

# REKNOWING LIKES - NEW WITH - NEW STRATEGIC

Semi-Annual Report  
**2020**

# Overview of the Deufol Group

Figures in € thousand	6M 2020	6M 2019 <sup>1)</sup>
<b>Results of operations</b>		
Total sales	106,397	128,185
Germany	71,562	76,983
Rest of the World	34,835	51,202
Ratio of foreign sales (%)	32.7	40.0
EBITDA	14,564	13,211
EBITA = EBIT	3,770	3,063
EBT	2,771	2,065
Income tax income (expenses)	-1,368	-90
Result for the period	1,403	1,975
thereof noncontrolling interests	-65	-41
thereof shareholders of the parent company	1,468	2,016
Earnings per share – EPS (€)	0.034	0.046
<b>Assets structure</b>		
Noncurrent assets	189,004	180,645
Current assets	77,803	75,837
Balance sheet total	266,807	256,482
Equity	114,216	111,349
Liabilities	152,591	145,133
Equity ratio (%)	42.8	43.4
Net financial liabilities	69,926	64,602
<b>Cash flow/investments</b>		
Cash flow from operating activities	10,915	9,399
Cash flow from investing activities	-5,829	-520
Cash flow from financing activities	-10,487	-12,400
Investments in property, plant and equipment	10,606	966
<b>Employees</b>		
Employees (as of Jun. 30)	1,980	2,271

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.

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## Deufol in the First Six Months of 2020

### Strategic Orientation Bears Fruit Even During The Coronavirus Pandemic

The Deufol Group delivered a respectable performance in the first six months of 2020, in what was a very difficult environment.

Besides the trend of reduced industrial goods production and export activity – which has been apparent since 2018 – and the associated decline in the market for industrial goods packaging, the Deufol Group's sales and income trend in the first six months of the year has mainly been shaped by the coronavirus crisis. This trend notwithstanding, Deufol has continued to pursue the process which it initiated in 2019 of concentrating on its four core segments: (1) packaging & logistics, (2) production and sales of packaging, (3) IT solutions for logistics processes and (4) infrastructure solutions. However, the dynamic development of the Group and its business workflows, optimization of its usage and mix of materials from the point of view of sustainability considerations and active cost management have successfully countered the effects associated with the prevailing economic environment and have resulted in a slight increase in the Group's market shares. The current pandemic has nonetheless had an impact on Deufol too. As the virus has spread throughout various regions of the world, it has become clear how closely integrated global processes and supply chains now are, and thus how prone they are to local disturbances or disruptions in other parts of the world. Due to the rapid global spread of the virus and the uncertainty over how to counter and eliminate it in the longer term, these effects are substantial and they are certainly also structural in nature. Deufol has always considered itself a key component in the optimization of our customers' logistics processes. The pandemic has reinforced the need for reorganization and optimization of these processes. The future economic trend remains subject to considerable uncertainty. Much will depend on the extent to which this uncertainty diminishes our customers' readiness to invest.

Particularly during this pandemic, Deufol has further expanded its strategic approach focusing on close and early integration with its customers and their production processes, and it has continued to step up its dialogue with its customers. We are thus reacting flexibly, in line with the unfolding situation for each of our customers. Together with our striving for innovations in the field of packaging, our optimization of our use of materials, the expansion of our range of services and our offering of integrated digital solutions for logistics processes, this approach has resulted in the completion of a large number of new strategic transactions. They will make themselves felt, bit by bit, from the second half of 2020 onwards.

This orientation is also underpinned by a consistent focus in all of our internal processes on our customers' requirements as well as the targeted expansion and transformation of our sales organization. We are continuously increasing the number of our employees in sales roles, while cutting back on the resources allocated to internal administrative processes. In the current fiscal year, we will revise our focus and thus also our internal management strategy in relation to our market segments.

In geographical terms, Deufol is following the trend of increasingly establishing and expanding production plants for industrial goods in south-eastern Europe. In May 2019 we opened our location in Debrecen (eastern Hungary), and we are currently developing a logistics park here as part of a multiple-phase process. The first phase is almost complete, and our modern production and packaging machines and related storage facilities will be officially opened in September 2020. On this basis, over the next few years we will open further locations in south-eastern Europe. In this context, we envisage structural changes in relation to future logistics and transportation from Europe to Asia. Logistics will increasingly

shift towards southern-bound transportation, along the Alps and across the Adria to Asia, so that there will be a need for logistics services along this route. Deufol is already prepared for these changed logistics routes, and it will further expand its presence in this region. On the other hand, in the future we will generally expand our presence in China by pursuing partnerships. We have therefore sold our company in China to a cooperation partner and will continue to work with this partner within the scope of a franchise arrangement. Due to our changed regional orientation, we have also adjusted our regional sales organization and will accordingly be making slight changes to our reporting segments from 2020 onwards.

Thanks to these measures, Deufol is well prepared to cope with the current tense economic situation. Above all, it is equally well prepared for the era following the end of the pandemic. The last few months have provided considerable momentum for further digitalization of processes in particular. Here, there will be no going back to the pre-coronavirus period. Thanks to our optimized strategy, we consider Deufol to be well placed to handle all of the changes which lie ahead of us and likewise for potential growth.

### Sales and Income Trend

In the first six months of 2020, at €106.4 million total sales were 17.0 % or €21.8 million lower than in the same period in the previous year. This change in the volume of sales is mainly attributable to declining Consumer Goods Packaging sales, on account of the focus on Industrial Packaging in the USA. However, business in Germany and the Rest of Europe likewise declined. To be sure, the picture here is mixed. Countries such as France, Belgium and Italy were especially badly affected by the coronavirus pandemic, which accordingly resulted in a weak level of demand for packaging services. On the other hand, the emerging countries in eastern and south-eastern Europe were relatively stable. The Czech Republic and Hungary are particularly worthy of mention here. However, Deufol has not lost any market shares or customers. The weak overall sales figures demonstrate that the economic collapse triggered by the global coronavirus pandemic has had a deep impact on Deufol's business activities.

