) as of the reporting date.

Net financial liabilities – defined as total financial liabilities less financial receivables and cash – increased by € 7.5 million, from € 39.4 million on December 31, 2015 to € 46.9 million at the end of the period under review. This was despite the increase in cash held (+ € 1.1 million) and lower financial receivables (– € 1.1 million). The balance of liabilities to banks and call deposits at banks is – € 36.8 million (previous year: – € 37.0 million) and was thus unchanged.

Financial liabilities

Figures in € million	2016	2015
Amounts due to banks	52.23	51.29
thereof current	12.47	11.06
thereof noncurrent	39.76	40.23
Finance leasing	13.60	6.88
Other	0.00	0.06
Total	**65.83**	58.22

Significantly Higher Volume of Investment due to Acquisitions
Notes 10, 11

Due to the acquisitions made in the period under review and the new production locations in Cheb (Czech Republic) and Mülheim an der Ruhr, at € 31.2 million investments including leased assets were significantly higher than in 2015 (€ 6.3 million). Of this amount, € 21.0 million related to additions in connection with companies included in the scope of consolidation for the first time.

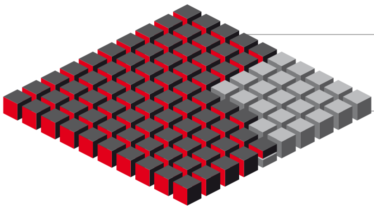
In the past fiscal year, investments in plant, property and equipment excluding purchases were € 9.1 million (previous year: € 5.2 million). The investment ratio – i. e. the ratio of capital expenditure to sales – was 2.7 % in 2016 (previous year: 1.6 %).

Land and buildings (€ 4.9 million) is the largest capital expenditure item. This is followed by advance payments made and assets under construction (€ 1.8 million) as well as investments in operating and office equipment (€ 1.2 million).

Investments by segment

Figures in € million	2016	2015
Germany	3.03	4.44
Rest of Europe	26.41	0.95
USA/Rest of the World	0.36	0.09
Holding company	1.40	0.94
Total	**31.20**	6.30

Investments



Figures in € million			2016	2015
	77.4 %	Property, plant and equipment	24.15	5.20
	22.6 %	Intangible assets	7.05	1.10
	100.0 %	Total	**31.20**	6.30

Increased Depreciation

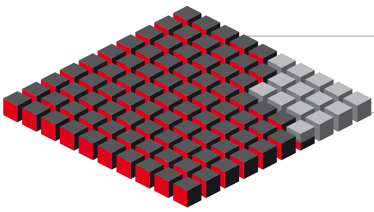
Notes 10, 11

Due to the high volume of investment, depreciation of property, plant and equipment and amortization of intangible assets were significantly higher than in the previous year (€ 9.8 million, compared to € 7.4 million). Depreciation of property, plant and equipment was € 8.5 million (previous year: € 6.6 million), amortization of other intangible assets € 1.3 million (previous year: € 0.8 million).

Depreciation, amortization and impairment by segment

Figures in € million	2016	2015
Germany	2.90	3.28
Rest of Europe	3.22	1.81
USA/Rest of the World	2.78	1.62
Holding company	0.90	0.72
Total	**9.80**	7.44

Depreciation, amortization and impairment



Figures in € million			2016	2015
	86.4 %	Property, plant and equipment	8.47	6.60
	13.6 %	Intangible assets	1.33	0.80
	100.0 %	Total	**9.80**	7.40

Cash Flow Notes 28–32

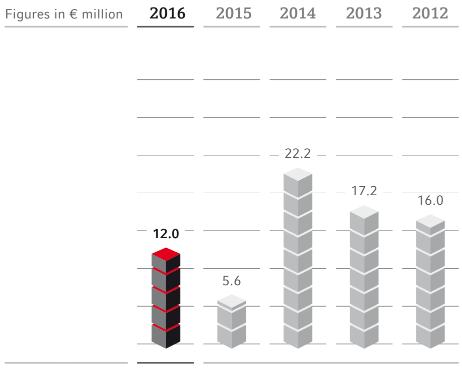
The operating cash flow amounted to € 12.0 million in the period under review and was thus significantly higher than in the previous year (€ 5.6 million). In the previous year, the operating cash flow was adversely affected by the one-off effect of revised payment terms for a major customer, in the amount of € 10.8 million. In addition, the decrease in receivables from suppliers (€ 6.9 million) and the decrease in other receivables (€ 3.7 million) contributed particularly strongly to the cash flow improvement in the year under review.

The cash flow from investing activities was – € 5.9 million (previous year: – € 2.9 million). Cash-based fixed assets investments were € 9.8 million. On the other hand, inflows have resulted from the disposal of intangible assets, property, plant and equipment and financial assets (€ 3.6 million) as well as the settlement of financial receivables (€ 1.1 million). Further proceeds resulted from interest received (€ 0.5 million).

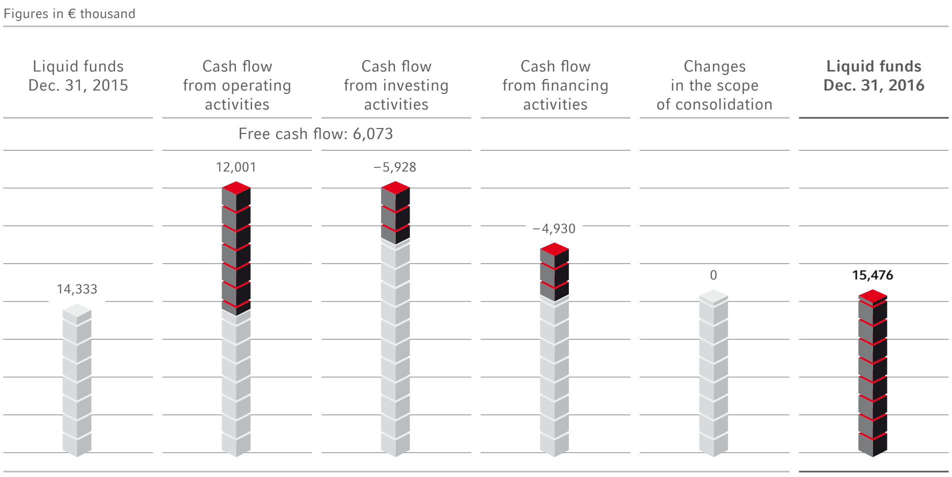
Accordingly, the free cash flow – which is made up of the cash flow from operating activities and the cash flow from investing activities – amounted to € 6.1 million (previous year: € 2.7 million).

The cash flow from financing activities was – € 4.9 million (previous year: – € 4.3 million). Financial liabilities decreased in cash terms by a net amount of € 1.3 million.

Cash flow from operating activities



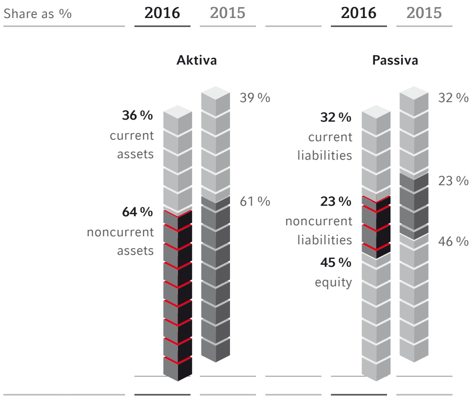
Change in liquid funds



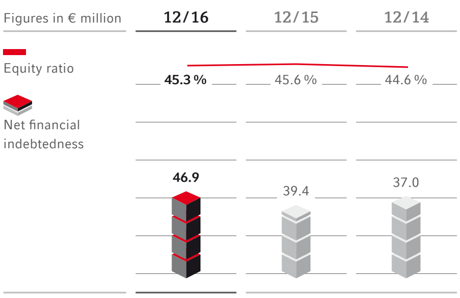
Further outflows of funds resulted from interest paid.

Cash and cash equivalents increased by € 1.1 million to € 15.5 million as of December 31, 2016.

Balance sheet structure



Net financial indebtedness and equity ratio



Assets Position

Slight Increase in Balance Sheet Total Notes 10 – 17

In 2016, the balance sheet total of the Deufol Group increased by 6.2 % to € 238.5 million. On the assets side of the balance sheet, the noncurrent assets increased by 10.9 %, from € 137.1 million as of the period-end in the previous year to € 152.0 million as of the reporting date. This rise resulted from the increase in property, plant and equipment due to acquisitions (+ € 14.9 million to € 60.4 million). The asset depreciation ratio (ratio of accumulated depreciation to historical cost) thus decreased by 7.5 percentage points on the previous year to 59.6 %, while the property, plant and equipment ratio (i. e. the ratio of property, plant and equipment to the balance sheet total) increased significantly, from 20 % to 25 %. Due to the acquisitions, goodwill also increased, by € 2.4 million. An investment accounted for using the equity method was sold in the year under review. Investments in associates thus decreased by € 3.1 million. There were no significant changes in the other noncurrent assets.

Current assets decreased slightly, from € 87.5 million to € 86.6 million. This is mainly due to the lower volume of other assets (– € 5.2 million to € 8.7 million). On the other hand, trade receivables (+ € 1.1 million to € 45.7 million) and cash and cash equivalents (+ € 1.1 million to € 15.5 million) have increased. Other current assets changed only slightly. Working capital – the difference between current assets and current non-interest-yielding liabilities – decreased from € 30.5 million to € 28.7 million.

Increased Equity Notes 18 – 27

At the end of fiscal year 2016, the equity of the Deufol Group amounted to € 108.1 million (previous year: € 102.4 million). The balance sheet total increased significantly, while the equity ratio fell slightly, from 45.6 % to 45.3 %. Equity mainly increased due to the result for the period (€ 4.6 million) and other comprehensive income (+ € 0.7 million).

Noncurrent liabilities increased by € 2.7 million to € 53.9 million. This reflects the increase in noncurrent financial liabilities (+ € 3.0 million to € 47.2 million). Moreover, deferred tax liabilities increased by € 1.8 million while other noncurrent liabilities decreased by € 1.3 million.

Current liabilities increased by € 5.5 million to € 76.5 million. Current financial liabilities increased by € 4.6 million to € 18.6 million, while trade payables rose by € 3.1 million to € 40.3 million. On the other hand, other liabilities decreased (– € 2.7 million to € 13.1 million). There was no significant change in other current liabilities.

Employees

Increase in Number of Employees Note 04

The Deufol Group had 2,899 employees on average over the course of the year. This represents an increase of 258 employees or 9.7 % on the previous year. On average, the Group had 1,625 employees in Germany (56.1 %) and 1,274 employees (43.9 %) elsewhere.

On average in the past year, the Group had 57 more employees in Germany. This increase resulted from the replacement of temporary workers and sub-contractors with its own staff at many of its German locations. In the Rest of Europe, the average number of employees increased by 220; in particular, this reflected the acquisition of the Rieder Group in Austria at the start of the year. In the USA/Rest of the World, the average workforce over the year as a whole decreased by 21. The holding's workforce increased by 2 employees to an average of 68.

Personnel costs increased in the reporting period by 8.2 % to € 111.7 million. The personnel cost ratio as a ratio of personnel costs to Deufol's overall operating performance increased slightly, from 30.9 % to 31.6 %.

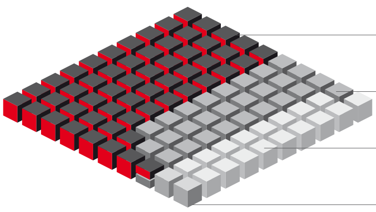
Thanks for Commitment

The managing directors would like to thank all the Company's employees for the dedication and flexibility which they displayed in fiscal year 2016.

Overview of employees

Deufol Group	2016	2015
Germany	1,625	1,566
Rest of the World	1,274	1,075
Female	665	646
Male	2,234	1,995
Total	2,899	2,641
As of Dec. 31, 2016	2,637	2,657

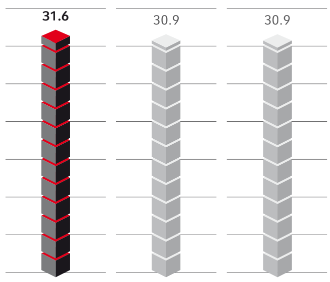
Employees by segment



Deufol Group		2016	2015
53.7 %	Germany	1,557	1,500
26.8 %	Rest of Europe	776	556
17.2 %	USA/Rest of the World	498	519
2.3 %	Holding company	68	66
100.0 %	Total	2,899	2,641

Personnel expense ratio

Figures in %	2016	2015	2014



Development in the Segments

Germany

Figures in € million

	2016	2015
Sales	201.1	195.6
Consolidated sales	175.1	170.2
EBITA = EBIT	6.7	4.5
EBITA margin (%)	3.8	2.7
EBT	4.5	3.1

Germany Notes 40–42

At € 175.1 million, consolidated sales in Germany in 2016 exceeded sales in the previous year which amounted to € 170.2 million. This sales improvement is attributable to organic growth; there were no changes in the consolidated group. This growth resulted from new customers and from the expansion of business relationships with existing customers, in western Germany especially.

In the reporting period, the EBIT for this division amounted to € 6.7 million (previous year: € 4.5 million). The EBITA margin declined from 2.7 % in the previous year to 3.8 %. The higher results by comparison with the previous year chiefly resulted from the restructuring measures initiated and implemented over the past few years.

Rest of Europe

Figures in € million

	2016	2015
Sales	99.6	84.3
Consolidated sales	83.5	70.7
EBITA = EBIT	0.0	2.5
EBITA margin (%)	0.0	3.6
EBT	(0.1)	2.5

Rest of Europe Notes 40–42

In the Rest of Europe, we realized consolidated sales of € 83.5 million, which is clearly higher than in the previous year (€ 70.7 million). This increase in sales is attributable to the first-time inclusion in the scope of consolidation of the acquired Rieder Group, Austria (+ € 14.8 million). Otherwise, our business in Belgium with two major customers declined slightly.

In the past year, this segment achieved a balanced operating result (EBITA), following a positive EBIT figure of € 2.5 million in the previous year. Much of this decline is attributable to one-off factors in the past year under review. For instance, due to current developments in Belgium a valuation adjustment was implemented for a debt claim associated with a lawsuit. Extraordinary valuation adjustments were also implemented on fixed assets in Belgium, in connection with a decline in sales.

USA / Rest of the World

Figures in € million

	2016	2015
Sales	81.9	83.2
Consolidated sales	81.8	83.2
EBITA = EBIT	4.2	4.8
EBITA margin (%)	5.1	5.8
EBT	2.9	2.5

USA / Rest of the World Notes 40–42

In the USA / Rest of the World segment, at € 81.8 million consolidated sales roughly matched the previous year's level (€ 83.2 million). There were no significant exchange rate effects. Sales realized from the Company's operations in Charlotte and Suzhou have also once again increased, but remain in the low single-digit million range.

EBIT in this segment amounted to € 4.2 million, compared to € 4.8 million in the previous year. In the USA, we have been reaping the rewards of our restructuring program for some time now.

Our Chinese subsidiary (Deufol Packaging (Suzhou) Co., Ltd.) has likewise reported earnings which have once again improved significantly by comparison with the previous year.

