DEUFOL

REMOVING LIMITS.

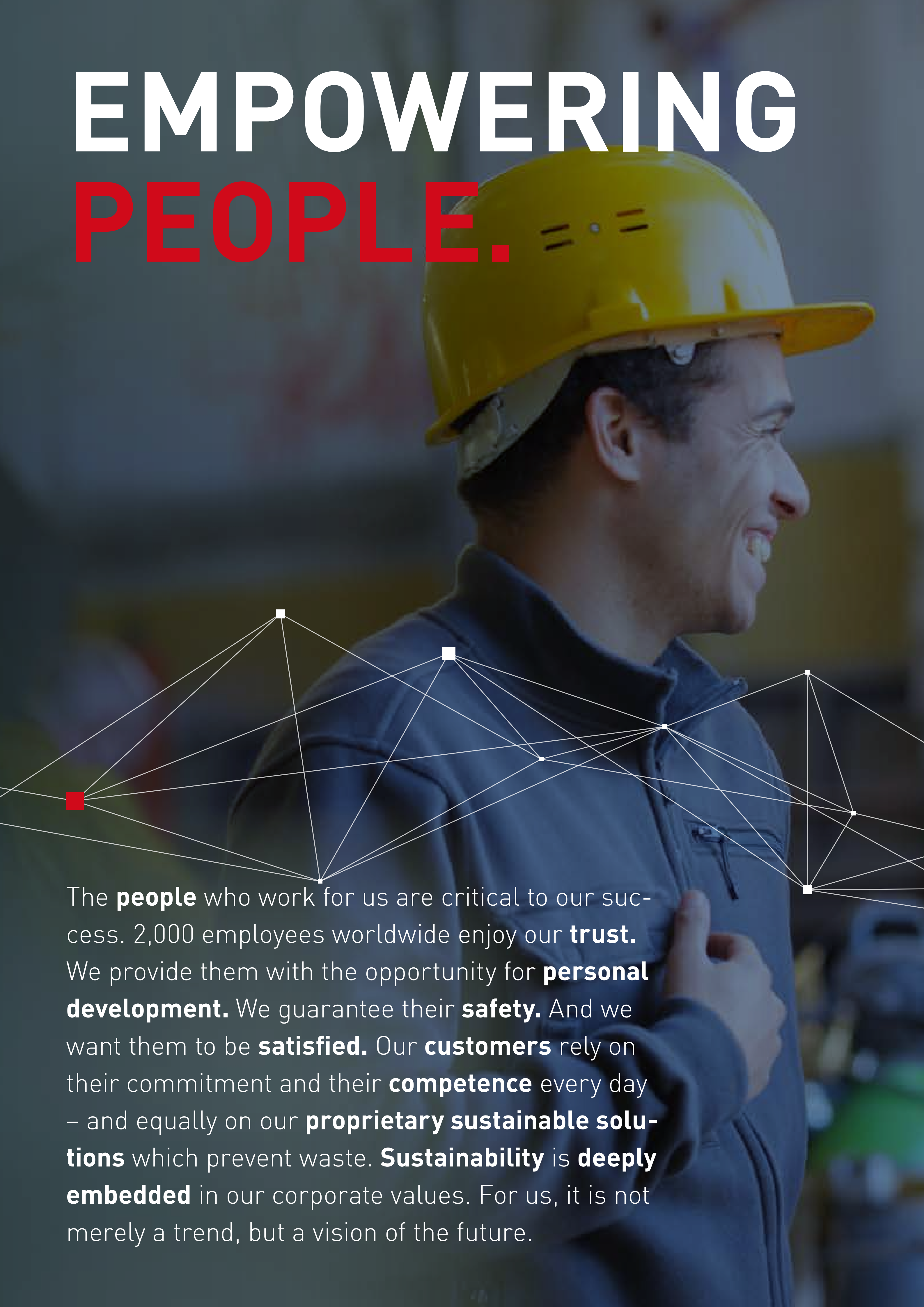
ANNUAL REPORT 2020

Overview of the Deufol Group

Figures in € million	2020	2019*	± (%)
Results of operations			
Total sales	213.9	247.1	–13.4 %
Germany	140.3	152.4	–7.9 %
Rest of the World	73.6	94.7	–22.3 %
Ratio of foreign sales (%)	34.4 %	38.3 %	–10.2 %
EBITDA	29.0	28.1	3.2 %
EBIT(A)	6.3	6.1	3.3 %
EBT	3.3	3.9	–15.4 %
Income tax income (expenses)	–2.4	–0.9	166.7 %
Result for the period	0.9	3.0	–70.0 %
thereof noncontrolling interests	–0.2	0.0	0 %
thereof shareholders of the parent company	1.1	3.0	–63.3 %
Earnings per share – EPS (€)	0.026	0.069	–62.3 %
Assets structure			
Noncurrent assets	192.7	185.0	4.2 %
Current assets	74.2	82.9	–10.5 %
Balance sheet total	266.9	267.9	–0.4 %
Equity	113.3	113.0	0.3 %
Liabilities	153.6	154.9	–0.8 %
Equity ratio (%)	42.4 %	42.2 %	0.6 %
Net financial liabilities	71.3	68.5	4.1 %
Cash flow / investments			
Cash flow from operating activities	25.4	23.6	7.6 %
Cash flow from investing activities	–5.7	–8.7	–34.5 %
Cash flow from financing activities	–19.2	–13.1	46.6 %
Investments in property, plant and equipment	32.4	53.7	–39.7 %
Employees			
Employees (average)	2,029	2,185	–7.1 %
Personnel costs	–80.1	–90.5	–11.5 %

* Restated in accordance with IAS 8; we refer to Note (16).

Table of Contents



EMPOWERING PEOPLE.

The **people** who work for us are critical to our success. 2,000 employees worldwide enjoy our **trust.** We provide them with the opportunity for **personal development.** We guarantee their **safety.** And we want them to be **satisfied.** Our **customers** rely on their commitment and their **competence** every day – and equally on our **proprietary sustainable solutions** which prevent waste. **Sustainability** is **deeply embedded** in our corporate values. For us, it is not merely a trend, but a vision of the future.


Further
information
is available here!
2,000
MOTIVATED
EMPLOYEES

Foreword by the Managing Directors

Profitable Despite the Crisis: New Strategy Carries Deufol Through 2020

Dear shareholders and business partners,
Dear colleagues,

At the start of 2020 – at exactly the right moment – we adjusted our corporate and business strategy in line with our key competences. Our strategic concept was intended to provide flexibility for our business operations, so as to enable us **to react to changed market conditions as quickly as possible**. That realignment paid off immediately in this "crisis year".

In the past year, we reorganized our business segments in line with our **strategic realignment** and established **four service areas** which pool our know-how in each field.

- Our **Packaging and Logistics** service area covers our core area of competence: tailored packaging solutions for industrial goods. We are consistently pursuing the ongoing development of this segment throughout Germany and internationally.

- **Production** of packaging – crates, bottoms and pallets – is an independent service area. Our design solutions and manufacturing offer us the opportunity to set standards in this industry.

- Digital solutions support our customers throughout their value chain. They benefit from the logistics services of our **IT Services** service area as well as useful software tools which assist with the transportation of their goods.

- The **Real Estate** service area provides us with strategic infrastructure at transport hubs and in close proximity to major customers. We handle our location planning flexibly, so that we are able to react at short notice and in accordance with specific projects.

"

Our customers value our all-round package of innovative and digital logistics solutions."

Stable Earnings Despite Decline in Sales in 2020

In 2020, the German economy suffered a drop in its gross domestic product of almost 5 %. According to the Kiel Institute for the World Economy (IfW), this represented the **greatest economic crisis since the founding of the Federal Republic of Germany.** The decline in economic output resulted in underutilization of industrial production capacities. With regard to the world economy, in the first few months of 2020 global industry suffered significant falls in production due to the COVID-19 pandemic. However, it made up for much of this in the second half of the year. As an industrial and export-oriented nation, Germany was particularly badly hit by the **slowdown in world trade**.

Through its presence on three continents and in twelve countries and with its 90 locations, **the Deufol Group is dependent on exports and thus on the world economy**. This is the key factor behind our Company's decline in sales. Some of our markets – such as Italy, Austria, the USA and the Czech Republic – were especially badly affected. However, we assume that this slump will be merely temporary in nature. In order to strengthen our core competences in the area of industrial packaging, we have forged ahead with its consistent separation from consumer goods packaging.

We **maintained a stable volume of earnings –** despite the significant drop in sales year-over-year. We achieved this **thanks to flexibility, cost discipline and our new strategy:**

- As an **agile and broad-based organization**, in the past fiscal year the Deufol Group very rapidly adjusted to the changed market conditions. We made progress in our organizational realignment in 2020; our international locations are to follow the example of our "German model".

- The **standardization of products and processes has already yielded lasting results:** It has resulted in an improved contribution margin ratio. Thanks to disciplined cost control, in spite of the strong fall in sales we have achieved the same level of profitability as in previous years.

- Our **location consolidation strategy has permanently reduced our fixed costs.** However, due to the decline in sales this optimization has not yet resulted in a lower fixed costs ratio. We are therefore continuing to pursue our strategy of consolidating locations, so as to be able to react even more flexibly in future to fluctuations in our volume of sales.

"

Thanks to disciplined cost control, we have achieved the same level of profitability as in previous years."

We Will Continue to Develop Our Company in 2021

Our Company finds itself **in a tense economic environment** on account of the COVID-19 pandemic. German economic output fell significantly in the first quarter of 2021. As the population is steadily vaccinated, the adverse economic impact of the pandemic is likely to fade away and Germany will thus be able to resume the economic recovery which was interrupted by the second and third waves of infection. A key factor is the **revival of the export sector** which is crucial for the export-oriented German economy. The Kiel Institute for the World Economy expects a growth rate of 3.7 % for German gross domestic product in 2021.

In contrast, the stability of global industrial production and world trade has already improved, since global supply chains have largely remained intact over the past few months. The International Monetary Fund (IMF) expects the recovery to gather pace from the second quarter of 2021 onward and envisages **world economic growth** in excess of 4 % for the year as a whole. Other forecasts assume even stronger growth – above all, thanks to the improved economic outlook for the USA.

On the other hand, economic output in the Eurozone once again declined in the final quarter of 2020. However, assuming that the vaccination campaign moves forward, economists expect to see an **economic recovery** over the next few quarters – and a GDP growth rate for the Eurozone of between 4.2 % and 4.8 % for 2021.

In principle, we expect to achieve **a sales volume in fiscal year 2021 which is similar to the picture in 2020**. However, it is currently not possible to provide a concrete forecast due to the fluctuating pandemic situation. With regard to the packaging and logistics market, we expect this to strengthen our business development – and we expect to **gain further market shares** as well as increasing our depth of added value for our strategic partners.

We are convinced that our strategic adjustment – which focuses on packaging and adjacent services in the industrial segment as a core area of competence – **will enable us to leave this difficult economic situation rapidly behind us.** We will continue to develop our digital services and our infrastructure-related HUB strategy in 2021.

"Our goal for 2021 is to secure further market shares."

We have strategically expanded our infrastructure network through our acquisition of the "Wallmann Heavy Cargo Terminal" at the port of Hamburg: We have thus increased the depth of service associated with our HUB concept to include heavy cargo loading and seagoing export vessels.

Crisis as an Opportunity: Exploiting Competitive Advantages

Thanks to the realignment of our strategy which we had already implemented in early 2020, we consider ourselves well placed for the challenges which lie ahead of us. In the short term, we are continuing to operate in a difficult economic environment, **but we also see the economic crisis as an opportunity.** Since we already set ourselves on the right track more than a year ago and have consistently pushed forward with structural changes, we will emerge strengthened from these months of crisis.

We are able to rapidly exploit **four competitive advantages** over market competitors which generally only have a regional presence: our international business operations, our IT landscape which is standardized across our Group, our decentralized organizational structure, and our agile mode of operation.

"Having set ourselves on the right track early on, we will emerge strengthened from the crisis."

Since we already opted early on to pursue a **digitalization strategy for our Company** as well as innovative IT solutions for our logistics processes, this strategy will continue to pay off even after the crisis is over. Our business has been scarcely affected by the changeover to working from home and the social distancing measures which became necessary from last spring onward. In the medium term, our logistics-solutions-related digital products and software tools will boost our Company's growth and earnings.

The fact that we were able to maintain a stable earnings volume despite the strong decline in sales in the past fiscal year **reflects the outstanding performance of our workforce and the entire Deufol organization.** We would like to express our gratitude for the fact that, **exceptionally, absolutely everyone – including our shareholders and business partners – has pulled together during this difficult time.**

(From left to right) Detlef W. Hübner, Dennis Hübner, Jürgen Hillen, Jürgen Schmid

We can afford to look to the future with confidence!

The Managing Directors
Detlef W. Hübner, Dennis Hübner, Jürgen Hillen, Jürgen Schmid

Report of the Administrative Board

In the following report, the Administrative Board provides notice of its key activities in fiscal year 2020. Deufol SE is managed by its Administrative Board ("one-tier system"), which determines the basic profile of its activities and monitors their implementation by the managing directors. The key areas of the Administrative Board's management, supervisory and advisory activities, the audit of the annual and consolidated financial statements, relationships with associates and changes to the executive bodies are commented on below.

The Administrative Board has performed the duties assigned to it by law as well as the Articles of Association and the by-laws. It has managed the Company, determined the basic profile of its activities and monitored their implementation by the managing directors. The Administrative Board was directly involved in all decisions of fundamental importance for the Company. This is based in particular on a detailed catalog of transactions requiring the prior approval of the Administrative Board, which is contained in the by-laws for the managing directors.

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

The Administrative Board received up-to-date reports on the course of business and any particularly noteworthy matters. There was frequently a comprehensive exchange of opinions between the Administrative Board and the managing directors on these issues. In addition, the members of the Administrative Board maintain regular verbal and written contact with the managing directors.

Meetings of the Administrative Board

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

In 17 cases, resolutions were adopted outside meetings. These urgent decisions, that could not be delayed until a regular Administrative Board meeting, were preceded by an in-depth exchange of information by e-mail and telephone. At one out of the five meetings held, one Administrative Board member excused himself from attending. Otherwise, all of the members of the Administrative Board attended all of its meetings.

Key Topics of Discussion

In the period under review, Deufol's current sales and results of operations in its individual business segments were a strategic priority for the Administrative Board's discussions with the managing directors, with a particular focus on Deufol's business activities in Germany, Hungary, Austria and Italy as well as its future business development in these segments. In 2020, discussions focused on the expansion of our Industrial Packaging segment, the setup of our new plant in Hungary and the effects of the coronavirus pandemic on the course of business. In addition, various M&A projects, the adjustment of our financing structure and human resources development were further topics discussed at our meetings. In relation to M&A activities, the acquisition of Wallmann & Co. (GmbH & Co. KG) and the preparations for this transaction were considered in great depth during the discussions in the past fiscal year.

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

Audit of the Single-Entity and Consolidated Financial Statements

In accordance with the resolution passed by the Annual General Meeting on June 26, 2020 and the subsequent audit engagement issued by the Administrative Board, the annual financial statements for the fiscal year from January 1 to December 31, 2020 prepared by the managing directors in accordance with the German Commercial Code (HGB) and the management report of Deufol SE were audited by Votum AG, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The auditor issued an unqualified audit opinion.

The consolidated financial statements of Deufol SE were prepared in accordance with the International Financial Reporting Standards (IFRS) as stipulated by section 315 e of the German Commercial Code. The auditor issued the consolidated financial statements and the Group management report with an unqualified audit opinion.

All documents relating to the annual financial statements, including the management report and Group management report, the managing directors' proposal for the appropriation of net profit and the audit reports issued by the auditor, were presented to the Administrative Board. The Administrative Board examined these documents and discussed them in the presence of the auditors. The Administrative Board concurred with the results of the audit and, based on the results of its own examination, did not raise any objections. On April 28, 2021, the Administrative Board endorsed the annual financial statements of Deufol SE for 2020 and the consolidated financial statements. The annual financial statements have thus been approved. The Administrative Board also approved the managing directors' proposal for the appropriation of net profit.

The managing directors have also compiled a report regarding the Company's relationships with associates and presented this to the Administrative Board together with the audit report produced by the auditor. The auditor has issued the following audit opinion for the report:
"In accordance with our due audit and assessment, we confirm that
1. the factual information in the report is correct,
2. for the legal transactions stated in the report the Company's performance was not inappropriately high or disadvantages were balanced out,
3. in respect of the measures stated in the report, there are no factors suggesting an assessment significantly different from that of the managing directors."

Within the framework of its own audits of the report regarding the Company's relationship with associates, the Administrative Board has determined that no objections are applicable and agrees with the auditors' findings.

Administrative Board

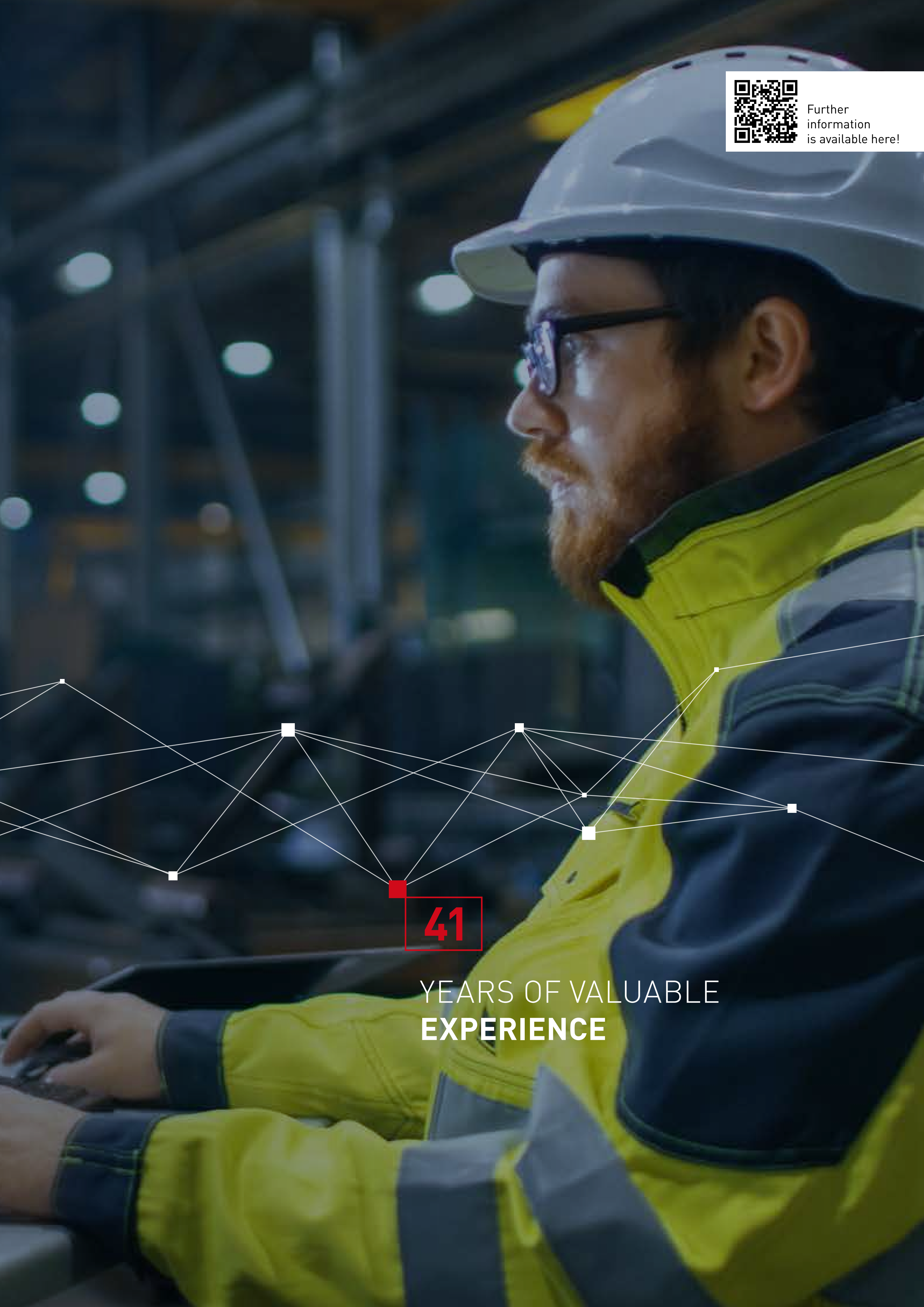
Pursuant to the resolution passed by the Annual General Meeting held on June 28, 2019, the Administrative Board was appointed for a two-year term. All of the current Administrative Board members were reappointed. The members of the Administrative Board subsequently elected Mr. Detlef W. Hübner as the chairman and Mr. Helmut Olivier as the deputy chairman of the Administrative Board. Mr. Wulf Matthias resigned from the Administrative Board with effect as of July 25, 2020. The by-laws of the Administrative Board remain applicable as before. Pursuant to the resolution passed by the Annual General Meeting held on June 26, 2020, Mr. Ewald Kaiser was appointed as a new member of the Administrative Board for a one-year term of office.

Hofheim, April 28, 2021

For the Administrative Board
Detlef W. Hübner
Chairman

ENHANCING PRODUCTS.

For us, **packaging is part of the product.** For first impressions count – for our customers' customers. We have taken to heart their need for **delivery reliability** and **delivery quality.** We ensure a perfect match of **function, design and quality** for every packaging type – and set industry-wide standards. We benefit from **decades of global industrial goods experience.** We dynamically adapt to new requirements and are always **compatible with our customers' processes.** This provides for a **maximum level of flexibility,** while complying with global standards.


Further
information
is available here!
41
YEARS OF VALUABLE
EXPERIENCE

Operational Principles of the Group

Organizational Structure and Business Fields

Structure of the Deufol Group

The Deufol Group (together with its key subsidiaries and investments) is a global premium service provider in the field of packaging and related services. Deufol SE is the Group's parent company and is seated in Hofheim am Taunus. It has direct or indirect interests in key Group companies which handle operating business in the individual countries. Overall, on the balance sheet date 46 direct and indirect subsidiaries were included in the consolidated group of Deufol SE. Of these companies, 18 were German companies while 28 were domiciled in other countries. Please see the "Facts & Figures" chapter on page ▶ 114 for a summary of our operationally active investments and their corporate structure.

Organization and Management

Deufol SE operates as a European company (Societas Europaea, SE). Deufol SE has a one-tier management system and its Administrative Board acts as a uniform management body. The Company's managing directors handle its business in accordance with prevailing law, the Articles of Association, the by-laws for the managing directors and the guidance of the Administrative Board, by fulfilling the basic tasks and instructions specified by the Administrative Board.

As a management holding company, Deufol SE does not have any client business and instead mainly handles management and control tasks. These include defining and developing strategic business fields, acquiring strategic customers and partners, appointments to management positions and control of the flow of capital within the Group.

The managing directors and site managers are responsible for on-site management of operational processes, with due consideration of regional specifics. Management is in the form of annual budget planning based on individual target agreements in line with the Company's strategic orientation as well as regular discussions and monthly performance meetings. In addition, internal corporate governance guidelines specify consent requirements for specific types of transactions, e.g. investment schemes exceeding a specific volume.

As a globally oriented premium service provider in the field of packaging and related services, we offer our clients who operate worldwide holistic solutions that support their strategies. We are constantly expanding our portfolio of services to include additional services as well as proprietary software solutions which embed the packaging process within an intelligent package of services. In order to further enhance our flexibility in relation to the market's requirements and our customers' needs, in 2020 we strategically restructured our expertise and have now divided up the services which we provide between the following four service areas:

- Packaging and Logistics
- Production
- IT Services
- Real Estate

Packaging and Logistics

The Packaging and Logistics service area remains our core area of competence and thus encompasses all industrial and export goods packaging activities. Our expertise includes all materials and options for the construction of individual packaging for unique products. We also offer specialist logistics advice and analyze and optimize our customers' processes, so that potential time, materials and cost savings can be identified and utilized. In addition, we offer warehousing services and are expanding into in-house logistics and on-site material management for our customers. Our offering is rounded off with adjacent services such as goods storage, disassembly and re-assembly of industrial facilities and large-scale machinery as well as project orders. We thus provide our customers with an all-round service in relation to the packaging and logistics process: planning, implementation and follow-up – individually coordinated, integrated and optimized.

Production

In our Production service area, we also draw upon the long-term know-how which we have established through our core business for the manufacturing and distribution of optimized packaging materials. Our experience covers a wide range of packaging designs, prototype construction and assembly as well as the automated production of packaging. As well as the ongoing development of individual packaging solutions, we also develop packaging standards which help to reduce costs and improve product sustainability. We utilize individual and series production in this service area, in order to achieve optimum results for our customers within the scope of the packaging process and for sales to third parties. Ultimately, we thus pursue two different objectives: seamless processes and reduced unit and process costs.

IT Services

Complex supply chains require careful planning and continuous monitoring. We are familiar with the challenges associated with the supply chain and develop the most efficient and most secure solution for our customers. Proprietary IT tools enable us to analyze complex customer processes and to eliminate any waste. Environmental data are monitored by means of our connected pack control tracker, to ensure that packaged merchandise remains in good condition throughout the transportation process. We also make use of IT solutions such as our high-quality CAD crate design system in order to realize potential cost savings within the scope of the packaging process. We thus optimize the entire value chain – from the packaging solution to the merchandise's destination.

Real Estate

Our success hinges on proximity to our industrial customers and their products, since packaging solutions are required directly on site. Our Real Estate business segment enables optimal use of our locations and properties. We are also seeking to standardize our real estate management in order to achieve Group-wide cost advantages. By pooling complex Company-specific real estate activities, we ensure cost advantages and optimal utilization of our locations within the scope of our real estate portfolio. By maintaining our own real estate at strategic locations such as ports and other logistics hubs as well as central production locations, we ensure the long-term optimization of logistics routes as well as investments in modern production plants.

Locations of the Deufol Group

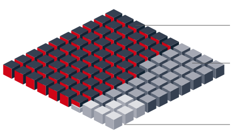
Globally Positioned with Locations in Twelve Countries

In connection with the business activities of the Deufol Group, the terms “location” and “sales market” are more or less synonymous. As a service provider, we mainly provide our services on a customer- and project-specific basis; as a rule, sales occur where the service is provided.

In Germany, as of December 31, 2020 we had 50 locations which account for a total of 65.5 % of Group sales. The Rest of Europe – which represents around 26.9 % of the Group’s business – comprises 32 operational facilities in Belgium, France, Italy, Austria, the Czech Republic, Slovakia and Hungary. We also offer our services in the Netherlands, thanks to a partnership.

Sales by region

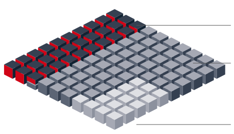
Figures in € million



140.2	Germany
57.5	Rest of Europe
16.1	USA/Rest of the World

Assets by region

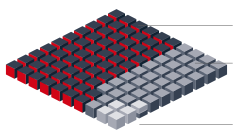
Figures in € million



79.1	Germany
145.4	Rest of Europe
42.4	USA/Rest of the World

Employees by region

Deufol Group as of the reporting date



1,241	Germany
676	Rest of Europe
91	USA/Rest of the World

We have a total of eight locations in the USA/Rest of the World, which contribute approx. 7.5 % of sales. Our business in the USA spans a total of five locations. In Asia, we are present in Singapore as the Deufol Group and also offer services in the People's Republic of China, through a joint venture partner in Yantai and a franchise solution in Suzhou. Please see below for further information on the Deufol Group's geographical presence.

