DEUFOL

REMOVING LIMITS.

SEMI-ANNUAL REPORT 2021

Overview of the Deufol Group

Figures in € k	6M 2021	6M 2020
Results of operations		
Total sales	110,193	106,397
Germany	72,397	71,562
Rest of the World	37,795	34,835
Ratio of foreign sales (%)	34.3	32.7
EBITDA	10,035	14,564
EBITA = EBIT	−129	3,770
EBT	−2,048	2,771
Income tax income (expenses)	−92	−1,368
Result for the period	−2,140	1,403
thereof noncontrolling interests	318	−65
thereof shareholders of the parent company	−2,458	1,468
Earnings per share – EPS (€)	−0.057	0.034
Assets structure		
Noncurrent assets	207,645	189,004
Current assets	71,828	77,803
Balance sheet total	279,473	266,807
Equity	111,459	114,216
Liabilities	168,014	152,591
Equity ratio (%)	39.9	42.8
Net financial liabilities	90,973	69,926
Cash flow / investments		
Cash flow from operating activities	1,390	10,915
Cash flow from investing activities	−6,995	−5,829
Cash flow from financing activities	−4,052	−10,487
Investments in property, plant and equipment	3,267	10,606
Employees		
Employees (as of Jun. 30)	1,976	1,980

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Deufol in the First Six Months of 2021

Deufol's Long-Term Strategy and Performance Program Are Paying Off and Successfully Counteracting the Effects of the COVID-19 Pandemic and the Extreme Price Fluctuations on the Raw Materials Markets

The Deufol Group continues to face an extremely difficult environment in what is now the second year of the coronavirus pandemic. In general in the first half of 2021, uncertainty on Deufol's markets and supply chain disruptions have prompted strong fluctuations in demand in the industrial packaging segment, at a low baseline level. While demand picked up slightly in the first quarter, the second quarter (and May especially) was weaker. Moreover, the situation on the Deufol Group's key raw materials markets has deteriorated, partly as a result of the COVID-19 pandemic. Relevant market prices have risen by several hundred percent in some cases. Besides an increased level of demand, this trend reflects a contraction on the supply side especially. These factors are affecting the Group's cost base, while also significantly impacting availability and Deufol's related delivery capability. Thanks to its long-term supplier management strategy, in spite of these uncertainties the Deufol Group has been able to safeguard the availability of raw materials and will thus maintain its delivery capability for its customers in the coming months. In addition, particularly in this environment – which is challenging from a pricing and supply point of view – the strategy which Deufol has rigorously pursued for some years now of optimizing its use of materials and its material portfolio is helping to stabilize the Group, thanks to reduced use of raw materials. The measures implemented have significantly improved the level of use of materials by comparison with previous years and have partly compensated for the price rises.

Moreover, in the first six months of 2021 Deufol was only able to pass on the substantial increases in raw materials prices to its customers with a certain time lag. Having completed its adjustment of customer prices toward the end of the second quarter, the Group's results of operations can therefore be expected to improve considerably over the course of the year. The Deufol Group expects to already make up for the negative impact on earnings as a result of raw materials prices over the course of the third quarter, by passing on these higher prices to its customers.

In this difficult economic environment, the Deufol Group is continuing to pursue the strategic reorientation which it initiated in 2019 and which is focused on four core areas:

- Packaging and logistics
- Production and distribution of packaging
- IT solutions for logistics processes
- Infrastructure solutions

Within the framework of this restructuring approach, through its acquisition of the Wallmann Terminal at the port of Hamburg in early 2021 the Deufol Group has significantly increased the depth of its services. With its new location and the related improved level of integration of its logistics chains, so as to include seagoing vessels, Deufol has a unique selling point in the German and European mechanical and plant engineering export sector. This makes it possible to consolidate different components for individual products or even entire projects at the port of departure and to package and ship them together. At the same time, thanks to this project right at the start of the year Deufol has ensured that it is strongly placed in order to compete for market shares once industrial goods production picks up, after the pandemic has been successfully dealt with. However, for 2021 and for the first six months of the year especially, this acquisition will result in one-off expenses and nonrecurring effects that will depress earnings in 2021 on a one-off basis. Allowing for these one-off costs and the prevailing economic environment, the figures for the first six months of the year have surpassed our expectations, and we are optimistic that we will be able to significantly improve the contribution margin in the second half of the year.

Forging ahead while also pushing forward with digitalization during the pandemic is an important component of the crisis management strategy pursued by the Deufol Group as a whole. Deufol has already laid the key foundations for this in the past – not just within but also beyond its corporate group. In 2020, it rapidly enabled its entire administrative staff to switch over to mobile working. On the customer side, the innovative IT solutions developed throughout Deufol's supply chain are already an important component of its product portfolio. Due to the digitalization momentum triggered by the pandemic, the increased relevance of digital solutions for customers may have a significant positive impact on the company and boost the level of demand for its IT solutions.