Holding company Notes 40–42

The EBIT figure in the Holding segment amounted to – € 1.0 million in the past fiscal year, compared to – € 2.3 million in the previous year. The improved operating result has resulted from the sale and deconsolidation of two subsidiaries as well as costs reimbursed in connection with the transfer of business to a customer.

Overall Summary of Business Performance

Planned Targets Clearly Achieved

With an annual sales volume of approx. € 341 million, we exceeded our sales target and surpassed our envisaged range of between € 320 million and € 335 million.

Our operating result (EBITDA) reached € 19.2 million and was thus significantly higher than the upper end of the forecast range of between € 14.5 million and € 16.5 million. As well as the positive business trend in Germany, the planning targets were significantly exceeded due to one-off factors relating to the sale of two subsidiaries as well as costs reimbursed in connection with the transfer of business to a customer.

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

The business trend in our key region "Germany" is improving, in line with our planning. In the "Rest of Europe" segment, following the one-off factors in the past reporting year and integration of our acquisitions, we envisage an increasing level of profitability. In the USA, we expect that our results will remain positive but will be lower due to the predicted decline in sales realized with a major customer. We expect to achieve positive results in China/Asia, but at a low level.

Our financial and assets position remains extremely solid.

Group figures

Figures in € million	2016
Sales	341.0
EBITDA	19.2
EBITA	9.4
Net financial liabilities	46.9

Goal achievement 2016

Figures in € million	Sales	EBITDA
Planning	320–335	14.5–16.5
Actual figures	341.0	19.2

Single-Entity Financial Statements of Deufol SE

Income Statement of Deufol SE

Figures in € thousand	2016	2015
Sales	12,974	12,758
Other operating income	8,420	6,988
Cost of materials	(3,915)	(3,902)
Personnel costs	(6,781)	(5,982)
Depreciation, amortization and impairment	(1,466)	(895)
Other operating expenses	(11,525)	(10,524)
Financial result	1,050	3,956
Taxes	(276)	(589)
Annual net profit	**(1,519)**	1,810

Sales and Results of Operations

In fiscal year 2016 Deufol SE realized sales of € 12,974 thousand (previous year: € 12,757 thousand) and other operating income of € 8,420 thousand (previous year: € 6,988 thousand).

Deufol SE's sales have increased due to the redefinition of sales in the German Act Transposing the Accounting Directive (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG). Amounts previously reported under other operating income are now reported under sales. In the previous year, before BilRUG came into effect, sales amounted to € 9,664 thousand and other operating income to € 10,082 thousand.

These sales mainly resulted from amounts billed to affiliated companies for purchasing services provided, other services, license income from brand name rights and from rents. Outside Germany, sales amounted to € 3,391 thousand (previous year: € 3,030 thousand).

Other operating income mainly consists of income from passed-on expenses in the amount of € 3,040 thousand (previous year: € 2,861 thousand), bonuses associated with central material purchasing in the amount of € 582 thousand (previous year: € 679 thousand), income from exchange-rate differences in the amount of € 357 thousand (previous year: € 1,303 thousand), and costs reimbursed in connection with the sale of operating divisions in the amount of € 3,300 thousand (previous year: € 0 thousand).

The cost of materials in the amount of € 3,915 thousand (previous year: € 3,902 thousand) is due to central goods purchasing and is passed on in the same amount.

Other operating expenses (€ 11,525 thousand, compared to € 10,524 thousand in the previous year) mainly comprise legal fees and consulting expenses in the amount of € 2,221 thousand (previous year: € 1,399 thousand), bad debt charges/closing-out of receivables in the amount of € 184 thousand (previous year: € 1,866 thousand), exchange losses in the amount of € 123 thousand (previous year: € 220 thousand), external services in the amount of € 903 thousand (previous year: € 854 thousand), travel and vehicle expenses in the amount of € 649 thousand (previous year: € 667 thousand), space costs in the amount of € 227 thousand (previous year: € 143 thousand), advertising costs in the amount of € 244 thousand (previous year: € 166 thousand) and passed-on expenses in the amount of € 3,010 thousand (previous year: € 2,899 thousand). Expenses unrelated to the accounting period amounted to € 1,942 thousand (previous year: € 65 thousand) and mainly relate to legal disputes.

The financial result decreased from € 3,956 thousand to € 1,050 thousand in the past year. Net interest income decreased from + € 1,190 thousand to + € 678 thousand, while income from profit transfer agreements improved from € 3,224 thousand to € 5,232 thousand. Extraordinary amortization recognized on financial assets in fiscal year 2016 totaled € 4,860 thousand (previous year: € 458 thousand).

Taxes amounted to € 276 thousand (previous year: € 589 thousand). The net loss for the year under review amounted to € 1,519 thousand (previous year: net profit for the year of € 1,810 thousand).

Assets and Financial Position

In the year under review, the balance sheet total of Deufol SE decreased slightly to € 155.0 million (previous year: € 160.4 million). Fixed assets amount to € 109.5 million, compared to € 114.0 million in the previous year. At € 45.5 million, current assets including accrued and deferred items almost match the previous year's figure (€ 46.4 million). Depreciation of property, plant and equipment and amortization of intangible assets amounted to

€ 1,466 thousand (previous year: € 895 thousand), amortization of financial assets to € 4,860 thousand (previous year: € 458 thousand). Investments in property, plant and equipment and intangible assets amounted to € 1,410 thousand (previous year: € 1,085 thousand). Investments in financial assets amounted to € 636 thousand (previous year: € 183 thousand).

On the liabilities side of the balance sheet, equity was reduced by the net loss for the year (– € 1,519 thousand) as well as the treasury stock acquired in 2016 (– € 537 thousand). Equity thus decreased from € 96.7 million to € 94.7 million. Due to the lower balance sheet total, on December 31, 2016 the equity ratio had increased slightly to 61.1 % (previous year: 60.3 %). Provisions increased to € 4.3 million (previous year: € 2.2 million). Liabilities declined from € 61.5 million to € 56.0 million – mainly due to decreased liabilities to banks and reduced liabilities to affiliated companies.

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

Cash Flow Statement of Deufol SE

Figures in € thousand	2016	2015
Annual net profit	−1,519	1,810
Depreciation/(appreciation)	1,466	895
Increase (decrease) in provisions	2,178	702
Other non-cash expenses/(revenue)	0	(93)
Non-cash valuation adjustments on financial assets	4,860	458
Net changes in working capital assets	(3,512)	888
Net changes in working capital liabilities	(3,372)	570
(Gain) loss from disposal of property, plant and equipment	0	(20)
Interest income/interest expense	(678)	(1,190)
Other investment income	(5,292)	(3,224)
Non-cash income tax expense	276	589
Income tax payments	(302)	(699)
Cash flow from operating activities	**(5,835)**	686
Payments made for investments in intangible assets	(995)	(671)
Proceeds from the sale of property, plant and equipment	32	134
Payments made for investments in property, plant and equipment	(415)	(414)
Payments made for investments in financial assets	(636)	(183)
Repayment of long-term loans	82	0
Interest received	2,034	3,115
Dividends received	5,232	3,224
Cash flow from investing activities	**5,970**	5,212
Repayment of borrowings	(2,181)	(3,082)
Payments made for the purchase of treasury stock	(537)	0
Interest paid	(1,356)	(1,925)
Cash flow from financing activities	**(4,074)**	(5,007)
Change in cash	(3,939)	891
Cash at the beginning of the period	9,350	8,459
Cash at the end of the period	5,411	9,350

Balance Sheet of Deufol SE

Figures in € thousand	2016	2015
Fixed assets	109,535	114,022
thereof financial assets	100,467	104,868
Current assets and accrued and deferred items	45,441	46,411
Balance sheet total	**154,976**	160,433
Equity	94,688	96,744
Provisions	4,306	2,154
Liabilities	55,982	61,535
thereof amounts due to banks	31,095	33,276
Balance sheet total	**154,976**	160,433

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.

Risk Controlling

Risks are identified by division managers or managing directors on the basis of the following ten risk categories: strategy / planning / corporate management, market / sales / customers, procurement / suppliers, service provision, finance, personnel, IT, contracts / legal and other.

The responsible managers document the risks identified in "risk maps" on a semi-annual 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 thresholds. 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 and regional managers also perform risk monitoring functions in the course of regular visits to the individual subsidiaries.

Specific Risks

Environment Risks

For 2017, we continue to expect a moderately positive economic trend. According to the Institute for the World Economy, on the whole the global economic trend has recently picked up. However, the world economic outlook for 2017 is characterized by uncertainty, particularly political uncertainty. The reasons for this include the change of economic policy which has been announced in the USA but has yet to be outlined in sufficiently concrete terms, the United Kingdom's decision to leave the EU, the declining growth momentum in China as well as monetary policy which remains extremely expansionary.

The world economy will thus remain prone to disruptions. The political risks have increased. Important and defining elections will take place in several countries in Europe in 2017, with a risk of nationalist and isolationist tendencies gaining further momentum. Moreover, it is increasingly open to question how much longer the central banks in the advanced economies will be able to continue to prioritize economic stimulus measures since, unlike the situation a year ago, in view of rising commodities prices and declining unemployment there is no longer any fear of slipping into deflation. In the context of the southern European economies which are only slowly recovering, we see a challenging economic environment in the Italian market especially.

In the event of these risks being realized, negative demand effects may result 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, since 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. Duracell represents the consumer goods sector, MAN the automotive industry and Siemens plant engineering), creating a certain risk-reducing 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 as well as a strong customer focus and a high level of flexibility. 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, e. g. if contracts restrict our ability to react 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. Regular reviews are implemented to ensure early recognition of negative trends for the Company or for individual subsidiaries, for prompt identification of impending declines in sales and cost trends and to enable an appropriate response.

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. This allows the Company to manage phases of increased or reduced business activity without the need for any layoffs affecting its trained workforce.

Our 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, some of the IT infrastructure of the Deufol Group reflects the Group's decentralized structure. There are therefore only isolated IT risks in the individual units in this area, and there are no Group-wide risks. Other elements of the Group's IT infrastructure have been centralized or outsourced. The individual companies and divisions 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. A redundant server system has been established, thus significantly reducing the probability of data losses due to outages.

Financial Risks

Various financing groups exist within the Deufol Group which are largely independent of one another. In Europe, in the previous year the Group's syndicated financing arrangement was optimized and extended until October 2019. In this respect, improvements were realized in the financial covenants specified in the loan agreement. The Group also expanded its existing financial leeway and improved its financing terms. The Group's other significant financing group is in the USA, where it also has an independent bank financing arrangement.

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.

Interest-rate fluctuation risks apply due to the fact that the Group has arranged almost all of its financing on the basis of variable interest rates.

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. In the context of the growing significance of our business activities in the Czech Republic, we have hedged ourselves against exchange rate risks there.

Please see the “Financial Risk Management” section (Note 39 on pages ▸077 ff.) 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 2016 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 33 on page ▸076) 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.

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 shareholders, the Hübner family, as well as the companies of the Deufol Group. The managing directors declare 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 consideration 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 Opportunities and 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.

Over the past few years, we have successfully implemented further steps to improve Deufol's operational effectiveness and to strengthen its corporate culture. For example, this includes improved integration of our locations, with targeted tools and an increased exchange of information. At the same time, we pursue the ongoing development of our innovative Deufol applications. These applications offer our customers transparency as well as added value throughout their value chains. This enables us to differentiate ourselves from competitors in the export and industrial packaging sector.

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. As a globally-oriented premium service provider in the field of packaging and related services, we offer our clients who operate worldwide holistic solutions that support their strategies. We are constantly expanding our business divisions to include additional services to complement packaging, as well as proprietary software solutions which embed the packaging process within an intelligent package of services. We offer our customers sustainable, innovative and comprehensive services, with a top level of quality, thus meeting their ever more stringent 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 standard of quality, at an international level.

Economic Outline Conditions

World Economy Gaining Momentum

According to the Institute for the World Economy, global output growth in 2017 will at 3.5 % be slightly stronger than in the previous year (2016: 3.1 %). For 2018, it predicts growth of 3.6 %.

In the view of the Institute for the World Economy, momentum will gradually pick up in the advanced economies (albeit at a moderate level) due to the change of government in the USA and the devaluation of the euro and the yen against the US dollar.

The situation stabilized in the emerging markets in 2016, and this trend is likely to continue in 2017. However, in view of various structural obstacles which remain in place a strong upturn is not in prospect.

Upswing in the Eurozone, Despite Many Uncertainties

In overall terms, the Eurozone achieved a moderate recovery in 2016. Various sentiment indicators improved over the past few months and suggest that the basic economic trend has picked up momentum. On the other hand, many political risks apply in the forecast period. These uncertainties include the negotiations relating to the United Kingdom's withdrawal from the EU as well as the elections in Germany and France. The positive factors nonetheless remain intact. For instance, consumer price inflation has recently picked up considerably, and the labor market has continued to improve. The economy will remain buoyed by low interest rates as well as the euro's external value which remains relatively low. Moreover, financial policy will likely be marginally expansionary, following the decline in consolidation efforts in several countries.

All in all, according to the Institute for the World Economy's forecast the Eurozone economy is gradually gaining impetus. The Institute expects that the Eurozone's gross domestic product growth will amount to 1.8 % in 2017. Next year, the volume of economic activity will grow by 1.7 %.

Germany: the Upturn Enters its Fifth Year with Momentum

The German economy continues to prove highly robust in a difficult international environment. Overall, the upturn is increasingly broad-based. To be sure, private consumption is likely to grow at a significantly slower pace, since purchasing power in terms of disposable income will be clearly reduced due to the oil price-related rise in inflation to almost 2 %. Nor will public consumption increase quite so strongly as previously, since no additional expenditure is expected to arise in connection with the influx of refugees. But the investment upturn is clearly gathering pace. Exports will increasingly support the upswing.

Overall in 2017, the Institute for the World Economy predicts gross domestic product growth of 1.7 %, compared to 1.9 % in 2016. The slightly lower growth rate in 2017 is exclusively attributable to the lower number of working days.

In 2018 the pace of the upswing will once again increase. As well as exports, due to the improving global economy and clearly rising investments a monetary environment which will remain stimulating will also boost this upward trend. Over the course of the year, on average Germany's gross domestic product should be 2.0 % higher than in 2017.

Company-Specific Outlook

Predicted Sales and Results of Operations

For fiscal year 2017, the Deufol Group plans sales of between € 305 million and € 320 million. Its operating result (EBITDA) will be between € 15.0 and 17.0 million.

Sales should fall slightly short of the level realized in the previous year in all three regions: Germany, the Rest of Europe and the USA / Rest of the World. This slight decline reflects sales of Group units and the relinquishment of business fields which do not form part of Deufol's core business.

With regard to our results forecast, we expect slightly improved results for our core business in Germany. As well as the above-mentioned sales of unprofitable Group units, this is mainly due to the measures implemented to improve profitability. For the Rest of Europe, we envisage an increase in earnings. In particular, the integration of the Novaedes Group which we acquired at the end of the past year will be necessary in 2017. In the USA / Rest of the World segment, we expect results similar to those in the previous reporting period.

