DEUFOL

Packaging. Next level.

REMOVING LIMITS.
OUR JOURNEY CONTINUES.

ANNUAL REPORT 2018

Overview of the Deufol Group

Figures in € million	2018	2017	± (%)
Results of operations			
Total sales	265.1	287.7	(7.9)
Germany	158.0	154.4	2.3
Rest of the World	107.1	133.3	(19.7)
Ratio of foreign sales (%)	40.4	46.3	(12.7)
EBITDA	18.8	18.9	(0.5)
EBIT(A)	9.8	9.3	5.4
EBT	8.1	7.9	2.5
Income tax income (expenses)	(4.3)	(2.3)	87.0
Result for the period	3.8	5.6	(32.1)
thereof noncontrolling interests	(0.3)	0.4	(175)
thereof shareholders of the parent company	4.1	5.2	(21.2)
Earnings per share – EPS (€)	0.095	0.121	(21.5)
Assets structure			
Noncurrent assets	152.9	149.8	2.1
Current assets	80.6	80.6	0.0
Balance sheet total	233.5	230.4	1.3
Equity	113.6	112.2	1.2
Liabilities	119.9	118.2	1.4
Equity ratio (%)	48.6	48.7	(0.2)
Net financial liabilities	34.1	44.2	(22.9)
Cash flow/investments			
Cash flow from operating activities	16.9	12.9	31.0
Cash flow from investing activities	(0.8)	(4.0)	77.0
Cash flow from financing activities	(4.5)	(6.4)	(29.7)
Investments in property, plant and equipment	7.9	5.5	43.6
Employees			
Employees (average)	2,347	2,521	(6.9)
Personnel costs	98.3	108.0	(9.0)

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Industrial Packaging – We Package

AR2018	ConPAL & ConBOX
	Individuality, flexibility, rapid reaction times, cost savings
	Unique products – unique packaging

Unique products require packaging which is tailored to their individual requirements. Our expertise covers all of the available materials and options. Worldwide – at 86 locations! You can always count on us to provide you with more than just packaging. We will analyze and optimize your processes while providing expert advice. This ensures reliable planning, management and control for your individual processes, throughout your value chain.

With the Deufol ConPAL & ConBOX system, we also offer you standard packaging which provides you with even greater flexibility, rapid reaction times and thus huge cost savings.

We are there where you need us.
You can count on that!

See our website
for more information.

Foreword by the Managing Directors

Fiscal Year 2018

Dear shareholders and business partners,
Dear colleagues,

The Deufol Group clearly focused on the expansion of Industrial Packaging in 2016 and 2017, while 2018 was a year of consolidation. The expansion of Industrial Packaging entailed a large number of new locations and new services throughout our customers' supply chain as well as further internationalization and decentralization of our business. For our industrial goods packaging-related business, we must naturally be close to our customers' production capacities at all times. In order to generate the necessary resources for this transformation and expansion, we have significantly scaled back on what was previously the second pillar of our business, consumer goods packaging. In this area, we have closed and sold off locations over the past few years. For a medium-sized group such as the Deufol Group, this trend requires significant personnel, organizational and financial resources. In 2018, we therefore deliberately made changes to the Deufol Group in line with the revised outline conditions overall, optimized our internal organizational structure and reviewed our existing strategy. An external factor was a temporary lull in economic growth, in Germany in particular, in the past fiscal year, which meant that the growth trend of the past few years failed to repeat itself. The export business, which is highly important for Deufol, was particularly affected by this. Deufol thus put this challenging year to good use.

What were the concrete developments at Deufol in 2018? While there were no significant acquisitions or disposals, Deufol implemented changes in relation to its locations. We have worked on the structure of our locations and optimized this. In Germany and Europe in particular, this has resulted in a slight reduction in our number of locations. In future, we will act even more rapidly in order to adjust the number and structure of our locations in line with revised outline conditions. Our industrial goods packaging-related business is partly project-driven. This may require the opening of new locations and their closure once a project has ended. We will undergo internal restructuring in this area, in order to be able to react more rapidly to such changes in future, by means of established processes and a high level of expertise.

We also concentrated on further integration of our existing subsidiaries and locations. We have continued to standardize our global IT landscape. Various externally and internally developed IT systems have been systematically introduced at all of Deufol's locations. We have also continued to work on Group-wide standards and established these. We thus ensure compliance with uniform quality standards worldwide, despite our decentralized organizational structure. Our computer-based standard crate system "Deufol ConPal/ConBox" is a good example of the interplay between IT systems and our internal organizational structure. This is supplemented with state-of-the-art manufacturing processes. In Europe, most of our "Deufol ConPal/ConBox" products are manufactured at our Cheb (Czech Republic) production plant, which we opened in 2017.

We continued to fine-tune our HUB concept in the past fiscal year. Our HUB network at our three port locations in Antwerp, Bremerhaven and Hamburg is an important component of our strategy. Our HUB concept helps us to establish firm ties between existing customers and the Group, beyond the scope of packaging services alone, by offering a large number of additional services throughout the supply chain. The HUB concept generates time and cost savings for our customers.

In particular, the strategy which we have pursued over the last few years entails a focus on industrial goods packaging-related business. Our goal is for existing and potential new customers to see Deufol as a globally positioned specialist for all industrial goods packaging-related services. Since most of our customers operate globally, we see competitive advantages through our position on the market, with locations in various regions and countries, by comparison with competitors who tend to operate at a local level. However, as a corporate group in the SME segment we need to focus on our growth and the related investments. In 2018, we therefore took the time in order to analyze in detail whether our strategy is still appropriate in view of the revised outline conditions. In these analyses, as well as market and customer issues we also considered the competitive situation, current production capacities, existing process expertise and necessary investments for potential growth. On the basis of these analyses, we continue to see the key potential in the Industrial Packaging business field including adjacent services. Accordingly, at the present time we do not see any need to deviate from our strategy of the past few years or to reposition ourselves in fundamental terms.

In 2018, our continued focus on industrial goods packaging once again entailed a slight decline in sales, since we conversely relinquished further aspects of our consumer goods packaging business. Unlike consumer goods packaging, the expansion of industrial goods packaging and its strong integration within the scope of our customers' production processes requires a substantial lead time and corresponding investments. However, despite our focus on industrial goods packaging the Deufol Group will remain active, on a selective basis, in the area of consumer goods packaging. In line with this strategy, sales in this business field once again declined in 2018.

In the context of the high level of integration of logistics processes in production, particularly for industrial goods, integration of data flows in line with the flows of goods – purchasing, production, packaging and transport of the finished goods to the end customer – is also a key competitive factor. In an age of increasing digitalization and with the use of cloud-based IT solutions and the generational shift which is under way in our customers' ERP systems, our offering of related software solutions is slowly gaining in significance and will gradually add a further pillar to our product range alongside our traditional packaging and logistics activities.

We were not satisfied with our operational profitability in 2018. We are operating in a challenging market which remains highly fragmented. The process of consolidation of this market is only just beginning and is set to intensify in the context of the slowdown which is expected in 2019/2020 for the economy in general and for industrial goods packaging in particular. This type of environment offers considerable growth potential. However, it currently also entails relatively low margins and strong competitive pressure. There is also a degree of dependence on exports and thus on the world economy. In this challenging environment, in the past fiscal year we were not yet able to make the most of our competitive advantages. Moreover, in the current environment price reductions were unavoidable in order to retain strategic customers. We do not expect this trend to continue in 2019. Accordingly, unlike in previous years the Deufol Group was unable to improve its profitability in 2018. Moreover, on the raw materials markets temporary price increases for wood – the key raw material for industrial goods packaging – had a negative impact on profitability in 2018.

However, we expect our consistent focus on industrial goods packaging together with innovative logistics solutions such as further standardization of packaging services and the continued internationalization of our activities to bear fruit from the second half of 2019 at the latest. We expect that sales will pick up in 2019 and envisage a resumption of the growing profitability trend which was interrupted in the past fiscal year. Following this year of consolidation, we now see the Deufol Group back on a clear growth trajectory.

In 2016 and 2017, the Deufol Group mainly grew due to acquisitions. 2018 was chiefly shaped by integration, continued networking as well as concentration on the Industrial Packaging business field. However, in order to achieve further progress in our global strategy, we are seeking opportunities to further expand and enhance our network. We envisage further acquisitions, should opportunities arise in 2019 and 2020 which support our strategy.

The Deufol Group currently serves our customers through 86 locations in eleven countries and on three continents. We are thus always close to our customers' processes and locations. We consider this to be a key pillar of our business success. Our employees are our other key pillar. They represent our most important resource for the development and implementation of Deufol's strategy, as outlined above, over the next few years. Accordingly, in the past fiscal year we made significant investments in our employees' know-how and in our corporate culture. We are aware that innovative and continuous change is only possible with motivated and capable employees.

Most of our world's natural resources are finite. Deufol too uses these resources for its business model. Wood remains a key raw material in the industrial goods packaging segment. In the consumer goods packaging segment, plastic is currently still indispensable. We handle in-house as many steps in the creation of our packaging products and services as possible. Only thus can we ensure sustainable and low-impact production and service processes. This is also the only way that we can fulfill our own stringent requirements in terms of a careful use of natural resources. Through transparency, openness and modern organizational processes, we minimize business risks and ensure that we act with integrity.

We are committed to the long-term success of the Deufol Group. This includes increases in value for our customers and for our shareholders. It also encompasses our employees' success and satisfaction. Our strategy will guide us through a present which is changing ever more rapidly to a future that offers solid prospects. Our motto remains the same: WE FOCUS ON PACKAGING + SUPPLY CHAIN LIMITS AND REMOVE THEM.

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
Jürgen Hillen, 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 2018. 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 two Administrative Board members excused themselves from attending, while at a further meeting one Administrative Board member excused himself. 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 2018, discussions focused on the expansion of our Industrial Packaging business field as well as our new organizational structure. Meetings also considered optimized use of resources, improvements in software-based business processes and fixed 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, reorganization measures for sales and key-account management were another core focus of our activities.

Audit of the Single-Entity and Consolidated Financial Statements

In accordance with the resolution passed by the Annual General Meeting on June 29, 2018 and the subsequent audit engagement issued by the Administrative Board, the annual financial statements for the fiscal year from January 1 to December 31, 2018 prepared by the managing directors in accordance with the German Commercial Code (HGB) 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 auditor 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 auditor, 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 29, 2019, the Administrative Board endorsed the annual financial statements of Deufol SE for 2018 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.

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 auditor. The auditor has 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 auditor's findings.

Administrative Board

Pursuant to the resolution passed by the Annual General Meeting held on June 28, 2017, the Administrative Board was appointed for a two-year term. The members of the Administrative Board subsequently elected Mr. Detlef W. Hübner as the Chairman and Mr. Helmut Olivier as the Deputy Chairman of the Administrative Board. The by-laws of the Administrative Board remain applicable as before. Pursuant to the resolution passed by the Annual General Meeting held on June 29, 2018, Prof. Dr. Rüdiger Grube was appointed as a new member of the Administrative Board for a one-year term.

Managing Directors

At the meetings held over the course of the year, the members of the Administrative Board decided to extend the contracts of three managing directors. Their new contracts run until 2025. Discussions were pursued with another managing director regarding a continued working relationship. Since these discussions proved inconclusive, a new managing director was hired instead.

Hofheim, April 29, 2019

For the Administrative Board
Detlef W. Hübner
Chairman

Deufol IT Solutions – We Connect

AR2018	Connected Pack Control (CPC Tracker)
	Monitoring the physical condition of packaged goods
	Deufol connects you with success.

Keep in touch with your goods. Our CPC (Connected Pack Control) Tracker enables you to continuously monitor the physical condition of your packaged goods. Temperature, humidity, light penetration and jolts are tracked – you will be notified of critical values immediately.

Make sure you remain connected with the process. Deufol's supply chain solutions ensure seamless transparency for project and material tracking. Our proprietary IT solutions help you to reduce your workload and provide for enhanced process reliability. For this purpose, we offer report and audit options for the loose parts, crates and/or containers involved in the process, as well as data and project management optimizations.

We offer you intelligent packaging solutions in order to optimize your entire value chain.

See our website for more information.


GSM
GSM
GPS
MAIN
LIGHT
OFF
ON
DEUFOL
Connected Pack Control

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 45 direct and indirect subsidiaries were included in the consolidated group of Deufol SE. Of these companies, 18 were German companies while 27 were domiciled in other countries. Please see the "Facts & Figures" chapter on page ▶ 104 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 sowie 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

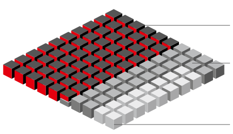
Globally Positioned with Locations in Eleven Countries

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, 2018 we had 47 locations which account for a total of 59.5 % of Group sales. The Rest of Europe – which accounts for around 24.6 % of the Group’s business – comprises 30 operational facilities in Belgium, France, Italy, Austria, the Czech Republic and Slovakia. We also offer our services in the Netherlands, thanks to a partnership.

Sales by region

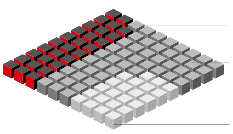
Figures in € million



158.0	Germany
65.2	Rest of Europe
41.9	USA/ Rest of the World

Assets by region

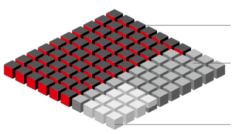
Figures in € million



67.4	Germany
112.1	Rest of Europe
54.0	USA/ Rest of the World

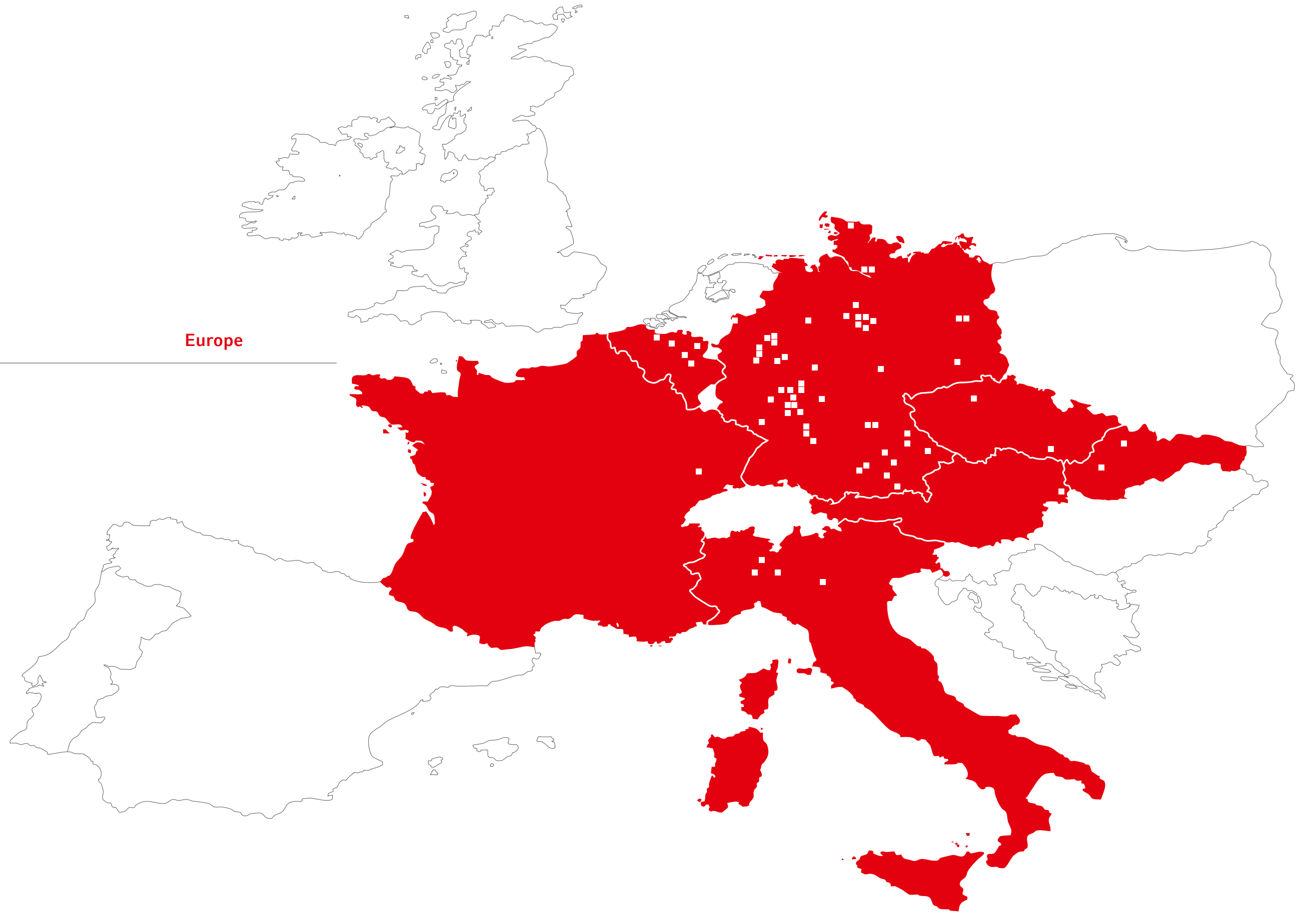
Employees by region

Deufol Group



1,457	Germany
645	Rest of Europe
245	USA/ Rest of the World

We have a total of nine locations in the USA/Rest of the World, which contribute approx. 15.8 % 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 a joint venture partner. We also have a plant in Singapore. The Deufol Group's geographical presence is shown in the following diagram.



Number of locations

Germany	47
Rest of Europe	30
USA/ Rest of the World	9

Region-Oriented Segment Structure Notes 39, 40

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

Competitive Situation

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 2018, 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 the previous year we successfully introduced to the market our new standard crate system "Deufol ConPal / ConBox". This system provides our customers with increased flexibility and a faster supply system.

Report on the Economic Environment

Economic Outline Conditions

World Economy: Weaker Momentum in 2018

According to the Kiel Institute for the World Economy, while the global economy is currently still growing it has experienced a clear loss of momentum. Economic sentiment has significantly deteriorated almost everywhere. As well as the uncertainty provoked by growing trade conflicts, the tightening of monetary policy in the United States has contributed to this. For 2018 as a whole, global output increased by 3.7 %. This is lower than the original forecast of 4.0 %. For 2019, the Kiel Institute expects an increase of just 3.4 %. A further intensification of the trade conflicts in particular would pose risks for the world economy. Further tightening of monetary policy in the United States would result in a turnaround in the international capital flows, which would put the brakes on economic growth in the emerging markets.