Europe

Number of locations

Germany	50
Rest of Europe	32
USA/Rest of the World	8

Region-Oriented Segment Structure
Notes 40, 41

The management and reporting structure of Deufol SE is based on the following geographical regions which are summarized for management purposes:

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

Competitive Situation

High Level of Customer Loyalty, Varying Levels of Competition

The Deufol Group provides its services in a range of different competitive scenarios through its presence in various regions. Nonetheless, as a global trend the coronavirus pandemic left its mark on the competitive environment in 2020.

In the field of packaging, the Deufol Group has clearly benefited from its strong market position in Germany and Europe as well as our high level of customer loyalty. We exploited economies of scale in order to retain customers in the fragmented market. At the same time, weaker competitors lost market shares due to the difficult economic situation.

For warehouse logistics, in particular, the intensity of competition varies since in-house outsourcing divisions are generally subject to a lower degree of competition due to their close relationship with customers. Where warehouse logistics is provided in so-called "multi-user structures", i.e. with multiple customers at a single warehouse, the Deufol Group does business in a highly competitive environment. Successful future performance here hinges on providing customer-specific additional services.

Research and Development

No Conventional Research Expenditure

A service provider such as the Deufol Group does not have any conventional R&D expenditure. Instead, we constantly develop new products, innovative services and IT solutions for increased process efficiency, while preparing new projects or through close cooperation with our customers. For instance, in previous years we successfully introduced to the market our new standard pallet and standard crate system "Deufol ConPAL / DS-BOX". This system provides our customers with increased flexibility and a faster supply system. Another area where we have been pursuing the ongoing development of our service and product portfolio for some years now relates to the packaging materials used. For increased sustainability, thanks to multiple use of packaging components, and in order to reduce the frequency of pest infestation in wood packaging, we are developing new packaging designs based on modern composite materials with an increased non-wood proportion. At the same time, we are optimizing our production processes so that in the future we will require fewer resources in order to manufacture these new packaging designs.

Report on the Economic Environment

Economic Outline Conditions

Unprecedented Global Economic Collapse Due to the Coronavirus Pandemic

The COVID-19 pandemic caused a huge fall in global economic activity in 2020. Worldwide, the strict measures implemented to curtail the pandemic through various lockdowns resulted in severe declines in overall economic output in the first half of the year especially. According to the International Monetary Fund (IMF), global gross domestic product (GDP) fell by 3.5 % and thus more strongly than during the 2008 / 2009 financial and economic crisis. Export-dependent economies and industrialized nations were hit particularly severely by the recession, since global trade almost completely ground to a halt.

The speed of the economic collapse as a result of the pandemic was unprecedented. Governments and central banks worldwide provided financial assistance as a countermeasure, in order to mitigate the effects for companies and jobs of this huge drop in economic activity. Thanks to this support, the global economic downturn already bottomed out in the second quarter of the year. The subsequent phased easing of measures was initially followed by a dynamic recovery. However, this recovery suffered a clear loss of impetus toward the end of the year, as infection rates once again shot up.

Accordingly, in relative terms GDP has decreased year-over-year in every world region. The Eurozone, which suffered an overall fall of around 7 %, and the USA, which declined by 3.5 %, were particularly badly affected. China was the only major economy to achieve a positive growth rate (2.3 %), but the level of economic activity for the overall Asian region nonetheless decreased.

Sharp Declines in the Eurozone

Europe’s economy was probably worst hit by the pandemic in international terms. Following an unprecedented 15 % drop in overall economic output in the first half of the year, the member states’ economies subsequently gradually regained impetus. Nonetheless, the strong rebound effect in the third quarter was unable to compensate for this sharp decline. A glance at the European economy for the year 2020 as a whole reveals the extent of the economic collapse, with a 7 % decrease by comparison with the previous year’s GDP figure. The Eurozone’s largest economies – Germany (– 5.7 %), France (– 8.2 %), Italy (– 8.9 %) and Spain (– 11.0 %) – suffered significant losses. The production and consumer sectors both experienced sharp declines, since many areas of the economy temporarily shut down completely due to the lockdowns which were in place for a period of weeks. Despite the use of short-time working, unemployment levels have picked up in every country. Government assistance, in the form of stimulus packages, was required by way of economic support. This greatly reduced the drop in economic output after the second quarter. However, this support drove a significant increase in government spending in 2020 and thus greater debt ratios in the countries in question.

Besides the COVID-19 pandemic, the continuing uncertainty relating to the terms of the Brexit agreement is an additional adverse factor affecting the Europe region. As a result of this combination of uncertainties, GDP in the United Kingdom collapsed by as much as 9.9 % in 2020.

Germany: Pandemic Ends Economic Growth Trend

Germany also suffered due to the restrictions associated with the pandemic in 2020. Following ten years of economic growth, due to coronavirus the country slipped into a deep recession in 2020 which was not dissimilar to the recession during the 2008/2009 financial and economic crisis. GDP thus fell by around 5.7 % in the year under review. Economic output in industry dropped by 10.4 % on 2019. The services sector likewise witnessed unprecedented declines.

To be sure, the huge fall in economic activity in March and April was followed by an initial phase of economic recovery as the pandemic situation temporarily improved and measures were eased accordingly. However, the year 2020 was nonetheless undoubtedly dominated by coronavirus given the resurgence of infections during the second wave, the rapid spread of mutations, and the related second lockdown which was imposed in the fourth quarter.

COVID-19 also made itself felt on the labor market. Following a 14-year trend of rising employment in Germany, the working population declined in 2020. However, the frequent use of short-term working among employees covered by the social security system prevented extensive layoffs.

The pandemic has likewise left its mark on public finances. As a result of the government's huge intervention in the form of financial assistance and subsidies to support short-term working, as of the end of the year the national budget had a financing deficit of around €158 billion, the second highest deficit since German reunification.

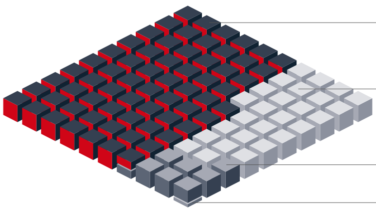
Results of Operations

Decline in Sales Notes 01, 41, 42

Sales amounted to € 213.9 million in the period under review and thus fell by 13.4 % (previous year: € 247.1 million). This reflected an overall economic environment which was mainly shaped by pandemic-related recession and related uncertainty (as outlined above), as well as the termination of a business relationship with a major customer in the USA.

Since it was not possible to predict the effects of the pandemic, we did not provide any sales forecast in our Annual Financial Report 2019, but we did predict that the volume of sales would be lower than in the previous year.

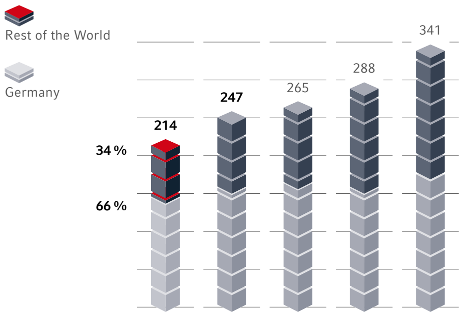
Consolidated sales by segment



Figures in € million		2020	2019
65.5 %	Germany	140.1	152.1
26.9 %	Rest of Europe	57.5	60.4
7.5 %	USA / Rest of the World	16.1	34.3
0.1 %	Holding	0.1	0.3
100.0 %	Total	**213.9**	247.1

Sales

Figures in € million



No significant changes have resulted in the scope of consolidation from the point of view of sales in the reporting year. Adjusted for the depreciation of the US dollar against the euro by an average of around 1.9 %, which resulted in a € 0.3 million decrease in sales, in adjusted terms sales have declined by 13.3 %. Our overall operating performance amounted to € 227.7 million (previous year: € 260.9 million).

Germany Maintains Growing Importance for Deufol's Business Note 41

In the past year, Germany reinforced its role as the Deufol Group's most important sales market. With a sales volume of € 140.1 million (previous year: € 152.1 million) in the past fiscal year, it contributed 65.5 % (previous year: 61.6 %) to Group sales. The absolute decline in sales in this segment resulted from the market situation in the context of the pandemic.

The Rest of Europe segment provided 26.9 % (previous year: 24.5 %) of Group sales, with a sales volume of € 57.5 million (previous year: € 60.4 million) in the reporting period. The absolute decline in sales in this segment resulted from the market situation in the context of the pandemic.

Consolidated sales by service

Figures in € million	2020	2019
Packaging and Logistics	198.9	233.1
Share (%)	93.0	94.3
Production	12.0	13.0
Share (%)	5.7	5.1
IT Services	0.0	0.0
Share (%)	0.0	0.0
Real Estate	2.0	1.0
Share (%)	1.0	0.5
Holding	1.0	0.0
Share (%)	0.3	0.1
Total	**213.9**	247.1

In the USA/Rest of the World segment, sales fell to € 16.1 million (previous year: € 34.3 million). This means that this region now represents around 7.5 % (previous year: 13.9 %) of Group activities. This decrease has resulted from the end of a business relationship with a major customer in the Consumer Goods Packaging segment as well as the implementation of our strategy focusing on Industrial Packaging.

Decline in Packaging and Logistics' Share of Sales

Note 42

With a share of sales of approx. 93.0 % (previous year: 94.3 %), Packaging and Logistics is by far the Group's most important business segment. Sales realized in Production increased from 5.1 % to 5.7 %. The contribution provided by Supplementary Services also rose, from 0.5 % to 1.0 %. The IT Services service area currently exclusively focuses on internal projects and thus does not generate any external sales.

Cost development

Figures in € million	2020	2019
Cost of materials	79.5	99.3
as % of overall operating performance	34.9	38.1
Personnel costs	80.1	90.5
as % of overall operating performance	35.2	34.7
Depreciation, amortization and impairment	22.7	22.0
as % of overall operating performance	10.0	8.4
Other operating expenses	39.0	42.9
as % of overall operating performance	17.1	16.5
Total	221.4	254.7
as % of overall operating performance	97.2	97.7

Operating Costs Ratio Lower on Balance

Notes 02 – 05

At 34.9 % (previous year: 38.1 %), the ratio of the cost of materials to Deufol's overall operating performance improved significantly. The share accounted for by raw materials, consumables and supplies and purchased merchandise has decreased by 2.6 percentage points to 18.9 % (previous year: 21.5 %), while the share of purchased services has fallen from 16.6 % in the previous year to 16.1 %. These changes have occurred in the context of a large number of measures which have been implemented in order to optimize and standardize crate construction processes, resulting in a lower volume of material requirements and a slight decline in the use of temporary workers and subcontractors. Overall, the cost of materials is below the range seen in the past few years.

At € 80.1 million, personnel costs were significantly lower than the previous year's figure of € 90.5 million and amounted to 35.2 % of Deufol's overall operating performance, thus slightly exceeding the previous year's level. The significant decline in personnel costs in absolute terms is mainly attributable to the sales-related decrease in the average number of employees. However, we remain committed to the goal of covering key areas of expertise in-house. In the past fiscal year, the Deufol Group had 2,029 employees (previous year: 2,185).

At € 22.7 million, the depreciation, amortization and impairment figure is slightly higher than the previous year's figure of € 22.0 million. This item does not include any impairment (nor did it do so in the previous year).

The total volume of other operating expenses has decreased (–€ 3.9 million to € 39.0 million), but in relative terms the cost/income ratio has increased slightly as a result of the fall in sales, from 16.5 % to 17.1 %.

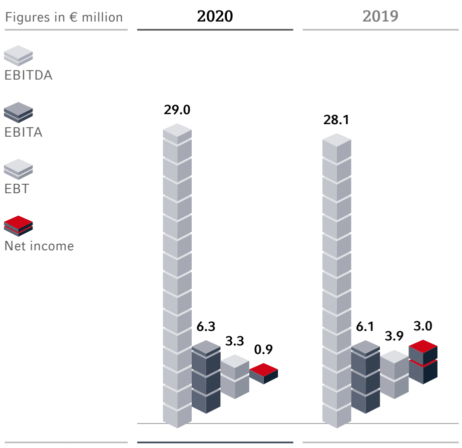
Overall, the costs ratio has declined to 97.2 % (previous year: 97.7 %) of Deufol's overall operating performance. This corresponds to an increase in the EBITA margin from 2.3 % to 2.8 %.

Operating Result

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 29.0 million, compared to € 28.1 million in the previous year. The EBITDA margin was 12.7 % (previous year: 10.8 %). At € 20.8 million, depreciation of property, plant and equipment was slightly higher than in the previous year (€ 20.0 million). Amortization of other intangible assets decreased slightly to € 1.9 million (previous year: € 2.0 million). No impairment has been recognized in the year under review or in the previous year.

The operating result before goodwill amortization (EBITA) amounted to € 6.3 million in the reporting period (previous year: € 6.1 million). The EBITA margin amounted to 2.8 % in 2020 (previous year: 2.3 %).

Income development



Financial Result Note 06

The negative financial result increased from – € 2.2 million to – € 3.0 million. Interest income decreased to € 0.2 million, compared to € 0.6 million in the previous year. This reflects the higher volume of interest income in the previous year from time deposits invested over the course of the year. This interest income decreased in 2020 due to the lower interest rates. The profit from investments included in the financial result amounted to € 0.1 million (previous year: € 0.1 million). Interest expense totals € 3.2 million, compared to € 2.9 million in the previous year. This increase has mainly resulted from the financing costs for the investment project in Hungary, while at the same time debit interest rates have decreased.

Net Income Notes 07–09

Earnings before taxes (EBT) in the past year were € 3.3 million (previous year: € 3.9 million). Overall tax expenditure in the past fiscal year amounted to € 2.4 million, compared to € 0.9 million in the previous year. Current tax expenditure for taxes on income increased slightly and amounted to approx. € 0.7 million (previous year: € 0.4 million). The Company recognized expense in the amount of € 1.8 million (previous year: € 0.5 million) for deferred taxes. The high volume of deferred tax expenses in the reporting year is attributable, in particular, to the book profit on the sale of the property at the port of Antwerp as well as valuation adjustments on capitalized loss carryforwards in connection with the Company's future income trends, which have been restated on account of the COVID-19 pandemic.

This means a result for the period of € 0.9 million (previous year: € 3.0 million). The share accounted for by noncontrolling interests is – € 0.2 million (previous year: + € 0.1 million).

Earnings attributable to the shareholders of Deufol SE amounted to € 1.1 million in the period under review, compared to € 2.9 million in the same period in the previous year. Earnings per share were € 0.026 in 2020 (previous year: € 0.069).

Margin development

Figures as % of sales	2020	2019
EBITDA margin	12.7	10.8
EBIT(A) margin	2.8	2.3
EBT margin	1.5	1.5
Net income margin	0.4	1.1

Comprehensive Income

Comprehensive income after taxes was € 0.0 million in the past year (previous year: € 3.5 million). The change by comparison with the previous year is due to the lower result for the period and the weaker other comprehensive income figure. The expenses for currency translation directly offset against equity amounted to – € 1.0 million (previous year: + € 0.4 million).

Financial Position

Financing of the Deufol Group Notes 26, 39

Several different financing groups exist within the Deufol Group which operate largely independently of one another. In Europe, the Group's central syndicated financing arrangement was renegotiated in 2019. It offers sufficient financial scope until May 2024 so as to be able to act on any strategic opportunities which arise alongside day-to-day business operations. The Group also has other financing groups in the USA, the Czech Republic, Italy, Belgium, Hungary and Austria, some of which are independent and some of which are directly or indirectly integrated within its central syndicated financing arrangement.

Credit lines of € 41.0 million are available to the Group at various banks (previous year: € 39.4 million). As of December 31, 2020, € 27.5 million (previous year: € 33.0 million) of this had been utilized. The variable-interest loans shown in the balance sheet are subject to standard market interest rate risks. In fiscal year 2020, the average weighted interest rate for short-term loans was 2.29 % (previous year: 2.32 %). The payable credit margins are partially dependent on complying with certain financial ratios (covenants).

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

Financial liabilities

Figures in € million	2020	2019
Amounts due to banks	68.5	67.7
thereof current	16.7	21.9
thereof noncurrent	51.8	45.8
Finance leasing	34.6	32.6
Other	0.0	0.3
Total	**103.0**	100.6

Development of Financial Indebtedness Notes 18, 26

The financial liabilities of the Deufol Group amounted to € 103.0 million as of the reporting date (previous year: € 100.6 million).

Net financial liabilities – defined as total financial liabilities less financial receivables and cash – increased by € 2.7 million, from € 68.5 million on December 31, 2019 to € 71.3 million at the end of the period under review. The volume of cash held decreased (– € 0.3 million), while financial receivables were unchanged. The balance of liabilities to banks and call deposits at banks is – € 37.1 million, compared to – € 36.1 million in the previous year. This increase has largely resulted from the financing of our new plant in Hungary.

Investments Higher Than in Previous Year Notes 10 – 13

In the past fiscal year, at € 14.5 million the volume of investment significantly exceeded the previous year's level of € 10.6 million. There were no additions in connection with companies included in the scope of consolidation for the first time in either 2020 or the previous year. Of the investments made in the past fiscal year, € 9.1 million relates to our new plant in Hungary.

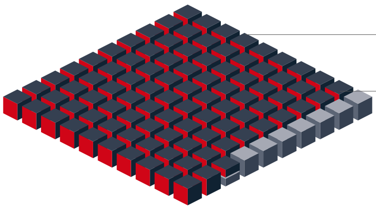
Due to the restructuring of the Group's real-estate holdings, since 2018 real estate has been reported in the balance sheet item "Investment property". A property exclusively used by a major customer for its production operations was reported at its current fair value. Its fair value has increased by € 0.1 million by comparison with the previous year.

In the past fiscal year, investments in property, plant and equipment amounted to € 13.4 million (previous year: € 9.6 million). The investment ratio – i.e. the ratio of capital expenditure to sales – was 6.3 % in 2020 (previous year: 3.9 %). With its increased volume of investment, Deufol is implementing a shift in the production of industrial goods to southeastern Europe and is therefore investing, in particular, in the development of a new location in Hungary.

Land and buildings (€ 9.6 million) are the largest capital expenditure item. This is followed by advance payments made and assets under construction (€ 1.5 million) as well as technical equipment and machinery (€ 1.2 million).

Investments

Figures in € million



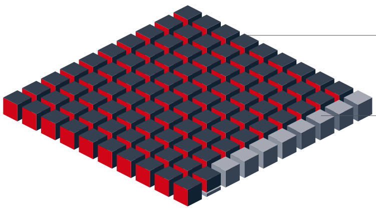
		2020	2019
92.4 %	Property, plant and equipment	13.4	9.6
7.6 %	Intangible assets	1.1	1.0
0.0 %	Investment property	0.0	0.0
100.0 %	Total	**14.5**	10.6

Investments by segment

Figures in € million	2020	2019
Germany	1.3	0.8
Rest of Europe	12.4	8.5
USA/Rest of the World	0.4	0.3
Holding	0.4	1.0
Total	**14.5**	10.6

Depreciation, amortization and impairment

Figures in € million



		2020	2019
91.7 %	Property, plant and equipment	20.8	20.0
8.3 %	Intangible assets	1.9	2.0
100.0 %	Total	**22.7**	22.0

Depreciation, amortization and impairment by segment

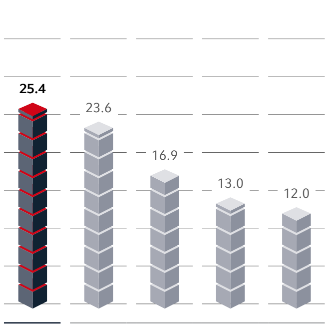
Figures in € million	2020	2019
Germany	12.6	11.5
Rest of Europe	6.2	6.6
USA/Rest of the World	2.3	2.0
Holding	1.6	1.9
Total	**22.7**	22.0

Depreciation, Amortization and Impairment Higher Than in Previous Year Notes 11, 12

Depreciation of property, plant and equipment and amortization of intangible assets increased slightly by comparison with the previous year (€ 22.7 million, compared to € 22.0 million in the previous year). Depreciation of property, plant and equipment amounted to € 20.8 million, compared to € 20.0 million in the previous year. Of this amount, € 16.2 million (€ 15.0 million in the previous year) relates to the depreciation of leased assets (IFRS 16). Amortization of other intangible assets amounted to € 1.9 million (previous year: € 2.0 million). No impairment has been recognized in the year under review or in the previous year.

Cash flow from operating activities

Figures in € million | 2020 | 2019 | 2018 | 2017 | 2016



Cash Flow Notes 31–35

The operating cash flow amounted to € 25.4 million in the period under review and was thus significantly higher than in the previous year (€ 23.6 million). The increase in the operating cash flow by comparison with the previous year is attributable, in particular, to the increased EBITDA operating result (here, EBIT plus depreciation and amortization), the decline in trade receivables (+ € 2.7 million) and the lower volume of inventories (+ € 0.9 million). On the other hand, provisions have decreased (– € 2.0 million) and so too have trade payables (– € 1.7 million).

The cash flow from investing activities was – € 5.7 million (previous year: – € 8.7 million). Cash-based fixed assets investments were € 14.5 million (previous year: € 10.5 million). Financial receivables remained unchanged. Inflows from the disposal of intangible assets and property, plant and equipment amounted to € 8.7 million in the year under review (previous year: + € 1.5 million).

Accordingly, the free cash flow – which is made up of the cash flow from operating activities and the cash flow from investing activities – amounted to € 19.7 million (previous year: € 14.9 million).

The cash flow from financing activities was – € 19.2 million (previous year: – € 13.1 million). Amounts due to banks in the amount of € 0.9 million were newly borrowed, while cash outflows due to the extinction of other financial liabilities totaled a net amount of € 17.0 million.

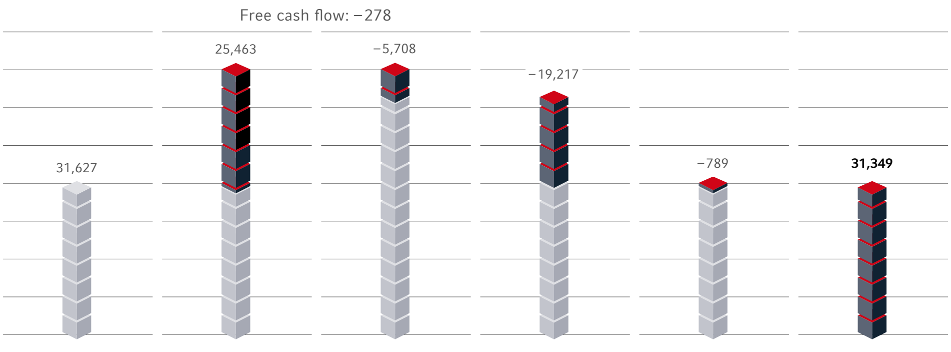
Significant additional outflows of funds resulted from interest paid in the amount of € 3.2 million.

Cash and cash equivalents decreased by € 0.3 million to € 31.3 million as of December 31, 2020.

Change in liquid funds

Figures in € thousand

Liquid funds Dec. 31, 2019	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Changes in the scope of consolidation	**Liquid funds Dec. 31, 2020**



Assets Position

Slight Decrease in Balance Sheet Total

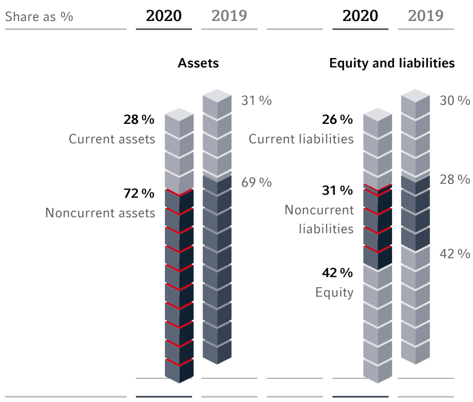
Notes 10 – 19

In 2020, the Deufol Group's balance sheet total decreased by 0.4 %, or € 1.0 million, to € 266.9 million. On the assets side of the balance sheet, noncurrent assets rose by 4.2 %, from € 185.0 million to € 192.7 million. Property, plant and equipment increased from € 79.6 million to € 89.9 million due to the investments already made in Hungary, particularly in the land and buildings item. The asset depreciation ratio (ratio of accumulated depreciation to historical cost) increased by 2.8 percentage points on the previous year to 46.5 %, while the property, plant and equipment ratio (i.e. the ratio of property, plant and equipment to the balance sheet total) rose from 29.7 % to 33.7 %. The carrying amount of the real estate reported as investment property for the first time in 2018 has increased by € 0.1 million. This is due to the restatement of the carrying amount in line with the current fair value. Goodwill did not undergo any changes during the year under review. Investments in associates increased slightly, by € 0.2 million to € 1.5 million. In respect of the other noncurrent assets, other receivables have decreased by € 0.8 million, while other intangible assets have declined by € 0.9 million and deferred tax assets by € 1.2 million. There were no other significant changes.

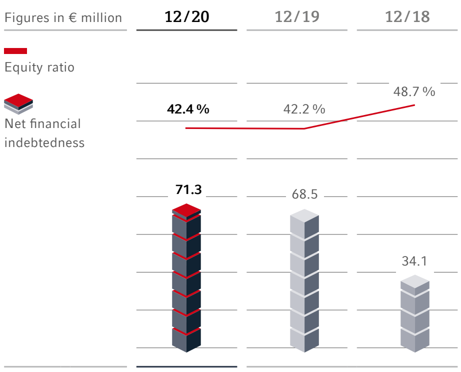
At € 74.2 million, current assets have decreased (previous year: € 82.9 million). Inventories have declined by € 1.0 million to € 9.2 million. Trade receivables have also decreased significantly (– € 3.5 million to € 25.7 million). This is mainly due to the decline in sales. On the other hand, financial receivables and other receivables and assets increased slightly, by € 0.1 million to € 6.3 million. At the same time, cash and cash equivalents have decreased slightly (– € 0.3 million to € 31.3 million). A property in Belgium was sold in 2020. Noncurrent assets held for sale have decreased by € 4.1 million for this reason. Other current assets changed only slightly.

Working capital – the difference between current assets and current non-interest-yielding liabilities – decreased from € 40.3 million to € 34.6 million. This is mainly due to the sale of the above-mentioned property.

Balance sheet structure



Net financial indebtedness and equity ratio



Increased Equity

Notes 20 – 30

At the end of fiscal year 2020, the Deufol Group's equity amounted to € 113.3 million (previous year: € 113.0 million). The equity ratio is 42.4 % (previous year: 42.2 %). Equity mainly increased due to the result for the period (€ 0.9 million). On the other hand, other comprehensive income – which principally consists of currency effects – contributed to a decrease in the volume of equity (–€ 0.8 million).

Noncurrent liabilities rose by € 8.2 million to € 83.7 million. This reflects the increase in noncurrent financial liabilities (+ € 8.9 million to € 72.7 million). On the one hand, these increased in the reporting year due to the liabilities associated with leasing (+ € 3.1 million). The remainder of this increase is mainly attributable to borrowing to finance Deufol's investment in Hungary (+€ 10.4 million) and the related loan repayments (–€ 4.4 million). There were no other significant changes.

Current liabilities decreased by € 9.5 million to € 69.9 million. On balance, current financial liabilities fell by € 6.4 million to € 30.3 million. This chiefly reflects reduced use of the overdraft facility due to successful working capital management as well as the payment inflows arising from the sale of the property in Belgium. Trade payables (– € 1.7 million to € 24.2 million) and other provisions (– € 1.7 million to € 0.7 million) have also decreased. Other current liabilities have increased slightly by € 0.7 million to € 13.8 million.