At a geographical level, the Deufol Group is continuing to pursue the strategy which it adopted in 2019 of increasingly establishing and expanding industrial goods production and packaging locations in southeastern Europe. As part of this approach, it is pushing ahead with a new location in Poland. Through its continued pursuit of this strategy, Deufol remains well placed to handle any changes which may arise and equally for potential growth.

Sales and Income Trend

The trends outlined above are also reflected in the Deufol Group's sales and income. In the first six months of 2021, at € 110.2 million total sales were 3.6 % or € 3.8 million higher year-over-year. Initial positive earnings effects – as a result of adjustments made to customer prices on account of material prices, as well as the revival of some export activities in Germany and the Rest of Europe – have been offset by various countervailing effects. Sales have decreased in the USA in particular. This was mainly due to COVID-related declines in sales volumes in the first quarter and a weak start to the second quarter, followed by a slight recovery halfway through the year. Moreover, the time lag in passing on the higher raw materials prices has resulted in higher cost-of-materials ratios.

The sales trend includes the positive figures resulting from the acquisition of Wallmann & Co. (GmbH & Co. KG), which have partly made up for the coronavirus-related declines in sales volumes.

The operating result (EBITA) of – € 0.1 million for the first six months of 2021 has exceeded our expectations and planning assumptions (previous year: € 3.8 million). The EBITA margin has declined accordingly, from 3.5 % to – 0.1 %. This is mainly due to one-off effects, the financing and advisory expenses associated with the Wallmann transaction as well as Deufol's integration- and relocation-related operating expenses in Hamburg. These effects will not be repeated in the same manner in the second half of the year, since the relocation and integration process was already largely completed by late June, ahead of schedule. In Germany and the Rest of Europe, despite the strong rise in raw materials prices and the above-mentioned one-off effects the operating result per se was stable year-over-year and remains positive. In the prior-year period, this item included extraordinary income from the sale of a property in Belgium in the amount of € 3.8 million. In the USA/Rest of the World segment, as in the same period in the previous year, operating earnings are negative due to coronavirus as well as raw materials prices. However, here too it looks as though the measures initiated will have a positive impact in the second half of the year, with the sale of parts of the Group's business in China in 2020 having arrested the decline. Earnings are thus now moving in a positive direction.

Adjusted for the one-off effects in the first six months of 2021 (approx. € 1.0 million) and in the previous year, the Group's EBIT(A) has even increased from a balanced result in the previous year to a positive figure of approx. € 0.9 million.

Administrative Board

At the Annual General Meeting held on June 29, 2021, the current members of the Administrative Board were reelected with a clear majority. Members of the Administrative Board serve a two-year term of office.

Economic Outline Conditions

The World Economy Is Reemerging from the Coronavirus Crisis

The COVID-19 pandemic continued to impact many different areas of the economy in the first six months of 2021. The services sectors have been worst hit by the pandemic in the current year. In contrast, industrial goods production and world trade picked up in the spring from the weak level seen in 2020. However, despite this growth they have yet to regain their pre-crisis level. Moreover, in the second quarter supply constraints affecting various raw materials and logistics problems which had loomed large since the start of the year checked the economic upswing. The tensions affecting the world economy have been reflected in strong increases in prices of raw materials, intermediate goods, and transport services, which have already contributed to a significant increase in consumer prices. The United States and the Eurozone are taking significant action to buoy their economies through highly expansionary monetary policies and considerable fiscal stimulus measures.

Despite this continuing pandemic-related disruption in the first few months of 2021, in its summer economic analysis the Kiel Institute for the World Economy (IfW) sees the global economy on an upward trajectory. For all of the uncertainty, the Kiel Institute expects global output to increase overall by 6.7 % in the current year. Moreover, on the labor market unemployment has generally only increased to a very moderate degree, in spite of the pandemic, and no setbacks are expected to occur in the short term. The Kiel Institute sees the widespread use of short-time working and the state-funded furlough scheme in the spring of 2020 as the factors underpinning this positive trend. Longer-term changes in the production structure which require changes in employment that might be postponed on account of the current policy of generous wage-replacement benefits represent a challenge for the labor market.

However, together with the continuing tense situation on the raw materials markets and the persistent disruptions to logistics chains the further course of the coronavirus pandemic, the emergence of new variants of the virus and the slower pace of vaccination over the summer mean that the world economy and exports will likely grow at a slower rate than envisaged in the Kiel Institute's summer economic analysis. Nonetheless, despite these outline conditions the industrial goods backlog which has arisen due to the pandemic-related drop in output in 2020 and the mechanical and plant engineering sector's full order books point to a positive trend in this area for the second half of 2021 and at the start of 2022.