The gaps in terms of the various countries' economic momentum have increased. In the advanced economies, the pace of growth clearly slowed in the second half of the year. While several indicators point to a temporary dip, there was hardly any decrease in unemployment in 2018. This suggests that the basic economic trend has likewise lost steam. The emerging market economies have also come under pressure, but were still fairly robust in 2018. To date, it is only in Turkey and Argentina that the slowdown has begun to resemble a crisis. In China, while the pace of expansion has declined, growth rates remain solid.

Declining Pace of Growth in the Eurozone

Following vigorous activity in 2017, the economy suffered a noticeable loss of momentum in 2018. Overall economic output increased by just 1.8 %, compared to 2.4 % in the previous year. Financing terms remain favorable thanks to the expansionary monetary policy stance. This suggests that the economy will maintain an upward trend for some time to come. However, concerns over Italy's debt sustainability, the delay in the implementation of reforms in France and, not least, the possibility of a disorderly Brexit already had a negative impact in 2018 and may mean that economic growth is weaker than anticipated.

Measures to resolve structural problems are being pursued only tentatively in France and Italy. They also pose the risk of dampening the economy in the short term. The decline in unemployment has also slowed. Besides the weaker economic momentum, this is attributable to the increasing labor shortage in several Eurozone countries. Output is currently increasing relatively strongly in the United Kingdom. In the second half of the year, it exceeded the Eurozone average for the first time in two years. However, there is still uncertainty over the precise form which Brexit will take, and this is curbing further output growth.

The economy suffered due to weak exports and country-specific temporary factors. Exports have failed to keep up with the trend for world trade, which is in any case slower. The key Eurozone countries such as Germany, France, Italy and Spain in particular have suffered a clear loss of growth momentum. On the other hand, output growth remained strong in some central and eastern European countries.

German Economy Cools Off

According to the Institute for the World Economy, in 2018 Germany's gross domestic product increased by just 1.5 %, compared to 2.2 % in 2016 and in 2017. The basic economic trend was eclipsed by one-off dampening factors in the past year. In the third quarter, output fell for the first time in three years. This is mainly attributable to production disruptions in the field of vehicle construction, which will only gradually be overcome. These disruptions were attributable to the changeover to new approval procedures. A further factor is the countermovement for foreign trade compared to the extremely strong growth seen in the previous year. The high level of political uncertainty in relation to China, Russia and, above all, the USA has resulted in significantly slower economic momentum in Germany.

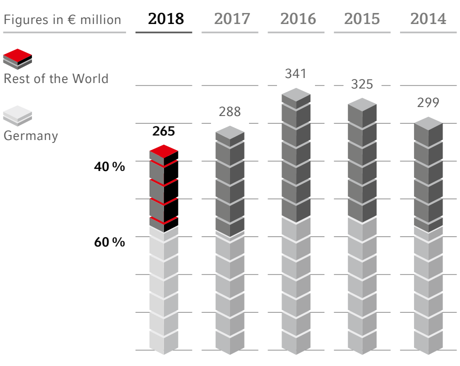
As well as exports, the political uncertainty is also adversely affecting companies' investment propensity. In 2018, while the trend for investments in equipment was similar to the previous year (+4 %), due to the very high level of utilization of production capacities these investments would probably have been higher in the absence of these uncertainties. The lack of specialist staff and a scarcity of key resources are also hindering production. The German economy is increasingly being supported by private consumer spending. Consumers' disposable incomes have picked up strongly. Companies are also planning a further increase in their workforces. Significant tax cuts and increased public expenditure are additional factors.

Results of Operations

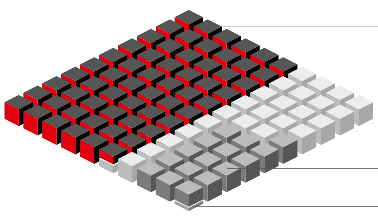
Sales Notes 01, 41, 42

In an overall economic environment, as outlined above, which was shaped by economic growth alongside political uncertainty, sales amounted to € 265.1 million in the period under review and fell by 7.9 % (previous year: € 287.7 million). The decline in sales is mainly due to the consumer goods packaging business field. Here, the business relationship with a major customer has significantly decreased in volume. We have thus failed to achieve our planning targets published in our Annual Financial Report 2017, which had envisaged sales in a range of between € 275 million and € 290 million. Adjusted for changes to the consolidated group resulting in the loss of sales of € 1.9 million in 2018, the decrease in Group sales amounts to −7.2 %. If one adjusts for the depreciation of the US dollar against the euro by an average of around 4.9 %, or € 1.9 million, in adjusted terms sales have declined by 6.6 %. Our overall operating performance amounted to € 283.0 million (previous year: € 300.3 million).

Sales



Consolidated sales by segment



Figures in € million		2018	2017
59.5 %	Germany	157.8	154.3
24.6 %	Rest of Europe	65.2	66.5
15.8 %	USA/Rest of the World	41.9	66.8
0.1 %	Holding	0.2	0.1
100.0 %	Total	**265.1**	287.7

Germany Increasingly Important for Deufol's Business Note 40

In the past year, Germany reinforced its role as the Deufol Group's most important sales market. With a sales volume of € 157.8 million (previous year: € 154.3 million) in the past fiscal year, it contributed 59.5 % (previous year: 53.6 %) to Group sales.

The Rest of Europe segment provided 24.6 % (previous year: 23.1 %) of Group sales, with a sales volume of € 65.2 million (previous year: € 66.5 million). The absolute decline in sales in this segment resulted from the disposal of two subsidiaries in the year under review.

In the USA/Rest of the World segment, sales fell to € 41.9 million (previous year: € 66.8 million). This means that this segment now represents around 15.8 % (previous year: 23.2 %) of Group activities. This decrease has resulted from the changed nature of the business relationship with a major customer in the consumer goods packaging segment.

Consolidated sales by services

Figures in € million	2018	2017
Export & Industrial Packaging	206.0	206.7
Share (%)	77.7	71.8
Consumer & Data Packaging	40.6	66.8
Share (%)	15.3	23.2
Supplementary Services	18.3	14.1
Share (%)	6.9	4.9
Holding	0.2	0.1
Share (%)	0.1	0.1
Total	265.1	287.7

Export & Industrial Packaging Achieves Further Increase in Share of Sales Note 41

With a share of sales of approx. 77.7 % (previous year: 71.8 %), Export & Industrial Packaging is by far the Group's most important business segment. Sales realized in consumer packaging decreased significantly, from 23.2 % to 15.3 %. On the other hand, the contribution provided by Supplementary Services increased from 4.9 % to 6.9 %.

Operating Costs Ratio Slightly Lower on Balance Notes 02 – 05

At 38.0 % (previous year: 37.5 %), the ratio of the cost of materials to Deufol's overall operating performance increased slightly. The share accounted for by raw materials, consumables and supplies and purchased merchandise has increased by 0.1 percentage points to 22.7 % (previous year: 22.6 %), while the share of purchased services has increased from 14.8 % in the previous year to 15.2 %. These changes are due to higher prices for raw materials, which in some cases can only be passed on to end customers subject to a time lag, as well as a slight increase in the use of temporary workers and subcontractors. However, overall the cost of materials is within the range seen in the past few years.

At € 98.3 million, personnel costs were significantly lower than the previous year's figure of € 108.0 million and amounted to 34.8 % (previous year: 36.0 %) of Deufol's overall operating performance. The significant decline in personnel costs in absolute terms is mainly attributable to the sales-related decrease in the average number of employees. However, we remain committed to the goal of covering key areas of expertise in-house. In the past fiscal year, the Deufol Group had 2,377 employees (previous year: 2,521).

At € 9.0 million, depreciation, amortization and impairment are € 0.6 million lower than in the previous year. This includes extraordinary depreciation in the amount of € 0.9 million (previous year: € 1.0 million), due to the realignment toward the Industrial Packaging business in America.

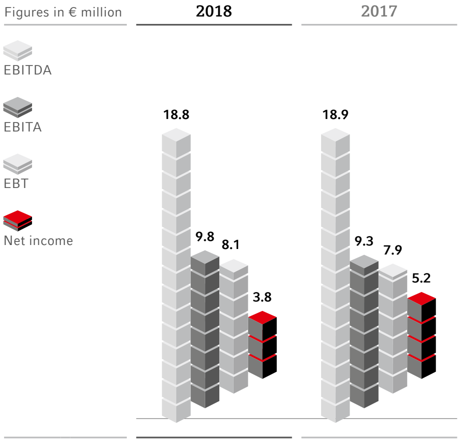
In absolute terms, total other operating expenses have decreased (– € 2.5 million to € 58.4 million); however, in relative terms the expense ratio has increased slightly, from 20.3 % to 20.6 %, due to a large number of factors.

Overall, the costs ratio has decreased slightly to 96.5 % (previous year: 96.9 %) of Deufol's overall operating performance. This corresponds to an increase in the EBITA margin from 3.1 % to 3.5 %.

Cost development

Figures in € million	2018	2017
Cost of materials	107.4	112.5
as % of overall operating performance	38.0	37.5
Personnel costs	98.3	108.0
as % of overall operating performance	34.8	36.0
Depreciation, amortization and impairment	9.0	9.6
as % of overall operating performance	3.2	3.2
Other operating expenses	58.4	60.9
as % of overall operating performance	20.6	20.3
Total	273.2	291.0
as % of overall operating performance	96.5	96.9

Income development



Operating Result

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 18.8 million, compared to € 18.9 million in the previous year. The EBITDA margin was 6.7 % (previous year: 6.3 %). Depreciation of property, plant and equipment was at € 6.1 million significantly lower than in the previous year (€ 7.8 million). However, in the previous year € 1.0 million of this amount was extraordinary depreciation. No extraordinary depreciation was recognized in this area in 2018. On the other hand, amortization of other intangible assets increased significantly, to € 2.9 million (previous year: € 1.8 million). However, of this amount € 0.9 million is extraordinary depreciation (previous year: € 0.0 million).

The operating result before goodwill amortization (EBITA) amounted to € 9.8 million in the reporting period (previous year: € 9.3 million). The EBITA margin amounted to 3.5 % in 2018 (previous year: 3.1 %).

Financial Result Note 06

The negative financial result increased from – € 1.4 million to – € 1.7 million. Finance costs amount to € 2.0 million, compared to € 2.3 million in the previous year. This is due to lower interest accrued on account of declining financial liabilities over the course of the year. Financial income decreased to € 0.3 million, compared to € 0.9 million in the previous year. The profit from investments included in this amount was € 0.2 million (previous year: € 0.2 million). Moreover, in the previous year price gains in the amount of € 0.4 million were recognized as financial income.

Margin development

Figures as % of sales	2018	2017
EBITDA margin	6.7	6.3
EBIT(A) margin	3.5	3.1
EBT margin	2.9	2.6
Net income margin	1.3	1.9

Net Income Notes 07–09

Earnings before taxes (EBT) in the past year were € 8.1 million (previous year: € 7.9 million). Overall tax expenditure in the past fiscal year amounted to € 4.3 million, compared to € 2.3 million in the previous year. Current tax expenditure for taxes on income decreased significantly, despite the higher pretax earnings, and amounted to approx. € 1.9 million (previous year: € 3.0 million). The Company recognized expense in the amount of € 2.4 million (previous year: income of € 0.7 million) for deferred taxes. In particular, this is attributable to the remeasurement of investment property as well as valuation adjustments on capitalized loss carryforwards within the scope of the Company's focus on its Industrial Packaging business.

This means a result for the period of € 3.8 million (previous year: € 5.6 million). The share for noncontrolling interests is – € 0.3 million (previous year: + € 0.4 million).

Earnings attributable to the shareholders of Deufol SE amounted to € 4.0 million in the period under review, compared to € 5.2 million in the same period in the previous year. Earnings per share were € 0.094 in 2018 (previous year: € 0.121).

Comprehensive income

Comprehensive income after taxes was € 4.5 million in the past year (previous year: € 2.7 million). The change by comparison with the previous year is attributable, in particular, to gains from currency translation (€ 0.8 million), while in the previous year currency losses in the amount of € 2.5 million were offset against equity.

Financial Position

Financing of the Deufol Group Notes 24, 38

Various financing groups exist within the Deufol Group. In Germany and Europe, as of late 2018 Deufol has a variable-interest syndicated financing arrangement with a volume of € 44 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. For this financing arrangement, in the past fiscal year the Group commenced negotiations over the extension and expansion of its lines of credit. These negotiations are expected to be completed in the second quarter of 2019. 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 € 48.4 million are available to the Group at various banks (previous year: € 48.7 million). As of December 31, 2018, € 36.0 million (previous year: € 31.3 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 2018, the average weighted interest rate for short-term loans was 2.28 % (previous year: 2.21 %). The payable credit margins are partially dependent on complying with 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 18, 24

The financial liabilities of the Deufol Group changed only minimally in the past fiscal year. They amounted to € 63.8 million (previous year: € 63.7 million) as of the reporting date.

Net financial liabilities – defined as total financial liabilities less financial receivables and cash – decreased significantly by € 10.1 million, from € 44.2 million on December 31, 2017 to € 34.1 million at the end of the period under review. This was due to the strong increase in cash held (+ € 12.0 million) and lower financial receivables (– € 1.8 million). The balance of liabilities to banks and call deposits at banks is – € 30.6 million, compared to – € 41.3 million in the previous year.

The liabilities to banks include loan liabilities of Deufol SE under the German syndicated loan agreement. Since this agreement will expire in October 2019, the relevant financial liabilities – where previously reported as noncurrent – have been reclassified to the current financial liabilities; this relates to an amount of € 25.5 million.

Financial liabilities

Figures in € million	**2018**	2017
Amounts due to banks	59.97	58.71
thereof current	45.23	18.23
thereof noncurrent	14.73	40.48
Finance leasing	3.56	4.49
Other	0.27	0.47
Total	**63.80**	63.67

Investments Lower Than in Previous Year Notes 10–12

In the past fiscal year, at € 8.9 million the volume of investment was lower than the previous year's level of € 13.5 million. In 2018, there were no additions in connection with companies included in the scope of consolidation for the first time (previous year: € 4.1 million). Due to the restructuring of the Group's real-estate holdings, in 2018 real estate was reported in the "Investment property" balance sheet item for the first time. A property exclusively used by a major customer for its production operations was reported at its current fair value. As well as the allocation of residual book values, the difference in relation to the fair value was also capitalized, which resulted in an € 8.2 million increase in the carrying amounts.

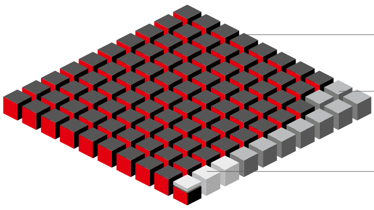
In the past fiscal year, investments in property, plant and equipment were € 7.9 million (previous year: € 5.5 million). The investment ratio – i. e. the ratio of capital expenditure to sales – was 3.0 % in 2018 (previous year: 1.9 %).

Operating and office equipment (€ 3.0 million) is the largest capital expenditure item. This is followed by advance payments made and assets under construction (€ 2.1 million) as well as land and buildings (€ 1.9 million).

Investments by segment

Figures in € million	2018	2017
Germany	1.26	1.12
Rest of Europe	6.31	8.12
USA / Rest of the World	0.18	2.42
Holding	1.13	1.87
Total	**8.88**	13.53

Investments



Figures in € million		2018	2017
88.7 %	Property, plant and equipment	7.88	8.00
9.0 %	Intangible assets	0.80	5.53
2.3 %	Investment property	0.20	0.00
100.0 %	Total	**8.88**	13.53

Depreciation and Amortization at Same Level as in Previous Year

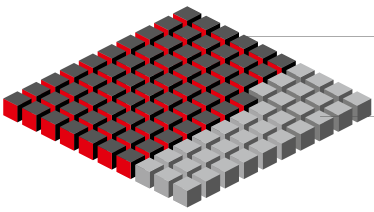
Notes 10, 11

Depreciation of property, plant and equipment and amortization of intangible assets declined by comparison with the previous year (€ 9.0 million, compared to € 9.6 million). Depreciation of property, plant and equipment was € 6.1 million (previous year: € 7.8 million), amortization of other intangible assets € 2.9 million (previous year: € 1.8 million). Of this amount, € 0.9 million is extraordinary depreciation. In the previous year, extraordinary depreciation in the amount of € 1.0 million was recognized on property, plant and equipment.

Depreciation, amortization and impairment by segment

Figures in € million	2018	2017
Germany	2.47	2.50
Rest of Europe	4.11	3.48
USA / Rest of the World	1.26	2.58
Holding	1.19	1.08
Total	**9.03**	9.64

Depreciation, amortization and impairment



Figures in € million		2018	2017
67.3 %	Property, plant and equipment	6.08	7.82
32.7 %	Intangible assets	2.95	1.82
100.0 %	Total	**9.03**	9.64

Cash Flow Notes 29–33

The operating cash flow amounted to € 16.9 million in the period under review and was thus significantly higher than in the previous year (€ 12.9 million). The increase in the operating cash flow by comparison with the previous year is attributable, in particular, to the lower trade receivables (+ € 8.9 million) and other assets which have also decreased (+ € 5.0 million).

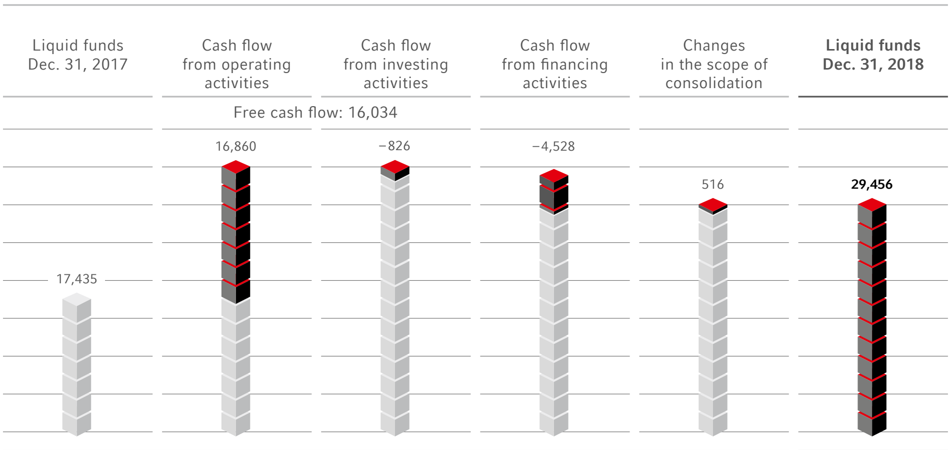
The cash flow from investing activities was – € 0.8 million (previous year: – € 3.6 million). Cash-based fixed assets investments were € 8.9 million. On the other hand, inflows have mainly resulted from the disposal of intangible assets, property, plant and equipment and financial assets (€ 7.8 million) as well as the settlement of financial receivables (€ 0.3 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 € 16.0 million (previous year: € 9.2 million).

