DEUFOL
Packaging. Next level.

REMOVING LIMITS. OUR JOURNEY CONTINUES.

SEMI-ANNUAL REPORT 2019

Overview of the Deufol Group

Figures in € thousand	6M 2019	6M 2018
Results of operations		
Total sales	128,185	131,481
Germany	76,983	78,019
Rest of the World	51,202	53,462
Ratio of foreign sales (%)	40.0	40.7
EBITDA	13,254	8,175
EBITA = EBIT	3,106	3,940
EBT	2,108	3,022
Income tax income (expenses)	(90)	(1,386)
Result for the period	2,018	1,636
thereof noncontrolling interests	(24)	84
thereof shareholders of the parent company	2,042	1,552
Earnings per share – EPS (€)	0.047	0.035
Assets structure		
Noncurrent assets	180,645	152,154
Current assets	77,522	78,772
Balance sheet total	258,167	230,926
Equity	113,034	111,005
Liabilities	145,133	119,921
Equity ratio (%)	43.8	48.1
Net financial liabilities	64,602	38,751
Cash flow/investments		
Cash flow from operating activities	9,399	12,427
Cash flow from investing activities	(520)	(5,903)
Cash flow from financing activities	(12,400)	(2,084)
Investments in property, plant and equipment	966	5,920
Employees		
Employees (as of Jun. 30)	2,271	2,624

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Deufol in the First Six Months of 2019

Sales and Income Trend

In the first half of 2019, the Group continued to concentrate on its industrial goods packaging-related business as an industrial service provider. As in previous years, key areas of focus were the achievement of further economies of scale and the standardization of our services at our many locations in Germany and Europe. In a difficult overall market environment, we expect that Deufol will thus be increasingly recognized as the leading global specialist for every challenge arising in the field of packaging and related logistics and other services. In a shrinking market, it will thus more or less maintain its sales volume through market share gains. Each Deufol site contributes to the success of this strategy and is an important component of this worldwide network. Our global capacity and our global orientation are the deciding factor for many of our customers. At the same time, they distinguish us from most of our competitors. At the same time, Deufol is following the industry trend of establishing production plants in south-eastern Europe. Since May, we have had a new location in Hungary which will gradually develop into a hub for our activities in this region. As well as integration and standardization, in the first half of 2019 we also concentrated on the optimization and development of new and existing tools. We expanded our standard crate system and continued to develop our proprietary software tools for various fields of use while standardizing their use.

In the first six months of 2019, at € 128.2 million total sales were 2.5 % or € 3.3 million lower than in the same period in the previous year. This change in the volume of sales is attributable, in particular, to declining Consumer Goods Packaging sales in other European countries. This trend is in turn mainly attributable to one-off business with a major customer in Belgium in the previous year. On the other hand, business in Germany and the Rest of the World is more or less stable. No significant changes have resulted in the scope of consolidation. If one adjusts for the appreciation of the US dollar against the euro by 6.7 % on average – which has increased sales in US dollars by € 1.4 million – adjusted sales have declined by € 4.7 million.

In Germany (incl. the holding company), sales amounted to € 77.0 million (previous year: € 78.0 million). The strong level in the previous year was thus more or less maintained, despite significantly worse outline conditions. In the Rest of Europe, Deufol realized sales in the amount of € 30.1 million (previous year: € 34.8 million). This trend is attributable to the continuing weak level of demand for packaging services on the Belgian market. In the previous year, this was made up for by one-off business with a major customer in the Consumer Goods Packaging business field. On the other hand, the sales trend in Austria is positive by comparison with the previous year. In the Rest of Europe, excluding Belgium and Austria, the business trend was highly stable. In the USA / Rest of the World segment, sales increased by € 2.4 million to € 21.1 million (previous year: € 18.7 million). If one allows for the depreciation of the US dollar, this amounts to an increase of € 1.4 million. Our business in America and in Asia was stable in the first half of 2019.

The operating result (EBITA) amounted to € 3.1 million and was thus around 21 % lower than the previous year's figure of € 3.9 million. The EBITA margin decreased accordingly from 3.0 % to 2.4 %. The individual segments developed as follows in the first six months of the year: in Germany, EBITA amounts to € 3.1 million, compared to a figure of € 2.4 million in the previous year. This earnings growth is attributable to our initiatives to achieve economies of scale and to standardize our services. In the Rest of Europe, EBITA amounted to € 0.4 million, compared to € 3.4 million in the previous year. The negative earnings trend is due to the decline in the volume of sales outlined above as well as the above-mentioned one-off business with a major Belgian customer which resulted in significantly higher margins in the previous year. The USA / Rest of the World segment realized an EBITA figure of € 0.3 million, compared to a balanced result in the previous year. The EBITA of Deufol SE (the holding company) – including all of the consolidation effects at Group level – amounts to – € 0.7 million, compared to – € 1.9 million in the previous year.

Changes to the Administrative Board

At the Annual General Meeting held on June 28, 2019, the current members of the Administrative Board were re-elected with a clear majority. They have been appointed for a period of 2 years. There were no further changes.

Outlook – Achievement of Planning is Challenging

In the context of a significant cooling of the economy and declining exports to central and western Europe, Deufol SE expects that fiscal year 2019 will register sales slightly short of the target figures of between € 270 million and € 290 million published in its Annual Financial Report 2018. In terms of the operating result (EBITDA), we envisage a figure between € 25.5 and 27.5 million. Due to effects resulting from the changed balance-sheet treatment of leasing assets (IFRS 16), this figure is not comparable with the previous year or with the original planning for 2019.

