DEUFOL
Packaging. Next level.

REMOVING LIMITS.

OUR JOURNEY CONTINUES.

ANNUAL REPORT 2017

Overview of the Deufol Group

Figures in € million	2017	2016	± (%)
Results of operations			
Total sales	287.7	341.0	(15.6)
Germany	154.4	175.7	10.2
Rest of the World	133.3	165.2	(43.1)
Ratio of foreign sales (%)	46.3	48.5	(32.6)
EBITDA	18.9	19.2	(1.6)
EBIT(A)	9.3	9.4	(1.1)
EBT	7.9	5.7	38.6
Income tax income (expenses)	(2.3)	(1.1)	172.7
Result for the period	5.6	4.63	20.1
thereof noncontrolling interests	0.4	(0.43)	(7)
thereof shareholders of the parent company	5.2	5.06	2.8
Earnings per share – EPS (€)	0.121	0.118	2.5
Assets structure			
Noncurrent assets	149.8	151.9	(1.4)
Current assets	80.6	86.6	(6.9)
Balance sheet total	230.4	238.5	(3.4)
Equity	112.2	108.1	3.7
Liabilities	118.2	130.4	(9.4)
Equity ratio (%)	48.7	45.3	7.5
Net financial liabilities	44.2	46.9	13.9
Cash flow/investments			
Cash flow from operating activities	12.9	12.0	7.5
Cash flow from investing activities	(4.0)	(5.9)	(32.2)
Cash flow from financing activities	(6.4)	(4.9)	30.6
Investments in property, plant and equipment	5.5	9.1	(15.4)
Employees			
Employees (average)	2,521	2,899	(13.5)
Personnel costs	108.0	111.7	(3.3)

Table of Contents


BACK
SPACE
2018
SHIFT

MARKET REQUIREMENTS – THINK GLOBAL – ACT LOCAL.

Wherever our customers are, we are too

In a world where people and business assets are increasingly integrated, it is essential for Deufol to help its globally active customers to rise to whatever challenges present themselves. For this reason, we have added five new locations to our global network: We now have additional locations in Cincinnati, Cleveland and Pittsburgh in the USA, in Saint-Nabord in France and in Bremerhaven in Germany. All of our Deufol locations operate with the same methods and tools and maintain a continuous dialogue with one another. Our customers can thus rely on the same level of service worldwide.

Foreword by the Managing Directors

Fiscal Year 2017

Dear shareholders and business partners,
Dear colleagues,

The German economy was operating at full steam in 2017. At any rate, that is the picture presented by most indicators. The Kiel Institute for the World Economy has reached a similar assessment. And it was not only in Germany that the trend picked up – almost all of the major economies performed strongly. How did the Deufol Group fare in this environment in 2017?

2017 was a transitional year for Deufol. The resolved transformation, with a focus on industrial goods packaging-related business, was consistently implemented. Our goal in pursuing this transformation is that our current customers, and any potential new customers, will thus see Deufol as a globally positioned specialist for industrial goods packaging with a worldwide network. Since many of our customers are increasingly operating globally, by thus sharpening our profile we expect to realize competitive advantages over market players who tend to operate at a local level. On the other hand, as a corporate group in the SME segment we need to maintain a focus for our growth, which naturally entails significant investments. It is here that we clearly see the key potential in the Industrial Packaging business field including adjacent services.

This specialization and focus in our efforts was one of the main factors in the decline in the Deufol Group's sales in 2017. Our other current business field, industrial-goods-packaging-related, experienced a clear decrease and is thus now less significant. This is mainly due to the sale of a major location as well as the end of a business relationship with a major customer. However, the fact that we were able to increase our EBIT margin on the previous year, despite the decline in sales, goes to show that our strategy is the correct one. Accordingly, while the Deufol Group did not achieve growth in 2017 – contrary to the economic trend – it nonetheless achieved further profitability gains and made major progress in safeguarding its future through the implementation of its strategy. We will continue to focus strongly on the Industrial Packaging business field and its expansion in 2018. Accordingly, we envisage a further improvement in profitability with an unchanged sales volume. Following this consolidation, from 2019 onwards we expect the Deufol Group to return to a clear growth trajectory.

As well as the globalization of our services, in digitalization we have identified a further worldwide megatrend which the Deufol Group has focused on for some years now. In 2017, we continued to expand and to develop our toolbox of digital solutions for our customers. For instance, in the past year a web-based supply chain information system, "Deufol Supply Chain Solution", was developed and launched on the market. Moreover, in 2017 we successfully introduced to the market our standard crate system "Deufol ConPal / ConBox", which provides our customers with increased flexibility and a faster supply system. This system is aligned with our central production plant in Cheb (Czech Republic) which was designed and constructed in the previous year and became fully operational in 2017. This plant produces standard packaging materials for our European packaging locations by means of integrated and cutting-edge production processes.

While the Deufol Group mainly achieved inorganic growth in 2016, 2017 was chiefly shaped by the integration of its new acquisitions as well as its concentration on the Industrial Packaging business field. However, we also once again strengthened our business through targeted acquisitions in 2017. In order to press ahead with our strategy at a global level, in the USA we acquired three packaging locations from a competitor. In Europe, too, we expanded our network in France through the acquisition of our previous associate Deufol St. Nabord. We envisage further acquisitions, should opportunities arise in 2018 and 2019 which support our strategy.

The expansion of Deufol's HUB network in Europe was another core focus of our activities. Here, we have our own facilities and an extensive range of services at the two major ports for our customers, Antwerp and Hamburg. In order to respond even more effectively to customers' growing requirements, we have opened a further HUB in Bremerhaven for our packaging activities in the industrial goods segment. This will enable us to serve all of our customers' locations even more rapidly and even more effectively.

The Deufol Group currently serves our customers through 96 locations in eleven countries and on three continents. For our business, it is important to be close to where our customers' processes and locations are. However, besides this proximity to our customers which we have maintained for many years, we by no means lose sight of our employees. They underpin the Deufol Group's operations. In the past fiscal year, we thus continued to invest in our corporate culture and strengthened our employees' know-how and capacity for innovation. They represent our key resource for the development and implementation of Deufol's strategy, as outlined above, over the next few years.

The world is undergoing a process of transformation, and Deufol is naturally affected by this. The global market is increasingly dynamic. It is rapidly shaping ever new areas of our life, amid constantly changing conditions and opportunities. Our customers are thus ever more frequently faced with increasingly significant challenges. This environment may be construed as a threat or as an opportunity. At Deufol, we have chosen to focus on the opportunities and have optimistically embarked on a journey leading to a successful future. Our strategy means that we have a reliable compass which will guide us through the turbulent present to a future that offers solid prospects. In the coming year, we will remain true to our motto: WE FOCUS ON PACKAGING + SUPPLY CHAIN LIMITS AND REMOVE THEM.

2017 was a year of transformation for Deufol. We have sharpened our profile and consider ourselves well placed for the future. As always, 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 2017. 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 three 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 one out of the five meetings held, one Administrative Board member excused himself from attending. 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. In 2017, discussions focused on the Industrial Packaging business field. Meetings also considered optimized use of resources, improvements in software-based business processes and synergy-based cost savings.

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

Finally, the expansion of the Deufol network and the integration of the acquisitions made in 2016 and 2017 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 28, 2017 and the subsequent audit engagement issued by the Administrative Board, the annual financial statements for the fiscal year from January 1 to December 31, 2017 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 e 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 24, 2018, the Administrative Board endorsed the annual financial statements of Deufol SE for 2017 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 June 28, 2017, the Administrative Board was reappointed for a two-year term. With the exception of two members who retired from the Administrative Board, the existing Administrative Board members were reappointed. 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 27, 2018

For the Administrative Board
Detlef W. Hübner
Chairman

OPERATIONAL EXCELLENCE – THE TOOLS FOR OUR SUCCESS.

Deufol sets standards

In order to succeed against the global competition, companies must standardize their processes and products throughout their industry. Deufol is responding to this challenge and has defined a new standard for industrial goods packaging. Deufol ConPal / ConBox are designed for modular use inside sea containers. These crate types optimize container handling for our customers, while reducing our production costs thanks to economies of scale. Packaging locations and production are intelligently integrated. Once defined minimum volumes have been reached, further ConPal / ConBox crates will be automatically ordered. This reduces costs by streamlining processes and ensures permanent availability.


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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 46 direct and indirect subsidiaries were included in the consolidated group of Deufol SE. Of these companies, 18 were German companies while 28 were domiciled in other countries. Please see the chapter "Facts & Figures" on page ▶ 098 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 business field, 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 offer 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

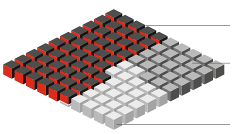
Globally Positioned with Locations in eleven Countries

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, 2017 we had around 55 locations which account for a total of 53.6 % of Group sales. The Rest of Europe – which accounts for around 23.1 % of the Group's business – comprises 34 operational facilities in Belgium, the Netherlands, France, Italy, Austria, the Czech Republic and Slovakia.

Sales by region

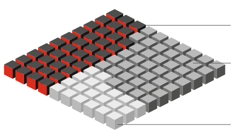
Figures in € million



154.4	Germany
66.5	Rest of Europe
66.8	USA/ Rest of the World

Assets by region

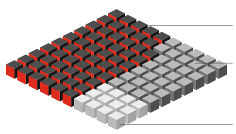
Figures in € million



96.9	Germany
107.2	Rest of Europe
51.8	USA/ Rest of the World

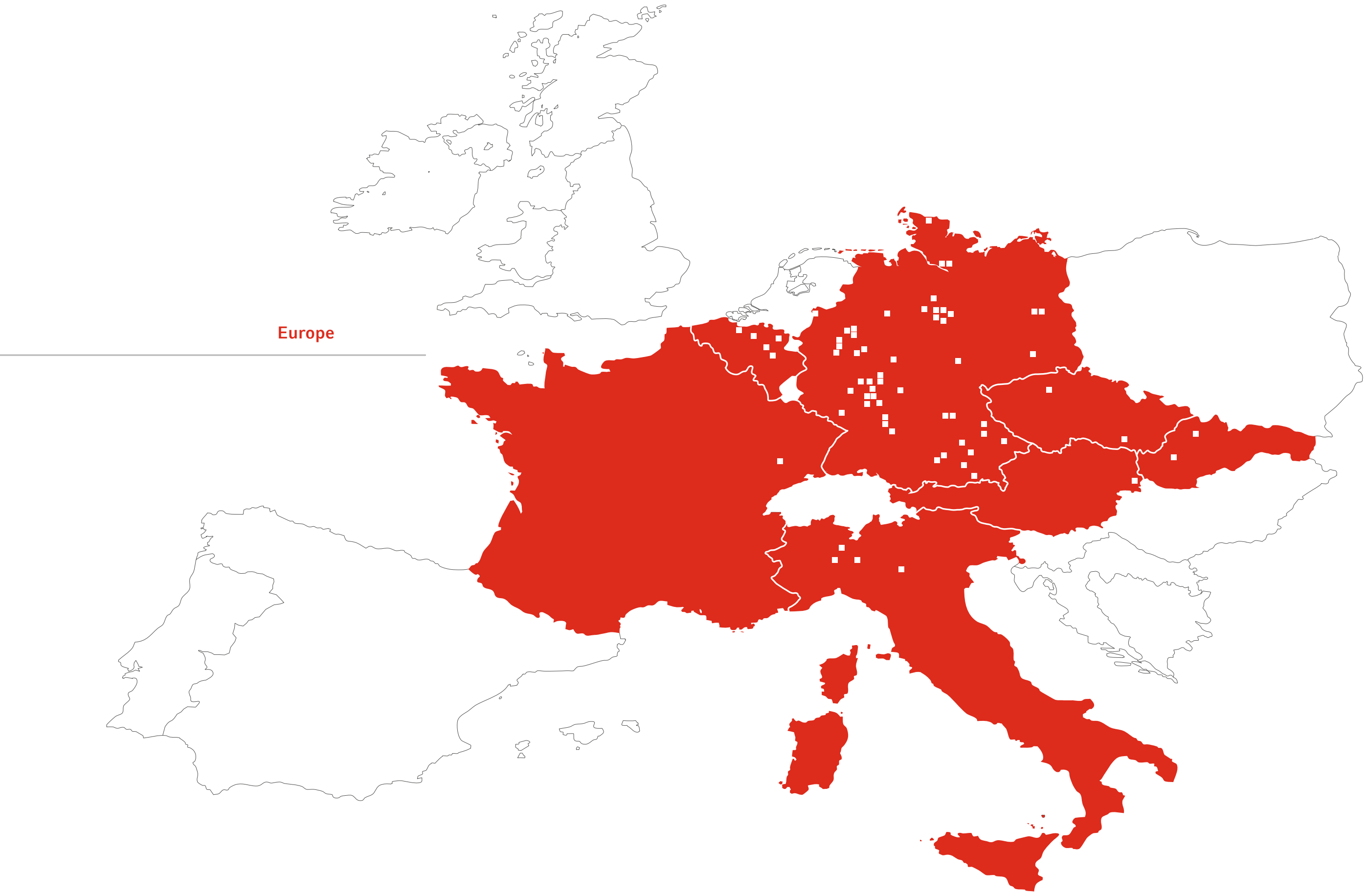
Employees by region

Deufol Group



1,459	Germany
757	Rest of Europe
305	USA/ Rest of the World

We have a total of nine locations in the USA/Rest of the World (three of these locations were newly added in 2017), which contribute approx. 23.2 % of sales. As well as our main location in Sunman, our business in the USA is also handled through a further four packaging locations. We have four locations in Asia. Overall, we have three locations in the People's Republic of China. As well as our existing location in Suzhou, in Yantai and Taicang we have two 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 map.



Number of locations

Germany	55
Rest of Europe	34
USA/Rest of the World	9

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 2017, Export & Industrial Packaging maintained its strong market position in Germany and in Europe. 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 business field 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. However, high volumes of investment are required in line with specific customer requirements, thus limiting the room for maneuver. 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. For instance, in 2017 we successfully introduced to the market our standard crate system "Deufol ConPal / ConBox", which provides our customers with increased flexibility and a faster supply system.

Report on the Economic Environment

Economic Outline Conditions

World Economy: Growth Continues

According to the Kiel Institute for the World Economy (IfW), the global economy is currently enjoying buoyant growth, even if this is subject to considerable uncertainty due to the geopolitical situation. The situation is positive for almost all of the major economies. For 2017 as a whole, global output increased by 3.9 %. This is the strongest rate of growth since 2011. For 2018, the Kiel Institute even expects growth of 4.0 %. The financial and geopolitical environment poses risks for the world economy. For instance, the impending normalization of monetary policy might give rise to sudden uncertainty on the capital markets, resulting in abrupt corrections in asset prices, yields and exchange rates. World trade finally picked up in 2017, having stagnated at a low level in previous years. The rate of year-on-year growth in 2017 amounted to up to 5 %. In particular, this upturn reflected the considerable increase in the level of foreign trade in the Asia region (in China in particular). Due to the discussion over global free trade in the USA, there are certain risks here in terms of future developments.

The advanced economies registered strong output growth in the second half of the year, compared to a merely moderate rate of expansion in the first half of the year. This is attributable to the USA in particular, where growth has picked up strongly following the establishment of the new government. Economic growth has now picked up in the emerging markets. In particular, commodities-exporting countries such as Russia and Brazil have now come out of recession. However, in the case of Russia sanctions are continuing to have a negative impact. In China, the pace of growth declined considerably in the second half of the year but growth rates remain solid. On the other hand, in India the economy gathered steam in the second half of the year.

The Economic Upturn in the Eurozone is Gaining Momentum

The Eurozone's recovery broadened and strengthened considerably in 2017. Overall economic output increased by 2.4 % and has thus been continuously buoyant for five years. The upward trend is now clearly apparent in all of the major countries, including Italy. There is thus no longer any significant underutilization of the economy's resources. Output in the United Kingdom is currently growing at a comparatively moderate rate. Brexit-related uncertainty is having a dampening effect here. Unemployment in the Eurozone excluding Germany declined from 12.0 % to 11.0 %. The Kiel Institute expects that the jobless rate will fall to 10.1 % by the end of 2018.

The positive factors in the Eurozone thus remain intact. Many leading indicators are clearly positive, while some are even at their highest level since 2000. There is much to suggest that this momentum will continue for some time to come. Thanks to the ECB's policy, which remains expansionary, and the abatement of tensions in the financial sector, financing terms remain highly favorable. In the EU countries outside of the Eurozone, with the exception of the United Kingdom, the economic trend remains highly robust.

The political risks appear to have diminished, but are still present. The efforts toward independence in Catalonia in the autumn demonstrated that the centrifugal forces in Europe remain strong. The balance of political power in Italy remains uncertain, due to the highly fragmented party system there. A risk thus continues to apply in terms of the future economic development of the EU.