The cash flow from financing activities was – € 4.5 million (previous year: – € 6.8 million). Amounts due to banks in the amount of € 1.3 million were newly borrowed, while other financial liabilities were repaid by a net amount of € 1.1 million, which was reflected in cash.

Change in liquid funds

Figures in € thousand

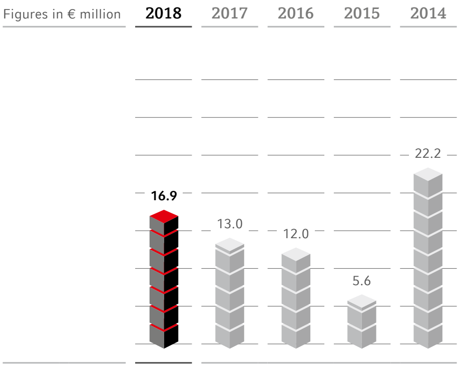


Further outflows of funds resulted from interest paid in the amount of € 2.0 million and dividends paid in the amount of € 2.6 million.

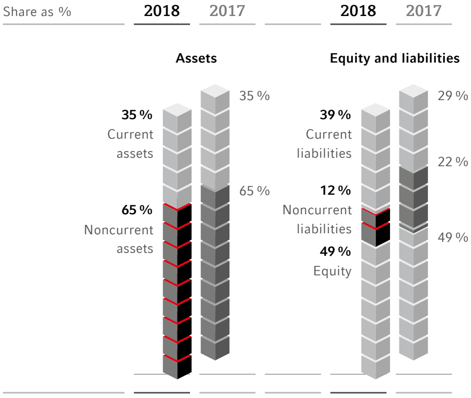
Cash and cash equivalents increased by € 12.0 million to € 29.5 million as of December 31, 2018.

Cash flow from operating activities

Figures in € million



Balance sheet structure



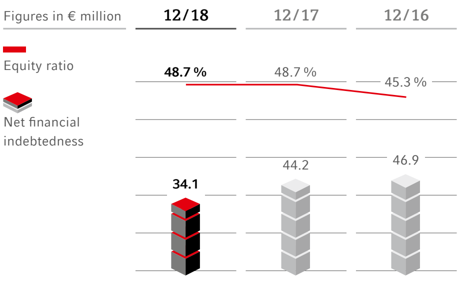
Assets Position

Slight Increase in Balance Sheet Total Notes 10 – 18

In 2018, the balance sheet total of the Deufol Group increased by 1.4 %, or € 3.1 million, to € 233.5 million. On the assets side of the balance sheet, the noncurrent assets increased by 2.1 %, from € 149.8 million as of the period-end in the previous year to € 152.9 million as of the reporting date. This increase was shaped by the first-time recognition of investment property, which at € 11.5 million contributed to the increase in the fixed assets item. On the other hand, property, plant and equipment decreased from € 56.1 million to € 51.1 million. The asset depreciation ratio (ratio of accumulated depreciation to historical cost) decreased by 7.5 percentage points on the previous year to 54.8 %, while the property, plant and equipment ratio (i. e. the ratio of property, plant and equipment to the balance sheet total) fell from 24.3 % to 21.9 %. Goodwill has not significantly changed, despite the sale and disposal of two subsidiaries in the year under review. Investments in associates increased slightly, by € 0.2 million to € 1.2 million. In respect of the other noncurrent assets, other receivables decreased by € 2.1 million. In addition, other intangible assets decreased by € 2.2 million. This includes extraordinary amortization of acquired customer lists in the amount of € 0.9 million, which was recognized due to the business trend in the second half of 2018 as well as the realignment toward Industrial Packaging. There were no other significant changes.

On the other hand, at € 80.6 million current assets are virtually unchanged. Inventories have increased by € 1.1 million to € 13.3 million. On the other hand, trade receivables decreased significantly (– € 8.7 million to € 32.6 million). This is mainly due to the decline in sales. Financial receivables and other receivables and assets also decreased, by € 4.8 million to € 4.0 million. On the other hand, cash and cash equivalents have increased significantly (+ € 12.0 million to € 29.5 million). Other current assets changed only slightly. Working capital – the difference between current assets and current non-interest-yielding liabilities – increased from € 33.3 million to € 35.2 million. This is mainly due to the disproportionately strong increase in cash.

Net financial indebtedness and equity ratio



Increased Equity Notes 19 – 28

At the end of fiscal year 2018, the equity of the Deufol Group amounted to € 113.6 million (previous year: € 112.1 million). While the balance sheet total has increased, the equity ratio is unchanged at 48.7 %. Equity mainly increased due to the result for the period (€ 4.0 million). The dividends distributed reduced the equity figure (– € 2.6 million). Noncontrolling interests (– € 0.4 million to € 2.0 million) also contributed to this decline. On the other hand, the negative other comprehensive income figure has declined (+ € 0.6 million to – € 0.2 million).

Noncurrent liabilities decreased by € 23.1 million to € 28.3 million. This reflects the strong decrease in noncurrent financial liabilities (– € 26.5 million to € 17.6 million). These were reduced by € 1.0 million in the year under review, while an amount of € 25.5 million was reclassified to the current financial liabilities. This reclassification is due to the expiry of the current syndicated financing arrangement in Germany in October 2019. Contract negotiations are currently being pursued and are expected to be concluded in the second quarter of 2019. On the other hand, deferred tax liabilities increased by € 3.2 million. There were no other significant changes.

The current liabilities increased significantly, by € 24.7 million to € 91.6 million. This also reflects the reclassification effect described above. On balance, current financial liabilities increased by € 26.6 million to € 46.2 million. This balance consists of a € 1.1 million rise in current financial liabilities and an increase due to the reclassification of € 25.5 million away from the noncurrent financial liabilities. On the other hand, other liabilities (– € 1.4 million to € 12.4 million) and current tax liabilities (– € 0.8 million to € 0.9 million) have decreased. There was no significant change in other current liabilities.

Employees

Decrease in Number of Employees Note 04

The Deufol Group had 2,347 employees on average over the course of the year. This represents a decrease of 174 employees or 6.9 % on the previous year. On average, the Group had 1,457 employees in Germany (62.1 %) and 890 employees (37.9 %) elsewhere.

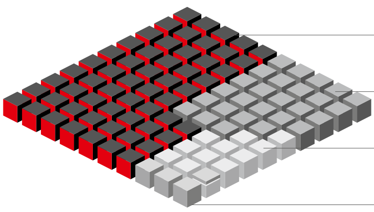
On average, with 1,379 employees at the Group's operating locations in Germany its workforce declined by three employees on the previous year. In the Rest of Europe, the average number of employees declined by 112 to 645. This decrease is attributable to the disposal of two subsidiaries during the past fiscal year. In the USA/Rest of the World, the number of employees fell by 60 over the course of the year to 245. The holding's workforce has increased on the previous year. It now has 78 employees.

Personnel costs decreased in the reporting period by 9.0 % to € 98.3 million. The personnel cost ratio as a ratio of personnel costs to Deufol's overall operating performance decreased from 36.0 % to 34.8 %.

Overview of employees

Deufol Group	2018	2017
Germany	1,457	1,459
Rest of the World	890	1,062
Female	426	470
Male	1,921	2,051
Total	**2,347**	2,521
As of Dec. 31	2,323	2,530

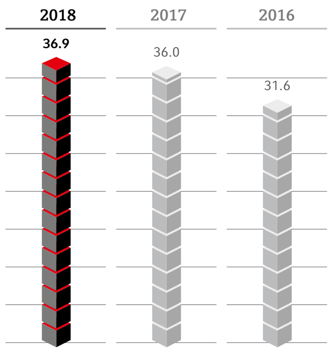
Employees by segment



Deufol Group			2018	2017
	58.7 %	Germany	1,379	1,382
	27.5 %	Rest of Europe	645	757
	10.4 %	USA/Rest of the World	245	305
	3.4 %	Holding	78	77
	100.0 %	Total	**2,347**	2,521

Personnel expense ratio

Figures in %



Thanks for Strong Commitment

The managing directors would like to thank all the Company's employees for the dedication and flexibility which they displayed in fiscal year 2018.

Germany

Figures in € million	2018	2017
Sales	180.6	180.2
Consolidated sales	157.8	154.3
EBITA = EBIT	3.7	6.7
EBITA margin (%)	2.3	4.4
EBT	–0.9	6.3

Rest of Europe

Figures in € million	2018	2017
Sales	90.0	91.5
Consolidated sales	65.2	66.5
EBITA = EBIT	9.2	2.6
EBITA margin (%)	14.1	4.0
EBT	8.8	2.1

USA/Rest of the World

Figures in € million	2018	2017
Sales	41.9	66.9
Consolidated sales	41.9	66.8
EBITA = EBIT	0.6	3.9
EBITA margin (%)	1.4	5.9
EBT	0.0	3.3

Development in the Segments

Germany Notes 39, 40

At € 157.8 million, consolidated sales in Germany in 2018 were slightly higher than sales in the previous year which amounted to € 154.3 million. There were no changes to the consolidated group.

In the reporting period, the EBIT for this division amounted to € 3.7 million (previous year: € 6.7 million). The EBITA margin declined from 4.4 % in the previous year to 2.3 %. The lower margin by comparison with the previous year has mainly resulted from the intensification of competition in the second half of the year – which we were obliged to respond to with price reductions for some strategic customers – as well as price rises for wood over the course of the year. We were only able to adjust our prices in response to these increases subject to a time lag.

Rest of Europe Notes 39, 40

In the Rest of Europe, we realized consolidated sales of € 65.2 million, which is slightly lower than in the previous year (€ 66.5 million). This decline in sales is also attributable to the sale of two subsidiaries in the year under review. There were no further significant changes to the consolidated group. Otherwise, in overall terms our business in Belgium declined slightly, while our business in Austria gained ground. All other countries roughly matched the previous year's level.

In the past year, this segment achieved an operating result (EBITA) of € 9.2 million, compared to € 2.6 million in the previous year. This increase is mainly attributable to the remeasurement of investment property, which increased the EBITA figure by € 8.2 million.

USA/Rest of the World Notes 39, 40

In the USA/Rest of the World segment, at € 41.9 million consolidated sales were clearly lower than in the previous year (€ 66.8 million). This is mainly due to the business relationship with a major American customer in the consumer goods packaging business field, which is now a significantly smaller business relationship. Sales at the American export packaging locations are roughly in line with the previous year's level. Sales in China have fallen considerably, due to the strong decline in demand there on the part of a major customer. The depreciation of the US dollar against the euro by an average of 4.9 % has reduced the volume of sales in this segment by € 1.9 million by comparison with the previous year.

EBITA in this segment amounted to € 0.6 million, compared to € 3.9 million in the previous year. The EBITA margin thus decreased from 5.9 % in the previous year to 1.4 %. This decrease is attributable to the strong decline in sales as well as amortization of capitalized customer lists.

Holding Notes 39, 40

The EBITA figure in the Holding segment amounted to – € 4.3 million in the past fiscal year, compared to – € 3.3 million in the previous year. The lower operating result has resulted from one-off factors in the year under review.

Overall Summary of Business Performance

Sales Goal Not Achieved, EBITDA on Target

With total annual sales of around € 265.1 million, we failed to achieve our sales target published in our Annual Financial Report 2017, which had envisaged sales in a range of between € 275 million and € 290 million. A key factor in our failure to meet this target was the stronger-than-expected decline in sales with a major customer in the consumer goods packaging segment.

Our operating result (EBITDA) reached € 18.8 million and was thus within the forecast range of between € 17.0 million and € 20.0 million. We clearly achieved our earnings goal, despite declining sales. A key factor here was the remeasurement of investment property.

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. Despite difficult economic outline conditions, we have slightly improved on the previous year's sales volume. We were unable to achieve this in terms of the operating result. However, we envisage a stabilization here. In the "Rest of Europe", the very strong operating result in the year under review was attributable to the factor outlined above and will not be repeated in this form. In the USA, as outlined above, the decline in sales is due to the restructuring of a business relationship with a major customer in the Consumer Goods Packaging business segment. In China/Asia, business was disappointing due to very weak demand in the past fiscal year.

Our financial and assets position remains extremely solid.

Group figures

Figures in € million	2018
Sales	265.1
EBITDA	18.8
EBITA	9.8
Net financial liabilities	34.1

Goal achievement 2018

Figures in € million	Sales	EBITDA
Planning	275–290	17.0–20.0
Actual figures	265.1	18.8

Single-Entity Financial Statements of Deufol SE

Income statement of Deufol SE

Figures in € thousand	2018	2017
Sales	14,483	13,302
Other operating income	5,242	6,251
Cost of materials	(4,773)	(4,077)
Personnel costs	(8,579)	(7,829)
Depreciation, amortization and impairment	(1,244)	(1,093)
Other operating expenses	(9,959)	(11,377)
Financial result	6,020	8,053
Taxes	(34)	(303)
Annual net profit	1,156	2,883

Sales and Results of Operations

In fiscal year 2018, Deufol SE realized sales of € 14,483 thousand (previous year: € 13,302 thousand) and other operating income of € 5,242 thousand (previous year: € 6,251 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 € 2,871 thousand (previous year: € 2,764 thousand).

Other operating income mainly consists of income from passed-on expenses in the amount of € 2,661 thousand (previous year: € 3,157 thousand), income from the release of provisions in the amount of € 441 thousand (previous year: € 188 thousand), income from exchange-rate differences in the amount of € 871 thousand (previous year: € 387 thousand) and bonuses associated with central material purchasing in the amount of € 157 thousand (previous year: € 457 thousand).

The cost of materials in the amount of € 4,773 thousand (previous year: € 4,077 thousand) is due to central goods purchasing and is passed on in the same amount.

Other operating expenses (€ 9,959 thousand, compared to € 11,377 thousand in the previous year) mainly comprise legal fees and consulting expenses in the amount of € 2,197 thousand (previous year: € 2,195 thousand), losses from the disposal of fixed assets in the amount of € 860 (previous year: € 19 thousand), bad debt charges/closing-out of receivables in the amount of € 589 thousand (previous year: € 736 thousand), exchange losses in the amount of € 126 thousand (previous year: € 1,413 thousand), external services in the amount of € 493 thousand (previous year: € 562 thousand), travel and vehicle expenses in the amount of € 696 thousand (previous year: € 599 thousand), space costs in the amount of € 183 thousand (previous year: € 182 thousand), advertising costs in the amount of € 225 thousand (previous year: € 168 thousand) and passed-on expenses in the amount of € 2,610 thousand (previous year: € 3,094 thousand). Expenses unrelated to the accounting period amounted to € 77 thousand (previous year: € 143 thousand) and mainly relate to legal disputes.

In the past year, the financial result amounted to € 6,020 thousand, compared to € 8,053 thousand in the previous year. Net interest income improved from – € 196 thousand to – € 76 thousand, while income from profit transfer agreements decreased from € 6,205 thousand to € 3,957 thousand. In the past fiscal year, investment income was recognized in the amount of € 2,139 thousand (previous year: € 2,795 thousand). Extraordinary amortization recognized on financial assets in the past fiscal year totaled € 0 thousand (previous year: € 750 thousand).

Taxes amounted to € 34 thousand (previous year: € 347 thousand). The net profit for the year under review amounted to € 1,156 thousand (previous year: € 2,883 thousand).

Assets and Financial Position

In the year under review, the balance sheet total of Deufol SE decreased slightly to € 161.0 million (previous year: € 162.5 million). Fixed assets amount to € 113.1 million, compared to € 114.6 million in the previous year. At € 47.9 million, the current assets item including accrued and deferred items is virtually unchanged on the previous year. Depreciation of property, plant and equipment and amortization of intangible assets amounted to € 1,244 thousand (previous year: € 1,093 thousand), amortization of financial assets to € 0 thousand (previous year: € 750 thousand). Investments in property, plant and equipment and intangible assets amounted to € 1,119 thousand (previous year: € 1,973 thousand). Investments in financial assets amounted to € 6 thousand (previous year: € 15,519 thousand).

On the liabilities side, equity has decreased from € 97.6 million to € 96.2 million, due to the net profit for the year in the amount of € 1,156 thousand and less the dividend paid in the amount of € 2,578 thousand. The equity ratio of 59.8 % as of December 31, 2018 has changed only minimally by comparison with the previous year (60.0 %) due to the lower balance sheet total. Provisions increased to € 4.6 million (previous year: € 4.4 million). Liabilities decreased slightly, from € 60.5 million to € 60.2 million. The € 4.9 million increase in liabilities to banks, to € 46.3 million, contrasted with the € 4.3 million decline in liabilities to affiliated companies, to € 10.5 million.

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

Cash flow statement of Deufol SE

Figures in € thousand	2018	2017
Annual net profit	1,156	2,883
Depreciation / (appreciation)	1,244	1,093
Increase / (decrease) in provisions	183	138
Other noncash expenses / (revenue)	1,041	1,724
Noncash valuation adjustments on financial assets	0	750
Net changes in working capital assets	889	(3,745)
Net changes in working capital liabilities	(5,105)	(12,944)
Interest income / interest expense	76	197
Income from investments and profit transfer	(6,096)	(9,000)
Noncash income tax expense	23	347
Income tax payments	(223)	(155)
Cash flow from operating activities	**(6,812)**	(18,712)
Payments made for investments in intangible assets	(704)	(656)
Proceeds from the sale of property, plant and equipment	0	79
Payments made for investments in property, plant and equipment	(415)	(1,317)
Payments made for investments in financial assets	(6)	(425)
Repayment of long-term loans	593	572
Interest received	1,364	1,168
Income received from investments and profit transfer	6,096	9,000
Cash flow from investing activities	**6,928**	8,421
Proceeds from borrowings	4,842	10,332
Dividend payments	(2,578)	0
Interest paid	(1,440)	(1,365)
Cash flow from financing activities	**824**	8,967
Change in cash	940	(1,324)
Cash at the beginning of the period	4,087	5,411
Cash at the end of the period	5,027	4,087

Balance sheet of Deufol SE

Figures in € thousand	2018	2017
Fixed assets	113,071	114,636
thereof financial assets	103,394	104,799
Current assets and accrued and deferred items	47,913	47,862
Balance sheet total	**160,984**	162,498
Equity	96,149	97,570
Provisions	4,596	4,429
Liabilities	60,239	60,499
thereof amounts due to banks	46,270	41,426
Balance sheet total	**160,984**	162,498

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 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 2019, we expect that the economic trend will pose difficulties for further growth. According to the Institute for the World Economy, on the whole the global economic trend has experienced a significant slowdown. However, the growth trend will remain intact, albeit at a very weak level. A recession is not expected to occur. The world economic outlook for 2019 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. An expansion of tariffs within the scope of the current trade conflicts remains possible. This would have corresponding negative consequences for the world economy. In Europe, Italy's government remains mired in dispute with the European Commission over the country's economic policy. The issue of how and when Brexit will occur – it is due to take place in 2019 – also remains unresolved. 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 is fixed until October 2019. Contract negotiations are currently under way in relation to an extension and an optimization. These negotiations are expected to be completed in the second quarter of 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 38 on pages ▶ 084 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 2018 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 34 on page ▶ 084) 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 (AktG) 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 goods 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

Slower Global Economic Growth

According to the Kiel Institute for the World Economy, global output growth in 2019 will at 3.3 % be lower than in the previous year (2018: 3.7 %). For 2020, it likewise predicts growth of 3.3 %.