The operating result (EBITA) amounted to €3.8 million and was thus around 23 % higher than the previous year's figure of €3.1 million. The EBITA margin rose accordingly from 2.4 % to 3.5 %. While it was not possible to match the previous year's strong figures in Germany due to the coronavirus pandemic, the Rest of Europe registered a positive earnings trend. However, this reflects a positive one-off factor due to the disposal of a property in Belgium. In the USA, a small loss was realized due to the Group's realignment focusing on the Industrial Packaging segment.

### Changes to the Administrative Board

At the Annual General Meeting held on June 26, 2020, Mr. Ewald Kaiser was elected as an additional member of the Administrative Board of Deufol SE, with a term of office expiring at the end of the 2021 Annual General Meeting. Mr. Kaiser is an acknowledged expert in the field of logistics and digitalization. Mr. Wulf Matthias has left the Administrative Board at his own request. He resigned from his positions on June 25, 2020, with effect as of July 25, 2020. We would like to expressly thank Mr. Matthias for his many years of support and for the experience, ideas and advice which he has contributed.

## Economic Outline Conditions

### **Unprecedented Global Economic Collapse**

According to the summer economic analysis from the Kiel Institute for the World Economy (IfW), in the first six months of 2020 world economic activity likely declined by almost 10 %. However, the trend now appears to have bottomed out for the time being. In China, the economy has already made up for a significant portion of the collapse in production seen in the first quarter. Provided that the course of the pandemic permits a sustained and far-reaching easing of containment measures, strong growth in overall economic output is likely in the second half of this year, thanks to huge monetary and fiscal policy support. For 2020 as a whole, the Kiel Institute nonetheless expects global output to decrease by 3.8 %. This would represent the biggest collapse in the past 70 years. For 2021, the Kiel Institute expects a strong increase in output of 6.2 %. However, the income lost due to the coronavirus crisis and investment propensity which is likely to remain subdued for some time to come – owing to the deterioration of the sales outlook and a reduced equity capital basis – mean that, for a significant period of time, the level of global output is likely to fall considerably short of the trajectory which the Kiel Institute had assumed at the start of the year. The crisis is also affecting the labor market, where it has resulted in a drastic decline in employment. Here too, it remains to be seen how quickly the labor market will be able to recover from this collapse.

### **Eurozone: Worst Recession since the Establishment of Monetary Union**

According to the Kiel Institute, the Eurozone economy is in a state of coronavirus-related shock. The measures initiated to curb the pandemic have resulted in the greatest collapse in economic activity since the establishment of monetary union. In the second quarter, a double-digit decline in excess of 13 % is likely. Economic output is declining disproportionately strongly in France, Spain and Italy, since these countries considered themselves compelled to introduce particularly drastic measures in order to bring the incidence of infection under control. In other EU countries, the shutdown was implemented at a later stage and

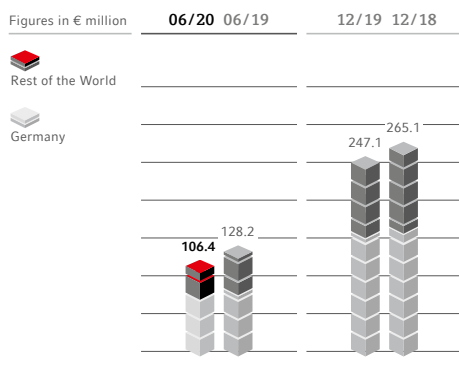
was frequently not as far-reaching in scope. Accordingly, these countries have suffered a less pronounced decline in their levels of economic output. However, no country has been able to escape from this downward spiral. The Kiel Institute assumes an 8.6 % decline in overall economic output in the Eurozone for 2020. This is a significantly higher decrease than in the rest of the world. For 2021, the Kiel Institute expects an increase of 6.6 %. However, a lot will depend on whether it is possible over the coming months to keep the rate of infection under control, so that economic activity can gradually regain impetus.

### **German Economy Facing Arduous Recovery**

According to the Kiel Institute, following its coronavirus-related collapse in the second quarter in particular the German economy is only gradually recovering. Key markets have been worse hit by the coronavirus pandemic from an economic point of view than Germany has. However, due to its dependency on exports this is also having a negative impact on the German economy. Companies in Germany and other countries are likely to remain cautious in relation for investments for quite some time. The export sector has thus suffered drastic declines. In April 2020, exports suffered a decline amounting to one quarter of their volume registered in the previous month. The fall in exports was particularly severe in the badly affected countries, such as France, Italy and the USA. On the other hand, at 12 % the decline in exports to China was relatively moderate in April. Imports are faring somewhat better than exports during the crisis. Overall, the country's gross domestic product likely contracted by 12 % in the second quarter. In the space of just a few months, the economy has suffered a collapse which is twice the size of the decline that resulted over the space of four quarters during the great recession. According to the Kiel Institute, gross domestic product will fall by 6.8 % in 2020 as a whole.

## Results of Operations, Financial and Asset Position

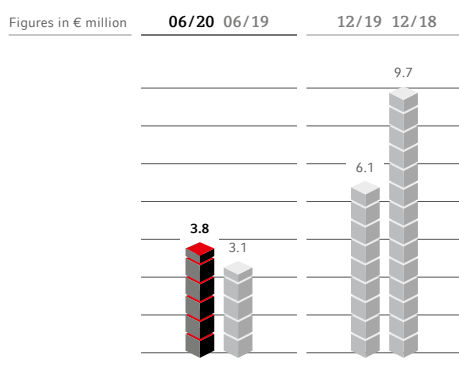
### Sales



### Sales Trend

In the first six months of 2020, at € 106.4 million total sales were 17.0 % or € 21.8 million lower than in the same period in the previous year. Changes in the scope of consolidation have not had any impact on sales. The Group only sold a subsidiary in China at the end of the reporting period. Changes to exchange rates for the Group's subsidiaries which prepare their accounts in foreign currencies (mainly the US dollar, the Czech crown, the Hungarian forint and the Chinese yuan) have not had any significant impact on sales. In Germany (incl. the holding company), sales amounted to € 71.4 million (previous year: € 77.0 million). In the Rest of Europe, Deufol realized sales in the amount of € 26.7 million (previous year: € 30.1 million). In the USA/Rest of the World segment, sales declined to € 8.1 million (previous year: € 21.1 million). Apart from the one-off factor associated with the realignment of our America business, the declining sales volumes in all of our segments reflect the global coronavirus pandemic.