German Economy Operating at Full Speed

According to the Kiel Institute for the World Economy, in 2017 Germany's gross domestic product increased by 2.2 %, compared to 1.9 % in 2016. Investments also continued to pick up steam. The high level of utilization is prompting increasing numbers of companies to increase their capacities. Investments in equipment picked up in 2017 due to the robust global economy and grew by 4 %. For 2018, the Kiel Institute even expects growth of nearly 6 %. Growth in 2017 was strongly shaped by the high level of exports. However, the pace of foreign trade may be expected to slacken slightly in 2018, and the unusually strong rate of growth seen in the second half of 2017 will likely not continue.

The upturn in Germany is broad-based and thus not solely dependent on exports. The domestic economy likewise registered strong growth (2.2. %) in 2017. Various leading indicators are also providing further growth signals for 2018. German industry's order books remain full. In line with this trend, the upswing on the labor market is unbroken and has resulted in a further decline in unemployment and in underutilization. An end to this employment growth is not in sight, but the pace is likely to diminish.

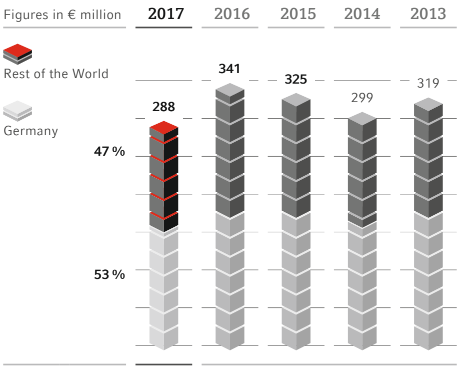
Private consumer spending enjoyed brisk growth in 2017. This is mainly due to the acceleration of wage growth. However, overall the wage trend remains employment-friendly. Public budgets will continue to register large surpluses thanks to the economic trend.

Results of Operations

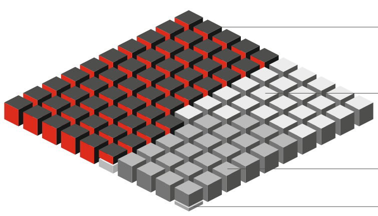
Sales Notes 01, 41

In an overall economic environment, as outlined above, which was shaped by economic growth alongside political uncertainty, sales amounted to € 287.7 million in the period under review and fell by 15.6 % (previous year: € 341.0 million). The decline in sales is mainly due to the Automated Packaging business field. Here, a major location was sold and the business relationship with a major customer was terminated. We have thus achieved our planning targets, as revised in our Semi-Annual Report 2017, which had envisaged sales of between € 280 million and € 300 million. Adjusted for changes to the consolidated group through which sales of € 2.3 million were added for the first time, the decrease in Group sales amounts to – 15.0 %. If one adjusts for the depreciation of the US dollar against the euro by an average of around 7.1 %, or € 4.4 million, in adjusted terms sales have declined by 14.4 %. Our overall operating performance amounted to € 300.3 million (previous year: € 353.4 million).

Sales



Consolidated sales by segment



Figures in € million		2017	2016
53.6 %	Germany	154.3	175.1
23.1 %	Rest of Europe	66.5	83.5
23.2 %	USA/Rest of the World	66.8	81.8
0.1 %	Holding	0.1	0.6
100.0 %	Total	**287.7**	341.0

Germany Increasingly Important for Deufol's Business Note 41

In the past year, Germany reinforced its role as the Deufol Group's most important sales market. With a sales volume of € 154.3 million (previous year: € 175.1 million) in the past fiscal year, it contributed 53.6 % (previous year: 51.4 %) to Group sales. This absolute decline in sales is primarily attributable to the subsidiaries disposed of in this segment in late 2016.

The Rest of Europe segment provided 23.1 % (previous year: 24.5 %) of Group sales, with a sales volume of € 66.5 million (previous year: € 83.5 million). This drop in sales has resulted from the disposal of a major location in late 2016, which the first-time consolidation of the former Novaedes Group and of Deufol St. Nabord in France was unable to make up for.

In the USA/Rest of the World segment, sales fell to € 66.8 million (previous year: € 81.8 million). This means that this segment now represents around 23.2 % (previous year: 24.0 %) of Group activities. This decrease has resulted from the termination of the business relationship with a major customer.

Consolidated sales by services

Figures in € million	2017	2016
Export & Industrial Packaging	206.7	191.9
Share (%)	71.8	56.3
Consumer & Data Packaging	66.8	117.5
Share (%)	23.2	34.5
Supplementary Services	14.1	30.9
Share (%)	4.9	9.1
Holding	0.1	0.6
Share (%)	0.1	0.1
Total	**287.7**	340.9

Export & Industrial Packaging Significantly Increases Share of Sales Note 42

With a share of sales of approx. 71.8 % (previous year: 56.3 %), Export & Industrial Packaging is by far the Group's most important business segment. Sales realized in Consumer Packaging decreased significantly, from 34.5 % to 23.2 %. The contribution provided by Supplementary Services also declined considerably, from 9.1 % to 4.9 %.

Cost development

Figures in € million	2017	2016
Cost of materials	112.5	159.4
as % of overall operating performance	37.5	45.1
Personnel costs	108.0	111.7
as % of overall operating performance	36.0	31.6
Depreciation, amortization and impairment	9.6	9.8
as % of overall operating performance	3.2	2.8
Other operating expenses	60.9	63.1
as % of overall operating performance	20.3	17.8
Total	**291.0**	344.0
as % of overall operating performance	96.9	97.3

Operating Costs Ratio Slightly Lower on Balance Notes 02–05

At 37.5 % (previous year: 45.1 %), the ratio of the cost of materials to Deufol's overall operating performance once again significantly declined. The share accounted for by raw materials, consumables and supplies and purchased merchandise has declined by 2.1 percentage points to 22.6 % (previous year: 24.7 %), while the share of purchased services has decreased significantly to 14.8 % (previous year: 20.4 %). These changes have resulted due to the expansion of the Export & Industrial Packaging business field, which has a considerably lower proportion of part-time workers and subcontractors than the Automated Packaging business field.

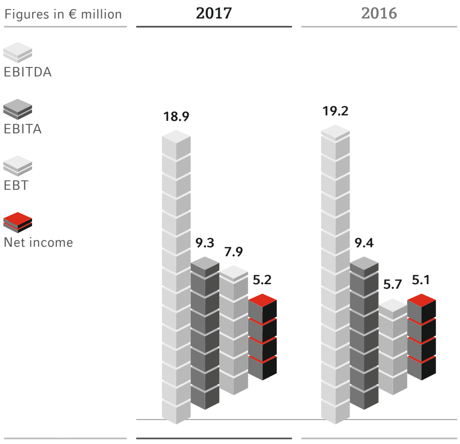
In line with the above comments, in relative terms personnel costs were considerably higher than in the previous year, at € 108.0 million (previous year: € 111.7 million), and amounted to 36.0 % (previous year: 31.6 %) of Deufol's overall operating performance. The absolute decline in personnel costs is attributable to the sales-related decrease in the average number of employees. Moreover, we remain committed to the goal of covering key areas of expertise in-house. In the past fiscal year, the Deufol Group had 2,521 employees (previous year: 2,899).

At € 9.6 million, depreciation is € 0.2 million lower than in the previous year. This includes extraordinary depreciation in the amount of € 1.0 million, due to the realignment toward the Industrial Packaging business in America.

In absolute terms, total other operating expenses have decreased (– € 2.2 million to € 60.9 million); however, in relative terms the expense ratio has increased from 17.8 % to 20.3 %, due to a large number of factors.

Overall, the costs ratio has decreased slightly to 96.9 % (previous year: 97.3 %) of Deufol's overall operating performance. This corresponds to an increase in the EBITA margin from 2.7 % to 3.1 %.

Income development



Margin development

Figures as % of sales	2017	2016
EBITDA margin	6.3	5.4
EBIT(A) margin	3.1	2.7
EBT margin	2.6	1.6
Net income margin	1.7	1.4

Operating Result

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 18.9 million, compared to € 19.2 million in the previous year. The EBITDA margin was 6.3 % (previous year: 5.4 %). Depreciation of property, plant and equipment was at € 7.8 million higher than in the previous year (€ 8.5 million). Of this amount, € 1.0 million is extraordinary depreciation (previous year: € 2.0 million). Amortization of other intangible assets likewise increased slightly, to € 1.8 million (previous year: € 1.4 million).

The operating result before goodwill amortization (EBITA) amounted to € 9.3 million in the reporting period (previous year: € 9.4 million). The EBITA margin amounted to 3.1 % in 2017 (previous year: 2.7 %).

Financial Result Note 06

The negative financial result decreased from – € 3.7 million to – € 1.4 million. Finance costs amount to € 2.3 million, compared to € 4.3 million in the previous year. Besides a decrease in interest accrued, this decline also reflects one-off factors in the previous year. Financial income increased to € 0.9 million. The profit from investments included in this amount was € 0.2 million (previous year: € 0.1 million).

Net Income Notes 07–09

Earnings before taxes (EBT) in the past year were € 7.9 million (previous year: € 5.7 million). Overall tax expenditure in the past fiscal year amounted to € 2.3 million, compared to € 1.1 million in the previous year. Current tax expenditure for taxes on income increased due to the higher pretax earnings and amounted to approx. € 3.0 million (previous year: € 1.8 million). The Company recognized income in the amount of € 0.7 million (previous year: € 0.7 million) for deferred taxes.

This means a result for the period of € 5.6 million (previous year: € 4.6 million). The share for noncontrolling interests is € 0.4 million (previous year: – € 0.4 million).

Earnings attributable to the shareholders of Deufol SE amounted to € 5.2 million in the period under review, compared to € 5.1 million in the same period in the previous year. Earnings per share were € 0.121 in 2017 (previous year: € 0.118).

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 2017 Deufol has a variable-interest syndicated financing arrangement with a volume of € 46 million and a term ending in October 2019. Within the scope of this financing arrangement, the loan agreement prescribes specific financial covenants which the Deufol Group must fulfill during the term of the agreement. Further significant financing groups exist in the USA, Belgium, Austria and Italy (mainly amortizing loans for real estate, operating credit lines and factoring).

Credit lines of € 48.7 million are available to the Group at various banks (previous year: € 56.3 million). As of December 31, 2017, € 31.3 million (previous year: € 24.3 million) of this had been utilized. The variable-interest loans shown in the balance sheet are subject to standard market interest rate risks. In fiscal year 2017, the average weighted interest rate for short-term loans was 2.21 % (previous year: 2.32 %). 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

The Deufol Group's financial liabilities declined slightly in the past fiscal year due to repayments, having increased considerably in the previous year on account of the acquisitions made. They amounted to € 63.7 million (previous year: € 65.8 million) as of the reporting date.

Net financial liabilities – defined as total financial liabilities less financial receivables and cash – decreased slightly more strongly by € 2.7 million, from € 46.9 million on December 31, 2016 to € 44.2 million at the end of the period under review. This was due to the increase in cash held (+ € 2.0 million) and lower financial receivables (– € 1.4 million). The balance of liabilities to banks and call deposits at banks is – € 41.3 million, compared to – € 36.8 million in the previous year.

Financial liabilities

Figures in € million	2017	2016
Amounts due to banks	58.71	52.23
thereof current	18.23	12.47
thereof noncurrent	40.48	39.76
Finance leasing	4.49	13.60
Other	0.47	0.00
Total	**63.67**	65.83

Significant Decline in Investment Volume Due to Acquisitions in Previous Year Notes 10, 11

Due to the acquisitions and the opening of two new production locations in the previous year, in 2017 investments including leased assets were at € 13.5 million significantly lower than in 2016 (€ 31.2 million). Of this amount, € 4.1 million related to additions in connection with companies included in the scope of consolidation for the first time.

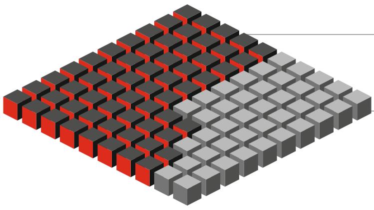
In the past fiscal year, investments in plant, property and equipment excluding purchases were € 5.5 million (previous year: € 9.1 million). The investment ratio – i.e. the ratio of capital expenditure to sales – was 1.9 % in 2017 (previous year: 2.7 %).

Advance payments made and assets under construction (€ 2.2 million) are the largest capital expenditure item. This is followed by operating and office equipment (€ 1.3 million) and leased assets (€ 1.3 million).

Investments by segment

Figures in € million	2017	2016
Germany	1.12	3.03
Rest of Europe	8.12	26.41
USA/Rest of the World	2.42	0.36
Holding	1.87	1.40
Total	**13.53**	31.20

Investments



Figures in € million			2017	2016
	59.1 %	Property, plant and equipment	8.00	24.15
	40.9 %	Intangible assets	5.53	7.05
	100,0 %	Total	**13.53**	31.20

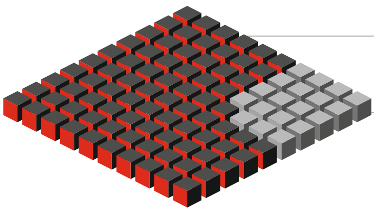
Depreciation and Amortization at Same Level as in Previous Year Notes 10, 11

Depreciation of property, plant and equipment and amortization of intangible assets were similar to the level in the previous year and declined only slightly (€ 9.6 million, compared to € 9.8 million). Depreciation of property, plant and equipment was € 7.82 million (previous year: € 8.5 million), amortization of other intangible assets € 1.82 million (previous year: € 1.3 million).

Depreciation, amortization and impairment by segment

Figures in € million	2017	2016
Germany	2.50	2.90
Rest of Europe	3.48	3.22
USA/Rest of the World	2.58	2.78
Holding	1.08	0.90
Total	**9.64**	9.80

Depreciation, amortization and impairment



Figures in € million			2017	2016
	81.1 %	Property, plant and equipment	7.82	8.47
	18.9 %	Intangible assets	1.82	1.33
	100.0 %	Total	**9.64**	9.80

Cash Flow

Notes 28 – 32

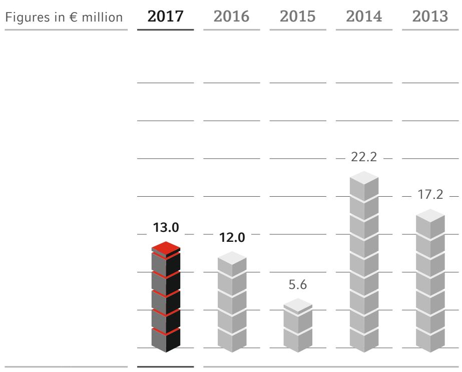
The operating cash flow amounted to € 12.9 million in the period under review and was thus slightly higher than in the previous year (€ 12.0 million). The increase in the operating cash flow by comparison with the previous year is attributable, in particular, to the extremely strong decline in other liabilities in the previous year (– € 13.1 million in the previous year, compared to + € 1.5 million in the year under review).

The cash flow from investing activities was – € 3.6 million (previous year: – € 5.9 million). Cash-based fixed assets investments were € 9.4 million. On the other hand, inflows have mainly resulted from the disposal of intangible assets, property, plant and equipment and financial assets (€ 4.0 million) as well as the settlement of financial receivables (€ 1.7 million).

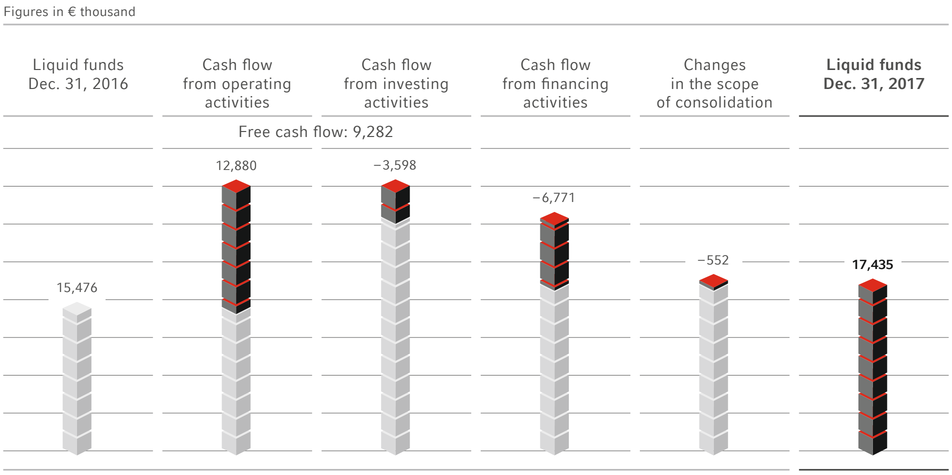
Accordingly, the free cash flow – which is made up of the cash flow from operating activities and the cash flow from investing activities – amounted to € 9.2 million (previous year: € 6.1 million).

The cash flow from financing activities was – € 6.8 million (previous year: – € 4.9 million). Amounts due to banks in the amount of € 6.3 million were newly borrowed, while other financial liabilities were repaid by a net amount of € 10.6 million, which was reflected in cash.