The economic trend in the advanced economies increasingly diverged. While the USA's gross domestic product continued to grow strongly up to the end of the period, output growth slowed very considerably, particularly in the Eurozone and Japan. The high level of momentum in the USA reflects the strong fiscal impetus provided by tax cuts and additional government spending. However, this has significantly increased the US trade balance deficit. This is an effect which runs counter to the US government's objectives.

Economic growth in the emerging markets continued to slacken in 2018. There will be no significant increase in output in the emerging markets in 2019 and 2020. The current financial outline conditions do not permit this. Structural impediments also continue to apply.

Eurozone's Economy Eases Off

The Eurozone's economy slackened in 2018. This is mainly due to weaker impetus associated with the international environment and, to a lesser degree, to country-specific one-off temporary factors. Overall economic output is nonetheless likely to continue to increase moderately in 2019 and 2020. Low interest rates and a mildly expansionary financial policy will continue to support the economic trend. Unemployment continues to fall, and in some countries increasing tensions on the labor market are likely.

According to the Institute for the World Economy's forecast, the Eurozone economy is thus set for further growth, albeit at a considerably weaker pace. The Institute expects that the Eurozone's gross domestic product growth will amount to 1.2 % in 2019 (compared to 1.8 % in 2018). Next year, the volume of economic activity will grow by 1.5 %.

German Economy Continues to Grow, at a Significantly Slower Pace

Overall, the German economy remains robust. While the economic momentum was relatively strong until half way through the year under review, in the second half of the year output clearly slackened. This was attributable not least to the foreign trade environment. This is having a negative impact on exports, and companies' investment propensity has also clearly worsened, even though their level of capacity utilization remains very high.

Accordingly, in 2019 the Institute for the World Economy predicts gross domestic product growth of just 1.0 %, compared to 1.4 % in 2018. In 2020, the pace of the upswing will increase to 1.8 %. However, this pickup is attributable, in particular, to the significantly higher number of working days. The political and foreign trade uncertainties are, and will remain, considerable.

Company-Specific Outlook

Predicted Sales and Results of Operations

For fiscal year 2019, the Deufol Group plans sales of between € 270 million and € 290 million. Its operating result (EBITDA) will be between € 15.5 million and € 17.5 million.

In Germany and the USA/Rest of the World, sales should be slightly higher than in the previous year. For the USA/Rest of the World region, the trend of a clear decline in sales in the past two years, due to the restructuring of our Consumer Goods Packaging segment in this region, has now largely run its course. We now have an optimistic outlook here. In the Rest of Europe region, we envisage a significant increase in sales which will be associated with corresponding investments in new markets.

With regard to our results forecast, we expect slightly improved results for our core business in Germany, at the level of previous fiscal years. The productivity-boosting measures implemented over the past few years should bear fruits in case of a stable economic trend. In the Rest of Europe, due to one-off effects in the year under review we expect earnings to decline but to nonetheless exceed the level seen in previous years. In the USA/Rest of the World segment, we expect slightly higher results due to a stabilized sales volume.

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. We expect to complete the current negotiations concerning an extension and optimization in the second quarter of 2019. If our business performance matches our forecasts, on account of our budgeted investments we anticipate a moderate increase in our net financial indebtedness in the current fiscal year.

In the current year, investments in fixed assets are planned with a volume of approx. € 19 million; this corresponds to an investment ratio (investments in relation to sales) of approx. 6.8 %. The planned investments are thus significantly higher than in 2018 (€ 8.9 million). This is due to a planned new location in the Rest of Europe region. These investments also entail borrowing with a volume of around € 10 million in 2019.

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.

Hofheim am Taunus, April 26, 2019

The Managing Directors

Jürgen Hillen, Dennis Hübner, Detlef W. Hübner, Jürgen Schmid

Supply Chain Solutions – We Deliver

AR2018	Supply Chain Solutions
	High-quality process development, management and documentation
	Easing the pressure throughout the supply chain

We are familiar with the challenges associated with the supply chain. For this reason, we will develop the most efficient and secure form of packaging for you, while taking into consideration key parameters from your point of view, such as time, your budget, the destination, the form of transportation, the type of material and climatic conditions.

Benefit from the latest technology to ensure transparency & flexibility for your supply chain. High-quality process development and management make it possible to analyze and eliminate waste. We thus contribute to your value added and productivity.

The right product at the right time, with the right level of quality, in the right quantity and at the right place – with quality assurance and cost savings guaranteed.

See our website for more information.

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LxBxH(cm)
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Serien-Nr.
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Consolidated Financial Statements

as of December 31, 2018

Consolidated Income Statement

Figures in € thousand	2018	2017	Note/Page
Sales	**265,109**	**287,728**	01/064
Other own work capitalized	555	636	
Inventory changes	433	(335)	
Other operating income	16,886	12,279	02/064
Overall operating performance	**282,983**	**300,308**	
Cost of materials	(107,417)	(112,484)	03/064
Personnel costs	(98,340)	(107,984)	04/064
Depreciation, amortization and impairment	(9,031)	(9,642)	10/069
Other operating expenses	(58,384)	(60,903)	05/065
Income (loss) from operating activities (EBIT)	**9,811**	**9,295**	
Financial income	123	294	06/066
Finance costs	(1,999)	(2,300)	06/066
Income (loss) from investments accounted for using the equity method	192	249	06/066
Other financial result	(24)	366	
Profit (loss) before taxes (EBT)	**8,103**	**7,903**	
Income taxes	(4,343)	(2,270)	07/066
Result for the period	**3,760**	**5,633**	
thereof share of profits held by noncontrolling interests	(265)	418	08/068
thereof share of profits held by shareholders in the parent company	**4,025**	**5,215**	

Earnings per share

Figures in €	2018	2017	Note/Page
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.094	0.121	09/068

Consolidated Statement of Comprehensive Income

Figures in € thousand	2018	2017	Note/Page
Result for the period	**3,760**	**5,633**	
Other comprehensive income	**447**	**(2,544)**	
Items which may be reclassified to the income statement in future			
Income (loss) from currency translation, after taxes	841	(2,544)	
Cash flow hedges before taxes	(366)	0	
Deferred taxes on cash flow hedges	104	0	
Cash flow hedges after taxes	(262)	0	38/087
Items which will not be reclassified to the income statement in future			
Actuarial income (+)/loss (–) from pensions, after taxes	(132)	0	25/080
Comprehensive income after taxes	**4,207**	**3,089**	
thereof noncontrolling interests	(265)	418	
thereof shareholders in the parent company	4,472	2,671	

Consolidated Balance Sheet

Assets Figures in € thousand	Dec. 31, 2018	Dec. 31, 2017	Note/Page
Noncurrent assets	**152,850**	**149,757**	
Property, plant and equipment	51,096	56,084	10/069
Goodwill	71,011	71,120	11/069
Other intangible assets	8,584	10,780	11/069
Investment property	11,493	0	12/070
Investments accounted for using the equity method	1,217	1,024	13/072
Financial receivables	0	48	14/073
Other financial assets	8	34	
Other receivables and other assets	319	2,445	15/073
Deferred tax assets	9,122	8,222	07/067
Current assets	**80,630**	**80,608**	
Inventories	13,308	12,240	16/076
Trade receivables	32,595	41,310	17/076
Other receivables and other assets	3,701	6,785	15/073
Tax receivables	1,299	861	
Financial receivables	271	1,977	14/073
Cash and cash equivalents	29,456	17,435	18/077
Total assets	**233,480**	**230,365**	

Equity and liabilities Figures in € thousand	Dec. 31, 2018	Dec. 31, 2017	Note/Page
Equity	**113,599**	**112,149**	
Equity attributable to the shareholders of Deufol SE	111,619	109,724	
Subscribed capital	43,774	43,774	19/077
Capital reserves	107,240	107,240	20/077
Retained earnings	10,204	10,204	21/077
Profit brought forward	(48,828)	(50,143)	
Other comprehensive income	(235)	(815)	
Treasury stock at cost	(536)	(536)	22/077
Noncontrolling equity interests	1,980	2,425	23/077
Noncurrent liabilities	**28,303**	**51,373**	
Financial liabilities	17,628	44,075	24/078
Provisions for pensions	3,662	3,454	25/079
Other provisions	39	63	26/081
Other liabilities	77	68	27/082
Deferred tax liabilities	6,897	3,713	07/068
Current liabilities	**91,578**	**66,843**	
Trade payables	28,664	28,870	28/082
Financial liabilities	46,168	19,588	24/078
Other liabilities	12,447	13,801	27/082
Tax liabilities	924	1,736	
Other provisions	3,375	2,848	26/081
Total equity and liabilities	**233,480**	**230,365**	

Consolidated Cash Flow Statement

Figures in € thousand	2018	2017	Note/Page
Income (loss) from operating activities (EBIT)	9,811	9,295	
Adjustments to reconcile net income (loss) to cash flow from operating activities			
Depreciation, amortization and impairment	9,050	9,642	10, 11/069
(Gain) loss from disposal of fixed assets	(1,126)	(22)	02, 05/064, 065
(Gain) loss from disposal of investments	6	0	
Taxes paid	(3,235)	(3,109)	
Adjustment of the fair value for investment property	(8,157)	0	02/064
Other noncash expenses/revenue	(10)	373	
Changes in assets and liabilities from operating activities			
Decrease (increase) in trade accounts receivable	8,854	3,192	
Decrease (increase) in inventories	(968)	1,794	
Decrease (increase) in other receivables and other assets	5,021	804	
Increase (decrease) in trade accounts payable	(50)	(11,218)	
Increase (decrease) in other liabilities	(1,013)	1,465	
Increase (decrease) in provisions	661	(224)	
Decrease (increase) in other operating assets/liabilities (net)	(1,985)	888	
Cash flow from operating activities	**16,860**	**12,880**	29/083
Payments made for investments in intangible assets and property, plant and equipment	(8,881)	(9,402)	
Proceeds from the sale of intangible assets and property, plant and equipment	7,826	3,993	
Proceeds from the sale of investments	0	0	
Acquisitions of business units less acquired cash	0	(217)	
Disposal of business units less cash disposed of	(183)	0	30/083
Net change in financial receivables	288	1,734	
Interest received	123	294	
Cash flow from investing activities	**(826)**	**(3,598)**	31/083
Addition (extinction) of amounts due to banks	1,300	6,304	
Addition (extinction) of other financial liabilities	(1,072)	(10,543)	
Proceeds from capital increase	0	204	
Interest paid	(1,999)	(2,300)	
Change in noncontrolling interests	0	(400)	
Dividend paid	(2,578)	0	
Dividend paid to noncontrolling interests	(180)	(35)	
Cash flow from financing activities	**(4,528)**	**(6,771)**	32/083
Exchange rate- and scope of consolidation-related changes in financial resources	516	(552)	
Change in cash and cash equivalents	**12,021**	**1,959**	33/083
Cash and cash equivalents at the beginning of the period	17,435	15,476	
Cash and cash equivalents at the end of the period	29,456	17,435	

Consolidated Statement of Changes in Equity*

Figures in € thousand	Subscribed Capital	Capital reserves	Retained earnings	Profit brought forward	Treasury stock at cost	Accumulated other comprehensive income: Cumulative translation adjustment	Accumulated other comprehensive income: Cash flow hedges	Equity attributable to the shareholders of Deufol SE	Noncontrolling equity interests	**Total equity**
Balance at Jan. 1, 2017	**43,774**	**107,240**	**10,000**	**(55,347)**	**(536)**	**2,209**	**0**	**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)**	**0**	**109,724**	**2,425**	**112,149**
Result for the period				4,025				4,025	(265)	3,760
Other comprehensive income				(132)		841	(262)	447		447
Comprehensive income				**3,893**		**841**	**(262)**	**4,472**	**(265)**	**4,207**
Dividends				(2,578)				(2,578)	(180)	(2,758)
Balance at Dec. 31, 2018	**43,774**	**107,240**	**10,204**	**(48,828)**	**(536)**	**27**	**(262)**	**111,619**	**1,980**	**113,599**

* Cf. Notes (19) to (23)

Notes to the Consolidated Financial Statements

For the fiscal year from January 1, 2018 to December 31, 2018

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 26, 2019 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 are complied with and applied in the preparation of the consolidated financial statements. All IFRS (IFRS, IAS, IFRIC, SIC) 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 as well as investment property, 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 27 (previous year: 28) in other countries (hereinafter referred to as the "Deufol Group" or the "Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i. e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (incl. goodwill), liabilities, noncontrolling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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. assets and liabilities are translated from the functional currency to the reporting currency at the ECB's reference rates 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	ECB reference rate as of the balance sheet date		Average rate for the year	
Per €	**2018**	2017	**2018**	2017
US dollar	1.1450	1.1993	1.1815	1.1263
Renminbi	7.8751	7.8044	7.8073	7.6202
Singapore dollar	1.5591	1.6024	1.5928	1.5571
Czech crown	25.724	25.535	25.643	26.316

Sales Recognition

Deufol has applied the new standard IFRS 15 since January 1, 2018. This standard prescribes the amount and timing of revenue recognition and envisages a uniform, five-step revenue realization model. In principle, this must be applied for all customer contracts.

Sales are primarily generated from services, products and rental agreements. Revenue from contracts with customers will be recognized where the power of disposal over these goods or services is transferred to the customer. Revenue is recognized in line with the value of the consideration which the entity is expected to receive in exchange for these goods or services. Sales are recognized net of purchase price reductions such as cash and sales discounts and rebates.

A contract with a customer within the scope of IFRS 15 must be recognized in the balance sheet subject to the cumulative fulfillment of the following criteria:

- The Parties have agreed to the contract and undertaken to fulfill their contractual obligations.
- The entity is able to determine for each party which rights this has in relation to the goods or services which are to be transferred.
- The entity is able to determine the payment terms for the goods or services which are to be transferred.
- The contract has economic substance.
- The entity is likely to receive the consideration to which it is entitled in return for the goods or services which are to be transferred to the customer.

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	5–11 years	up to 10 years
Remaining useful life	3–8 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 Properties

Investment properties as defined in IAS 40 are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized through profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined through regular valuations in accordance with IAS 40.

Investment properties are derecognized either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized through profit or loss in the period of derecognition. The amount of consideration to be included in the income statement in case of the derecognition of investment property is calculated in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent measurement is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated in the "Property, plant and equipment" section up to the date of change in use.

Leases

The process of determining whether an arrangement is or 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 fulfillment of the contractual arrangement is dependent on the use of one or more specific assets and whether the arrangement transfers the right to use that asset or those assets.

Group as Lessee

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

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

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

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

Group as Lessor

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

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

Sale and Lease-Back Transactions

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

Joint Ventures and Associates

Investments in joint ventures and associates are accounted for using the 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

IFRS 9, whose adoption is mandatory for the first time for the fiscal year beginning on January 1, 2018, introduces a uniform model for the categorization of financial assets, which classifies financial assets in terms of three different categories as of their initial recognition:

- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income, and
- financial assets measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. 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.

For purposes of subsequent measurement, financial assets are classified in terms of four categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value through OCI with reclassification of cumulative gains and losses (debt instruments)
- Financial assets measured at fair value through OCI with no reclassification of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets measured at fair value through profit or loss

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

- The contractual rights to receive cash flows resulting from the financial asset have expired.
- The Group has transferred to third parties its contractual rights to receive cash flows resulting from the financial asset or else entered into a contractual obligation to pay over the cash flow to a third party immediately, within the scope of a so-called "Pass-through Arrangement", 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.

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not measured at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognized in two stages. For financial instruments for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is recognized in the amount of the expected credit losses that result from default events that are possible within the next twelve months (a 12-month ECL). For financial instruments for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized in the amount of the credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its debtors and the economic outline conditions. The need to recognize impairment will be reviewed in terms of ECL on each balance sheet date and will be adjusted where necessary. The impairment rates will be determined on the basis of the level of delinquency for receivables.

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.

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 IFRS 9 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 through profit or loss.

Derivatives are measured according to recognized methods and in consideration of current market parameters. The financial instruments in their entirety are explained in Note (38).

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.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Since January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (incl. the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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 28.53 % (previous year: 28.46 %). This includes corporation tax at 15 %, the solidarity surcharge of 5.5 % on the corporation tax and the average rate of trade tax within the Group.

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

Other Recognized Income and Expense

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

Provisions for Pensions and Similar Obligations

The actuarial valuation of pension provisions for defined-benefit plans is based on the “projected-unit-credit method” prescribed in IAS 19. The interest element of pension expenses is shown as a finance cost. Actuarial gains and losses are recognized directly in other comprehensive income. The provisions for pensions result from the pension obligations less the market values of the plan assets.

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

Initial Recognition and Measurement

Financial liabilities will be classified as follows as of their initial recognition according to IFRS 9:

- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss

Subsequent Measurement

In principle, financial liabilities will be carried at amortized cost. This excludes financial liabilities which were allocated to the category “Financial liabilities measured at fair value through profit or loss” as of their initial recognition. 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.

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.

Derecognition

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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 (26) for further disclosures.

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

The determination of the fair value of investment property includes future-oriented estimates regarding the trend for index-based rents in the contractually agreed tenancy period as well as the rents subsequently achievable on the market. Assumptions must also be made regarding the amount of the operating costs which cannot be apportioned to the tenant(s) as well as the disposal costs. The discounted-cash-flow method used for measurement also requires the application of an adequate interest rate. Please see Note (12) for further disclosures.

Valuation of property, plant and equipment and intangible assets with a limited useful life requires the use of estimates for calculation of the fair value at the time of acquisition, particularly for assets acquired in connection with a business combination. In addition, these assets' expected useful life is to be determined. Calculation of the fair values of the assets and their useful life and the impairment testing in case of indications of impairment are based on judgments made by the management. Please see Notes (10) and (11) for further disclosures.

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

Further judgments may be required for the classification of leases.

Changed Accounting and Valuation Methods

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

New Accounting Standards

Adopted IFRS

The accounting and valuation methods applied in the consolidated financial statements correspond to the IFRS whose adoption is mandatory in the EU from December 31, 2018.