Expected Financial Position

At present, current business activities do not on balance require additional external financing. Our financial resources secure our existing liquidity requirements. In the context of the syndicated financing arrangement which is due to expire in the autumn of 2016, in January 2016 we already successfully extended and optimized our syndicated loan agreement. The new agreement expands our line of credit while offering improved terms. Nonetheless, 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 are planned with a volume of € 7.3 million; this corresponds to an investment ratio (investments in relation to sales) of approx. 2.3 %. The planned investments are thus roughly at the same level as in 2015 (€ 6.4 million).

In case of acquisitions and in the event of operating growth beyond our budgeted level, 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.

COMPLEXITY REQUIRES SIMPLICITY.

DEUFOL'S HUB CONCEPT – A SIMPLE AND INTELLIGENT SOLUTION FOR A COMPLEX CHALLENGE.

A HUB is a central node where transport routes converge from every direction. The goal is to optimize utilization of means of transport. This makes it possible to avoid underutilization or even empty trips. Our HUB locations at the strategically vital industrial ports of Hamburg, Antwerp and Rotterdam provide the ideal framework for this. Deufol's HUB concept offers our customers reduced costs as well as time savings and productivity gains. Safe, flexible and efficient. It's quite simple.

039 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

as of December, 31, 2016

Consolidated Income Statement

Figures in € thousand	2016	2015	Note/Page
Sales	**340,958**	324,835	01/059
Other own work capitalized	1,364	982	
Inventory changes	(123)	137	
Other operating income	11,170	7,545	02/059
Overall operating performance	**353,369**	333,499	
Cost of materials	(159,369)	(157,743)	03/060
Personnel costs	(111,669)	(103,189)	04/060
Depreciation, amortization and impairment	(9,801)	(7,435)	10/064
Other operating expenses	(63,094)	(56,966)	05/060
Profit (loss) from operations (EBIT)	**9,436**	8,166	
Financial income	521	494	06/061
Finance costs	(2,913)	(3,302)	06/061
Income (loss) from investments accounted for using the equity method	88	136	06/061
Other financial result	(1,396)	0	
Profit (loss) before taxes (EBT)	**5,736**	5,494	
Income taxes	(1,101)	(1,902)	07/061
Result for the period	**4,635**	3,592	
thereof share of profits held by noncontrolling interests	(429)	293	08/063
thereof share of profits held by shareholders in the parent company	**5,064**	3,299	

Earnings per share

Figures in €			
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.118	0.075	09/063

Consolidated Statement of Comprehensive Income

Figures in € thousand	2016	2015	Note/Page
Result for the period	**4,635**	3,592	
Other comprehensive income	**952**	1,503	
Items which may be reclassified to the income statement in future			
Income (loss) from currency translation, after taxes	959	1,484	
Income (loss) from cash flow hedges, after taxes	0	0	
Items which will not be reclassified to the income statement in future			
Actuarial income/loss (–) from pensions, after taxes	(7)	19	22/070
Comprehensive income after taxes	**5,587**	5,095	
thereof noncontrolling interests	(429)	293	
thereof shareholders in the parent company	6,016	4,802	

Consolidated Balance Sheet

Assets

Figures in € thousand	Dec. 31, 2016	Dec. 31, 2015	Note / Page
Noncurrent assets	**151,957**	**137,072**	
Property, plant and equipment	60,400	45,471	10/064
Investment property	0	161	10/064
Goodwill	71,120	68,677	11/064
Other intangible assets	7,485	4,371	11/064
Financial assets accounted for using the equity method	866	3,939	12/065
Financial receivables	1,617	3,084	13/068
Other financial assets	56	59	
Other receivables and other assets	2,417	2,405	14/068
Deferred tax assets	7,996	8,905	07/061
Current assets	**86,575**	**87,537**	
Inventories	14,385	12,573	15/069
Trade receivables	45,669	44,537	16/069
Other receivables and other assets	8,679	13,920	14/068
Tax receivables	538	729	
Financial receivables	1,828	1,445	13/068
Cash and cash equivalents	15,476	14,333	17/070
Total assets	**238,532**	**224,609**	

Equity and liabilities

Figures in € thousand	Dec. 31, 2016	Dec. 31, 2015	Note / Page
Equity	**108,110**	**102,394**	
Equity attributable to the shareholders of Deufol SE	107,340	101,860	
Subscribed capital	43,774	43,774	18/070
Capital reserves	107,240	107,240	19/070
Retained earnings	10,000	0	
Profit brought forward	(55,347)	(50,404)	
Other comprehensive income	2,209	1,250	
Treasury stock at cost	(536)	0	
Noncontrolling equity interests	770	534	20/068
Noncurrent liabilities	**53,930**	**51,179**	
Financial liabilities	47,229	44,182	23/071
Provisions for pensions	3,861	4,763	24/072
Other provisions	87	0	
Other liabilities	85	1,413	26/074
Deferred tax liabilities	2,667	821	07/061
Current liabilities	**76,493**	**71,036**	
Trade payables	40,320	37,178	27/074
Financial liabilities	18,601	14,042	23/071
Other liabilities	13,100	15,775	26/074
Tax liabilities	1,673	1,853	
Other provisions	2,799	2,188	25/073
Total equity and liabilities	**238,532**	**224,609**	

Consolidated Cash Flow Statement

Figures in € thousand	2016	2015	Note/Page
Income (loss) from operations (EBIT) from continuing operations	9,436	8,166	
Adjustments to reconcile net income (loss) to cash flow from operating activities			
Depreciation, amortization and impairment	9,801	7,435	10, 11/064
(Gain) loss from disposal of fixed assets	82	(12)	02, 05/059, 060
(Gain) loss from disposal of investments	662	0	
Taxes paid	(1,785)	(1,073)	
Other non-cash expenses/revenue	88	0	
Changes in assets and liabilities from operating activities			
Decrease (increase) in trade accounts receivable	6,856	(10,756)	
Decrease (increase) in inventories	863	(222)	
Decrease (increase) in other receivables and other assets	3,664	603	
Increase (decrease) in trade accounts payable	(4,108)	862	
Increase (decrease) in other liabilities	(13,144)	32	
Increase (decrease) in provisions	(787)	677	
Decrease (increase) in other operating assets/liabilities	373	(171)	
Cash flow from operating activities	**12,001**	**5,541**	28/075
Payments made for investments in intangible assets and property, plant and equipment	(9,831)	(4,793)	
Proceeds from the sale of intangible assets and property, plant and equipment	1,214	265	
Payments made for the acquisition of noncontrolling interests	0	(175)	
Proceeds from the sale of investments	2,420	0	29/075
Acquisitions of business units less acquired cash	(501)	0	
Disposal of business units less cash disposed of	(835)	0	
Net change in financial receivables	1,084	1,341	
Interest received	521	494	
Cash flow from investing activities	**(5,928)**	**(2,868)**	30/075
Addition (extinction) of amounts due to banks	(1,273)	(444)	
Addition (extinction) of other financial liabilities	(881)	(473)	
Interest paid	(2,905)	(3,378)	
Change in noncontrolling interests	738	0	
Purchase/sale of treasury stock	(536)	0	
Dividend paid to noncontrolling interests	(73)	(49)	
Cash flow from financing activities	**(4,930)**	**(4,344)**	31/075
Exchange rate- and scope of consolidation-related changes in financial resources	0	1	
Change in cash and cash equivalents	**1,143**	**(1,670)**	32/075
Cash and cash equivalents at the beginning of the period	14,333	16,003	
Cash and cash equivalents at the end of the period	15,476	14,333	

Consolidated Statement of Changes in Equity*

Figures in € thousand	Subscribed capital	Capital reserves	Retained earnings	Profit brought forward	Treasury stock at cost	Accumulated other comprehensive income: Cumulative translation adjustment	Accumulated other comprehensive income: Reserve for cash flow hedges	Equity attributable to the shareholders of Deufol SE	Noncontrolling equity interests	**Total equity**
Balance at Jan. 1, 2015	**43,774**	**107,240**	**0**	**(53,722)**	**0**	**(234)**	**0**	**97,058**	**290**	**97,348**
Result for the period	—	—	—	3,299	—	—	—	3,299	293	3,592
Other comprehensive income	—	—	—	18	—	1,484	0	1,502	—	1,502
Deferred taxes for valuation changes recognized directly in equity	—	—	—	1	—	—	—	1	—	1
Comprehensive income	**—**	**—**	**—**	**3,318**	**0**	**1,484**	**0**	**4,802**	**293**	**5,095**
Dividends	—	—	—	—	—	—	—	—	(49)	(49)
Changes to scope of consolidation	—	—	—	—	—	—	—	—	—	—
Balance at Dec. 31, 2015	**43,774**	**107,240**	**0**	**(50,404)**	**0**	**1,250**	**0**	**101,860**	**534**	**102,394**
Result for the period	—	—	—	5,064	—	—	—	5,064	(429)	4,635
Other comprehensive income	—	—	—	(7)	—	959	—	952	—	952
Deferred taxes for valuation changes recognized directly in equity	—	—	—	—	—	—	—	—	—	—
Comprehensive income	**—**	**—**	**—**	**5,057**	**—**	**959**	**—**	**6,016**	**(429)**	**5,587**
Allocation to retained earnings	—	—	10,000	(10,000)	—	—	—	—	—	—
Repurchase of treasury stock					(536)			(536)		(536)
Dividends	—	—	—	—	—	—	—	—	(73)	(73)
Changes to scope of consolidation	—	—	—	—	—	—	—	—	738	738
Balance at Dec. 31, 2016	**43,774**	**107,240**	**10,000**	**(55,347)**	**(536)**	**2,209**	**0**	**107,340**	**770**	**108,110**

* cf. Notes (18) to (20)

Notes to the Consolidated Financial Statements

For the Fiscal Year from January 1, 2016 to December 31, 2016

General Information

Deufol SE is domiciled in Hofheim am Taunus and has been entered in the Frankfurt am Main commercial register under the number HRB 95470.

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 am Taunus, Germany. Since late November 2015, the Company's shares have no longer been traded on the Frankfurt Stock Exchange (delisting). 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 26, 2017 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 (3) of the German Commercial Code (HGB) are complied with and applied in the preparation of the consolidated financial statements. All IFRS (IFRS, 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 18 (previous year: 19) fully consolidated subsidiaries in Germany and 24 (previous year: 15) in other countries (hereinafter referred to as the "Deufol Group" or the "Group").

Joint ventures are included in the consolidated financial statements using the equity method in accordance with IFRS 11 in combination with IAS 28. Other significant equity investments are accounted for using the equity method if the Deufol Group does not hold a controlling interest, but is able to exert a significant influence on the operating and financial policies of the investee. This is always the case if it holds between 20 % and 50 % of the voting rights ("associates").

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

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

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

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

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

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

Currency Translation

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

Each company within the Deufol Group determines its own functional currency. The annual financial statements of the foreign subsidiaries included in the consolidated financial statements whose functional currency is not the euro were converted into the Group currency (euro) on the balance sheet cut-off date pursuant to IAS 21 in accordance with the functional-currency concept. Financial statements are translated using the modified-closing-rate method, i. e. balance sheets are translated from the functional currency to the reporting currency at the middle rate on the balance sheet date, while income statements are translated at the average rates for the year. 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 €	**2016**	2015	**2016**	2015
US dollar	1.0541	1.0887	1.1066	1.1096
Renminbi	7.3202	7.0608	7.3496	6.9730
Singapore dollar	1.5234	1.5417	1.5278	1.5251
Czech crown	27.021	27.023	27.0343	27.285

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.

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. Proprietary software is capitalized at cost and undergoes straight-line amortization over its economic life. 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	5–6 years	3–8 years
Remaining useful life	up to 6 years	up to 8 years

Property, Plant and Equipment

Property, plant and equipment are 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 is continues to be amortized as before. Any disposal gain is recognized and reversed in the income statement against the applicable finance expenditure over the term of the agreement.

Joint Ventures and Associates

Investments in joint ventures and associates are accounted for using the equity method. The cost of investments accounted for using the equity method 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 (excluding financial instruments held for trading and financial assets at fair value through profit or loss).

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

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

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

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

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

As a rule, derivative financial instruments are exclusively used by the Group to hedge interest-rate fluctuation risks. 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 (39).

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 non-financial asset or a non-financial liability, the amounts recognized in equity will form part of the costs of acquisition at the time of the addition of the non-financial asset or non-financial 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 IFRS, 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 28.39 % (previous year: 29.72 %). 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.

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 as well as actuarial gains and losses in connection with pension commitments. 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. Actuarial gains and losses are recognized directly in other comprehensive income.

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.

Non-Derivative 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 IFRS sometimes requires the managing directors 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 valuation 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 (23) 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 (7) 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 (11) for further disclosures.

Valuation 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 (10) and (11) 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.

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

Adopted IFRS

The accounting and valuation methods applied in the consolidated financial statements correspond to the IFRS whose adoption is mandatory in the EU from December 31, 2016.

Published IFRS Endorsed by the EU and Adopted for the First Time in the Fiscal Year

The standards whose first-time adoption was mandatory in the EU as of January 1, 2016 have not had any significant effect on the consolidated financial statements.

Published IFRS Endorsed by the EU and Not Yet Adopted

In May 2014, the IASB published the standard IFRS 15 “Revenue from Contracts with Customers”. It replaces existing guidelines for the recognition of revenue, including IAS 18, IAS 11 and IFRIC 13. The new standard provides a comprehensive framework for clarifying in what amount and when revenues are recognized. IFRS 15 envisages a uniform, five-step revenue realization model. It also expands the disclosure requirements.

IFRS 15 is mandatorily applicable, at the latest, for fiscal years beginning on or after January 1, 2018. Early adoption is permitted. Deufol will adopt IFRS 15 for the first time for the fiscal year beginning on January 1, 2018. Deufol is currently reviewing what effects the adoption of IFRS 15 will have on the Company’s consolidated financial statements.

In July 2014, the IASB published the standard IFRS 9 “Financial Instruments” which is intended to replace IAS 39. IFRS 9 includes a standard model classifying and defining the valuation method (including impairment) for financial instruments. IFRS 9 also includes hedge accounting rules. IFRS 9 necessitates additional notes.

The effects of adoption of IFRS 9 on the consolidated financial statements are currently being reviewed. Deufol will adopt IFRS 9 for the first time for the fiscal year beginning on January 1, 2018.

At the present time, Deufol does not expect the transition to IFRS 9 to have any significant effect on its net assets, financial position and results of operations.

Published IFRS Not Yet Endorsed by the EU and Not Yet Adopted

In January 2016, the IASB published the standard IFRS 16 “Leases” which is intended to replace IAS 17 and IFRIC 4, inter alia. For lessees, IFRS 16 abolishes the previous classification of leases as operating and finance leases. IFRS 16 replaces this with a uniform valuation model obliging lessees to report assets for the right of use and leasing liabilities for leases with a term of more than twelve months. This means that leases not previously reported in the balance sheet must be shown in the balance sheet in future, in a format largely analogous with current balance-sheet reporting for finance leases. The balance-sheet reporting requirements for the lessor set out in IAS 17 have been incorporated in IFRS 16 virtually unchanged.