Cash flow from operating activities



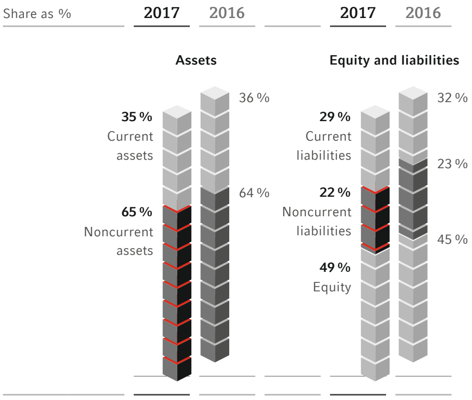
Change in liquid funds



Further outflows of funds resulted from interest paid.

Cash and cash equivalents increased by € 2.0 million to € 17.4 million as of December 31, 2017.

Balance sheet structure



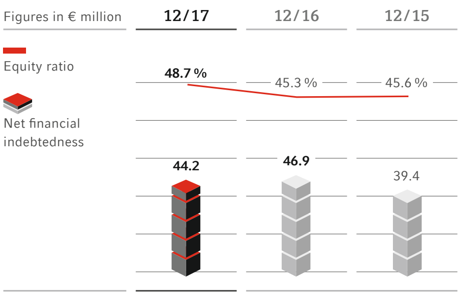
Assets Position

Lower Balance Sheet Total Notes 10 – 17

In 2017, the balance sheet total of the Deufol Group decreased by 3.4 %, or € 8.1 million, to € 230.4 million. On the assets side of the balance sheet, the noncurrent assets decreased by 1.4 %, from € 152.0 million as of the period-end in the previous year to € 149.8 million as of the reporting date. This fall arose due to the decrease in property, plant and equipment (– € 4.3 million to € 56.1 million), € 1 million of which resulted from extraordinary depreciation. The asset depreciation ratio (ratio of accumulated depreciation to historical cost) thus increased by 2.7 percentage points on the previous year to 62.3 %, while the property, plant and equipment ratio (i.e. the ratio of property, plant and equipment to the balance sheet total) fell from 25.3 % to 24.3 %. Goodwill has remained unchanged, despite an acquisition in the year under review. This acquisition related to an investment which had been accounted for using the equity method in the previous year and in which Deufol has acquired a majority stake. Investments in associates nonetheless increased slightly, by € 0.2 million. In respect of the other noncurrent assets, financial receivables decreased by € 1.6 million while other intangible assets increased by € 3.3 million. This is attributable to customer lists acquired in connection with newly established locations. There were no other significant changes.

On the other hand, current assets decreased more strongly, from € 86.6 million to € 80.6 million. This is mainly due to the reduced volume of trade receivables (– € 4.4 million to € 41.3 million) and the decline in inventories (– € 2.1 million to € 12.2 million). On the other hand, cash and cash equivalents have increased (+ € 2.0 million to € 17.4 million). Other current assets changed only slightly. Working capital – the difference between current assets and current non-interest-yielding liabilities – increased from € 28.7 million to € 33.3 million. This is mainly due to the disproportionately strong decline in liabilities to suppliers.

Net financial indebtedness and equity ratio



Increased Equity Notes 18 – 27

At the end of fiscal year 2017, the equity of the Deufol Group amounted to € 112.1 million (previous year: € 108.1 million). The balance sheet total decreased, while the equity ratio rose significantly, from 45.3 % to 48.7 %. Equity mainly increased due to the result for the period (€ 5.6 million) and noncontrolling interests (+ € 1.7 million to € 2.4 million). On the other hand, other comprehensive income developed negatively due to currency factors (– € 3.0 million to – € 0.8 million).

Noncurrent liabilities decreased by € 2.5 million to € 51.4 million. This reflects the decrease in noncurrent financial liabilities (– € 3.1 million to € 44.1 million). On the other hand, deferred tax liabilities increased by € 1.0 million. There were no other significant changes.

The current liabilities decreased significantly, by € 9.7 million to € 66.8 million. This decline is mainly due to the decrease in trade payables (– € 11.4 million to € 28.9 million). This is due to the termination of the business relationship with a major customer in the Automated Packaging business field over the course of the year. On the other hand, other liabilities (+ € 0.7 million to € 13.8 million) and current financial liabilities (+ € 1.0 million to € 19.6 million) have increased. There was no significant change in other current liabilities.

Employees

Increase in Number of Employees Note 04

The Deufol Group had 2,521 employees on average over the course of the year. This represents a decrease of 378 employees or 13.0 % on the previous year. On average, the Group had 1,459 employees in Germany (57.9 %) and 1,062 employees (42.1 %) elsewhere.

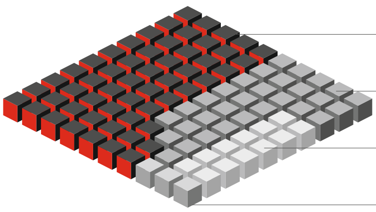
On average, the workforce at the Group's operating locations in Germany declined by 188 in the past year. This reduction is attributable to the sale of Activatis GmbH at the end of 2016. In the Rest of Europe, the average number of employees declined by 19 to 757. In the USA/Rest of the World, the average workforce over the year as a whole decreased significantly, by 193. This decline reflects the termination of the business relationship with a major customer in the Automated Packaging business field, which has already been outlined on several occasions. The holding's workforce has increased on the previous year. It now has 77 employees.

Personnel costs decreased in the reporting period by 3.3 % to € 108.0 million. The personnel cost ratio as a ratio of personnel costs to Deufol's overall operating performance increased from 31.6 % to 36.0 %.

Overview of employees

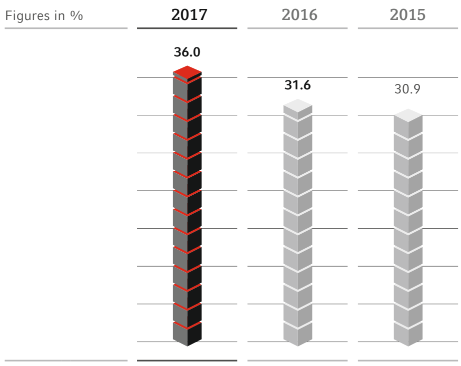
Deufol Group	2017	2016
Germany	1,459	1,625
Rest of the World	1,062	1,274
Female	470	665
Male	2,051	2,234
Total	**2,521**	2,899
As of Dec. 31	2,530	2,637

Employees by segment



Deufol Group			2017	2016
	54.8 %	Germany	1,382	1,557
	30.0 %	Rest of Europe	757	776
	12.1 %	USA/Rest of the World	305	498
	3.1 %	Holding	77	68
	100.0 %	Total	**2,521**	2,899

Personnel expense ratio



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 2017.

Development in the Segments

Germany

Figures in € million	2017	2016
Sales	180.2	201.1
Consolidated sales	154.3	175.1
EBITA = EBIT	6.7	6.7
EBITA margin (%)	4.4	3.8
EBT	6.3	4.5

Germany Notes 40 – 42

At € 154.3 million, consolidated sales in Germany in 2017 clearly fell short of sales in the previous year, which amounted to € 175.1 million. The decline in sales is mainly due to the sale of Activatis GmbH in the previous year, when this company had contributed € 15.6 million to the sales figure. There were no further changes to the consolidated group. The remainder of this decline is attributable to weak packaging sales in the power station construction sector in western Germany especially.

In the reporting period, the EBIT for this division amounted to € 6.7 million (previous year: € 6.7 million). The EBITA margin declined from 3.8 % in the previous year to 4.4 %. The increased margin 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	2017	2016
Sales	91.5	99.6
Consolidated sales	66.5	83.5
EBITA = EBIT	2.6	0.0
EBITA margin (%)	4.0	0.0
EBT	2.1	(0.1)

Rest of Europe Notes 40 – 42

In the Rest of Europe, we realized consolidated sales of € 66.5 million, which is clearly lower than in the previous year (€ 83.5 million). This fall in sales reflects the sale of a major production plant in Heist, Belgium, in the previous year, within the scope of the Group's focus on its export packaging business (– € 28.3 million). On the other hand, the Novaedes Group in Belgium, which was acquired in late 2016, has been included for the first time and has increased sales by € 15.5 million. Otherwise, in overall terms our business in Austria and Belgium declined slightly.

In the past year, this segment achieved an operating result (EBITA) of € 2.6 million, following a balanced EBITA figure in the previous year. On the one hand, this increase is due to progress made in integrating the newly acquired companies. On the other, it also reflects one-off factors in the previous year (valuation adjustments and extraordinary depreciation).

USA / Rest of the World

Figures in € million	2017	2016
Sales	66.9	81.9
Consolidated sales	66.8	81.8
EBITA = EBIT	3.9	4.2
EBITA margin (%)	5.9	5.1
EBT	3.3	2.9

USA / Rest of the World Notes 40 – 42

In the USA / Rest of the World segment, at € 66.8 million, consolidated sales were likewise lower than in the previous year (€ 81.8 million). This is mainly due to the termination of the business relationship with a major customer in the Automated Packaging business field. Sales realized from the Company's operations at the American export packaging locations and Suzhou have once again increased, but remain in the low single-digit million range. The depreciation of the US dollar against the euro by an average of 7.1 % has reduced the volume of sales in this segment by € 4.4 million by comparison with the previous year.

EBITA in this segment was almost unchanged at € 3.9 million (€ 4.2 million in the previous year). The EBITA margin thus increased from 5.1 % in the previous year to 5.9 %.

Holding Notes 40 – 42

The EBITA figure in the Holding segment amounted to – € 3.3 million in the past fiscal year, compared to – € 1.0 million in the previous year. The lower operating result has resulted from positive one-off factors in the previous year, due to the sale and deconsolidation of two subsidiaries.

Overall Summary of Business Performance

Revised Planning Targets Achieved

With an annual sales volume of approx. € 287.7 million, we achieved our sales target as revised in our Semi-Annual Report 2017 and fell within our envisaged range of € 280 million to € 300 million.

Our operating result (EBITDA) reached € 18.9 million and was thus significantly higher than the forecast range of between € 14.0 million and € 16.0 million. We significantly exceeded our earnings goal, despite declining sales, on account of the positive earnings trend in Germany in particular.

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, due to the continuing integration of our acquisitions we envisage a further increase in the level of profitability. In the USA, we expect that our results will remain positive but will be lower due to the termination of a business relationship with a major customer over the course of the year. 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	2017
Sales	287.7
EBITDA	18.9
EBITA	9.3
Net financial liabilities	44.2

Goal achievement 2017

Figures in € million	Sales	EBITDA
Planning	280 – 300	14.0 – 16.0
Actual figures	287.7	18.9

Single-Entity Financial Statements of Deufol SE

Income statement of Deufol SE

Figures in € thousand	2017	2016
Sales	13,302	12,974
Other operating income	6,251	8,420
Cost of materials	(4,077)	(3,915)
Personnel costs	(7,829)	(6,781)
Depreciation, amortization and impairment	(1,093)	(1,466)
Other operating expenses	(11,377)	(11,525)
Financial result	8,053	1,050
Taxes	(303)	(276)
Annual net profit	**2,883**	(1,519)

Sales and Results of Operations

In fiscal year 2017 Deufol SE, realized sales of € 13,302 thousand (previous year: € 12,974 thousand) and other operating income of € 6,251 thousand (previous year: € 8,420 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 € 2,764 thousand (previous year: € 3,391 thousand).

Other operating income mainly consists of income from passed-on expenses in the amount of € 3,157 thousand (previous year: € 3,040 thousand), bonuses associated with central material purchasing in the amount of € 457 thousand (previous year: € 582 thousand), income from exchange-rate differences in the amount of € 387 thousand (previous year: € 357 thousand), and costs reimbursed in connection with the sale of operating divisions in the amount of € 1,000 thousand (previous year: € 3,300 thousand).

The cost of materials in the amount of € 4,077 thousand (previous year: € 3,915 thousand) is due to central goods purchasing and is passed on in the same amount.

Other operating expenses (€ 11,377 thousand, compared to € 11,525 thousand in the previous year) mainly comprise legal fees and consulting expenses in the amount of € 2,195 thousand (previous year: € 2,221 thousand), bad debt charges/closing-out of receivables in the amount of € 736 thousand (previous year: € 184 thousand), exchange losses in the amount of € 1,413 thousand (previous year: € 123 thousand), external services in the amount of € 562 thousand (previous year: € 903 thousand), travel and vehicle expenses in the amount of € 599 thousand (previous year: € 649 thousand), space costs in the amount of € 182 thousand (previous year: € 227 thousand), advertising costs in the amount of € 168 thousand (previous year: € 244 thousand) and passed-on expenses in the amount of € 3,094 thousand (previous year: € 3,010 thousand). Expenses unrelated to the accounting period amounted to € 143 thousand (previous year: € 1,942 thousand) and mainly relate to legal disputes.

In the past year, the financial result amounted to € 8,053 thousand, compared to € 1,050 thousand in the previous year. Net interest income decreased from + € 678 thousand to – € 196 thousand, while income from profit transfer agreements improved from € 5,232 thousand to € 6,205 thousand. In the past fiscal year, investment income was recognized in the amount of € 2,795 thousand (previous year: € 0 thousand). Extraordinary amortization recognized on financial assets in the past fiscal year totaled € 750 thousand (previous year: € 4,860 thousand).

Taxes amounted to € 347 thousand (previous year: € 276 thousand). The net profit for the year under review amounted to € 2,883 thousand (previous year: net loss for the year of € 1,519 thousand).

Assets and Financial Position

In the year under review, the balance sheet total of Deufol SE decreased slightly to € 162.5 million (previous year: € 155.0 million). Fixed assets amount to € 114.6 million, compared to € 109.5 million in the previous year. At € 47.9 million, current assets including accrued and deferred items have increased slightly on the previous year (€ 45.5 million). Depreciation of property, plant and equipment and amortization of intangible assets amounted to € 1,093 thousand (previous year: € 1,466 thousand), amortization of financial assets to € 750 thousand (previous year: € 4,860 thousand). Investments in property, plant and equipment and intangible assets amounted to € 1,973 thousand (previous year: € 1,410 thousand). Investments in financial assets amounted to € 15,519 thousand (previous year: € 636 thousand). With effect as of January 1, 2017, within the scope of a debt-equity swap, receivables with a volume of € 1,332 thousand were contributed to Deufol North America Inc., Sunman, Indiana, and directly recognized in equity.

On the liabilities side, equity has increased by the net profit for the year in the amount of € 2,883 thousand, from € 94.7 million to € 97.6 million. The equity ratio of 60.0 % as of December 31, 2017 has decreased slightly on the previous year (61.1 %) due to the increased balance sheet total. Provisions increased to € 4.4 million (previous year: € 4.3 million). Liabilities rose from € 56.0 million to € 60.5 million. The € 10.3 million increase in liabilities to banks, to € 41.4 million, contrasted with the € 6.8 million decline in liabilities to affiliated companies, to € 14.9 million.

Balance sheet of Deufol SE

Figures in € thousand	**2017**	2016
Fixed assets	114,636	109,535
thereof financial assets	104,799	100,467
Current assets and accrued and deferred items	47,862	45,441
Balance sheet total	**162,498**	154,976
Equity	97,570	94,688
Provisions	4,429	4,306
Liabilities	60,499	55,982
thereof amounts due to banks	41,426	31,095
Balance sheet total	**162,498**	154,976

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

Cash flow statement of Deufol SE

Figures in € thousand	**2017**	2016
Annual net profit	2,883	(1,519)
Depreciation/(appreciation)	1,093	1,466
Increase (decrease) in provisions	138	2,178
Other noncash expenses/(revenue)	1,724	0
Noncash valuation adjustments on financial assets	750	4,860
Net changes in working capital assets	(3,745)	(3,512)
Net changes in working capital liabilities	(12,944)	(3,372)
Interest income/interest expense	197	(678)
Income from investments and profit transfer	(9,000)	(5,292)
Noncash income tax expense	347	276
Income tax payments	(155)	(302)
Cash flow from operating activities	**(18,712)**	(5,835)
Payments made for investments in intangible assets	(656)	(995)
Proceeds from the sale of property, plant and equipment	79	32
Payments made for investments in property, plant and equipment	(1,317)	(415)
Payments made for investments in financial assets	(425)	(636)
Repayment of long-term loans	572	82
Interest received	1,168	2,034
Income received from investments and profit transfer	9,000	5,232
Cash flow from investing activities	**8,421**	5,970
Proceeds from borrowings	10,332	(2,181)
Payments for the purchase of treasury stock	0	(537)
Interest paid	(1,365)	(1,356)
Cash flow from financing activities	**8,967**	(4,074)
Change in cash	(1,324)	(3,939)
Cash at the beginning of the period	5,411	9,350
Cash at the end of the period	4,087	5,411

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 the successful implementation of our 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 nine 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 2018, we continue to expect a moderately positive economic trend. According to the Institute for the World Economy, on the whole the global economic trend remains buoyant. However, the world economic outlook for 2018 is characterized by some uncertainties, particularly political uncertainties. The reasons for this include the American government's skepticism toward multilateral agreements and supranational organizations, the United Kingdom's decision to leave the EU, the declining growth momentum in China, as well as monetary policy in Europe which remains expansionary.