Europe's Economy Recovering Sooner than Expected

The effects of the pandemic likewise remain apparent in the Eurozone. Economic output in 2021 is still 5.1 % below its pre-crisis level and declined slightly in the first quarter of the year. However, there are significant differences between the various economic sectors and likewise between the Eurozone's member states. A clear north-south gap has opened up by comparison with the pre-crisis situation. Spain registered the strongest fall in output in the first quarter (9.1 %), followed by Greece (7.9 %) and Italy (6.6 %). France is in line with the Eurozone average. Germany is recovering fairly well and is currently 3.6 % below its pre-crisis level. Ireland, Finland and the Baltic states have already largely made up for their previous sharp drop in economic activity. Luxembourg is the only member state which has now exceeded its level in the previous year.

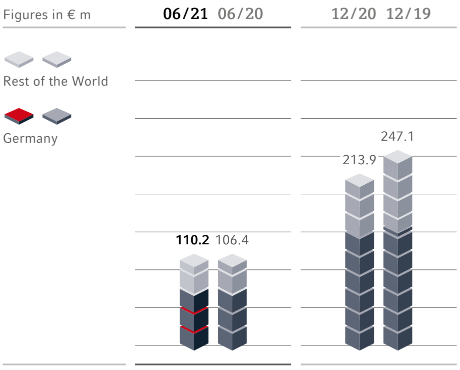
German Economy: Between Price Pressure and Economic Recovery

The Kiel Institute also expects the German economy to return to a positive trajectory. Assuming that the economic recovery is not stopped in its tracks by a fresh wave of the pandemic driven by a new variant, the analysts expect to see a rapid expansion of overall economic output and the country moving beyond its pre-crisis level. In particular, trade and other services which involve a high level of contact intensity and which were particularly badly hit by the pandemic may benefit from a revival of private households' consumer spending in Germany too, once the pandemic-related restrictions are no longer in place.

On the other hand, according to the Kiel Institute the position of manufacturing industry has yet to improve. The strong global recovery has resulted in multi-layered supply bottlenecks, which are having a clear impact on many companies' production operations. Price pressure is climbing accordingly, especially in view of the strong global economic momentum. Prices of raw materials, intermediate goods and transport services have recently experienced strong rises. The economic environment is thus being shaped by the difficulties associated with a scarcity of resources and higher prices. For this reason, despite the strong improvement in the order situation, output in manufacturing industry will likely only recover over the second half of the year, provided that supply bottlenecks then gradually fade away. In general, Germany's gross domestic product is expected to increase by 3.9 % in 2021.

Results of Operations, Financial and Asset Position

Sales

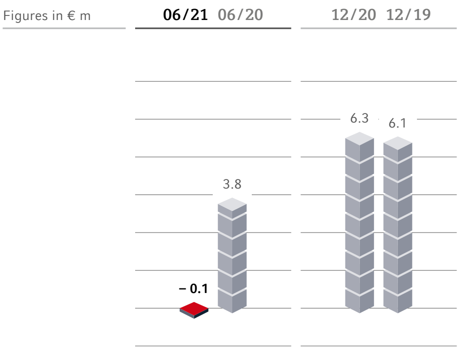


Sales Trend

In the first six months of 2021, at € 110.2 million total sales were 3.6 % or € 3.8 million higher year-over-year. This figure already includes revenue generated from the business of Deufol's acquisition Wallmann & Co. (GmbH & Co. KG). Even without this income, sales are slightly higher than they were at the same point in the previous year. While the fluctuations in the Czech crown's exchange rate have had hardly any impact on earnings, the US dollar has depreciated against the euro by 8.7 % on average, relative to the same period in the previous year. This exchange-rate effect is reflected in a – € 0.6 million decline in euro terms in revenue resulting from USD sales. Group sales adjusted for exchange-rate effects actually increased by 4.1 %, compared to the same period in the previous year. In Germany (incl. the holding company), sales amounted to € 72.4 million (previous year: € 71.4 million). In the Rest of Europe, Deufol realized sales of € 31.1 million (previous year: € 26.7 million). The expansion of Deufol's business in Hungary had a positive impact. In the USA/Rest of the World segment, sales fell by € 1.4 million to € 6.7 million. The decline in sales reflects the disposal of a Chinese subsidiary in 2020 as well as a drop in sales in the USA which was mainly due to coronavirus.

Overall, the sales trend is better than expected, and developments at the start of the second half of the year point to a continuing positive picture.