Adoption of IFRS 16 is compulsory for fiscal years beginning on or after January 1, 2019; early adoption is permitted if IFRS 15 has already been adopted. Deufol will likely adopt IFRS 16 for the first time for the fiscal year beginning on January 1, 2019.

The effects of adoption of IFRS 16 on the consolidated financial statements are currently being reviewed.

The other published standards and interpretations which have not yet been transposed by the EU are not expected to have any significant effect on the Group’s net assets, financial position and results of operations.

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.

	Dec. 31, 2015	Additions	Disposals	Dec. 31, 2016
Consolidated subsidiaries	34	10	2	42
thereof in Germany	19	1	2	18
thereof abroad	15	9	0	24
Companies valued using the equity method	8	1	1	8
thereof in Germany	5	0	1	4
thereof abroad	3	1	0	4
Total	**42**	**11**	**3**	**50**

The following table shows the companies fully consolidated as of December 31, 2016:

Companies fully consolidated as of Dec. 31, 2016

	Land	Equity interest (%)*
Deufol Services & IT GmbH, Hofheim am Taunus	Germany	100.0
Deufol Airport Services GmbH, Hofheim am Taunus	Germany	88.0
Deufol time solutions GmbH, Hofheim am Taunus	Germany	100.0
DRELU Holzverarbeitung GmbH, Remscheid	Germany	55.1
Deufol Nürnberg GmbH, Nuremberg, (incl. subsidiaries)	Germany	100.0
Deufol Hamburg GmbH, Hamburg	Germany	100.0
Deufol Frankfurt GmbH, Frankfurt am Main	Germany	100.0
Deufol West GmbH, Mülheim an der Ruhr	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
IAD Industrieanlagen-Dienst GmbH, Munich	Germany	100.0
Deufol München GmbH, Garching-Hochbrück	Germany	100.0
Deufol Berlin GmbH, Berlin	Germany	100.0
Deufol Südwest GmbH, Frankenthal	Germany	100.0
Rieder Verpackungs- und Logistik GmbH, Kleinzell nr. Hainfeld (incl. its subsidiaries)	Austria	60.0
Packing Center Terminal Graz Süd GesmbH, Werndorf	Austria	60.0
Rieder Kistenproduktiongesellschaft m. b. H.. Ramsau nr. Hainfeld	Austria	60.0
Deufol Austria GmbH, Bruck a. d. Leitha	Czech Republic	60.0
Deufol Česká republika a. s., Ivančice	Slovak Republic	100.0
Deufol Slovensko s. r. o., Krušovce	China	100.0
Deufol (Suzhou) Packaging Co. LTD, Suzhou	USA	100.0
Deufol North America Inc., Sunman, Indiana (including subsidiaries)	USA	100.0
Deufol Sunman Inc., Sunman, Indiana	USA	100.0
Deufol Charlotte LLC., Charlotte, North Carolina	USA	100.0

* attributable to the relevant parent

Companies fully consolidated as of Dec. 31, 2016

	Country	Equity interest (%)*
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	Belgium	100.0
Deufol Waremme S.A., Waremme	Belgium	98.8
Manamer NV, Antwerp	Belgium	100.0
Novaedes International NV, Antwerp (incl. its subsidiaries)	Belgium	100.0
Novaedes HP NV, Lier	Belgium	100.0
Novaedes Port of Antwerp NV, Antwerp	Belgium	100.0
Novaedes Brussels NV, Machelen	Belgium	100.0
Novaedes Germany GmbH, Butzbach	Germany	100.0
Novaedes France SAS, Mitry Mory	France	100.0
Deufol Immobilien CZ s.r.o., Brno	Czech Republic	100.0
Deufol Italia S.p.A., Fagnano Olona	Italy	100.0

*attributable to the relevant parent

Financial assets accounted for using the equity method

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

Companies accounted for using the equity method as of Dec. 31, 2016

	Country	Equity interest (%)*
SIV Siegerländer Industrieverpackungs GmbH, Kreuztal	Germany	50.0
Deutsche Tailleur Bielefeld GmbH & Co. KG, Bielefeld	Germany	30.0
Mantel Industrieverpackung GmbH, Stockstadt	Germany	50.0
Deufol-Meilink GmbH, Troisdorf	Germany	50.0
Deufol Meilink Asia Pacific PTE. LTD., Singapore	Singapore	50.0
Deufol Meilink (Yantai) Packaging Co. LTD, Yantai	China	50.0
Seaworthy Packaging Solutions Co. Ltd., Taichang	China	30.0
Deufol St. Nabord SAS, Saint Nabord	France	24.0

*attributable to the relevant parent

Information in Accordance with Section 313 (2) No. 4 of the German Commercial Code

Deufol SE 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
Deufol Securitas Int. GmbH i.L., Hamburg*	Germany	50.00	44	(3)
GGZ Gefahrgutzentrum Frankenthal GmbH i.I., Frankenthal**	Germany	100.00	(177)	(189)
Deutsche Tailleur Bielefeld Beteiligungs GmbH, Bielefeld	Germany	30.00	71	3
Securitas Int. B.V., Antwerp	Belgium	50.00	—	—

* as of December 31, 2015
** as of December 31, 2011

Acquisitions and Sales

In fiscal year 2016, Deufol Nürnberg GmbH contributed its share in Deufol Austria GmbH, Austria, to Rieder Verpackungs- und Logistik GmbH, Austria, in return for the issuance of new shares in Rieder Verpackungs- und Logistik GmbH. Following this contribution, Deufol Nürnberg GmbH holds 60 % of the shares in Rieder Verpackungs- und Logistik GmbH (corresponding to nominal capital in the amount of € 117 thousand). This contribution was made with economic effect as of January 1, 2016. Control was transferred to the Deufol Group as of this date.

Through the business combination with Rieder Verpackungs- und Logistik GmbH, as well as Rieder Verpackungs- und Logistik GmbH since January 1, 2016 Rieder Kistenproduktiongesellschaft m. b. H., Austria, and Packing Center Terminal Graz Süd GesmbH, Austria – each of which is wholly owned by Rieder Verpackungs- und Logistik GmbH – have been included in the consolidated financial statements of Deufol SE for the first time, by way of full consolidation. Rieder Verpackungs- und Logistik GmbH also holds 50 % of the shares in Seaworthy Packaging Solutions Co. Ltd., China. This company has been consolidated at equity since January 1, 2016.

The Rieder corporate group is active in the field of packaging services in Austria. Through this acquisition, the Deufol Group will supplement and expand its market position in Austria.

The following summary shows the fair values of the assets and liabilities of the above-mentioned companies consolidated for the first time, as of the date of consolidation:

Figures in € thousand	Fair values as of date of consolidation
Intangible assets	638
Property, plant and equipment	2,713
Inventories	1,834
Receivables	2,864
Cash and cash equivalents	17
Total assets	**8,065**
Provisions	242
Financial liabilities	2,216
Other liabilities	6,138
Total liabilities	**8,596**
Acquired (negative) net assets	(530)
Goodwill from company acquisitions	1,271
Share held by noncontrolling interests	296
Purchase price (non-cash transaction, since purchase price settled through contribution)	741
Acquired cash and cash equivalents	17
Inflow from acquisition of the Rieder Group	17

The allocation of the purchase price as of the date of acquisition resulted in intangible assets in the amount of € 418 thousand, property, plant and equipment in the amount of € 528 thousand and deferred tax liabilities in the amount of € 237 thousand. These intangible assets comprise customer relationships, while property, plant and equipment include the release of hidden reserves for real estate. Goodwill in the amount of € 1,271 thousand comprises non-separable intangible assets such as Deufol’s employees’ technical expertise as well as expected synergies.

Noncontrolling interests are valued at the fair value of the subsidiaries’ net assets (purchased goodwill method).

For Deufol, including the earnings effects resulting from the purchase price allocation due to the write-down of the released hidden reserves (€ 230 thousand) and sales in the amount of € 14.8 million, the business combination with the Rieder Group has contributed to net income in the amount of – € 0.7 million.

In fiscal year 2016, Deufol Belgie N.V., Belgium, a wholly owned subsidiary of Deufol SE, acquired 100 % of the shares in Novaedes International N.V., Belgium, and Manamer N.V., Belgium. The purchase price for the shares in these two companies is € 9 million. Of this amount, € 1.5 million was paid in December 2016. A further € 4.75 million is due in January 2017. The residual purchase price of € 2.75 million is payable on December 31, 2019. The residual purchase price payment was reported in the balance sheet as of December 31, 2016 at a fair value of € 2.5 million. As well as the fixed purchase price, there is also a variable purchase price. This is dependent on fulfillment of specific earnings targets over the next three years and may amount to up to € 1.5 million. The variable purchase price component was reported in the balance sheet as of December 31, 2016 at a fair value of € 1.36 million.

The date of acquisition was December 29, 2016. On grounds of simplification, the carrying amounts as of December 31, 2016 are shown.

Novaedes International N.V. in turn holds 100 % of the shares in Novaedes HP N.V., Belgium, in Novaedes Port of Antwerp N.V., Belgium, in Novaedes Brussels N.V., Belgium, in Novades France S.a.r.l., France, and in Novaedes Germany GmbH, Butzbach. Since December 31, 2016, these companies have been included in the consolidated financial statements by way of full consolidation. Manamer N.V. does not hold any shares in other companies.

The Novaedes corporate group is active in the field of packaging services in Belgium. Through this acquisition, the Deufol Group will supplement and expand its market position in Belgium and also gain access to the port of Antwerp.

The following summary shows the fair values of the assets and liabilities of the above-mentioned companies consolidated for the first time, as of the date of consolidation:

Figures in € thousand	Fair values as of date of consolidation
Intangible assets	2,737
Property, plant and equipment	12,011
Other noncurrent assets	2,067
Inventories	841
Receivables	6,660
Cash and cash equivalents	982
Total assets	**25,299**
Provisions	141
Financial liabilities	9,942
Other liabilities	6,456
Total liabilities	**16,539**
Acquired net assets	8,760
Discounted purchase price	10,100
Goodwill from company acquisitions	1,340
Discounted purchase price	10,100
Less portion of purchase price not due	(8,600)
plus acquired cash and cash equivalents	982
Cash outflow due to acquisition of the Novaedes Group	518

The allocation of the purchase price as of the date of acquisition resulted in intangible assets in the amount of € 1,930 thousand, property, plant and equipment in the amount of € 6,057 thousand and deferred tax liabilities in the amount of € 2,692 thousand. These intangible assets comprise customer relationships. Property, plant and equipment include the release of hidden reserves for real estate. Goodwill in the amount of € 1,340 thousand comprises non-separable intangible assets such as Deufol's employees' technical expertise as well as expected synergies.

If the Novaedes Group had been included in the consolidated financial statements since January 1, 2016, sales would have amounted to € 20.4 million and the loss after taxes in the past fiscal year to € 0.2 million.

Deufol SE sold its shares in Activatis GmbH, Hofheim, and D Services Immobilien GmbH & Co. KG with economic effect as of December 31, 2016. Control was transferred to the purchaser as of this date. Both companies were removed from the consolidated group on December 31, 2016. Under the same contract, Deufol SE sold to the purchaser of the shares debt claims against the companies sold, with a nominal value of € 4.0 million. The purchaser did not pay any separate purchase price for these debt claims. Overall, this disposal and deconsolidation resulted in a disposal profit in the amount of € 3.1 million.

The assets and liabilities removed from the consolidated group for these sales are shown below in the following table:

Figures in € thousand	Dec. 31, 2016
Noncurrent assets	1,536
Current assets	2,399
Total assets	**3,935**
Noncurrent liabilities	7,698
Current liabilities	3,336
Total liabilities	**11,034**
Net assets	(7,099)
noncontrolling interests	(24)
Disposal profit on shares	7,123
Selling price for shares	0
Disposal of receivables	4,000
Disposal loss on receivables	(4,000)
Selling price for receivables	0
Total disposal profit	3,123
Total selling price	0
less disposal of cash and cash equivalents	(835)
Cash outflow	(835)

Consolidated Income Statement Disclosures

01 Sales

Sales mainly resulted from the provision of services and, to a lesser extent, from rents. Sales include rental income from the investment properties in the amount of € 139 thousand (previous year: € 180 thousand). In respect of further comments on sales, we refer to the segment reporting on pages ▶ 083 ff.

02 Other Operating Income

The following table shows the breakdown of other operating income:

Figures in € thousand	2016	2015
Release of provisions and liabilities	729	402
Release of valuation adjustments on receivables	0	0
Assumption of costs	3,785	2,159
Insurance compensation and other indemnification	1,237	1,877
Reimbursements of ancillary costs	205	238
Income from disposal of fixed assets	159	545
Income from deconsolidation	3,123	0
Exchange rate gains	287	704
Amounts reimbursed by suppliers	582	681
Other	1,063	939
Total	**11,170**	**7,545**

03 Cost of Materials

The cost of materials includes the following expenses:

Figures in € thousand	2016	2015
Expenses for raw materials, consumables and supplies	87,286	81,564
Cost of purchased services	72,083	76,179
Total	**159,369**	**157,743**

04 Personnel Costs

The personnel costs include the following expenses:

Figures in € thousand	2016	2015
Wages and salaries	88,004	81,498
Social security contributions and employee benefits	23,665	21,691
Total	**111,669**	**103,189**

The average number of employees in 2016 was 2,899 (previous year: 2,641), of which Germany accounted for 1,557 employees (previous year: 1,501), the Rest of Europe for 776 employees (previous year: 556) and USA/the Rest of the World for 498 employees (previous year: 519). The holding had 68 employees on average (previous year: 66). As of the reporting date December 31, 2016 the Group had 2,637 employees (previous year: 2,657).

05 Other Operating Expenses

The following table shows the breakdown of other operating expenses:

Figures in € thousand	2016	2015
Rental and lease expenses	22,087	20,267
Space costs	5,670	5,926
Maintenance costs	4,052	4,394
Legal and consulting costs	4,684	2,892
Litigation risks	1,800	0
Insurance premiums	2,966	2,394
IT and communications costs	2,541	2,347
Vehicle fleet costs	2,151	2,494
Expenses for loss or damage incurred	2,605	2,262
Expenses for tools and fuel	408	532
Personnel expenses	812	540
Travel expenses	1,667	1,314
Losses on disposal of fixed assets	155	533
Currency losses	98	147
Valuation adjustments and losses on receivables	1,687	797
Restructuring expenses	263	1,618
Other	9,448	8,509
Total	**63,094**	**56,966**

The Group auditors' overall fees for the fiscal year amounted to € 191 thousand (previous year: € 203 thousand) for audits of financial statements, € 60 thousand (previous year: € 48 thousand) for tax consulting services and € 21 thousand (previous year: € 16 thousand) for other services.

06 Financial Result

The financial result can be broken down as follows:

Figures in € thousand	2016	2015
Financial income	**521**	**494**
Other interest and similar income	283	99
from finance leases	228	395
Related parties	10	0
Finance costs	**(2,913)**	**(3,302)**
from financial liabilities	(2,249)	(2,524)
from finance leases	(383)	(490)
Accumulation of liabilities and provisions	(281)	(288)
Other financial result	(1,396)	0
Shares of profits of companies accounted for using the equity method	**88**	**136**
Total	**(3,700)**	**(2,673)**

The other financial result has resulted from the disposal of an associate (€ 662 thousand) and the valuation adjustment on loan receivables (€ 733 thousand).