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

1. Adoption of IFRS 9 "Financial Instruments"

   Deufol will adopt IFRS 9 for the first time for the fiscal year beginning on January 1, 2018. In accordance with IFRS 9, this standard was initially applied in modified form and retrospectively. In accordance with the transitional provisions, Deufol has utilized the option to continue to present the comparative information in accordance with IAS 39. Initial application of IFRS 9 at Deufol has resulted in the following specific changes:

a) Model for Classification of Financial Assets
IFRS 9 introduces a uniform model for the categorization of financial assets, which classifies financial assets in terms of three different categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.
This reclassification has not had any effect on Deufol's net assets, financial position and results of operations.

b) Impairment Model Based on Expected Credit Losses
IFRS 9 introduces an impairment model based on expected credit losses which is applicable to all financial assets (debt instruments) which are either measured at amortized cost or at fair value through other comprehensive income. Under IAS 39, these instruments were examined for objective indications of impairment. Losses incurred were recognized as impairment of financial assets. Under IFRS 9, the new model also includes expectations regarding the future. The expected credit losses model uses a three-step process for the allocation of impairment losses. Deufol will apply the simplified impairment model for recognition of the expected credit losses envisaged over the period for trade receivables.
Initial adoption of the new impairment model has not had any effect on Deufol's net assets, financial position and results of operations.

c) Derivative Financial Instruments and Hedge Accounting
Where the hedge accounting requirements of IFRS 9 are fulfilled, from this date onwards Deufol will designate and document this hedge as a cash flow hedge or else as a hedge of net investments in a foreign operation. Documentation of these hedges includes the risk management goals and strategy, the type of hedge, the hedged risk, the name of the hedging instrument and the hedged item as well as an assessment of the effectiveness criteria.
The new rules on hedge accounting have not had any effect on Deufol's net assets, financial position and results of operations.

2. Adoption of IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB published its standard IFRS 15. This replaces the existing IFRS arrangements for the recognition of revenue. This new standard prescribes the amount and timing of revenue recognition. IFRS 15 envisages a uniform, five-step revenue realization model. In principle, this must be applied for all customer contracts. Deufol adopts IFRS 15 for the first time for the fiscal year beginning on January 1, 2018. In accordance with IFRS 15, this standard will initially be applied in modified form and retrospectively. No differences have resulted from the recognition of unfulfilled contracts under the old and new rules as of January 1, 2018, due to Deufol's business model, which required booking against retained earnings.

Other Standards and Interpretations

In addition, further standards and interpretations have been approved, which are not expected to have any significant impact on the consolidated financial statements.

Published IFRS Endorsed by the EU and Not Yet Adopted

IFRS 16 "Leases"

IFRS 16 is mandatorily applicable for fiscal years beginning on or after January 1, 2019. Deufol will adopt IFRS 16 for the first time for the fiscal year beginning on January 1, 2019. In accordance with the transitional provisions, application to the prior-year figures will be waived. The transition effects will be cumulatively reported in retained earnings. For the purpose of the transition to the new IFRS 16, Deufol will apply the following exemptions for the lessee:

- For the leases previously classified as operating leases according to IAS 17, the lease liability will be recognized at the present value of the outstanding lease payments, discounted at the incremental borrowing rate as of January 1, 2019. The related right of use will be recognized in the amount of the lease liability.
- Leases ending on December 31, 2019 at the latest will be recognized as short-term leases, irrespective of the original contractual term.
- The initial direct costs will be excluded for measurement of the right of use as of first-time adoption.
- The currently available information will be taken into consideration in determining the term of contracts with extension or termination options.

Group-wide preparations for the first-time application of IFRS 16 have established that, as of the changeover on January 1, 2019, rights of use and lease liabilities which are expected to amount to € 33.7 million will be recognized in the consolidated balance sheet for the first time.

As of first-time adoption, retained earnings will only undergo a slight change. With regard to the Group EBIT figure, a non-material effect is expected in 2019.

IFRIC 23 "Uncertainty Over Income Tax Treatments"

In May 2017, the IASB released IFRIC 23 "Uncertainty Over Income Tax Treatments". This interpretation clarifies the requirements for the recognition and measurement of uncertain income tax positions. IFRIC 23 is applicable for fiscal years beginning on or after January 1, 2019. Adoption of IFRIC 23 will not have any effect on the consolidated financial statements.

Further Standards

The IASB has resolved amendments to further standards which are not expected to have any significant impact on the consolidated financial statements.

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

In May 2017, the IASB published its standard IFRS 17 "Insurance Contracts". IFRS 17 replaces the currently applicable standard IFRS 4 and is intended to increase the level of transparency and comparability in terms of the recognition, measurement, presentation and disclosure of insurance contracts for the insurer. Following its endorsement by the EU, IFRS 17 is mandatorily applicable, at the latest, for fiscal years beginning on or after January 1, 2021. Early adoption is not currently envisaged. Deufol does not expect the adoption of IFRS 17 to have any effect on its net assets, financial position and results of operations.

In addition, further standards and interpretations have been approved which are not expected to have any significant impact on the 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, 2017	Additions	Disposals	Dec. 31, 2018
Consolidated subsidiaries	46	3	4	45
thereof in Germany	18	0	0	18
thereof abroad	28	3	4	27
Companies valued using the equity method	7	0	0	7
thereof in Germany	4	0	0	4
thereof abroad	3	0	0	3
Total	**53**	**3**	**4**	**52**

The following table shows the companies fully consolidated as of December 31, 2018:

Companies fully consolidated as of Dec. 31, 2018

	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
Deufol Austria Management GmbH (previously Rieder Verpackungs- und Logistik GmbH), Kleinzell nr. Hainfeld (incl. subsidiaries)	Austria	60.0
Packing Center Terminal Graz Süd GmbH, Werndorf	Austria	60.0
Rieder Kistenproduktion Gesellschaft m.b.H., Ramsau nr. Hainfeld	Austria	60.0
Deufol Austria Pack Center Solutions GmbH (previously Deufol Austria GmbH), Bruck a.d. Leitha	Austria	60.0
Deufol Austria Supply Chain Solutions GmbH, St. Pölten	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 Worldwide Packaging Inc., Sunman, Indiana	USA	100.0
Deufol België NV, Tienen (incl. subsidiaries)	Belgium	100.0
Deufol Technics NV, Houthalen	Belgium	99.96
Deufol Waremme S.A., Waremme	Belgium	98.8
Manamer NV, Antwerp (incl. subsidiary)	Belgium	100.0
Deufol Belgium Real Estate NV, Lier	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 Rhein-Main 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
Deufol South East Asia PTE. LTD., Singapore	Singapore	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, 2018

	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
Deutsche Tailleur Bielefeld Beteiligungs GmbH, Bielefeld	Germany	30.00	76	3
Securitas Int. B. V., Antwerp	Belgium	50.00	—	—

Acquisitions and Newly Established Companies

In 2018, Deufol SE established Deufol South East Asia PTE. LTD., Singapore. This company has share capital with a value of SGD 10 thousand. Deufol SE is the sole shareholder. This company has been fully consolidated since February 2018. Its main business activities are industrial goods packaging and warehouse logistics.

In addition, in 2018 Deufol Austria Management GmbH (previously: Rieder Verpackungs- und Logistik GmbH) established Deufol Austria Supply Chain Solutions GmbH, St. Pölten, Austria. Within the scope of the split-off, some of the business activities of Rieder Kistenproduktion Gesellschaft m. b. H. were transferred to the newly established company, whose share capital amounts to € 35 thousand. Deufol Austria Management GmbH is the sole shareholder. In particular, Deufol Austria Supply Chain Solutions GmbH has taken over the packaging activities of Rieder Kistenproduktion Gesellschaft m. b. H., which continues to handle the core activity of production. Deufol Austria Supply Chain Solutions GmbH has been fully consolidated since April 2018.

Also in 2018, Manamer NV established Deufol Belgium Real Estate NV, Lier. This company has share capital with a value of € 62 thousand. Manamer NV has a 99 % stake in the newly established company, while Deufol België has a 1 % interest. This company has been fully consolidated since May 2018.

Disposals and Sales

With effect as of August 16, 2018, Deufol SE and Deufol Nürnberg GmbH disposed of their interests in the two companies Deufol Logistics Tienen NV, Tienen, Belgium, and Deufol Packaging Tienen NV, Tienen, Belgium. Control was transferred to the purchaser as of this date. The two companies were removed from the consolidated group on this date. Overall, this disposal resulted in a deconsolidation gain for the Group in the amount of € 193 thousand.

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

Figures in € thousand	Aug. 16, 2018
Intangible assets	1
Property, plant and equipment	302
Receivables	1,013
Cash and cash equivalents	183
Total assets	**1,499**
Provisions	81
Financial liabilities	375
Other liabilities	1,345
Total liabilities	**1,801**
Net assets	(302)
Disposal of allocated goodwill	(109)
Deconsolidation gain	193
Sales price for the subsidiaries disposed of	0
less cash and cash equivalents disposed of	(183)
Cash outflow	(183)

With effect as of January 1, 2018, Deufol Brussels N. V., Machelen, Belgium was merged with Manamer NV This transaction did not have any material impact in relation to the Group.

In December 2018, Arcus Installation B.V.B.A., Houthalen, Belgium, was liquidated. As of this date, this company had equity in the amount of € 37 thousand, which contrasted with receivables in the amount of € 11 thousand and cash and cash equivalents in the amount of € 26 thousand on the assets side of the balance sheet. As of the date of its liquidation, the company did not have any liabilities.

From the point of view of the Group, a liquidation loss resulted which was of minor significance.

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 € 389 thousand (previous year: € 0 thousand). In respect of further comments on sales, we refer to the segment reporting on pages ▶ 091 ff.

02 Other Operating Income

The following table shows the breakdown of other operating income:

Figures in € thousand	2018	2017
Release of provisions and liabilities	1,519	1,638
Release of valuation adjustments on receivables	75	132
Income from the fair-value adjustment of investment property	8,157	0
Income from receivables written off	0	496
Assumption of costs	0	1,000
Insurance compensation and other indemnification	1,549	3,485
Reimbursements of ancillary costs	116	204
Income from disposal of fixed assets	1,145	42
Income from deconsolidation	193	0
Exchange rate gains	849	895
Income from out-of-court settlements and court rulings	1,577	1,456
Consolidation-related income	0	848
Other	1,706	2,083
Total	**16,886**	**12,279**

03 Cost of Materials

The cost of materials includes the following expenses:

Figures in € thousand	2018	2017
Expenses for raw materials, consumables and supplies	64,263	67,990
Cost of purchased services	43,154	44,494
Total	**107,417**	**112,484**

04 Personnel Costs

The personnel costs include the following expenses:

Figures in € thousand	2018	2017
Wages and salaries	76,972	83,144
Social security contributions and employee benefits	21,368	24,840
Total	**98,340**	**107,984**

Number of employees by region:

Number of employees by region	2018	2017
Germany	1,457	1,459
Europe	645	757
USA/Rest of the World	245	305
Group employees	**2,347**	**2,521**

On average, the Group had 2,347 employees in 2018, of whom 654 were office employees and 1,693 industrial employees. The holding had 78 employees on average (previous year: 77). As of the reporting date December 31, 2018, the Group had 2,323 employees (previous year: 2,530).

05 Other Operating Expenses

The following table shows the breakdown of other operating expenses:

Figures in € thousand	2018	2017
Rental and lease expenses	22,286	22,349
Space costs	6,641	7,051
Maintenance costs	2,850	3,274
Legal and consulting costs	4,947	5,886
Insurance premiums	2,105	2,886
IT and communications costs	2,545	2,744
Vehicle fleet costs	3,459	2,972
Expenses for loss or damage incurred	2,153	1,406
Expenses for tools and fuel	507	464
Personnel expenses	921	1,154
Travel expenses and advertising costs	2,138	2,294
Losses on disposal of fixed assets	26	20
Currency losses	308	766
Valuation adjustments and losses on receivables	3,478	931
Other	4,022	6,706
Total	**58,384**	**60,903**

The Group auditor's overall fees for the fiscal year amounted to € 185 thousand (previous year: € 194 thousand) for audits of financial statements, € 118 thousand (previous year: € 78 thousand) for tax consulting services, and € 17 thousand (previous year: € 17 thousand) for other services.

06 Financial Result

The financial result can be broken down as follows:

Figures in € thousand	2018	2017
Financial income	**123**	**294**
Other interest and similar income	109	63
from finance leases	14	231
Finance costs	**(1,999)**	**(2,300)**
from financial liabilities	(1,624)	(1,872)
from finance leases	(157)	(185)
Accumulation of liabilities and provisions	(221)	(242)
Other interest and similar expenses	3	(1)
Shares of profits of companies accounted for using the equity method	**192**	**249**
Other financial result	**(24)**	**366**
Total	**(1,708)**	**(1,391)**

07 Tax Proceeds/Expenses

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

Figures in € thousand	2018	2017
Effective income tax expense	**1,894**	**2,995**
Germany	250	534
Rest of the World	1,644	2,461
Deferred income taxes due to the occurrence or reversal of temporary differences	**2,449**	**(725)**
Germany	1,393	75
Rest of the World	1,056	(800)
Total	**4,343**	**2,270**

Deferred tax expenses/proceeds are as follows:

Figures in € thousand	2018	2017
(Recognition of)/write-down on loss carryforwards	352	0
Valuation of property, plant and equipment	1,947	(452)
Valuation of financial instruments	0	104
Valuation of clientele	(434)	(123)
Valuation of current assets	(562)	0
Finance leasing	1,549	(225)
Other	(403)	(29)
Total	**2,449**	**(725)**

As of December 31, 2018, deferred taxes were calculated for German companies with an overall tax rate of 28.53 % (previous year: 28.46 %). 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 28.53 % (previous year: 28.46 %) income tax rate for Deufol SE:

Figures in € thousand	2018	2017
Earnings before taxes	8,103	7,903
Income tax rate of the Deufol Group as %	28.53	28.46
Expected tax expense	**2,312**	**2,249**
Effect of different tax rates	53	256
Unrecognized deferred tax assets on loss carryforwards	325	0
Use of previously unconsidered tax losses	(867)	(1,010)
Write-down on loss carryforwards recognized to date	2,439	0
Effect of tax-exempt income	(417)	(899)
Effect of expenses not deductible for tax purposes	492	1,134
Prior-period tax effects	(38)	(392)
Other	44	349
Effects of tax-rate changes	0	583
Income taxes	**4,343**	**2,270**
Effective tax rate (%)	**53.59**	**28.72**

Deferred tax assets can be broken down as follows:

Figures in € thousand	2018	2017
Tax loss carryforwards	6,046	6,406
Supplementary capital for tax purposes	36	47
Clientele	268	0
Property, plant and equipment	1,275	1,217
Current assets	562	0
Finance leases	0	1,087
Provisions for pensions	39	9
Other	896	521
Deferred tax assets	**9,122**	**9,286**
Offset against deferred tax liabilities	(0)	(1,064)
Total	**9,122**	**8,222**

Of the deferred tax assets, € 4,754 thousand (previous year: € 6,187 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, 2018, corporate income tax loss carryforwards amounted to € 52.2 million (previous year: € 46.9 million). Of this amount, € 52.2 million (previous year: € 46.3 million) may be carried forward for an unlimited duration. The trade tax loss carryforwards of German Group companies amount to € 41.9 million (previous year: € 37.7 million). Temporary differences relating to shares in subsidiaries for which no deferred taxes have been shown in the balance sheet total € 23.3 million (previous year: € 26.4 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	2018	2017
Property, plant and equipment	4,765	2,817
Finance leases	798	335
Clientele	987	1,161
Other receivables and other assets	0	104
Other	347	359
Deferred tax liabilities	**6,897**	**4,777**
Offset against deferred tax assets	(0)	(1,064)
Total	**6,897**	**3,713**

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	2018	2017
Result attributable to the holders of Deufol SE common stock	4,025	5,215
Shares in circulation Figures in units		
Weighted average number of shares	42,960,880	42,960,880
Earnings per share Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.094	0.121

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	2018	2017
Cost	6,228	6,434
Accumulated depreciation and amortization	(5,005)	(4,950)
Carrying amount	**1,223**	**1,484**

The following amounts are attributable to “Buildings”:

Figures in € thousand	2018	2017
Cost	66	1,049
Accumulated depreciation and amortization	(66)	(790)
Carrying amount	**0**	**259**

In the previous year, extraordinary impairments were recognized on technical equipment and machinery in the amount of €1,079 thousand. These resulted due to the termination of the business relationship with a major customer and exclusively related 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, 2018	**52,571**	**18,549**	**0**	**71,120**
Additions	0	0	0	0
Disposals	0	(109)	0	(109)
Impairments	0	0	0	0
Currency translation adjustments	0	0	0	0
Carrying amount as of Dec. 31, 2018	**52,571**	**18,440**	**0**	**71,011**

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 CGU they are between 5.58 % and 8.89 % (previous year: 7.42 % to 8.89 %). 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 CGU 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.

In the other intangible assets item, in the past fiscal year an extraordinary impairment was recognized on a capitalized customer list in the amount of € 869 thousand. This was recognized due to a volume of sales which fell short of the expectations for the business relationships covered by the customer list and exclusively relates to the USA / Rest of the World segment.

12 Investment Property

The “Investment property” item includes existing properties which are neither owner-occupied nor held for sale and are instead held in order to generate rental income as well as increases in value.

In the year under review, properties were classified in the “Investment property” category for the first time. The IAS 40 measurement option was exercised in relation to a measurement according to the fair value model. Changes in relation to the current carrying amount before subsequent measurement (previous year’s fair value plus subsequent / additional costs less subsequent purchase price reductions) are recognized through profit or loss in other operating income.

The balance sheet item for the Group's investment property relates to a commercial property in the Eurozone which was acquired over the course of the year, following the expiry of a finance lease contract, and which was entered in the accounts at cost. Initial measurement at fair value as of the balance sheet date resulted in a gain of € 8.2 million.

Figures in € thousand	2018	2017
As at Jan. 1	**0**	**0**
Additions through acquisition	3,336	0
Ongoing production, subsequent purchase costs	0	0
Write-ups due to subsequent measurement at fair value	8,157	0
As at Dec. 31	**11,493**	**0**

The Group is not subject to any restrictions in terms of the disposability of investment properties or any contractual obligations to purchase, produce or develop investment properties.