Employees

Decrease in Number of Employees Note 04

The Deufol Group had 2,029 employees on average over the course of the year. This represents a decrease of 156 employees or 7.1 % on the previous year. On average, the Group had 1,303 employees in Germany (64.2 %) and 726 employees (35.8 %) elsewhere.

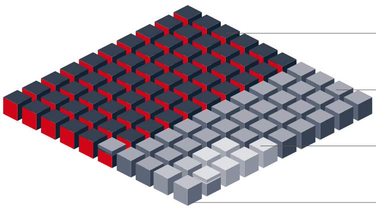
On average, with 1,226 employees at the Group's operating locations in Germany its workforce declined by 107 employees on the previous year. In the Rest of Europe, the average number of employees decreased by five to 642. In the USA/Rest of the World, the average workforce over the year as a whole has decreased by 39 to 84. The holding's workforce has also declined on the previous year. It now has 78 employees (previous year: 82).

Personnel costs decreased in the reporting period by 11.5 % to € 80.1 million. The personnel cost ratio as a ratio of personnel costs to Deufol's overall operating performance has increased slightly to 35.2 % (previous year: 34.7 %).

Overview of employees

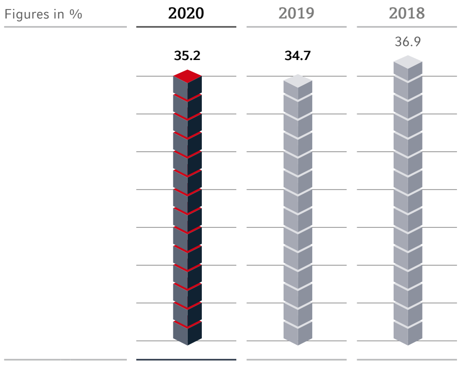
Deufol Group	2020	2019
Germany	1,303	1,415
Rest of the World	726	770
Female	365	389
Male	1,664	1,796
Total	2,029	2,185
As of: Dec. 31	2,008	2,170

Employees by segment



Deufol Group		2020	2019
60.4 %	Germany	1,225	1,333
31.6 %	Rest of Europe	642	647
4.1 %	USA/Rest of the World	84	123
3.8 %	Holding	78	82
100.0 %	Total	2,029	2,185

Personnel expense ratio



Thanks for Strong Commitment

The managing directors would like to thank all the Company's employees for the dedication and flexibility which they displayed in fiscal year 2020.

Development in the Segments

Germany Notes 40, 41

At € 140.1 million, consolidated sales in Germany in 2020 were lower than sales in the previous year, when they amounted to € 152.1 million. There were no substantive changes to the consolidated group. The decline in sales reflects the challenging economic environment in which the Deufol Group finds itself.

In the reporting period, EBITA for this segment amounted to € 5.1 million (previous year: € 4.8 million). The EBITA margin was 3.2 %, as in the previous year.

Germany

Figures in € million	2020	2019
Sales	160.0	172.5
Consolidated sales	140.1	152.1
EBITA = EBIT	5.1	4.8
EBITA margin (%)	3.2	3.2
EBT	3.6	3.4

Rest of Europe Notes 40, 41

In the Rest of Europe, we realized consolidated sales of € 57.5 million, which is also lower than in the previous year (€ 60.4 million). As a result of the ramp-up of the new companies in Hungary, these companies increased their volume of sales. The other countries in this segment were all affected by the COVID-19-related decline in sales.

In the past year, this segment achieved an operating result (EBITA) of € 7.3 million, compared to € 6.9 million in the previous year. This increase in spite of the lower sales volume is mainly attributable to the sale of a property in Belgium at a book profit. In the year under review, the remeasurement of investment properties at their current fair value caused the EBITA figure to increase by € 0.1 million.

Rest of Europe

Figures in € million	2020	2019
Sales	83.6	89.3
Consolidated sales	57.5	60.4
EBITA = EBIT	7.3	6.9
EBITA margin (%)	8.7	11.4
EBT	6.1	6.3

USA / Rest of the World Notes 40, 41

In the USA / Rest of the World segment, at € 16.1 million consolidated sales were clearly lower than in the previous year (€ 34.3 million). Of this decline, € 13.8 million relates to our business in the USA in the Consumer Goods Packaging segment. This is mainly due to the business relationship with a major customer whose scope once again declined and which subsequently ended during the reporting year. Sales at the American export packaging locations have also declined due to COVID-19. Sales in China have decreased due to the sale of the business (– € 1.3 million). The appreciation of the US dollar against the euro by an average of 1.9 % has reduced the volume of sales in this segment by € 0.3 million by comparison with the previous year.

EBITA in this segment amounted to – € 0.2 million (previous year: – € 0.4 million). The EBITA margin thus remained unchanged at – 1.2 %.

USA / Rest of the World

Figures in € million	2020	2019
Sales	16.2	34.5
Consolidated sales	16.1	34.3
EBITA = EBIT	–0.2	–0.4
EBITA margin (%)	–1.2	–1.2
EBT	–0.6	–0.8

Holding Notes 40, 41

The EBITA figure in the Holding segment amounted to – € 3.9 million in the past fiscal year, compared to – € 2.7 million in the previous year. The lower operating earnings figure has resulted from the one-off effect associated with the sale of the Group's business activities in China.

Overall Summary of Business Performance

Sales and EBITDA Goals Not Defined

On account of the coronavirus pandemic and an extremely challenging economic environment accompanied by previously unknown uncertainties, last year Deufol was unable to provide sufficiently precise sales and EBITDA planning for fiscal year 2020. We are therefore unable to provide any information on our level of goal achievement in this respect. With our sales volume of € 213.9 million, we fell significantly short of the figure for the previous year. This was foreseeable, but the extent of this year-over-year decrease was not.

Our operating result (EBITDA) reached € 29.0 million and was thus higher than in the previous year. Successful corporate management and the large number of measures implemented to improve earnings despite the difficult market environment are the key factors which account for a higher EBITDA figure than in the previous year, despite declining sales.

At the time of the preparation of these consolidated financial statements, the Deufol Group's economic position is stable. Due to the coronavirus crisis, the economic outline conditions remain uncertain. However, in the light of our experience in 2020 they are manageable. In this environment, we aim to expand our market shares and thus compensate for some of the pandemic-related loss of sales. We assume that, in the second half of the year, it will be possible to significantly ease the measures implemented to curb the pandemic and that the global economy will then pick up. Moreover, in 2021 we will continue to benefit from the strategic realignment which we implemented in 2020. It will enable us to operate successfully on the market in the medium and long term especially and to emerge strengthened from the months of crisis.

At the end of the first quarter of 2021, all of Deufol's markets and regions have recovered somewhat. The improvement in the volume of sales due to the pandemic response, the ramp-up of our location in Hungary and our strategic investment in Hamburg will contribute to our sales growth in the remainder of the fiscal year and beyond and will thus support our optimistic earnings outlook. Moreover, we expect that we will be able to adjust our customer prices in order to compensate, at least in part, for the rising cost of materials due to substantial increases in commodities prices.

Our financial and assets position remains very solid.

Group figures

Figures in € million	2020
Sales	213.9
EBITDA	29.0
EBITA	6.3
Net financial liabilities	71.3

Goal achievement 2020

Figures in € million	Sales	EBITDA
Planning	N/A	N/A
Actual figures	213.9	29.0

Single-Entity Financial Statements of Deufol SE

Income statement of Deufol SE

Figures in € thousand	2020	2019
Sales	10,193	11,041
Other operating income	6,351	11,793
Cost of materials	(1,262)	(1,897)
Personnel costs	(6,898)	(7,179)
Depreciation, amortization and impairment	(1,165)	(1,305)
Other operating expenses	(11,418)	(8,732)
Financial result	6,731	(515)
Taxes	(266)	60
Annual net profit	2,266	3,146

Sales and Results of Operations

In fiscal year 2020, Deufol SE realized sales of € 10,193 thousand (previous year: € 11,041 thousand) and other operating income of € 6,351 thousand (previous year: € 11,793 thousand).

These sales mainly resulted from amounts billed to affiliated companies for purchasing services provided, other services, license income from brand name rights and from rents. Outside Germany, sales amounted to € 1,486 thousand (previous year: € 2,916 thousand).

Other operating income mainly consists of income from the release of provisions in the amount of € 2,235 thousand (previous year: € 750 thousand) – € 1,800 thousand of which relates to a provision made for litigation costs – and from passed-on expenses in the amount of € 3,271 thousand (previous year: € 2,748 thousand).

The cost of materials in the amount of € 1,262 thousand (previous year: € 1,897 thousand) is due to central goods purchasing and is passed on in the same amount.

Other operating expenses (€ 11,418 thousand, compared to € 8,732 thousand in the previous year) mainly comprise legal fees and consulting expenses in the amount of € 2,657 thousand (previous year: € 1,982 thousand), insurance costs in the amount of € 1,939 thousand (previous year: € 1,555 thousand), IT and communications costs in the amount of € 979 thousand (previous year: € 956 thousand), rental and lease expenses in the amount of € 969 thousand (previous year: € 891 thousand), vehicle fleet costs in the amount of € 682 thousand (previous year: € 592 thousand), losses from the disposal of fixed assets in the amount of € 16 thousand (previous year: € 27 thousand), bad debt charges/closing-out of receivables in the amount of € 875 thousand (previous year: € 381 thousand) as well as exchange losses in the amount of € 955 thousand (previous year: € 386 thousand). Expenses unrelated to the accounting period totaled € 313 thousand (previous year: € 239 thousand).

In the past year, the financial result was positive and amounted to € 6,733 thousand, compared to – € 515 thousand in the previous year. Net interest income has decreased from € 255 thousand to € 97 thousand. Moreover, income from profit transfer agreements has improved from € 4,539 thousand to € 4,641 thousand. In the past fiscal year, investment income was recognized in the amount of € 2,000 thousand (previous year: € 106 thousand). Impairment of financial assets in the past fiscal year totaled € 7 thousand (previous year: € 5,414 thousand). This relates to the shares held in a subsidiary and was necessary due to the revaluation of this company.

Taxes amounted to € 266 thousand (previous year: € 60 thousand). The net profit for the year under review amounted to € 2,266 thousand (previous year: € 3,146 thousand).

Assets and Financial Position

In the reporting year, the balance sheet total of Deufol SE decreased slightly and amounted to € 178.4 million (previous year: € 180.6 million). Fixed assets amount to € 128.1 million, compared to € 120.6 million in the previous year. At € 50.3 million, the current assets item including deferred expenses and accrued income is significantly lower than in the previous year (previous year: € 60.0 million). Depreciation of property, plant and equipment and amortization of intangible assets amounted to € 1,165 thousand (previous year: € 1,305 thousand), amortization of financial assets to € 7 thousand (previous year: € 5,414 thousand). Investments in property, plant and equipment and intangible assets amounted to € 650 thousand (previous year: € 857 thousand). Investments in financial assets amounted to € 11,723 thousand (previous year: € 15,941 thousand) and mainly consist of payments made to subsidiaries' capital reserves.

On the liabilities side, equity has increased from € 96.9 million to € 99.1 million, due to the net profit for the year in the amount of € 2,266 thousand. The equity ratio of 55.5 % as of December 31, 2020 increased by comparison with the previous year (53.7 %), due to the lower balance sheet total. At € 1.6 million, provisions have decreased significantly by comparison with the previous year (€ 4.4 million). Liabilities have dropped slightly, from € 79.3 million to € 77.7 million. Liabilities to banks have declined by € 11.2 million to € 31.9 million. Liabilities to affiliated companies have risen from € 31.0 million to € 40.2 million.

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

Cash flow statement of Deufol SE

Figures in € thousand	2020	2019
Annual net profit	2,266	3,146
Depreciation / (appreciation)	1,165	1,305
Increase / (decrease) in provisions	−2,808	−894
Other noncash expenses / (revenue)	1,325	−5,414
Noncash valuation adjustments on financial assets	7	5,414
Net changes in working capital assets	13,032	−8,069
Net changes in working capital liabilities	9,827	7,949
(Gain) / loss from disposal of fixed assets	−42	27
Interest income / interest expense	−97	−255
Income from investments and profit transfer	−6,641	−4,645
Noncash income tax expense	237	−28
Income tax refunds / payments	−513	738
Cash flow from operating activities	**17,758**	−725
Payments made for investments in intangible assets	−573	−770
Proceeds from the sale of intangible assets	17	32
Payments made for investments in property, plant and equipment	−77	−87
Proceeds from the sale of property, plant and equipment	500	0
Payments made for investments in financial assets	−11,723	−16,092
Proceeds from the sale of financial assets	3,303	7,971
Interest received	1,790	1,841
Income received from investments and profit transfer	6,641	4,645
Cash flow from investing activities	**−122**	−2,460
Proceeds from borrowings	500	14,800
Repayment of borrowings	−11,716	−3,653
Issuance of treasury stock	0	151
Dividend payments	0	−2,570
Interest paid	−1,693	−1,586
Cash flow from financing activities	**−12,909**	7,142
Change in cash	4,727	3,957
Cash at the beginning of the period	8,984	5,027
Cash at the end of the period	13,711	8,984

Balance Sheet of Deufol SE

Figures in € thousand	2020	2019
Fixed assets	128,109	120,684
thereof financial assets	119,929	111,515
Current assets and accrued and deferred items	50,304	59,939
Balance sheet total	**178,412**	180,623
Equity	99,142	96,876
Provisions	1,604	4,412
Liabilities	77,666	79,335
thereof amounts due to banks	31,904	43,117
Balance sheet total	**178,412**	180,623

Risk Report

Risk Policy

The role of Deufol SE is to act as a management holding company for subsidiaries which provide services in Germany and elsewhere, focusing on packaging. As part of its holding tasks, Deufol SE provides the resources required for risk management and monitors implementation of risk-policy and risk-management procedures on an ongoing basis. Corporate management, corporate governance, the by-laws and the risk policy are coordinated within the Deufol Group.

Exposure to risks is unavoidable in our efforts to achieve long-term success by taking advantage of opportunities in our services divisions and regions in an environment of constantly changing requirements and challenges. These are carefully examined and assessed on the basis of a risk/opportunity calculation. Our corporate and business strategy is to concentrate operational activities and the risks associated with them within separate legal entities in order to insulate the rest of the Group from possible negative influences.

Appropriate measures are developed in order to counter the ongoing core risks which are identified and monitored. The core risks comprise, in particular, those associated with the Company's current and future business situation. Risks include potential losses of customers due to the relocation of packaging-related production locations or insufficiently rigorous development of market leadership in Deufol's core business fields. Noncore and residual risks are accepted provided they can be specifically identified and mapped. Certain noncore risks are externalized by taking out insurance policies (force majeure, liability to third parties for loss or damage, etc.). In particular, corporate governance guidelines (incl. the Deufol SE by-laws) and the active monitoring of subsidiaries as the parent company ensure that the deliberate acceptance of risks proceeds in a transparent and controlled fashion.

The managing directors of Deufol SE consider a highly developed awareness of risk in all business divisions to be indispensable for the success of its risk policy. Awareness of existing and potential risks is an important element of business management. Due to the various risk areas and the different ways in which risks are applicable within the individual subsidiaries, this increased awareness is vital for the successful implementation of risk policy.

All activities of subsidiary companies are supported by an integrated risk management system without exception. The purpose of risk management activities is, firstly, to ensure that statutory requirements are complied with, and secondly, to promote value-oriented management of individual companies and thus of the Deufol Group as a whole.

Risk Controlling

Risks are identified by division managers or managing directors on the basis of the following nine risk categories:

- Strategy/planning/corporate management
- Market/sales/customers
- Procurement/suppliers
- Service provision
- Finance
- Personnel
- IT
- Contracts/legal
- Other

The responsible managers review and document the risks identified in “risk maps” on a semi-annual basis. By means of the resulting aggregation at Group level and its reporting to the managing directors, the scope of relevant risks is thus kept up to date and monitored at all times.

Risk measurement is standardized throughout the Group. The companies’ local or site managers assess the risks identified in risk maps in terms of the probability of occurrence and the potential loss amount, in the context of the gross risk level. Individual risks are assigned quantitative values and require risk-limiting measures upon reaching specific thresholds. The resulting net risk is subsequently assessed following the implementation of these measures.

Risk controlling reviews the suitability of measures and supervises their implementation at a local level. The managing directors and regional managers also perform their risk monitoring functions in the course of regular visits to the individual subsidiaries.

Specific Risks

Environment Risks

The coronavirus pandemic had a huge impact on the global economy in 2020, and it is still not possible to predict the full extent of its economic consequences. Even though a period of more than one year has elapsed since the start of the pandemic, it is currently not possible to provide a reliable assessment or prediction as to the duration or scope of its impacts or the effectiveness of the large number of government economic stimulus packages. The extremely challenging economic picture meant that it was not possible to achieve the stable sales volume or even slight sales growth which had been expected for 2020, since the relevant markets were worse affected by the deteriorating economic situation than had been expected. Should the government assistance packages fail to yield the desired effects, an ongoing global recession must be expected which would ultimately also affect the business of the Deufol Group. Nor is it possible to provide an assessment of the scope and intensity of the further consequences of the pandemic and the related lockdown in 2021.

The economic risks have therefore reached an unprecedented level. Within the Deufol Group, these trends are countered by means of the close exchange of information at a global management level as well as the evaluation and utilization of assistance packages offered worldwide. At the same time, cost optimization measures in particular have been implemented, in order to counteract the coronavirus-related sales effect and to reduce the burden on net income.

The political risks have also increased significantly. It is currently hardly possible to predict to what extent the global supply chains will remain intact in the post-coronavirus era. The expansion of tariffs within the scope of the current trade conflicts remains possible – with related negative consequences for the world economy and thus also for Deufol. The significantly increased financial risks are not negligible. Extensive assistance packages have been established in almost every country on account of the coronavirus crisis. As a rule, this should make borrowing easier. However, many countries, companies and private individuals were already heavily indebted even before the crisis.

The credit default risk may increase substantially due to the additional debts triggered by the coronavirus crisis. Depending on the duration of the coronavirus pandemic and the associated economic restrictions, Deufol too might require additional loans.

As a result of the global coronavirus crisis, negative demand effects have already arisen in key customer markets for our Group, particularly in the export-oriented mechanical and plant engineering sector. Due to the ongoing crisis, these effects may also impact on our business in 2021.

Acquisition and Investment Risks

Acquisition and investment decisions intrinsically entail complex risks, since they tie up substantial capital on a long-term basis. Such decisions can only be made on the basis of specific, predefined terms governing responsibilities and approval requirements. In particular, the environment risks which are being triggered by the coronavirus pandemic are currently hampering both acquisitions and investments.

Performance-Related Risks

Sales and earnings of the subsidiaries are largely dependent on a relatively small number of business relationships with larger customers. Risk is mitigated in that customers come from a variety of industries (such as plant engineering, automotive manufacturing and consumer goods manufacturing) and different, unrelated services are provided for one and the same customer. This makes it possible to reduce individual risk factors which arise in different areas.

The objective is to strengthen customers' loyalty to the Deufol Group. This is, for example, achieved by means such as joint process and efficiency improvement projects with our customers as well as a strong customer focus and a high level of flexibility. The acquisition of an increased number of smaller customers is also important, in order to broaden our customer base.

The contract drafting process may also give rise to risks. For instance, this includes a failure to take quantitative or qualitative changes into account. In some cases, price adjustment clauses do not sufficiently reflect changes in the business environment so as to enable unexpected increases in purchasing prices – e.g. for commodities such as timber – to be promptly passed on to customers. Performance meetings are regularly held with the Group's subsidiaries in all of its regions, in order to identify negative trends for the Company early on. Declines in sales volumes or negative cost trends can be identified at an early stage and appropriate countermeasures initiated.

Personnel Risks

The skills, qualifications and motivation of the Deufol Group's employees and managerial staff play a key role in its business success. For this reason, they undergo permanent training in order to live up to our quality and service commitments to our customers. Increased awareness on the part of our employees in risk-relevant areas at every level of the Company safeguards implementation of our Company-wide risk policy. This also includes gradually increasing our managers' variable, performance-related salary components.

Thanks to the use of external service providers at the operational level, busy periods and lulls in business activity can be handled without having to make any changes to the Company's trained workforce.

Our subsidiaries are now run by managers with close ties to Deufol and an entrepreneurial attitude. The risk of a loss of know-how due to the departure of key personnel is limited through the documentation of relevant know-how in a structured manner, and through the decentralized allocation of this know-how to multiple employees by virtue of Deufol's decision-making process structure.

IT Risks

IT risks cover, in general, risks affecting the in-house network as well as the falsification or, in an extreme scenario, the destruction of data due to operating and/or programming errors. The IT infrastructure is decentralized, in line with the Group's structure. This means that risks apply in isolation for the respective entities, with only marginal Group-wide interfaces. Other elements of the Group's IT infrastructure have been centralized or outsourced. Extensive and comprehensive protection measures tailored to the specific requirements of the Deufol Group – such as virus-protection concepts, firewalls, emergency and recovery plans as well as backup solutions with redundant servers – are used to minimize risk.

Financial Risks

Several different financing groups exist within the Deufol Group, which operate largely independently of one another. In Europe, the Group's central syndicated financing arrangement was renegotiated in 2019. It offers sufficient financial scope until May 2024 so as to be able to act on any strategic opportunities which arise alongside day-to-day business operations. The Group also has other financing groups in the USA, the Czech Republic, Italy, Belgium, Hungary and Austria, some of which are independent and some of which are directly or indirectly integrated within its central syndicated financing arrangement.

Within the Group, credit agreements are mainly tied to compliance with financial ratios ("financial covenants"). In principle, a violation of the financial covenants provides the banks with a right to terminate an agreement but does not trigger an immediate repayment obligation. In addition, the agreed credit margin and thus the Group's financing costs may be increased in case of a deterioration in the ratios. Due to the problem of noncompliance with these financial covenants which is associated with the coronavirus crisis and was unforeseeable, negotiations with the relevant banks already commenced at the start of 2020. This resulted in the adjustment of the syndicate agreement in line with the current economic situation in the first quarter of 2021. While the above-mentioned risks of increased financing costs have been realized in this regard, on the other hand the banks' readiness to enter into discussions means that the risk of the banks terminating the agreement without first seeking to reach a compromise is currently fairly unlikely.

Interest rate risks mainly relate to the variable interest rates for the financial instruments used for the Group's short-term financing. Property, plant and equipment are almost exclusively financed on a long-term basis by means of a fixed-rate amortizable loan, in order to benefit from the attractive current low-interest-rate environment over the medium and long term.

The risks resulting from volatile exchange rates which fluctuate strongly mainly apply within the scope of consolidation as a result of the conversion of the annual financial statements of the Group's subsidiaries which are situated outside the euro currency zone. Exchange rates have a fairly minor effect on operating business. In the single-entity financial statements, currency risks are limited to transactions with subsidiaries outside the euro currency zone. A growing proportion of business in the Czech Republic is handled in euros. The previous currency hedge was thus gradually phased out and expired entirely in early 2021. The expansion of our business in Hungary is mainly being carried out in euros, and the euro is the functional currency of our Hungarian companies. This approach minimizes exchange-rate risks in relation to the Hungarian forint. Business in the USA is mainly characterized by income and expenses in US dollars. The currency risk here is thus likewise limited. As a result, hardly any currency hedging transactions were effective at the end of 2020.

Please see the "Financial Risk Management" section (Note 39 on pages ▶ 091 ff.) for further information on financial risks.

The Group has recognized goodwill in consequence of its expansion strategy. Impairment testing pursuant to IAS 36 may give rise to goodwill impairment. The impairment testing implemented in 2020 did not identify any impairment requirement.

Legal Risks

The legal risks for the Deufol Group relate to the general legal risk resulting from its business activities as well as tax issues. It is not possible to state with any certainty the outcome of currently pending or future proceedings, so that expenses may result due to judicial or official rulings or settlements such as are not covered or are not fully covered by insurance benefits and which may significantly affect our business operations and earnings.

Please see the "Contingencies and Contingent Liabilities" section (Note 36 on page ▶ 090) for further information on legal risks.

Overall Group Risk Position

In summary, the coronavirus pandemic has given rise to risks which may have a substantial impact on the Deufol Group from an operational or financial point of view. However, it is clear that the Deufol Group has been able to reduce its level of risk exposure thanks to hedging measures implemented early on. While the situation remains uncertain, this proactive approach and the progress made in relation to coronavirus vaccinations are helping to stabilize the Group's risk position in 2021.

The Deufol Group's holding structure – comprising a large number of operating units, together with a broad portfolio of services in various sectors and regions – has proven effective from a risk standpoint. Operating risks for individual subsidiaries are covered through appropriate insurance protection as far as possible. Deufol's risk management system is being continually upgraded and enhanced, to allow risks to be identified at an early stage and appropriate countermeasures to be initiated.

Report on Dependence

Since there is no control agreement with the majority shareholder, pursuant to section 312 of the German Stock Corporation Act (AktG) the managing directors of Deufol SE were obliged to prepare a report on Deufol SE's relationships with associates. This report covers the relationships with Lion's Place GmbH and its majority shareholders among the Hübner family, as well as the companies of the Deufol Group. The managing directors declare pursuant to section 312 (3) AktG: "With regard to the legal transactions listed in the report on Deufol SE's relationships with associates, for each such transaction our Company has received an appropriate consideration in accordance with the known circumstances at the time of its execution. No disadvantageous events for the Company occurred during the fiscal year such as are subject to a reporting obligation."

Report on Opportunities and Expected Developments

Planned Orientation and Strategic Opportunities for the Group

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

The structure of the Deufol Group – with Deufol SE as the top management holding company and around 50 operating companies in the relevant markets – will be maintained for risk limitation purposes. In this way, we will also preserve our on-site flexibility and will be able to better satisfy the different requirements of various markets and regions.

In particular, among the strategic opportunities which this offers the Group is the fact that we are able to exploit the advantages of our size as a significant market player. As a globally oriented premium service provider in the field of packaging and related services, we offer our clients who operate worldwide holistic solutions that support their strategies. We are constantly expanding our business segments to include additional packaging-related services, as well as proprietary software solutions which embed the packaging process within an intelligent package of services. In order to increase our level of flexibility, to respond to market trends and customer requirements and to move forward with innovative solutions, in 2021 we will continue to pursue the structuring of our business activities in terms of four different service areas, having already laid the foundations for this development in 2020:

1. Packaging and Logistics: While maintaining industrial and export goods packaging as our core area of competence, we offer our customers an all-round service covering individual packaging solutions and adjacent services.
2. Production: We standardize and automate the manufacturing and distribution of packaging materials.
3. IT Services: We provide support for our customers in the form of helpful services and proprietary tools across their complex supply chains.
4. Real Estate: We optimize the usage and management of our global locations in order to ensure ideal connections for our customers.

We therefore aim to offer our customers sustainable, innovative and comprehensive services, with top quality. We will thus meet our customers' continuously growing demands. At the same time, we are consolidating our position, as our customers increasingly focus on just a few core service providers.

Our outstanding qualities as a packaging services provider include our international presence. Many of our clients have a "global footprint", which means that it is essential for us to develop and provide our services with our customary standard of quality, at an international level.

Economic Outline Conditions

Risk-Laden Global Economic Recovery Predicted

The forecasts for the development of the global economy have been significantly shaped by the uncertainties and assumptions relating to the further course of the COVID-19 pandemic and its spread and depend, in particular, on the countermeasures implemented.