### EBITA



### Income Development

Within the scope of a one-off inventory initiated by the Group's Audit department as of June 30, 2020, irregularities and shortages in inventories were identified at several foreign subsidiaries. Our investigations – which have not yet been concluded – indicate that these errors have arisen over a period of many years. The current reporting year has not been affected at all, but the carrying amounts and the earnings figure for the previous year have been. In accordance with IAS 8, the previous-year figures have been corrected accordingly. All comparisons relate to the corrected previous-year figures.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 14.6 million in the first half of the year (previous year: € 13.2 million). The EBITDA margin increased to 13.7 % (previous year: 10.3 %). The income trend has been influenced by a large number of one-off factors. The sale of a property in Belgium has resulted in substantial income. On the other hand, one-off expenses have arisen, such as costs associated with a court case. Apart from this, the EBITDA figure has naturally been strongly affected by the decline in sales outlined above. Depreciation of property, plant and equipment and amortization of other intangible assets increased slightly (€ 10.8 million, compared to € 10.1 million in the previous year).

The operating result (EBITA) amounted to € 3.8 million and was thus 23 % higher than the previous year's figure of € 3.1 million. This increase has exclusively resulted due to the above-mentioned one-off factors.

The financial result was stable by comparison with the first six months of 2019 and amounts to – € 1.0 million. This mainly comprises interest expense.



Earnings before taxes (EBT) in the first six months of the year were €2.8 million (previous year: €2.1 million). After income tax expenses (€1.4 million, compared to €0.1 million in the same period in the previous year), the result for the period amounts to €1.4 million, compared to €2.0 million in the first half of 2019. After deduction of the profit shares of noncontrolling interests (–€0.1 million, compared to €0.0 million in the same period in the previous year), a net gain of €1.5 million (previous year: €2.0 million) is attributable to the shareholders of Deufol SE. Earnings per share in the first six months were €0.034 (previous year: €0.046).

### Cash Flow and Investments

In the first six months of the year, the cash flow from operating activities amounted to €10.9 million and was thus higher than the previous year's level (€9.4 million).

The cash flow from investing activities was negative at –€5.8 million (previous year: –€0.5 million). Outflows of funds resulted here from payments for the purchase of assets, in the amount of €10.6 million (previous year: –€1.0 million). In particular, this reflects the investments made in connection with our new location in Hungary. Inflows of funds mainly resulted from the disposal of intangible assets and property, plant and equipment (+€4.6 million, compared to +€0.2 million in the same period in the previous year) and from interest received (+€0.1 million).

The cash flow from financing activities was negative at –€10.5 million (previous year: –€12.4 million). Outflows mainly resulted from interest paid (–€1.2 million), the extinction of amounts due to banks (–€1.8 million) and other financial liabilities (–€7.5 million).

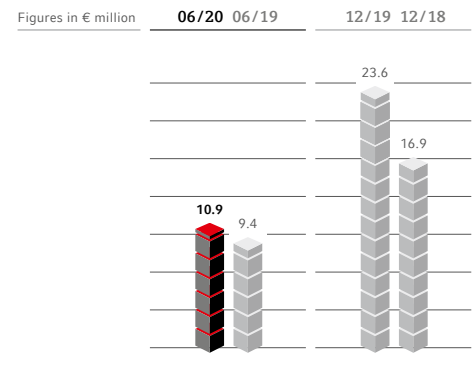
Cash and cash equivalents decreased by comparison with the end of the year, by €5.4 million to €26.2 million.

### Financing

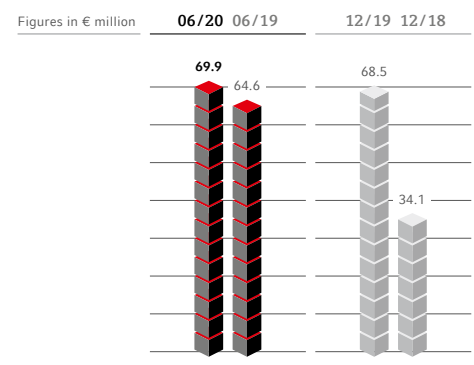
Various financing groups exist within the Deufol Group. In Germany, Deufol has a variable-interest syndicated financing arrangement with a volume of €42 million as of the reporting date and a term ending in May 2024. Within the scope of this financing arrangement, the loan agreement prescribes specific financial covenants which the Deufol Group must fulfill during the term of the agreement. Further significant financing groups exist in the USA, Belgium, Austria, the Czech Republic, Hungary and Italy (mainly amortizing loans for real estate, operating credit lines and factoring).

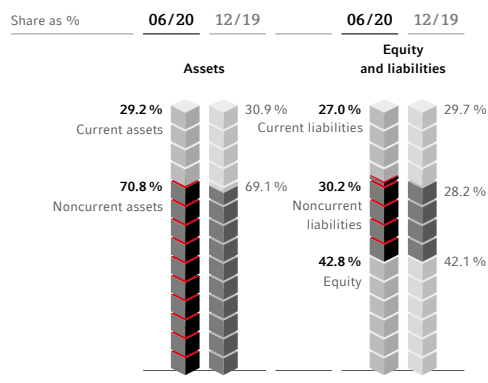
The financial liabilities of the Deufol Group decreased slightly in the first six months of the fiscal year and amount to €96.6 million (previous year: €100.6 million). As cash and cash equivalents and financial receivables simultaneously decreased (–€5.4 million) net financial liabilities rose, from €68.5 million at the end of the year to €69.9 million. The balance of liabilities to banks and call deposits at banks is –€39.5 million, compared to –€36.1 million at the end of the year.