Economic Outline Conditions

World Economy Lacks Momentum

According to the summer economic analysis of the Kiel Institute for the World Economy (IfW), global output picked up surprisingly strongly in the first half of the year but will be unable to maintain this growth pace in the second half of the year. Global uncertainty is too strong for that, and all of the key sentiment indicators are pointing downward. The Kiel Institute has therefore revised downward its forecast for 2019 and currently assumes a growth rate of 3.2 %. The Kiel Institute continues to expect growth of 3.3 % in 2020. The trade conflicts between the United States and China and Europe continue to pose significant risks for the world economy. In the advanced economies in particular, with this pace of growth the level of capacity utilization is no longer increasing. The risk of inflation has thus decreased considerably, so that a further easing of expansionary monetary policy can actually be expected. World trade – which is important for our business – was very weak in the first few months of the current year. This was mainly due to the strong fall in trade between the United States and China. Due to close economic integration, this is also affecting trade elsewhere in Asia and has also had a negative impact on our business. The increased level of economic uncertainty is now also having a clearly negative impact on global investment activity.

European Economy Influenced by World Trade

According to the Kiel Institute, the Eurozone economy is still expanding but has suffered a significant loss of momentum and is expected to increase by just 1.2 % in this year, compared to 1.9 % in 2018. There is much to suggest that this basic economic trend of a significantly more moderate pace of growth is set to continue in 2019 and 2020. The unemployment rate is continuing to decline and is expected to average 7.6 % in 2019. On the other hand, the uncertainty associated with Brexit remains intact. The risk of a disorderly exit from the EU has increased significantly. There are also imponderabilities resulting from the dispute between the European Commission and the Italian government over Italy’s financial policy and its compliance with European financial rules.

German Economy on the Decline

According to the Kiel Institute, the German economy is experiencing a downturn. The country's gross domestic product is expected to grow by just 0.6 % in the current year. The Kiel Institute has thus revised downward its own spring forecast by 0.4 percentage points. The country's gross domestic product actually declined in the second quarter.

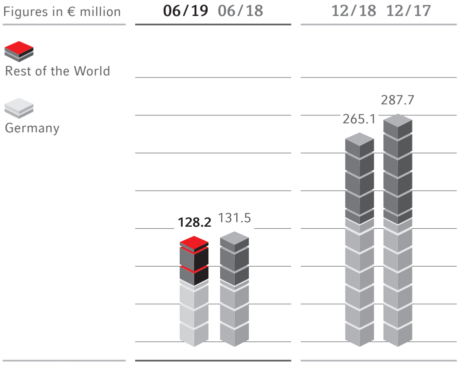
In the second half of the year, overall economic output is likely to once again pick up, albeit at a moderate pace. Exports – which clearly lagged behind the very robust pace of world economic growth in the first half of the year – will also gradually pick up again. In 2020, gross domestic product growth of 1.6 % is therefore expected. The financing environment in Germany remains favorable, but the uncertainties over global economic policy might significantly jeopardize this forecast.

Exports and investments in equipment have also declined considerably in the first half of the year. Only deliveries to the United Kingdom increased significantly. This clearly reflects the uncertainty over future relations and the associated buildup of inventories. However, following a breather for exports and investments in equipment in 2019 the Kiel Institute expects foreign trade to pick up again in 2020 (growth of 3.5 %).

Results of Operations, Financial and Asset Position

Sales

Figures in € million

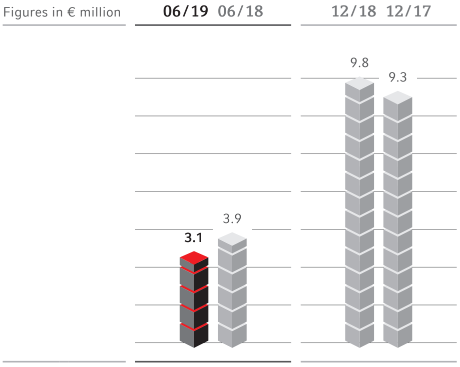


Sales Trend

Total sales in the first six months of 2019 were at € 128.2 million 2.5 % lower than in the same period in the previous year. This change in the volume of sales is attributable, in particular, to declining Consumer Goods Packaging sales in other European countries. No significant changes have resulted in the scope of consolidation. If one adjusts for the appreciation of the US dollar against the euro by 6.7 % on average – which has increased sales in US dollars by € 1.4 million – adjusted sales have declined by € 4.7 million. In Germany (incl. the holding company), sales amounted to € 77.0 million (previous year: € 78.0 million). In the Rest of Europe, Deufol realized sales in the amount of € 30.1 million (previous year: € 34.8 million). In the USA/Rest of the World segment, sales rose to € 21.1 million (previous year: € 18.7 million). With a 60.0 % share of Group sales, the proportion accounted for by Germany increased by 0.7 percentage points on the previous year. The share of sales realized in the Rest of Europe decreased, from 26.5 % to 23.5 %, while the share accounted for by the USA/Rest of the World increased, from 14.2 % to 16.5 %.