The world economy will thus remain prone to disruptions. The political risks remain considerable. The efforts toward independence in Catalonia have demonstrated that the centrifugal forces in Europe remain strong. The balance of political power following Italy's parliamentary elections remains uncertain, due to the country's highly fragmented party system. Financial risks also apply. Accordingly, the impending normalization of monetary policy might easily give rise to sudden uncertainty on the capital markets, resulting in abrupt corrections in asset prices, yields and exchange rates.

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 (plant engineering, automotive manufacturing, consumer goods manufacturers, etc.), creating a certain risk-reducing effect besides the fact that different, unrelated services are provided for one and the same customer.

A primary objective of the Deufol Group is to promote customer loyalty, e.g. through joint process and efficiency improvement projects 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 backup 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, the Group's central syndicated financing arrangement was optimized in 2016 and extended until October 2019. The Group also has other financing groups in the USA, the Czech Republic, Italy, Belgium and Austria, which are largely independent of its central syndicated financing arrangement.

Within the Group, credit agreements are mainly tied to compliance with financial ratios ("financial covenants"). A violation of the financial 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 short-term financing on the basis of variable interest rates. Property, plant and equipment are almost exclusively financed on a long-term basis, mainly by means of fixed-rate amortizing loans, in order to maintain the attractive current interest-rate environment on a medium- and long-term basis.

The risks resulting from exchange-rate fluctuations mainly 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 2017 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 among 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

The Global Economy is Enjoying Buoyant Growth

According to the Kiel Institute for the World Economy, at 4.0 % global output growth in 2018 will even be slightly stronger than in the previous year (2017: 3.9 %). For 2019, it predicts growth of 3.8 %.

However, in the advanced economies economic sentiment has weakened slightly. In particular, this likely reflects growing uncertainty over the probable pace at which monetary policy will be tightened in the USA as well as concerns in relation to global free trade.

The situation continued to stabilize in the emerging markets in 2017. The economic climate has not yet acquired much in the way of momentum, however. In view of various structural obstacles which remain in place, a strong upturn is not in prospect.

Eurozone's Economy Regains its Stride

The Eurozone's economy has regained its stride and is registering brisk growth. The positive global economic environment is providing additional momentum. Leading indicators point to a continuation of this strong growth, with low interest rates and a mildly expansionary financial policy supporting the economic trend. Unemployment continues to fall, and in some countries increasing tensions on the labor market are likely.

All in all, according to the Institute for the World Economy's forecast the Eurozone economy is set for further growth. The IfW expects that the Eurozone's gross domestic product growth will amount to 2.4 % in 2018 (compared to 2.5 % in 2017). Next year, the volume of economic activity will grow by 2.1 %.

Further Increase in Trend of Workloads Exceeding Capacities in Germany

The German economy continues to prove highly robust. However, economic output growth is currently outstripping the rate of increase in production capacities. The upshot is that the level of utilization of capacities in the overall economic environment has once again picked up significantly and has now reached an acute level. This is suggested by various survey-based indicators. Tensions are increasingly also apparent on the labor market. The high level of utilization is prompting increasing numbers of companies to increase their capacities. Foreign trade continues to expand briskly, but at a slightly slower rate.

Overall in 2018, the Institute for the World Economy predicts gross domestic product growth of 2.5 %, compared to 1.7 % in 2017. In 2019, the pace of the upswing will increase to 2.3 %. With levels of capacity utilization which are already noticeably above normal levels, the German economy is clearly reaching a peak level of activity.

Company-Specific Outlook

Predicted Sales and Results of Operations

For fiscal year 2018, the Deufol Group plans sales of between € 275 million and € 290 million. Its operating result (EBITDA) will be between € 17.0 million and € 20.0 million.

In Germany and the Rest of Europe, sales should be slightly higher than in the previous year. We expect a significant decline in sales in the USA / Rest of the World region. This is due to the termination of the business relationship with a major customer in the Automated Packaging business field in the third quarter of 2017, the impact of which will only be fully felt in 2018.

With regard to our results forecast, we expect slightly improved results for our core business in Germany. This is mainly due to the measures implemented to improve profitability. For the Rest of Europe, we envisage an increase in earnings. This is mainly due to the progress made in integrating the companies newly acquired in the previous year. In the USA / Rest of the World segment, we expect a significant decline in our results due to falling sales.

Expected Financial Position

At present, current business activities do not on balance require additional external financing. Our financial resources secure our existing liquidity requirements. The Group's central syndicated financing arrangement in Europe is secure up to the end of October 2019. 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 fixed assets are planned with a volume of € 11.1 million; this corresponds to an investment ratio (investments in relation to sales) of approx. 3.9 %. The planned investments are thus higher than in 2017 (€ 9.4 million). This is due to a newly planned location in Europe.

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.

INNOVATION – SIMPLE SOLUTIONS FOR COMPLEX CHALLENGES.

Transparency and process reliability throughout the supply chain

With its standalone solution “Deufol Supply Chain Solution” (D-SCS), Deufol has developed a web-based supply-chain information system which provides customers as well as ourselves with maximum transparency and process reliability, throughout the supply chain, thanks to its high level of flexibility. D-SCS enables us not only to improve the predictability of shipping, transport and assembly operations but also to increase levels of punctuality and customer satisfaction. Reliably. Flexibly. Conveniently.

Consolidated Financial Statements

as of December 31, 2017

Consolidated Income Statement

Figures in € thousand	2017	2016	Note/Page
Sales	**287,728**	**340,958**	01/058
Other own work capitalized	636	1,364	
Inventory changes	(335)	(123)	
Other operating income	12,279	11,170	02/058
Overall operating performance	**300,308**	**353,369**	
Cost of materials	(112,484)	(159,369)	03/058
Personnel costs	(107,984)	(111,669)	04/058
Depreciation, amortization and impairment	(9,642)	(9,801)	10/063
Other operating expenses	(60,903)	(63,094)	05/059
Income (loss) from operating activities (EBIT)	**9,295**	**9,436**	
Financial income	294	521	06/060
Finance costs	(2,300)	(2,913)	06/060
Income (loss) from investments accounted for using the equity method	249	88	06/060
Other financial result	366	(1,396)	
Profit (loss) before taxes (EBT)	**7,903**	**5,736**	
Income taxes	(2,270)	(1,101)	07/060
Result for the period	**5,633**	**4,635**	
thereof share of profits held by noncontrolling interests	418	(429)	08/062
thereof share of profits held by shareholders in the parent company	**5,215**	**5,064**	

Earnings per share

Figures in €			
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.121	0.118	09/062

Consolidated Statement of Comprehensive Income

Figures in € thousand	2017	2016	Note/Page
Result for the period	**5,633**	**4,635**	
Other comprehensive income	**(2,544)**	**952**	
Items which may be reclassified to the income statement in future			
Income (loss) from currency translation, after taxes	(2,544)	959	
Items which will not be reclassified to the income statement in future			
Actuarial income/loss (–) from pensions, after taxes	0	(7)	24/071
Comprehensive income after taxes	**3,089**	**5,587**	
thereof noncontrolling interests	418	(429)	
thereof shareholders in the parent company	2,671	6,016	

Consolidated Balance Sheet

Assets

Figures in € thousand	Dec. 31, 2017	Dec. 31, 2016	Note/Page
Noncurrent assets	**149,757**	**151,957**	
Property, plant and equipment	56,084	60,400	10/063
Goodwill	71,120	71,120	11/063
Other intangible assets	10,780	7,485	11/063
Investments accounted for using the equity method	1,024	866	12/064
Financial receivables	48	1,617	13/065
Other financial assets	34	56	
Other receivables and other assets	2,445	2,417	14/065
Deferred tax assets	8,222	7,996	07/060
Current assets	**80,608**	**86,575**	
Inventories	12,240	14,385	15/068
Trade receivables	41,310	45,669	16/068
Other receivables and other assets	6,785	8,679	14/065
Tax receivables	861	538	
Financial receivables	1,977	1,828	13/065
Cash and cash equivalents	17,435	15,476	17/069
Total assets	**230,365**	**238,532**	

Equity and liabilities

Figures in € thousand	Dec. 31, 2017	Dec. 31, 2016	Note/Page
Equity	**112,149**	**108,110**	
Equity attributable to the shareholders of Deufol SE	109,724	107,340	
Subscribed Capital	43,774	43,774	18/069
Capital reserves	107,240	107,240	19/069
Retained earnings	10,204	10,000	
Profit brought forward	(50,143)	(55,347)	
Other comprehensive income	(815)	2,209	
Treasury stock at cost	(536)	(536)	
Noncontrolling equity interests	2,425	770	22/069
Noncurrent liabilities	**51,373**	**53,930**	
Financial liabilities	44,075	47,229	23/070
Provisions for pensions	3,454	3,861	24/071
Other provisions	63	87	
Other liabilities	68	85	27/074
Deferred tax liabilities	3,713	2,667	07/060
Current liabilities	**66,843**	**76,493**	
Trade payables	28,870	40,320	28/074
Financial liabilities	19,588	18,601	23/070
Other liabilities	13,801	13,100	27/074
Tax liabilities	1,736	1,673	
Other provisions	2,848	2,799	26/073
Total equity and liabilities	**230,365**	**238,532**	

Consolidated Cash Flow Statement

Figures in € thousand	2017	2016	Note/Page
Income (loss) from operating activities (EBIT)	9,295	9,436	
Adjustments to reconcile net income (loss) to cash flow from operating activities			
Depreciation. amortization and impairment	9,642	9,801	10.11/063
(Gain) loss from disposal of fixed assets	(22)	82	02.05/058. 059
(Gain) loss from disposal of investments	0	662	
Taxes paid	(3,109)	(1,785)	
Other noncash expenses/revenue	373	88	
Changes in assets and liabilities from operating activities			
Decrease (increase) in trade accounts receivable	3,192	6,856	
Decrease (increase) in inventories	1,794	863	
Decrease (increase) in other receivables and other assets	804	3,664	
Increase (decrease) in trade accounts payable	(11,218)	(4,108)	
Increase (decrease) in other liabilities	1,465	(13,144)	
Increase (decrease) in provisions	(224)	(787)	
Decrease (increase) in other operating assets/liabilities	888	373	
Cash flow from operating activities	**12,880**	**12,001**	29/075
Payments made for investments in intangible assets and property. plant and equipment	(9,402)	(9,831)	
Proceeds from the sale of intangible assets and property. plant and equipment	3,993	1,214	
Proceeds from the sale of investments	0	2,420	30/075
Acquisitions of business units less acquired cash	(217)	(501)	
Disposal of business units less cash disposed of	0	(835)	
Net change in financial receivables	1,734	1,084	
Interest received	294	521	
Cash flow from investing activities	**(3,598)**	**(5,928)**	31/075
Addition (extinction) of amounts due to banks	6,304	(1,273)	
Addition (extinction) of other financial liabilities	(10,543)	(881)	
Proceeds from capital increase	204	0	
Interest paid	(2,300)	(2,905)	
Change in noncontrolling interests	(400)	738	
Purchase/sale of treasury stock	0	(536)	
Dividend paid to noncontrolling interests	(35)	(73)	
Cash flow from financing activities	**(6,771)**	**(4,930)**	32/075
Exchange-rate- and scope-of-consolidation-related changes in financial resources	(552)	0	
Change in cash and cash equivalents	**1,959**	**1,143**	33/075
Cash and cash equivalents at the beginning of the period	15,476	14,333	
Cash and cash equivalents at the end of the period	17,435	15,476	

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	Equity attributable to the shareholders of Deufol SE	Noncontrolling equity interests	**Total equity**
Balance at Jan. 1, 2016	**43,774**	**107,240**	**0**	**(50,404)**	**0**	**1,250**	**101,860**	**534**	**102,394**
Result for the period				5,064			5,064	(429)	4,634
Other comprehensive income				(7)		959	952		952
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**	**107,340**	**770**	**108,110**
Result for the period				5,215			5,215	418	5,633
Other comprehensive income						(2,544)	(2,544)		(2,544)
Comprehensive income				**5,215**		**(2,544)**	**2,671**	**418**	**3,089**
Capital increase								204	204
Reclassification from corporate actions for consolidated entities			480			(480)			0
Dividends				(10)			(10)	(25)	(35)
Changes to scope of consolidation			(276)				(276)	1,057	781
Balance at Dec. 31, 2017	**43,774**	**107,240**	**10,204**	**(50,143)**	**(536)**	**(815)**	**109,724**	**2,425**	**112,149**

* Cf. Notes (18) to (20)

Notes to the Consolidated Financial Statements

For the fiscal year from January 1, 2017 to December 31, 2017

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. 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 24, 2018 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 e of the German Commercial Code (HGB) are complied with and applied in the preparation of the consolidated financial statements. All IFRSs (IFRSs, IASs, IFRICs, SICs) as adopted by the European Union and mandatorily applicable as of the balance sheet date were applied. In principle, the consolidated financial statements are prepared using the historical-cost concept. This excludes derivative financial instruments 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: 18) fully consolidated subsidiaries in Germany and 28 (previous year: 24) 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 €	**2017**	2016	**2017**	2016
US dollar	1.1993	1.0541	1.1263	1.1066
Renminbi	7.8044	7.3202	7.6202	7.3496
Singapore dollar	1.6024	1.5234	1.5571	1.5278
Czech crown	25.535	27.021	26.316	27.034

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 and customer relationships are amortized on a straight-line basis over their expected useful life 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	5–10 years	3–8 years
Remaining useful life	up to 9 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 (excl. financial instruments held for trading and financial assets at fair value through profit or loss).

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

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

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

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

The Company’s management classifies financial assets on acquisition and checks their classification at each balance sheet date.

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

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

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

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

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

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

Derivative Financial Instruments

As a rule, derivative financial instruments are exclusively used by the Group to hedge currency risks. Derivatives which have not been included in hedge accounting, as hedging instruments, are reported in income as financial assets measured at fair value. In these cases, profits or losses from these financial assets are recognized in income.

Insofar as the hedge accounting rules pursuant to IAS 39 are applied, 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 nonfinancial asset or a nonfinancial liability, the amounts recognized in equity will form part of the costs of acquisition at the time of the addition of the nonfinancial asset or nonfinancial liability.

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

Cash and Cash Equivalents

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

Inventories

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

Deferred Taxes

Deferred taxes are calculated using the balance sheet liability method in accordance with IAS 12. This standard requires deferred taxes to be recognized for all temporary differences between the tax bases of the individual companies and the carrying amounts according to 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 28.46 % (previous year: 28.39 %). 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 d-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.

Nonderivative Financial Liabilities and Other Liabilities

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

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

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

Treasury Stock

Where the Group acquires treasury stock, this is recognized at cost on acquisition and deducted from equity. The purchase, sale, issue or withdrawal of treasury stock is recognized directly in equity, in the 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.

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 (25) 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 (07) 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 IFRSs

The accounting and valuation methods applied in the consolidated financial statements correspond to the IFRSs whose adoption is mandatory in the EU from December 31, 2017.

Published IFRSs 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, 2017 have not had any significant effect on the consolidated financial statements.

Published IFRSs Endorsed by the EU and Not Yet Adopted

In May 2014, the IASB published its standard IFRS 15 "Revenue from Contracts with Customers". IFRS 15 replaces existing arrangements for the recognition of revenue. The new standard prescribes a 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 does not intend to apply this standard with retrospective effect as of its first-time adoption. The Group-wide review of the effects of adoption of IFRS 15 on the consolidated financial statements has now been completed. Adoption of IFRS 15 is not expected to have any effect on the Group's net assets, financial position and results of operations.

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 (incl. impairment) for financial instruments. IFRS 9 also includes general hedge accounting rules. IFRS 9 necessitates additional notes which result from the adjustment of IFRS 7 “Financial Instruments – Disclosures”. In particular, changes will result from the fact that the new rules on the recognition of impairments include expected, future losses, while IAS 39 merely envisages the recognition of impairments which have already arisen.

IFRS 9 is mandatorily applicable, at the latest, for fiscal years beginning on or after January 1, 2018. Early adoption is permitted. Deufol will adopt IFRS 9 for the first time for the fiscal year beginning on January 1, 2018. In accordance with the transitional provisions, Deufol will waive its application to the prior-year figures and will cumulatively report the transition effects in retained earnings. An assessment of the effects of the adoption of IFRS 9 on the consolidated financial statements does not suggest any impact in terms of classification and measurement, impairment and recognition of hedging relationships on the Group’s net assets, financial position and results of operations as a result of the transition to IFRS 9.

In January 2016, the IASB published the standard IFRS 16 “Leases” which is intended to replace IAS 17 and IFRIC 4. 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 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. In accordance with the transitional provisions, Deufol is currently planning to waive its application to the prior-year figures and to cumulatively report the transition effects in retained earnings.

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

In May 2017, the IASB published its standard IFRS 17 “Insurance Contracts”. IFRS 17 will not have any effect on Deufol’s consolidated financial statements.