Government economic stimulus packages in the form of investment programs and central banks' financial policy measures with the goal of ensuring a continuing expansionary monetary policy are the key factors behind this positive trend. For the industrialized nations, there is also the hope that their populations will be rapidly vaccinated. The restrictive lockdown measures implemented to curb the second coronavirus wave in the fall and winter of 2020 resulted in a decline in economic activity at the start of 2021. However, the effects are expected to be milder than in the spring of 2020 in view of the worldwide recovery and since global supply chains have not been subject to any significant disruption. Following a subdued first quarter, the IMF expects the recovery to pick up from the second quarter onward. For the year 2021 as a whole, subject to the above assumptions, the baseline scenario nonetheless assumes a growth rate in excess of 4 %. China is seen as a growth engine here, with a GDP growth rate of around 8 %. However, this scenario will only be achievable if the large number of mutations (some of which are more contagious) can be rapidly contained and the rate of vaccination significantly increased. There is also a direct risk of upheavals on the international financial markets as a result of the excessive indebtedness of individual crisis countries or companies and related insolvencies. It is not possible to assess the potential impact which this would entail. Forecasts are therefore subject to a considerable level of uncertainty and risk.

The Progress Achieved in the Vaccination Campaign Will Shape the Eurozone's Recovery

According to the Kiel Institute for the World Economy, in 2020 the coronavirus pandemic pushed the Eurozone economy into a serious recession. The coronavirus wave which arrived in the fall affected most European countries, with varying levels of intensity, and prompted governments to reimpose far-reaching measures in order to slow the spread of the virus. Overall, according to the statistical office of the European Union, Eurostat, gross domestic product fell by 6.8 % in 2020.

The outlook for economic activity in the Eurozone will depend on the further course of the pandemic. The start of the third wave of the COVID-19 pandemic in mid-March has intensified this uncertainty for the year as a whole, and international transport chains are still not back to normal. Events such as the grounding of the "Ever Given" in the Suez Canal in late March are leading to further setbacks for global logistics processes. The 2021 growth rates for world economic output which leading economic research institutes such as the Kiel Institute for the World Economy had predicted at the end of 2020 are thus likely not realistic. However, the forecasts do underline the basic assumption of a rapid economic recovery in the wake of the pandemic, with production experiencing a catch-up effect to some extent. The rate of infection is expected to be brought better under control as vaccines are increasingly distributed and with the arrival of warmer weather from the spring onward, and there will probably be less of a need for wide-ranging restrictions of social and economic activities over the summer. In this scenario, following the enforced shutdown there will probably be a rapid revival of economic activity, especially since private households' pent-up purchasing power from previous months may impact demand. In the remainder of its forecast period, subject to the pandemic fading away in a positive manner, the IMF predicts a GDP growth rate of 4.2 % in 2021.

The Course of the Pandemic Will Continue to Shape the German Economy

Due to its dependence on global supply chains and its strong export orientation, the German economy was hit particularly badly by this recession. Its recovery was subsequently delayed. A further decline in gross domestic product in the first quarter can be expected, above all due to the second coronavirus wave from November last year as well as the reimposition of shutdown measures which remained in effect in the first quarter of 2021. While refinancing options remain stable, the positive economic outlook is subject to the risk of a prefinancing-related liquidity bottleneck in the mechanical and plant engineering sector especially, which plays a critical role in Germany. Irrespective of the global pandemic situation, besides the still fragile trend for economic activity a further rise in international protectionism can be expected. This represents a particular challenge for export-oriented sectors and countries.

Company-Specific Outlook

Predicted Sales and Results of Operations

The Deufol Group is well placed to deal with these economic challenges as a result of its realignment and change of strategy which it had already implemented in early 2020. However, as a result of the ongoing global coronavirus pandemic the Group is faced with an extremely challenging economic environment characterized by unprecedented uncertainty. In addition, strong rises in commodities prices make it difficult to provide a reliable sales and earnings forecast for fiscal year 2021. The predicted sales and results of operations are therefore subject to considerable margins of fluctuation. The coronavirus crisis already dominated the year 2020.

In view of the difficult economic environment, it was not possible to stabilize or even expand the Company's volume of sales as envisaged. Thanks to the stringent cost reduction measures which were implemented early on, we were nonetheless able to achieve a profit in the past year.

This notwithstanding, for the current year a slight market recovery up to the end of the year is expected in all relevant regions. In this environment, the goal is to expand our market shares and thus compensate for some of the pandemic-related loss of sales. The Company's global presence, its size and its continuous investment in standardized and digital processes are particularly helpful here. We assume that, in the second half of the year, it will be possible to significantly ease the measures implemented to curb the pandemic and that the global economy will then pick up. Moreover, in 2021 we will continue to benefit from the strategic realignment which we implemented in 2020. It will enable us to operate successfully on the market in the medium and long term especially and to emerge strengthened from the months of crisis. Our early focus on the Company's digitalization as well as innovative IT solutions for logistics processes will pay off during the coronavirus pandemic and beyond. In the medium term, digital solutions and software tools will buoy and strengthen the Deufol Group's growth and earnings.

In early 2021, through our acquisition of the Wallmann Terminal at the port of Hamburg we were able to execute a further strategic expansion of our business activities and increase the depth of service associated with our hub concept to include heavy cargo loading and seagoing vessels. We will thus acquire new customers and offer our existing customers an even wider range of services in our "one-stop shop". This will provide long-term sales growth. Our acquisition also enabled us to safeguard our presence in Hamburg on a long-term basis through our own real estate, to concentrate our services at a single location, and to significantly increase our depth of added value.

The improvement in the volume of sales due to the pandemic response, the ramp-up of our location in Hungary and our strategic investment in Hamburg will contribute to our sales growth in the remainder of the fiscal year and beyond and will thus support our optimistic earnings outlook for the year as a whole and, above all, for the future. Moreover, we expect to be able to adjust our customer prices in order to compensate, at least in part, for the rising cost of materials due to substantial increases in commodities prices. EBIT will be affected not only by the effects associated with the COVID-19 pandemic and related increased costs and the higher cost of materials but also by one-off effects due to the consolidation of our location at the port of Hamburg. However, from 2022 we expect our realignment in Hamburg to drive substantial growth, while also significantly reducing infrastructure costs.

Due to the effects of IFRS 16 on EBITDA and the related increased level of volatility for this ratio, we have decided that in future we will present our results of operations in our report on expected developments on the basis of our expected EBIT trend. Owing to the above-mentioned uncertainties, for 2021 we expect sales in a range of between approx. € 200 million to € 230 million and an EBIT figure from € 2.0 million and € 5.0 million. Moreover, as a result of the measures initiated we envisage a moderately positive performance in any event and substantial medium-term growth.

Expected Financial Position

As things currently stand, there will not be any need for additional and unplanned financing measures to support our business activities, even in case of a conservative course of business. Even in the context of the coronavirus pandemic, our current financial resources can be expected to cover our liquidity requirements. The Group's central syndicated financing arrangement in Europe is secure up to the end of May 2024 and has been aligned with the Group's corporate business strategy following adjustments made in the first quarter of 2021. On account of investments budgeted for in connection with acquisitions in Hamburg, Deufol anticipates a further increase in its net financial indebtedness in the current fiscal year. This development will be closely coordinated with the institutions providing financial support for the Company.

In the current year, investments in fixed assets are planned with a volume of around € 22 million. The envisaged investments are thus significantly higher than in 2020 (€ 14.5 million). The further construction phases in Hungary and the strategic investment made in Hamburg are particularly important factors driving this increase. Apart from this, no other significant investment activities are planned. Investment management is continuously adjusted in detail, subject to careful consideration of the Company's earnings trend.

Managing Directors' Overall Summary of the Group's Expected Development

Over the next few years, the Deufol Group intends to continue to develop its profile as a packaging services provider. For this purpose, it will also strengthen its distribution of packaging materials for industrial packaging – without the related packing service – as well as its distribution of IT services for logistics and, in particular, for project business in relation to large-scale industrial plants. Despite the significant risks and uncertainty triggered by the coronavirus pandemic, our broad customer base and many years of business relationships, our specific know-how and our financial resources enable us to maintain a confident outlook regarding the Group's further development. This means that, despite the challenges in the fiscal years 2020 and 2021, we expect a positive trend for the Group in subsequent years.

Hofheim am Taunus, April 23, 2021

The Managing Directors
Detlef W. Hübner, Dennis Hübner, Jürgen Hillen, Jürgen Schmid

STREAMLINING PROCESSES.

USA (5 LOCATIONS)

Indiana (1)
North Carolina (1)
Ohio (2)
Pennsylvania (1)

GLOBALLY INTEGRATED **LOCATIONS** 90

Our **unique selling point:** We **optimize our infrastructure** at strategically located hubs. This provides genuine **added value** for our **customers, investors and partners.** Our efficient use of a global transport network also benefits the **environment.** In addition, **we are continuously improving** our **services, products** and **IT solutions:** We transform the **data** which our customers hold, in order to ensure their **success.**

Further information is available here!

ASIA (3 LOCATIONS)

China (2)
Singapore (1)

EUROPE (82 LOCATIONS)

Austria (8)
Belgium (7)
Czech Republic (8)
France (2)
Germany (50)
Hungary (1)
Italy (3)
Netherlands (1)
Slovak Republic (2)

Consolidated Financial Statements

as of December 31, 2020

Consolidated Income Statement

Figures in € thousand	2020	2019*	Note/Page
Sales	**213,854**	**247,061**	01/064
Other own work capitalized	944	974	
Inventory changes	–343	–289	
Other operating income	13,198	13,111	02/064
Overall operating performance	**227,653**	**260,857**	
Cost of materials	–79,542	–99,317	03/064
Personnel costs	–80,121	–90,482	04/064
Depreciation, amortization and impairment	–22,711	–22,028	11/070
Other operating expenses	–38,978	–42,911	05/065
Income (loss) from operating activities (EBIT)	**6,301**	**6,119**	
Financial income	156	555	06/066
Finance costs	–3,158	–2,900	06/066
Income (loss) from investments accounted for using the equity method	134	111	14/073
Other financial result	–132	52	
Profit (loss) before taxes (EBT)	**3,301**	**3,937**	
Income taxes	–2,446	–951	07/066
Result for the period	**855**	**2,986**	
thereof share of profits held by noncontrolling interests	–242	32	08/068
thereof share of profits held by shareholders in the parent company	**1,097**	**2,954**	

*Restated in accordance with IAS 8; we refer to Note (16).

Earnings per share *

Figures in €			
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.026	0.069	09/068

*Figure for the previous year restated in accordance with IAS 8; we refer to Note (16).

Consolidated Statement of Comprehensive Income

Figures in € thousand	2020	2019*	Note/Page
Result for the period	**855**	**2,986**	
Other comprehensive income	**–839**	**493**	
Items which may be reclassified to the income statement in future			
Income (loss) from currency translation, after taxes	–966	409	
Cash flow hedges before taxes	92	272	
Deferred taxes on cash flow hedges	–22	–82	
Cash flow hedges after taxes	70	190	39/091
Items which will not be reclassified to the income statement in future			
Actuarial income/loss (–) from pensions, after taxes	57	–106	27/084
Comprehensive income after taxes	**16**	**3,479**	
thereof noncontrolling interests	–242	32	
thereof shareholders in the parent company	258	3,447	

*Restated in accordance with IAS 8; we refer to Note (16).

Consolidated Balance Sheet

Assets Figures in € thousand	Dec. 31, 2020	Dec. 31, 2019	Note/Page
Noncurrent assets	**192,747**	**184,972**	
Property, plant and equipment	89,911	79,611	11/070
Goodwill	71,011	71,011	12/071
Other intangible assets	6,506	7,420	12/071
Investment property	14,490	14,345	13/072
Investments accounted for using the equity method	1,462	1,328	14/073
Financial receivables	100	68	
Other financial assets	8	8	
Other receivables and other assets	1,300	2,069	15/073
Deferred tax assets	7,959	9,112	07/066
Current assets	**74,160**	**82,940**	
Inventories	9,164	10,118	16/078
Trade receivables	25,706	29,206	17/080
Other receivables and other assets	6,027	5,878	15/073
Tax receivables	1,593	1,695	
Financial receivables	321	346	
Cash and cash equivalents	31,349	31,627	18/081
Noncurrent assets held for sale	0	4,070	19/081
Total assets	**266,907**	**267,912**	

*Restated in accordance with IAS 8; we refer to Note (16).

Equity and liabilities Figures in € thousand	Dec. 31, 2020	Dec. 31, 2019	Note/Page
Equity	**113,262**	**113,015**	
Equity attributable to the shareholders of Deufol SE	112,341	111,867	
Subscribed Capital	43,774	43,774	20/082
Capital reserves	107,329	107,329	21/082
Retained earnings	12,825	11,609	22/082
Profit brought forward	−50,531	−50,628	
Other comprehensive income	−581	258	
Treasury stock at cost	−475	−475	23/082
Noncontrolling equity interests	921	1,148	24/083
Noncurrent liabilities	**83,736**	**75,496**	
Financial liabilities	72,693	63,779	26/083
Provisions for pensions	3,170	3,603	27/084
Other provisions	0	15	28/086
Other liabilities	31	883	29/087
Deferred tax liabilities	7,842	7,216	07/066
Current liabilities	**69,909**	**79,401**	
Trade payables	24,170	25,984	30/087
Financial liabilities	30,349	36,787	26/083
Other liabilities	13,841	13,075	29/087
Tax liabilities	825	1,089	
Other provisions	724	2,466	28/086
Total equity and liabilities	**266,907**	**267,912**	

*Restated in accordance with IAS 8; we refer to Note (16).

Consolidated Cash Flow Statement

Figures in € thousand	2020	2019*	Note/Page
Income (loss) from operating activities (EBIT)	6,301	6,119	
Adjustments to reconcile net income (loss) to cash flow from operating activities			
Depreciation, amortization and impairment	22,810	22,066	10–12/069 ff.
(Gain) loss from disposal of fixed assets	–3,914	–221	02, 05/064, 065
(Gain) loss from disposal of investments	0	0	
Taxes paid	–977	–822	
Restatement of the fair value of investment property	–144	–2,852	02/064
Other noncash expenses/revenue	–291	54	
Changes in assets and liabilities from operating activities			
Decrease (increase) in trade accounts receivable	2,713	3,531	
Decrease (increase) in inventories	852	1,801	
Decrease (increase) in other receivables and other assets	1,060	–3,915	
Increase (decrease) in trade accounts payable	–1,693	–2,774	
Increase (decrease) in other liabilities	–55	1,393	
Increase (decrease) in provisions	–1,968	–1,047	
Decrease (increase) in other operating assets/liabilities (net)	743	292	
Cash flow from operating activities	**25,437**	**23,625**	31/088
Payments made for investments in intangible assets and property, plant and equipment	–14,494	–10,543	11, 12/070, 071
Proceeds from the sale of intangible assets and property, plant and equipment	8,686	1,515	
Payments made for the acquisition of noncontrolling interests	0	–78	
Proceeds from the sale of investments	0	0	
Acquisitions of business units less acquired cash	0	0	
Disposal of business units less cash disposed of	–49	0	
Net change in financial receivables	–8	–143	
Interest received	156	555	
Cash flow from investing activities	**–5,709**	**–8,694**	33/088
Addition (extinction) of amounts due to banks	911	7,675	
Addition (extinction) of other financial liabilities	–16,985	–15,081	
Proceeds from capital increase	17	0	
Interest paid	–3,158	–2,901	
Change in noncontrolling interests	0	0	
(Purchase)/sale of treasury stock	0	–126	
Dividend paid	0	–2,570	
Dividend paid to noncontrolling interests	–2	–85	
Cash flow from financing activities	**–19,217**	**–13,088**	34/088
Exchange rate- and scope of consolidation-related changes in financial resources	–789	328	
Change in cash and cash equivalents	**–278**	**2,171**	35/089
Cash and cash equivalents at the beginning of the period	31,627	29,456	
Cash and cash equivalents at the end of the period	31,349	31,627	

* Restated in accordance with IAS 8; we refer to Note (16).

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 and provisions for pensions	Equity attributable to the shareholders of Deufol SE	Noncontrolling equity interests	**Total equity**
Balance at Dec. 31, 2018	**43,774**	**107,240**	**10,204**	**−48,828**	**−536**	**27**	**−262**	**111,619**	**1,980**	**113,599**
Correction acc. IAS 8				−867				−867	−580	−1,447
Balance at Jan. 1, 2019	**43,774**	**107,240**	**10,204**	**−49,695**	**−536**	**27**	**−262**	**110,752**	**1,400**	**112,152**
Result for the period*				2,954				2,954	32	2,986
Other comprehensive income						409	84	493		493
Comprehensive income				**2,954**		**409**	**84**	**3,447**	**32**	**3,479**
Addition to retained earnings			1,500	−1,500				0		0
Dividends				−2,570				−2,570	−85	−2,655
Capital transactions resulting in change to shareholding interest			−339	183				−156	−199	−355
Purchase/sale of treasury stock		89			61			150		150
Other changes			244					244		244
Balance at Dec. 31, 2019	**43,774**	**107,329**	**11,609**	**−50,628**	**−475**	**436**	**−178**	**111,867**	**1,148**	**113,015**
Result for the period				1,097				1,097	−242	855
Other comprehensive income						−966	127	−839		−839
Comprehensive income				**1,097**		**−966**	**127**	**258**	**−242**	**16**
Addition to retained earnings			1,000	−1,000				0		0
Dividends								0	−2	−2
Capital transactions not resulting in change to shareholding interest								0	17	17
Other changes			216					216		216
Balance at Dec. 31, 2020	**43,774**	**107,329**	**12,825**	**−50,531**	**−475**	**−530**	**−51**	**112,341**	**921**	**113,262**

* Restated in accordance with IAS 8; we refer to Note (16).
** Cf. Notes (20) to (24).

Notes to the Consolidated Financial Statements

for the fiscal year from January 1, 2020 to December 31, 2020

General Information

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

Deufol is a global premium service provider in the field of packaging and supplementary services. Please see the disclosures in the segment reporting for further details.

The address of the Company's registered office is Johannes-Gutenberg-Strasse 3–5, 65719 Hofheim am Taunus, Germany. Lion's Place GmbH is the parent company which prepares the consolidated balance sheet for the largest group of companies. These documents are published in the electronic version of the German Federal Gazette.

The Company's managing directors approved the IFRS consolidated financial statements on April 23, 2021, so that they could then be forwarded to the Administrative Board.

Basis of Preparation

Deufol SE prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as mandatorily applicable in the European Union. In addition, the provisions of section 315 e of the German Commercial Code were complied with and applied in the preparation of the consolidated financial statements. All IFRS (IFRS, IAS, IFRIC, SIC) as adopted by the European Union and mandatorily applicable as of the balance sheet date were applied. In principle, the consolidated financial statements are prepared using the historical-cost concept. This excludes derivative financial instruments as well as investment property, which are measured at fair value. This likewise excludes noncurrent assets held for sale which are to be reported at their lower fair value rather than their carrying amount.

Consolidation

All subsidiaries over which Deufol SE has legal or effective control are included in the consolidated financial statements. In addition to Deufol SE, the consolidated financial statements include 18 (previous year: 17) fully consolidated subsidiaries in Germany and 28 (previous year: 29) in other countries (hereinafter referred to as the "Deufol Group" or the "Group").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency Translation

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

Each company within the Deufol Group determines its own functional currency. In accordance with IAS 21, the annual financial statements of the foreign subsidiaries included in the consolidated financial statements whose functional currency is not the euro were converted into the Group currency euro on the balance sheet cut-off date on the basis of the functional-currency concept. Financial statements are translated using the modified-closing-rate method, i.e. assets and liabilities are translated from the functional currency to the reporting currency at the ECB's reference rates on the balance sheet date, while income statements are translated at the average rates for the year. Equity is translated at historical rates.

Differences resulting from the translation of assets and liabilities compared with the translation of the previous year and translation differences between the income statement and the balance sheet are taken directly to equity and are reported under "Other recognized income and expense". When a foreign operation is disposed of, the cumulative amount recognized in equity for this foreign operation is reversed to the income statement.

Foreign-currency transactions are translated at the spot rate of the foreign currency to the functional currency prevailing at the transaction date. Foreign-currency monetary assets and liabilities are translated at the rate on the balance sheet date. The resulting foreign exchange differences are recognized in profit or loss for the period, with the exception of foreign exchange differences resulting from foreign-currency loans insofar as the loans are used to hedge a net investment in a foreign operation. These are recognized directly in equity until the net investment is disposed of and only recognized in profit or loss on the date of disposal.

The exchange rates for the translation of key currencies that are not part of the European Monetary Union changed as follows:

Foreign currency	ECB reference rate as of the balance sheet date		Average rate for the year	
Per €	**2020**	**2019**	**2020**	**2019**
US dollar	1.2271	1.1234	1.1413	1.1196
Renminbi	8.0225	7.8205	7.8704	7.7338
Singapore dollar	1.6218	1.5111	1.5736	1.5272
Forint	363.89	330.53	351.20	325.30
Czech crown	26.242	25.408	26.455	25.670

Sales Recognition

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

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

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

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

Earnings per Share

Earnings per share (EPS) are calculated in accordance with IAS 33. Basic earnings per share are calculated by dividing the net profit/loss for the period attributable to the holders of common shares of the parent company by the weighted average number of common shares in circulation. Shares newly issued or repurchased during a period are included pro rata for the time they are in circulation. Diluted earnings per share are calculated by dividing the adjusted net profit/loss for the period attributable to the holders of common shares of the parent company by the weighted average number of common shares in circulation and the weighted average number of common shares that would be issued following the conversion of all potential common shares with a dilutive effect into common shares.

Intangible Assets and Goodwill

Purchased intangible assets with finite useful lives are recognized at cost and amortized on a straight-line basis over their economic lives. Proprietary software is capitalized at cost and undergoes straight-line amortization over its economic life. Capitalized software licenses and customer relationships are amortized on a straight-line basis over their expected useful life or over the term of the relevant agreement. The amortization recognized is allocated to the relevant functions in the income statement based on the asset's use. If there are indications of impairment and the recoverable amount is less than amortized cost, impairment losses are recognized on the intangible assets. If the reasons for impairment cease to apply, the impairment losses are reversed accordingly, up to the amortized cost. This does not apply to capitalized goodwill.

Goodwill is recognized in accordance with IFRS 3 "Business Combinations" in conjunction with IAS 36 "Impairment of Assets". These standards require goodwill to be tested annually for impairment rather than amortized.

The accounting principles for intangible assets are as follows:

	Customer relationships	Licenses and software
Amortization method used	Straight-line	Straight-line
Useful life	5 – 11 years	3 – 8 years
Remaining useful life	up to 8 years	up to 8 years

Property, Plant and Equipment

Property, plant and equipment are carried at cost less straight-line depreciation recognized over the economic life of the respective item.

Assets are removed from the balance sheet on disposal or scrapping; any disposal gains or losses are recognized in income.

The following useful lives are used for depreciation:

Useful lives of property, plant and equipment

Factory and office buildings	10 – 50 years
Operating and office equipment	3 – 10 years
Machinery and equipment	6 – 20 years
Vehicle fleet	5 – 7 years

If there are indications of impairment and the recoverable amount is less than amortized cost, impairment losses are recognized on the items of property, plant and equipment. If the reasons for impairment cease to apply, the impairment losses are reversed accordingly, up to the amortized cost. More complex items of property, plant and equipment consisting of clearly separable components with different useful lives are split into these components for the purposes of calculating depreciation. Depreciation is calculated using the useful lives of the individual components.

Investment Property

Investment properties as defined in IAS 40 are measured initially at cost, including transaction costs. Within the scope of subsequent measurement, IAS 40 offers the option of measurement at amortized cost or fair value as of the balance sheet date. Deufol exercises this option in relation to a measurement according to the fair-value model. Fair value reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized through profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined through regular valuations in accordance with IAS 40.

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

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

Leases

The standard IFRS 16 has been applied in regard to the accounting rules for leases since January 1, 2019. It has replaced the previous standard, IAS 17, as well as the related interpretations.

The central goal of IFRS 16 is balance-sheet recognition of all leases. In principle, lessees must recognize a right of use and a lease liability in their balance sheet for all leases. The lease liability is measured in the Deufol Group at the present value of the outstanding lease payments, while the right of use is measured at the amount of the lease liability plus direct costs. During the term of the lease, the right of use must be depreciated and the lease liability subsequently measured using the effective-interest-rate method, while taking the lease payments into consideration.

IFRS 16 permits practical expedients for short-term and low-value leases. Deufol has applied these practical expedients for short-term leases. Accordingly, no right of use and no liability are recognized for such leases. The related lease payments will continue to be recognized as expense in the income statement.

As of first-time adoption, existing agreements have not been reassessed in terms of whether or not these constitute a lease on the basis of the IFRS 16 criteria. Instead, agreements which were already classified as a lease under IAS 17 continued to be classified as a lease as of first-time adoption and were treated as such.

Joint Ventures and Associates

Investments in joint ventures and associates are accounted for using the equity method. The cost of investments accounted for using the equity method is increased or decreased annually by changes in equity insofar as these are attributable to the Deufol Group.

Nonderivative Financial Assets

IFRS 9 prescribes a uniform model for the categorization of financial assets, which classifies financial assets in terms of three different categories as of their initial recognition:

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

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. The Company's management classifies financial assets on acquisition and checks their classification at each balance sheet date. All standard market purchases and sales of financial assets are recorded in the balance sheet on the transaction date, i.e. the date on which the Company entered into the obligation to purchase the asset.

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

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

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

- The contractual rights to receive cash flows resulting from the financial asset have expired.
- The Group has transferred to third parties its contractual rights to receive cash flows resulting from the financial asset or else entered into a contractual obligation to pay over the cash flow to a third party immediately, within the scope of a so-called "Pass-through Arrangement", thereby either (a) substantially transferring all risks and opportunities associated with ownership of the financial asset or (b) not having substantially transferred or retained all risks and opportunities associated with ownership of the financial asset, but having transferred the power of control over the asset.

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

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

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

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

Derivative Financial Instruments

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

Insofar as the hedge accounting rules pursuant to IFRS 9 are applied, the effective portion of the profit or loss resulting from a cash flow hedge is recorded directly in equity as a portion of the accumulated changes recognized directly in equity, including deferred taxes, while the ineffective portion is immediately recognized through profit or loss.

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

Cash Flow Hedges

The amounts recognized in equity will be reclassified to the income statement in the period in which the hedged transaction affects the period result, e.g. if hedged financial income or expenses are recognized or if an expected sale is executed.

Where a hedge leads to the reporting of a nonfinancial asset or a nonfinancial liability, the amounts recognized in equity will form part of the costs of acquisition at the time of the addition of the nonfinancial asset or nonfinancial liability.

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Deferred Taxes

Deferred taxes are calculated using the balance sheet liability method in accordance with IAS 12. This standard requires deferred taxes to be recognized for all temporary differences between the tax bases of the individual companies and the carrying amounts according to IFRS, and on consolidation adjustments. Deferred tax assets are also recognized for future benefits expected to arise from tax loss carryforwards. However, deferred tax assets have only been recognized for accounting differences and for tax loss carryforwards to the extent that it is probable that the asset will be realized. Deferred tax assets are measured at the applicable national rates of income tax. In Germany, deferred tax assets were calculated using a tax rate of 28.62 % (previous year: 29.90 %). This includes corporate income tax at 15 %, the solidarity surcharge of 5.5 % on the corporate income tax and the average rate of trade tax within the Group.