07 Tax Proceeds/Expenses

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

Figures in € thousand	2016	2015
Effective income tax expense	**1,841**	**2,396**
Germany	518	1,242
Rest of the World	1,323	1,154
Deferred income taxes due to the occurrence or reversal of temporary differences	**(740)**	**(494)**
Germany	(323)	(260)
Rest of the World	(417)	(234)
Total	**1,101**	**1,902**

Deferred tax expenses/proceeds are as follows:

Figures in € thousand	2016	2015
(Recognition of)/write-down on loss carryforwards	325	(793)
Supplementary capital for tax purposes	18	386
Valuation of property, plant and equipment	(374)	(49)
Valuation of clientele	(49)	(3)
Valuation of current assets	11	(29)
Finance leasing	(133)	(107)
Other	(538)	101
Total	**(740)**	**(494)**

As of December 31, 2016, deferred taxes were calculated for German companies with an overall tax rate of 28.39 % (previous year: 29.72 %). 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 28.39 % (previous year: 29.72 %) income tax rate for Deufol SE:

Figures in € thousand	2016	2015
Earnings before taxes	5,736	5,494
Income tax rate of the Deufol Group as %	28.39	29.72
Expected tax expense	**1,628**	**1,633**
Effect of different tax rates	(4)	104
Unrecognized deferred tax assets on loss carryforwards	882	(405)
Use of previously unconsidered tax losses	(684)	(476)
Origination/reversal of temporary differences	(409)	0
Write-down on loss carryforwards recognized to date	4	6
Effect of tax-exempt income	(193)	(716)
Effect of expenses not deductible for tax purposes	528	459
Prior-period tax effects	59	506
Other	(710)	791
Income taxes	**1,101**	**1,902**
Effective tax rate (%)	**19.19**	**34.62**

Deferred tax assets can be broken down as follows:

Figures in € thousand	2016	2015
Tax loss carryforwards	7,579	7,881
Supplementary capital for tax purposes	58	76
Finance leases	871	1,231
Provisions for pensions	10	131
Other	343	249
Deferred tax assets	**8,861**	**9,568**
Offset against deferred tax liabilities	(865)	(663)
Total	**7,996**	**8,905**

Of the deferred tax assets, € 6,140 thousand (previous year: € 5,721 thousand) relates to domestic Group companies. Domestic tax loss carryforwards may be carried forward for an unlimited duration, but domestic earnings are subject to a minimum level of taxation. As of December 31, 2016, corporate income tax loss carryforwards amounted to € 59.1 million (previous year: € 76.8 million). Of this amount, € 55.1 million (previous year: € 66.5 million) may be carried forward for an unlimited duration. The trade tax loss carryforwards of German Group companies amount to € 47.7 million (previous year: € 57.6 million). Temporary differences relating to shares in subsidiaries for which no deferred taxes have been shown in the balance sheet total € 25.6 million (previous year: € 22.6 million).

Deferred tax liabilities can be broken down as follows:

Figures in € thousand	2016	2015
Property, plant and equipment	2,091	406
Finance leases	344	385
Clientele	720	32
Other receivables and other assets	0	409
Other	377	252
Deferred tax liabilities	**3,532**	**1,484**
Offset against deferred tax assets	(865)	(663)
Total	**2,667**	**821**

08 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.

09 Earnings per Share

Income Figures in € thousand	2016	2015
Result attributable to the holders of Deufol SE common stock	5,064	3,299
Shares in circulation in units		
Weighted average number of shares	43,367,278	43,773,665
Earnings per share Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.118	0.075

Due to the purchase of treasury stock, the number of shares issued has fallen to 42,960,880 as of December 31, 2016, a decline of 812,775 by comparison with the previous year (43,773,665).

Consolidated Balance Sheet Disclosures

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	2016	2015
Cost	5,918	9,444
Accumulated depreciation and amortization	(4,361)	(8,096)
Carrying amount	**1,557**	**1,348**

The following amounts are attributable to "Buildings":

Figures in € thousand	2016	2015
Cost	686	4,588
Accumulated depreciation and amortization	(650)	(3,848)
Carrying amount	**36**	**740**

Deufol disposed of its investment property in the past fiscal year.

11 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, 2016	**52,739**	**15,938**	**0**	**68,677**
Additions	0	2,611	0	2,611
Disposals	168	0	0	168
Impairments	0	0	0	0
Currency translation adjustments	0	0	0	0
Carrying amount as of Dec. 31, 2016	**52,571**	**18,549**	**0**	**71,120**

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 5.58 % and 9.07 % (previous year: 5.85 % to 7.05 %). 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.

12 Financial Assets Accounted for Using the Equity Method

As of December 31, 2016, the carrying amount of the investments in associates accounted for using the equity method amounts to € 866 thousand (previous year: € 3,939 thousand).

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

Assets Figures in € thousand	Dec. 31, 2016	Dec. 31, 2015
Current assets	1,787	3,848
Noncurrent assets	1,344	2,700
Total assets	**3,131**	**6,548**

Equity and liabilities Figures in € thousand	Dec. 31, 2016	Dec. 31, 2015
Debt	2,347	3,253
Equity	784	3,295
Total equity and liabilities	**3,131**	**6,548**
Total sales	7,230	13,028
Total expenses	7,142	13,026
Income	**88**	**2**

Unrecognized losses amount to € 82 thousand (previous year: € 134 thousand); cumulative unrecognized losses amount to € 417 thousand (previous year: € 335 thousand).

Consolidated Statement of Changes in Assets in 2015 and 2016

	Procurement and production costs						
Figures in € thousand	Jan. 1, 2016	Currency differences	Additions	Additions through business combinations	Disposals	Reclassifications	Dec. 31, 2016
Property, plant and equipment							
Land, land rights and buildings	43,600	460	4,870	12,850	(56)	37	61,761
Technical equipment and machinery	45,441	671	1,052	480	(1,048)	15	46,611
Operating and office equipment	32,462	78	1,152	988	(2,055)	58	32,683
Assets under construction	284	14	1,778	0	(20)	(179)	1,877
Leased assets	13,742	18	250	725	(8,200)	(69)	6,604
Investment property	983	0	0	0	(983)	0	0
Total	**136,512**	**1,241**	**9,102**	**15,043**	**(12,362)**	**0**	**149,536**
Intangible assets							
Patents, licenses, trademarks and similar rights and assets	11,843	87	136	3,392	(1,391)	0	14,067
Internally generated intangible assets	2,301	0	916	0	0	0	3,217
Goodwill	71,288	(1)	0	2,611	(168)	0	73,730
Total	**85,432**	**86**	**1,052**	**6,003**	**(1,559)**	**0**	**91,014**
Sum total	**221,944**	**1,327**	**10,154**	**21,046**	**(13,921)**	**0**	**240,550**

Figures in € thousand	Jan. 1, 2015						Dec. 31, 2015
Property, plant and equipment							
Land, land rights and buildings	42,041	1,441	756	0	(638)	0	43,600
Technical equipment and machinery	42,976	2,116	1,768		(1,384)	(35)	45,441
Operating and office equipment	31,631	262	1,881		(1,878)	566	32,462
Assets under construction	573	8	521		(447)	(371)	284
Leased assets	14,059	67	301		(526)	(159)	13,742
Investment property	983	0	0		0	0	983
Total	**132,263**	**3,894**	**5,227**		**(4,873)**	**1**	**136,512**
Intangible assets							
Patents, licenses, trademarks and similar rights and assets	10,736	275	475		(90)	447	11,843
Internally generated intangible assets	2,067	1	681		0	(448)	2,301
Goodwill	71,284	4	0		0	0	71,288
Total	**84,087**	**280**	**1,156**		**(90)**	**(1)**	**85,432**
Sum total	**216,350**	**4,174**	**6,383**		**(4,963)**	**0**	**221,944**

Depreciation, amortization and impairment						Net amounts	
Jan. 1, 2016	Currency differences	Additions	Disposals	Reclassi-fications	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**
18,655	226	1,496	(56)	0	20,321	24,945	41,441
35,753	577	3,094	(850)	74	38,648	9,687	7,962
23,995	70	2,804	(1,726)	12	25,155	8,467	7,527
0	0	0	0	0	0	284	1,877
11,654	8	1,077	(7,642)	(86)	5,012	2,088	1,593
822	0	0	(822)	0		161	0
90,880	**881**	**8,471**	**(11,096)**	**0**	**89,136**	**45,632**	**60,400**
9,478	87	965	(1,391)	0	9,139	2,365	4,928
295	0	365	0	0	660	2,006	2,557
2,611	(1)	0	0	0	2,610	68,677	71,120
12,384	**86**	**1,330**	**(1,391)**	**0**	**12,409**	**73,048**	**78,605**
103,264	**967**	**9,801**	**(12,487)**	**0**	**101,545**	**118,680**	**139,005**
Jan. 1, 2015					**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**
16,848	611	1,285	(89)	0	18,655	25,193	24,945
32,651	1,424	2,987	(1,371)	62	35,753	10,325	9,687
23,200	208	2,018	(1,518)	87	23,995	8,432	8,467
0	0	0	0	0	0	573	284
12,001	21	204	(423)	(149)	11,654	2,058	2,088
766	0	56	0	0	822	217	161
85,465	**2,264**	**6,550**	**(3,401)**	**0**	**90,880**	**46,798**	**45,632**
8,631	227	626	(19)	13	9,478	2,105	2,365
49	0	259	0	(13)	295	2,018	2,006
2,611	0	0	0	0	2,611	68,673	68,677
11,291	**227**	**885**	**(19)**	**0**	**12,384**	**72,796**	**73,048**
96,756	**2,491**	**7,435**	**(1,403)**	**0**	**103,264**	**119,594**	**118,680**

13 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 are used exclusively on a customer-specific basis. Financial receivables have been capitalized in the amount of the net investment volume, on the basis of 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, 2016:

Figures in € thousand	2016	2015
Total future payments	**3,453**	**5,269**
thereof due within one year	1,757	1,816
thereof due between one and five years	1,696	3,453
thereof due in more than five years	0	0
Present value of future payments	**3,141**	**4,529**
thereof due within one year	1,524	1,445
thereof due between one and five years	1,617	3,084
thereof due in more than five years	0	0
Interest element	**312**	**740**

These amounts differ from the amounts reported under financial receivables in the balance sheet by € 304 thousand (previous year: € 0 thousand), since they include expected repayments for current loan receivables as well as the minimum lease payments.

14 Other Receivables and Other Assets

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

	2016		2015	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes receivable	2,029	2,029	1,562	1,562
Deferred expenses	1,344	1,335	1,030	1,030
Guarantees	451	171	627	349
Receivables from assumption of costs	1,250	1,250	2,717	2,717
Receivables from related parties	625	625	475	475
Compensation	845	845	1,307	1,307
Receivables from reimbursements of ancillary costs	852	852	1,627	1,627
Amount reimbursed by suppliers	697	697	970	970
Receivables from employees	106	106	107	107
Other	2,897	769	5,903	3,776
Total	**11,096**	**8,679**	**16,325**	**13,920**

15 Inventories

The following table shows the breakdown of inventories:

Figures in € thousand	2016	2015
Raw materials, consumables and supplies	10,204	9,715
Work in progress	2,443	1,722
Finished products and merchandise	1,738	1,136
Total	**14,385**	**12,573**

16 Trade Receivables

Trade receivables are as follows:

Figures in € thousand	2016	2015
Trade receivables	47,542	45,899
Valuation adjustments	(1,873)	(1,362)
Trade receivables, net	**45,669**	**44,537**

Trade receivables from related parties amount to € 205 thousand (previous year: € 158 thousand).

As of December 31, 2016, 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	61–90 days	91–180 days	> 180 days
2016	**45,669**	**29,978**	**6,319**	**1,660**	**1,153**	**1,384**	**5,175**
2015	44,537	25,785	3,282	8,446	1,089	549	5,385

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	2016	2015
Valuation adjustments at start of period	**1,362**	**1,299**
Currency differences	1	5
Changes to scope of consolidation	401	0
Addition	508	631
Utilization	(294)	(262)
Reversal	(105)	(311)
Valuation adjustments at end of period	**1,873**	**1,362**

17 Cash and Cash Equivalents

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

Figures in € thousand	2016	2015
Cash on hand	56	44
Bank balances	15,420	14,289
Total	**15,476**	**14,333**

There are no restrictions on the amounts reported as cash.

18 Subscribed Capital

As of December 31, 2016, the Subscribed Capital is € 43,773,655 (previous year: € 43,773,655) and is divided up into the same number of no-par value registered shares.

An amount of € 20,000,000 remained unchanged as Approved Capital as of December 31, 2016 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 July 4, 2014, the Company has been authorized to increase the Company's share capital by up to € 20,000,000 in the period up to July 3, 2019.

Pursuant to the resolution passed by the Annual General Meeting on July 4, 2014, on December 31, 2016 the Contingent Capital amounts to € 20,000,000 (end of previous year: € 20,000,000).

In accordance with the resolution passed by the Annual General Meeting on June 30, 2016, the Company has been authorized to purchase up to 4,377,365 of its own shares in the period from June 30, 2016 to June 29, 2020; this corresponds to 10 % of the current share capital.

19 Capital Reserves

At the end of 2016, 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.

20 Retained Earnings

In accordance with the resolution passed by the Annual General Meeting on June 30, 2016, in fiscal year 2016 € 10,000 thousand was transferred to retained earnings.

21 Treasury Stock

Pursuant to the resolution passed by the Annual General Meeting on June 30, 2016, in accordance with section 71 (1) no. 8 of the German Stock Corporation Act Deufol purchased 812,775 treasury shares in the past fiscal year. This treasury stock was repurchased for € 536 thousand, amounting to an average cost of € 0.66 per share.

22 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

In the invitation to the Annual General Meeting, the Administrative Board will propose that the net income of Deufol SE for fiscal year 2016 in the amount of € 13,220 thousand (calculated in accordance with the principles of the German Commercial Code) be carried forward to new account.

23 Financial Liabilities

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

Figures in € thousand	2016 Total	2016 thereof with a remaining maturity of up to 1 year	2016 thereof with a remaining maturity of 1 to 5 years	2016 thereof with a remaining maturity of over 5 years	2015 Total	2015 thereof with a remaining maturity of up to 1 year	2015 thereof with a remaining maturity of 1 to 5 years	2015 thereof with a remaining maturity of over 5 years
Amounts due to banks	52,231	12,473	33,962	5,796	51,289	11,060	38,145	2,084
Liabilities under financial leases	4,603	1,258	3,319	26	6,882	1,768	4,874	240
Other financial liabilities	8,996	4,870	4,126	0	54	3	51	0
Financial liabilities	**65,830**	**18,601**	**41,407**	**5,822**	**58,225**	**12,831**	**43,070**	**2,324**

Property, plant and equipment in the amount of € 44.0 million (previous year: € 28.1 million), trade receivables in the amount of € 9.0 million (previous year: € 14.5 million) and inventories in the amount of € 4.0 million (previous year: € 5.3 million) have been pledged as collateral to secure liabilities to banks and other financial liabilities.