Scope of Consolidation

Consolidated Companies

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

	Dec. 31, 2016	Additions	Disposals	Dec. 31, 2017
Consolidated subsidiaries	42	4	0	46
thereof in Germany	18	0	0	18
thereof abroad	24	4	0	28
Companies valued using the equity method	8	0	1	7
thereof in Germany	4	0	0	4
thereof abroad	4	0	1	3
Total	**50**	**4**	**1**	**53**

The following table shows the companies fully consolidated as of December 31, 2017:

Companies fully consolidated as of Dec. 31, 2017

	Country	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	77.6
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. subsidiaries)	Austria	60.0
Packing Center Terminal Graz Süd GesmbH, Werndorf	Austria	60.0
Rieder Kistenproduktion Gesellschaft m. b. H., Ramsau nr. Hainfeld	Austria	60.0
Deufol Austria GmbH, Bruck a. d. Leitha	Austria	60.0
Deufol Česká republika a. s., Ivančice	Czech Republic	100.0
Deufol Slovensko s. r. o., Krušovce	Slovak Republic	100.0
Deufol (Suzhou) Packaging Co., Ltd. Suzhou	China	100.0
Deufol North America Inc., Sunman, Indiana (incl. subsidiaries)	USA	100.0
Deufol Sunman LLC.., Sunman, Indiana	USA	100.0
Deufol Charlotte LLC., Charlotte, North Carolina	USA	100.0
Deufol Wordwide Packaging Inc., Sunman, Indiana	USA	100.0

* Attributable to the relevant parent

Companies fully consolidated as of Dec. 31, 2017	Country	Equity interest (%)*
Deufol Packaging Tienen NV, Tienen	Belgium	100.0
Deufol Logistics Tienen NV, Tienen	Belgium	100.0
Deufol België NV, Tienen (incl. subsidiaries)	Belgium	100.0
Arcus Installation B. V. B. A., Houthalen	Belgium	100.0
Deufol Technics NV, Houthalen	Belgium	100.0
Deufol Waremme S. A., Waremme	Belgium	98.8
Manamer NV, Antwerp	Belgium	100.0
Novaedes International NV, Antwerp (incl. subsidiaries)	Belgium	100.0
Deufol Lier NV, Lier	Belgium	100.0
Deufol Port of Antwerp NV, Antwerp	Belgium	100.0
Deufol Brussels NV, Machelen	Belgium	100.0
Deufol Rhein-Main GmbH (previously Novaedes Deutschland GmbH), Butzbach	Germany	100.0
Deufol Paris SAS, Mitry Mory	France	100.0
Deufol St. Nabord SAS, Saint Nabord	France	70.0
SCI Immo DLS, Saint Nabord	France	70.0
Deufol Immobilien CZ s. r. o., Brno	Czech Republic	100.0
Deufol CZ Production s. r. o., Brno	Czech Republic	100.0
Deufol Italia S. p. A., Fagnano Olona	Italy	100.0

* Attributable to the relevant parent

Investments Accounted for Using the Equity Method

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

Companies accounted for using the equity method as of Dec. 31, 2017	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 i. L., 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	50.0

* 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 Newly Established Companies

Deufol België NV, Belgium, a wholly owned subsidiary of Deufol SE, originally held 24 % of the shares in Deufol St. Nabord SAS, France. To date, this company has been consolidated at equity. In fiscal year 2017, Deufol België NV acquired a further 46 % of the shares in Deufol St. Nabord SAS, France. Following this purchase, Deufol België NV thus now holds 70 % of the shares in this company. The purchase price for the newly acquired shares in this company amounts to € 1.8 million, which was paid in full in 2017.

In 2016, Deufol and the then co-shareholder signed an agreement which includes an option for the purchase of the shares. This option was exercisable at any time. In late 2016, Deufol St. Nabord SAS successfully completed its negotiations with its largest customer over a new service contract with a fixed term of ten years. Deufol België NV subsequently began to exercise this option in early 2017. Due to the intention to exercise the option under the agreement, the company was included in the scope of consolidation for the first time on January 1, 2017. This acquisition was completed through a contract of September 29, 2017.

For its part, Deufol St. Nabord SAS holds 98.86 % of the shares in SCI Immo DLS, France. Since January 1, 2017, this company has also been included in the consolidated financial statements by way of full consolidation.

Deufol St. Nabord SAS and SCI Immo DLS are active in the field of packaging and supplementary services in France. Through this acquisition, the Deufol Group will supplement and expand its market position in France.

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	1,659
Property, plant and equipment	2,471
Receivables	294
Cash and cash equivalents	1,583
Total assets	**6,007**
Provisions	160
Financial liabilities	30
Other liabilities	1,897
Total liabilities	**2,087**
Acquired net assets	3,920
Fair value of shares held	(939)
Share held by noncontrolling interests	(1,181)
Purchase price of the shares acquired in 2017	1,800
less acquired cash and cash equivalents	(1,583)
Cash outflow due to acquisition of Deufol St. Nabord SAS	217

The allocation of the purchase price as of the date of acquisition resulted in intangible assets in the amount of € 1,659 thousand, property, plant and equipment in the amount of € 2,471 thousand and deferred tax liabilities in the amount of € 1,390 thousand. These intangible assets comprise customer relationships. Property, plant and equipment include the release of hidden reserves for real estate.

Noncontrolling interests are valued at the fair value of the subsidiaries' net assets.

The profit from the remeasurement of the equity in Deufol St. Nabord SAS at fair value which Deufol België NV held prior to the business combination was recognized in other operating income in the statement of comprehensive income, in the amount of € 848 thousand.

For Deufol, including the earnings effects resulting from the purchase price allocation, the business combination with Deufol St. Nabord SAS has increased sales by € 2.3 million and contributed to the Group's earnings through net income in the amount of € 1.2 million.

In June 2017, Deufol North America Inc., a wholly owned subsidiary of Deufol SE, established Deufol Worldwide Packaging LLC, Sunman, Indiana. Deufol North America Inc. is the sole shareholder. Deufol Worldwide Packaging LLC does not have any fixed share capital. The newly established company has been active in the field of export and industrial packaging since June 2017. Under an agreement dated June 16, 2017, the company signed a purchase agreement for the acquisition of assets with BENTLEY WORLD-PACKAGING, LTD.Property, plant and equipment, inventories and receivables and current rental and leasing agreements were acquired at three locations of BENTLEY WORLD-PACKAGING, LTD. in the USA. No liabilities were acquired. No business activities were acquired. Accordingly, this does not constitute a business combination in accordance with IFRS 3.

Overall, the following assets were acquired at fair values:

Figures in € thousand	Fair values as of date of consolidation
Intangible assets	2,040
Property, plant and equipment	175
Inventories	146
Receivables	1,654
Total assets	**4,015**

This company has been fully consolidated since June 2017.

In 2017, Deufol SE established Deufol CZ Production s. r. o., Brno, Czech Republic. This company has share capital with a value of € 26 thousand. Deufol SE is the sole shareholder. In the year under review, the company assumed responsibility for operating the production plant in Cheb, Czech Republic, which was newly constructed in the previous year. The related property and the other fixed assets at the location are owned by Deufol Immobilien CZ s. r. o. Brno, Czech Republic.

This company has been fully consolidated since March 2017.

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 investment properties in the amount of € 0 thousand (previous year: € 139 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	2017	2016
Release of provisions and liabilities	1,638	729
Release of valuation adjustments on receivables	132	0
Income from receivables written off	496	0
Assumption of costs	1,000	3,785
Insurance compensation and other indemnification	3,485	1,237
Reimbursements of ancillary costs	204	205
Income from disposal of fixed assets	42	159
Income from deconsolidation	0	3,123
Exchange-rate gains	895	287
Amounts reimbursed by suppliers	457	582
Income from out-of-court settlements and court rulings	1,456	0
Consolidation-related income	848	0
Other	1,626	1,063
Total	**12,279**	**11,170**

03 Cost of Materials

The cost of materials includes the following expenses:

Figures in € thousand	2017	2016
Expenses for raw materials, consumables and supplies	67,990	87,286
Cost of purchased services	44,494	72,083
Total	**112,484**	**159,369**

04 Personnel Costs

The personnel costs include the following expenses:

Figures in € thousand	2017	2016
Wages and salaries	83,144	88,004
Social security contributions and employee benefits	24,840	23,665
Total	**107,984**	**111,669**

Number of employees by region:

Number of employees by region:	2017	2016
Germany	1,459	1,625
Europe	757	776
USA/Rest of the World	305	498
Group employees	**2,521**	**2,899**

On average, the Group had 2,521 employees in 2017, of whom 812 were office employees and 1,709 industrial employees. The holding had 77 employees on average (previous year: 68). As of the reporting date December 31, 2017, the Group had 2,530 employees (previous year: 2,637).

05 Other Operating Expenses

The following table shows the breakdown of other operating expenses:

Figures in € thousand	2017	2016
Rental and lease expenses	22,349	22,087
Space costs	7,051	5,670
Maintenance costs	3,274	4,052
Legal and consulting costs	5,886	4,684
Litigation risks	0	1,800
Insurance premiums	2,886	2,966
IT and communications costs	2,744	2,541
Vehicle fleet costs	2,972	2,151
Expenses for loss or damage incurred	1,406	2,605
Expenses for tools and fuel	464	408
Personnel expenses	1,154	812
Travel expenses and advertising costs	2,294	1,667
Losses on disposal of fixed assets	20	155
Currency losses	766	98
Valuation adjustments and losses on receivables	931	1,687
Restructuring expenses	0	263
Other	6,706	9,448
Total	**60,903**	**63,094**

The Group auditors' overall fees for the fiscal year amounted to € 194 thousand (previous year: € 191 thousand) for audits of financial statements, € 78 thousand (previous year: € 60 thousand) for tax consulting services and € 17 thousand (previous year: € 21 thousand) for other services.

06 Financial Result

The financial result can be broken down as follows:

Figures in € thousand	2017	2016
Financial income	**294**	**521**
Other interest and similar income	63	283
from finance leases	231	228
Related parties	0	10
Finance costs	**(2,300)**	**(2,913)**
from financial liabilities	(1,872)	(2,249)
from finance leases	(185)	(383)
Accumulation of liabilities and provisions	(242)	(281)
Other interest and similar expenses	(1)	0
Shares of profits of companies accounted for using the equity method	**249**	**88**
Other financial result	**366**	**(1,396)**
Total	**(1,391)**	**(3,700)**

At €366 thousand (previous year: €0), the other financial result is due to a currency swap to hedge the Czech crown, which is measured at fair value in income.

07 Tax Proceeds/Expenses

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

Figures in € thousand	2017	2016
Effective income tax expense	**2,995**	**1,841**
Germany	534	518
Rest of the World	2,461	1,323
Deferred income taxes due to the occurrence or reversal of temporary differences	**(725)**	**(740)**
Germany	75	(323)
Rest of the World	(800)	(417)
Total	**2,270**	**1,101**

Deferred tax expenses/proceeds are as follows:

Figures in € thousand	2017	2016
(Recognition of)/write-down on loss carryforwards	0	325
Supplementary capital for tax purposes	0	18
Valuation of property, plant and equipment	(452)	(374)
Valuation of financial instruments	104	0
Valuation of clientele	(123)	(49)
Valuation of current assets	0	11
Finance leasing	(225)	(133)
Other	(29)	(538)
Total	**(725)**	**(740)**

As of December 31, 2017, deferred taxes were calculated for German companies with an overall tax rate of 28.46 % (previous year: 28.39 %). 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 28.46 % (previous year: 28.39 %) income tax rate for Deufol SE:

Figures in € thousand	2017	2016
Earnings before taxes	7,903	5,736
Income tax rate of the Deufol Group as %	28.46	28.39
Expected tax expense	**2,249**	**1,628**
Effect of different tax rates	256	(4)
Unrecognized deferred tax assets on loss carryforwards	0	882
Use of previously unconsidered tax losses	(1,010)	(684)
Origination/reversal of temporary differences	0	(409)
Write-down on loss carryforwards recognized to date	0	4
Effect of tax-exempt income	(899)	(193)
Effect of expenses not deductible for tax purposes	1,134	528
Prior-period tax effects	(392)	59
Other	349	(710)
Effects of tax-rate changes	583	0
Income taxes	**2,270**	**1,101**
Effective tax rate (%)	**28.72**	**19.19**

Deferred tax assets can be broken down as follows:

Figures in € thousand	2017	2016
Tax loss carryforwards	6,406	7,579
Supplementary capital for tax purposes	47	58
Property, plant and equipment	1,217	0
Finance leases	1,087	871
Provisions for pensions	9	10
Other	521	343
Deferred tax assets	**9,286**	**8,861**
Offset against deferred tax liabilities	(1,064)	(865)
Total	**8,222**	**7,996**

Of the deferred tax assets, € 6,187 thousand (previous year: € 6,140 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, 2017, corporate income tax loss carryforwards amounted to € 46.9 million (previous year: € 59.1 million). Of this amount, € 46.3 million (previous year: € 55.1 million) may be carried forward for an unlimited duration. The trade tax loss carryforwards of German Group companies amount to € 37.7 million (previous year: € 47.7 million). Temporary differences relating to shares in subsidiaries for which no deferred taxes have been shown in the balance sheet total € 26.4 million (previous year: € 25.6 million).

For the Company's German shareholders, the distribution of the proposed dividend is not expected to involve any tax deduction, since this relates to payments from the tax-specific contribution account (section 27 (1)–(7) of the German Corporate Income Tax Act (KStG)). Deufol is unable to assess whether this distribution may nonetheless result in a tax liability at the level of its shareholders in individual circumstances. Recipients of investment income have sole responsibility for this.

Deferred tax liabilities can be broken down as follows:

Figures in € thousand	2017	2016
Property, plant and equipment	2,817	2,091
Finance leases	335	344
Clientele	1,161	720
Other receivables and other assets	104	0
Other	359	377
Deferred tax liabilities	**4,777**	**3,532**
Offset against deferred tax assets	(1,064)	(865)
Total	**3,713**	**2,667**

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 as well as the Deufol België Group.

09 Earnings per Share

Income Figures in € thousand	2017	2016
Result attributable to the holders of Deufol SE common stock	5,215	5,064
Shares in circulation Figures in units		
Weighted average number of shares	42,960,880	43,367,278
Earnings per share Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.121	0.118

Consolidated Balance Sheet Disclosures

10 Property, Plant and Equipment

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

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

Figures in € thousand	2017	2016
Cost	6,434	5,918
Accumulated depreciation and amortization	(4,950)	(4,361)
Carrying amount	**1,484**	**1,557**

The following amounts are attributable to "Buildings":

Figures in € thousand	2017	2016
Cost	1,049	686
Accumulated depreciation and amortization	(790)	(650)
Carrying amount	**259**	**36**

The extraordinary impairments recognized on technical equipment and machinery in the past fiscal year amount to € 1,079 thousand. These resulted due to the termination of the business relationship with a major customer and exclusively relate to the USA/Rest of the World segment.

11 Intangible Assets

Intangible assets primarily consist of the goodwill recognized on consolidating acquirees as well as acquired customer relationships.

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, 2017	**1,099**	**1,442**	**1,071**	**71,120**
Additions	0	0	0	0
Disposals	0	0	0	0
Impairments	0	0	0	0
Currency translation adjustments	0	0	0	0
Carrying amount as of Dec. 31, 2017	**1,099**	**1,442**	**1,071**	**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 7.42 % and 8.89 % (previous year: 5.58 % to 9.07 %). 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 points 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, 2017, the carrying amount of the investments in associates accounted for using the equity method amounts to € 1,024 thousand (previous year: € 866 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, 2017	Dec. 31, 2016
Current assets	1,584	1,787
Noncurrent assets	1,335	1,344
Total assets	**2,919**	**3,131**
Equity and liabilities Figures in € thousand		
Debt	2,144	2,347
Equity	775	784
Total equity and liabilities	**2,919**	**3,131**
Total sales	7,008	7,230
Total expenses	6,759	7,142
Income	**249**	**88**

The unrecognized losses amount to € 1 thousand (previous year: € 82 thousand); cumulative unrecognized losses total € 90 thousand (previous year: € 417 thousand).