EBITA



Income Development

Earnings before interest, taxes, depreciation and amortization (EBITDA) were € 10.0 million in the first half of the year (previous year: € 14.6 million). The EBITDA margin declined to 9.1 % (previous year: 13.7 %). The decrease in this earnings margin has been shaped by the impact of the economic environment during the coronavirus pandemic. However, when considered in the context of the general market trend it also reflects the success of Deufol's performance program, which has had a clearly dampening effect here. The volume of sales is below the pre-pandemic level, and due to the increase in raw materials prices the cost of materials has risen to € 41.8 million (previous year: € 38.2 million) and the cost-of-materials ratio to 37.2 % (previous year: 33.2 %). The slight rise in personnel costs, which amount to € 41.7 million (previous year: € 41.1 million), is attributable to the acquisition of the Wallmann Group. In addition, there was a significantly higher level of short-time working in 2020, together with Deufol's employees and management accepting salary cuts. However, allowing for the one-off costs associated with factors such as the integration of Deufol's Wallmann acquisition in the first six months of the year, the EBITDA volume and EBITDA margin have only decreased to a moderate extent. Operating earnings per se – i.e. excluding extraordinary income from the sale of the property and without the one-off effects described above – improved year-over-year.

The operating result (EBITA) is – € 0.1 million and thus 102.6 % lower than the previous year's figure of € 3.8 million. Taking the one-off effects in both years into account, the EBITA figure has actually increased from a balanced level in the first six months of 2020 to € 0.9 million in the current year. Depreciation of property, plant and equipment and amortization of other intangible assets decreased slightly to € 10.2 million (previous year: € 10.8 million).

The financial result in the first six months of 2021 has been adversely affected by increased interest expenses especially – due to Deufol's acquisition of the Wallmann Group – and amounts to – € 1.9 million, compared to – € 1.0 million in the previous year.

Earnings before taxes (EBT) total – € 2.0 million (previous year: € 2.8 million) in the first half of the year. After income tax expenses (€ 0.1 million, compared to € 1.4 million in the same period in the previous year), the result for the period amounts to –€ 2.1 million, compared to € 1.4 million in the first half of 2020. In the tax expense item, hardly any deferred taxes have been recognized for the envisaged net profit for the year. After the profit shares contributed by noncontrolling interests (€ 0.3 million, compared to – € 0.1 million in the same period in the previous year) have been deducted, a net loss of – € 2.5 million is attributable to the shareholders of Deufol SE (previous year: net gain of € 1.5 million). Earnings per share in the first six months were – € 0.057 (previous year: € 0.034).

Cash Flow and Investments

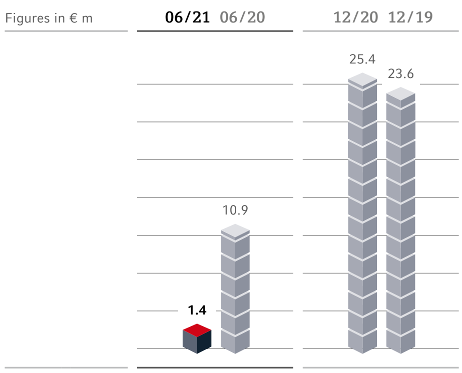
The cash flow from operating activities in the first six months of the year is € 1.4 million and thus lower than in the previous year (€ 10.9 million). The outflow of funds in the amount of –€ 4.8 million (previous year: € 0 million) has mainly resulted from increased inventories as well as the extinction of other liabilities (–€ 1.4 million, previous year: € 0 million).

Cash flow from investing activities is negative at – € 7.0 million (previous year: – € 5.8 million). Outflows of funds resulted from payments for the purchase of assets in the amount of – € 3.3 million (previous year: – € 10.6 million) and from acquisitions in the amount of –€ 4.1 million (previous year: – € 0 million). In particular, this reflects the investments made in connection with the acquisition of the Wallmann Group in Hamburg. There were no significant inflows of funds from the sale of intangible assets and property, plant and equipment and from interest received in the period under review (previous year: + € 4.7 million).

Cash flow from financing activities is negative, at – € 4.1 million (previous year: –€ 10.5 million). Outflows mainly resulted from interest paid (– € 1.9 million) as well as the extinction of other financial liabilities (– € 6.5 million). Inflows of funds are attributable to bank borrowings (+€ 4.3 million).

Cash and cash equivalents decreased by comparison with the end of the year, by € 9.4 million to € 21.9 million.

Cash flow from operating activities

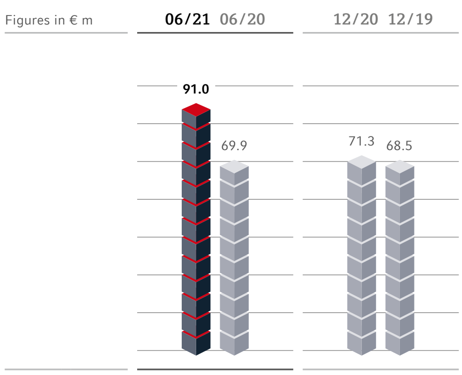


Financing

Several different financing groups exist within the Deufol Group which operate largely independently of one another. In Germany, Deufol has a variable-interest syndicated financing arrangement with a volume of € 39 million as of the reporting date and a term ending in May 2024. This 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. Within the scope of this financing arrangement, the loan agreement prescribes specific financial covenants which the Deufol Group is required to comply with during the term of the agreement. 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. These mainly comprise amortizing loans for real estate, operating credit lines and factoring.