Liabilities to Banks

Short-term and medium-term credit lines of € 56.4 million are available to the Group at various banks (previous year: € 47.1 million). As of December 31, 2016, € 24.3 million (previous year: € 26.4 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 2015, the average weighted interest rate for short-term loans was 2.32 % (previous year: 3.45 %).

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

	2016 Currency	2016 Net carrying amount (€ thousand)	2016 Remaining maturity (years)	2016 Effective interest rate (%)	2015 Currency	2015 Net carrying amount (€ thousand)	2015 Remaining maturity (years)	2015 Effective interest rate (%)
Loans	€	1,774	2	6.05	€	3,130	3	6.05
Loans	€	9,500	3	variable *	€	11,500	4	variable*
Loans	€	1,595	8	3.05	€	1,776	9	3.05
Loans	€	1,167	7	3.95	€	1,333	8	3.95
Loans	€	612	9	variable **		759	10	variable **
Loans	€	658	8	3.60	€	740	9	3.60
Loans	€	4,875	10	variable ***				
Loans	€	3,115	12	1.95				
Loans		884	15	3.25				

* 3-month EURIBOR + 2.5 %
** 3-month EURIBOR + 1.5 %
*** 3-month EURIBOR + 1.3 %

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 € 4.4 million (previous year: € 5.0 million).

Liabilities under Financial Leases

The total future minimum payments from financial leasing contracts can be broken down as follows as of December 31, 2016:

Figures in € thousand	2016	2015
Total future minimum lease payments	**4,755**	**6,994**
thereof due within one year	1,320	1,795
thereof due between one and five years	3,409	4,953
thereof due in more than five years	26	246
Present value of future minimum lease payments	**4,603**	**6,882**
thereof due within one year	1,258	1,768
thereof due between one and five years	3,319	4,874
thereof due in more than five years	26	240
Interest element	**152**	**112**

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

24 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 Group's Italian subsidiary. The recognized provisions can be broken down as follows:

Figures in € thousand	2016	2015
Provisions for pensions	0	1,030
Provisions for other post-employment benefits	491	351
Liabilities to pension fund	3,369	3,382
Total	**3,860**	**4,763**

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	
Figures in %	2016	2015	2016	2015
Discount rate	—	2.3	0.4	1.0
Turnover rate*	—	0.0	0.0	0.0
Index-linked salary increase	—	1.0	1.5	1.5
Index-linked pension increase	—	1.0	2.6	2.6

* 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 R.

The following table indicates the changes in the present value of the total obligation and the net pension commitment shown in the balance sheet:

Figures in € thousand	2016	2015
Present value of the obligation at January 1	1,380	1,398
Current service cost	5	5
Interest cost	27	27
Pension payments	(25)	(31)
Actuarial losses	7	(19)
Business combinations, disposals and other items	(903)	0
Present value of the obligation / net pension commitment on December 31	**491**	**1,380**

The present value of the total obligation was € 1,258 thousand on December 31, 2012, € 1,244 thousand on December 31, 2013 and € 1,398 thousand on December 31, 2014. The actuarial gains and losses amounted to € 175 thousand on December 31, 2012, € 20 thousand on December 31, 2013 and € 186 thousand on December 31, 2014 and have been recognized in other comprehensive income.

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

Figures in € thousand	2016	2015
Current service cost	5	5
Interest cost	27	27
Total pension expense	**32**	**32**

The expected pension expense for 2017 is € 11 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 2016, pension expenses relating to defined-contribution plans totaled € 12 thousand (previous year: € 9 thousand). In addition, contributions were paid to state pension insurance agencies in the amount of € 4,529 thousand (previous year: € 4,204 thousand).

The company has carried as a liability in relation to a pension fund an amount of € 3,369 thousand (previous year: € 3,382 thousand) in connection with the closure of its carton business in the USA. No calculations in accordance with IAS 19 are required for this obligation, but it requires repayment over a period of 20 years.

25 Other Provisions

The following table shows the changes in other provisions:

Figures in € thousand	Jan. 1, 2016	Utilization	Reversal	Addition	Changes in scope of consolidation	Dec. 31, 2016
Guarantee and liability risks	8	0	0	60	0	68
Litigation risk	376	(104)	(38)	2,159	0	2,393
Dismantling obligations	14	(13)	(1)	23	0	23
Other risks	1,790	(1,658)	0	42	228	402
Total	**2,188**	**(1,775)**	**(39)**	**2,284**	**228**	**2,886**

Provisions for guarantees and liability risks mainly comprise claims due to damage and other warranties. These provisions were recognized on the basis of figures in previous years. The provisions for legal disputes were made for anticipated claims due to ongoing legal disputes.

The provisions recognized by the Deufol Group are 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	**2016**	2015	**2016**	2015	**2016**	2015
Guarantee and liability risks	68	8	0	0	68	8
Litigation risk	2,393	376	0	0	2,393	376
Dismantling obligations	23	14	0	0	23	14
Other risks	315	1,790	87	0	402	1,790
Total	**2,799**	**2,188**	**87**	**0**	**2,886**	**2,188**

26 Other Liabilities

Other liabilities can be broken down as follows:

	2016		2015	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes payable	2,072	2,072	1,354	1,354
Social security liabilities	1,972	1,972	1,966	1,966
Liabilities to employees relating to wages and salaries	7,902	7,902	6,933	6,933
Other liabilities to employees (annual leave, overtime, etc.)	387	342	3,255	3,035
Deferred income	248	248	1,934	813
Liabilities to related parties	0	0	0	0
Other	604	564	1,745	1,674
Total	**13,185**	**13,100**	**17,187**	**15,775**

27 Trade Payables

Trade payables amount to € 40,320 thousand (previous year: € 37,178 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 € 4,675 thousand (previous year: € 4,204 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 fiscal years 2016 and 2015. 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. Please see Note (17) for the breakdown of cash and cash equivalents.

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.

28 Cash Flow From Operating Activities

In fiscal year 2016, operating activities provided net cash of € 12.0 million (previous year: € 5.5 million). It should be noted that adjustments were made for the effects of changes in the scope of consolidation.

29 Acquisitions and Sales

Please see page ▸ 056 for details of acquisitions and companies newly established.

30 Cash Flow From Investing Activities

In the past fiscal year a € 5.9 million (previous year: € 2.9 million) outflow of funds from investing activities resulted. Investments in intangible assets and property, plant and equipment amounted to € 9.8 million, while an inflow of funds in the amount of € 3.6 million resulted from the disposal of intangible assets and property, plant and equipment as well as financial assets. The net change in financial receivables in the amount of € 1.1 million and interest received in the amount of € 0.5 million were also significant.

The cash outflows due to acquisitions of business units less acquired cash include, in particular, payments totaling € 0.5 million in connection with the acquisition of the Rieder Group.

The cash outflows due to the disposal of business units less cash disposed of in the total amount of € 0.8 million are mainly associated with the sale of Activatis GmbH.

31 Cash Flow From Financing Activities

In the past fiscal year a € 4.9 million (previous year: € 4.3 million) outflow of funds from financing activities resulted. This was mainly due to the reduction of financial liabilities on balance in the amount of € 2.2 million, and paid interest of € 2.9 million.

Deufol SE did not distribute any dividend in 2016.

32 Change in Cash and Cash Equivalents

The cash and cash equivalents balance increased by € 1.1 million from € 14.3 million to € 15.4 million. Net financial indebtedness – defined as financial liabilities less the Group's financial receivables and cash and cash equivalents – increased by € 7.5 million.

Other Disclosures

33 Contingencies and Contingent Liabilities

Within the Group, guarantees have only been granted to third parties for obligations reported in the balance sheet or for reciprocal rental payment guarantees. As in previous years, the Group has not issued any guarantees in relation to associates.

Expenses amounting to € 22,087 thousand (previous year: € 20,267 thousand) were recognized in the consolidated income statement due to rental agreements and leases that do not qualify as finance leases under IFRS (operating leases). The share of contingent lease payments included in this amount is of lesser 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.

34 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, 2016	Dec. 31, 2015
Not later than one year	14,078	10,971
Later than one year and not later than five years	19,798	18,131
Later than five years	5,529	2,522
Total minimum lease payments	**39,405**	**31,624**

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 include a renewal option.

35 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 two and four years. All leases include 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, 2016, receivables in the form of future minimum lease payments under non-cancelable operating leases are as follows:

Figures in € thousand	Dec. 31, 2016	Dec. 31, 2015
Not later than one year	467	467
Later than one year and not later than five years	78	545
Later than five years	0	0
Total minimum lease payments	**545**	**1,012**

36 Contingent Assets

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

37 Government Grants

As in 2015, the Deufol Group did not receive any government grants in 2016.

38 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, 2016, the Group's equity ratio was 45.3 % (previous year: 45.6 %). 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.

39 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 € 152 thousand lower (higher) and in the previous year € 189 thousand lower (higher). The balancing item in equity would have been € 409 thousand lower (higher) and in the previous year € 465 thousand lower (higher).

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 variable-interest and fixed-interest financial instruments.

The Deufol Group holds both fixed-interest and variable-interest financial instruments. If the interest rate level as of December 31, 2016 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 approx. amount of € 392 thousand (previous year: € 396 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 (16) for further disclosures.

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

Liquidity risks

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

The Deufol Group is financed 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	2017	2018 to 2021	after 2021
At December 31, 2016			
Amounts due to banks	12,762	36,664	6,356
Liabilities under financial leases	1,320	3,409	26
Other financial liabilities	4,870	4,126	0
Trade payables	40,320	0	0
Other liabilities (excluding tax liabilities)	11,028	85	0

Figures in € thousand	2016	2017 to 2020	after 2020
At December 31, 2015			
Amounts due to banks	14,215	39,742	2,544
Liabilities under financial leases	1,795	4,953	247
Other financial liabilities	3	51	0
Trade payables	37,178	0	0
Other liabilities (excluding tax liabilities)	12,765	292	0

Further Financial Instruments Disclosures

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

Figures in € thousand	From subsequent valuation						
	From interest	At fair value	Currency Trans-lation	Valuation adjust-ment	From disposal	**2016**	2015
Loans and receivables	294	—	—	(404)	—	(110)	(219)
Financial assets available for sale	—	—	—	—	—	—	—
Financial assets held for trading	—	—	—	—	—	—	—
Financial liabilities mea-sured at amortized cost	(2,530)	—	—	—	—	(2,530)	(2,812)
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.

The fair value hierarchy levels in accordance with IFRS 7 in combination with IFRS 13 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	**Carrying amount Dec. 31, 2016**	Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. IAS 17	**Fair value Dec. 31, 2016**
Assets							
Cash and cash equivalents	1)	15,476	15,476	—	—	—	15,476
Trade receivables	1)	45,669	45,669	—	—	—	45,669
Other receivables	1)	8,027	8,027	—	—	—	7,865
Receivables from the finance lease	n/a	3,141	—	—	—	3,141	3,353
Financial assets	2)	56	56	—	—	—	56
Equity and liabilities							
Amounts due to banks	4)	52,231	52,231	—	—	—	52,221
Trade payables	4)	40,320	40,320	—	—	—	40,320
Liabilities under financial leases	n/a	4,603	—	—	—	4,603	4,387
Other liabilities	4)	19,862	19,862	—	—	—	19,439
Derivatives with hedge relationships	n/a		—	—	—	—	—
Aggregated by valuation category acc. IAS 39							
1) Loans and receivables		69,172	69,172	—	—	—	69,010
2) Financial assets available for sale		56	56	—	—	—	56
3) Financial assets held for trading		—	—	—	—	—	—
4) Financial liabilities measured at amortized cost		112,413	112,413	—	—	—	111,980
5) Financial liabilities held for trading		—	—	—	—	—	—

Figures in € thousand	Balance sheet valuation (IAS 39)						
	Category	**Carrying amount Dec. 31, 2015**	Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. IAS 17	**Fair value Dec. 31, 2015**
Assets							
Cash and cash equivalents	1)	14,333	14,333	—	—	—	14,333
Trade receivables	1)	44,537	44,537	—	—	—	44,537
Other receivables	1)	13,733	13,733	—	—	—	13,500
Receivables from the finance lease	n/a	4,529	—	—	—	4,529	5,020
Financial assets	2)	59	59	—	—	—	59
Equity and liabilities							
Amounts due to banks	4)	51,288	51,288	—	—	—	53,167
Trade payables	4)	37,178	37,178	—	—	—	37,178
Liabilities under financial leases	n/a	6,885	—	—	—	6,885	6,470
Other liabilities	4)	13,108	13,108	—	—	—	13,074
Derivatives with hedge relationships	n/a		—	—	—	—	—
Aggregated by valuation category acc. IAS 39							
1) Loans and receivables		72,603	72,603	—	—	—	72,370
2) Financial assets available for sale		59	59	—	—	—	59
3) Financial assets held for trading		—	—	—	—	—	—
4) Financial liabilities measured at amortized cost		101,574	101,574	—	—	—	103,419
5) Financial liabilities held for trading		—	—	—	—	—	—

Segment Information by Region and Services

40 Segment Reporting

The segment reporting is prepared in accordance with the provisions of IFRS 8 (Operating Segments). Its primary reporting format is 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 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.

41 Segment Information by Region and Services

Figures in € thousand	Germany	Rest of Europe	USA/Rest of the World	Holding company	Elimina-tion	**Group**
2016						
External sales	175,119	83,494	81,773	572	0	340,958
Internal sales	25,956	16,083	163	15,566	(57,768)	0
Total sales	**201,075**	**99,577**	**81,936**	**16,138**	**(57,768)**	**340,958**
EBIT	6,688	30	4,192	(1,012)	(462)	9,436
Financial income	510	274	48	2,034	(2,345)	521
Finance costs	(2,158)	(443)	(1,301)	(1,356)	2,345	(2,913)
Income (loss) from associates and other equity investments	150	38	(29)	(71)	0	88
Other financial result	(734)	0	0	(662)	0	(1,396)
EBT	4,456	(101)	2,910	(1,067)	(462)	5,736
Taxes						(1,101)
Result for the period						**4,635**
Assets	78,495	110,058	53,452	253,042	(265,049)	229,998
thereof financial assets accounted for using the equity method	712	91	14	49	0	866
Non-allocated assets						8,534
Total assets						**238,532**
Financial liabilities	22,220	31,453	46,259	31,483	(65,585)	65,830
Other debt	37,939	31,581	14,617	28,598	(52,483)	60,252
Non-allocated debt						4,341
Total liabilities						**130,423**
Depreciation, amortization and impairment	2,901	3,218	2,778	904	0	9,801
Investments	3,031	26,409	359	1,401		31,200
2015						
External sales	170,219	70,668	83,212	736	0	324,835
Internal sales	25,371	13,621	2	14,973	(53,967)	0
Total sales	**195,590**	**84,289**	**83,214**	**15,709**	**(53,967)**	**324,835**
EBIT	4,509	2,548	4,845	(2,259)	(1,477)	8,166
Financial income	392	467	131	3,115	(3,611)	494
Finance costs	(1,938)	(485)	(2,565)	(1,925)	3,611	(3,302)
Income (loss) from associates and other equity investments	144	0	43	(51)	0	136
EBT	3,107	2,530	2,454	(1,120)	(1,477)	5,494
Taxes						(1,902)
Result for the period						**3,592**
Assets	85,467	62,243	55,615	257,378	(245,728)	214,975
thereof financial assets accounted for using the equity method	3,843	53	43	0	0	3,939
Non-allocated assets						9,634
Total assets						**224,609**
Financial liabilities	31,400	11,008	50,581	33,500	(68,535)	58,224
Other debt	44,922	25,458	14,990	31,004	(55,057)	61,317
Non-allocated debt						2,674
Total liabilities						**122,215**
Depreciation, amortization and impairment	3,278	1,815	1,622	720	0	7435
Investments	4,505	951	85	842	0	6,383

The Deufol Group has various customers which are themselves subsidiaries of a corporate group. In the past financial year, the Deufol Group realized € 94.8 million (previous year: € 104.1 million) or approx. 27.8 % (previous year: 32.0 %) of its total sales with these customers. This relates to the segments Rest of Europe and USA / Rest of the World.