The Group has done its own calculation of the fair value of this property as of December 31, 2018. The internationally recognized discounted-cash-flow method was applied, i. e. anticipation of the future cash flows, discounted to their present value on the balance sheet date. The fair value was determined on the basis of key non-observable input factors (Level 3). The cash flows were calculated according to the rent agreed with the tenant in the contract for the non-terminable basic tenancy period. Since this rent is subject to an index-based annual adjustment, the future development of the relevant index was estimated on the basis of the historical trend. The opinion prepared by an independent real estate expert was referred to in respect of the market rent achievable following this period. The 7.763 % interest rate which was required for calculation of the present value of the cash flows and the disposal costs deductible from the total present values were also obtained from this opinion. With regard to the operating costs, in accordance with Annex 23 of the German Valuation Act (BewG) the total costs ratio was initially estimated in accordance with the rent income and, in a second step, then allocated to the tenant and the landlord. The fair value thus calculated and recognized is lower than the value determined by the expert, on account of the specific characteristics of the investment property.

13 Investments Accounted for Using the Equity Method

As of December 31, 2018, the carrying amount of the investments in associates accounted for using the equity method amounts to € 1,217 thousand (previous year: € 1,024 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, 2018	Dec. 31, 2017
Current assets	1,351	1,584
Noncurrent assets	828	1,335
Total assets	**2,179**	**2,919**

Equity and liabilities Figures in € thousand	Dec. 31, 2018	Dec. 31, 2017
Debt	1,685	2,144
Equity	494	775
Total equity and liabilities	**2,179**	**2,919**
Total sales	5,575	7,008
Total expenses	(5,354)	(6,759)
Income	**221**	**249**

The unrecognized losses amount to € 8 thousand (previous year: € 1 thousand); cumulative unrecognized losses total € 98 thousand (previous year: € 90 thousand).

14 Financial Receivables

At the start of the fiscal year, the Deufol Group had rental and lease agreements under which Deufol was the lessor and essentially all risks and opportunities were transferred to the lessee. These have been classified as finance leases with Deufol as the lessor. They related primarily to buildings, technical equipment and machinery that were 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. These leases expired in fiscal year 2018.

Figures in € thousand	2018	2017
Total future payments	**0**	**1,761**
thereof due within one year	0	1,668
thereof due between one and five years	0	93
thereof due in more than five years	0	0
Present value of future payments	**0**	**1,761**
thereof due within one year	0	1,668
thereof due between one and five years	0	93
thereof due in more than five years	0	0
Interest element	**0**	**0**

15 Other Receivables and Other Assets

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

	2018		2017	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes receivable	288	288	238	238
Deferred expenses	882	882	1,032	1,032
Guarantees	162	162	180	180
Receivables from related parties	365	365	400	400
Compensation	0	0	2,800	2,800
Insurance refunds	1,063	1,063	834	834
Foreign-currency swaps	0	0	366	366
Amount reimbursed by suppliers	0	0	591	591
Receivables from employees/social security authorities	408	408	342	342
Other	852	533	2,447	2
Total	**4,020**	**3,701**	**9,230**	**6,785**

Consolidated Statement of Changes in Assets in 2017 and 2018

	Procurement and production costs								
Figures in € thousand	**Jan. 1, 2018**	Currency differences	Additions	Additions through business combinations	Disposals	Disposals due to company sales	Adjustment of the fair value	Reclassifications	**Dec. 31, 2018**
Property, plant and equipment									
Land, land rights and buildings	66,208	256	1,892	0	(10,822)	0	0	0	57,534
Technical equipment and machinery	44,513	807	543	0	(613)	(14,141)	0	18	31,127
Operating and office equipment	29,487	95	2,975	0	(708)	(2,926)	0	0	28,923
Assets under construction	979	2	2,110	0	(25)	0	0	0	3,066
Leased assets	7,483	9	360	0	(86)	(1,454)	0	(18)	6,294
Investment property	0	0	3,336	0	0	0	8,157	0	11,493
Total	**148,670**	**1,169**	**11,216**	**0**	**(12,254)**	**(18,521)**	**8,157**	**0**	**138,437**
Intangible assets									
Patents, licenses, trademarks and similar rights and assets	18,154	201	289	0	(101)	(21)	0	0	18,522
Internally generated intangible assets	3,844	0	513	0	0	0	0	0	4,357
Goodwill	71,332	831	0	0	0	(108)	0	0	72,055
Total	**93,330**	**1,032**	**802**	**0**	**(101)**	**(129)**	**0**	**0**	**94,934**
Sum total	**242,000**	**2,201**	**12,018**	**0**	**12,355**	**(18,650)**	**8,157**	**0**	**233,371**

Figures in € thousand	**Jan. 1, 2017**								**Dec. 31, 2017**
Property, plant and equipment									
Land, land rights and buildings	61,761	(1,598)	150	2, 435	(134)	0	0	3,593	66,208
Technical equipment and machinery	46,611	(2,409)	605	1	(2,949)	0	0	2,654	44,513
Operating and office equipment	32,683	(257)	1,261	35	(575)	0	0	(3,660)	29,487
Assets under construction	1,877	24	2,209	0	(572)	0	0	(2,558)	979
Leased assets	6,604	(39)	1,305	0	(359)	0	0	(29)	7,483
Investment property	0	0	0	0	0	0	0	0	0
Total	**149,536**	**(4,279)**	**5,530**	**2,471**	**(4,589)**	**0**	**0**	**0**	**148,670**
Intangible assets									
Patents, licenses, trademarks and similar rights and assets	14,067	(438)	3,232	1,659	(349)	0	0	(18)	18,154
Internally generated intangible assets	3,217	0	640	0	(11)	0	0	0	3,844
Goodwill	73,730	(2,416)	0	0	0	0	0	18	71,332
Total	**91,014**	**(2,854)**	**3,872**	**1,659**	**(360)**	**0**	**0**	**0**	**93,330**
Sum total	**240,550**	**(7,133)**	**9,402**	**4,130**	**(4,949)**	**0**	**0**	**0**	**242,000**

Depreciation, amortization and impairment								Net amounts	
Jan. 1, 2018	Currency differences	Additions	Disposals	Disposals due to company sales	Reversals of impairment losses	Reclassifications	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**
21,914	192	2,215	(4,638)	0	0	0	19,683	44,294	37,851
38,590	771	1,453	(526)	(14,081)	0	2	26,209	5,923	4,918
26,341	91	1,774	(422)	(2,899)	0	0	24,885	3,146	4,038
0	0	0	0	0	0	0	0	979	3,066
5,741	(1)	639	(65)	(1,241)	0	(2)	5,071	1,742	1,223
0	0	0	0	0	0	0	0	0	11,493
92,586	**1,053**	**6,081**	**(5,651)**	**(18,221)**	**0**	**0**	**75,848**	**56,084**	**62,589**
10,031	162	2,284	(33)	(21)	19	0	12,442	8,123	6,080
1,187	0	666	0	0	0	0	1,853	2,657	2,504
212	832	0	0	0	0	0	1,044	71,120	71,011
11,430	**994**	**2,950**	**(33)**	**(21)**	**19**	**0**	**15,339**	**81,900**	**79,595**
104,016	**2,047**	**9,031**	**(5,684)**	**(18,242)**	**19**	**0**	**91,187**	**137,984**	**142,184**
Jan. 1, 2017							**Dec. 31, 2017**	Dec. 31, 2016	**Dec. 31, 2017**
20,321	(961)	2,554	0	0	0	0	21,914	41,441	44,294
38,648	(2,134)	2,932	(886)	0	0	30	38,590	7,962	5,923
25,155	(248)	1,514	(128)	0	48	0	26,341	7,527	3,146
0	0	0	0	0	0	0	0	1,877	979
5,012	(16)	822	0	0	(48)	(30)	5,741	1,593	1,742
0	0	0	0	0	0	0	0	0	0
89,136	**(3,359)**	**7,822**	**1,014**	**0**	**0**	**0**	**92,586**	**60,400**	**56,084**
9,139	(328)	1,274	(55)	0	0	0	10,031	4,928	8,123
660	0	527	0	0	0	0	1,187	2,557	2,657
2,610	(2,416)	18	0	0	0	0	212	71,120	71,120
12,409	**(2,744)**	**1,820**	**(55)**	**0**	**0**	**0**	**11,430**	**78,605**	**81,900**
101,545	**(6,103)**	**9,642**	**(1,069)**	**0**	**0**	**0**	**104,016**	**139,005**	**137,984**

16 Inventories

The following table shows the breakdown of inventories:

Figures in € thousand	2018	2017
Raw materials, consumables and supplies	10,441	9,810
Work in progress	2,604	2,336
Finished products and merchandise	263	93
Total	**13,308**	**12,240**

17 Trade Receivables

Trade receivables are as follows:

Figures in € thousand	2018	2017
Trade receivables	36,670	44,012
Valuation adjustments	(4,075)	(2,702)
Trade receivables, net	**32,595**	**41,310**

Trade receivables from related parties amount to € 36 thousand (previous year: € 63 thousand).

As of December 31, 2018, 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
2018	**36,670**	**20,492**	**7,249**	**2,477**	**1,610**	**2,031**	**2,811**
2017	44,012	26,369	4,620	4,966	1,346	753	5,958

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	2018	2017
Valuation adjustments at start of period	**2,702**	**1,873**
Currency differences	6	(5)
Changes to scope of consolidation	(50)	0
Addition	1,743	1,050
Utilization	(251)	(84)
Reversal	(75)	(132)
Valuation adjustments at end of period	**4,075**	**2,702**

18 Cash and Cash Equivalents

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

Figures in € thousand	2018	2017
Cash on hand	52	60
Bank balances	29,404	17,375
Total	**29,456**	**17,435**

There are no restrictions on the amounts reported as cash.

19 Subscribed Capital

As of December 31, 2018, 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, 2018 for the issuance of new shares in return for cash contributions or contributions in kind (end of previous year: € 20,000,000). This is based upon the resolution passed by the Annual General Meeting on July 4, 2014 which authorizes the Company 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, 2018 the Contingent Capital amounts to € 20,000,000 (end of previous year: € 20,000,000). This resolution approved an amount of € 20,000,000 for the issue of conversion or option rights to the holders of convertible bonds or bonds with warrants with terms expiring no later than July 3, 2019.

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.

20 Capital Reserves

At the end of 2018, 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.

21 Retained Earnings

At the end of 2018, retained earnings continue to amount to € 10,204 thousand.

22 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 fiscal year 2016. This treasury stock was repurchased for € 536 thousand, amounting to an average cost of € 0.66 per share. These shares continue to be held as treasury stock.

23 Noncontrolling Equity Interests

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

Appropriation of Net Profit

In fiscal year 2018, Deufol SE distributed a dividend of € 0.06 per share; this corresponds to a dividend amount of € 2,578 thousand.

In the invitation to the Annual General Meeting, the Administrative Board will once again 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 € 12,103 thousand is to be carried forward to new account.

24 Financial Liabilities

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

	2018				2017			
		thereof with a remaining maturity of				thereof with a remaining maturity of		
Figures in € thousand	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year	1 to 5 years	over 5 years
Amounts due to banks	59,965	45,226	8,587	6,152	58,706	18,228	33,472	7,006
Liabilities under financial leases	3,557	902	2,205	450	4,487	1,320	3,127	40
Other financial liabilities	274	40	234	0	470	40	430	0
Financial liabilities	**63,796**	**46,168**	**11,026**	**6,602**	**63,663**	**19,588**	**37,029**	**7,046**

Property, plant and equipment in the amount of € 33.4 million (previous year: € 31.7 million) and fully consolidated interests in the amount of € 12.8 million (previous year: € 11.2 million) have been pledged as collateral to secure liabilities to banks and other financial liabilities.

Liabilities to Banks

Short-term and medium-term credit lines of € 48.4 million are available to the Group at various banks (previous year: € 48.7 million). As of December 31, 2018, € 36.0 million (previous year: € 31.3 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 2018, the average weighted interest rate for short-term loans was 2.28 % (previous year: 2.21 %).

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

	2018				2017			
	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)
Loans	€	2,805	7	2.62	€	0	n/a	n/a
Loans	€	5,500	1	variable*	€	7,500	2	variable*
Loans	€	1,216	6	3.05	€	1,408	7	3.05
Loans	€	850	5	3.95	€	1,017	6	3.95
Loans	€	1,173	1	1.75	€	2,453	2	1.75
Loans	€	1,521	6	2.41	€	1,761	7	2.41
Loans	€	4,054	8	1.30	€	4,500	9	1.30
Loans	€	4,698	10	1.95	€	5,262	11	1.95
Loans	€	859	13	3.25	€	871	14	3.25

*3-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 € 1.3 million (previous year: € 2.3 million).

Liabilities under Financial Leases

The total future minimum payments from financial leasing contracts can be broken down as follows as of December 31, 2018:

Figures in € thousand	2018	2017
Total future minimum lease payments	**3,760**	**4,697**
thereof due within one year	969	1,391
thereof due between one and five years	2,334	3,262
thereof due in more than five years	457	44
Present value of future minimum lease payments	**3,557**	**4,487**
thereof due within one year	902	1,320
thereof due between one and five years	2,205	3,127
thereof due in more than five years	450	40
Interest element	**203**	**210**

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

25 Provisions for Pensions

The Deufol Group has both defined-contribution and defined-benefit pension schemes in place. The defined-benefit pension plans include pension obligations as well as noncurrent-benefit entitlements (provisions for other 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	2018	2017
Provisions for pensions and other post-employment benefits	815	610
Liabilities to pension fund	2,847	2,844
Total	**3,662**	**3,454**

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

	Germany		Austria		Italy	
Figures in %	2018	2017	2018	2017	2018	2017
Discount rate	2.0	1.75	1.8	1.8	1.1	0.9
Turnover rate*	0.0	0.0	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	2.0	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	2018	2017
Present value of the obligation at Jan. 1	610	491
Current service cost	63	16
Interest cost	78	14
Pension payments	(119)	(24)
Actuarial losses	132	0
Change in the market value of the plan assets	(46)	0
Business combinations, disposals and other items	97	113
Present value of the obligation / net pension commitment on Dec. 31	**815**	**610**

The market value of the plan assets which relates to German pension obligations amounted to € 354 thousand as of December 31, 2018 (previous year: € 400 thousand). The present value of the total obligation was € 1,398 thousand on December 31, 2014, € 1,380 thousand on December 31, 2015 and € 491 thousand on December 31, 2016. The actuarial gains and losses amounted to € 186 thousand on December 31, 2014, € 19 thousand on December 31, 2015 and € 7 thousand on December 31, 2016 and have been recognized in other comprehensive income.

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

Figures in € thousand	2018	2017
Current service cost	63	16
Interest cost	78	14
Total pension expense	**141**	**30**

The expected pension expense for 2019 is € 142 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 2018, pension expenses relating to defined-contribution plans totaled € 14 thousand (previous year: € 12 thousand). In addition, contributions were paid to state pension insurance agencies in the amount of € 4,435 thousand (previous year: € 4,125 thousand).

The Company has carried as a liability in relation to a pension fund an amount of € 2,847 thousand (previous year: € 2,844 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 or her retirement.

Sensitivity Analysis

An increase or decrease in the key actuarial assumptions by 0.25 percentage points would have the following effects on the pension obligations as of December 31, 2018:

	Increase of 0.25 percentage points	Decrease of 0.25 percentage points
Interest rate	−30	32
Index-linked salary increase	4	−4
Index-linked pension increase	**29**	**−28**

The sensitivity calculations are based on the average period of the pension obligations calculated on December 31, 2018. 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, 2018. 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, 2018	Utilization	Reversal	Addition	Changes in scope of consolidation	Dec. 31, 2018
Guarantees and liability risks	68	0	(21)	0	0	47
Legal disputes	2,177	(176)	(6)	505	0	2,500
Dismantling obligations	23	0	0	0	0	23
Other risks	643	(93)	0	375	(81)	844
Summe	**2,911**	**(269)**	**(27)**	**880**	**(81)**	**3,414**

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	**2018**	2017	**2018**	2017	**2018**	2017
Guarantee and liability risks	8	68	39	0	47	68
Legal disputes	2,500	2,177	0	0	2,500	2,177
Dismantling obligations	23	23	0	0	23	23
Other risks	844	580	0	63	844	643
Total	**3,375**	**2,848**	**39**	**63**	**3,414**	**2,911**

27 Other Liabilities

Other liabilities can be broken down as follows:

	2018		2017	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes payable	992	992	1,957	1,957
Social security liabilities	1,277	1,277	1,189	1,189
Liabilities to employees relating to wages and salaries	9,422	9,422	9,840	9,840
Other liabilities to employees (annual leave, overtime, etc.)	45	1	45	0
Deferred income	256	256	246	246
Other	532	499	593	569
Total	**12,524**	**12,447**	**13,870**	**13,801**

28 Trade Payables

Trade payables amount to € 28,664 thousand (previous year: € 28,870 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 € 2,842 thousand (previous year: € 4,125 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 2018 and 2017. 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 (18) 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 2018, operating activities provided net cash of €16.9 million (previous year: €12.9 million). It should be noted that adjustments were made for the effects of changes in the scope of consolidation.

Please see page ▶063 for details of sales.

31 Cash Flow From Investing Activities

In the past fiscal year, a €0.8 million (previous year: €3.6 million) outflow of funds from investing activities resulted. Investments in intangible assets and property, plant and equipment amounted to €8.9 million, while an inflow of funds in the amount of €7.8 million resulted from the disposal of intangible assets and property, plant and equipment. The net change in financial receivables in the amount of €0.3 million and interest received in the amount of €0.1 million were also significant.

32 Cash Flow From Financing Activities

In the past fiscal year, a €4.5 million (previous year: €6.8 million) outflow of funds from financing activities resulted. This was mainly due to paid interest in the amount of €2.0 million.

Deufol SE distributed a dividend in the amount of €2.6 million in 2018.

The adjustments to reconcile financial liabilities to the cash flow from financing activities in fiscal year 2018 are shown below:

Figures in € thousand	Dec. 31, 2017	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, 2018
Noncurrent financial liabilities	44,075	(840)	0	(107)	(25,500)	0	17,628
Current financial liabilities	19,588	1,068	0	12	25,500	0	46,168
Forward exchange transactions used for hedging purposes – assets	366	0	0	0	(366)	0	0

33 Change in Cash and Cash Equivalents

The cash and cash equivalents balance increased by €12.1 million from €17.4 million to €29.5 million. Net financial indebtedness – defined as financial liabilities less the Group's financial receivables and cash and cash equivalents – decreased by €10.2 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 € 22,286 thousand (previous year: € 22,349 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 non-cancelable leases are as follows:

Figures in € thousand	Dec. 31, 2018	Dec. 31, 2017
Not later than one year	15,626	15,147
Later than one year and not later than five years	20,914	19,817
Later than five years	1,905	2,769
Total minimum lease payments	**38,445**	**37,732**

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 Contingent Assets

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

37 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, 2018, the Group's equity ratio was 48.7 % (previous year: 48.7 %). 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.