EBITA

Figures in € million



Income Development

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 13.3 million in the first half of the year (previous year: € 8.2 million). The EBITDA margin increased to 10.3 % (previous year: 6.2 %). Depreciation of property, plant and equipment and amortization of other intangible assets increased strongly (€ 10.1 million, compared to € 4.2 million in the previous year). Both of these changes are mainly due to the new accounting rules for leased assets (IFRS 16). These have resulted in movements between the other operating expenses included in the EBITDA figure and the depreciation, amortization and impairment and interest expense not included in EBITDA. These effects have had a positive EBITDA impact in the amount of € 6.6 million.

The operating result (EBITA) amounted to € 3.1 million and was thus 21 % lower than the previous year's figure of € 3.9 million. The above-mentioned effects resulting from IFRS 16 have increased the EBITA figure by € 0.2 million in the reporting period.

The individual segments developed as follows in the first six months of the year: in Germany, EBITA amounts to € 3.1 million, compared to a figure of € 2.4 million in the previous year. In the Rest of Europe, EBITA amounted to € 0.4 million, compared to € 3.4 million in the previous year. The USA/Rest of the World segment realized a result of € 0.3 million (previous year: € 0.0 million). The EBITA of Deufol SE (the holding company) – including all of the consolidation effects at Group level – amounted to – € 0.7 million, compared to – € 1.9 million in the previous year.

The financial result has deteriorated by comparison with the first six months of 2018, by € 0.1 million to – € 1.0 million. This mainly comprises interest expense.

Earnings before taxes (EBT) in the first six months of the year were € 2.1 million (previous year: € 3.0 million). After deduction of income tax expenses in the amount of – € 0.1 million (previous year: – € 1.4 million), the result for the period amounts to € 2.0 million, compared to € 1.6 million in the first half of 2018. After deduction of the profit shares of noncontrolling interests, a net gain of € 2.0 million (previous year: € 1.6 million) is attributable to the shareholders of Deufol SE. Earnings per share in the first six months were € 0.047 (previous year: € 0.035).

Cash Flow and Investments

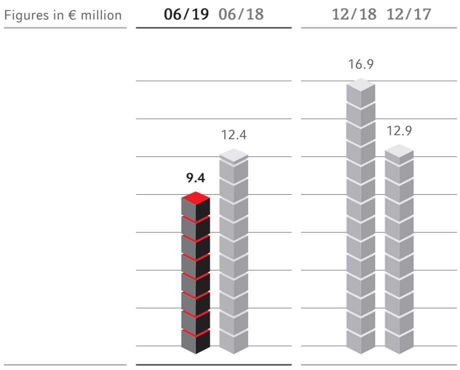
In the first six months of the year, the cash flow from operating activities amounted to € 9.4 million and was thus lower than the level in the previous year (€ 12.4 million).

The cash flow from investing activities was negative at – € 0.5 million (previous year: – € 5.9 million). Outflows of funds resulted here from payments for the purchase of assets (– € 1.0 million). Inflows of funds mainly resulted from the disposal of intangible assets and property, plant and equipment (+ € 0.2 million) and from interest received (+ € 0.3 million).

The cash flow from financing activities was negative at – € 12.4 million (previous year: – € 2.1 million). Outflows mainly resulted from interest paid (– € 1.3 million), the extinction of amounts due to banks (– € 3.5 million) and other financial liabilities (– € 7.6 million). Of this, – € 6.2 million related to redemption payments for leasing obligations accounted for according to IFRS 16 for the first time.

Cash decreased in relation to the end of the year by € 3.4 million to € 26.0 million.

Cash flow from operating activities

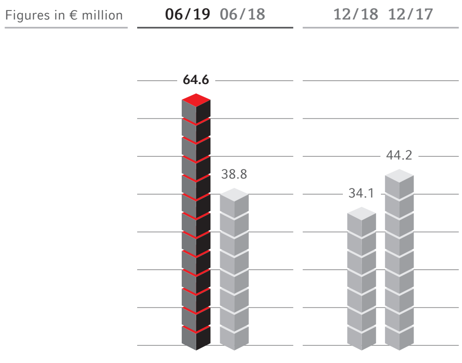


Financing

Various financing groups exist within the Deufol Group. In Germany, as of the reporting date Deufol has a variable-interest syndicated financing arrangement with a volume of € 42 million and a term ending May 2024. For this financing arrangement, negotiations commenced in 2018 in relation to an extension and expansion of these lines of credit and were successfully completed in May 2019. Further significant financing arrangements exist in the USA, Belgium, Austria, in the Czech Republic and in Italy (mainly amortizing loans for real estate, operating credit lines and factoring).

The financial liabilities of the Deufol Group increased significantly in the first six months of the fiscal year, by € 27.1 million to € 90.9 million. As cash and financial receivables simultaneously decreased (– € 3.4 million) net financial liabilities rose even more significantly, by € 30.5 million, from € 34.1 million at the end of the year to € 64.6 million. This significant increase is associated with the new accounting rules for reporting of leased assets (IFRS 16). Since the year under review, leased assets must be reported as fixed assets. At the same time, the corresponding financial liabilities must be reported on the liabilities side. This effect resulted in a € 31.0 million increase in financial liabilities as of the reporting date. Excluding the effects resulting from IFRS 16, net financial liabilities have decreased slightly, from € 34.1 million to € 33.6 million.