42 Information on Services

The following table shows the sales trend by service:

Figures in € thousand	Export & Industrial Packaging	Consumer & Data Packaging	Supple-mentary Services	Holding company	Elimination	**Group**
2016						
External sales	191,931	117,547	30,908	572	0	340,958
Internal sales	36,755	1,839	3,608	15,566	(57,768)	0
Total sales	**228,686**	**119,386**	**34,516**	**16,138**	**(57,768)**	**340,958**
2015						
External sales	168,916	122,592	32,590	737	0	324,835
Internal sales	34,335	1,241	3,418	14,973	(53,967)	0
Total sales	**203,251**	**123,833**	**36,008**	**15,710**	**(53,967)**	**324,835**

43 Events after the Balance Sheet Date

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

Supplementary Disclosures

Disclosures Concerning the Executive Bodies

The Administrative Board – which comprised seven non-executive directors and two managing directors as of the end of 2016 – had the following membership in the reporting period:

Name and position	
Detlef W. Hübner (Chairman) Appointed until the 2017 AGM	■ Managing Director of Deufol SE
Helmut Olivier (Deputy Chairman) Appointed until the 2017 AGM	■ Executive Board member of Lehman Brothers AG i. Ins.
Dr. Helmut Görling (until May 31, 2016)	■ Partner of AGS Acker Görling Schmalz Rechtsanwälte Partnerschaftsgesellschaft mbH, Frankfurt am Main
Dennis Hübner Appointed until the 2017 AGM	■ Managing Director of Deufol SE
Marc Hübner (since July 1, 2016) Appointed until the 2017 AGM	■ Head of Business Development
Holger Bürskens (since July 1, 2016) Appointed until the 2017 AGM	■ Partner of ARNECKE SIBETH Rechtsanwälte Partnergesellschaft mbB, Frankfurt am Main
Prof. Dr. Wolfgang König Appointed until the 2017 AGM	■ Managing Director at House of Finance, Goethe University Frankfurt
Wulf Matthias Appointed until the 2017 AGM	■ Director of M. M. Warburg & CO, Frankfurt am Main
Peter Oberegger Appointed until the 2017 AGM	■ Managing Director at Peer Swan Group GmbH, Oberhaching
Axel Wöltjen Appointed until the 2017 AGM	■ Managing Director of A. Wöltjen Consulting GmbH, Wendelstein

No loans or advances were granted to the members of the Administrative Board. Nor were any contingent liabilities assumed in favor of the members of the Administrative Board.

In 2016, Administrative Board compensation totaled € 160 thousand (previous year: € 165 thousand).

The Company had the following managing directors in the reporting period:

Name	Departments
Klaus Duttiné	Finance, Legal & Compliance, Investor Relations & Communications , Human Resources, Property & Administration, Purchasing
Dennis Hübner	Production, IT Services, Box Engineering, Project Management, Operational Excellence, Compliance & Quality, Operations: Rest of the World
Detlef W. Hübner	Strategy
Jürgen Schmid	Business Development, Operations: South Germany & Eastern Europe

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

Figures in € thousand	2016	2015
Fixed remuneration	1,450	1,532
Variable remuneration	600	495
Other remuneration	33	93
Total	**2,083**	**2,120**

The compensation of the managing directors for fiscal year 2016 totaled € 2,083 thousand (previous year: € 2,120 thousand). This relates to short-term benefits.

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, Mülheim an der Ruhr
- 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.

A. Wöltjen Consulting GmbH, Wendelstein, qualifies as a related party since its managing director has been a member of the Administrative Board of Deufol SE since July 2, 2013. In fiscal year 2016, expenses amounted to € 45 thousand (previous year: € 71 thousand), while income amounted to € 1 thousand (previous year: € 55 thousand). On December 31, 2016, the Company had liabilities in relation to A. Wöltjen Consulting GmbH in the amount of € 10 thousand (previous year: € 11 thousand).

Since a partner of the law firm AGS Acker Görling Schmalz Rechtsanwälte Partnerschaftsgesellschaft mbh (AGS Legal), Frankfurt am Main, served on the Administrative Board of Deufol SE until May 31, 2016, this firm qualifies as a related party. In fiscal year 2016 expenses amounted to € 222 thousand (previous year: € 126 thousand). On December 31, 2016, the Company had liabilities in relation to AGS Legal in the amount of € 68 thousand (previous year: € 7 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 financial year, these transactions resulted in revenue in the amount of € 3 thousand (previous year: € 2 thousand) and expenses in the amount of € 9 thousand (previous year: € 9 thousand). As of December 31, 2016, receivables from these companies and Mr. Detlef W. Hübner amounted to € 0 thousand (previous year: € 0 thousand), while liabilities in relation to these companies and Mr. Detlef W. Hübner totaled € 12 thousand (previous year: € 11 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 equity investments	Other related parties
2016		
Sales and other income	1,475	4
Expenses	(1,111)	259
Purchase of property, plant and equipment	0	0
Receivables	194	0
Liabilities	74	83
2015		
Sales and other income	2,033	2
Expenses	(2,373)	188
Purchase of operating and office equipment	0	56
Receivables	59	2
Liabilities	342	29

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, Hofheim am Taunus, for the fiscal year from January 1 to December 31, 2016. 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 (3) 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 IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315 a (3) 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, complies with applicable statutory provisions, 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 28, 2017

VOTUM AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Lothar Stache	Alexander Leoff
Certified auditor	Certified auditor

WE WORK SMARTER. NOT HARDER.

TEAMWORK MAKES THE DREAM WORK.

A good team needs good trainers. That is why in 2016 we developed Deufol's EXPERT PROGRAM, or "DEXPRO" for short. This enables us to bring to life, worldwide, the essence of the Deufol Group and its vision for the future. The DEXPRO program supports and motivates our employees and fosters their development. We develop competences and shorten communication channels. DEXPRO is supported by WE-Q, our internal knowledge database which provides all of our employees with rapid access to key information. We thus guarantee continuous optimization of our internal processes, which in turn benefits our customers.

091 FACTS & FIGURES

Information on Deufol SE

Income Statement of Deufol SE

Figures in € thousand	2016	2015
1. Sales	**12,974**	**12,757**
2. Other operating income thereof income from currency translation: € 357 thousand (previous year: € 1,303 thousand)	8,420	6,988
3. Cost of materials a) Expenses for raw materials, consumables and supplies and for purchased merchandise	(3,915)	(3,902)
4. Personnel costs		
a) Wages and salaries	(6,198)	(5,447)
b) Social security contributions	(583)	(535)
5. Amortization of intangible assets and depreciation of property, plant and equipment	(1,466)	(895)
6. Other operating expenses thereof expenses for currency translation: € 123 thousand (previous year: € 220 thousand)	(11,525)	(10,525)
7. Income due to profit transfer agreements thereof from affiliated companies: € 5,232 thousand (previous year: € 3,224 thousand)	5,232	3,224
8. Other interest and similar income thereof from affiliated companies: € 1,921 thousand (previous year: € 3,098 thousand)	2,034	3,115
9. Write-downs of financial assets	(4,860)	(458)
10. thereof for affiliated companies: € 291 thousand (previous year: € 397 thousand)	(1,356)	(1,925)
11. Income taxes	(192)	(567)
12. Earnings after taxes	**(1,435)**	**1,832**
13. Other taxes	(84)	(22)
14. Net loss/profit for the year	**(1,520)**	**1,810**
15. Retained profits brought forward	24,740	22,929
16. Allocations to other revenue reserves	(10,000)	0
17. Net income for the year	**13,220**	**24,740**

Balance Sheet of Deufol SE

Assets Figures in € thousand	Dec. 31, 2016	Dec. 31, 2015
A. Fixed assets	**109,535**	**114,022**
I. Intangible assets	2,810	2,947
1. Purchased licenses, trademarks and similar rights and assets as well as licenses for such rights and assets	2,188	2,290
2. Advance payments made	622	657
II. Property, plant and equipment	6,256	6,207
1. Land, land rights and buildings including buildings on third-party land	5,291	5,434
2. Other equipment, operating and office equipment	846	729
3. Advance payments made and assets under construction	119	46
III. Financial assets	100,469	104,868
1. Shares in affiliated companies	95,642	99,846
2. Loans to affiliated companies	4,638	4,720
3. Investments	189	302
4. Loans to companies in which a participating interest is held	0	0
B. Current assets	**45,157**	**46,240**
I. Receivables and other assets	39,746	36,890
1. Trade receivables	157	136
2. Receivables from affiliated companies	37,432	35,295
3. Receivables from companies in which a participating interest is held	35	23
4. Other assets	2,122	1,436
II. Cash in hand, bank balances	5,411	9,350
C. Deferred expenses and accrued income	**284**	**170**
Total assets	**154,976**	**160,432**

Equity and liabilities Figures in € thousand		Dec. 31, 2016	Dec. 31, 2015
A. Equity		**94,688**	**96,744**
I. Subscribed capital less nominal amount of treasury stock Contingent capital: € 20,000 thousand (previous year: € 20,000 thousand)	43,774 (813)	42,961	43,774
II. Capital reserves		28,184	28,184
III. Retained earnings		10,323	
1. Legal reserve		46	
2. Other revenue reserves		10,277	46
IV. Net income for the year thereof retained profits brought forward: € 14,740 thousand (previous year: € 22,929		13,220	24,740
B. Provisions		**4,306**	**2,154**
1. Tax provisions		206	233
2. Other provisions		4,100	1,921
C. Liabilities		**55,982**	**61,534**
1. Liabilities to banks		31,095	33,276
2. Trade payables		1,522	1,207
3. Liabilities to affiliated companies		21,623	25,232
4. Liabilities to companies in which a participating interest is held		60	29
5. Other liabilities thereof taxes: € 1,261 thousand (previous year: € 1,465 thousand) thereof social security liabilities: € 0 thousand (previous year: € 0 thousand)		1,682	1,790
D. Deferred income and accrued expenses		**0**	**0**
Total equity and liabilities		**154,976**	**160,432**

Significant Equity Investments of Deufol SE

	Equity interest (%)*	Shareholders' equity (€ thousand)	Sales (€ thousand)	Employees
Germany				
Deufol Berlin GmbH, Berlin	100.00	256	18,322	93
Deufol Bochum GmbH, Bochum	100.00	(522)	4,723	36
Deufol Hamburg GmbH, Hamburg	100.00	206	13,301	47
Deufol München GmbH, Garching-Hochbrück	100.00	(1,350)	3,345	21
Deufol Nord GmbH, Peine	100.00	(557)	19,219	219
Deufol Nürnberg GmbH, Nuremberg	100.00	17,198	12,465	99
Deufol Remscheid GmbH, Remscheid	100.00	330	2,243	18
Deufol Süd GmbH, Neutraubling	100.00	138	39,497	218
Deufol Südwest GmbH, Frankenthal	100.00	3,184	12,023	82
Deufol West GmbH, Mülheim an der Ruhr	100.00	2,177	36,051	216
DRELU Holzverarbeitung GmbH, Remscheid	55.10	551	8,751	66
DTG Verpackungslogistik GmbH, Fellbach	51.00	490	6,237	30
Rest of Europe				
Deufol Austria GmbH., Bruck a. d. L., Austria	60.00	559	6,312	21
Deufol België N. V., Tienen, Belgium	100.00	11,015	29,073	12
Rieder Kistenproduktions GesmbH, Ramsau nr. Hainfeld	60.00	134	11,217	93
Manamer NV, Antwerp, Belgium	100.00	1,055	1,066	
Novaedes HP NV, Lier, Belgium	100.00	1,465	7,151	44
Novaedes Port of Antwerp NV, Antwerp, Belgium	100.00	765	3,188	24
Deufol Česká republika a. s., Ivancice, Czech Republic	100.00	2,177	16,048	188
Deufol Immobilien CZ s. r. o., Brno, Czech Republic	100.00	(66)		
Deufol Italia S. p. A., Fagnano Olona, Italy	100.00	2,001	11,925	51
Deufol Logistics Tienen N. V., Tienen, Belgium	100.00	(77)	6,341	74
Deufol Waremme S. A., Waremme, Belgium	98.75	8,203	10,853	88
USA/Rest of the World				
Deufol Sunman Inc., Sunman, Indiana (USA)	100.00	6,825	74,361	458

* attributable to the relevant parent

Glossary

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

Asset cover ratio I
Ratio of equity to noncurrent assets

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

Days sales outstanding
Ratio of trade accounts receivable to revenue

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

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)

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

EBIT
Earnings before interest and taxes

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

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

EBT
Earnings before taxes

EBTA
Earnings before taxes and amortization/impairment of goodwill

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

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

Investment ratio
Ratio of capital expenditure to sales

Days payables outstanding
Ratio of trade payables to revenue

Price earnings ratio
Ratio of share price to earnings per share

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

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

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

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

Operating cash flow
Cash flow from operating activities

Personnel expense ratio
Ratio of personnel expenses to revenue

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.