38 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 Risks

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 € 16 thousand lower (higher) and in the previous year € 199 thousand lower (higher). The balancing item in equity would have been € 1 thousand lower (higher) and in the previous year € 730 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).

Derivatives not designated as hedging instruments reflect the negative change in the fair value of the forward exchange contracts which are not included in a hedging relationship but are nonetheless used in order to reduce the currency risk resulting from expected purchases and sales.

The forward exchange contracts are designated in Czech crowns as hedging instruments, in order to hedge cash flows from expected sales. These expected transactions are highly probable.

An economic relationship exists between the hedged item and the hedging instrument, since the conditions for the forward exchange contracts match those of the highly probable future transactions (this is the case for the nominal amount and for the envisaged payment due date). The underlying risk for the forward exchange contracts is identical to that of the hedged risk components. The Group has therefore specified a hedge ratio of 1:1 for these hedges.

The currency risks arising from the planned operating exposure will be gradually hedged over a period of 24 months by means of forward exchange transactions. These will be recognized in the balance sheet as cash flow hedges.

A hedge might become ineffective due to changes in the expected cash flows resulting from the hedged item and the hedging instrument.

The Group has the following forward exchange contracts:

Figures in € thousand	2018 Maturity Up to 1 year	2018 Maturity Over 1 year	2018 Total	2017 Maturity Up to 1 year	2017 Maturity Over 1 year	2017 Total
Forward exchange contracts	(27)	(272)	(299)	298	68	366
Notional amount	12,955	11,100	24,055	8,040	2,010	10,050
Average forward rate EUR/CZK	25.9054	25.7628	25.8396	26.5450	26.5100	26.5380

The hedging instruments used have had the following effects on the balance sheet:

Carrying amounts/fair values of the hedging instruments used for hedge accounting Figures in € thousand	Dec. 31, 2018	Dec. 31, 2017
Noncurrent financial assets	0	0
Current financial assets	0	366
Noncurrent financial liabilities	0	104
Current financial liabilities	0	0

Within the scope of the accounting for cash flow hedges, the designated effective portions of a hedge are to be reported through OCI. Any additional changes in the market value of the designated component will be recognized through profit or loss, as ineffective. The current cash flow hedges are considered to be fully effective.

The following table is a reconciliation of the reserve for the cash flow hedges:

Figures in € thousand	2018	2017
Balance at Jan. 1	0	0
Profits or losses (after taxes) from effective hedges recognized in equity	262	0
Reclassifications due to the realization of the hedged item	0	0
Balance at Dec. 31	**262**	**0**

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, 2018 for variable-interest liabilities had been an average of 100 basis points higher (lower), this would have had an effect on the Group's interest expense in the approx. amount of € 399 thousand (previous year: € 355 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 (17) 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	2019	2020 to 2023	After 2023
At December 31, 2018			
Amounts due to banks	45,019	9,398	6,983
Liabilities under financial leases	968	2,334	457
Other financial liabilities	40	234	0
Trade payables	28,664	0	0
Other liabilities (excl. tax liabilities)	11,456	77	0

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

Further Financial Instruments Disclosures

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

	From subsequent valuation						
Figures in € thousand	From interest	At fair value	Currency translation	Valuation adjustment	From disposal	**2018**	2017
Financial assets measured at amortized cost	108	0	0	(3,478)	0	(3,370)	(855)
Financial assets measured at fair value through profit or loss	0	0	0	0	0	0	366
Financial liabilities measured at amortized cost	(1,781)	0	0	0	0	(1,781)	(2,115)

Valuation of financial instruments

Cash and cash equivalents, trade receivables and other 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 instruments measured at fair value through other comprehensive income relate to derivative currency hedging contracts which have been included in hedge accounting. 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 euros 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)
Level 3: Information for assets and liabilities which is not based on observable market data

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

			Balance sheet valuation (IFRS 9)					
				Fair value through OCI				
Figures in € thousand	Fair-value hierarchy	**Carrying amount as of Dec. 31, 2018**	Amortized cost	Incl. recycling*	Excl. recycling**	Fair value through profit or loss	Valuation acc. IAS 17	**Fair value Dec. 31, 2018**
Financial assets								
Cash and cash equivalents	1	29,456	29,456	—	—	—	—	29,456
Trade receivables	2	32,595	32,595	—	—	—	—	32,595
Other receivables	2	5,590	5,590	—	—	—	—	5,576
Investments	3	8	8	—	—	—	—	8
Financial liabilities								
Amounts due to banks	2	59,965	59,965	—	—	—	—	59,965
Trade payables	2	28,664	28,664	—	—	—	—	28,664
Liabilities under financial leases	2	3,557	—	—	—	—	3,557	3,537
Other liabilities	2	13,723	13,723	—	—	—	—	13,699
Derivatives used for hedging purposes	2	0	—	(299)	—	—	—	(299)

* Incl. recycling = items which may be reclassified to the income statement in future
** Excl. recycling = items which will not be reclassified to the income statement in future

Figures in € thousand			Balance sheet valuation (IAS 39)					
	Category	Fair-value hierarchy	**Carrying amount as of Dec. 31, 2017**	Amortized cost	Fair value through OCI	Fair value through profit or loss	Valuation acc. IAS 17	**Fair value 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 through profit or loss			366	—	—	366	—	366
4) Financial liabilities measured at amortized cost			103,652	103,652	—	—	—	103,593
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.

40 Segment Information by Region

Figures in € thousand	Germany	Rest of Europe	USA/Rest of the World	Holding	Elimina-tion	**Group**
2018						
External sales	157,822	65,208	41,879	200	0	265,109
Internal sales	22,764	24,799	69	14,283	(61,915)	0
Total sales	**180,586**	**90,007**	**41,948**	**14,483**	**(61,915)**	**265,109**
EBITA	3,656	9,190	561	(4,256)	660	9,811
Financial income	359	100	33	1,364	(1,733)	123
Finance costs	(1223)	(513)	(556)	(1,440)	1,733	(1,999)
Income (loss) from associates and other equity investments	(3,723)	0	0	3,915	0	192
Other financial result	0	(24)	0	0	0	(24)
EBT	(931)	8,753	38	(417)	660	8,103
Taxes						(4,343)
Result for the period						**3,760**
Assets	84,966	112,099	54,005	268,504	(286,094)	233,480
thereof investments accounted for using the equity method	1,147	0	0	70	0	1,217
Non-allocated assets						0
Total assets	**84,966**	**112,099**	**54,005**	**268,504**	**(286,094)**	**233,480**
Financial liabilities	24,884	23,969	11,862	56,463	(53,382)	63,796
Other debt	32,810	37,991	17,557	13,023	(45,296)	56,085
Non-allocated debt						0
Total liabilities	**57,694**	**61,960**	**29,419**	**69,486**	**(98,678)**	**119,881**
Depreciation, amortization and impairment	2,475	4,108	1,262	1,242	(56)	9,031
Investments	1,259	5,971	183	1,126	343	8,882
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**
EBITA	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	0	12	70	0	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

Information on Key Customers

In the past fiscal year, the Deufol Group realized € 11.6 million (previous year: € 41.3 million) or approx. 4.4 % (previous year: 14.4 %) of its total sales with one particular customer in the field of consumer goods packaging. This customer falls within the USA / Rest of the World segment. In the past fiscal year, the Deufol Group also realized € 56.9 million (previous year: € 50.5 million) and € 27.0 million (previous year: 31.2 %) – or approx. 22.2 % and 10.2 %, respectively (previous year: 17.5 % and 10.8 %) – of its total sales with two major customers in the field of export packaging. These customers fall within the Germany and USA / Rest of the World segments.

Further Information on the Segment Reporting

In the other intangible assets item, in the past fiscal year an extraordinary impairment was recognized on a capitalized customer list in the amount of € 869 thousand. This was recognized due to a volume of sales which fell short of the expectations for the business relationships covered by the customer list and exclusively relates to the USA / Rest of the World segment.

In the past fiscal year, the Group measured an investment property at fair value. This resulted in a revaluation gain in the amount of € 8,157 thousand which is included in the EBIT figure for the Rest of Europe segment.

41 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**
2018						
External sales	206,038	40,611	18,260	200	0	265,109
Internal sales	40,702	1,627	5,303	14,283	(61,915)	0
Total sales	**246,740**	**42,238**	**23,563**	**14,483**	**(61,915)**	**265,109**
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**

42 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 six non-executive directors and two managing directors as of the end of 2018 – had the following membership in the reporting period:

Name and position	
Detlef W. Hübner (Chairman) Appointed until AGM 2019	▪ Managing Director of Deufol SE
Helmut Olivier (Deputy Chairman) Appointed until AGM 2019	▪ Executive Board member of Lehman Brothers AG i. Ins., Frankfurt am Main
Dennis Hübner Appointed until AGM 2019	▪ Managing Director of Deufol SE
Marc Hübner Appointed until AGM 2019	▪ HHead of Business Development of Deufol SE
Holger Bürskens Appointed until AGM 2019	▪ Partner of ARNECKE SIBETH DABELSTEIN Rechtsanwälte Steuerberater Partnerschaftsgesellschaft mbB, Frankfurt am Main
Wulf Matthias Appointed until AGM 2019	▪ Financial Advisor at Wulf Matthias Wirtschaftsberatung, Frankfurt am Main
Axel Wöltjen Appointed until AGM 2019	▪ Managing Director of A. Wöltjen Consulting GmbH, Wendelstein
Prof. Dr. Rüdiger Grube Since June 29, 2018 Appointed until AGM 2019	▪ Chairman Investment Banking Germany at Lazard Ltd. and Managing Director of Rüdiger Grube International Business Leadership GmbH, Hamburg

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 2018, Administrative Board compensation totaled € 128 thousand (previous year: € 140 thousand).

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

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

Mr. Klaus Duttiné resigned from his position as a managing director of the Company as of February 28, 2019. Mr. Jürgen Hillen joined the Company as a managing director on March 1, 2019.

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

Figures in € thousand	**2018**	2017
Fixed remuneration	1,450	1,450
Variable remuneration	785	750
Other remuneration	33	33
Total	**2,268**	**2,233**

The managing directors' total remuneration constitutes 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 2018, expenses amounted to € 18 thousand (previous year: € 26 thousand). On December 31, 2018, the Company had liabilities in relation to A. Wöltjen Consulting GmbH in the amount of € 9 thousand (previous year: € 7 thousand).

ARNECKE SIBETH DABELSTEIN Rechtsanwälte Steuerberater Partnerschaftsgesellschaft mbB, Frankfurt, qualifies as a related party, since a partner has been a member of the Administrative Board of Deufol SE since June 30, 2016. In fiscal year 2018, expenses amounted to € 411 thousand (previous year: € 391 thousand). On December 31, 2018, the Company had liabilities in relation to ARNECKE SIBETH DABELSTEIN Rechtsanwälte Steuerberater Partnerschaftsgesellschaft mbB in the amount of € 218 thousand (previous year: € 184 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 2018, expenses amounted to € 432 thousand (previous year: € 401 thousand), while income amounted to € 14 thousand (previous year: € 15 thousand). On December 31, 2018, the Company had liabilities in relation to Hofgut Liederbach GmbH & Co. KG in the amount of € 11 thousand (previous year: € 0 thousand).

The transactions with other related parties also include relationships with companies in which Mr. Detlef W. Hübner holds a majority interest. In the past fiscal year, these transactions resulted in revenue in the amount of € 1 thousand (previous year: € 26 thousand). As of December 31, 2018, receivables from these companies and Mr. Detlef W. Hübner amounted to € 25 thousand (previous year: € 63 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
2018		
Sales and other income	1,831	15
Expenses	239	861
Receivables	668	36
Liabilities	130	227
2017		
Sales and other income	1,463	42
Expenses	282	818
Receivables	850	63
Liabilities	123	220

Hofheim am Taunus, April 26, 2019

The Managing Directors

Jürgen Hillen, Dennis Hübner, Detlef W. Hübner, Jürgen Schmid

Independent Auditor's Report

Audit Opinions

We have audited the consolidated financial statements of Deufol SE, Hofheim am Taunus, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, including the accounting and valuation methods for the fiscal year from January 1, 2018 to December 31, 2018. We have also audited the Group management report which has been combined with the management report of Deufol SE, Hofheim am Taunus, for the fiscal year from January 1, 2018 to December 31, 2018.

The inclusion of the accounts in the audit in accordance with section 317 (1) clause 1 HGB and the audit of the combined management report and Group management report in accordance with section 317 (2) HGB represent additional statutory requirements which exceed those laid down in the International Standards on Auditing (ISA).

Our audit conducted in accordance with section 317 HGB has not led to any reservations.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315 e (3) HGB and, in accordance with these requirements, give a true and fair view of the assets and financial position of the Group as of December 31, 2018 as well as its results of operations for the fiscal year from January 1, 2018 to December 31, 2018;
- the accompanying combined management report and Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report and Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 (3) clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report and Group management report.

Basis for the Audit Opinions

We have conducted our audit of the consolidated financial statements and the combined management report and Group management report in accordance with section 317 HGB while complying with the International Standards on Auditing (ISA). Our responsibility under those requirements and standards is further described in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and of the Combined Management Report and Group Management Report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report and Group management report.

Other Information

The parent company's management is responsible for the other information. The other information comprises

- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the combined management report and Group management report and our auditor's report.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether this other information

- is materially inconsistent with the consolidated financial statements, with the combined management report and Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibility of the Management and the Administrative Board for the Consolidated Financial Statements and the Combined Management Report and Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315 e (3) HGB and for the consolidated financial statements, in compliance with these requirements, giving a true and fair view of the net assets, financial position and results of operations of the Group. In addition, management is responsible for such internal control as they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going-concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the combined management report and Group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report and Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report and Group management report.

The Administrative Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the combined management report and Group management report.

Auditor’s Responsibility for the Audit of the Consolidated Financial Statements and of the Combined Management Report and Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report and Group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the combined management report and Group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB while complying with the International Standards on Auditing (ISA) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report and Group management report.

Within the scope of our audit in compliance with the ISA, we exercise professional judgment and maintain professional skepticism.

We also

- identify and assess the risks of material misstatement in the consolidated financial statements and in the combined management report and Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report and Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- draw conclusions regarding the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, as to whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315 e (3) HGB.
- evaluate the consistency of the combined management report and Group management report with the consolidated financial statements, its conformity with German law and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by management in the combined management report and Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hofheim am Taunus, April 29, 2019

VOTUM AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Leoff	Lehnert
Certified auditor	Certified auditor

Consumer Packaging – We Advance

AR2018	Consumer Packaging
	Designing, packaging, coding and assembling
	Deufol connects you with the world.

Customer-specific, turnkey packaging developed in-house – that is our operating principle at Deufol. We design, package, code and assemble.

With our full-service all-in-one solution, you receive various packaging designs, prototype construction, manufacturing, production, fulfillment and shipping, offering you peace of mind during process implementation.

At Deufol, all of this involves semi-automated and tailored production processes in order to reduce unit and investment costs. Optimization in your logistics supply chain through reusable packaging which reduces the expenses for waste and materials brings down costs and ensures transparency.

See our website
for more information.

Information on Deufol SE

Income Statement of Deufol SE

Figures in € thousand	2018	2017
1. Sales	**14,483**	**13,302**
2. Other operating income thereof income from currency translation: € 871 thousand (previous year: € 357 thousand)	5,242	6,251
3. Cost of materials Expenses for raw materials, consumables and supplies and for purchased merchandise	(4,773)	(4,077)
4. Personnel costs		
a) Wages and salaries	(7,856)	(7,123)
b) Social security contributions thereof for old-age provision: € 5 thousand (previous year: € 3 thousand)	(723)	(706)
5. Amortization of intangible assets and depreciation of property, plant and equipment	(1,244)	(1,093)
6. Other operating expenses thereof expenses for currency translation: € 126 thousand (previous year: € 1,413 thousand)	(9,959)	(11,377)
7. Income due to profit transfer agreements and from investments thereof from affiliated companies: € 6,096 thousand (previous year: € 9,000 thousand)	6,096	9,000
8. Other interest and similar income thereof from affiliated companies: € 1,285 thousand (previous year: € 1,151 thousand)	1,364	1,168
9. Write-downs of financial assets	0	(750)
10. Interest and similar expenses thereof for affiliated companies: € 255 thousand (previous year: € 294 thousand)	(1,440)	(1,365)
11. Income taxes	(23)	(303)
12. Earnings after taxes	**1,167**	**2,927**
13. Other taxes	(11)	(45)
14. Net profit for the year	**1,156**	**2,882**
15. Retained profits brought forward	13,525	13,220
16. Net income for the year	**14,681**	**16,102**

Balance Sheet of Deufol SE

Assets Figures in € thousand	Dec. 31, 2018	Dec. 31, 2017
A. Fixed assets	**113,071**	**114,636**
I. Intangible assets	2,795	2,827
1. Purchased licenses, trademarks and similar rights and assets as well as licenses for such rights and assets	1,930	1,914
2. Advance payments made	865	913
II. Property, plant and equipment	6,882	7,010
1. Land, land rights and buildings incl. buildings on third-party land	5,005	5,148
2. Technical equipment and machinery	248	303
3. Other equipment, operating and office equipment	1,179	1,072
4. Advance payments made and assets under construction	450	487
III. Financial assets	103,394	104,799
1. Shares in affiliated companies	95,794	96,648
2. Loans to affiliated companies	7,411	7,962
3. Investments	189	189
B. Current assets	**47,793**	**47,680**
I. Receivables and other assets	42,766	43,593
1. Trade receivables	315	89
2. Receivables from affiliated companies	41,779	42,669
3. Receivables from companies in which a participating interest is held	98	140
4. Other assets	574	695
II. Cash in hand, bank balances	5,027	4,087
C. Deferred expenses and accrued income	**120**	**182**
Total assets	**160,984**	**162,498**

Equity and liabilities Figures in € thousand		Dec. 31, 2018	Dec. 31, 2017
A. Equity		**96,149**	**97,571**
I. Subscribed Capital less nominal amount of treasury stock Contingent Capital: € 20,000 thousand (previous year: € 20,000 thousand)	43,774 (813)	42,961	42,961
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: € 13,525 thousand (previous year: € 13,220 thousand)		14,681	16,102
B. Provisions		**4,596**	**4,429**
1. Tax provisions		176	192
2. Other provisions		4,420	4,237
C. Liabilities		**60,239**	**60,498**
1. Liabilities to banks		46,270	41,426
2. Trade payables		1,026	1,467
3. Liabilities to affiliated companies		10,545	14,817
4. Liabilities to companies in which a participating interest is held		39	35
5. Other liabilities thereof taxes: € 1,676 thousand (previous year: € 1,676 thousand) thereof social security liabilities: € 0 thousand (previous year: € 0 thousand)		2,359	2,753
Total equity and liabilities		**160,984**	**162,498**