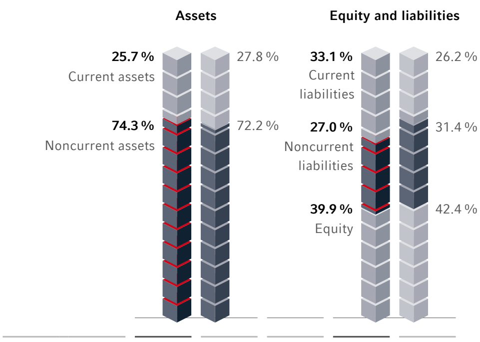
The financial liabilities of the Deufol Group increased in the first six months of the fiscal year and amount to € 113.3 million (previous year: € 103.0 million). Since cash and cash equivalents and financial receivables simultaneously decreased (– € 9.4 million) net financial liabilities rose, from € 71.3 million at the end of the year to € 91.0 million. The balance of liabilities to banks and call deposits at banks is – € 52.0 million, compared to – € 37.2 million at the end of the year.

Net financial liabilities



Balance sheet structure

Share as % | 06/21 | 12/20 | 06/21 | 12/20



Employees

Deufol Group	06/2021	06/2020
Germany	1,122	1,177
Share (%)	56.8	59.4
Rest of Europe	696	619
Share (%)	35.2	31.3
USA/Rest of the World	75	101
Share (%)	3.8	5.1
Holding	83	83
Share (%)	4.2	4.2
Total	**1,976**	1,980

Germany

Figures in € k	06/2021	06/2020
Sales	83,152	80,336
Consolidated sales	72,110	71,384
EBITA = EBIT	1,198	1,772
EBITA margin (%)	1.4	2.2
EBT	57	1,206

Balance Sheet Total

At € 279.5 million, Deufol's balance sheet total as of June 30, 2021 is € 12.6 million, or 4.7 %, higher than its year-end level (€ 266.9 million). The largest changes to noncurrent assets related to property, plant and equipment (+ € 15.0 million to € 105.0 million). The increase here has mainly resulted due to the property, plant and equipment taken on through the acquisition of the Wallmann Group in Hamburg. The other noncurrent assets realized only marginal changes. In the current assets item, inventories have increased (+€ 5.1 million to € 14.3 million), while cash and cash equivalents have decreased by –€ 9.4 million to € 21.9 million. The other current assets changed only slightly.

On the liabilities side, in the first six months of 2021 equity (incl. noncontrolling interests) declined on balance by – € 1.8 million to € 111.5 million. This was mainly attributable to the loss for the period (– € 2.1 million). With a higher balance sheet total, the equity ratio was at 39.9 % lower than at the end of the previous year (42.5 %). Liabilities increased on balance, by € 14.4 million to € 168.0 million. This is mainly attributable to the higher level of financial liabilities (€ 10.3 million). Other provisions have also risen, with a net increase of € 4.7 million by comparison with the end of the year (€ 0.7 million). This chiefly reflects the provisions established within the Wallmann Group. On the other hand, trade payables have decreased slightly (– € 0.1 million). The remaining liabilities items changed only slightly.

Number of Employees

On June 30, 2021, the Deufol Group had 1,976 employees worldwide. This corresponds to a decline of 4 employees (–0.2 %) by comparison with the Group's workforce as of June 30, 2020. As of June 30, 2021, the Group had 1,205 employees in Germany and the Group's holding company (61.0 %) and 771 employees (39.0 %) elsewhere. Deufol's workforce has increased in the Rest of Europe in particular. On the other hand, its workforce in Germany and in the USA/Rest of the World segment has decreased slightly.

Development in the Segments

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

After the first six months of the year, sales in Germany amounted to € 72.1 million (previous year: € 71.4 million). This segment is therefore now contributing 65.4 % to Group sales (previous year: 67.1 %). The volume of sales achieved in the previous year has been surpassed slightly in the current reporting year, above all due to the income generated by the acquired Wallmann Group. Without this income, Deufol would not yet have regained the same level as in the previous year. In the first six months of 2021, the pandemic-related decline in sales was once again cushioned, to a limited extent, through Deufol in some cases already passing on the higher raw materials prices. However, this effect is subject to a time lag. It has therefore only helped compensate for these higher prices to a somewhat marginal extent.

The operating result (EBITA) in Germany in the first six months of the year amounted to € 1.2 million (previous year: € 1.8 million). The EBITA margin declined from 2.2 % to 1.4 %. This reflects one-off costs and the higher cost of materials. In the first six months of the year under review, the increased cost of materials substantially counteracted – and largely offset – Deufol's long-term cost savings as well as its performance program plus the price adjustments which it implemented.