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, 2017:

Figures in € thousand	2017	2016
Total future payments	**1,761**	**3,453**
thereof due within one year	1,668	1,757
thereof due between one and five years	93	1,696
thereof due in more than five years	0	0
Present value of future payments	**1,761**	**3,141**
thereof due within one year	1,668	1,524
thereof due between one and five years	93	1,617
thereof due in more than five years	0	0
Interest element	**0**	**312**

These amounts differ from the amounts reported under financial receivables in the balance sheet by € 264 thousand (previous year: € 304 thousand), since loan receivables and expected repayments are reported 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:

	2017		2016	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes receivable	238	238	2,029	2,029
Deferred expenses	1,032	1,032	1,344	1,335
Guarantees	180	180	451	171
Receivables from assumption of costs	0	0	1,250	1,250
Receivables from related parties	400	400	625	625
Compensation	2,800	2,800	845	845
Foreign-currency swaps	366	366	0	0
Receivables from reimbursements of ancillary costs	0	0	852	852
Amount reimbursed by suppliers	591	591	697	697
Receivables from employees/social security authorities	342	342	106	106
Other	3,281	836	2,897	769
Total	**9,230**	**6,785**	**11,096**	**8,679**

Consolidated Statement of Changes in Assets in 2016 and 2017

	Procurement and production costs							
Figures in € thousand	Jan. 1, 2017	Currency differences	Additions	Additions through business combinations	Disposals	Reversals of impairment losses	Reclassifications	Dec. 31, 2017
Property, plant and equipment								
Land, land rights and buildings	61,761	(1,598)	150	2, 435	(134)	0	3,593	66,208
Technical equipment and machinery	46,611	(2,409)	605	1	(2,949)	0	2,654	44,513
Operating and office equipment	32,683	(257)	1,261	35	(575)	0	(3,660)	29,487
Assets under construction	1,877	24	2,209	0	(572)	0	(2,558)	979
Leased assets	6,604	(39)	1,305	0	(359)	0	(29)	7,483
Total	**149,536**	**(4,279)**	**5,530**	**2,471**	**(4,589)**	**0**	**0**	**148,670**
Intangible assets								
Patents, licenses, trademarks and similar rights and assets	14,067	(438)	3,232	1,659	(349)	0	(18)	18,154
Internally generated intangible assets	3,217	0	640	0	(11)	0	0	3,844
Goodwill	73,730	(2,416)	0	0	0	0	18	71,332
Total	**91,014**	**(2,854)**	**3,872**	**1,659**	**(360)**	**0**	**0**	**93,330**
Sum total	**240,550**	**(7,133)**	**9,402**	**4,130**	**(4,949)**	**0**	**0**	**242,000**
Figures in € thousand	**01,01,2016**							**31,12,2016**
Property, plant and equipment								
Land, land rights and buildings	43,600	460	4,870	12,850	(56)	0	37	61,761
Technical equipment and machinery	45,441	671	1,052	480	(1,048)	0	15	46,611
Operating and office equipment	32,462	78	1,152	988	(2,055)	0	58	32,683
Assets under construction	284	14	1,778	0	(20)	0	(179)	1,877
Leased assets	13,742	18	250	725	(8,200)	0	(69)	6,604
Investment property	983	0	0	0	(983)	0	0	0
Total	**136,512**	**1,241**	**9,102**	**15,043**	**(12,362)**	**0**	**0**	**149,536**
Intangible assets								
Patents, licenses, trademarks and similar rights and assets	11,843	87	136	3,392	(1,391)	0	0	14,067
Internally generated intangible assets	2,301	0	916	0	0	0	0	3,217
Goodwill	71,288	(1)	0	2,611	(168)	0	0	73,730
Total	**85,432**	**86**	**1,052**	**6,003**	**(1,559)**	**0**	**0**	**91,014**
Sum total	**221,944**	**1,327**	**10,154**	**21,046**	**(13,921)**	**0**	**0**	**240,550**

	Depreciation, amortization and impairment							Net amounts	
	Dec. 31, 2017	Currency differences	Additions	Disposals	Reversals of impairment losses	Reclassifica-tions	**Dec. 31, 2017**	Dec. 31, 2016	**Dec. 31, 2017**
	20,321	(961)	2,554	0	0	0	21,914	41,441	44,294
	38,648	(2,134)	2,932	(886)	0	30	38,590	7,962	5,923
	25,155	(248)	1,514	(128)	48	0	26,341	7,527	3,146
	0	0	0	0	0	0	0	1,877	979
	5,012	(16)	822	0	(48)	(30)	5,741	1,593	1,742
	89,136	**(3,359)**	**7,822**	**1,014**	**0**	**0**	**92,586**	**60,400**	**56,084**
	9,139	(328)	1,274	(55)	0	0	10,031	4,928	8,123
	660	0	527	0	0	0	1,187	2,557	2,657
	2,610	(2,416)	18	0	0	0	212	71,120	71,120
	12,409	**(2,744)**	**1,820**	**(55)**	**0**	**0**	**11,430**	**78,605**	**81,900**
	101,545	**(6,103)**	**9,642**	**(1,069)**	**0**	**0**	**104,016**	**139,005**	**137,984**
	01,01,2016						**31,12,2016**	31,12,2015	**31,12,2016**
	18,655	226	1,496	(56)	0	0	20,321	24,945	41,441
	35,753	577	3,094	(850)	0	74	38,648	9,687	7,962
	23,995	70	2,804	(1,726)	0	12	25,155	8,467	7,527
	0	0	0	0	0	0	0	284	1,877
	11,654	8	1,077	(7,642)	0	(86)	5,012	2,088	1,593
	822	0	0	(822)	0	0	0	161	0
	90,880	**881**	**8,471**	**(11,096)**	**0**	**0**	**89,136**	**45,632**	**60,400**
	9,478	87	965	(1,391)	0	0	9,139	2,365	4,928
	295	0	365	0	0	0	660	2,006	2,557
	2,611	(1)	0	0	0	0	2,610	68,677	71,120
	12,384	**86**	**1,330**	**(1,391)**	**0**	**0**	**12,409**	**73,048**	**78,605**
	103,264	**967**	**9,801**	**(12,487)**	**0**	**0**	**101,545**	**118,680**	**139,005**

15 Inventories

The following table shows the breakdown of inventories:

Figures in € thousand	2017	2016
Raw materials, consumables and supplies	9,810	10,204
Work in progress	2,336	2,443
Finished products and merchandise	93	1,738
Total	**12,240**	**14,385**

16 Trade Receivables

Trade receivables are as follows:

Figures in € thousand	2017	2016
Trade receivables	44,012	47,542
Valuation adjustments	(2,702)	(1,873)
Trade receivables, net	**41,310**	**45,669**

Trade receivables from related parties amount to € 63 thousand (previous year: € 205 thousand).

As of December 31, 2017, 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
2017	**44,012**	**26,369**	**4,620**	**4,966**	**1,346**	**753**	**5,958**
2016	45,669	29,978	6,319	1,660	1,153	1,384	5,175

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	2017	2016
Valuation adjustments at start of period	**1,873**	**1,362**
Currency differences	(5)	1
Changes to scope of consolidation	0	401
Addition	1,050	508
Utilization	(84)	(294)
Reversal	(132)	(105)
Valuation adjustments at end of period	**2,702**	**1,873**

17 Cash and Cash Equivalents

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

Figures in € thousand	2017	2016
Cash on hand	60	56
Bank balances	17,375	15,420
Total	**17,435**	**15,476**

There are no restrictions on the amounts reported as cash.

18 Subscribed Capital

As of December 31, 2017, 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, 2017 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, 2017 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 28, 2017, the Company has been authorized to purchase up to 4,377,365 of its own shares in the period from June 28, 2017 to June 27, 2022; this corresponds to 10 % of the current share capital.

19 Capital Reserves

At the end of 2017, 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 fiscal year 2017, within the scope of the increase in the Group's stake in DRELU Holzverarbeitung GmbH, Remscheid, which had already been fully consolidated, the premium paid on the nominal value of the shares in the amount of € 276 thousand was deducted from retained earnings. Also in 2017, Deufol SE contributed receivables with a value of USD 30 million to the equity of Deufol North America Inc. The cumulative currency effects associated with these receivables in the amount of € 480 thousand were reclassified from other comprehensive income 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 and Deufol Belgie 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 the distribution of an amount of € 0.06 per share out of the net income of Deufol SE calculated in accordance with the principles of the German Commercial Code. This will result in a dividend in the amount of € 2,578 thousand. The remaining net income for the year in the amount of € 13,524 thousand is to be carried forward to new account.

23 Financial Liabilities

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

Figures in € thousand	2017				2016			
		thereof with a remaining maturity of				thereof with a remaining maturity of		
	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year	1 to 5 years	over 5 years
Amounts due to banks	58,706	18,228	33,472	7,006	52,231	12,473	33,962	5,796
Liabilities under financial leases	4,487	1,320	3,127	40	4,603	1,258	3,319	26
Other financial liabilities	470	40	430	0	8,996	4,870	4,126	0
Financial liabilities	**63,663**	**19,588**	**37,029**	**7,046**	**65,830**	**18,601**	**41,407**	**5,822**

Property, plant and equipment in the amount of € 31.7 million (previous year: € 44.0 million), trade receivables in the amount of € 0.0 million (previous year: € 9.0 million) and inventories in the amount of € 0.0 million (previous year: € 4.0 million) have been pledged as collateral to secure liabilities to banks and other financial liabilities. Fully consolidated interests in the amount of € 11.2 million (previous year: € 0.0 million) have likewise been pledged.

Liabilities to Banks

Short-term and medium-term credit lines of € 48.7 million are available to the Group at various banks (previous year: € 56.4 million). As of December 31, 2017, € 31.3 million (previous year: € 24.3 million) of this had been utilized. The financial liabilities carried in the balance sheet are subject to standard market interest rate risks. In fiscal year 2017, the average weighted interest rate for short-term loans was 2.21 % (previous year: 2.32 %).

The following table shows the Group's material medium- and long-term liabilities to banks:

	2017				2016			
	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)
Loans	€	362	1	6.05	€	1,774	2	6.05
Loans	€	7,500	2	variable*	€	9,500	3	variable*
Loans	€	1,408	7	3.05	€	1,595	8	3.05
Loans	€	1,017	6	3.95	€	1,167	7	3.95
Loans	€	2,453	2	1.75	€			
Loans	€	1,761	7	2.41	€			
Loans	€	4,500	9	1.30	€	4,875	10	1.30
Loans	€	5,262	11	1.95	€	3,115	12	1.95
Loans	€	871	14	3.25	€	884	15	3.25

* Three-month EURIBOR +2.25 %

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 € 2.3 million (previous year: € 5.7 million).

Liabilities under Financial Leases

The total future minimum payments from financial leasing contracts can be broken down as follows as of December 31, 2017:

Figures in € thousand	2017	2016
Total future minimum lease payments	**4,697**	**4,755**
thereof due within one year	1,391	1,320
thereof due between one and five years	3,262	3,409
thereof due in more than five years	44	26
Present value of future minimum lease payments	**4,487**	**4,603**
thereof due within one year	1,320	1,258
thereof due between one and five years	3,127	3,319
thereof due in more than five years	40	26
Interest element	**210**	**152**

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 noncurrent-benefit entitlements (provisions for similar post-employment benefits). Noncurrent-benefit entitlements are recognized in the balance sheet at the Group's Italian and Austrian subsidiaries. The recognized provisions can be broken down as follows:

Figures in € thousand	2017	2016
Provisions for other post-employment benefits	610	491
Liabilities to pension fund	2,844	3,369
Total	**3,454**	**3,860**

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:

	Austria		Italy	
Figures in %	2017	2016	2017	2016
Discount rate	1.8	1.6	0.9	0.4
Turnover rate*	0.0	0.0	0.0	0.0
Index-linked salary increase	0.0	0.0	1.5	1.5
Index-linked pension increase	2.0	2.0	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.

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	2017	2016
Present value of the obligation at Jan. 1	491	1.380
Current service cost	16	5
Interest cost	14	27
Pension payments	(24)	(25)
Actuarial losses	0	7
Business combinations, disposals and other items	113	(903)
Present value of the obligation/net pension commitment on Dec. 31	**610**	**491**

The present value of the total obligation was € 1,244 thousand on December 31, 2013, € 1,398 thousand on December 31, 2014 and € 1,380 thousand on December 31, 2015. The actuarial gains and losses amounted to € 20 thousand on December 31, 2013, € 186 thousand on December 31, 2014 and € 19 thousand on December 31, 2015 and have been recognized in other comprehensive income.

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

Figures in € thousand	2017	2016
Current service cost	16	5
Interest cost	14	27
Total pension expense	**30**	**32**

The expected pension expense for 2018 is € 12 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 € 4,125 thousand (previous year: € 4,529 thousand).

The Company has carried as a liability in relation to a pension fund an amount of € 2,844 thousand (previous year: € 3,369 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.

In general, pension payments depend on the period of employment as well as the employee's remuneration at the time of his retirement.

25 Sensitivity Analysis

An increase or decrease in the key actuarial assumptions by 0.25 % points would have the following effects on the pension obligations as of December 31, 2017:

	Increase of 0.25 percentage points	Decrease of 0.25 percentage points
Interest rate	−36	36
Index-linked salary increase	5	4
Index-linked pension increase	**33**	**31**

The sensitivity calculations are based on the average period of the pension obligations calculated on December 31, 2017. The calculations have been made in isolation for the actuarial parameters classified as significant, in order to separately report the effects on the present value of the pension obligations calculated as of December 31, 2017. The sensitivity analysis does not include the obligations to a pension fund in the USA, since these have been frozen and the changes in the actuarial assumptions will not therefore have any effect on the pension obligation.

26 Other Provisions

The following table shows the changes in other provisions:

Figures in € thousand	Jan. 1, 2017	Utilization	Reversal	Addition	Changes in scope of consolidation	Dec. 31, 2017
Guarantee and liability risks	68	0	0	0	0	68
Litigation risk	2,393	(67)	(197)	48	0	2,177
Dismantling obligations	23	0	0	0	0	23
Other risks	402	(1)	(24)	106	160	643
Total	**2,886**	**(68)**	**(221)**	**154**	**160**	**2,911**

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	2017	2016	2017	2016	2017	2016
Guarantee and liability risks	68	68	0	0	68	68
Litigation risk	2,177	2,393	0	0	2,177	2,393
Dismantling obligations	23	23	0	0	23	23
Other risks	580	315	63	87	643	402
Total	**2,848**	**2,799**	**63**	**87**	**2,911**	**2,886**

27 Other Liabilities

Other liabilities can be broken down as follows:

	2017		2016	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes payable	1,957	1,957	2,072	2,072
Social security liabilities	1,189	1,189	1,972	1,972
Liabilities to employees relating to wages and salaries	9,840	9,840	7,902	7,902
Other liabilities to employees (annual leave, overtime, etc.)	45	0	387	342
Deferred income	246	246	248	248
Liabilities to related parties	0	0	0	0
Other	593	569	604	564
Total	**13,870**	**13,801**	**13,185**	**13,100**

28 Trade Payables

Trade payables amount to € 28,870 thousand (previous year: € 40,320 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 € 4,125 thousand (previous year: € 4,675 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 2017 and 2016. 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.

29 Cash Flow from Operating Activities

In fiscal year 2017, operating activities provided net cash of € 12.9 million (previous year: € 12.0 million). It should be noted that adjustments were made for the effects of changes in the scope of consolidation.

30 Acquisitions and Sales

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

31 Cash Flow from Investing Activities

In the past fiscal year a € 3.6 million (previous year: € 5.9 million) outflow of funds from investing activities resulted. Investments in intangible assets and property, plant and equipment amounted to € 9.4 million, while an inflow of funds in the amount of € 4.0 million resulted from the disposal of intangible assets and property, plant and equipment. The net change in financial receivables in the amount of € 1.7 million and interest received in the amount of € 0.3 million were also significant.

The cash outflows due to acquisitions of business units less acquired cash include payments totaling € 0.2 million in connection with the acquisition of Deufol St. Nabord.

32 Cash Flow from Financing Activities

In the past fiscal year, a € 6.8 million (previous year: € 4.9 million) outflow of funds from financing activities resulted. This was mainly due to the reduction of financial liabilities on balance in the amount of € 4.2 million, and paid interest of € 2.3 million.

Deufol SE did not distribute any dividend in 2017.

The adjustments to reconcile financial liabilities to the cash flow from financing activities in fiscal year 2017 are shown below:

Figures in € thousand	Dec. 31, 2016	Cash-effective	Noncash-effective: Changes in the scope of consolidation	Noncash-effective: Currency translation adjustments	Noncash-effective: Other	Noncash-effective: Changes in fair value	Dec. 31, 2017
Noncurrent financial liabilities	47,229	(5,074)	0	81	1,839	0	44,075
Current financial liabilities	18,601	835	30	122	0	0	19,588
Forward exchange transactions used for hedging purposes – assets	0	0	0	0	0	366	366

33 Change in Cash and Cash Equivalents

The cash and cash equivalents balance increased by € 2.0 million from € 15.4 million to € 17.4 million. Net financial indebtedness – defined as financial liabilities less the Group’s financial receivables and cash and cash equivalents – decreased by € 2.7 million.

Other Disclosures

34 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 € 22,349 thousand (previous year: € 22,087 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.

35 Obligations under Operating Leases – Group as Lessee

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

Figures in € thousand	Dec. 31, 2017	Dec. 31, 2016
Not later than one year	15,147	14,078
Later than one year and not later than five years	19,817	19,798
Later than five years	2,769	5,529
Total minimum lease payments	**37,732**	**39,405**

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.

36 Receivables under Operating Leases – Group as Lessor

The Deufol Group had concluded leasing agreements for commercial leasing of its investment properties. These leases had remaining, noncancelable terms of between two and four years.

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

As of December 31, 2017, receivables in the form of future minimum lease payments under noncancelable operating leases are as follows:

Figures in € thousand	Dec. 31, 2017	Dec. 31, 2016
Not later than one year	0	467
Later than one year and not later than five years	0	78
Later than five years	0	0
Total minimum lease payments	**0**	**545**

37 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.