### Cash flow from operating activities



### Net financial liabilities



**Balance sheet structure****Slight Reduction in Balance Sheet Total**

The balance-sheet figures from the previous year have been restated in accordance with IAS 8, due to the discovery of irregularities relating to inventories. All comparisons relate to the corrected previous-year figures.

The balance sheet total as of June 30, 2020 is at €266.8 million €0.9 million or 0.3 % lower than the level as of the end of the year (€267.7 million). For the noncurrent assets, the largest changes were for property, plant and equipment (+€5.3 million to €84.9 million). This increase has mainly resulted due to the investments which we have made in our new logistics park in Debrecen (Hungary). The other noncurrent assets realized only marginal changes. In the current assets segment, cash and cash equivalents (–€5.4 million to €26.2 million) and noncurrent assets held for sale (–€4.1 million to €0.0 million) have declined. The change in noncurrent assets held for sale has resulted from the sale of a property in Belgium which has already been outlined above. The contract terms had already been stipulated in the previous year, necessitating the separate reporting of this item as of December 31, 2019. On the other hand, trade receivables (+€0.6 million to €29.8 million) and other assets (+€5.9 million to €11.8 million) have increased. The latter increase is likewise associated with the property sale and has resulted from the portion of the sales price which is still payable under the contract. The other current assets realized only marginal changes.

On the liabilities side, in the first six months of 2020 equity (incl. noncontrolling interests) increased on balance by €1.4 million to €114.2 million. This was mainly attributable to the result for the period (+€1.4 million). With a slightly lower balance sheet total, the equity ratio was at 42.8 % higher than at the end of the previous year (42.1 %). Liabilities decreased on balance, by €2.3 million to €152.6 million. This was mainly due to the decline in financial liabilities (–€4.0 million). On the other hand, trade payables have increased (+€1.2 million). The remaining liabilities items changed only slightly.

**Employees**

Deufol Group	06/2020	06/2019
Germany	1,177	1,325
Share (%)	59.4	58.3
Rest of Europe	619	649
Share (%)	31.3	28.6
USA/ Rest of the World	101	208
Share (%)	5.1	9.2
Holding	83	89
Share (%)	4.2	3.9
<b>Total</b>	<b>1,980</b>	<b>2,271</b>

**Decrease in Number of Employees**

On June 30, 2020, the Deufol Group had 1,980 employees worldwide. This corresponds to a decline of 291 employees (12.8 %) by comparison with the Group's workforce as of June 30, 2019. As of June 30, 2020, the Group had 1,260 employees in Germany and the Group's holding company (63.6 %) and 720 employees (36.4 %) elsewhere. The number of employees has declined in Germany and the USA/Rest of the World in particular, while the workforce has changed only slightly in the Rest of Europe.

## 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" segments.

After the first six months of the year, sales in Germany amounted to €71.4 million (previous year: €76.8 million). This segment is therefore now contributing 67.1 % to Group sales (previous year: 60.1 %). It was not possible to match the volume of sales seen in the previous year, due to significantly more difficult economic outline conditions. However, due to the global focus on Industrial Packaging this segment has gained in significance for us, on account of its emphasis on the export sector.

The operating result (EBITA) in Germany in the first six months of the year amounted to €1.8 million (previous year: €3.1 million). The EBITA margin decreased from 4.1 % to 2.2 %. In particular, this reflects the decline in sales which the cost-saving measures which have been initiated were not able to fully make up for in the first six months of the year.

In the Rest of Europe, consolidated sales amounted to €26.7 million in the first six months of the year (previous year: €30.1 million). This segment is therefore now contributing 25.1 % to Group sales (compared to 23.5 % in the first half of 2019). Here again, the changing sales volumes have resulted from the declining level of demand for industrial goods packaging as a result of the global coronavirus pandemic.

In the first six months of the year, the operating result (EBITA) in the Rest of Europe amounted to €3.2 million (previous year: €0.4 million). The result has been shaped by several one-off events. For instance, a property in Belgium was sold for a high profit. However, on the other hand costs have arisen in connection with a court case. Without these one-off factors, operating earnings are lower than in the previous year.

In the USA/Rest of the World segment, in the first six months of the year consolidated sales were at €8.1 million €13.0 million or 61.6 % lower than in the same period in the previous year. The US dollar's exchange rate versus the euro has not had any significant impact. This decrease has resulted from the relinquishment of the business relationship with a major customer in the Consumer Goods Packaging segment. In the future, Deufol will focus on Industrial Packaging in the USA and will further expand this segment. This segment now represents 7.6 % of Group sales. In the previous year, the relevant figure had been 16.5 %.

The operating result (EBITA) for the first six months of the year amounted to –€0.4 million (previous year: €0.3 million). The change in the result reflects the realignment towards Industrial Packaging.

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 2020). The EBITA figure including consolidation effects at Group level amounts to –€0.8 million in the first six months of 2020 and thus roughly matches the previous year's level.