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

Other Recognized Income and Expense

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

Provisions for Pensions and Similar Obligations

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

In the case of defined-contribution pension plans (e.g. direct insurance schemes), the contributions payable are recognized immediately as an expense. Provisions are not recognized for defined-contribution plans, as in these cases the Group has no other obligation above and beyond its obligation to pay premiums.

Other Provisions

Other provisions are recognized where a present obligation exists to third parties as a result of a past event, an outflow of resources is expected and the amount can be reliably measured. They are uncertain obligations that are recognized in the amount of the best estimate. Provisions with a remaining maturity of more than one year are discounted at market interest rates reflecting the risk specific to the liability and the period of time until the settlement date.

Nonderivative Financial Liabilities and Other Liabilities

Initial Recognition and Measurement

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

- financial liabilities measured at amortized cost and
- financial liabilities measured at fair value through profit or loss.

Subsequent Measurement

In principle, financial liabilities will be carried at amortized cost. This excludes financial liabilities which were allocated to the category “Financial liabilities measured at fair value through profit or loss” as of their initial recognition. Differences between historical cost and the repayment amount and transaction costs are accounted for using the effective-interest method. Other liabilities are carried at their nominal value or the repayment amount. Noncurrent other liabilities bearing no interest are accounted for at their present value.

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

Derecognition

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

Offsetting of Financial Instruments

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

Treasury Stock

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

Cash Flow Statement

The cash flow statement is prepared in accordance with the provisions of IAS 7 and shows the changes in the Group's cash and cash equivalents over the course of the year under review as a result of cash inflows and outflows. A distinction is made between cash flows from operating activities, investing activities and financing activities. Cash flows from operating activities are presented using the indirect method.

Segment Reporting

Segment reporting is performed in accordance with IFRS 8 (Operating Segments). The segments correspond to those of the internal reporting structure. Segmentation aims to make transparent the assets and financial position and results of operations of the Group's individual activities and its various regions.

Borrowing Costs

All borrowing costs are expensed in the period in which they are incurred. The Group does not have any qualified assets requiring mandatory inclusion of borrowing costs in their historical costs.

Government Grants

Deufol has received government grants relating to its investment projects.

Pursuant to IAS 20, these grants may either be recognized as deferred income and amortized to income over the respective depreciation period (gross method) or, as applied by Deufol, they may be deducted from the carrying amount of the respective asset and recognized as income over the asset's useful life by means of a reduced depreciation amount (net method). IAS 20 also offers an option for performance-related grants to be recognized as other income in the income statement or to be deducted from the relevant expenses. Deufol applies the second option.

Government grants are recognized if there is reasonable assurance that the grants will be received and the Company meets the conditions attached to the grants.

Non-Current Assets Held for Sale

In the financial statements for the previous year, Deufol applied IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

This affected assets previously reported as property, plant and equipment which were sold to a non-Group purchaser in accordance with an agreement which became legally effective in fiscal year 2019 and was implemented in mid-2020.

In accordance with the IFRS 5 rules, noncurrent assets classified as held for sale were measured at the lower of their carrying amount and fair value less disposal costs. In the present case, they have been measured at their carrying amounts, since the contractually agreed selling price significantly exceeded these.

We refer to Note (19).

Management Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in accordance with IFRS sometimes requires the managing directors to make estimates or assumptions that can affect the reported amounts of assets, liabilities and financial liabilities as of the balance sheet date, and the income and expenses for the reporting period. Actual amounts and changes may differ from these estimates and assumptions.

The significant judgments and estimates applied are described in the following section:
A significant portion of the valuation adjustment for doubtful accounts receivable relates to assessments and judgments regarding individual receivables which are based on the credit worthiness of the relevant customer, current economic trends and an analysis of historical losses of receivables outstanding on a portfolio basis.

Recognition and valuation of other provisions are based on an estimate of the probability of the future outflow of benefits, supplemented by past experience and the circumstances known at the balance sheet date. As such, the actual outflow of benefits may differ from the amount recognized under other provisions. Please see Note (28) for further disclosures.

Deferred tax assets from tax loss carryforwards are recognized on the basis of an estimate of the future recoverability of the corresponding tax benefits, i.e. if there is expected to be sufficient taxable income or reduced tax expense in future. The next five years is assumed as the assessment timeframe for this. The actual taxable income situation in future periods, and hence the extent to which tax loss carryforwards can actually be utilized, may differ from the estimate performed at the date on which the deferred taxes are recognized. Please see Note (07) for further disclosures.

Significant forward-looking estimates and assumptions are made in the context of the impairment tests performed on goodwill, because the discounted-cash-flow method used for these tests requires the calculation of future cash flows, an appropriate rate of interest and long-term future growth rates. Any change in these factors may affect the results of such impairment tests. Please see Note (12) for further disclosures.

The determination of the fair value of investment property includes future-oriented estimates regarding the trend for index-based rents in the contractually agreed tenancy period as well as the rents subsequently achievable on the market. Assumptions must also be made regarding the amount of the operating costs which cannot be apportioned to the tenant(s) as well as the disposal costs. The discounted-cash-flow method used for measurement also requires the application of an adequate interest rate. Please see Note (13) for further disclosures.

Valuation of property, plant and equipment and intangible assets with a limited useful life requires the use of estimates for calculation of the fair value at the time of acquisition, particularly for assets acquired in connection with a business combination. In addition, these assets' expected useful life is to be determined. Calculation of the fair values of the assets and their useful life and the impairment testing in case of indications of impairment are based on judgments made by the management. Please see Notes (11) and (12) for further disclosures.

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

Further judgments may apply in regard to the specification of the necessary parameters for balance-sheet recognition of leases under IFRS 16; in particular, this relates to the determination of the interest rates used for discounting. We refer to the "New Accounting Standards" section in this chapter as well as Note (10).

Measurement of noncurrent assets held for sale requires assumptions regarding their fair value as well as their likely disposal costs. Insofar as (pre-)contractual agreements have already been reached with the purchasers of the relevant assets regarding the purchase price, the management will determine fair value on this basis. Please see Note (19) for further disclosures.

Judgments and estimates made by the management may affect the measurement of assets and liabilities and related disclosures as well as the income and expenses reported for the period under review. Due to the currently unforeseeable global effects of the COVID-19 pandemic, these judgments and estimates on the part of the management are subject to an increased level of uncertainty. The actual amounts may differ from the management's judgments and estimates. Changes to these judgments and estimates may have a significant impact on the consolidated financial statements. All of the information available on the expected economic trends and country-specific government countermeasures has been taken into consideration within the scope of updates made to the management's judgments and estimates. This information has also been factored into the analysis of the fair value and recoverability of assets and receivables. Since the pandemic is continuously evolving, it is difficult to predict its duration and the extent of its effects on assets, liabilities, results of operations and cash flows. We have therefore based our underlying estimates and assumptions on our existing knowledge and the best sources of information available to us. We will continue to analyze potential future effects on the measurement of individual assets and liabilities.

Changed Accounting and Valuation Methods

In principle, the accounting and valuation methods used are the same as those used in the previous year.

Deufol has applied IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in this annual report and restated its prior-year figures accordingly; we refer to Note (16).

New Accounting Standards

IFRS Published, Adopted by the EU and Applied for the First Time in the Past Fiscal Year

In the second quarter of 2020, the International Accounting Standards Board published an amendment to IFRS 16 which is intended to grant lessees practical relief for the reporting of rent concessions due to the COVID-19 pandemic. Deufol has opted not to make use of this practical relief for lessees.

IFRS Published, Not Yet Adopted by the EU and Not Yet Applied

In May 2017, the IASB published the standard IFRS 17 “Insurance Contracts”, which is intended to replace the currently applicable standard IFRS 4 for insurance contracts for the insurer. IFRS 17 is mandatorily applicable at the latest for fiscal years beginning on or after January 1, 2023. Deufol has not applied these amendments ahead of time and does not expect them to result in any changes.

In August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”. These amendments relate to financial reporting issues for leases, hedges and other financial instruments as a result of the replacement of existing interest rate benchmarks with alternative, risk-free interest rate benchmarks. These amendments are mandatorily applicable at the latest for fiscal years beginning on or after January 1, 2021. Deufol has not applied these amendments ahead of time and does not expect them to result in any significant changes.

In addition, further standards and interpretations were adopted which are not expected to have any significant impact on the results of operations, financial position or the assets position of the Deufol Group.

Scope of Consolidation

Consolidated Companies

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

	Dec. 31, 2019	Additions	Disposals	Dec. 31, 2020
Consolidated subsidiaries	46	2	2	46
thereof in Germany	17	2	1	18
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
Total	**51**	**2**	**2**	**51**

The following table shows the companies fully consolidated as of December 31, 2020:

Companies fully consolidated as of Dec. 31, 2020

	Country	Equity interest (%)
Deufol Services & IT GmbH, Hofheim am Taunus	Germany	100.0
Deufol Airport Services GmbH, Hofheim am Taunus	Germany	88.0
Deufol time solutions GmbH, Hofheim am Taunus	Germany	100.0
Deufol Industrieverpackungsmittel GmbH, Hofheim am Taunus (incl. subsidiaries)	Germany	100.0
Deufol Packmittelvertriebsgesellschaft mbH, Hofheim am Taunus	Germany	100.0
Deufol CZ Production s. r. o., Cheb	Czech Republic	100.0
Deufol Real Estate GmbH, Hofheim am Taunus (incl. subsidiaries)	Germany	100.0
Deufol Hungary Real Estate Kft, Debrecen	Hungary	100.0
Deufol Immobilien CZ s. r. o., Brno	Czech Republic	100.0
Manamer NV, Antwerp (incl. subsidiary)	Belgium	100.0
Deufol Belgium Real Estate NV, Lier	Belgium	100.0
Deufol Nürnberg GmbH, Nuremberg (incl. subsidiaries)	Germany	100.0
Deufol Südwest GmbH, Frankenthal	Germany	100.0
Deufol Frankfurt GmbH, Frankfurt am Main	Germany	100.0
Deufol West GmbH, Mülheim an der Ruhr	Germany	100.0
Deufol Nord GmbH, Peine	Germany	100.0
Deufol Supply Chain Solutions GmbH, Mülheim an der Ruhr (previously: Deufol Bochum GmbH, Bochum)	Germany	100.0
Deufol Süd GmbH, Neutraubling	Germany	100.0
DTG Verpackungslogistik GmbH, Fellbach	Germany	51.0
Deufol Remscheid GmbH, Remscheid	Germany	100.0
Deufol Rheinland GmbH (previously: DRELU Holzverarbeitung GmbH), Troisdorf	Germany	100.0
Deufol Berlin GmbH, Berlin (incl. subsidiary)	Germany	100.0
Deufol Hamburg GmbH, Hamburg	Germany	100.0

Companies fully consolidated as of Dec. 31, 2020

	Country	Equity interest (%)
Deufol Austria Management GmbH, Ramsau (incl. subsidiaries)	Austria	70.0
Packing Center Terminal Graz Süd GmbH, Werndorf	Austria	70.0
Rieder Kistenproduktion Gesellschaft m. b. H., Ramsau	Austria	69.3
Deufol Austria Pack Center Solutions GmbH, St. Pölten	Austria	70.0
Deufol Austria Supply Chain Solutions GmbH, St. Pölten	Austria	70.0
Deufol Česká republika a. s., Brno	Czech Republic	100.0
Deufol Slovensko s. r. o., Krušovce	Slovak Republic	100.0
Deufol North America Inc., Sunman, Indiana (incl. subsidiaries)	USA	100.0
Deufol Sunman LLC, Richmond, Indiana	USA	100.0
Deufol Charlotte LLC, Charlotte, North Carolina	USA	100.0
Deufol Worldwide Packaging Inc., Sunman, Indiana	USA	100.0
Deufol België NV, Lier (incl. subsidiaries)	Belgium	100.0
Deufol Technics NV, Houthalen	Belgium	100.0
Deufol Waremme S. A., Waremme	Belgium	100.0
Deufol Waremme Operations S. A., Waremme	Belgium	100.0
Deufol Lier NV, Lier	Belgium	100.0
Deufol Port of Antwerp NV, Antwerp	Belgium	100.0
Deufol Paris SAS, Mitry Mory	France	100.0
Deufol St. Nabord SAS, Saint Nabord (incl. subsidiary)	France	70.0
SCI Immo DLS, Saint Nabord	France	70.0
Deufol Italia S. p. A., Fagnano Olona	Italy	100.0
Deufol Hungary Kft, Debrecen	Hungary	100.0
Deufol South East Asia PTE. LTD., Singapore	Singapore	100.0

Investments Accounted for Using the Equity Method

The following companies were included in the consolidated financial statements using the equity method:

Companies accounted for using the equity method as of Dec. 31, 2020

	Country	Equity interest (%)*
SIV Siegerländer Industrieverpackungs GmbH, Kreuztal	Germany	50.0
Deutsche Tailleur Bielefeld GmbH & Co. KG, Bielefeld	Germany	30.0
Mantel Industrieverpackung GmbH i. L., Stockstadt	Germany	50.0
Deufol Meilink Asia Pacific PTE. LTD., Singapore	Singapore	50.0
Deufol Meilink (Yantai) Packaging Co. LTD, Yantai	China	50.0

* Attributable to the relevant parent

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

Deufol SE holds at least 20 % of the shares in the following companies:

Company's name and registered office	Country	Equity interest (%)	Equity in € thousand	Result for the fiscal year in € thousand
Deutsche Tailleur Bielefeld Beteiligungs GmbH, Bielefeld	Germany	30.00	81	3

Acquisitions and Newly Established Companies

Under a share purchase agreement of March 12, 2020, Deufol SE acquired all of the shares in Mainsee 1271. V V GmbH, a shell company with subscribed capital of € 25 thousand. The company was subsequently renamed Deufol Industrieverpackungsmittel GmbH and its share capital increased to € 50 thousand. The purpose of the company is the manufacturing and distribution of packaging and the holding of equity investments; in this capacity, the company operates as the parent company of the subgroup where production and distribution of packaging will be pooled in future.

Moreover, by virtue of a resolution of March 12, 2020, Deufol Industrieverpackungsmittel GmbH established Deufol Packmittelvertriebsgesellschaft mbH as a wholly owned subsidiary with subscribed capital of € 25 thousand; the entry in the commercial register was made on August 4, 2020. The company's business activities comprise the trading and distribution of packaging via over-the-counter retail as well as online stores.

Both of these companies have been fully consolidated since March 2020; they had not yet commenced business in the year under review.

Mergers

Deufol Rhein-Main GmbH was merged with Deufol Südwest GmbH, Frankenthal, with retrospective effect as of January 1, 2020. This transaction did not have any impact in relation to the Group.

Sales

With economic effect as of June 30, 2020, Deufol Nürnberg GmbH sold all of the shares in Deufol (Suzhou) Packaging Co. LTD, Suzhou/China, to a non-Group buyer. Control passed to the purchaser on this date. The company was deconsolidated on June 30, 2020. Overall, this sale and deconsolidation resulted in a net disposal gain of €219 thousand. In the first half of 2020, the company achieved sales of €716 thousand and a result of –€404 thousand.

The assets and liabilities deconsolidated as a result of these sales are shown in the following table:

Figures in € thousand	Jun. 30, 2020
Noncurrent assets	72
Current assets	1,127
Total assets	**1,199**
Noncurrent liabilities	0
Current liabilities	–758
Total liabilities	**–758**
Net assets	441
Net gain on disposal of shares	219
Proceeds from sale of shares	660
Less sales proceeds not yet paid	–548
Less disposal of cash and cash equivalents	–161
Cash outflow	–49

Consolidated Income Statement Disclosures

01 Sales

Sales mainly result from the provision of services and, to a lesser extent, from rents. Sales include rental income from investment properties in the amount of € 992 thousand (previous year: € 986 thousand). We refer to the segment reporting on pages ▶ 097 ff. for further information on sales.

02 Other Operating Income

The following table shows the breakdown of other operating income:

Figures in € thousand	2020	2019
Release of provisions and liabilities	2,702	1,664
Release of valuation adjustments on receivables	580	2,286
Income from the fair-value adjustment of investment property	145	2,852
Insurance compensation and other indemnification	1,878	2,989
Income from disposal of fixed assets	4,179	249
Income from deconsolidation	219	0
Exchange-rate gains	964	545
Other	2,531	2,526
Total	**13,198**	**13,111**

The release of provisions and liabilities comprises, in particular, the release of a provision made for litigation costs for Deufol SE which was no longer required.

The income from the disposal of fixed assets mainly comprises the sale of a property in Belgium. We refer to the disclosures on tax proceeds and expenses in Note (07) for further information on income.

The income from deconsolidation is associated with the termination of an investment in China and its changeover to a franchise model.

03 Cost of Materials

The cost of materials includes the following expenses:

Figures in € thousand	2020	2019
Expenses for raw materials, consumables and supplies	42,966	56,077
Cost of purchased services	36,576	43,240
Total	**79,542**	**99,317**

04 Personnel Costs

The personnel costs include the following expenses:

Figures in € thousand	2020	2019
Wages and salaries	62,501	70,417
Social security contributions and employee benefits	17,620	20,065
Total	**80,121**	**90,482**

Number of employees by region:

Number of employees by region	2020	2019
Germany	1,303	1,415
Rest of Europe	642	647
USA/Rest of the World	106	123
Group employees	**2,029**	**2,185**

On average, the Group had 2,029 employees in 2020, of whom 612 were office employees and 1,417 industrial employees. The holding had 78 employees on average (previous year: 82). As of the reporting date, December 31, 2020, the Group had 2,008 employees (previous year: 2,170).

05 Other Operating Expenses

The following table shows the breakdown of other operating expenses:

Figures in € thousand	2020	2019
Rental and lease expenses	5,132	7,341
Space costs	5,524	6,209
Maintenance costs	2,963	2,576
Legal and consulting costs	5,228	3,880
Insurance premiums	2,793	2,389
IT and communications costs	1,669	2,558
Vehicle fleet costs	3,269	3,646
Expenses for loss or damage incurred	2,130	1,930
Expenses for tools and fuel	378	433
Personnel expenses	844	961
Travel expenses and advertising costs	1,108	2,044
Losses on disposal of fixed assets	265	28
Currency losses	1,679	581
Valuation adjustments and losses on receivables	818	3,173
Other	5,178	5,162
Total	**38,978**	**42,911**

In fiscal year 2020, government grants of approx. € 55 thousand (previous year: € 74 thousand) were received in connection with the establishment of our new plant in Hungary, in order to cover expenses incurred, which were deducted from other operating expenses. A further € 21 thousand (previous year: € 0) was deducted from depreciation and amortization.

The Group auditor’s overall fees for the fiscal year amounted to € 234 thousand (previous year: € 187 thousand) for audits of financial statements, € 110 thousand (previous year: € 147 thousand) for tax consulting services and € 13 thousand (previous year: € 24 thousand) for other services.

06 Financial Result

The financial result can be broken down as follows:

Figures in € thousand	2020	2019
Financial income	**156**	**555**
Other interest and similar income	156	555
Finance costs	**−3,158**	**−2,900**
from financial liabilities	−1,904	−1,730
from finance leases	−1,029	−845
Accumulation of liabilities and provisions	−210	−187
Other interest and similar expenses	−15	−138
Shares of profits of companies accounted for using the equity method	**134**	**111**
Other financial result	**−132**	**52**
Total	**−3,000**	**−2,182**

07 Tax Proceeds/Expenses

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

Figures in € thousand	2020	2019
Effective income tax expense	**673**	**428**
Germany	328	116
Rest of the World	345	312
Deferred income taxes due to the occurrence or reversal of temporary differences	**1,773**	**523**
Germany	300	−192
Rest of the World	1,473	715
Total	**2,446**	**951**

Deferred tax expenses/proceeds are as follows:

Figures in € thousand	2020	2019
– Recognition of/+ write-down on loss carryforwards	1,034	−682
Valuation of property, plant and equipment	−844	683
Valuation of financial instruments	−39	−65
Valuation of clientele	−192	−192
Valuation of current assets	0	563
Finance leasing	67	76
Tax-free reserves	1,701	0
Other	46	140
Total	**1,773**	**523**

The deferred taxes on tax-free reserves are associated with the sale of real estate in Belgium in the year under review. Under Belgian tax law, in the case of corporations disposal gains on fixed assets may be transferred to a tax-free investment reserve provided that they are then promptly reinvested.

As of December 31, 2020, deferred taxes were calculated for German companies with an overall tax rate of 28.62 % (previous year: 29.90 %). The relevant national tax rate applies for the deferred taxes of companies outside Germany.

The following table shows the reconciliation between the expected and reported income tax expense for the Group, subject to the 28.62 % (previous year: 29.90 %) income tax rate for Deufol SE:

Figures in € thousand	2020	2019
Earnings before taxes	3,301	3,937
Income tax rate of the Deufol Group as %	28.62	29.9
Expected tax expense	**945**	**1,177**
Effect of different tax rates	−13	55
Use of previously unconsidered tax losses	−88	−806
Write-down on loss carryforwards recognized to date	1,463	711
Effect of tax-exempt income	−114	−558
Effect of expenses not deductible for tax purposes	234	525
Prior-period tax effects	54	−240
Other	−35	87
Effects of tax-rate changes	0	0
Income taxes	**2,446**	**951**
Effective tax rate (%)	**74.10**	**24.16**

Deferred tax assets can be broken down as follows:

Figures in € thousand	2020	2019
Tax loss carryforwards	6,288	7,153
Supplementary capital for tax purposes	15	26
Clientele	283	291
Property, plant and equipment	688	917
Provisions for pensions	95	66
Other	590	659
Deferred tax assets	**7,959**	**9,112**
Offset against deferred tax liabilities	0	0
Total	**7,959**	**9,112**

Of the deferred tax assets, € 4,463 thousand (previous year: € 4,842 thousand) relates to domestic Group companies. Domestic tax loss carryforwards may be carried forward for an unlimited duration, but domestic earnings are subject to a minimum level of taxation. As of December 31, 2020, corporate income tax loss carryforwards amounted to € 46.8 million (previous year: € 50.1 million). Of this amount, € 46.8 million (previous year: € 50.1 million) may be carried forward for an unlimited duration. The trade tax loss carryforwards of German Group companies amount to € 29.3 million (previous year: € 39.3 million). Temporary differences relating to shares in subsidiaries for which no deferred taxes have been shown in the balance sheet total € 29.4 million (previous year: € 23.9 million).

Deferred tax liabilities can be broken down as follows:

Figures in € thousand	2020	2019
Property, plant and equipment	4,240	5,178
Leases	941	874
Clientele	638	813
Tax-free reserves	1,701	0
Other	322	351
Deferred tax liabilities	**7,842**	**7,216**
Offset against deferred tax assets	0	0
Total	**7,842**	**7,216**

08 Profit/Loss Attributable to Noncontrolling Interests

The consolidated net profit attributable to noncontrolling interests primarily consists of profit shares attributable to companies in the Deufol Nürnberg Group as well as the Deufol België Group.

09 Earnings per Share

Income Figures in € thousand	2020	2019*
Result attributable to the holders of Deufol SE common stock	1,097	2,954
Shares in circulation Figures in units		
Weighted average number of shares	43,104,480	42,889,068
Earnings per share Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	0.026	0.069

* Restated in accordance with IAS 8; we refer to Note (16).

Consolidated Balance Sheet Disclosures

10 Leases

The Deufol Group accounts for leases in accordance with the IFRS 16 requirements. The lease liability must be recognized at the present value of the outstanding lease payments. The present value calculation is based on incremental borrowing rates from 2020. The average interest rate here in the Deufol Group was – depending on the maturity – 2.01 % or 2.35 % for real estate and 2.35 % for movables.

As a lessee, Deufol has mainly entered into agreements for warehouse and office space, vehicles and operating and office equipment. Leases are individually negotiated and their provisions vary in relation to extension, termination or purchase options, etc. In addition, in several cases price-adjustment clauses apply which are based on standard indexes.

Leases of land and buildings have an average term of ten years. As of the balance sheet date, their average remaining term is slightly less than three years. On the whole, leases for assets other than land and buildings have an average term of three years.

The following rights of use for leasing assets have been reported in property, plant and equipment:

Figures in € thousand	Dec. 31, 2020	Dec. 31, 2019
Land, land rights and buildings	30,089	25,736
Technical equipment and machinery	300	257
Operating and office equipment	2,780	4,315
Total	**33,169**	30,308

In fiscal year 2020, additions of rights of use for leasing assets were recognized in the amount of € 19,001 thousand (previous year: € 8,770 thousand).

Depreciation of rights of use for leasing assets in fiscal year 2020 relates to the following groups of assets:

Figures in € thousand	2020	2019
Land, land rights and buildings	12,865	11,222
Technical equipment and machinery	99	97
Operating and office equipment	3,273	3,717
Total	**16,237**	15,036

Moreover, the following items were recognized in the income statement in fiscal year 2020 in connection with leases for which Deufol is a lessee:

Figures in € thousand	Dec. 31, 2020	Dec. 31, 2019
Interest expenses for leases	−1,029	−845
Expenses for short-term leases with a term of more than one month and not more than 12 months	−5,132	−7,121
Expenses for leases of low-value assets (excl. short-term leases)	0	0
Expenses for variable lease payments not included in the measurement of the lease liability	−154	−220
Income from subleasing of rights of use for leasing assets	60	68
Gains and losses from sale and lease-back transactions	0	0
Total	−6,255	−8,118

Cash outflows associated with Deufol's activities as a lessee amounted to € 21,895 thousand in 2020 (previous year: € 27,985 thousand).

As of December 31, 2020, obligations not reported in the balance sheet for short-term leases which had not yet begun as of the balance sheet date were of minor numerical significance. The same is true of leases already entered into as of the balance sheet date which will begin after December 31, 2020 and are not short-term leases.

The outstanding lease payments reported under current and noncurrent financial liabilities have the following maturities:

	2020				2019			
		thereof with a remaining maturity of				thereof with a remaining maturity of		
Figures in € thousand	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities under financial leases	34,575	13,686	17,103	3,786	32,585	14,789	16,063	1,733

As of December 31, 2020, the future (non-discounted) minimum payments under non-terminable rental agreements and leases amounted to a total of € 45,640 thousand, of which € 13,840 thousand with a remaining term of one year, € 17,956 thousand with a remaining term of between one and five years and € 13,844 thousand with a remaining term of more than five years.

11 Property, Plant and Equipment

In respect of the leased assets included in property, plant and equipment, we refer to the previous section, 10 "Leases".

In the past fiscal year, as in the previous year, no impairment was recognized on property, plant and equipment.

In the previous year, due to their classification as noncurrent assets held for sale according to IFRS 5, several assets previously reported under land and buildings were reclassified accordingly; we refer to Note (13) for further details.

In fiscal year 2020, Deufol received government grants of approx. € 3,002 thousand in connection with the establishment of our new plant in Hungary, which related to land and buildings, technical equipment and machinery as well as assets under construction. The respective amounts were deducted from the costs of acquisition.