Significant Equity Investments of Deufol SE

	Equity interest (%)*	Shareholders' equity (€ thousand)	Sales (€ thousand)	Employees
Germany				
Deufol Berlin GmbH, Berlin	100.00	256	8,425	92
Deufol Bochum GmbH, Bochum	100.00	180	4,832	33
Deufol Hamburg GmbH, Hamburg	100.00	723	23,175	85
Deufol München GmbH, Garching-Hochbrück	100.00	(1,908)	27	0
Deufol Nord GmbH, Peine	100.00	1,297	17,179	205
Deufol Nürnberg GmbH, Nuremberg	100.00	17,198	10,747	90
Deufol Remscheid GmbH, Remscheid	100.00	330	4,750	16
Deufol Süd GmbH, Neutraubling	100.00	138	43,812	339
Deufol Südwest GmbH, Frankenthal	100.00	3,127	9,838	90
Deufol West GmbH, Mülheim an der Ruhr	100.00	2,177	30,265	203
DRELU Holzverarbeitung GmbH, Remscheid	77.55	(343)	10,449	83
DTG Verpackungslogistik GmbH, Fellbach	51.02	591	7,117	30
Deufol Rhein-Main GmbH, Butzbach	100.00	1,165	5,047	28
Rest of Europe				
Deufol Austria Management GmbH, Bruck a.d.L., Austria	60.00	2,202	1,466	13
Deufol Austria Pack Center Solutions GmbH, St. Pölten, Austria	60.00	398	3,876	0
Deufol Austria Supply Chain Solutions GmbH, St. Pölten, Austria	60.00	167	4,378	0
Deufol België NV, Tienen, Belgium	100.00	10,817	1,098	8
Rieder Kistenproduktion Gesellschaft m.b.H., Ramsau nr. Hainfeld, Austria	60.00	485	10,977	47
Manamer NV, Antwerp, Belgium	100.00	933	1,106	0
Deufol Lier NV, Lier	100.00	674	8,304	57
Deufol Port of Antwerp NV, Antwerp	100.00	289	2,701	18
Deufol Česká republika a.s., Ivancice, Czech Republic	100.00	944	6,918	100
Deufol Immobilien CZ s.r.o., Brno, Czech Republic	100.00	23	806	0
Deufol Italia S.p.A., Fagnano Olona, Italy	100.00	2,248	11,819	52
Deufol Waremme S.A., Waremme, Belgium	98.75	6,279	9,678	85
USA/Rest of the World				
Deufol Sunman Inc., Sunman, Indiana, USA	100.00	9,903	27,999	178

* 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	2018	2017	2016	2015	2014
Sales (€ thousand)	265,109	287,728	340,958	324,835	298,871
Change on previous year (%)	(7.9)	(15.6)	5.0	8.7	(6.2)
EBITDA (€ thousand)	18,842	18,937	19,237	15,601	13,453
Margin (%)	7.1	6.6	5.6	4.8	4.5
EBITA (€ thousand)	9,849	9,334	9,436	8,166	6,228
Margin (%)	3.7	3.2	2.8	2.5	2.1
EBT (€ thousand)	8,103	7,903	5,736	5,494	3,500
Margin (%)	3.1	2.7	1.7	1.7	1.2
Income (loss) from continuing operations (€ thousand)	3,760	5,633	4,635	3,592	468
Margin (%)	1.4	2.0	1.4	1.1	0.2
Net income (€ thousand)	4,025	5,215	5,064	3,299	228
Margin (%)	1.5	1.8	1.5	1.0	0.1
Operating cash flow (€ thousand)	16,860	12,905	12,001	5,541	22,243
Margin (%)	6.4	4.5	3.5	1.7	7.4
Free cash flow (€ thousand)	16,034	8,932	6,073	2,673	19,905
Margin (%)	6.0	3.1	1.8	0.8	6.7

Assets position	2018	2017	2016	2015	2014
Current assets (€ thousand)	80,630	80,608	86,575	87,537	79,434
as % of total assets	34.5	35.0	36.3	39.0	36.4
Noncurrent assets (€ thousand)	152,850	149,757	151,957	137,072	138,917
as % of total assets	65.5	65.0	63.7	61.0	63.6
Balance sheet total (€ thousand)	233,480	230,365	238,532	224,609	218,351
Change on previous year (%)	1.4	(3.4)	6.2	2.9	2.5
Liabilities (€ thousand)	119,882	118,216	130,423	122,215	121,003
as % of total assets	51.3	51.3	54.7	54.4	55.4
Shareholders' equity (€ thousand)	113,599	112,149	108,109	102,394	97,348
as % of total assets	48.7	48.7	45.3	45.6	44.6
Working capital (€ thousand)	35,220	33,305	28,683	30,543	24,294
as % of total assets	15.1	14.5	12.0	13.6	11.1
Capital employed (€ thousand)	168,339	178,160	176,878	161,383	156,983
as % of total assets	72.1	77.3	74.2	71.9	71.9
Noncurrent/current assets	1.90	1.86	1.76	1.57	1.75
Shareholders' equity/liabilities	0.95	0.95	0.83	0.84	0.80
Property, plant and equipment ratio	0.22	0.24	0.25	0.20	0.21
Asset depreciation ratio (%)	60.0	62.7	59.6	66.6	65.1
Inventories/sales (%)	5.0	4.3	4.2	3.9	4.1
Receivables turnover	8.1	7.0	7.5	7.3	8.8
Days sales outstanding	44.8	52.4	48.9	50.0	41.3
Days payables outstanding	39.5	36.6	43.2	41.8	44.4

Financial and liquidity ratios	2018	2017	2016	2015	2014
Capital employed/sales (%)	63.5	61.9	51.9	49.7	52.5
Investment ratio (%)	2.4	2.7	7.1	1.6	1.9
Operating cash flow/investments (%)	172.6	137.3	42.0	86.8	330.6
Asset cover ratio I (%)	86.1	80.7	77.3	83.5	78.9
Asset cover ratio II (%)	107.6	117.6	115.8	125.2	122.7
Interest cover	5.0	4.2	3.4	2.6	1.7
Cash ratio (%)	32.2	26.1	20.2	20.2	23.9
Acid test (%)	73.5	102.2	94.4	105.5	100.2
Current ratio (%)	88.0	120.5	113.2	123.2	118.7
Financial liabilities/equity (%)	57.3	59.1	64.0	61.7	65.4
Financial liabilities/capital employed (%)	37.9	35.7	37.2	36.1	37.5
Net financial liabilities/EBITDA	1.81	2.81	2.4	2.5	2.7
Net financial liabilities/market capitalization (%)	76.3	90.2	128.5	169.3	107.0

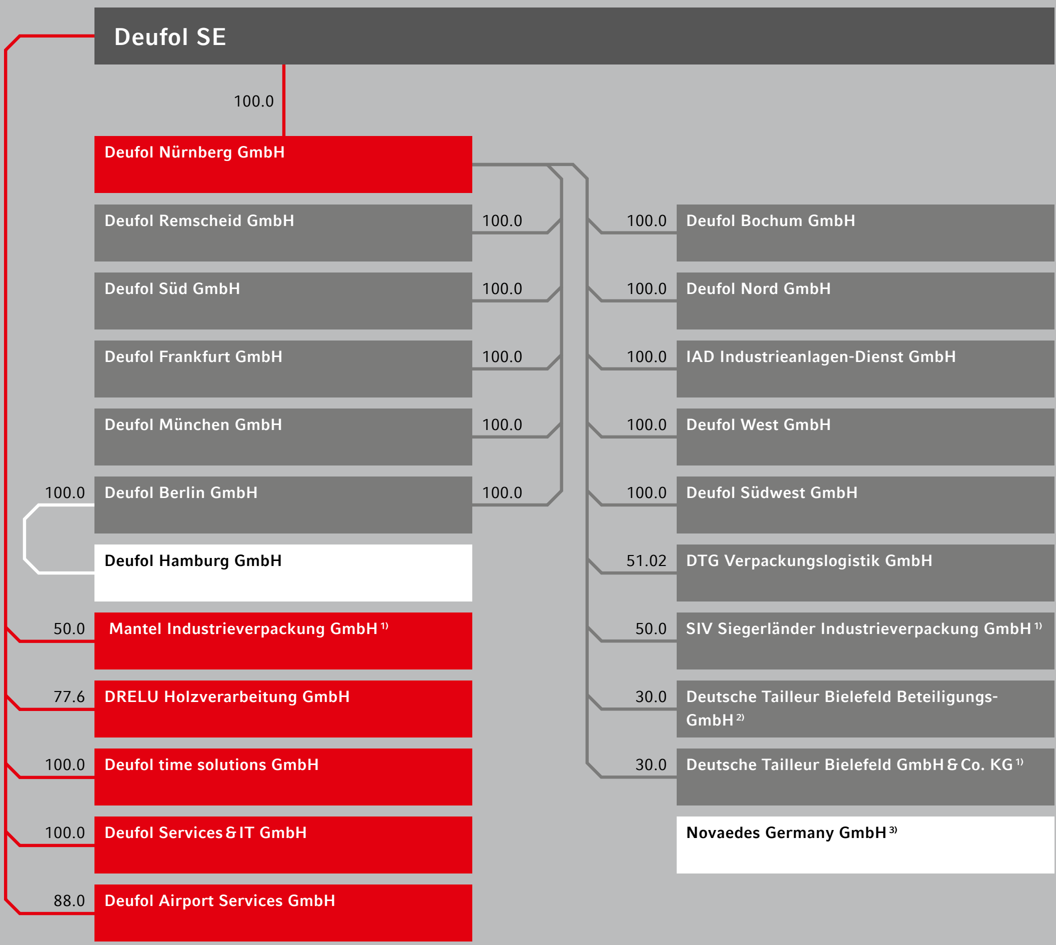
Productivity ratios	2018	2017	2016	2015	2014
Sales per employee (€)	112,957	114,768	117,612	122,974	118,459
EBITDA per employee (€)	8,028	7,553	6,636	5,906	5,332
EBITA per employee (€)	4,180	3,723	3,255	3,091	2,468
Operating cash flow per employee (€)	7,184	5,147	4,140	2,098	8,816
Personnel costs per employee (€)	41,900	43,072	38,520	39,065	37,688
Personnel cost ratio (%)	37.1	37.5	32.8	31.8	31.8

Per-share ratios	2018	2017	2016	2015	2014
Earnings per share from continuing operations (€)	0.09	0.12	0.118	0.075	0.005
Earnings per share – EPS (€)	0.09	0.12	0.118	0.075	0.005
Price earnings ratio (PER)	11.6	9.5	7.3	7.1	151.5
Dividend per share (€)	0.06	0.06	0.00	0.00	0.00
Book value per share (€)	2.59	2.51	2.39	—	2.06
Price/book value	0.40	0.45	0.36	2.15	0.38
Book value per share less goodwill (€)	0.94	0.85	0.74	0.25	0.49
Price/book value less goodwill	1.2	1.3	1.2	0.6	1.6

Investment ratios	2018	2017	2016	2015	2014
Market capitalization/sales	0.17	0.17	0.11	0.07	0.12
Enterprise value/sales	0.31	0.34	0.26	0.21	0.26
Enterprise value/EBITDA	4.3	5.1	4.7	4.4	5.8
Enterprise value/EBIT	8.3	10.5	9.5	8.3	12.5
Enterprise value/operating cash flow	4.5	7.6	7.5	12.3	3.5
Enterprise value/free cash flow	5.0	10.9	14.8	25.4	3.9

Operational Investments of Deufol SE*

Germany

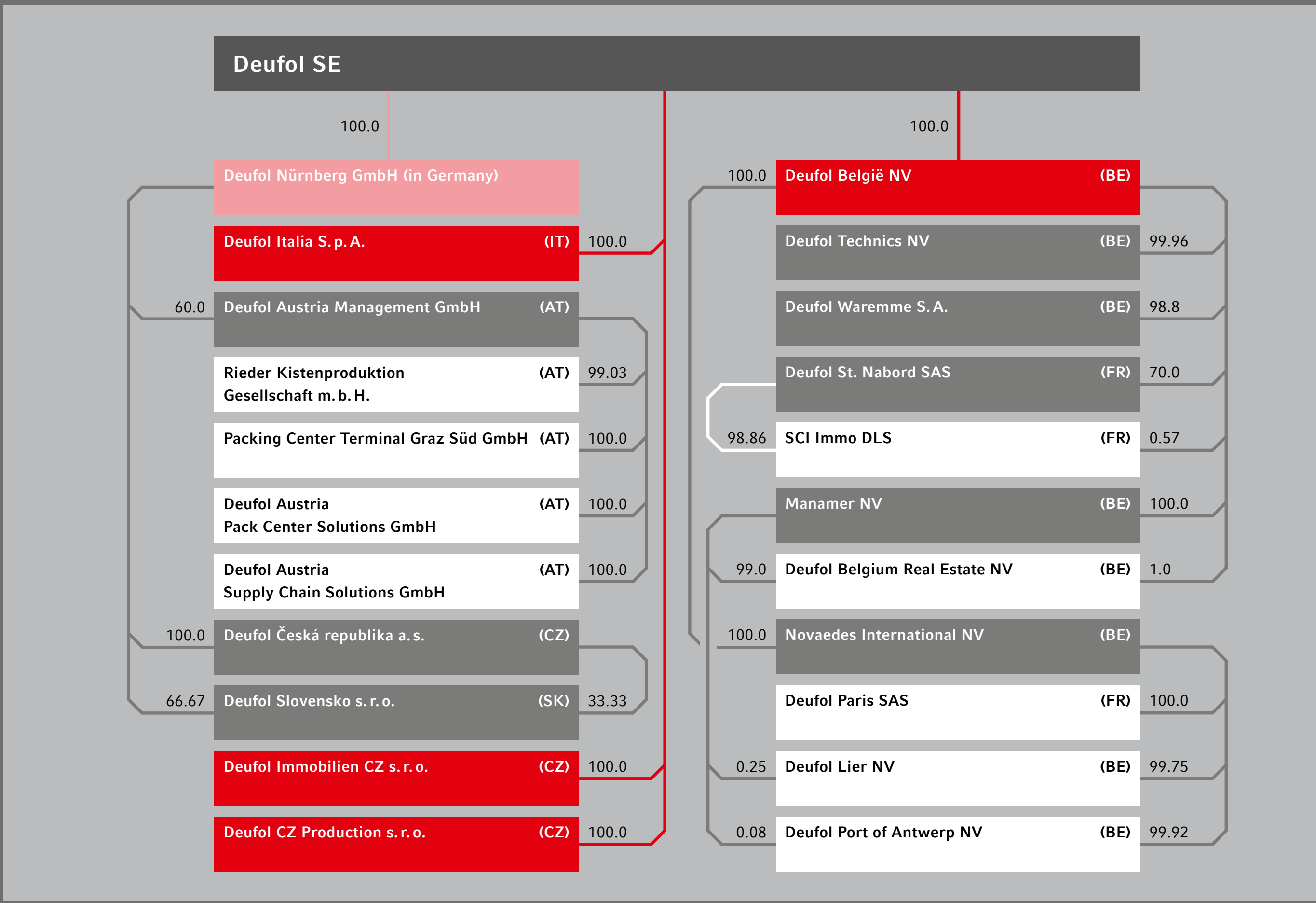


- Tier 1 investment
- Tier 2 investment
- Tier 3/4 investment

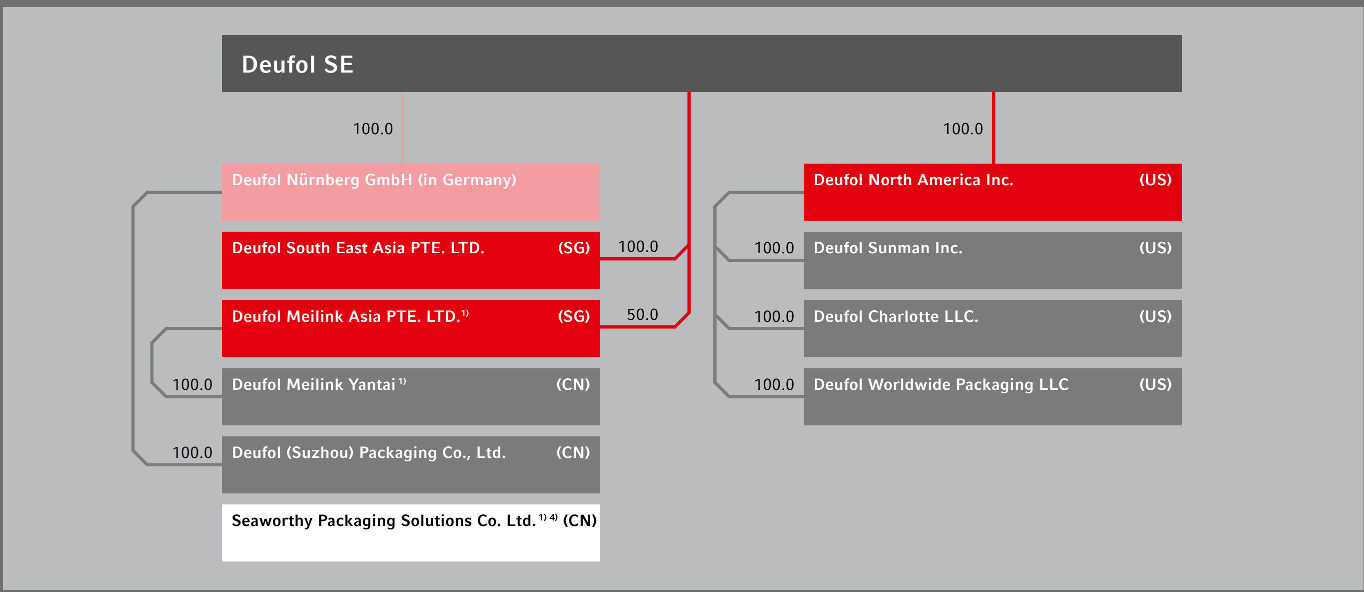
1) Consolidated at equity
2) Unconsolidated
3) This company is wholly owned by Novaedes International NV.
4) Rieder Verpackungs- und Logistik GmbH (AT) holds a 50 % interest in this company.

* As at December 31, 2018; figures in %

Europe



Rest of the World



Financial Calendar

April 30, 2019	Annual Financial Report 2018
June 28, 2019	Annual General Meeting 2019, venue: Bürgerhaus Hofheim-Marxheim
August 16, 2019	Semi-Annual Financial Report 2019

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Key to Symbols

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

This report is available in German and English. Both versions can be downloaded at www.deufol.com.

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