### Germany

Figures in € thousand	06/2020	06/2019
Sales	80,336	86,735
Consolidated sales	71,384	76,804
EBITA = EBIT	1,772	3,120
EBITA margin (%)	2.2	4.1
EBT	1,206	2,401

### Rest of Europe

Figures in € thousand	06/2020	06/2019
Sales	40,357	43,819
Consolidated sales	26,728	30,092
EBITA = EBIT	3,191	432
EBITA margin (%)	7.9	1.4
EBT	2,699	196

### USA/Rest of the World

Figures in € thousand	06/2019	06/2019
Sales	8,111	21,279
Consolidated sales	8,107	21,110
EBITA = EBIT	–390	302
EBITA margin (%)	–4.8	1.4
EBT	–506	87

## Outlook

### **Only Partial Economic Recovery, Despite Strong Rise in Global Output**

According to the Kiel Institute for the World Economy, global output is likely to pick up by 6.2 % in 2021. However, this is based upon the assumption that the course of the pandemic permits a lasting and far-reaching easing of containment measures, so that the situation largely gets back to normal during 2021. To be sure, the ongoing Covid-19 threat and related changes in behavior and uncertainty are likely to continue to shape economic activity for a good while yet. However, due to the gradual winding-down of the containment measures and the huge volume of support provided through economic policy, in the second half of 2020 overall economic output is likely to pick up strongly – albeit from a low level – and will maintain a level of growth in excess of the longer-term trend over the course of the coming year.

### **Europe is Gradually Reopening**

In the Eurozone, the Kiel Institute expects overall output to pick up by 8.7 % in the second half of 2020, followed by a rise of 6.6 % in 2021. However, both of these forecasts assume that governments will continue to tackle the crisis by means of a comprehensive range of fiscal and labor policy measures, in order to ward off the risk of insolvencies and to preserve production structures and jobs for the post-crisis era. There is still a considerable degree of uncertainty regarding the scope and the duration of the economic collapse. Possible financial feedback loops and renewed trade tensions also pose risks.

### **Germany: The Pandemic is Not Over Yet**

The Achilles' heel for the recovery of the German economy is the export sector rather than private consumption. The global economic crisis is having a lasting impact on German exports. The huge global production losses will continue to adversely affect companies' balance sheets and thus their readiness to invest for some time to come. The weak level of global investment will thus remain an impediment for the German export sector – which focuses particularly strongly on equipment – throughout the forecast period. The Kiel Institute envisages a decline of 6.8 % for 2020 as a whole, due to a strong recovery in the second half of the year. This recovery will continue in 2021 and result in a growth rate of 6.3 %.

## **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 2019 annual financial statements continue to apply.

### **Confident Outlook Despite the Economic Uncertainty Associated with the Coronavirus Pandemic**

It is not yet possible to provide a reliable assessment of the overall effects and consequences of the global coronavirus pandemic. The figures for the first six months of 2020 merely provide an initial overview of the impact which this crisis will have on the business activities of the Deufol Group. The economy suffered an unprecedented collapse in the second quarter. This also affected Deufol, but only moderately by comparison with the sharp fall suffered by the global economy. The complete standstill in certain sectors and regions on account of the pandemic is now over. However, it is not currently possible to predict how rapidly the economy will recover, whether there will be a second wave of the disease and whether further lockdowns will be imposed. However, Deufol has implemented extensive measures in response and is prepared for further effects of the pandemic. Wherever appropriate, external personnel service providers have been reduced and Deufol has also selectively cut back on its own workforce. The gradual concentration of Deufol's locations in Germany has continued, in line with its planning, while on the other hand some new locations offering a specific range of services have opened. In addition, the management team have accepted temporary salary cuts, and short-time working has been introduced among the Group's administrative personnel and at various operating locations. Further cost-saving programs have been introduced globally. This has resulted in effects such as a significant reduction in the materials ratio. A further future improvement in this ratio is currently in preparation. Moreover, extensive liquidity-safeguarding measures have been initiated and implemented worldwide. The effectiveness of these measures is continuously reviewed. These measures will already make themselves felt in the remainder of 2020. In addition, extensive initiatives have been launched in order to attract new business, and Deufol has already acquired its first new customers at various locations, with a substantial volume of business for 2020 and 2021. This notwithstanding, it is not possible to provide a halfway reliable forecast either in relation to the further development of our customers' business, the development of the market for packaging and logistics services or, in this context, our level of success in securing market shares. In this environment, Deufol still does not consider itself able to provide a reliable forecast for fiscal year 2020 as a whole.



### Consolidated Income Statement

Figures in € thousand	Jan. 1, 2020– Jun. 30, 2020	Jan. 1, 2019 <sup>1)</sup> – Jun. 30, 2019	Note/Page
<b>Sales</b>	<b>106,397</b>	<b>128,185</b>	01/015
Other own work capitalized	271	235	
Inventory changes	73	88	
Other operating income	8,293	3,574	04/018
<b>Overall operating performance</b>	<b>115,034</b>	<b>132,082</b>	
Cost of materials	-38,205	-53,038	
Personnel costs	-41,073	-45,696	
Depreciation, amortization and impairment	-10,794	-10,148	
Other operating expenses	-21,192	-20,137	03/018
<b>Income (loss) from operating activities (EBIT)</b>	<b>3,770</b>	<b>3,063</b>	
Financial income	97	260	
Finance costs	-1,175	-1,280	
Income (loss) from investments accounted for using the equity method	79	-28	
Other financial result	0	50	
<b>Profit (loss) before taxes (EBT)</b>	<b>2,771</b>	<b>2,065</b>	
Income taxes	-1,368	-90	
<b>Result for the period</b>	<b>1,403</b>	<b>1,975</b>	
thereof share of profits held by noncontrolling interests	-65	-41	
thereof share of profits held by shareholders in the parent company	1,468	2,016	

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.

### Earnings per share

Figures in €			
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.034	0.046	02/017

### Consolidated Statement of Comprehensive Income

Figures in € thousand	Jan. 1, 2020– Jun. 30, 2020	Jan. 1, 2019 <sup>1)</sup> – Jun. 30, 2019	Note/Page
<b>Result for the period</b>	<b>1,403</b>	<b>1,975</b>	
<b>Other comprehensive income</b>	<b>-2</b>	<b>116</b>	
<b>Items which may be reclassified to the income statement in future</b>			
Income (loss) from currency translation, after taxes	183	116	
Cash flow hedges before taxes	-268	0	
Deferred taxes on cash flow hedges	83	0	
Cash flow hedges after taxes	-185	0	
<b>Comprehensive income after taxes</b>	<b>1,401</b>	<b>2,091</b>	
thereof noncontrolling interests	-65	-41	
thereof shareholders in the parent company	1,466	2,132	

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.