Net financial liabilities

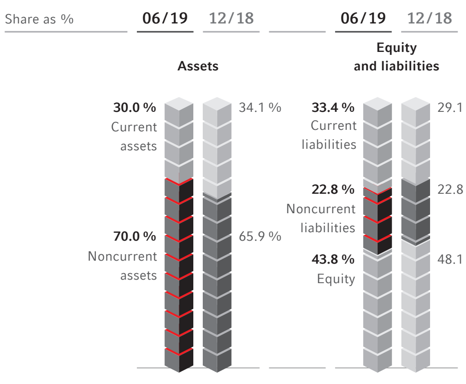


Increased Balance Sheet Total Due to the Effects of IFRS 16

The balance sheet total as of June 30, 2019 is at € 258.2 million 10.6 % higher than the level as of the end of the year (€ 233.5 million). For the noncurrent assets, the largest changes were for property, plant and equipment (+ € 28.7 million to € 79.8 million). This increase has resulted due to the revised accounting rules for leasing. The other noncurrent assets realized only marginal changes. In the current assets segment, inventories (– € 1.0 million to € 12.3 million), trade receivables (– € 1.9 million to € 30.7 million) and cash (– € 3.4 million to € 26.0 million) have decreased. On the other hand, other assets have increased (+ € 3.2 million to € 6.9 million). The other current assets realized only marginal changes.

On the liabilities side, in the first six months of 2019 equity (incl. noncontrolling interests) decreased on balance by € 0.6 million to € 113.0 million. This was mainly attributable to the dividend resolved (– € 2.6 million). This contrasts with the result for the period (+ € 2.0 million). With a significantly higher balance sheet total, the equity ratio was at 43.8 % clearly lower than at the end of the previous year (48.7 %).

Balance sheet structure



The liabilities increased on balance by € 25.3 million to € 145.1 million. This was mainly due to the increase in financial liabilities (+ € 27.1 million) on account of the new rules for leasing. Other liabilities also increased (+ € 3.1 million). On the other hand, trade payables have decreased (– € 4.3 million). The remaining liabilities items changed only slightly.

Slight Decrease in Number of Employees

On June 30, 2019, the Deufol Group had 2,271 employees worldwide. This corresponds to a decline of 353 employees or 13.5 % by comparison with the Group's workforce as of June 30, 2018. As of June 30, 2019, the Group had 1,414 employees in Germany and the holding company (62.2 %) and 857 employees (37.8 %) elsewhere. In Germany, the number of employees has changed only slightly. The workforce declined in particular in the USA/Rest of the World and the Rest of Europe (in Belgium especially).

Employees

Deufol Group	06/2019	06/2018
Germany	1,325	1,355
Share (%)	58.3	51.6
Rest of Europe	649	730
Share (%)	28.6	27.8
USA/Rest of the World	208	454
Share (%)	9.2	17.3
Holding company	89	85
Share (%)	3.9	3.2
Total	2,271	2,624

Development in the Segments

The primary reporting format is based on geographical regions and consists of the "Germany", "Rest of Europe", "USA/Rest of the World" and "Holding Company" segments.

After six months, sales in Germany amounted to € 76.8 million (previous year: € 77.8 million). This segment is therefore now contributing 59.9 % to Group sales (previous year: 59.2 %). The significant increase in the volume of sales in the previous year was more or less maintained in the year under review, despite significantly more difficult economic outline conditions.

The operating result (EBITA) in Germany in the first six months of the year amounted to € 3.1 million (previous year: € 2.4 million). The EBITA margin increased from 3.1 % to 4.1 %. Our efforts to standardize our services and to achieve economies of scale are paying off here. A further factor was negative one-off effects in the area of the Group's temporary employment activities in the previous year.

Germany

Figures in € thousand	06/2019	06/2018
Sales	86,735	89,237
Consolidated sales	76,804	77,827
EBITA = EBIT	3,120	2,445
EBITA margin (%)	4.1	3.1
EBT	2,401	2,057

In the Rest of Europe, consolidated sales amounted to € 30.1 million in the first six months of the year (previous year: € 34.8 million). This segment is therefore now contributing 23.5 % to Group sales (compared to 26.5 % in the first half of 2018). Changes in sales resulted from the decline in demand for industrial goods packaging and one-off business with a major customer in the field of Consumer Goods Packaging in Belgium.

In the first six months of the year, the operating result (EBITA) in the Rest of Europe amounted to € 0.4 million (previous year: € 3.4 million). As well as the weak level of demand in Belgium, the above-mentioned one-off business in the previous year also played a role in the unsatisfactory earnings trend, since it was unfortunately not possible to repeat the margins achieved there.

Rest of Europe

Figures in € thousand	06/2019	06/2018
Sales	43,819	46,517
Consolidated sales	30,092	34,807
EBITA = EBIT	432	3,382
EBITA margin (%)	1.4	9.7
EBT	196	3,165

In the USA/Rest of the World segment, in the first six months of the year consolidated sales were at € 21.1 million € 2.5 million or 13.2 % higher than in the previous year. In 2019, the US dollar's exchange rate against the euro has improved by 6.7 % by comparison with the previous year. Sales in US dollars thus increased by € 1.4 million. The volume of sales was accordingly stable. This segment now represents 16.5 % of Group sales (compared to 14.2 % in the first six months of 2018).

The operating result (EBITA) in the first six months of the year amounted to € 0.3 million (previous year: € 0.0 million). This earnings growth reflects stable sales.