12 Intangible Assets

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

The following table shows the breakdown of goodwill by segment:

Figures in € thousand	Germany	Rest of Europe	USA/ Rest of the World	**Total**
Carrying amount as of Jan. 1, 2020	**52,571**	**18,440**	**0**	**71,011**
Additions	0	0	0	0
Disposals	0	0	0	0
Impairments	0	0	0	0
Currency translation adjustments	0	0	0	0
Carrying amount as of Dec. 31, 2020	**52,571**	**18,440**	**0**	**71,011**

In accordance with IAS 36 "Impairment of Assets", goodwill should be tested for impairment at least once a year. In the course of impairment testing, the carrying amount of a cash-generating unit (CGU) is compared with its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

In principle, the lowest level within the Group at which goodwill is monitored for internal management purposes is the level for operating segments as defined by IFRS 8. Accordingly, goodwill is allocated to the operating segments Germany, Rest of Europe and USA/Rest of the World. A full valuation adjustment has been implemented on the goodwill allocated to the USA/Rest of the World segment. In the Rest of Europe segment, the management monitors goodwill by distinguishing between three regionally classified cash-generating units. The recoverable amount corresponds to the value in use and was calculated as the present value of future cash flows.

Future cash flows are determined on the basis of the multiple-year financial plans of the companies included in the scope of consolidation. The concrete planning period in each case is three years. The forecasts contained therein are based on past experience and the expected future segment and market development.

The discount rates before taxes are calculated on the basis of market data. For the Group's individual CGUs, they are between 5.09 % and 5.80 % (previous year: 5.73 % to 6.93 %). The terminal growth rate (1.0 %, previous year: 1.0 %) does not exceed the long-term growth rates for the industry and region in which the cash-generating units operate.

Impairment testing did not identify the need to recognize impairment losses for the CGUs defined above. A modification of the basic assumptions regarding an increase in the discount interest rate by 1.0 percentage points while maintaining the long-term growth rate of 1.0 % would not lead to any need to recognize impairment losses.

13 Investment Property

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

Real estate which is classified in this category is subsequently measured at fair value. Changes in relation to the current carrying amount before subsequent measurement (previous year’s fair value plus subsequent/additional costs less subsequent purchase price reductions) have been recognized through profit or loss in other operating income.

The balance sheet item for the Group’s investment property relates to a commercial property in the Eurozone. The measurement made in the year under review resulted in a restatement of the fair value in the amount of € 0.1 million (previous year: € 2.9 million) which has been reported under other operating income.

Figures in € thousand	2020	2019
As at Jan. 1	**14,345**	**11,493**
Additions through acquisition	0	0
Ongoing production, subsequent purchase costs	0	0
Write-ups due to subsequent measurement at fair value	145	2,852
As at Dec. 31	**14,490**	**14,345**

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

The Group has done its own calculation of the fair value of this property as of December 31, 2020. The internationally recognized discounted-cash-flow method was applied, i.e. anticipation of the future cash flows, discounted to their present value on the balance sheet date. The fair value was determined on the basis of key non-observable input factors (Level 3). The cash flows were calculated according to the rent agreed with the tenant in the contract for the non-terminable basic tenancy period. Since this rent is subject to an index-based annual adjustment, the future development of the relevant index was estimated on the basis of the historical trend. An opinion prepared by an independent real estate expert was referred to in respect of the market rent achievable following this period. The disposal costs deductible from the total present values were also obtained from this opinion. The interest rate of 6.90 % which was required in order to determine the present values of the cash flows was derived from the prime yield indicated in a study of the Belgian real estate market published at the end of 2020, to which a risk premium was added. With regard to the operating costs, in accordance with Annex 23 of the German Valuation Act (BewG) the total costs ratio was initially estimated in accordance with the rent income and, in a second step, then allocated to the tenant and the landlord.

14 Investments Accounted for Using the Equity Method

As of December 31, 2020, the carrying amount of the investments in associates accounted for using the equity method amounts to € 1,462 thousand (previous year: € 1,328 thousand).

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

Assets Figures in € thousand	Dec. 31, 2020	Dec. 31, 2019
Current assets	1,165	1,434
Noncurrent assets	661	801
Total assets	**1,826**	**2,235**
Equity and liabilities Figures in € thousand		
Debt	1,381	1,768
Equity	445	467
Total equity and liabilities	**1,826**	**2,235**
Total sales	4,758	4,633
Total expenses	−4,605	−4,553
Income	**153**	**80**

Unrecognized losses amount to € 36 thousand (previous year: € 32 thousand); cumulative unrecognized losses total € 166 thousand (previous year: € 130 thousand). In the year under review, a valuation adjustment in the amount of € 70 thousand was recognized on an associate accounted for using the equity method.

15 Other Receivables and Other Assets

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

	2020		2019	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes receivable	192	192	218	218
Deferred expenses	1,629	1,629	1,745	1,745
Guarantees	235	235	301	301
Receivables from related parties	383	383	349	349
Compensation	981	0	1,800	0
Insurance refunds	1,568	1,568	1,416	1,416
Receivables from employees/social security authorities	144	144	479	479
Foreign-currency swaps	0	0	56	56
Other	2,195	1,876	1,583	1,314
Total	**7,327**	**6,027**	**7,947**	**5,878**

Consolidated Statement of Changes in Assets in 2020

	Acquisition and production costs								
Figures in € thousand	**Jan. 1, 2020**	Currency differences	Additions	Additions through business combinations	Disposals	Disposals due to company sales	Adjustment of the fair value	Reclassifications	**Dec. 31, 2020**
Property, plant and equipment									
Land, land rights and buildings	52,982	−276	9,642	0	−318	−15	0	5,904	67,919
Technical equipment and machinery	15,307	−257	1,173	0	−1,115	−78	0	284	15,314
Operating and office equipment	27,251	−27	1,087	0	−1,179	−30	0	19	27,121
Assets under construction	7,290	−4	1,489	0	−18	0	0	−6,618	2,139
Leased assets	49,751	−552	19,001	0	−254	−79	0	411	68,278
Investment property	14,345	0	0	0	0	0	145	0	14,490
Total	**166,926**	**−1,116**	**32,392**	**0**	**−2,884**	**−202**	**145**	**0**	**195,261**
Intangible assets									
Patents, licenses, trademarks and similar rights and assets	16,546	−239	126	0	−82	−25	0	0	16,326
Internally generated intangible assets	5,231	0	977	0	−243	0	0	0	5,965
Goodwill	72,408	−1,583	0	0	0	0	0	0	70,825
Total	**94,185**	**−1,822**	**1,103**	**0**	**−325**	**−25**	**0**	**0**	**93,116**
Sum total	**261,111**	**−2,938**	**33,495**	**0**	**−3,209**	**−227**	**145**	**0**	**288,377**

Depreciation, amortization and impairment								Net amounts	
Jan. 1, 2020	Currency differences	Additions	Disposals	Disposals due to company sales	Reversals of impairment losses	Reclassifications	**Dec. 31, 2020**	Dec. 31, 2019	**Dec. 31, 2020**
18,005	−89	2,148	−192	0	0	0	19,872	34,977	48,047
11,779	−190	1,094	−893	−39	0	59	11,810	3,528	3,504
23,743	−23	1,338	−962	−27	0	0	24,069	3,508	3,052
0	0	0	0	0	0	0	0	7,290	2,139
19,443	−243	16,237	−189	−80	0	−59	35,109	30,308	33,169
0	0	0	0	0	0	0	0	14,345	14,490
72,970	**−545**	**20,817**	**−2,236**	**−146**	**0**	**0**	**90,860**	**93,956**	**104,401**
11,797	−188	1,124	−82	−8	0	0	12,643	4,749	3,683
2,560	0	770	−188	0	0	0	3,142	2,671	2,823
1,397	−1,583	0	0	0	0	0	−186	71,011	71,011
15,754	**−1,771**	**1,894**	**−270**	**−8**	**0**	**0**	**15,599**	**78,431**	**77,517**
88,724	**−2,316**	**22,711**	**−2,506**	**−154**	**0**	**0**	**106,459**	**172,387**	**181,918**

Consolidated Statement of Changes in Assets in 2019

Figures in € thousand	Acquisition and production costs Jan. 1, 2019	Currency differences	Additions	Additions through business combinations	Disposals[1]	Disposals due to company sales	Adjustment of the fair value	Reclassifications	Dec. 31, 2019
Property, plant and equipment									
Land, land rights and buildings	57,534	123	1,685	0	−8,343	0	0	1,983	52,982
Technical equipment and machinery	31,127	433	405	0	−16,658	0	0	0	15,307
Operating and office equipment	28,923	55	938	0	−2,675	0	0	10	27,251
Assets under construction	3,066	2	6,539	0	−324	0	0	−1,993	7,290
Leased assets	6,294	13	44,118	0	−674	0	0	0	49,751
Investment property	11,493	0	0	0	0	0	2,852	0	14,345
Total	**138,437**	**626**	**53,685**	**0**	**−28,674**	**0**	**2,852**	**0**	**166,926**
Intangible assets									
Patents, licenses, trademarks and similar rights and assets	18,522	100	74	0	−2,145	0	0	−5	16,546
Internally generated intangible assets	4,357	0	902	0	−33	0	0	5	5,231
Goodwill	72,055	353	0	0	0	0	0	0	72,408
Total	**94,934**	**453**	**976**	**0**	**−2,178**	**0**	**0**	**0**	**94,185**
Sum total	**233,371**	**1,079**	**54,661**	**0**	**−30,852**	**0**	**2,852**	**0**	**261,111**

1) Of the disposals made for the acquisition and production costs, an amount of € 6,079 thousand relates to land and buildings which have been reclassified in accordance with IFRS 5.

Depreciation, amortization and impairment								Net amounts	
Jan. 1, 2019	Currency differences	Additions	Disposals	Disposals due to company sales	Reversals of impairment losses	Reclassifications	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**
19,683	64	2,278	−4,020	0	0	0	18,005	37,851	34,977
26,209	399	1,282	−16,111	0	0	0	11,779	4,918	3,528
24,885	53	1,398	−2,593	0	0	0	23,743	4,038	3,508
0	0	0	0	0	0	0	0	3,066	7,290
5,071	10	15,036	−674	0	0	0	19,443	1,223	30,308
0	0	0	0	0	0	0	0	11,493	14,345
75,848	**526**	**19,994**	**−23,398**	**0**	**0**	**0**	**72,970**	**62,589**	**93,956**
12,442	81	1,299	−2,062	0	37	0	11,797	6,080	4,749
1,853	0	735	−28	0	0	0	2,560	2,504	2,671
1,044	353	0	0	0	0	0	1,397	71,011	71,011
15,339	**434**	**2,034**	**−2,090**	**0**	**37**	**0**	**15,754**	**79,595**	**78,431**
91,187	**960**	**22,028**	**−25,488**	**0**	**37**	**0**	**88,724**	**142,184**	**172,387**

16 Inventories

The following table shows the breakdown of inventories:

Figures in € thousand	2020	2019
Raw materials, consumables and supplies	7,898	8,490
Work in progress	1,176	1,516
Finished products and merchandise	90	112
Total	**9,164**	**10,118**

Correction of Inventories Error in Accordance with IAS 8

An audit of the Group's Austrian subsidiaries carried out by the internal audit department in the first half of 2020 identified significant discrepancies in inventories, which it then concretized by means of a full inventory on June 30, 2020. These discrepancies arose in previous years, but it is not possible to retrospectively allocate them to specific years. Accordingly, the discrepancies determined as of June 30, 2020 were apportioned to previous years on a best estimate basis.

The identification of this error has resulted in a retrospective correction in accordance with IAS 8.41 ff.

Of the total discrepancies determined in the amount of € 1,528 thousand, € 1,447 thousand was attributable to fiscal year 2018 and previous years. The amount restated for fiscal year 2019 amounted to € 81 thousand.

The following table provides an overview of the effects of the corrections made:

Figures in € thousand	Dec. 31, 2018 (as reported)	Correction in accordance with IAS 8	Opening balance sheet Jan. 1, 2019
Inventories	13,308	−1,447	11,861
Other current and noncurrent assets	220,172	0	220,172
Total assets	**233,480**	**−1,447**	**232,033**
Profit brought forward	−48,828	−867	−49,695
Other equity attributable to the shareholders of Deufol	160,447	0	160,447
Noncontrolling equity interests	1,980	−580	1,400
Current and noncurrent liabilities	119,881	0	119,881
Total equity and liabilities	**233,480**	**−1,447**	**232,033**

The following restatements have been made for the consolidated income statement for fiscal year 2019:

Figures in € thousand	**2019** (as reported)	Correction in accordance with IAS 8	2019 after correction
Inventory changes	−236	−53	−289
Other income	261,146	0	261,146
Overall operating performance	**260,910**	**−53**	**260,857**
Cost of materials	−99,289	−28	−99,317
Other expenses	−155,421	0	−155,421
Income (loss) from operating activities (EBIT)	6,200	−81	6,119
Financial result	−2,182	0	−2,182
Profit (loss) before taxes (EBT)	4,018	−81	3,937
Income taxes	−951	0	−951
Result for the period	3,067	−81	2,986
thereof share of profits held by noncontrolling interests	64	−32	32
thereof share of profits held by shareholders in the parent company	3,003	−49	2,954
Earnings per share, basic and diluted, based on the income (loss) attributable to common shareholders of Deufol SE	0.070	−0.001	0.069

The balance sheet as of December 31, 2019 includes the following restatements:

Figures in € thousand	**Dec. 31, 2019** (as reported)	Correction in accordance with IAS 8	Opening balance sheet Jan. 1, 2020
Inventories	11,646	−1,528	10,118
Other current and noncurrent assets	257,794	0	257,794
Total assets	**269,440**	**−1,528**	**267,912**
Profit brought forward	−49,712	−916	−50,628
Other equity attributable to the shareholders of Deufol	162,495	0	162,495
Noncontrolling equity interests	1,760	−612	1,148
Current and noncurrent liabilities	154,897	0	154,897
Total equity and liabilities	**269,440**	**−1,528**	**267,912**

17 Trade Receivables

Trade receivables are as follows:

Figures in € thousand	2020	2019
Trade receivables	29,177	32,097
Valuation adjustments	−3,471	−2,891
Trade receivables, net	**25,706**	**29,206**

Trade receivables from related parties amount to € 25 thousand (previous year: € 25 thousand).

As of December 31, 2020, the age structure of the trade receivables was as follows:

Figures in € thousand	Total	Neither overdue nor value-impaired	Overdue, but not value-impaired				
			< 30 days	30 – 60 days	61 – 90 days	91 – 180 days	> 180 days
2020	**25,706**	**17,954**	**4,303**	**1,164**	**904**	**389**	**992**
2019	29,206	19,913	3,734	1,677	1,177	1,221	1,484

The breakdown by impairment rates is as follows:

Figures in € thousand	Not subject to specific valuation allowance, not overdue	Receivables not subject to specific valuation allowance, overdue					Receivables subject to specific valuation allowance	**Total 2020**
		< 30 days	30 – 60 days	61 – 90 days	91 – 180 days	> 180 days		
Gross carrying amount	17,502	4,195	1,135	881	379	967	4,118	**29,177**
Expected loss ratios	0–1 %	0–1 %	1–2 %	1–2 %	2–5 %	5–10 %	—	
Loss allowance	175	42	23	18	19	97	3,097	**3,471**

Figures in € thousand	Not subject to specific valuation allowance, not overdue	Receivables not subject to specific valuation allowance, overdue					Receivables subject to specific valuation allowance	**Total 2019**
		< 30 days	30 – 60 days	61 – 90 days	91 – 180 days	> 180 days		
Gross carrying amount	19,645	3,684	1,654	1,161	1,205	1,464	3,284	**32,097**
Expected loss ratios	0–1 %	0–1 %	1–2 %	1–2 %	2–5 %	5–10 %	—	
Loss allowance	195	37	25	17	36	117	2,463	**2,891**

In respect of the receivables which are neither value-impaired nor overdue, as of the reporting date there are no indications that the debtors will be unable to meet their payment obligations.

The following table shows the development of valuation adjustments on trade receivables:

Figures in € thousand	2020	2019
Valuation adjustments at start of period	**2,891**	**4,075**
Currency differences	10	8
Changes to scope of consolidation	0	0
Addition	2,186	497
Utilization	−1,036	−1,203
Reversal	−580	−486
Valuation adjustments at end of period	**3,471**	**2,891**

18 Cash and Cash Equivalents

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

Figures in € thousand	2020	2019
Cash on hand	43	47
Bank balances	31,306	31,580
Total	**31,349**	**31,627**

There are no restrictions on the amounts reported as cash.

19 Noncurrent Assets Held for Sale

In Belgium, Deufol had access to land on the basis of a license granted by the Belgian authorities. The buildings situated on this land were used for the operating activities of the Deufol Group. Due to an contractual agreement with an external purchaser whose preconditions were fulfilled in September 2019, Deufol undertook to demolish the buildings and to transfer this land in mid-2020.

The assets covered by the purchase agreement were reclassified to the balance sheet item “Noncurrent assets held for sale” as of the reporting date in the previous year. In accordance with the IFRS 5 rules, noncurrent assets classified as held for sale were measured at the lower of their carrying amount and fair value less disposal costs.

The purchase agreement was executed in June 2020 and the disposal generated income in the amount of €3.8 million which was attributable to the “Rest of Europe” segment and was reported under other operating income.

20 Subscribed Capital

As of December 31, 2020, the Subscribed Capital is € 43,773,655 (previous year: € 43,773,655) and is divided up into the same number of no-par-value registered shares.

An amount of € 20,000,000 remained unchanged as Approved Capital as of December 31, 2020 for the issuance of new shares in return for cash contributions or contributions in kind (end of previous year: € 20,000,000). This is based upon the resolution passed by the Annual General Meeting on June 28, 2019 which authorizes the Company to increase the Company's share capital by up to € 20,000,000 in the period up to June 27, 2024.

In accordance with the resolution passed by the Annual General Meeting on June 28, 2017, the Company has been authorized to purchase up to 4,377,365 of its own shares in the period from June 28, 2017 to June 27, 2022; this corresponds to 10 % of the current share capital. This resolution replaced the resolution passed on June 30, 2016.

21 Capital Reserves

The capital reserves, which mainly consist of the premium resulting from the issue of shares plus payments by the shareholders, continued to amount to € 107,329 thousand as of the end of 2020.

22 Retained Earnings

At the end of 2020, retained earnings amount to € 12,825 thousand (previous year: € 11,609 thousand).

In the year under review, an amount of € 1,000 thousand was transferred to retained earnings; we refer to the following comments regarding the appropriation of net profit.

A further increase in retained earnings in the amount of € 216 thousand (previous year: € 244 thousand) resulted due to adjustment effects recognized directly in equity.

23 Treasury Stock

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

Moreover, in fiscal year 2019 120,000 treasury shares were purchased in accordance with section 71 (1) no. 2 AktG. This treasury stock was repurchased for a total of € 126 thousand, amounting to an average cost of € 1.05 per share.

Within the scope of the acquisition of an equity investment by Deufol SE in December 2019, the purchase price was settled in the form of 263,600 treasury shares whose weighted average price amounted to € 0.71 per share.

24 Noncontrolling Equity Interests

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

25 Appropriation of Net Profit

As of the preparation of the single-entity financial statements of Deufol SE as of March 31, 2021, under section 58 AktG the managing directors made an addition to retained earnings in the amount of € 1,000 thousand, out of the Company's net profit for the year.

A proposal will be made to the Annual General Meeting that the remaining net income of Deufol SE for fiscal year 2020 in the amount of € 15,023 thousand (calculated in accordance with the principles of the German Commercial Code – HGB) be carried forward to new account.

26 Financial Liabilities

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

	2020				2019			
		thereof with a remaining maturity of				thereof with a remaining maturity of		
Figures in € thousand	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year	1 to 5 years	over 5 years
Amounts due to banks	68,467	16,663	24,686	27,118	67,693	21,867	35,491	10,335
Liabilities under financial leases	34,575	13,686	17,103	3,786	32,585	14,789	16,063	1,733
Other financial liabilities	0	0	0	0	288	131	157	0
Financial liabilities	**103,042**	**30,349**	**41,789**	**30,904**	**100,566**	**36,787**	**51,711**	**12,068**

Property, plant and equipment in the amount of € 47.7 million (previous year: € 45.1 million) and fully consolidated interests in the amount of € 5.0 million (previous year: € 4.7 million) serve as collateral to secure liabilities to banks and other financial liabilities.

Liabilities to Banks

Short-term and medium-term credit lines of € 41.0 million are available to the Group at various banks (previous year: € 39.4 million). As of December 31, 2020, € 27.5 million (previous year: € 33.0 million) of this had been utilized. The variable-interest loans shown in the balance sheet are subject to standard market interest rate risks. In fiscal year 2020, the average weighted interest rate for short-term loans was 2.29 % (previous year: 2.32 %). The payable credit margins are partially dependent on complying with certain financial ratios (covenants).

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

	2020				2019			
	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)	Currency	Net carrying amount (€ thousand)	Remaining maturity (years)	Effective interest rate (%)
Loans	€	1,945	4	2.62	€	2,380	6	2.62
Loans	€	4,710	3	variable[1]	€	5,570	4	variable[1]
Loans	€	814	4	3.05	€	1,018	5	3.05
Loans	€	500	3	3.95	€	667	4	3.95
Loans	€	12,855	5	1.80	€	14,291	5	1.80
Loans	€	1,024	4	2.41	€	1,275	5	2.41
Loans	€	3,000	6	1.28	€	3,500	7	1.30
Loans	€	3,369	8	1.95	€	4,134	9	1.95
Loans	€	778	10	3.25	€	805	12	3.25
Loans	€	1,050	7	1.38	—	—	—	—
Loans	€	2,850	6	variable[2]	—	—	—	—
Loans	€	4,125	2	variable[3]	—	—	—	—
Loans	€	5,000	11	variable[4]	—	—	—	—

1) 3-month EURIBOR +2.35 % (previous year: 3-month EURIBOR +2.35 %)
2) 3-month EURIBOR zero-floored +1.80 %
3) 3-month EURIBOR zero-floored +1.50 %
4) 3-month EURIBOR zero-floored +2.20 %

There are also further noncurrent amounts due to banks for financing of property, plant and equipment, particularly technical equipment and machinery, in the amount of € 1.6 million (previous year: € 1.1 million).

Liabilities under Financial Leases

We refer to the summarized information regarding leases provided in section 10 of this chapter.

27 Provisions for Pensions

The Deufol Group has both defined-contribution and defined-benefit pension schemes in place. The defined-benefit pension plans include pension obligations as well as noncurrent-benefit entitlements (provisions for other post-employment benefits). Noncurrent-benefit entitlements are recognized in the balance sheet at the Group's Italian and Austrian subsidiaries. The recognized provisions can be broken down as follows:

Figures in € thousand	2020	2019
Provisions for pensions and other post-employment benefits	792	844
Liabilities to pension fund	2,378	2,759
Total	**3,170**	**3,603**

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

	Germany		Austria		Italy	
Figures in %	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate	1.0	1.0	1.0	1.8	0.0	0.4
Turnover rate*	0.0	0.0	0.0	0.0	0.0	0.0
Index-linked salary increase	—	—	2.0	0.0	0.8	1.2
Index-linked pension increase	2.0	2.0	2.0	2.0	2.1	2.4

* No turnover is assumed, since all benefits are vested.

Pension obligations are measured in accordance with the provisions of IAS 19.

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

Figures in € thousand	**2020**	2019
Present value of the obligation at Jan. 1	844	815
Current service cost	9	9
Interest cost	7	25
Pension payments	−66	−80
Actuarial losses	−57	106
Change in the market value of the plan assets	−66	−8
Business combinations, disposals and other items	121	−23
Present value of the obligation/net pension commitment at Dec. 31	**792**	**844**

The market value of the plan assets which relates to German pension obligations amounted to € 386 thousand as of December 31, 2020 (previous year: € 341 thousand).

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

Figures in € thousand	**2020**	2019
Current service cost	9	9
Interest cost	7	25
Total pension expense	**16**	**34**

The expected pension expense for 2021 is € 27 thousand.

In the case of defined-contribution plans, the Deufol Group does not enter into any obligations above and beyond its obligation to pay contributions. In addition, contributions were paid to state pension insurance agencies in the amount of € 3,544 thousand (previous year: € 3,965 thousand).

The Company has carried as a liability in relation to a pension fund an amount of € 2,378 thousand (previous year: € 2,759 thousand) in connection with the closure of its carton business in the USA. No calculations in accordance with IAS 19 are required for this obligation, but it requires repayment over a period of 20 years.

In general, pension payments depend on the period of employment as well as the remuneration paid to the eligible persons as of the occurrence of the covered event.

Sensitivity Analysis

An increase or decrease in the key actuarial assumptions by 0.25 percentage points would have the following effects on the pension obligations as of December 31, 2020:

	Increase of 0.25 percentage points	Decrease of 0.25 percentage points
Interest rate	−38	40
Index-linked salary increase	9	−8
Index-linked pension increase	**37**	**−35**

The sensitivity calculations are based on the average period of the pension obligations calculated on December 31, 2020. The calculations have been made in isolation for the actuarial parameters classified as significant, in order to separately report the effects on the present value of the pension obligations calculated as of December 31, 2020. The sensitivity analysis does not include the obligations to a pension fund in the USA, since these have been frozen and the changes in the actuarial assumptions will not therefore have any effect on the pension obligation.

28 Other Provisions

The following table shows the changes in other provisions:

Figures in € thousand	Jan. 1, 2020	Utilization	Reversal	Addition	Changes in scope of consolidation	Dec. 31, 2020
Guarantee and liability risks	15	0	−15	0	0	0
Litigation risk	2,007	−20	−1,843	156	0	300
Dismantling obligations	14	−14	0	0	0	0
Other risks	445	−96	−6	78	3	424
Total	**2,481**	−130	−1,864	**234**	**3**	**724**

The provisions for legal disputes were made for anticipated claims due to ongoing legal disputes. We refer to our comments on other operating income in Note (02).

The provisions recognized by the Deufol Group are current provisions. More specifically, the outflows are structured as follows, based on when they are expected to be settled:

	Current		Noncurrent		Total	
Figures in € thousand	2020	2019	2020	2019	2020	2019
Guarantee and liability risks	0	0	0	15	0	15
Litigation risk	300	2,007	0	0	300	2,007
Dismantling obligations	0	14	0	0	0	14
Other risks	424	445	0	0	424	445
Total	**724**	**2,466**	**0**	**15**	**724**	**2,481**

29 Other Liabilities

Other liabilities can be broken down as follows:

	2020		2019	
Figures in € thousand	Total	Current	Total	Current
Value-added tax and other taxes payable	4,073	4,073	2,154	2,154
Social security liabilities	1,629	1,629	1,264	1,264
Liabilities to employees relating to wages and salaries	5,511	5,511	6,570	6,570
Other liabilities to employees	0	0	45	0
Deferred income	372	372	1,075	1,075
Other	2,287	2,256	2,850	2,012
Total	**13,872**	**13,841**	**13,958**	**13,075**

30 Trade Payables

Trade payables amount to € 24,170 thousand (previous year: € 25,984 thousand) and all have a remaining term of less than one year. This includes liabilities for trade payables that have not yet been invoiced in the amount of € 5,098 thousand (previous year: € 4,170 thousand).

Consolidated Cash Flow Statement Disclosures

The consolidated cash flow statement is prepared in accordance with IAS 7. It shows the origin and appropriation of the money flows in fiscal years 2020 and 2019. It is of key significance for an assessment of the financial position of the Deufol Group. The cash flow statement distinguishes between cash flows from operating activities, investing activities and financing activities.

The cash and cash equivalents reported in the cash flow statement correspond to the "Cash and cash equivalents" item in the balance sheet and comprise cash on hand, checks and immediately available bank balances with an original maturity of up to three months. Please see Note (18) for the breakdown of cash and cash equivalents.