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

Consolidated Key Figures – Five-Year Overview

Results of Operations	2016	2015	2014	2013	2012
Sales (€ thousand)	340,958	324,835	298,871	318,698	333,014
Change on previous year (%)	5.0	8.7	(6.2)	(4.3)	5.7
EBITDA (€ thousand)	19,237	15,601	13,453	14,765	14,976
Margin (%)	5.6	4.8	4.5	4.6	4.5
EBITA (€ thousand)	9,436	8,166	6,228	6,045	6,207
Margin (%)	2.8	2.5	2.1	1.9	1.9
EBT (€ thousand)	5,736	5,494	3,500	2,725	2,808
Margin (%)	1.7	1.7	1.2	0.9	0.8
Income (loss) from continuing operations (€ thousand)	4,635	3,592	468	478	406
Margin (%)	1.4	1.1	0.2	0.2	0.1
Net income (€ thousand)	5,064	3,299	228	294	(279)
Margin (%)	1.5	1.0	0.1	0.1	(0.1)
Operating cash flow (€ thousand)	12,001	5,541	22,243	17,188	16,007
Margin (%)	3.5	1.7	7.4	5.4	4.8
Free cash flow (€ thousand)	6,073	2,673	19,905	12,010	13,612
Margin (%)	1.8	0.8	6.7	3.8	4.1

Assets Position	2016	2015	2014	2013	2012
Current assets (€ thousand)	86,575	87,537	79,434	70,798	76,124
as % of total assets	36.3	39.0	36.4	33.2	34.5
Noncurrent assets (€ thousand)	151,957	137,072	138,917	142,159	144,816
as % of total assets	63.7	61.0	63.6	66.8	65.5
Balance sheet total (€ thousand)	238,532	224,609	218,351	212,957	220,940
Change on previous year (%)	6.2	2.9	2.5	(3.6)	(5.3)
Liabilities (€ thousand)	130,423	122,215	121,003	117,419	124,282
as % of total assets	54.7	54.4	55.4	55.1	56.3
Shareholders' equity (€ thousand)	108,109	102,394	97,348	95,538	96,658
as % of total assets	45.3	45.6	44.6	44.7	43.8
Working capital (€ thousand)	28,683	30,543	24,294	23,534	31,772
as % of total assets	12.0	13.6	11.1	11.1	14.4
Capital employed (€ thousand)	176,878	161,383	156,983	159,079	168,373
as % of total assets	74.2	71.9	71.9	74.7	76.2
Noncurrent/current assets	1.76	1.57	1.75	2.0	1.90
Shareholders' equity/liabilities	0.83	0.84	0.80	0.81	0.78
Property, plant and equipment ratio	0.25	0.20	0.21	0.22	0.22
Asset depreciation ratio (%)	59.6	66.6	65.1	62.6	62.9
Inventories/sales (%)	4.2	3.9	4.1	3.8	3.7
Receivables turnover	7.5	7.3	8.8	8.6	7.6
Days sales outstanding	48.9	50.0	41.3	42.4	48.1
Days payables outstanding	43.2	41.8	44.4	35.9	33.4

Financial and liquidity ratios

	2016	2015	2014	2013	2012
Capital employed/sales (%)	51.9	49.7	52.5	49.9	50.6
Investment ratio (%)	7.1	1.6	1.9	2.8	2.6
Operating cash flow/investments (%)	42.0	86.8	330.6	171.0	167.5
Asset cover ratio I (%)	77.3	83.5	78.9	77.8	78.3
Asset cover ratio II (%)	115.8	125.2	122.7	95.2	127.6
Interest cover	3.4	2.6	1.7	1.3	1.4
Cash ratio (%)	20.2	20.2	23.9	5.2	11.5
Acid test (%)	94.4	105.5	100.2	61.0	100.5
Current ratio (%)	113.2	123.2	118.7	73.6	120.1
Financial liabilities/equity (%)	64.0	61.7	65.4	72.4	80.5
Financial liabilities/capital employed (%)	37.2	36.1	37.5	39.5	42.1
Net financial liabilities/EBITDA	2.4	2.5	2.7	3.4	3.7
Net financial liabilities/market capitalization (%)	128.5	169.3	107.0	119.8	123.3

Productivity ratios

	2016	2015	2014	2013	2012
Sales per employee (€)	117,612	122,974	118,459	117,862	120,483
EBITDA per employee (€)	6,636	5,906	5,332	5,460	5,418
EBITA per employee (€)	3,255	3,091	2,468	2,236	2,246
Operating cash flow per employee (€)	4,140	2,098	8,816	6,357	5,791
Personnel costs per employee (€)	38,520	39,065	37,688	35,549	35,492
Personnel cost ratio (%)	32.8	31.8	31.8	30.2	29.5

Per-share ratios

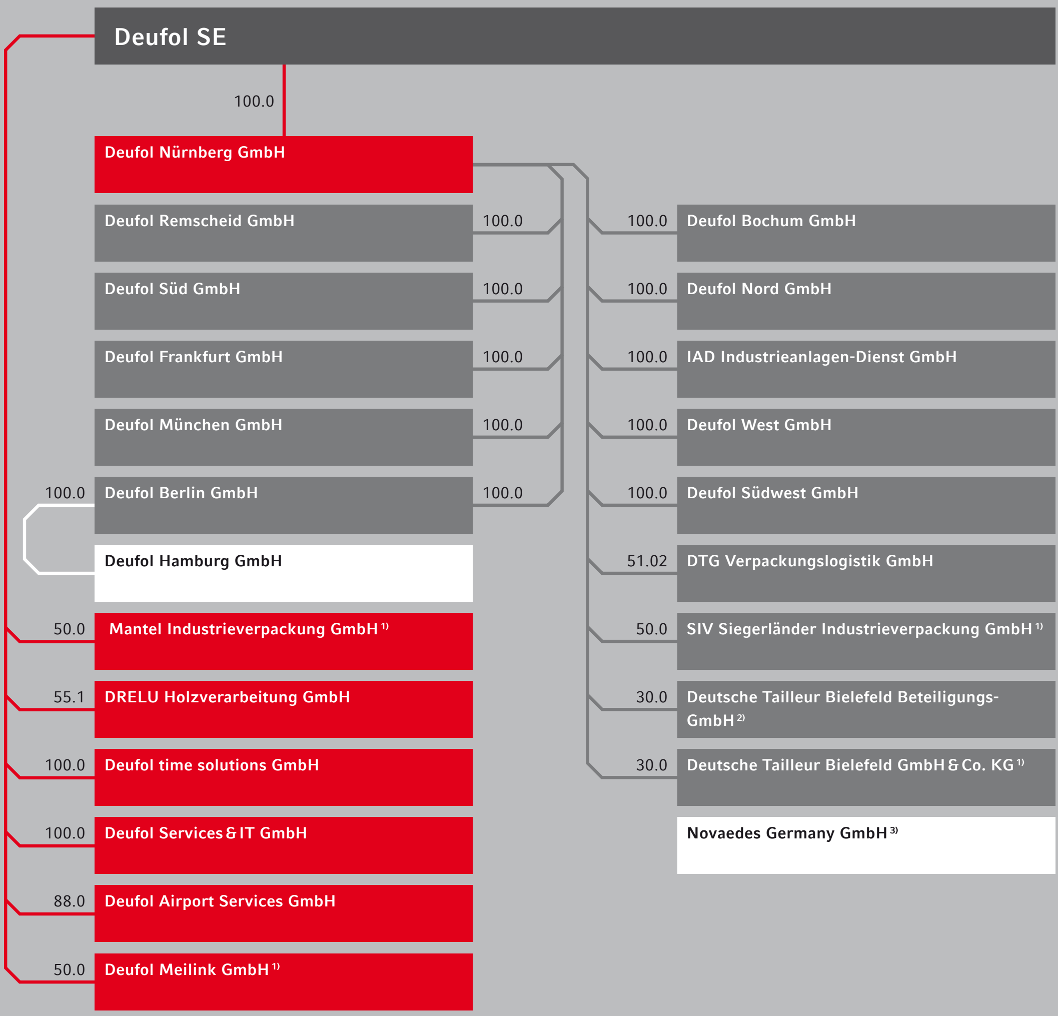
	2016	2015	2014	2013	2012
Earnings per share from continuing operations (€)	0.118	0.075	0.005	0.007	0.001
Earnings per share (EPS), (€)	0.118	0.075	0.005	0.007	(0.006)
Price earnings ratio (PER)	7.3	7.1	151.5	142.9	n/m
Dividend per share (€)	0.00	0.00	0 (e)	0.00	0.00
Dividend yield (%)	—	—	—	—	—
Book value per share (€)	2.39		2.06	1.98	2.01
Price/book value	0.36	2.15	0.38	0.48	0.51
Book value per share less goodwill (€)	0.74	0.25	0.49	0.41	0.45
Price/book value less goodwill	1.2	0.59	1.6	2.3	2.3

Investment ratios

	2016	2015	2014	2013	2012
Market capitalization/sales	0.11	0.07	0.12	0.13	0.13
Enterprise value/sales	0.26	0.21	0.26	0.32	0.33
Enterprise value/EBITDA	4.7	4.4	5.8	6.8	7.3
Enterprise value/EBIT	9.5	8.3	12.5	16.6	17.6
Enterprise value/operating cash flow	7.5	12.3	3.5	5.9	6.8
Enterprise value/free cash flow	14.8	25.4	3.9	8.4	8.0

Operational Investments of Deufol SE*

Germany

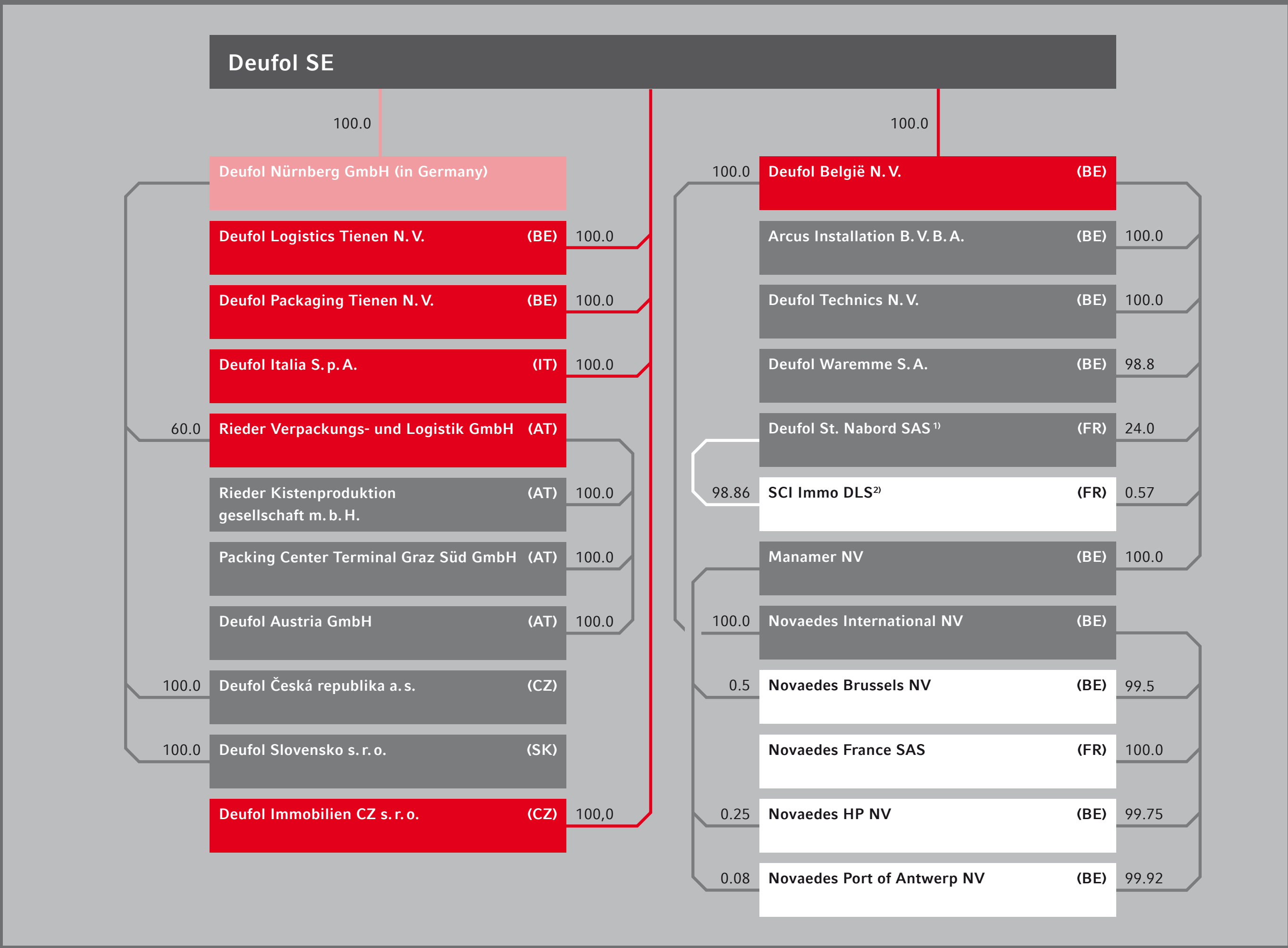


Tier 1 investment
Tier 2 investment
Tier 3/4 investment

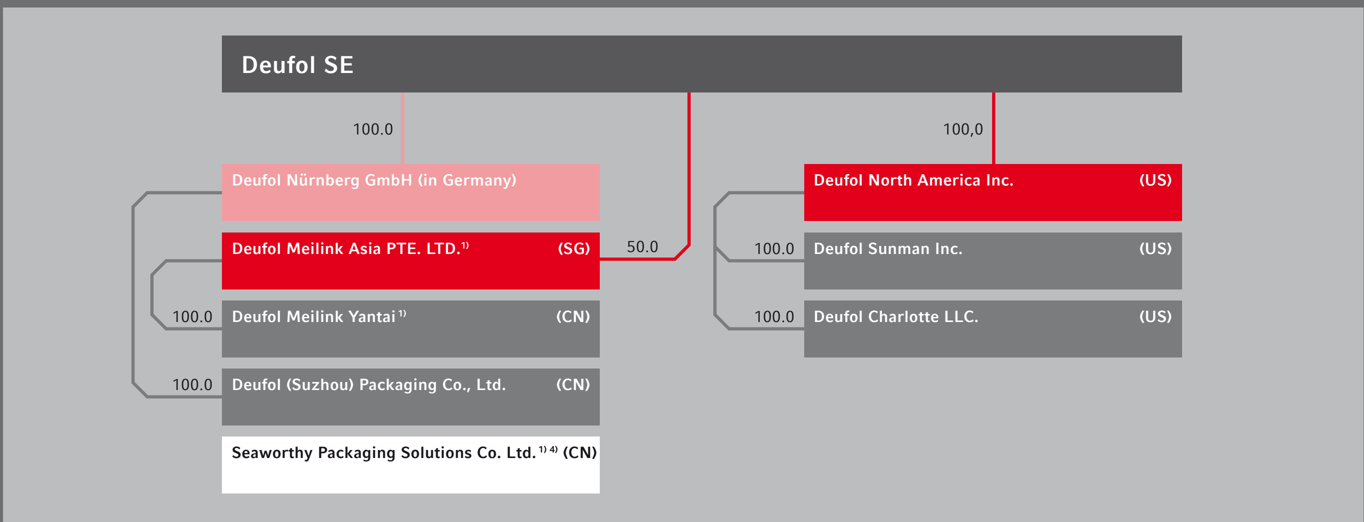
1) Consolidated at equity
2) Unconsolidated
3) This company is wholly owned by Novaedes International NV
4) Rieder Verpackungs- und Logistik GmbH (AT) holds a 50 % interest in this company

*As at December 31, 2016; in %

Europe



Rest of the World



Financial Calendar

June	28, 2017	Annual General Meeting 2017
August	18, 2017	Half-Year Financial Report 2017
April	30, 2018	Annual Financial Report 2017

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Key to Symbols

- Basis of Preparation
- Scope of Consolidation
- Consolidated Income Statement Disclosures
- Consolidated Balance Sheet Disclosures
- Consolidated Cash Flow Statement Disclosures
- Other Disclosures
- Segment Information
- Supplementary Disclosures

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

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