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, 2017, the Group's equity ratio was 48.7 % (previous year: 45.3 %). The equity ratio thereby functions merely as a passive management criterion, with sales and the operating result (EBIT) being used as active management variables.

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

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. If the euro were 10 % stronger (weaker) against the US dollar, the earnings of the Group would have been € 199 thousand lower (higher) and in the previous year € 152 thousand lower (higher). The balancing item in equity would have been € 730 thousand lower (higher) and in the previous year € 409 thousand lower (higher).

Further currency risks result from the consolidation of the Czech companies. The Deufol Group is currently using forward exchange transactions to hedge currency risks (Czech crown).

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, 2017 for variable-interest liabilities had been an average of 100 basis points higher (lower), this would have had an effect on the Group's interest expense in the approximate amount of € 355 thousand (previous year: € 392 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	2018	2019 to 2022	after 2022
At December 31, 2017			
Amounts due to banks	18,355	34,907	7,952
Liabilities under financial leases	1,391	3,262	44
Other financial liabilities	40	430	0
Trade payables	28,870	0	0
Other liabilities (excl. tax liabilities)	11,844	68	0

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 (excl. tax liabilities)	11,028	85	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 translation	Valuation adjustment	From disposal	**2017**	2016
Loans and receivables	63	—	—	(918)	—	(855)	(110)
Financial assets measured at fair value and reported in income	—	366	—	—	—	366	—
Financial liabilities measured at amortized cost	(2,115)	—	—	—	—	(2,115)	(2,530)

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.

Financial assets measured at fair value and reported in income relate to derivative financial instruments which have not been included in hedge accounting. These financial instruments include derivative currency hedging contracts. For the measurement of forward exchange transactions, the cash flows from the forward exchange transaction are discounted to the valuation date, subject to the discount factors currently applicable for the remaining term. The resulting foreign-currency amounts are then translated into EUR at the spot rate on the valuation date. The market value was thus determined on the basis of parameters for which quoted prices derived either directly or indirectly are available on an active market (Level 2 of the measurement hierarchy according to IFRS 13).

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

The carrying amounts for the financial instruments in terms of valuation categories and fair-value hierarchy levels are as follows:

			Balance sheet valuation (IAS 39)					
Figures in € thousand	Category	Fair-value hierarchy	**Carrying amount as of Dec. 31, 2017**	Amortized cost	Fair value not recognized in income	Fair value recognized in income	Valuation acc. IAS 17	**Fair value as of Dec. 31, 2017**
Assets								
Cash and cash equivalents	1)	1	17,435	17,435	—	—	—	17,435
Trade receivables	1)	2	41,310	41,310	—	—	—	41,310
Other receivables	1)	2	10,400	10,400	—	—	—	10,292
Receivables from the finance lease	n/a	2	1,761	—	—	—	1,761	1,783
Financial assets	2)	3	34	34	—	—	—	34
Derivatives used for hedging purposes	3)	2	366	—	—	366	—	366
Equity and liabilities								
Amounts due to banks	4)	2	58,706	58,706	—	—	—	58,706
Trade payables	4)	2	28,870	28,870	—	—	—	28,870
Liabilities under financial leases	n/a	2	4,487	—	—	—	4,487	4,362
Other liabilities	4)	2	16,076	16,076	—	—	—	16,017
Aggregated by valuation category acc. IAS 39								
1) Loans and receivables			69,145	69,145	—	—	—	69,037
2) Financial assets measured at amortized cost			34	34	—	—	—	34
3) Financial assets measured at fair value and reported in income			366	—	—	366	—	366
4) Financial liabilities measured at amortized cost			103,652	103,652	—	—	—	103,593
5) Financial liabilities held for trading			—	—	—	—	—	—

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

Segment Information by Region and Services

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 segment 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

Figures in € thousand	Germany	Rest of Europe	USA/Rest of the World	Holding	Elimination	Group
2017						
External sales	154,358	66,481	66,854	35	0	287,728
Internal sales	25,844	25,057	110	13,088	(64,099)	0
Total sales	**180,202**	**91,538**	**66,964**	**13,123**	**(64,099)**	**287,728**
EBIT	6,743	2,653	3,933	(3,280)	(755)	9,295
Financial income	404	341	43	1,169	(1,663)	294
Finance costs	(1,043)	(901)	(654)	(1,365)	1,663	(2,300)
Income (loss) from associates and other equity investments	200	0	20	29	0	249
Other financial result	0	0	0	366	0	366
EBT	6,304	2,093	3,341	(3,080)	(755)	7,903
Taxes						(2,270)
Result for the period						**5,633**
Assets	96,764	107,245	51,780	263,015	(288,439)	230,365
thereof investments accounted for using the equity method	942		12	70		1,024
Non-allocated assets						0
Total assets	**96,764**	**107,245**	**51,780**	**263,015**	**(288,439)**	**230,365**
Financial liabilities	20,838	29,177	11,834	59,673	(57,860)	63,662
Other debt	47,524	31,755	18,511	9,502	(52,738)	54,554
Non-allocated debt						0
Total liabilities	**68,362**	**60,932**	**30,345**	**69,175**	**(110,598)**	**118,216**
Depreciation, amortization and impairment	2,499	3,484	2,576	1,082	0	9,642
Investments	1,125	8,122	2,419	2,060	(193)	13,532
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 investments accounted for using the equity method	712	91	14	49	0	866
Non-allocated assets						8,534
Total assets	**78,495**	**110,058**	**53,452**	**253,042**	**(265,049)**	**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	0	31,200

The Deufol Group has various customers which belong to a corporate group in the consumer goods industry. In the past financial year, the Deufol Group realized € 41.3 million (previous year: € 94.8 million) or approx. 14.4 % (previous year: 27.8 %) of its total sales with these customers. These customers fall within the USA / Rest of the World segments. The Deufol Group also has a major customer in the field of export packaging. In the past financial year, the Deufol Group realized € 50.5 million (previous year: € 46.5 million) or approx. 17.5 % (previous year: 13.6 %) of its total sales with this customer. This customer falls within the Germany segment.

42 Information on Services

The following table shows the sales trend by service:

Figures in € thousand	Export & Industrial Packaging	Consumer & Data Packaging	Supplementary Services	Holding	Elimination	**Group**
2017						
External sales	206,707	66,854	14,132	35	0	287,728
Internal sales	44,104	1,686	5,221	13,088	(64,099)	0
Total sales	**250,811**	**68,540**	**19,353**	**13,123**	**(64,099)**	**287,728**
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**

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 five non-executive directors and two managing directors as of the end of 2017 – had the following membership in the reporting period:

Name and position	
Detlef W. Hübner (Chairman) Appointed until the 2019 AGM	■ Managing Director of Deufol SE
Helmut Olivier (Deputy Chairman) Appointed until the 2019 AGM	■ Executive Board member of Lehman Brothers AG i. L.
Dennis Hübner Appointed until the 2019 AGM	■ Managing Director of Deufol SE
Marc Hübner Appointed until the 2019 AGM	■ Head of Business Development, Deufol Group
Holger Bürskens Appointed until the 2019 AGM	■ Partner of ARNECKE SIBETH Rechtsanwälte Partnergesellschaft mbB, Frankfurt am Main
Prof. Dr. Wolfgang König (to June 28, 2017)	■ Managing Director at House of Finance, Goethe University Frankfurt
Wulf Matthias Appointed until the 2019 AGM	■ Director of M. M. Warburg & Co., Frankfurt am Main
Peter Oberegger (to June 28, 2017)	■ Managing Director at Peer Swan Group GmbH, Oberhaching
Axel Wöltjen Appointed until the 2019 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 2017, Administrative Board compensation totaled € 140 thousand (previous year: € 160 thousand).

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

Name	Departments
Klaus Duttiné	Finance, 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, Audit, Legal
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	2017	2016
Fixed remuneration	1,450	1,450
Variable remuneration	750	600
Other remuneration	33	33
Total	**2,233**	**2,083**

The managing directors' compensation comprises 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 nonconsolidated 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 €26 thousand (previous year: €45 thousand), while income amounted to €0 thousand (previous year: €1 thousand). On December 31, 2017, the Company had liabilities in relation to A. Wöltjen Consulting GmbH in the amount of €7 thousand (previous year: €10 thousand).

Hofgut Liederbach GmbH & Co. KG, Frankfurt am Main qualifies as a related party, since its two shareholders are members of the Administrative Board of Deufol SE. In fiscal year 2017, expenses amounted to €401 thousand (previous year: €0 thousand), while income amounted to €15 thousand (previous year: €0 thousand). As of December 31, 2017, the Group did not have any receivables from or liabilities to this company.

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 €26 thousand (previous year: €3 thousand) and expenses in the amount of €0 thousand (previous year: €9 thousand). As of December 31, 2017, receivables from these companies and Mr. Detlef W. Hübner amounted to €63 thousand (previous year: €0 thousand), while liabilities in relation to these companies and Mr. Detlef W. Hübner totaled €0 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
2017		
Sales and other income	1,463	42
Expenses	282	427
Purchase of property, plant and equipment	0	0
Receivables	850	63
Liabilities	123	36
2016		
Sales and other income	1,475	4
Expenses	(1,111)	259
Purchase of operating and office equipment	0	0
Receivables	194	0
Liabilities	74	83

Hofheim am Taunus (Wallau), April 24, 2018

The Managing Directors

Klaus Duttiné Dennis Hübner Detlef W. Hübner Jürgen Schmid

Auditors' Report

We have audited the consolidated financial statements – comprising the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes – and the Company and Group management report prepared by Deufol SE, Hofheim, for the fiscal year from January 1 to December 31, 2017. 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 e (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 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. We obtain an understanding of the internal control system which is relevant for the audit in order to plan audit activities which are appropriate in the given circumstances, but not with the goal of providing an audit opinion on the effectiveness of the Company's internal control system. 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 315e (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.

Hofheim am Taunus, April 27, 2018

VOTUM AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Alexander Leoff	Christoph Lehnert
Certified auditor	Certified auditor


DEUFOL
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CORPORATE CULTURE – WE CREATE VALUE.

Wherever we operate: it is our values which bring us together

Our values encapsulate the positive characteristics which clearly distinguish us as people, both in our Company and elsewhere: a long-term focus, respect, a readiness to change, the aim of serving as role models, optimism and cooperation. They are intended to provide us with guidance, motivation and inspiration in our daily work and in our relationships, but also in terms of our strategic orientation going forward. We aim to build our personal skills as well as those of our teams and thus to develop a collective corporate identity. The establishment of a Group-wide corporate culture which is based upon our values is an integral part of Deufol's strategy.

Information on Deufol SE

Income Statement of Deufol SE

Figures in € thousand	2017	2016
1. Sales	**13,302**	**12,974**
2. Other operating income thereof income from currency translation: € 358 thousand (previous year: € 357 thousand)	6,251	8,420
3. Cost of materials Expenses for raw materials, consumables and supplies and for purchased merchandise	(4,077)	(3,915)
4. Personnel costs		
a) Wages and salaries	(7,123)	(6,198)
b) Social security contributions	(706)	(583)
5. Amortization of intangible assets and depreciation of property, plant and equipment	(1,093)	(1,466)
6. Other operating expenses thereof expenses for currency translation: € 123 thousand (previous year: € 220 thousand)	(11,377)	(11,525)
7. Income due to profit transfer agreements thereof from affiliated companies: € 5,232 thousand (previous year: € 3,224 thousand)	6,205	5,232
8. Other interest and similar income thereof from affiliated companies: € 1,921 thousand (previous year: € 3,098 thousand)	1,169	2,034
9. Write-downs of financial assets	(750)	(4,860)
10. Interest and similar expenses thereof for affiliated companies: € 291 thousand (previous year: € 397 thousand	(1,365)	(1,356)
11. Income taxes	(303)	(192)
12. Earnings after taxes	**2,927**	**(1,435)**
13. Other taxes	(44)	(84)
14. Net loss/profit for the year	**2,883**	**(1,520)**
15. Retained profits brought forward	13,220	24,740
16. Allocations to other revenue reserves	0	(10,000)
17. Net income for the year	**16,102**	**13,220**

Balance Sheet of Deufol SE

Assets Figures in € thousand	Dec. 31, 2017	Dec. 31, 2016
A. Fixed assets	**114,636**	**109,535**
I. Intangible assets	2,827	2,810
1. Purchased licenses, trademarks and similar rights and assets as well as licenses for such rights and assets	1,914	2,188
2. Advance payments made	913	622
II. Property, plant and equipment	7,010	6,256
1. Land, land rights and buildings incl. buildings on third-party land	5,148	5,291
2. Technical equipment and machinery	303	0
3. Other equipment, operating and office equipment	1,072	846
4. Advance payments made and assets under construction	487	119
III. Financial assets	104,799	100,469
1. Shares in affiliated companies	96,648	95,642
2. Loans to affiliated companies	7,962	4,638
3. Investments	189	189
B. Current assets	**47,680**	**45,157**
I. Receivables and other assets	43,593	39,746
1. Trade receivables	89	157
2. Receivables from affiliated companies	42,669	37,432
3. Receivables from companies in which a participating interest is held	140	35
4. Other assets	695	2,122
II. Cash in hand, bank balances	4,087	5,411
C. Deferred expenses and accrued income	**182**	**284**
Total assets	**162,498**	**154,976**

Equity and liabilities Figures in € thousand		Dec. 31, 2017	Dec. 31, 2016
A. Equity		**97,571**	**94,688**
I. Subscribed Capital	43,774		
less nominal amount of treasury stock	(813)	42,961	42,961
Contingent Capital: € 20,000 thousand (previous year: € 20,000 thousand)			
II. Capital reserves		28,184	28,184
III. Retained earnings		10,323	10,323
1. Legal reserve		46	46
2. Other revenue reserves		10,277	10,277
IV. Net income for the year thereof retained profits brought forward: € 13,220 thousand (previous year: € 14,740 thousand)		16,102	13,220
B. Provisions		**4,429**	**4,306**
1. Tax provisions		192	206
2. Other provisions		4,237	4,100
C. Liabilities		**60,498**	**55,982**
1. Liabilities to banks		41,426	31,095
2. Trade payables		1,467	1,522
3. Liabilities to affiliated companies		14,817	21,623
4. Liabilities to companies in which a participating interest is held		35	60
5. Other liabilities thereof taxes: € 1,676 thousand (previous year: € 1,261 thousand) thereof social security liabilities: € 0 thousand (previous year: € 0 thousand)		2,753	1,682
Total equity and liabilities		**162,498**	**154,976**

Significant Equity Investments of Deufol SE

	Equity interest (%)*	Shareholders' equity (€ thousand)	Sales (€ thousand)	Employees
Germany				
Deufol Berlin GmbH, Berlin	100.00	256	10,716	83
Deufol Bochum GmbH, Bochum	100.00	167	5,274	33
Deufol Hamburg GmbH, Hamburg	100.00	1,081	19,105	59
Deufol München GmbH, Garching-Hochbrück	100.00	(1,818)	1,270	15
Deufol Nord GmbH, Peine	100.00	1,403	17,784	220
Deufol Nürnberg GmbH, Nuremberg	100.00	17,198	12,373	97
Deufol Remscheid GmbH, Remscheid	100.00	330	3,127	15
Deufol Süd GmbH, Neutraubling	100.00	138	40,034	252
Deufol Südwest GmbH, Frankenthal	100.00	3,058	11,514	86
Deufol West GmbH, Mülheim an der Ruhr	100.00	2,177	28,881	231
DRELU Holzverarbeitung GmbH, Remscheid	77.55	689	9,089	74
DTG Verpackungslogistik GmbH, Fellbach	51.00	773	7,175	31
Deufol Rhein-Main GmbH (previously Novaedes Deutschland GmbH), Butzbach	100.00	1,058	5,331	28
Rest of Europe				
Deufol Austria GmbH., Bruck a. d. L., Austria	60.00	621	3,912	17
Deufol België NV, Tienen, Belgium	100.00	10,986	5,292	7
Rieder Kistenproduktion Gesellschaft m. b. H., Ramsau nr. Hainfeld, Austria	60.00	485	13,168	96
Manamer NV, Antwerp, Belgium	100.00	555	1,157	0
Deufol Lier NV (previously Novaedes HP NV), Lier, Belgium	100.00	1,260	9,177	54
Deufol Port of Antwerp NV (previously Novaedes Port of Antwerp NV), Antwerp, Belgium	100.00	555	4,934	19
Deufol Česká republika a. s., Ivancice, Czech Republic	100.00	1,715	14,201	142
Deufol Immobilien CZ s. r. o., Brno, Czech Republic	100.00	89	488	0
Deufol Italia S. p. A., Fagnano Olona, Italy	100.00	2,231	11,277	51
Deufol Logistics Tienen NV, Tienen, Belgium	100.00	105	5,292	75
Deufol Waremme S. A., Waremme, Belgium	98.75	7,132	9,177	88
USA / Rest of the World				
Deufol Sunman Inc., Sunman, Indiana, USA	100.00	8,496	53,759	214