In the Rest of Europe, consolidated sales amounted to € 31.1 million in the first six months of the year (previous year: € 26.7 million). This segment is therefore now contributing 28.2 % to Group sales (compared to 25.1 % in the same period in the previous year). The positive sales trend has mainly resulted from the commissioning of Deufol's production plant in Hungary in the second half of 2020. The Deufol Group's other countries are generally at the same level as in the previous year, as a result of the pandemic, but with a slight upward trend.

In the first six months of the year, the operating result (EBITA) in the Rest of Europe amounted to € 2.6 million (previous year: € 3.2 million). Earnings include a one-off effect of € 1.0 million from a strategically driven intra-Group sale of Austrian real estate to a German company. The pandemic has depressed earnings in this segment too. While the higher raw materials prices have had an impact in Belgium and the Czech Republic, in France and Austria it is higher personnel costs especially which have done so.

In the USA/Rest of the World segment, in the first six months of the year consolidated sales of € 6.7 million were € 1.4 million or 17.3 % lower year-over-year. On the one hand, the above-mentioned exchange-rate effects have caused US revenue to fall by – € 0.6 million in euro terms, due to the US dollar losing ground against the euro. In addition, the sale of a subsidiary in China in 2020 resulted in further declines in sales volumes. This segment is now contributing 6.1 % of Group sales (previous year: 7.6 %).

The operating result (EBITA) for the first six months of the year amounted to – € 0.2 million (previous year: – € 0.4 million). As in the other segments, the change in earnings reflects the effects of the coronavirus pandemic.

The performance program and the planned restructuring of the Group are likewise bearing fruit outside Germany and have successfully counteracted the market trends.

On account of its structure and its tasks, the holding company only realizes marginal external sales (€ 0.3 million for the first six months of 2021). The EBITA figure including consolidation effects at Group level amounts to –€ 3.7 million in the first six months of 2021 and is thus significantly lower than the previous year's level (–€ 0.8 million). This is mainly due to the consolidation effects in both years (2020: +€ 1.8 million, 2021: –€ 1 million).

Rest of Europe

Figures in € k	06/2021	06/2020
Sales	45,543	40,357
Consolidated sales	31,116	26,728
EBITA = EBIT	2,614	3,191
EBITA margin (%)	5.7	7.9
EBT	1,888	2,699

USA/Rest of the World

Figures in € k	06/2021	06/2020
Sales	6,687	8,111
Consolidated sales	6,680	8,107
EBITA = EBIT	−195	−390
EBITA margin (%)	−2.9	−4.8
EBT	−348	−506

Outlook

World Economy Set for Upswing

In the view of the Kiel Institute for the World Economy, in 2021 global output will grow by a strong 6.7 % from its low 2020 baseline level. In 2022, world economic activity will remain buoyant, with a growth rate of 4.8 %. This assumption is based upon a reduced risk of infection, thus enabling a continuing normalization of outline conditions, including for industries involving a particularly high level of contact intensity. In particular, private consumption can be expected to revive thanks to the supportive fiscal policy measures. With a growing level of capacity utilization driven by factors including government spending programs, the Kiel Institute also expects the level of investment activity to pick up considerably. However, in view of the strong economic momentum and the increased inflation risks, the Kiel Institute also assumes that the US Federal Reserve will begin to tighten its monetary policy earlier than had been previously envisaged. This poses the risk of financing terms on the international capital markets already worsening significantly during the Kiel Institute's forecast period and thus for the foreseeable future. The course of the pandemic and developments on the raw materials markets in the first few weeks of the second half of the year mean that the economic trend will likely be slightly weaker than assumed by the Kiel Institute. However, this is unlikely to change the essential positive momentum over the next few months.

The Eurozone's Economic Output Is Set to Pick Up and to Exceed Its Pre-Crisis Level

Overall, the Kiel Institute expects the Eurozone's gross domestic product to increase by 5.3 % in the current year and by 4.4 % in the coming year. These forecasts are based on a significant easing of the pandemic in the Eurozone too. This will enable governments to gradually dismantle the measures which are currently in place. Most of the production growth envisaged for the overall economy is expected to be realized in the service industries, which have been particularly badly hit to date. On the other hand, according to the Kiel Institute industry will only gradually recover. The economy will remain buoyed by fiscal policy which is still highly expansionary. The economic trend and the course of the pandemic at the start of the second half of 2021 mean that the Kiel Institute's view must be qualified. However, its key thrust is likely to remain valid, and industrial goods production especially will recover in the second half of 2021.

Germany Risks Suffering Further Economic Setbacks If the Pandemic Takes a Turn for the Worse

According to the Kiel Institute, the expected strong upturn in the current year reflects the winding-down of measures to prevent infections, as people are increasingly vaccinated. By the autumn at the latest, the process of immunization should be so far advanced that, from this point onward, the level of infection will no longer require the imposition of measures which would significantly disrupt economic activity. However, should any complications arise – such as new virus variants against which the vaccines currently available only provide inadequate protection – the measures to protect against infections would not be relaxed any further and would instead be tightened up again. This might then result in a further setback for the economy, with the sectors involving a high level of contact intensity the worst affected. In its summer forecast, the Kiel Institute assumes slightly weaker momentum in the second half of the year and expects gross domestic product growth of 3.9 % overall in 2021 and of 4.8 % in the coming year.