The cash flow from investing activities and the cash flow from financing activities are both calculated directly. In contrast, the cash flow from operating activities is derived using the indirect method.

31 Cash Flow From Operating Activities

In fiscal year 2020, operating activities provided net cash of € 25.4 million (previous year: € 23.6 million). In the previous year, first-time adoption of IFRS 16 had a positive effect on operating cash flow, since the expenses for leases were no longer recognized in the operating result.

32 Acquisitions and Sales

We refer to page ▶ 063 in relation to acquisitions, formations and sales.

33 Cash Flow From Investing Activities

In the past fiscal year, a € 5.7 million (previous year: € 8.7 million) outflow of funds from investing activities resulted. Investments in intangible assets and property, plant and equipment amounted to € 14.5 million, while an inflow of funds in the amount of € 8.7 million resulted from the disposal of intangible assets and property, plant and equipment. The interest received amounted to € 0.1 million.

34 Cash Flow From Financing Activities

In the past fiscal year, a € 19.2 million (previous year: € 13.1 million) outflow of funds from financing activities resulted. Cash outflows due to the extinction of other financial liabilities amounted to € 17.0 million (previous year: € 15.1 million); the interest paid totaled € 3.1 million (previous year: € 2.9 million). In addition, the Group received cash due to bank borrowings in the amount of € 0.9 million (previous year: € 7.7 million).

The adjustments to reconcile financial liabilities to the cash flow from financing activities in fiscal year 2020 are shown below:

Figures in € thousand	Dec. 31, 2019	Cash-effective	Noncash-effective: Changes in the scope of consolidation	Noncash-effective: Currency translation adjustments	Noncash-effective: IFRS 16	Noncash-effective: Other	Noncash-effective: Changes in fair value	Dec. 31, 2020
Noncurrent financial liabilities	63,779	5,706	0	−301	3,509	0	0	72,693
Current financial liabilities	36,787	−21,780	0	−150	15,492	0	0	30,349

35 Change in Cash and Cash Equivalents

The cash and cash equivalents balance decreased by € 0.3 million, from € 31.6 million to € 31.3 million. Net financial indebtedness – defined as financial liabilities less the Group’s financial receivables and cash and cash equivalents – increased by € 2.7 million to € 71.3 million.

Other Disclosures

36 Contingencies and Contingent Liabilities

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

We examine legal disputes and administrative procedures on an individual basis. We evaluate the possible outcomes of such legal disputes on the basis of the information we have received and in consultation with our lawyers and tax advisers. Where we are of the opinion that an obligation will probably lead to future fund outflows, we carry as a liability the present value of the expected fund outflows where these are deemed to be reliably measurable. Legal disputes and tax affairs present complex issues and are associated with a large number of uncertainties and difficulties, including the facts and circumstances of the individual case and the authority involved.

In connection with the construction of its new plant in Hungary, in fiscal year 2019 Deufol had begun to make extensive investments in property, plant and equipment, particularly in land and buildings as well as technical equipment and machinery. These investments are partially supported through government subsidies under a funding agreement. Following the investment phase which is expected to end in late 2021, for the initial support phase certain conditions must be met for a 6-year monitoring phase. If these conditions are not met or are not met in full, the return of the subsidy may be required either in whole or in part. Deufol SE has provided the Hungarian government with a guarantee covering the possibility of (partial) repayment of this funding.

37 Contingent Assets

There were no contingent assets in the year under review such as might have a significant financial impact on the Deufol Group.

38 Capital Management Disclosures

In principle, Deufol’s goal is to secure its equity capital base on a long-term basis. A Group equity ratio in excess of 40 % is aimed for. As of December 31, 2020, the Group’s equity ratio was 42.4 % (previous year: 42.2 %). The equity ratio thereby functions merely as a passive management criterion, with sales and the operating result (EBIT) being used as active management variables.

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

39 Financial Risk Management

The Deufol Group is exposed to various financial risks in its normal business activities. These include, in particular, market risks (currency risk, interest risk and goods price risk), the risk of nonpayment and the liquidity risk. The Deufol Group uses a standardized, Group-wide risk management system to manage these risks. The aim is to establish an operating routine based on actions, and therefore on constant risk minimization. Within the Deufol Group, derivative financial instruments are used exclusively for risk reduction purposes.

Currency Risks

The currency risk is the risk of the fair value or future cash flows of a financial instrument being subject to change due to exchange-rate fluctuations. Overall, the risks resulting from the change in exchange rates are of minor significance for the operating activities of the Deufol Group. The main effect on the Group's assets position resulted from the translation of the American companies' US-dollar-denominated financial statements into the reporting currency euro. If the euro were 10 % stronger (weaker) against the US dollar, the earnings of the Group would have been € 36 thousand higher (lower) and in the previous year € 26 thousand higher (lower). The balancing item in equity would have been € 3 thousand higher (lower) and in the previous year € 0 thousand higher (lower).

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

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

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

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

Currency risks arising from the planned operating exposure are partly hedged by means of forward exchange transactions. These are recognized in the balance sheet as cash flow hedges.

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

The Group has the following forward exchange contracts:

Figures in € thousand	2020			2019		
	Maturity			Maturity		
	up to 1 year	over 1 year	Total	up to 1 year	over 1 year	Total
Forward exchange contracts	−2	0	−2	52	4	56
Notional amount	650	0	650	11,845	650	12,495
Average forward rate EUR/CZK	26.1727	0	26.1727	25.7904	26.1727	25.8103

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

Carrying amounts/fair values of the hedging instruments used for hedge accounting Figures in € thousand	Dec. 31, 2020	Dec. 31, 2019
Noncurrent financial assets	1	0
Current financial assets	0	56
Noncurrent financial liabilities	0	17
Current financial liabilities	2	0

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

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

Figures in € thousand	2020	2019
Balance at Jan. 1	72	262
Profits or losses (after taxes) from effective hedges recognized in equity	40	−39
Reclassifications due to the realization of the hedged item	−111	−151
Balance at Dec. 31	**1**	**72**

Interest Rate Risk

The interest rate risk is the risk of the fair value or future cash flows of a financial instrument being subject to fluctuation due to changes in the market interest rate. Businesses may be exposed to this risk through variable-interest and fixed-interest financial instruments.

The Deufol Group holds both fixed-interest and variable-interest financial instruments. If the interest rate level as of December 31, 2020 for variable-interest liabilities had been an average of 100 basis points higher (lower), this would have had an effect on the Group’s interest expense in the approximate amount of €245 thousand (previous year: €379 thousand).

Goods Price Risk

The Group’s key requirements include packaging materials such as wood, foils, screws and cardboard. The purchasing prices for these products may fluctuate, depending on the market situation. It is not always possible to directly pass on fluctuating prices to customers. A goods price risk therefore applies which may influence the Group’s earnings, equity and cash flow situation. To minimize risks outline delivery agreements have been concluded with various suppliers. In addition, some agreements include a stipulation that the cost of materials will be passed on directly, so that no goods price risk applies in the case of these agreements.

Credit Risk (Nonpayment Risk)

The Group only enters into business with creditworthy third parties. In almost all cases, customers of the Deufol Group are major industrial companies with good or very good credit standing. In addition, the Group’s receivables are continuously monitored so that the Group is not exposed to any significant default risk. The maximum default risk for trade receivables is limited to their carrying amount. Please see Note (17) for further disclosures.

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

Liquidity Risks

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

The Deufol Group is financed through various regional financing groups. Most financing is provided by means of syndicated borrowing facilities and bilateral bank loans. Local management continuously monitors the liquidity status of consolidated foreign Group companies and regularly notifies the Group’s management of this; the Group’s management handles daily liquidity monitoring and control centrally for the German companies.

The following table shows all the contractually agreed payments for interest and repayment for financial liabilities shown in the balance sheet:

Figures in € thousand	2021	2022 to 2025	after 2025
At December 31, 2020			
Amounts due to banks	17,410	26,155	27,439
Liabilities under financial leases	13,840	17,956	13,844
Other financial liabilities	0	0	0
Trade payables	24,170	0	0
Other liabilities (excl. tax liabilities)	9,768	0	0

Figures in € thousand	2020	2021 to 2024	after 2024
At December 31, 2019			
Amounts due to banks	22,648	37,338	11,792
Liabilities under financial leases	14,953	17,119	2,053
Other financial liabilities	131	157	0
Trade payables	25,984	0	0
Other liabilities (excl. tax liabilities)	10,921	883	0

Further Financial Instruments Disclosures

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

	From subsequent valuation						
Figures in € thousand	From interest	At fair value	Currency translation	Valuation adjustment	From disposal	**2020**	2019
Financial assets measured at amortized cost	156	0	−238	−783	−34	−899	−334
Financial liabilities measured at amortized cost	−2,933	0	−476	0	0	−3,409	−2,727

Valuation of financial instruments

Cash and cash equivalents, trade receivables and other receivables normally have short residual maturities. Accordingly, on the reporting date their carrying amounts approximately correspond to the fair value.

Trade payables and other liabilities generally have short residual maturities. The figures shown in the balance sheet therefore approximately correspond to the fair values.

The fair values of interest-bearing loans and borrowings and lease liabilities are calculated as the present value of the payments associated with the liabilities, with use of market interest rates.

Financial instruments measured at fair value through other comprehensive income relate to derivative currency hedging contracts which have been included in hedge accounting. For the measurement of forward exchange transactions, the cash flows from the forward exchange transaction are discounted to the valuation date, subject to the discount factors currently applicable for the remaining term. The resulting foreign-currency amounts are then translated into euros at the spot rate on the valuation date. The market value is thus determined on the basis of parameters for which quoted prices derived either directly or indirectly are available on an active market (Level 2 of the measurement hierarchy according to IFRS 13).

The fair-value hierarchy levels in accordance with IFRS 7 in conjunction with IFRS 13 are as follows:

Level 1: Quoted market prices for identical assets and liabilities in active markets
Level 2: Information other than quoted market prices which is observable directly (e.g. prices) or indirectly (e.g. derived from prices)
Level 3: Information for assets and liabilities which is not based on observable market data

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

	Balance sheet valuation (IFRS 9)							
				Fair value through OCI				
Figures in € thousand	Fair-value hierarchy	**Carrying amount Dec. 31, 2020**	Amortized cost	Incl. recycling*	Excl. recycling**	Fair value through profit or loss	Valuation according to IFRS 16	**Fair value as of Dec. 31, 2020**
Financial assets								
Cash and cash equivalents	1	31,349	31,349	—	—	—	—	31,349
Trade receivables	2	25,706	25,706	—	—	—	—	25,706
Other receivables	2	7,748	7,748	—	—	—	—	7,748
Investments	3	8	8	—	—	—	—	8
Derivatives used for hedging purposes	2	0	—	—	—	—	—	0
Financial liabilities								
Amounts due to banks	2	68,467	68,467	—	—	—	—	68,467
Trade payables	2	24,170	24,170	—	—	—	—	24,170
Liabilities under financial leases	2	34,575	—	—	—	—	34,575	34,575
Other liabilities	2	13,870	13,870	—	—	—	—	13,870
Derivatives used for hedging purposes	2	2	—	2	—	—	—	2

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

Figures in € thousand	Fair-value hierarchy	Carrying amount Dec. 31, 2019	Balance sheet valuation (IFRS 9)					Fair value as of Dec. 31, 2019
			Amortized cost	Fair value through OCI		Fair value through profit or loss	Valuation acc. IAS 17	
				Incl. recycling*	Excl. recycling**			
Financial assets								
Cash and cash equivalents	1	31,627	31,627	—	—	—	—	31,627
Trade receivables	2	29,206	29,206	—	—	—	—	29,206
Other receivables	2	8,305	8,305	—	—	—	—	8,305
Investments	3	8	8	—	—	—	—	8
Derivatives used for hedging purposes	2	56	—	56	—	—	—	56
Financial liabilities								
Amounts due to banks	2	67,693	67,693	—	—	—	—	67,693
Trade payables	2	25,984	25,984	—	—	—	—	25,984
Liabilities under financial leases	2	32,585	—	—	—	—	32,585	32,585
Other liabilities	2	14,247	14,247	—	—	—	—	14,247

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

Segment Information by Region and Services

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

Its primary reporting format is based on geographical regions which have been grouped for the purpose of corporate management. As the segment result – used for assessment of the business success of the respective segments – the management has calculated the result for the period before taxes, financial income, financial expenses, shares of profits of companies accounted for using the equity method and amortization/impairment of goodwill (EBITA).

The Deufol Group has the following segments for which reporting requirements apply:

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

The Holding segment covers the Group's administrative activities and, in addition to Group management functions, includes support functions such as key account management and corporate communications.

The operating result (EBITA) for the business units is separately monitored by the management in order to make decisions on the allocation of resources and to determine the units' performance. The segments' development is mainly measured with reference to the operating result. As the Deufol Group has a decentralized organizational structure, financial expenses and income and income taxes can be allocated to the individual business segments.

The prices charged between the business segments are determined on the basis of the arm's-length principle.

41 Segment Information by Region

Figures in € thousand	Germany	Rest of Europe	USA/Rest of the World	Holding	Elimina-tion	Group
2020						
External sales	140,106	57,494	16,106	148	0	213,854
Internal sales	19,911	26,097	45	9,115	−55,168	0
Total sales	**160,017**	**83,591**	**16,151**	**9,263**	**−55,168**	**213,854**
EBITA	5,116	7,259	−196	−3,875	−2,003	6,301
Financial income	249	359	9	1,790	−2,251	156
Finance costs	−1,916	−1,351	−434	−1,708	2,251	−3,158
Income (loss) from associates and other equity investments	163	0	31	−60	0	134
Other financial result	0	−132	0	0	0	−132
EBT	3,612	6,135	−591	−3,853	−2,002	3,301
Taxes						−2,446
Result for the period						**855**
Assets	120,525	145,398	42,418	285,740	−327,174	266,907
thereof investments accounted for using the equity method	1,453	0	0	9	0	1,462
Non-allocated assets						
Total assets	**120,525**	**145,398**	**42,418**	**285,740**	**−327,174**	**266,907**
Financial liabilities	48,729	56,308	7,568	71,488	−81,051	103,042
Other debt	37,926	35,509	11,158	13,190	−47,180	50,603
Non-allocated debt						
Total liabilities	**86,655**	**91,817**	**18,726**	**84,678**	**−128,231**	**153,645**
Depreciation, amortization and impairment	12,609	6,172	2,327	1,693	−90	22,711
Investments	13,798	15,628	3,791	1,295	−1,017	33,495
2019						
External sales	152,125	60,436	34,266	234	0	247,061
Internal sales	20,345	28,888	260	10,807	−60,300	0
Total sales	**172,470**	**89,324**	**34,526**	**11,041**	**−60,300**	**247,061**
EBITA	4,829	6,876	−403	−2,710	−2,472	6,120
Financial income	259	262	178	1,842	−1,986	555
Finance costs	−1,754	−951	−567	−1,614	1,986	−2,900
Income (loss) from associates and other equity investments	111	0	0	0	0	111
Other financial result	0	52	0	0	0	52
EBT	3,445	6,238	−792	−2,482	−2,472	3,937
Taxes						−951
Result for the period						**2,986**
Assets	105,599	146,170	53,413	288,484	−325,754	267,912
thereof investments accounted for using the equity method	1,259	0	0	69	0	1,328
Non-allocated assets						
Total assets	**105,599**	**146,170**	**53,413**	**288,484**	**−325,754**	**267,912**
Financial liabilities	44,501	54,403	6,681	74,979	−79,998	100,566
Other debt	32,674	41,989	22,516	14,155	−57,003	54,331
Non-allocated debt						
Total liabilities	**77,175**	**96,392**	**29,197**	**89,134**	**−137,001**	**154,897**
Depreciation, amortization and impairment	11,514	6,630	1,973	1,964	−53	22,028
Investments	27,484	22,589	3,870	2,210	−1,492	54,661

Information on Key Customers

The Deufol Group has two major customers in the Packaging and Logistics service area. In the past fiscal year, the Deufol Group realized € 54.8 million (previous year: € 56.9 million) and € 30.2 million (previous year: 27.0 %) – or approx. 25.6 % and 14.1 %, respectively (previous year: 22.2 % and 10.2 %) – of its total sales with these customers. These customers relate mainly to the Germany segment but are also included in the Rest of Europe and USA / Rest of the World segments.

Further Information on the Segment Reporting

No impairment has been recognized in the current fiscal year.

The Group measures an investment property at fair value. This resulted in a revaluation gain in the amount of € 144 thousand (previous year: € 2,852 thousand), which is included in the EBIT figure for the Rest of Europe segment.

42 Information on Services

In order to further enhance our flexibility in relation to the market's requirements and our customers' needs and due to the decline of the consumer packaging segment, in 2020 we strategically restructured our expertise and have now divided up the services which we provide between four new service areas. Our new service areas are Packaging and Logistics, Production, IT Services and Real Estate and replace our previous service areas Export & Industrial Packaging, Consumer & Data Packaging and Supplementary Services. The comparative figures for 2019 have been restated accordingly.

The following table shows the sales trend by service:

Figures in € thousand	Packaging and Logistics	Production	IT Services	Real Estate	Holding	Elimination	Group
2020							
External sales	198,917	12,193	0	2,205	539	0	213,854
Internal sales	13,485	24,935	6,167	3,119	7,462	−55,168	0
Internal billing	440	9,213	0	0	0	−9,653	0
Total sales	**212,842**	**46,341**	**6,167**	**5,324**	**8,001**	**−64,821**	**213,854**
2019							
External sales	232,867	12,710	0	1,236	248	0	247,061
Internal sales	13,371	30,543	2,902	2,673	10,812	−60,301	0
Internal billing	513	9,106	8	0	0	−9,627	0
Total sales	**246,751**	**52,359**	**2,910**	**3,909**	**11,060**	**−69,928**	**247,061**

43 Events after the Balance Sheet Date

The acquisition of Wallmann & Co. (GmbH & Co. KG) and with it the Wallmann Terminal in Hamburg was a key event after the balance sheet date. This acquisition was realized through a purchase agreement of December 18, 2020 and with economic effect as of January 1, 2021. The purchase price was around € 9 million. This company will be included in the scope of consolidation for the first time as of January 1, 2021. The financial reporting for this business combination is not yet complete as of the date of approval of the financial statements for publication, since the valuation of key assets has not yet been finalized.

The acquisition will bring us new customers and offer our existing customers an even wider range of services in our "one-stop shop". This will provide long-term sales growth. Our acquisition also enabled us to safeguard our presence in Hamburg on a long-term basis, through our own real estate, to concentrate our services at a single location, and to significantly increase our depth of added value.

No further significant events have occurred since the balance sheet date.

Supplementary Disclosures

Disclosures Concerning the Executive Bodies

The Administrative Board – which comprised six non-executive directors and two managing directors as of the end of 2020 – had the following members in the reporting period:

Name and position	
Detlef W. Hübner (Chairman) Appointed until AGM 2021	Managing Director of Deufol SE
Helmut Olivier (Deputy Chairman) Appointed until AGM 2021	Senior Advisor at Balder Capital, London/England
Dennis Hübner Appointed until AGM 2021	Managing Director of Deufol SE
Marc Hübner Appointed until AGM 2021	Head of Business Development of Deufol SE
Holger Bürskens Appointed until AGM 2021	Lawyer and Partner at ARNECKE SIBETH DABELSTEIN Rechtsanwälte Steuerberater Partnerschaftsgesellschaft mbB, Frankfurt am Main
Wulf Matthias Resigned with effect as of July 25, 2020	Financial Advisor at Wulf Matthias Wirtschaftsberatung, Frankfurt am Main
Ewald Kaiser Appointed on June 26, 2020 until AGM 2021	Managing Partner of Corporate Navigator GmbH & Co. KG and Digital Navigators GmbH, Hamburg
Axel Wöltjen Appointed until AGM 2021	Managing Director of A. Wöltjen Consulting GmbH, Wendelstein
Prof. Dr. Rüdiger Grube Appointed until AGM 2021	Chairman Investment Banking Germany at Lazard Ltd. and Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

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

In 2020, Administrative Board compensation totaled € 142 thousand (previous year: € 140 thousand).

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

Name	Departments
Jürgen Hillen	Finance, Treasury, Legal & Compliance, Investor Relations & Communications, Property & Administration, Purchasing, South-East European Expansion
Dennis Hübner (CEO)	Global Supply Chain, Direct Sales, Digital Sales & IT, KAIZEN Services, Human Relations, Procurement, Project Management, International Markets Rest of the World
Detlef W. Hübner	Strategy, Audit
Jürgen Schmid	Strategic Key Account Management – Bottling and Brewery Industry

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

Figures in € thousand	2020	2019
Fixed remuneration	1,431	1,712
Variable remuneration	78	90
Other remuneration	33	30
Total	**1,542**	**1,832**

The managing directors' total remuneration constitutes short-term benefits.

Information in Accordance with Section 264 (3) of the German Commercial Code

The consolidated financial statements of Deufol SE have a discharging effect for the preparation and disclosure of the annual financial statements of the consolidated corporations pursuant to section 264 (3) HGB once the preconditions laid down in these provisions have been fulfilled. The following consolidated companies make use of the exemption provisions:

- Deufol Nürnberg GmbH, Nuremberg
- Deufol Frankfurt GmbH, Frankfurt am Main
- Deufol West GmbH, Mülheim an der Ruhr
- Deufol Süd GmbH, Neutraubling
- Deufol Remscheid GmbH, Remscheid
- Deufol Berlin GmbH, Berlin

Relationships with Related Parties

As well as the companies included in the consolidated financial statements, Deufol SE also has direct or indirect relations with nonconsolidated subsidiaries, associates and joint ventures in the course of its normal business; these relations are indicated in the list of shareholdings. Business relationships with these companies are entered into on an arm's-length basis.

A. Wöltjen Consulting GmbH, Wendelstein, qualifies as a related party since its managing director has been a member of the Administrative Board of Deufol SE since July 2, 2013. In fiscal year 2020, expenses amounted to €3 thousand (previous year: €7 thousand). On December 31, 2020, the Company had liabilities in relation to A. Wöltjen Consulting GmbH in the amount of €0 thousand (previous year: €9 thousand).

ARNECKE SIBETH DABELSTEIN Rechtsanwälte Steuerberater Partnerschaftsgesellschaft mbB, Frankfurt am Main, qualifies as a related party, since a partner has been a member of the Administrative Board of Deufol SE since June 30, 2016. In fiscal year 2020, expenses amounted to €566 thousand (previous year: €363 thousand). On December 31, 2020, the Company had liabilities in relation to ARNECKE SIBETH DABELSTEIN Rechtsanwälte Steuerberater Partnerschaftsgesellschaft mbB in the amount of €97 thousand (previous year: €124 thousand).

Hofgut Liederbach GmbH & Co. KG, Frankfurt am Main, qualifies as a related party, since its two shareholders are members of the Administrative Board of Deufol SE. In fiscal year 2020, expenses amounted to €417 thousand (previous year: €23 thousand). On December 31, 2020, the Company had liabilities to Hofgut Liederbach GmbH & Co. KG in the amount of €2 thousand (previous year: €0 thousand).

Timmerhell GmbH, Hofheim am Taunus, qualifies as a related party, since its two shareholders are members of the Administrative Board of Deufol SE. In fiscal year 2020, expenses amounted to €330 thousand (previous year: €317 thousand). As of December 31, 2020, as in the previous year, there were no receivables from or liabilities to Timmerhell GmbH.

Rüdiger Grube International Business Leadership GmbH, Hamburg, qualifies as a related party since its managing partner has been a member of the Administrative Board of Deufol SE since June 29, 2018. In fiscal year 2020, expenses amounted to €35 thousand (previous year: €0 thousand). On December 31, 2020, the Company had liabilities to Rüdiger Grube International Business Leadership GmbH in the amount of €15 thousand (previous year: €0 thousand).

Corporate Navigator GmbH & Co. KG, Hamburg, qualifies as a related party since its managing partner has been a member of the Administrative Board of Deufol SE since June 26, 2020. In fiscal year 2020, expenses amounted to €4 thousand. On December 31, 2020, the Company had liabilities to Corporate Navigator GmbH & Co. KG in the amount of €5 thousand (previous year: €0 thousand).

The transactions with other related parties also include relationships with companies in which Mr. Detlef W. Hübner holds a majority interest. These transactions did not result in any revenue (previous year: €1 thousand) or expenses (previous year: €0 thousand) in fiscal year 2020. As of December 31, 2020, liabilities to these companies and to Mr. Detlef W. Hübner amounted to €0 thousand (previous year: €24 thousand), while receivables from these companies and from Mr. Detlef W. Hübner amounted to €25 thousand (previous year: €1 thousand).

The following table shows the services performed by the Group for related parties and for the Group by related parties in the past fiscal year:

Figures in € thousand	Associates and other equity investments	Other related parties
2020		
Sales and other income	1,032	0
Expenses	37	1,355
Receivables	422	25
Liabilities	7	118
2019		
Sales and other income	852	1
Expenses	196	710
Receivables	528	1
Liabilities	141	157

Hofheim am Taunus, April 23, 2021

The Managing Directors
Detlef W. Hübner, Dennis Hübner, Jürgen Hillen, Jürgen Schmid

Independent Auditor's Report

Audit Opinions

We have audited the consolidated financial statements of Deufol SE, Hofheim am Taunus, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, including the accounting and valuation methods for the fiscal year from January 1, 2020 to December 31, 2020. We have also audited the Group management report which has been combined with the management report of Deufol SE, Hofheim am Taunus, for the fiscal year from January 1, 2020 to December 31, 2020.