* Attributable to the relevant parent

Glossary

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

Asset cover ratio I
Ratio of equity to noncurrent assets

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

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

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

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

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

Days payables outstanding
Ratio of trade payables to revenue

Days sales outstanding
Ratio of trade accounts receivable to revenue

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

EBIT
Earnings before interest and taxes

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

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

EBT
Earnings before taxes

EBTA
Earnings before taxes and amortization/impairment of goodwill

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

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

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

Investment ratio
Ratio of capital expenditure to sales

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

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

Operating cash flow
Cash flow from operating activities

Personnel expense ratio
Ratio of personnel expenses to revenue

Price earnings ratio
Ratio of share price to earnings per share

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

Receivables turnover
Ratio of revenue to trade accounts receivable

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

Consolidated Key Figures – Five-Year Overview

Results of operations	2017	2016	2015	2014	2013
Sales (€ thousand)	287,728	340,958	324,835	298,871	318,698
Change on previous year (%)	(15.6)	5.0	8.7	(6.2)	(4.3)
EBITDA (€ thousand)	18,937	19,237	15,601	13,453	14,765
Margin (%)	6.6	5.6	4.8	4.5	4.6
EBITA (€ thousand)	9,334	9,436	8,166	6,228	6,045
Margin (%)	3.2	2.8	2.5	2.1	1.9
EBT (€ thousand)	7,903	5,736	5,494	3,500	2,725
Margin (%)	2.7	1.7	1.7	1.2	0.9
Income (loss) from continuing operations (€ thousand)	5,633	4,635	3,592	468	478
Margin (%)	2.0	1.4	1.1	0.2	0.2
Net income (€ thousand)	5,215	5,064	3,299	228	294
Margin (%)	1.8	1.5	1.0	0.1	0.1
Operating cash flow (€ thousand)	12,905	12,001	5,541	22,243	17,188
Margin (%)	4.5	3.5	1.7	7.4	5.4
Free cash flow (€ thousand)	8,932	6,073	2,673	19,905	12,010
Margin (%)	3.1	1.8	0.8	6.7	3.8

Assets position	2017	2016	2015	2014	2013
Current assets (€ thousand)	80,608	86,575	87,537	79,434	70,798
as % of total assets	35.0	36.3	39.0	36.4	33.2
Noncurrent assets (€ thousand)	149,757	151,957	137,072	138,917	142,159
as % of total assets	65.0	63.7	61.0	63.6	66.8
Balance sheet total (€ thousand)	230,365	238,532	224,609	218,351	212,957
Change on previous year (%)	(3.4)	6.2	2.9	2.5	(3.6)
Liabilities (€ thousand)	118,216	130,423	122,215	121,003	117,419
as % of total assets	51.3	54.7	54.4	55.4	55.1
Shareholders' equity (€ thousand)	112,149	108,109	102,394	97,348	95,538
as % of total assets	48.7	45.3	45.6	44.6	44.7
Working capital (€ thousand)	33,305	28,683	30,543	24,294	23,534
as % of total assets	14.5	12.0	13.6	11.1	11.1
Capital employed (€ thousand)	178,160	176,878	161,383	156,983	159,079
as % of total assets	77.3	74.2	71.9	71.9	74.7
Noncurrent/current assets	1.86	1.76	1.57	1.75	2.0
Shareholders' equity/liabilities	0.95	0.83	0.84	0.80	0.81
Property, plant and equipment ratio	0.24	0.25	0.20	0.21	0.22
Asset depreciation ratio (%)	62.7	59.6	66.6	65.1	62.6
Inventories/sales (%)	4.25	4.2	3.9	4.1	3.8
Receivables turnover	6.97	7.5	7.3	8.8	8.6
Days sales outstanding	52.4	48.9	50.0	41.3	42.4
Days payables outstanding	36.62	43.2	41.8	44.4	35.9

Financial and liquidity ratios	2017	2016	2015	2014	2013
Capital employed/sales (%)	61.92	51.9	49.7	52.5	49.9
Investment ratio (%)	2.68	7.1	1.6	1.9	2.8
Operating cash flow/investments (%)	137.3	42.0	86.8	330.6	171.0
Asset cover ratio I (%)	80.7	77.3	83.5	78.9	77.8
Asset cover ratio II (%)	117.6	115.8	125.2	122.7	95.2
Interest cover	4.19	3.4	2.6	1.7	1.3
Cash ratio (%)	26.1	20.2	20.2	23.9	5.2
Acid test (%)	102.2	94.4	105.5	100.2	61.0
Current ratio (%)	120.5	113.2	123.2	118.7	73.6
Financial liabilities/equity (%)	59.1	64.0	61.7	65.4	72.4
Financial liabilities/capital employed (%)	35.7	37.2	36.1	37.5	39.5
Net financial liabilities/EBITDA	2.81	2.4	2.5	2.7	3.4
Net financial liabilities/market capitalization (%)	90.2	128.5	169.3	107.0	119.8

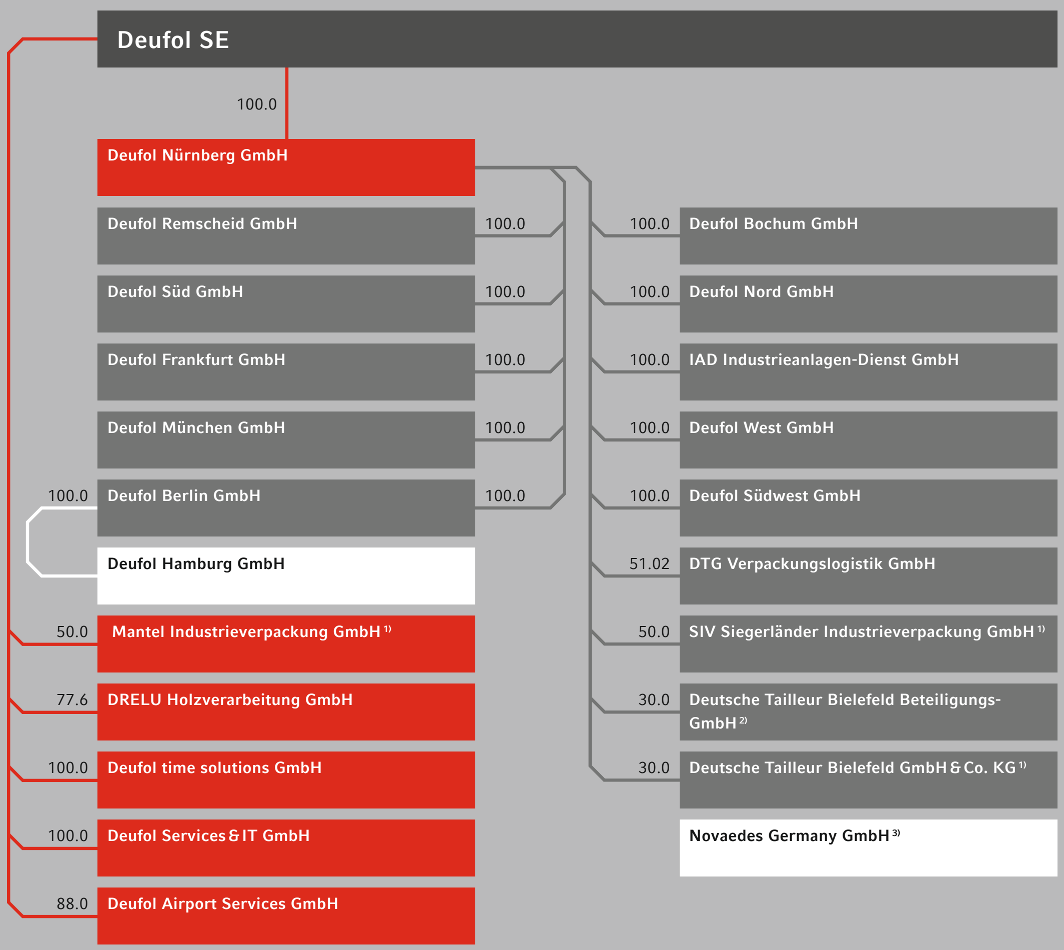
Productivity ratios	2017	2016	2015	2014	2013
Sales per employee (€)	114,768	117,612	122,974	118,459	117,862
EBITDA per employee (€)	7,553	6,636	5,906	5,332	5,460
EBITA per employee (€)	3,723	3,255	3,091	2,468	2,236
Operating cash flow per employee (€)	5,147	4,140	2,098	8,816	6,357
Personnel costs per employee (€)	43,072	38,520	39,065	37,688	35,549
Personnel cost ratio (%)	37.53	32.8	31.8	31.8	30.2

Per-share ratios	2017	2016	2015	2014	2013
Earnings per share from continuing operations (€)	0.12	0.118	0.075	0.005	0.007
Earnings per share – EPS (€)	0.12	0.118	0.075	0.005	0.007
Price earnings ratio (PER)	9.5	7.3	7.1	151.5	142.9
Dividend per share (€)	—	0.00	0.00	0.00	0.00
Dividend yield (%)	—	—	—	—	—
Book value per share (€)	2.51	2.39	—	2.06	1.98
Price/book value	0.45	0.36	2.15	0.38	0.48
Book value per share less goodwill (€)	0.85	0.74	0.25	0.49	0.41
Price/book value less goodwill	1.34	1.2	0.59	1.6	2.3

Investment ratios	2017	2016	2015	2014	2013
Market capitalization/sales	0.17	0.11	0.07	0.12	0.13
Enterprise value/sales	0.34	0.26	0.21	0.26	0.32
Enterprise value/EBITDA	5.15	4.7	4.4	5.8	6.8
Enterprise value/EBIT	10.5	9.5	8.3	12.5	16.6
Enterprise value/operating cash flow	7.56	7.5	12.3	3.5	5.9
Enterprise value/free cash flow	10.92	14.8	25.4	3.9	8.4

Operational Investments of Deufol SE*

Germany

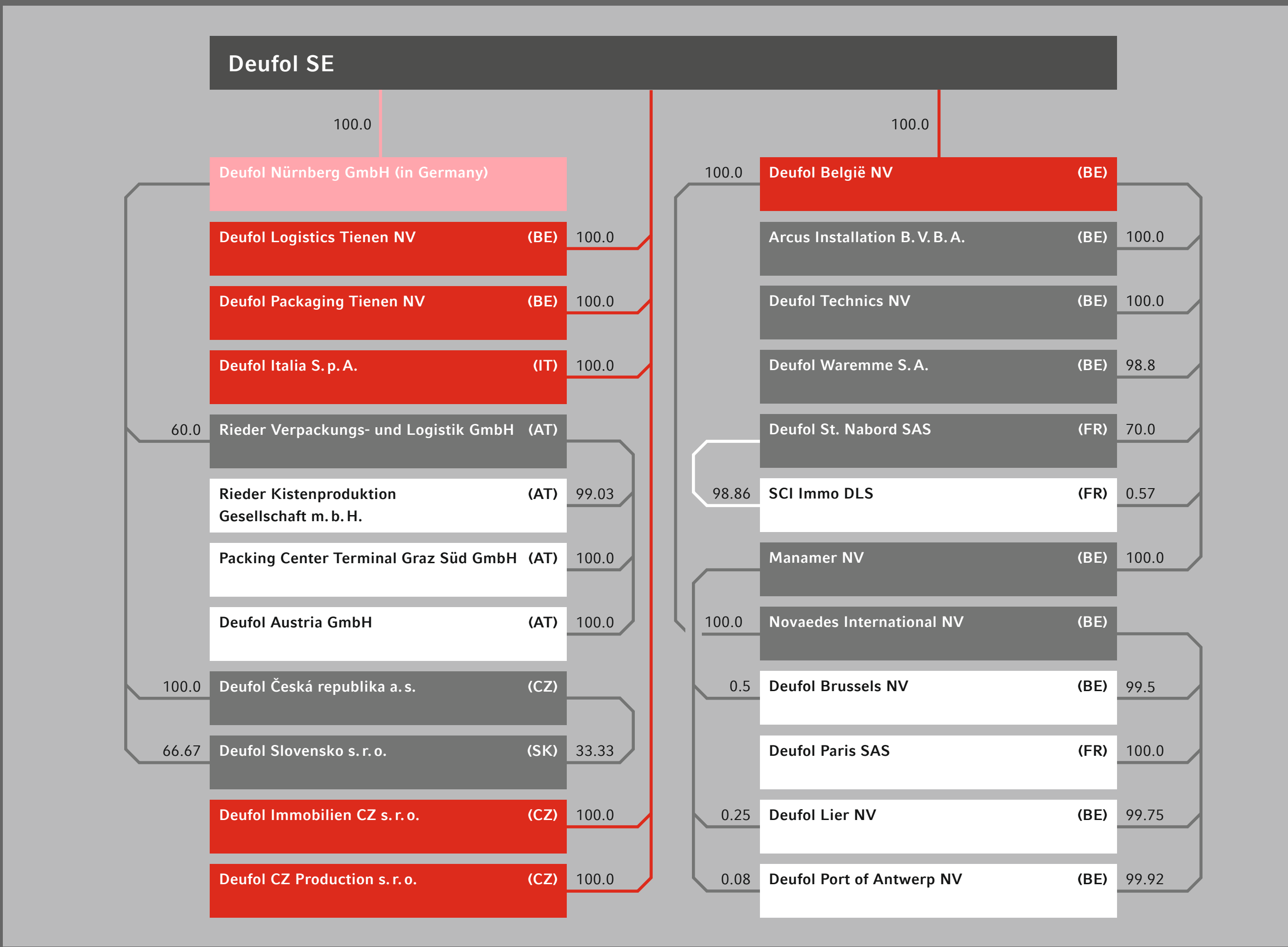


- Tier 1 investment
- Tier 2 investment
- Tier 3/4 investment

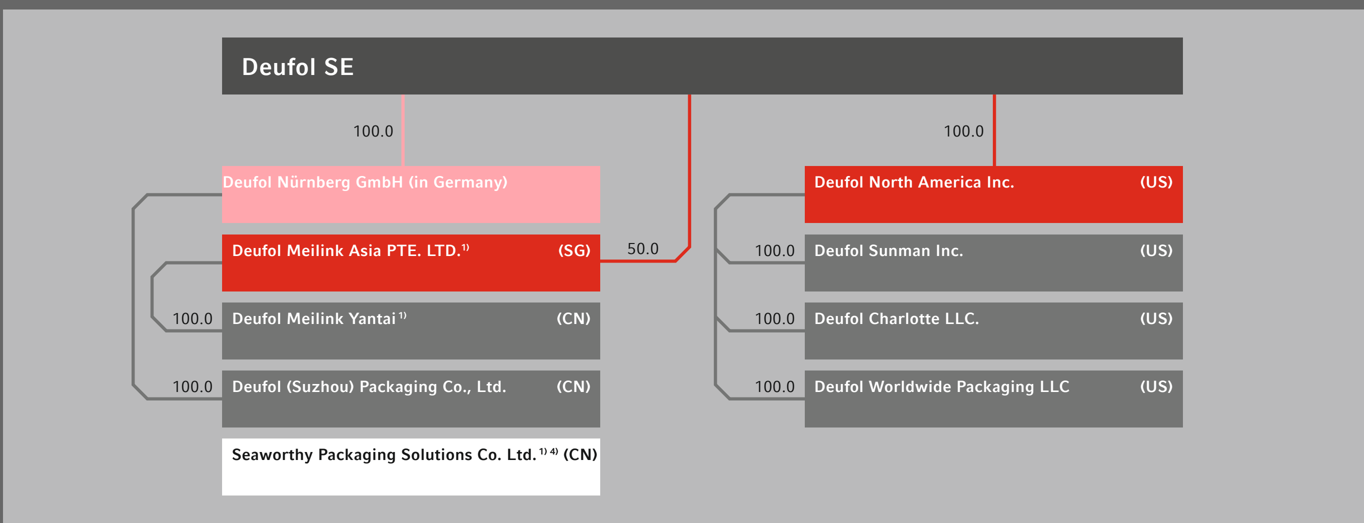
1) Consolidated at equity
2) Unconsolidated
3) This company is wholly owned by Novaedes International NV.
4) Rieder Verpackungs- und Logistik GmbH (AT) holds a 50 % interest in this company.

* As at December 31, 2017; figures in %

Europe



Rest of the World



Financial Calendar

June	29, 2018	Annual General Meeting
August	24, 2018	Semi-Annual Financial Report 2018
April	30, 2019	Annual Financial Report 2018

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Publisher:
Deufol SE
Johannes-Gutenberg-Strasse 3 – 5
D-65719 Hofheim am Taunus
Telephone: +49 (61 22) 50 - 00
Fax: +49 (61 22) 50 - 13 00
E-mail: info@deufol.com

Concept:
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media lingua translations GmbH, Berlin

Contact:
Deufol SE
Claudia Ludwig
Johannes-Gutenberg-Strasse 3 – 5
D-65719 Hofheim am Taunus
Telephone: (061 22) 50 – 12 28
E-mail: claudia.ludwig@deufol.com

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

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