USA/Rest of the World

Figures in € thousand	06/2019	06/2018
Sales	21,279	18,696
Consolidated sales	21,110	18,655
EBITA = EBIT	302	10
EBITA margin (%)	1.4	0.0
EBT	87	(250)

In view of its structure and its tasks, the holding company only realizes marginal external sales (€ 0.2 million for the first six months of 2019). In the first half of 2019, the EBITA figure including consolidation effects at Group level improved considerably from – € 1.9 million to – € 0.7 million by comparison with the same period in the previous year. This is attributable to a large number of reasons.

Outlook

Global Economic Growth Remains Moderate

According to the Kiel Institute for the World Economy, the rate of global output growth is likely to pick up again slightly following the damper in the first half of 2019. Following a rise of 3.7 % in 2018, the Kiel Institute predicts growth rates of 3.2 % and 3.3 % for 2019 and 2020. Growth will thus remain moderate, particularly by comparison with the levels in the previous two decades. With these growth rates, utilization of global production capacities is not expected to pick up any further.

Europe Stands Still

Following strong output growth in 2017, economic momentum has clearly weakened in 2018 and 2019. However, outline conditions which remain favorable suggest that a recession is not imminent. Financing terms are highly affordable thanks to the ECB's policy which remains expansionary, while the declining rate of unemployment is likely also a factor. The Kiel Institute expects the Eurozone's economy to grow by 1.2 % this year and by 2.4 % next year.

Economic Momentum in Germany Remains Weak

The Kiel Institute expects growth of just 0.6 % overall in 2019 but of 1.6 % for 2020. Economic activity in Germany will thus clearly fall short of its level in the past few years. However, the cyclical downside risks will not increase any further, since over-utilization of available production capacities is set to decline. Investments in equipment should nonetheless once again increase. However, to date this trend has not yet materialized. The Kiel Institute attributes this to the continuing high level of political uncertainty (possible trade wars, disorderly Brexit). These are also increasing the risk of a downturn.

Company-Specific Outlook

Risks and Opportunities

The risks and opportunities described in the Report on Expected Developments and the Risk Report contained in the Group management report for the 2018 annual financial statements remain applicable.

Outlook – Achievement of Planning is Challenging

In the context of a significant cooling of the economy and declining exports to central and western Europe, Deufol SE expects that fiscal year 2019 will register sales slightly short of the target figures of between € 270 million and € 290 million published in its Annual Financial Report 2018. In terms of the operating result (EBITDA), we envisage a figure between € 25.5 and 27.5 million. Due to effects resulting from the changed balance-sheet treatment of leasing assets (IFRS 16), this figure is not comparable with the previous year or with the original planning for 2019.

Consolidated Income Statement

Figures in € thousand	Jan. 1, 2019– Jun. 30, 2019	Jan. 1, 2018– Jun. 30, 2018	Note/Page
Sales	**128,185**	131,481	01/015
Other own work capitalized	235	518	
Inventory changes	88	403	
Other operating income	3,574	5,201	
Overall operating performance	**132,082**	**137,603**	
Cost of materials	(53,038)	(51,002)	
Personnel costs	(45,696)	(49,109)	
Depreciation, amortization and impairment	(10,148)	(4,235)	
Other operating expenses	(20,094)	(29,317)	
Income (loss) from operating activities (EBIT)	**3,106**	**3,940**	
Financial income	260	55	
Finance costs	(1,280)	(988)	
Income (loss) from investments accounted for using the equity method	(28)	67	
Other financial result	50	(52)	
Profit (loss) before taxes (EBT)	**2,108**	**3,022**	
Income taxes	(90)	(1,386)	
Result for the period	**2,018**	**1,636**	
thereof share of profits held by noncontrolling interests	(24)	84	
thereof share of profits held by shareholders in the parent company	2,042	1,552	

Earnings per share

Figures in €			
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.047	0.035	02/015

Consolidated Statement of Comprehensive Income

Figures in € thousand	Jan. 1, 2019– Jun. 30, 2019	Jan. 1, 2018– Jun. 30, 2018	Note/Page
Result for the period	**2,018**	1,636	
Other comprehensive income	**116**	(57)	
Items which may be reclassified to the income statement in future			
Income (loss) from currency translation, after taxes	116	(57)	
Comprehensive income after taxes	**2,134**	1,579	
thereof noncontrolling interests	(24)	84	
thereof shareholders in the parent company	2,158	1,495	

Consolidated Balance Sheet

Assets Figures in € thousand	Jun. 30, 2019	Dec. 31, 2018	Note / Page
Noncurrent assets	**180,645**	**152,850**	
Property, plant and equipment	79,834	51,096	
Goodwill	71,011	71,011	
Other intangible assets	7,767	8,584	
Investment property	11,493	11,493	
Investments accounted for using the equity method	1,189	1,217	
Other financial assets	8	8	
Other receivables and other assets	270	319	
Deferred tax assets	9,073	9,122	
Current assets	**77,522**	**80,630**	
Inventories	12,263	13,308	
Trade receivables	30,741	32,595	
Other receivables and other assets	6,948	3,701	
Tax receivables	1,254	1,299	
Financial receivables	276	271	
Cash and cash equivalents	26,040	29,456	
Total assets	**258,167**	**233,480**	