Company-Specific Outlook

Risks and Opportunities

The risks and opportunities described in the report on expected developments and in the risk report contained in the Group management report for the 2020 annual financial statements continue to apply. However, the level of uncertainty relating to the COVID-19 pandemic has generally increased over the past few weeks, due to the further rise in case numbers and the spread of the so-called Delta variant.

In the first half of 2021, the sharp decline in production for Germany's export-oriented mechanical and plant engineering sector, due to the coronavirus pandemic, continued to impact the Deufol Group's business activities. In the context of the current news from this segment, despite the present rate of infection and the developments on the raw materials markets we assume that the relevant industries will register significant revenue growth in Europe. We therefore expect sales to improve considerably in the second half of the year.

The emerging recovery of world trade also means higher raw materials prices, rising inflation and supply bottlenecks. Ensuring the availability of raw materials and price rises were the key issues in the first six months of the year. Thanks to a large number of individual measures – such as ensuring our suppliers' fulfillment of their predicted quotas, increasing order quantities, bringing forward the timing of orders and, not least, expanding our portfolio of suppliers – Deufol has coped well with this critical phase and is well placed for the future. Customer orders were generally executed promptly and with Deufol's normal level of quality. Moreover, we are very strongly positioned for the second half of 2021 and beyond thanks to the efficiency measures which we have honed over a period of some years now. These include, in particular, the optimization of materials, the performance program which we had already developed at the turn of the year, the realignment of the Group initiated over the past few years and the expansion of our portfolio of services, the acquisition of the Wallmann Terminal and the successful implementation of Deufol's wide-ranging digitalization strategy. In addition, the measures initiated in order to cushion the impact of the continuing high level of raw materials prices are increasingly paying off. The measures implemented in order to pass on higher prices to customers, while further reducing the use of materials, should compensate for the increased cost of materials due to price rises and improve margins relative to the first six months of the year.

The Wallmann Group at the port of Hamburg was acquired during the current coronavirus pandemic, above all, with a view to the Deufol Group's strategic development and positioning. We envisage significant efficiency and synergy potential at our Hamburg location for all of our subsidiaries which operate there. Deufol will further boost the depth of its services through this link to the shipping industry. In 2021, we expect our acquisition of Wallmann to provide a substantial contribution to our sales trend. However, operating earnings in 2021 will be negatively affected by the one-off integration expenses and the related consulting and financing costs. We subsequently envisage increasingly positive earnings contributions from the coming year onward. Since this acquisition was made for strategic reasons, in order to expand our portfolio of services and to upgrade our location at the port of Hamburg, in the medium term we expect to gain further market shares.

Finally, it should be noted that Deufol continues to consider the ranges indicated in its annual report for its sales (€ 200 – 230 million) and EBIT (€ 2 – 5 million) figures to be achievable, in spite of the series of new coronavirus variants whose impact on the rate of infection and on current global economic momentum is uncertain. With regard to our volume of sales, in our view it is highly likely that we will exceed the upper limit of this range.

Consolidated Income Statement

Figures in € k	Jan. 1, 2021– Jun. 30, 2021	Jan. 1, 2020– Jun. 30, 2020	Note/Page
Sales	**110,193**	106,397	01/017
Other own work capitalized	435	271	
Inventory changes	244	73	
Other operating income	1,586	8,293	
Overall operating performance	**112,458**	115,034	
Cost of materials	−41,802	−38,205	
Personnel costs	−41,739	−41,073	
Depreciation, amortization and impairment	−10,164	−10,794	
Other operating expenses	−18,882	−21,192	
Income (loss) from operating activities (EBIT)	**−129**	3,770	
Financial income	24	97	
Finance costs	−1,868	−1,175	
Income (loss) from investments accounted for using the equity method	−42	79	
Other financial result	−33	0	
Profit (loss) before taxes (EBT)	**−2,048**	2,771	
Income taxes	−92	−1,368	
Result for the period	**−2,140**	**1,403**	
thereof share of profits held by noncontrolling interests	318	−65	
thereof share of profits held by shareholders in the parent company	−2,458	1,468	

Earnings per share

Figures in €			
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	−0.057	0.034	02/017

Consolidated Statement of Comprehensive Income

Figures in € k	Jan. 1, 2021– Jun. 30, 2021	Jan. 1, 2020– Jun. 30, 2020	Note/Page
Result for the period	**−2,140**	1,403	
Other comprehensive income	**363**	−2	
Items which may be reclassified to the income statement in future			
Income (loss) from currency translation, after taxes	362	183	
Cash flow hedges before taxes	2	−268	
Deferred taxes on cash flow hedges	−1	83	
Cash flow hedges after taxes	1	−185	
Comprehensive income after taxes	**−1,777**	**1,401**	
thereof noncontrolling interests	318	−65	
thereof shareholders in the parent company	−2,095	1,466	