## Consolidated Balance Sheet

Assets	Jun. 30, 2020	Dec. 31, 2019 <sup>1)</sup>	Note/Page
Figures in € thousand			
<b>Noncurrent assets</b>	<b>189,004</b>	<b>184,972</b>	
Property, plant and equipment	84,933	79,611	
Goodwill	71,011	71,011	
Other intangible assets	6,749	7,420	
Investment property	14,345	14,345	
Investments accounted for using the equity method	1,407	1,328	
Financial receivables	68	68	
Other financial assets	8	8	
Other receivables and other assets	1,618	2,069	
Deferred tax assets	8,864	9,112	
<b>Current assets</b>	<b>77,803</b>	<b>82,740</b>	
Inventories	9,719	9,918	03/018
Trade receivables	29,819	29,206	
Other receivables and other assets	10,092	5,878	
Tax receivables	1,613	1,695	
Financial receivables	348	346	
Cash and cash equivalents	26,212	31,627	
Non-current assets held for sale	0	4,070	04/018
<b>Total assets</b>	<b>266,807</b>	<b>267,712</b>	

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.

Equity and liabilities	Jun. 30, 2020	Dec. 31, 2019 <sup>1)</sup>	Note/Page
Figures in € thousand			
<b>Equity</b>	<b>114,216</b>	<b>112,815</b>	05/018
<b>Equity attributable to the shareholders of Deufol SE</b>	<b>112,659</b>	<b>111,193</b>	
Subscribed capital	43,774	43,774	
Capital reserves	107,329	107,329	
Retained earnings	11,609	11,609	
Profit brought forward	-49,834	-51,302	03/018
Other comprehensive income	256	258	
Treasury stock at cost	-475	-475	
<b>Noncontrolling equity interests</b>	<b>1,557</b>	<b>1,622</b>	03/018
<b>Noncurrent liabilities</b>	<b>80,627</b>	<b>75,496</b>	
Financial liabilities	69,072	63,779	06/018
Provisions for pensions	3,544	3,603	
Other provisions	3	15	
Other liabilities	4	883	
Deferred tax liabilities	8,004	7,216	
<b>Current liabilities</b>	<b>71,964</b>	<b>79,401</b>	
Trade payables	27,168	25,984	
Financial liabilities	27,482	36,787	06/018
Other liabilities	14,380	13,075	
Tax liabilities	506	1,089	
Other provisions	2,428	2,466	
<b>Total equity and liabilities</b>	<b>266,807</b>	<b>267,712</b>	

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.



## Consolidated Cash Flow Statement

Figures in € thousand	Jan. 1, 2020– Jun. 30, 2020	Jan. 1, 2019 <sup>1)</sup> – Jun. 30, 2019	Note/Page
Income (loss) from operating activities (EBIT) from continuing operations	3,770	3,063	03/018
<b>Adjustments to reconcile net income (loss) to cash flow from operating activities</b>			
Depreciation, amortization and impairment	10,794	10,148	
(Gain) loss from disposal of investments	116	0	
(Gain) loss from disposal of fixed assets	-3,897	-22	
Taxes paid	-832	-87	
Other non-cash expenses (income)	-20	93	03/018
<b>Changes in assets and liabilities from operating activities</b>			
Decrease (increase) in trade accounts receivable	-1,112	1,915	
Decrease (increase) in inventories	161	1,075	
Decrease (increase) in other receivables and other assets	482	-3,190	
Increase (decrease) in trade accounts payable	1,251	-4,387	
Increase (decrease) in other liabilities	441	1,470	
Increase (decrease) in provisions	-119	-513	
Decrease (increase) in other operating assets/liabilities (net)	-120	-166	
<b>Cash flow from operating activities</b>	<b>10,915</b>	<b>9,399</b>	07/018
Payments made for investments in intangible assets and property, plant and equipment	-10,606	-966	
Proceeds from the sale of intangible assets and property, plant and equipment	4,557	193	
Proceeds from the sale of subsidiaries	125	0	
Net change in financial receivables	-2	-6	
Interest received	97	259	
<b>Cash flow from investing activities</b>	<b>-5,829</b>	<b>-520</b>	07/018
Addition (extinction) of amounts due to banks	-1,778	-3,524	
Addition (extinction) of other financial liabilities	-7,534	-7,468	
Payments for the purchase of treasury stock	0	-126	
Change in noncontrolling interests	0	0	
Dividend paid to noncontrolling interests	0	-2	
Interest paid	-1,175	-1,280	
<b>Cash flow from financing activities</b>	<b>-10,487</b>	<b>-12,400</b>	07/018
<b>Exchange rate- and scope of consolidation-related changes in financial resources</b>	<b>-14</b>	<b>105</b>	
<b>Change in cash and cash equivalents</b>	<b>-5,415</b>	<b>-3,416</b>	
Cash and cash equivalents at the beginning of the period	31,627	29,456	
Cash and cash equivalents at the end of the period	26,212	26,040	

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.