Equity and liabilities Figures in € thousand	Jun. 30, 2019	Dec. 31, 2018	Note / Page
Equity	**113,034**	**113,599**	03/016
Equity attributable to the shareholders of Deufol SE	111,080	111,619	
Subscribed capital	43,774	43,774	
Capital reserves	107,240	107,240	
Retained earnings	10,204	10,204	
Profit brought forward	(49,357)	(48,828)	
Other comprehensive income	(119)	(235)	
Treasury stock at cost	(662)	(536)	
Noncontrolling equity interests	1,954	1,980	
Noncurrent liabilities	**58,932**	**28,303**	
Financial liabilities	48,486	17,628	04/016
Provisions for pensions	3,556	3,662	
Other provisions	27	39	
Other liabilities	76	77	
Deferred tax liabilities	6,787	6,897	
Current liabilities	**86,201**	**91,578**	
Trade payables	24,329	28,664	
Financial liabilities	42,433	46,168	04/016
Other liabilities	15,511	12,447	
Tax liabilities	931	924	
Other provisions	2,997	3,375	
Total equity and liabilities	**258,167**	**233,480**	

Consolidated Cash Flow Statement

Figures in € thousand	Jan. 1, 2019– Jun. 30, 2019	Jan. 1, 2018– Jun. 30, 2018	Note/Page
Income (loss) from operating activities (EBIT) from continuing operations	3,106	3,940	
Adjustments to reconcile net income (loss) to cash flow from operating activities			
Depreciation, amortization and impairment	10,148	4,235	
(Gain) loss from investments		0	
(Gain) loss from disposal of fixed assets	(22)	(24)	
Taxes paid	(87)	(2,306)	
Other non-cash expenses (income)	50	0	
Changes in assets and liabilities from operating activities			
Decrease (increase) in trade accounts receivable	1,915	7,943	
Decrease (increase) in inventories	1,075	(498)	
Decrease (increase) in other receivables and other assets	(3,190)	(254)	
Increase (decrease) in trade accounts payable	(4,387)	(513)	
Increase (decrease) in other liabilities	1,470	790	
Increase (decrease) in provisions	(513)	(288)	
Decrease (increase) in other operating assets/liabilities (net)	(166)	(598)	
Cash flow from operating activities	**9,399**	**12,427**	05/016
Payments made for investments in intangible assets and property, plant and equipment	(966)	(6,625)	
Proceeds from the sale of intangible assets and property, plant and equipment	193	377	
Acquisition of business units less acquired cash	0	0	
Net change in financial receivables	(6)	290	
Interest received	259	55	
Cash flow from investing activities	**(520)**	**(5,903)**	05/016
Addition (extinction) of amounts due to banks	(3,524)	(465)	
Addition (extinction) of other financial liabilities	(7,468)	(486)	
Payments for the purchase of treasury stock	(126)	0	
Change in noncontrolling interests	0	0	
Dividend paid to noncontrolling interests	(2)	(145)	
Interest paid	(1,280)	(988)	
Cash flow from financing activities	**(12,400)**	**(2,084)**	05/016
Exchange rate- and scope of consolidation-related changes in financial resources	**105**	**224**	
Change in cash and cash equivalents	**(3,416)**	**4,664**	
Cash and cash equivalents at the beginning of the period	29,456	17,435	
Cash and cash equivalents at the end of the period	26,040	22,100	

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, 2018	**43,774**	**107,240**	**10,204**	**(50,143)**	**(536)**	**(815)**	**0**	**109,724**	**2,425**	**112,149**
Result for the period	—	—	—	1,552	—	—	—	1,552	84	1,636
Other comprehensive income	—	—	—	—	—	(57)	—	(57)	—	(57)
Comprehensive income	**—**	**—**	**—**	**1,552**	**—**	**(57)**	**—**	**1,495**	**84**	**1,579**
Changes to scope of consolidation	—	—	—	—	—	—	—	—	(124)	(124)
Balance at Jun. 30, 2018	**43,774**	**107,240**	**10,204**	**(51,168)**	**(536)**	**(872)**	**0**	**108,642**	**2,363**	**111,005**
Balance at Jan. 1, 2019	**43,774**	**107,240**	**10,204**	**(48,828)**	**(536)**	**27**	**(262)**	**111,619**	**1,980**	**113,599**
Result for the period	—	—	—	2,042	—	—	—	2,042	(24)	2,018
Other comprehensive income	—	—	—	—	—	116	—	116	—	116
Comprehensive income	**—**	**—**	**—**	**2,042**	**—**	**116**	**—**	**2,158**	**(24)**	**2,134**
Dividends	—	—	—	(2,570)	—	—	—	(2,570)	(2)	(2,572)
Repurchase of treasury stock	—	—	—	—	(126)	—	—	(126)	—	(126)
Balance at Jun. 30, 2019	**43,774**	**107,240**	**10,204**	**(49,357)**	**(662)**	**143**	**(262)**	**111,080**	**1,954**	**113,034**

Notes to the Consolidated Interim Financial Statements

General Accounting and Valuation Methods

These consolidated financial statements for the interim report – which have not been audited or verified by an auditor – describe the business activities of Deufol SE and its subsidiaries (the “Group”). The statements were produced in accordance with IFRS (“International Financial Reporting Standards”). All IFRSs (IFRSs, IASs, IFRICs, SICs) as adopted by the European Union and effective as of the balance sheet date were applied.