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

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

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315 e (3) HGB and, in accordance with these requirements, give a true and fair view of the assets and financial position of the Group as of December 31, 2020 as well as its results of operations for the fiscal year from January 1, 2020 to December 31, 2020;
- the accompanying combined management report and Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report and Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

We also

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

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

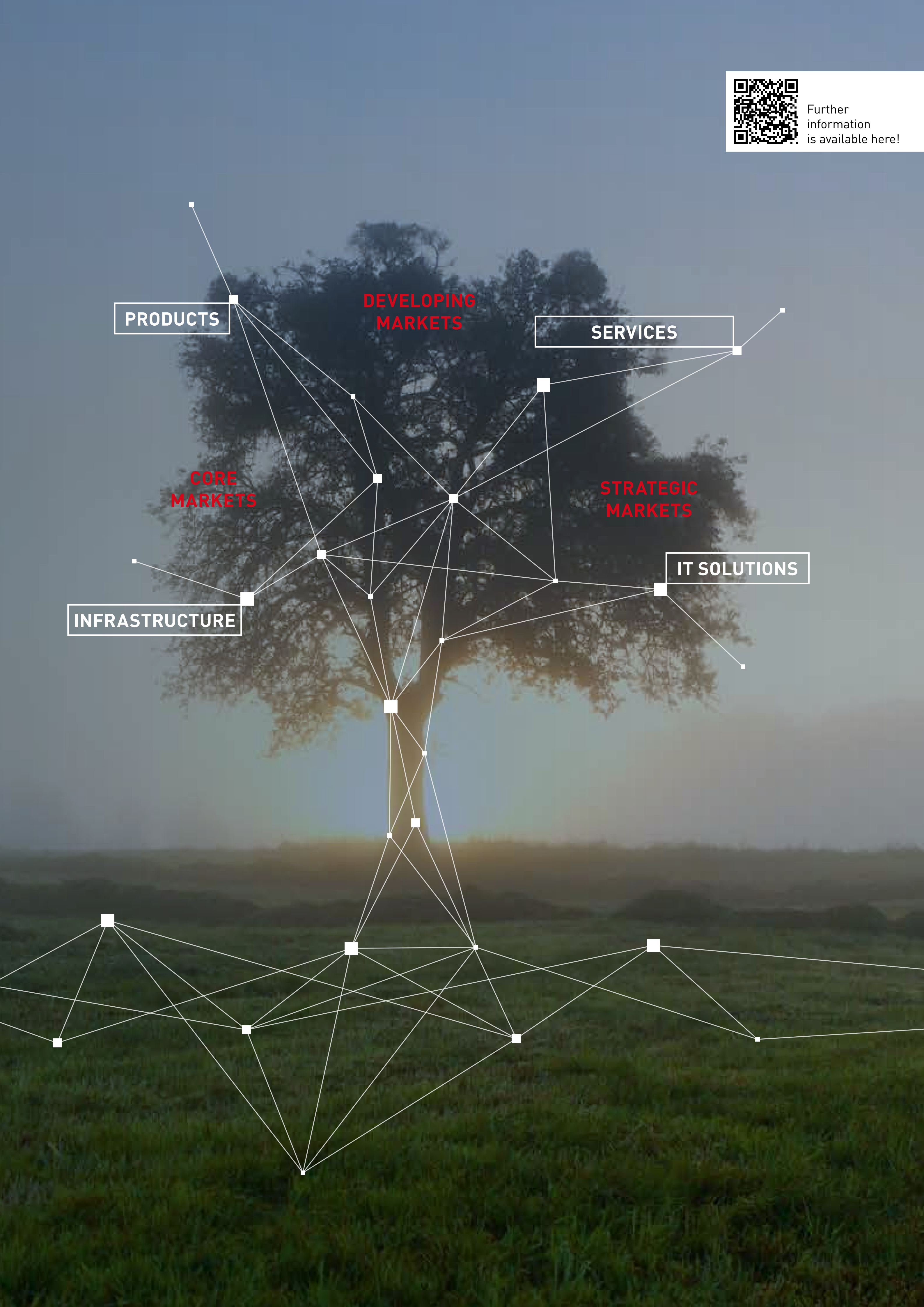
Hofheim am Taunus, April 26, 2021

VOTUM AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Leoff	Lehnert
Certified auditor	Certified auditor

GROWING PERSPECTIVES.

Over the past four decades, we have **grown organically** – and far beyond our original **core markets**. We have opened up additional business fields through our **strategic ongoing development**. In the future, we will continue to constantly seek out **new growth prospects.** As a **market leader** for industrial packaging, we assist our customers with the **management of their logistics processes:** Our products, services, IT solutions and our infrastructure are integrated, ensuring an **all-round service.** We thus also help our customers to achieve their sustainability goals.


Further
information
is available here!
PRODUCTS
DEVELOPING
MARKETS
SERVICES
CORE
MARKETS
STRATEGIC
MARKETS
IT SOLUTIONS
INFRASTRUCTURE

Information on Deufol SE

Income Statement of Deufol SE

Figures in € thousand	2020	2019
1. Sales	**10,193**	**11,041**
2. Other operating income thereof income from currency translation: € 103 thousand (previous year: € 719 thousand)	6,351	11,793
3. Cost of materials Expenses for raw materials, consumables and supplies and for purchased merchandise	−1,262	−1,897
4. Personnel costs a) Wages and salaries b) Social security contributions thereof for old-age provision: € 7 thousand (previous year: € 7 thousand)	−6,174 −724	−6,453 −726
5. Amortization of intangible assets and depreciation of property, plant and equipment	−1,165	−1,305
6. Other operating expenses thereof expenses for currency translation: € 955 thousand (previous year: € 386 thousand)	−11,418	−8,732
7. Income from investments thereof from affiliated companies: € 2,000 thousand (previous year: € 106 thousand)	2,000	106
8. Income due to profit transfer agreements thereof from affiliated companies: € 4,641 thousand (previous year: € 4,539 thousand)	4,641	4,539
9. Other interest and similar income thereof from affiliated companies: € 1,700 thousand (previous year: € 1,497 thousand)	1,790	1,841
10. Write-downs of financial assets	−7	−5,414
11. Interest and similar expenses thereof for affiliated companies: € 465 thousand (previous year: € 386 thousand)	−1,693	−1,586
12. Income taxes	−237	27
13. Earnings after taxes	**2,295**	**3,234**
14. Other taxes	−29	−88
15. Net profit for the year	**2,266**	**3,146**
16. Allocation to retained earnings a) Other revenue reserves	−1,000	−1,500
17. Retained profits brought forward	13,757	12,111
18. Net income for the year	**15,023**	**13,757**

Balance Sheet of Deufol SE

Assets Figures in € thousand	**Dec. 31, 2020**	**Dec. 31, 2019**
A. Fixed assets	**128,109**	**120,684**
I. Intangible assets	2,567	2,726
1. Purchased licenses, trademarks and similar rights and assets as well as licenses for such rights and assets	1,827	2,415
2. Advance payments made	740	311
II. Property, plant and equipment	5,613	6,443
1. Land, land rights and buildings incl. buildings on third-party land	4,719	4,862
2. Technical equipment and machinery	138	193
3. Other equipment, operating and office equipment	756	938
4. Advance payments made and assets under construction	0	450
III. Financial assets	119,929	111,515
1. Shares in affiliated companies	99,823	95,420
2. Loans to affiliated companies	19,792	15,831
3. Investments	189	189
4. Other loans	125	75
B. Current assets	**50,069**	**59,668**
I. Receivables and other assets	36,358	50,684
1. Trade receivables	323	300
2. Receivables from affiliated companies	35,119	49,278
3. Receivables from companies in which a participating interest is held	97	94
4. Other assets	819	1,012
II. Cash in hand, bank balances	13,711	8,984
C. Deferred expenses and accrued income	**234**	**271**
Total assets	**178,412**	**180,623**

Equity and liabilities Figures in € thousand		**Dec. 31, 2020**	**Dec. 31, 2019**
A. Equity		**99,142**	**96,876**
I. Subscribed Capital less nominal amount of treasury stock	43,773 −669	43,104	43,104
II. Capital reserves		28,198	28,198
III. Retained earnings		12,817	11,817
1. Legal reserves		46	46
2. Other revenue reserves		12,771	11,771
IV. Net income for the year thereof retained profits brought forward: € 13,757 thousand (previous year: € 12,111 thousand)		15,023	13,757
B. Provisions		**1,605**	**4,412**
1. Tax provisions		400	886
2. Other provisions		1,205	3,526
C. Liabilities		**77,665**	**79,335**
1. Liabilities to banks		31,904	43,117
2. Trade payables		766	480
3. Liabilities to affiliated companies		40,192	31,025
4. Liabilities to companies in which a participating interest is held		30	29
5. Other liabilities thereof taxes: € 3,292 thousand (previous year: € 1,461 thousand) thereof relating to social security: € 7 thousand (previous year: € 0 thousand)		4,773	4,684
Total equity and liabilities		**178,412**	**180,623**

Significant Equity Investments of Deufol SE

	Equity interest (%)*	Shareholders' equity (€ thousand)	Sales (€ thousand)	Employees
Germany				
Deufol Berlin GmbH, Berlin	100.00	256	7,787	91
Deufol Supply Chain Solutions GmbH (previously Deufol Bochum GmbH), Mülheim an der Ruhr	100.00	71	203	0
Deufol Hamburg GmbH, Hamburg	100.00	1,045	19,133	84
Deufol Real Estate GmbH, Hofheim am Taunus	100.00	5,926	7,211	64
Deufol Nord GmbH, Peine	100.00	–253	8,392	126
Deufol Nürnberg GmbH, Nuremberg	100.00	17,048	4,068	19
Deufol Remscheid GmbH, Remscheid	100.00	330	5,408	20
Deufol Süd GmbH, Neutraubling	100.00	138	44,442	330
Deufol Südwest GmbH, Frankenthal	100.00	3,157	13,146	113
Deufol West GmbH, Mülheim an der Ruhr	100.00	2,177	31,755	233
Deufol Rheinland GmbH (previously DRELU Holzverarbeitung GmbH), Troisdorf	100.00	–655	6,550	45
DTG Verpackungslogistik GmbH, Fellbach	51.02	655	5,787	27
Deufol Industrieverpackungsmittel GmbH, Hofheim am Taunus	100.00	1,620	0	0
Rest of Europe				
Deufol Austria Management GmbH, Ramsau, Austria	70.00	1,844	1,878	17
Deufol Austria Pack Center Solutions GmbH, St. Pölten, Austria	70.00	–548	5,363	13
Deufol Austria Supply Chain Solutions GmbH, St. Pölten, Austria	70.00	–585	4,726	36
Rieder Kistenproduktion Gesellschaft m. b. H., Ramsau nr. Hainfeld, Austria	69.30	–164	9,119	51
Deufol België NV, Lier, Belgium	100.00	11,977	1,151	8
Deufol Waremme S. A., Waremme, Belgium	100.00	6,953	2,294	0
Deufol Waremme Operations S. A., Waremme, Belgium	100.00	1,631	8,530	84
Manamer NV, Antwerp, Belgium	100.00	4,946	949	0
Deufol Lier NV, Lier, Belgium	100.00	525	7,177	54
Deufol Port of Antwerp NV, Antwerp, Belgium	100.00	177	1,729	11
Deufol Česká republika a. s., Brno, Czech Republic	100.00	–9	7,753	110
Deufol CZ Production s. r. o., Cheb, Czech Republic	100.00	73	8,636	75
Deufol Immobilien CZ s. r. o., Brno, Czech Republic	100.00	423	1,057	0
Deufol Italia S. p. A., Fagnano Olona, Italy	100.00	714	10,831	51
Deufol Slovensko s. r. o., Krušovce, Slovakia	100.00	1,637	1,399	30
Deufol Hungary Kft, Debrecen, Hungary	100.00	244	1,810	27
Deufol Hungary Real Estate Kft, Debrecen, Hungary	100.00	535	515	0
USA / Rest of the World				
Deufol Sunman Inc., Richmond, Indiana (USA)	100.00	1,405	5,532	21

* Attributable to the relevant parent

Glossary

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

Asset cover ratio I
Ratio of equity to noncurrent assets

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

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

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

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

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

Days payables outstanding
Ratio of trade payables to revenue

Days sales outstanding
Ratio of trade accounts receivable to revenue

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

EBIT
Earnings before interest and taxes

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

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

EBT
Earnings before taxes

EBTA
Earnings before taxes and amortization/impairment of goodwill

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

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

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

Investment ratio
Ratio of capital expenditure to sales

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

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

Operating cash flow
Cash flow from operating activities

Personnel expense ratio
Ratio of personnel expenses to revenue

Price earnings ratio
Ratio of share price to earnings per share

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

Receivables turnover
Ratio of revenue to trade accounts receivable

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

Consolidated Key Figures – Five-Year Overview

Results of operations	2020	2019*	2018	2017	2016
Sales (€ thousand)	213,854	247,061	265,109	287,728	340,958
Change on previous year (%)	−13.4	−6.8	−7.9	−15.6	5
EBITDA (€ thousand)	29,012	28,148	18,842	18,937	19,237
Margin (%)	13.6	11.4	7.1	6.6	5.6
EBITA (€ thousand)	6,339	6,158	9,849	9,334	9,436
Margin (%)	3.0	2.5	3.7	3.2	2.8
EBT (€ thousand)	3,301	3,937	8,103	7,903	5,736
Margin (%)	1.5	1.6	3.1	2.7	1.7
Income (loss) from continuing operations (€ thousand)	855	2,986	3,760	5,633	4,635
Margin (%)	0.4	1.2	1.4	2	1.4
Net income (€ thousand)	1,097	2,922	4,025	5,215	5,064
Margin (%)	0.5	1.2	1.5	1.8	1.5
Operating cash flow (€ thousand)	29,015	23,625	16,860	12,905	12,001
Margin (%)	13.6	9.6	6.4	4.5	3.5
Free cash flow (€ thousand)	19,728	14,931	16,034	8,932	6,073
Margin (%)	9.2	6.0	6.0	3.1	1.8

Assets position	2020	2019*	2018	2017	2016
Current assets (€ thousand)	74,160	82,940	80,630	80,608	86,575
as % of total assets	27.8	31.0	34.5	35	36.3
Noncurrent assets (€ thousand)	192,747	184,972	152,850	149,757	151,957
as % of total assets	72.2	69.0	65.5	65	63.7
Balance sheet total (€ thousand)	266,907	267,912	233,480	230,365	238,532
Change on previous year (%)	−0.4	15.5	1.4	−3.4	6.2
Liabilities (€ thousand)	153,645	154,897	119,882	118,216	130,423
as % of total assets	57.6	57.8	51.3	51.3	54.7
Shareholders' equity (€ thousand)	113,262	113,015	113,599	112,149	108,109
as % of total assets	42.4	42.2	48.7	48.7	45.3
Working capital (€ thousand)	34,600	40,326	35,220	33,305	28,683
as % of total assets	13.0	15.1	15.1	14.5	12
Capital employed (€ thousand)	203,515	201,503	168,339	178,160	176,878
as % of total assets	76.2	75.2	72.1	77.3	74.2
Noncurrent/current assets	2.60	2.23	1.90	1.86	1.76
Shareholders' equity/liabilities	0.74	0.73	0.95	0.95	0.83
Property, plant and equipment ratio	0.34	0.30	0.22	0.24	0.25
Asset depreciation ratio (%)	50.3	47.9	60.0	62.7	59.6
Inventories/sales (%)	4.3	4.1	5.0	4.3	4.2
Receivables turnover	8.3	8.5	8.1	7.0	7.5
Days sales outstanding	43.9	43.2	44.8	52.4	48.9
Days payables outstanding	41.3	38.4	39.5	36.6	43.2

* Restated in accordance with IAS 8; we refer to Note (16).

Financial and liquidity ratios

	2020	2019*	2018	2017	2016
Capital employed/sales (%)	95.2	81.6	63.5	61.9	51.9
Investment ratio (%)	9.8	8.4	2.4	2.7	7.1
Operating cash flow/investments (%)	200.2	224.1	172.6	137.3	42
Asset cover ratio I (%)	67.1	70.9	86.1	80.7	77.3
Asset cover ratio II (%)	116.6	118.3	107.6	117.6	115.8
Interest cover	2.1	2.3	5.0	4.2	3.4
Cash ratio (%)	44.8	39.8	32.2	26.1	20.2
Acid test (%)	93.0	86.6	73.5	102.2	94.4
Current ratio (%)	106.1	104.5	88.0	120.5	113.2
Financial liabilities/equity (%)	91.1	90.5	57.3	59.1	64
Financial liabilities/capital employed (%)	50.6	49.9	37.9	35.7	37.2
Net financial liabilities/EBITDA	0.78	1.09	1.81	2.81	2.4
Net financial liabilities/market capitalization (%)	199.2	151.4	76.3	90.2	128.5

Productivity ratios

	2020	2019*	2018	2017	2016
Sales per employee (€)	105,405	108,839	112,957	114,768	117,612
EBITDA per employee (€)	14,299	12,400	8,028	7,553	6,636
EBITA per employee (€)	3,124	2,713	4,180	3,723	3,255
Operating cash flow per employee (€)	14,301	10,408	7,184	5,147	4,140
Personnel costs per employee (€)	39,490	39,860	41,900	43,072	38,520
Personnel cost ratio (%)	37.0	37.0	37.1	37.5	32.8

Per-share ratios

	2020	2019*	2018	2017	2016
Earnings per share from continuing operations (€)	0.026	0.069	0.09	0.12	0.118
Earnings per share – EPS (€)	0.026	0.069	0.09	0.12	0.118
Price earnings ratio (PER)	31.9	15.2	11.6	9.5	7.3
Dividend per share (€)	0.00	0.00	0.06	0.06	0
Book value per share (€)	2.62	2.58	2.59	2.51	2.39
Price/book value	0.32	0.41	0.40	0.45	0.36
Book value per share less goodwill (€)	0.98	0.93	0.94	0.85	0.74
Price/book value less goodwill	0.9	1.1	1.2	1.3	1.2

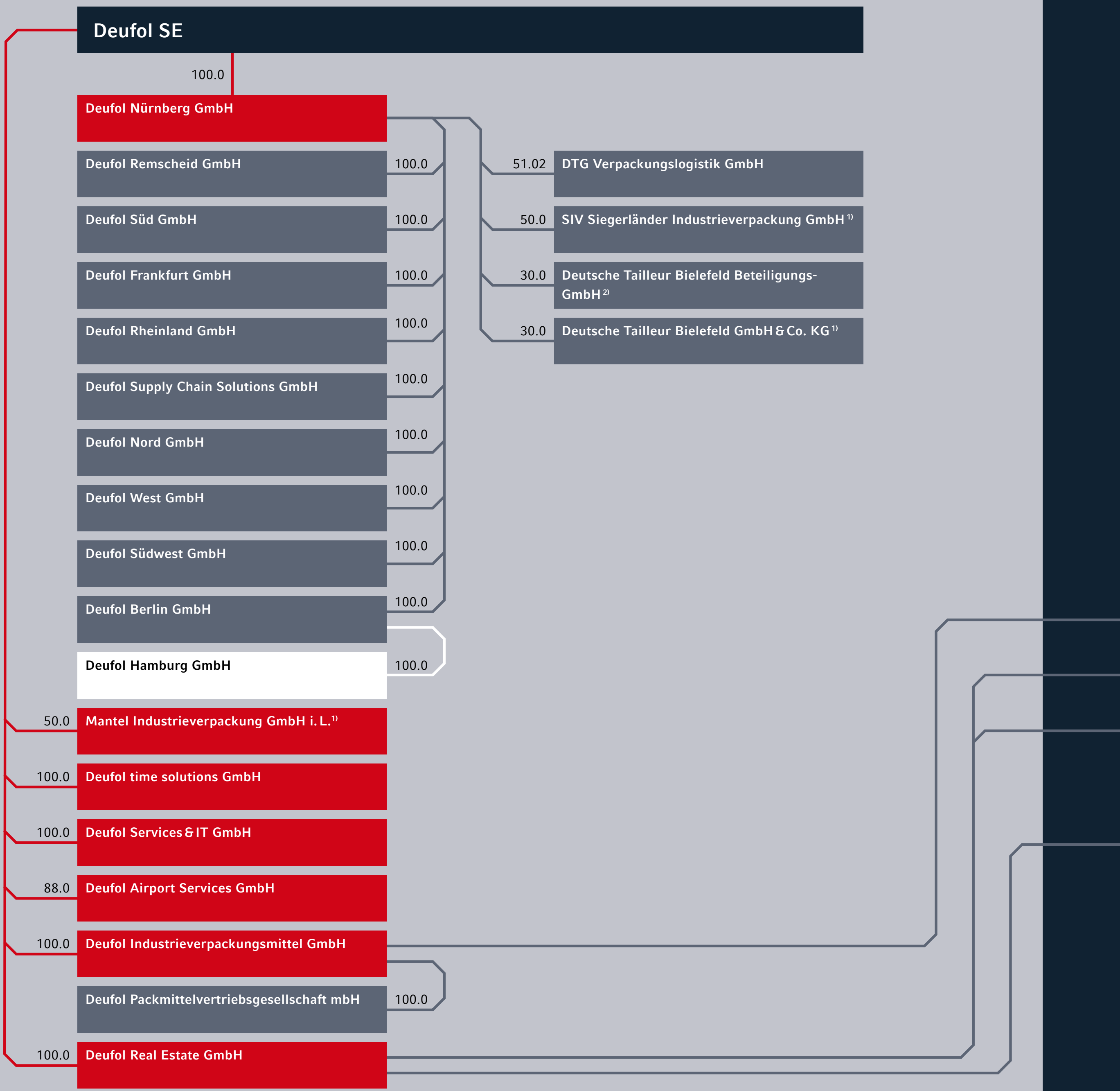
Investment ratios

	2020	2019*	2018	2017	2016
Market capitalization/sales	0.17	0.18	0.17	0.17	0.11
Enterprise value/sales	0.51	0.47	0.31	0.34	0.26
Enterprise value/EBITDA	3.8	4.1	4.3	5.1	4.7
Enterprise value/EBIT	17.3	19.0	8.3	10.5	9.5
Enterprise value/operating cash flow	3.8	4.9	4.5	7.6	7.5
Enterprise value/free cash flow	5.5	7.8	5.0	10.9	14.8

* Restated in accordance with IAS 8; we refer to Note (16).

Operational Investments of Deufol SE*

Germany

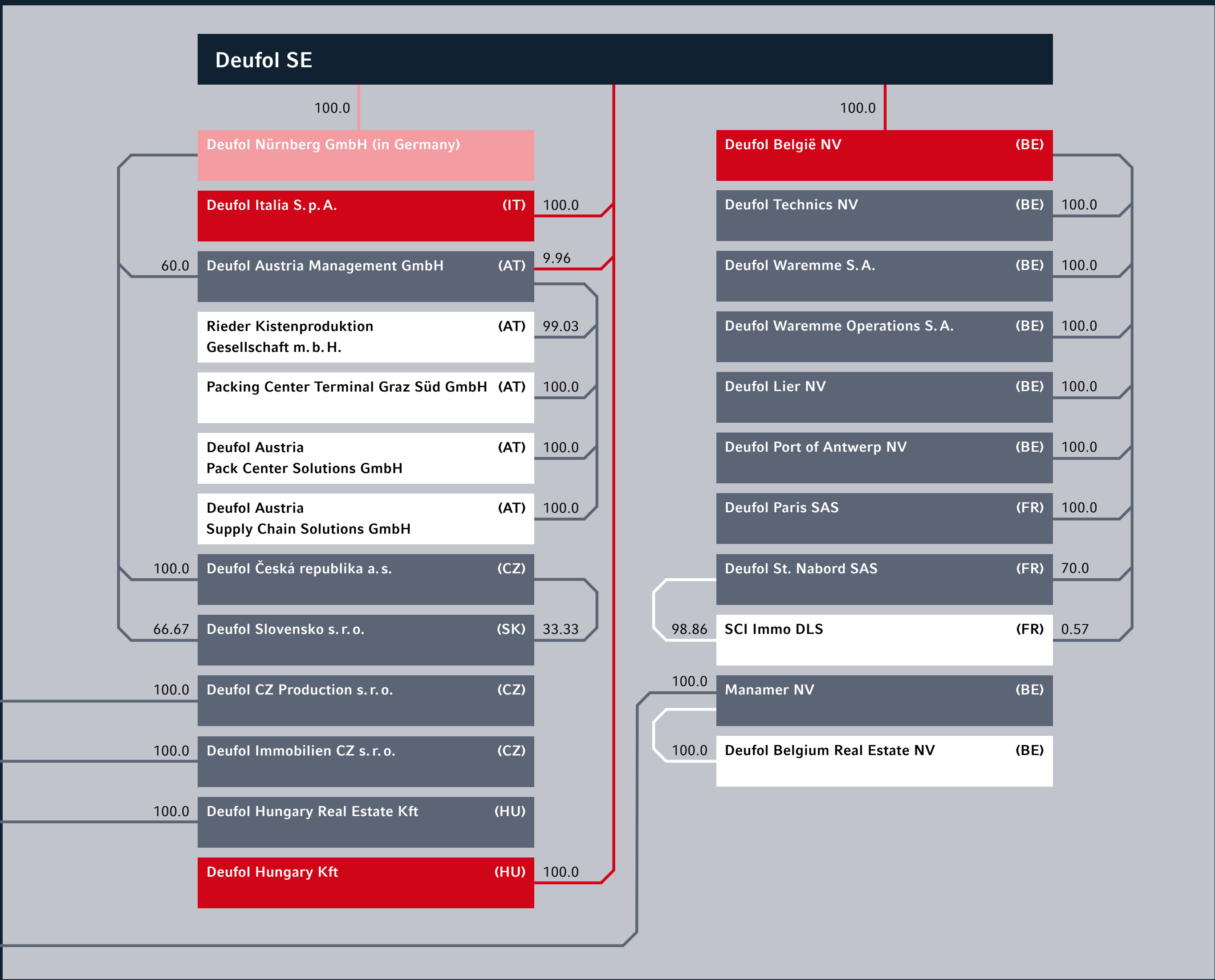


- Tier 1 investment
- Tier 2 investment
- Tier 3/4 investment

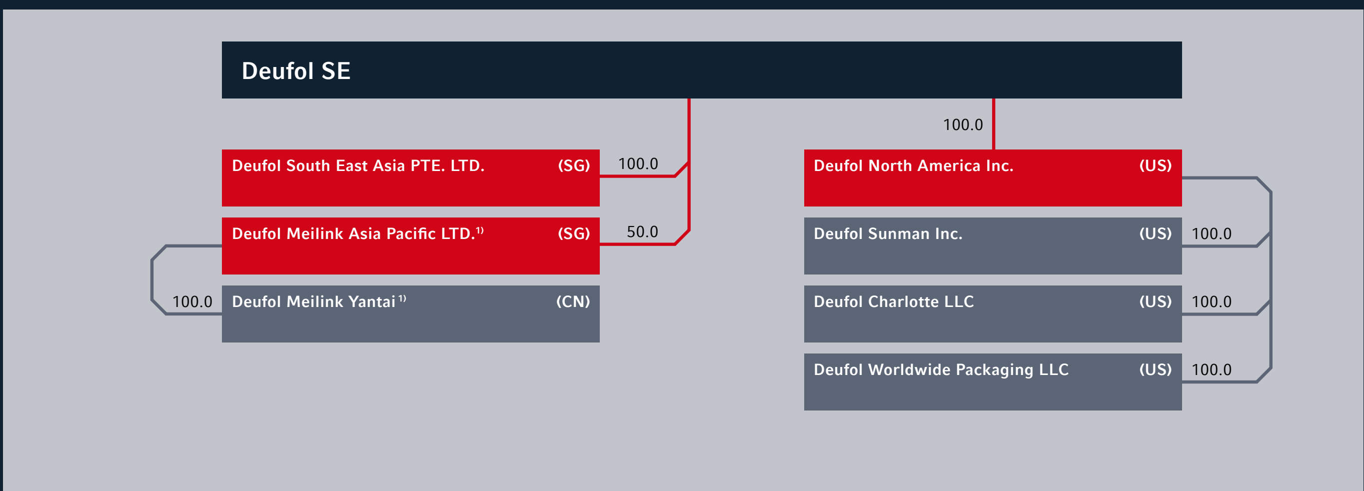
1) Consolidated at equity
2) Unconsolidated

* As at December 31, 2020; figures in %

Europe



Rest of the World



Financial Calendar

April	30, 2021	Annual Financial Report 2020
June	29, 2021	Annual General Meeting 2021, virtual annual general meeting
August	27, 2021	Semi-Annual Financial Report 2021

Imprint

Publisher:
Deufol SE
Johannes-Gutenberg-Strasse 3–5
D-65719 Hofheim am Taunus
Telephone: +49 (6122) 50-00
Fax: +49 (6122) 50-1300
E-mail: info@deufol.com

Concept and implementation:
Kammann Rossi GmbH, Cologne

Contact:
Deufol SE
Claudia Ludwig
Johannes-Gutenberg-Strasse 3 – 5
D-65719 Hofheim am Taunus
Telephone: +49 (6122) 50–1228
E-mail: claudia.ludwig@deufol.com

Key to Symbols

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

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

WWW.DEUFOL.COM