## 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		Equity attributable to the shareholders of Deufol SE	Noncontrolling equity interests	Total equity
						Cumulative translation adjustment	Cash flow hedges and provisions for pensions			
<b>Balance at Jan. 1, 2019<sup>1)</sup></b>	<b>43,774</b>	<b>107,240</b>	<b>10,204</b>	<b>-50,366</b>	<b>-536</b>	<b>27</b>	<b>-262</b>	<b>110,081</b>	<b>1,876</b>	<b>111,957</b>
Result for the period	—	—	—	2,016	—	—	—	2,016	-41	1,975
Other comprehensive income	—	—	—	—	—	116	—	116	—	116
<b>Comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,016</b>	<b>—</b>	<b>116</b>	<b>—</b>	<b>2,132</b>	<b>-41</b>	<b>2,091</b>
Dividends	—	—	—	-2,570	—	—	—	-2,570	-2	-2,572
Repurchase of treasury stock	—	—	—	—	-126	—	—	-126	—	-126
<b>Balance at Jun. 30, 2019</b>	<b>43,774</b>	<b>107,240</b>	<b>10,204</b>	<b>-50,920</b>	<b>-662</b>	<b>143</b>	<b>-262</b>	<b>109,517</b>	<b>1,833</b>	<b>111,350</b>
<b>Balance at Jan. 1, 2020<sup>1)</sup></b>	<b>43,774</b>	<b>107,329</b>	<b>11,609</b>	<b>-51,302</b>	<b>-475</b>	<b>436</b>	<b>-178</b>	<b>111,193</b>	<b>1,622</b>	<b>112,815</b>
Result for the period	—	—	—	1,468	—	—	—	1,468	-65	1,403
Other comprehensive income	—	—	—	—	—	183	-185	-2	0	-2
<b>Comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,468</b>	<b>—</b>	<b>183</b>	<b>-185</b>	<b>1,466</b>	<b>-65</b>	<b>1,401</b>
<b>Balance at Jun. 30, 2020</b>	<b>43,774</b>	<b>107,329</b>	<b>11,609</b>	<b>-49,834</b>	<b>-475</b>	<b>619</b>	<b>-363</b>	<b>112,659</b>	<b>1,557</b>	<b>114,216</b>

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.

## 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 2019. In addition, IAS 34 “Interim Financial Statements” was applied.



### New Accounting Standards

The first-time application of the new standards and interpretations which are mandatory from fiscal year 2020 has not had any effect on the recognition and measurement of assets and liabilities.



### Effects of the Coronavirus Pandemic

The coronavirus pandemic and the related uncertainty had various effects on our business activities in the first six months of the current fiscal year. The pandemic is continuing to develop in a dynamic fashion. This may result in a heightened level of risk in relation to the asset value chain as well as the fair value of assets. However, it is not currently possible to provide a reliable assessment of the long-term impact of the pandemic. We will continue to carefully monitor the effects of the pandemic.

Despite an increased level of uncertainty since the most recent regular impairment testing of our goodwill and intangible assets in the fourth quarter of 2019, we do not currently see any indications that the situation has changed so drastically as to result in impairment.

We are also continuously monitoring other assets – particularly trade receivables – in terms of a potential loss of value due to the coronavirus pandemic. Within the scope of these analyses, we have not identified any issues relating to our portfolio of receivables such as indicate any significant impairment in the first six months of the current fiscal year.



### Currency Translation

In accordance with IAS 21, the 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 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	
	Jun. 30, 2020	Jun. 30, 2019	6M 2020	6M 2019
per €				
US dollar	1.1198	1.1380	1.1012	1.1297
Czech crown	26.7400	25.4470	26.3421	25.6836
Forint	356.5800	—	345.3946	—
Singapore dollar	1.5648	1.5395	1.5409	1.5354
Renminbi	7.9219	7.8185	7.7481	7.6669



## 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, 2019	Additions	Disposals	Jun. 30, 2020
Consolidated subsidiaries	46	2	1	47
thereof in Germany	17	2	0	19
thereof abroad	29	0	1	28
Companies valued using the equity method	5	0	0	5
thereof in Germany	3	0	0	3
thereof abroad	2	0	0	2
<b>Total</b>	<b>51</b>	<b>2</b>	<b>1</b>	<b>52</b>



## 01 Sales

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



## 02 Earnings per Share

Income	Jan. 1, 2020– Jun. 30, 2020	Jan. 1, 2019– Jun. 30, 2019
Figures in € thousand		
Result attributable to the holders of Deufol SE common stock	1,468	2,016
<b>Shares in circulation</b>		
Figures in units		
Weighted average number of shares	43,104,480	42,926,405
<b>Earnings per share</b>		
Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.034	0.046



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**03 Correction of Inventories Error  
in Accordance with IAS 8**

A shortage of approx. € 1.7 million was determined within the scope of a one-off inventory covering several Group companies in the Other Europe segment in the current calendar year. The reasons for this shortage are currently the subject of an intensive investigation. The Deufol Group currently assumes that this shortage arose in the period prior to January 1, 2020; the current reporting period has not been affected. Accordingly, in line with the IAS 8 rules a temporary error correction has been implemented which has had the following effects:

The inventories as of January 1, 2019 have been reduced by € 1,642 thousand; the correction amounted to –€ 1,685 thousand as of June 30, 2019 and to –€ 1,728 thousand as of December 31, 2019. The profit brought forward as of January 1, 2019 has been reduced by € 1,538 thousand; the correction amounted to –€ 1,564 thousand as of June 30, 2019 and to –€ 1,590 thousand as of December 31, 2019. The noncontrolling equity interests item as of January 1, 2019 has been reduced by € 104 thousand; the correction amounted to –€ 121 thousand as of June 30, 2019 and to –€ 138 thousand as of December 31, 2019.

The result for the period from January 1 to June 30, 2019 has been affected by the correction in the amount of –€ 43. The relevant correction has been made to other operating expenses. Of this correction, –€ 26 thousand related to the shareholders in the parent company and –€ 17 thousand to noncontrolling interests.



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**04 Noncurrent Assets  
Held for Sale**

The amount reported as of December 31, 2019 related to assets which were reclassified from property, plant and equipment due to an agreement for their sale to a non-Group purchaser which became legally effective in fiscal year 2019 and which were reported and measured in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”.

The sale occurred in June 2020 and this disposal generated income in the amount of € 3,883 thousand which was attributable to the “Other Europe” segment and was reported under other operating income.



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**05 Equity**

There were no changes to Subscribed Capital in the first six months of 2020.



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**06 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, 2020 and June 30, 2020, the Deufol Group complied with all of the financial covenants under its loan agreement.