In principle, the balancing and valuation methods used are those for the last consolidated financial statements as of the end of the fiscal year. A detailed description of these methods is provided in our annual report for the year 2018. In addition, IAS 34 “Interim Financial Statements” was applied.

New Accounting Standards

Deufol has applied the standard IFRS 16 “Leases” since January 1, 2019. Through the changeover on January 1, 2019, rights of use and lease liabilities (each in the amount of € 35.4 million) were recognized in the consolidated balance sheet for the first time.

Rights of use have been reported under the property, plant and equipment balance sheet item and amounted to € 30.8 million as of June 30, 2019; as of June 30, 2019, lease liabilities have been reported under noncurrent financial liabilities in the amount of € 17.9 million and under current financial liabilities in the amount of € 13.1 million.

The EBIT effects in the first half of 2019 amounted to € 206 thousand. This was shaped by – € 6,370 thousand resulting from the amortization of capitalized rights of use and € 6,576 thousand from the adjustment of the lease expenses reported under other operating expenses. Taking into consideration the interest expense in the amount of – € 367 thousand, the effect on EAT in the same period amounted to – € 162 thousand.

With regard to the effects on cash flow, we refer to the disclosures regarding the cash flow statement.

Currency Translation

In accordance with IAS 21, the financial statements of the foreign subsidiaries included in the Group financial statements whose functional currency is not the euro were converted into the Group currency euro on the balance sheet cut-off date on the basis of the functional-currency concept. The conversion was in accordance with the modified-closing-rate method.

The exchange rates for the translation of 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 of exchange	
per €	**Jun. 30, 2019**	Dec. 31, 2018	**6M 2019**	6M 2018
US dollar	1.1380	1.1450	1.1297	1.2102
Czech crown	25.4470	25.724	25.6836	25.4961
Singapore dollar	1.5395	1.5591	1.5354	1.6056
Renminbi	7.8185	7.8751	7.6660	7.7077

Scope of Consolidation

All significant subsidiaries over which Deufol SE has legal or effective control are included in the consolidated financial statements.

The consolidated group is as follows:

Figures in units	Dec. 31, 2018	Additions	Disposals	Jun. 30, 2019
Consolidated subsidiaries	45	2	0	47
thereof in Germany	18	0	0	18
thereof abroad	27	2	0	29
Companies valued using the equity method	7	0	1	6
thereof in Germany	4	0	1	3
thereof abroad	3	0	0	3
Total	**52**	2	1	**53**

01 Sales

In respect of further comments on the sales, we refer to the segment reporting.

02 Earnings per Share

Income Figures in € thousand	Jan. 1, 2019–Jun. 30, 2019	Jan. 1, 2018–Jun. 30, 2018
Result attributable to the holders of Deufol SE common stock	2,042	1,552
Shares in circulation Figures in units		
Weighted average number of shares	43,773,665	43,773,665

Earnings per share Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.047	0.035

03 Equity

There were no changes to Subscribed Capital in the first six months of 2019.

Pursuant to the resolution passed by the Annual General Meeting on June 28, 2017, in accordance with Section 71 (1) No. 2 of the German Stock Corporation Act Deufol purchased 120,000 treasury shares in the first half of 2019. This treasury stock was repurchased for a total of € 126 thousand, amounting to an average cost of € 1.05 per share.

04 Financial Liabilities

Under the existing German syndicated loan agreement, the Deufol Group is obliged to comply with minimum and maximum limits for firmly defined financial covenants.

As of March 31, 2019 and June 30, 2019, the Deufol Group complied with all of the financial covenants under its loan agreement.

05 Cash Flow Statement

The cash flow statement shows the origin and appropriation of the money flows in the first six months of fiscal years 2018 and 2019. It is of key significance for an assessment of the financial position of the Deufol Group.

The cash funds shown in the cash flow statement correspond to the balance sheet item “Cash and cash equivalents”.

The cash flow from operating activities has been adjusted for changes to the scope of consolidation and amounted to € 9,399 thousand in the first six months of 2019.

The outflow of funds from investing activities amounted to € 520 thousand and includes the cash flows from the purchase and sale of property, plant and equipment, the purchase and sale of intangible assets, the change in financial receivables as well as interest received.

The outflow of funds from financing activities amounted to € 12,400 thousand and reflects the net changes in financial liabilities and equity plus interest paid.

Including the exchange rate-related changes, which amounted to € 105 thousand, the cash and cash equivalents balance decreased by € 3,416 thousand.

The payments for the capital repayment portion of the financial liabilities reported due to first-time adoption of IFRS 16 “Leases” amounted to € 6.2 million in the first half of 2019 and have been reported under the cash flow from financing activities.

Dividend

The distribution of a dividend of € 0.06 per no-par value share for 42,840,880 no-par value shares entitled to dividends (corresponding to an amount of € 2,570,452.80) was resolved at the Annual General Meeting held on June 28, 2019. This dividend was due on the third business day following the Annual General Meeting’s resolution, i.e. on July 3, 2019. Due to the resolution passed before June 30, 2019, the dividend was already reported as a liability as of the reporting date.

Contingencies

There were no significant changes in the contingencies in relation to December 31, 2018.