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**07 Cash Flow Statement**

The cash flow statement shows the origin and appropriation of the money flows in the first six months of fiscal years 2019 and 2020. 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 € 10,915 thousand in the first six months of 2020.

The outflow of funds from investing activities amounted to € 5,829 thousand and includes the cash flows from the purchase and sale of property, plant and equipment and intangible assets as well as payments made for the purchase/proceeds resulting from the sale of subsidiaries, the change in financial receivables as well as interest received.

The outflow of funds from financing activities amounted to € 10,487 thousand and reflects the net changes in financial liabilities and equity plus interest paid.

Including the exchange rate-related changes, which amounted to –€ 14 thousand, the cash and cash equivalents balance decreased by € 5,415 thousand.



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**Dividend**

Deufol SE did not distribute any dividend in the first six months of 2020.



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**Contingencies**

There were no significant changes in the contingencies by comparison with December 31, 2019.



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**Significant 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.



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**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

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.



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**Supplementary Disclosures**

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**Disclosures Concerning  
the Executive Bodies**

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**Administrative Board**

Mr. Ewald Kaiser was elected as a member of the Administrative Board for a period of one year at the Annual General Meeting which was held in virtual form on June 26, 2020. The Administrative Board subsequently had the following members: Detlef W. Hübner (Chairman), Helmut Olivier (Deputy Chairman), Holger Bürskens, Prof. Dr. Rüdiger Grube, Dennis Hübner, Marc Hübner, Ewald Kaiser, Wulf Matthias and Axel Wöltjen. Mr. Wulf Matthias resigned from the Administrative Board with effect as of July 25, 2020.



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**Relationships with Related  
Parties**

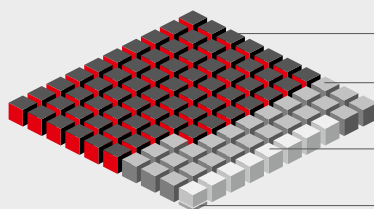
With regard to the transactions with related parties, there was no significant change in relation to the previous annual financial statements.


 Segment Information by  
Region (Primary Reporting  
Format)

	Germany	Rest of Europe	USA/Rest of the World	Holding	Elimina- tion	<b>Group</b>
Figures in € thousand						
<b>6M 2020</b>						
External sales	71,384	26,728	8,107	178	0	<b>106,397</b>
Internal sales	8,952	13,629	4	4,537	-27,122	<b>0</b>
<b>Total sales</b>	<b>80,336</b>	<b>40,357</b>	<b>8,111</b>	<b>4,715</b>	<b>-27,122</b>	<b>106,397</b>
EBITA = EBIT	1,772	3,191	-390	-2,610	1,807	<b>3,770</b>
Financial income	167	177	8	946	-1,201	<b>97</b>
Finance costs	-810	-670	-124	-772	1,201	<b>-1,175</b>
Income (loss) from associates	79	0	0	0	0	<b>79</b>
Other financial result	0	0	0	0	0	<b>0</b>
EBT	1,208	2,698	-506	-2,436	1,807	<b>2,771</b>
Taxes						<b>-1,368</b>
<b>Result for the period</b>						<b>1,403</b>
Assets	96,032	151,782	47,348	280,499	-308,854	<b>266,807</b>
thereof investments accounted for using the equity method	1,335	0	0	72	0	<b>1,407</b>
Non-allocated assets						
<b>Total assets</b>	<b>96,032</b>	<b>151,782</b>	<b>47,348</b>	<b>280,499</b>	<b>-308,854</b>	<b>266,807</b>
Financial liabilities	41,968	59,674	9,182	65,009	-79,279	<b>96,554</b>
Other debt	24,361	40,145	13,600	18,822	-40,891	<b>56,037</b>
Non-allocated debt						
<b>Total liabilities</b>	<b>66,329</b>	<b>99,819</b>	<b>22,782</b>	<b>83,831</b>	<b>-120,170</b>	<b>152,591</b>
Depreciation, amortization and impairment	5,825	2,962	1,154	894	-41	<b>10,794</b>
Investments (incl. additions due to IFRS 16)	2,310	9,342	3,934	611	1	<b>16,198</b>

## External sales by region

Figures in %



	<b>6M 2020</b>
Germany	67.1
Rest of Europe	25.1
USA/Rest of the World	7.6
Holding	0.2

	Germany	Rest of Europe	USA/Rest of the World	Holding	Elimination	Group
Figures in € thousand						
<b>6M 2019<sup>1)</sup></b>						
External sales	76,804	30,092	21,110	179	0	128,185
Internal sales	9,931	13,727	169	5,413	-29,240	0
<b>Total sales</b>	<b>86,735</b>	<b>43,819</b>	<b>21,279</b>	<b>5,592</b>	<b>-29,240</b>	<b>128,185</b>
EBITA = EBIT	3,120	389	302	-781	34	3,063
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
<b>Result for the period</b>						<b>1,975</b>
Assets	95,076	134,151	55,501	270,668	-298,914	256,482
thereof investments accounted for using the equity method	1,119	0	0	70	0	1,189
Non-allocated assets						
<b>Total assets</b>	<b>95,076</b>	<b>134,151</b>	<b>55,501</b>	<b>270,668</b>	<b>-298,914</b>	<b>256,482</b>
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						
<b>Total liabilities</b>	<b>65,394</b>	<b>84,780</b>	<b>30,790</b>	<b>74,666</b>	<b>-110,498</b>	<b>145,132</b>
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

1) Restated due to error correction. Please see Note 03 to the consolidated financial statements (p. 18) for further information.

#### External sales by region

Figures in %

	Germany	59.9
	Rest of Europe	23.5
	USA/Rest of the World	16.5
	Holding company	0.1




## Additional Information

### Financial Calendar

**August 28, 2020** Semi-Annual Financial Report 2020

**April 30, 2021** Annual Financial Report 2020

### 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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