Significant Events after the Balance Sheet Date

In July 2019, one of the two newly founded Hungarian subsidiaries of Deufol SE acquired land in Debrecen/Hungary for a net purchase price of € 1.4 million (which corresponds to a gross purchase price of € 1.7 million). Otherwise, no material events occurred after the balance sheet date for which a reporting obligation is applicable pursuant to IAS 10.

Segment Information

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 are grouped for the purpose of corporate management. In order to assess 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) as the relevant performance indicator. The Deufol Group has the following segments:

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

The Holding Company segment covers the Group's administrative activities and, in addition to Group management functions, includes support functions such as sales, purchasing, controlling, financial accounting, personnel, legal 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 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.

Supplementary Disclosures

Disclosures Concerning the Executive Bodies

Administrative Board

At the Annual General Meeting held on June 28, 2019, the following persons were elected as members of the Administrative Board for a period of two years: Detlef W. Hübner (Chairman), Helmut Olivier (Deputy Chairman), Holger Bürskens, Prof. Dr Rüdiger Grube, Dennis Hübner, Marc Hübner, Wulf Matthias and Axel Wöltjen.

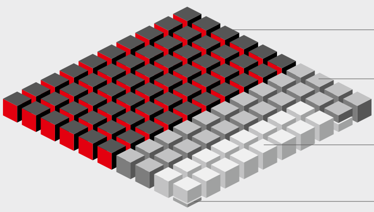
Relationships with Related Parties

With regard to the transactions with related parties, there was no significant change in relation to the previous annual financial statements.

Segment Information by Region (Primary Reporting Format)

Figures in € thousand	Germany	Rest of Europe	USA/Rest of the World	Holding company	Elimination	**Group**
6M 2019						
External sales	76,804	30,092	21,110	179	0	128,185
Internal sales	9,931	13,727	169	5,413	(29,240)	0
Total sales	86,735	43,819	21,279	5,592	(29,240)	**128,185**
EBITA = EBIT	3,120	432	302	(781)	34	3,106
Financial income	171	73	84	886	(954)	260
Finance costs	(861)	(359)	(299)	(714)	954	(1,280)
Income (loss) from associates	(28)	0	0	0	0	(28)
Other financial result	0	50	0	0	0	50
EBT	2,401	196	87	(610)	34	2,108
Taxes						(90)
Result for the period						**2,018**
Assets	95,076	135,836	55,501	270,668	(298,914)	258,167
thereof investments accounted for using the equity method	1,119	0	0	70	0	1,189
Non-allocated assets						
Total assets	95,076	135,836	55,501	270,668	(298,914)	**258,167**
Financial liabilities	44,982	47,235	13,069	57,816	(72,184)	90,919
Other debt	20,412	37,545	17,720	16,851	(38,314)	54,213
Non-allocated debt						
Total liabilities	65,394	84,780	30,790	74,666	(110,498)	**145,132**
Depreciation, amortization and impairment	5,119	3,286	865	903	(26)	10,148
Investments (incl. additions due to IFRS 16)	22,316	10,598	3,588	2,682	(1,000)	38,184

External sales by region

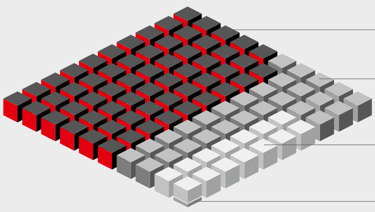


Figures in %	**6M 2019**
Germany	59.9
Rest of Europe	23.5
USA/Rest of the World	16.5
Holding company	0.1

Figures in € thousand	Germany	Rest of Europe	USA/Rest of the World	Holding company	Elimina-tion	Group
6M 2018						
External sales	77,827	34,807	18,655	192	0	131,481
Internal sales	11,410	11,710	41	6,566	(29,727)	0
Total sales	89,237	46,517	18,696	6,758	(29,727)	**131,481**
EBITA = EBIT	2,445	3,382	10	(1,567)	(330)	3,940
Financial income	166	59	16	650	(836)	55
Finance costs	(641)	(275)	(277)	(683)	836	(1,040)
Income (loss) from associates	88	0	0	(21)	0	67
EBT	2,057	3,165	(250)	(1,620)	(330)	3,022
Taxes						(1,386)
Result for the period						**1,636**
Assets	77,845	103,786	52,712	267,603	(271,020)	230,926
thereof investments accounted for using the equity method	1,000			91		1,091
Non-allocated assets						0
Total assets	77,845	103,786	52,712	267,603	(271,020)	**230,926**
Financial liabilities	25,065	26,653	11,894	51,686	(52,695)	62,603
Other debt	22,488	29,390	16,448	18,969	(29,977)	57,318
Non-allocated debt						0
Total liabilities	47,553	56,043	28,342	70,655	(82,672)	**119,921**
Depreciation, amortization and impairment	1,239	2,201	234	590	(29)	4,235
Investments	806	4,981	218	620	0	6,625

External sales by region

Figures in %



	6M 2018
Germany	59.2
Rest of Europe	26.5
USA/Rest of the World	14.2
Holding company	0.1

Additional Information

Financial Calendar

August 16, 2019	Semi-Annual Financial Report 2019
April 30, 2020	Annual Financial Report 2019

Key to Symbols

Basis of Preparation

Scope of Consolidation

Consolidated Income Statement Disclosures

Consolidated Balance Sheet Disclosures

Consolidated Cash Flow Statement Disclosures

Other Disclosures

Segment Information

Supplementary Disclosures

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