Consolidated Balance Sheet

Assets Figures in € k	Jun. 30, 2021	Dec. 31, 2020	Note/Page
Noncurrent assets	**207,645**	**192,747**	
Property, plant and equipment	104,952	89,912	03/017
Goodwill	71,011	71,011	
Other intangible assets	5,977	6,506	
Investment property	14,490	14,490	
Investments accounted for using the equity method	1,420	1,462	
Financial receivables	92	100	
Other financial assets	273	8	
Other receivables and other assets	1,302	1,300	
Deferred tax assets	8,128	7,959	
Current assets	**71,828**	**74,160**	
Inventories	14,271	9,164	04/017
Trade receivables	27,466	25,706	
Other receivables and other assets	6,265	6,027	
Tax receivables	1,578	1,593	
Financial receivables	316	321	
Cash and cash equivalents	21,932	31,349	
Total assets	**279,473**	**266,907**	

Equity and liabilities Figures in € k	Jun. 30, 2021	Dec. 31, 2020	Note/Page
Equity	**111,459**	**113,262**	05/018
Equity attributable to the shareholders of Deufol SE	110,247	112,341	
Subscribed capital	43,774	43,774	
Capital reserves	107,330	107,330	
Retained earnings	12,825	12,825	
Profit brought forward	−52,989	−50,531	
Other comprehensive income	−218	−581	
Treasury stock at cost	−475	−475	
Noncontrolling equity interests	1,212	921	
Noncurrent liabilities	**75,513**	**83,736**	
Financial liabilities	59,241	72,693	06/018
Provisions for pensions	4,132	3,170	
Other provisions	4,169	0	
Other liabilities	16	31	
Deferred tax liabilities	7,955	7,842	
Current liabilities	**92,501**	**69,909**	
Trade payables	23,468	24,170	
Financial liabilities	54,072	30,349	06/018
Other liabilities	13,083	13,841	
Tax liabilities	629	825	
Other provisions	1,249	724	
Total equity and liabilities	**279,473**	**266,907**	

Consolidated Cash Flow Statement

Figures in € k	Jan. 1, 2021– Jun. 30, 2021	Jan. 1, 2020– Jun. 30, 2020	Note/Page
Income (loss) from operating activities (EBIT) from continuing operations	−129	3,770	
Adjustments to reconcile net income (loss) to cash flow from operating activities			
Depreciation, amortization and impairment	10,075	10,794	
(Gain) loss from disposal of investments	0	116	
(Gain) loss from disposal of fixed assets	−29	−3,897	
Taxes paid	−206	−832	
Other noncash expenses (income)	−348	−20	
Changes in assets and liabilities from operating activities			
Decrease (increase) in trade accounts receivable	−777	−1,112	
Decrease (increase) in inventories	−4,762	161	04/017
Decrease (increase) in other receivables and other assets	−26	482	
Increase (decrease) in trade accounts payable	−952	1,251	
Increase (decrease) in other liabilities	−1,394	441	
Increase (decrease) in provisions	−18	−119	
Decrease (increase) in other operating assets/liabilities (net)	−44	−120	
Cash flow from operating activities	**1,390**	**10,915**	07/018
Payments made for investments in intangible assets and property, plant and equipment	−3,267	−10,606	03/017
Proceeds from the sale of intangible assets and property, plant and equipment	358	4,557	
Proceeds from the sale of subsidiaries	0	125	
Net change in financial receivables	14	−2	
Acquisition of business units less acquired cash and cash equivalents	−4,124	0	07/018
Interest received	24	97	
Cash flow from investing activities	**−6,995**	**−5,829**	07/018
Addition (extinction) of amounts due to banks	4,308	−1,778	
Addition (extinction) of other financial liabilities	−6,466	−7,534	
Proceeds from capital increase	17	0	
Change in noncontrolling interests		0	
Dividend paid to noncontrolling interests	−44	0	
Interest paid	−1,867	−1,175	
Cash flow from financing activities	**−4,052**	**−10,487**	07/018
Exchange rate- and scope of consolidation-related changes in financial resources	**239**	**−14**	
Change in cash and cash equivalents	**−9,418**	**−5,415**	
Cash and cash equivalents at the beginning of the period	31,349	31,627	
Cash and cash equivalents at the end of the period	21,931	26,212	

Consolidated Statement of Changes in Equity

						Accumulated other comprehensive income				
Figures in € k	Subscribed Capital	Capital reserves	Retained earnings	Profit brought forward	Treasury stock at cost	Cumulative translation adjustment	Cash flow hedges and provisions for pensions	Equity attributable to the shareholders of Deufol SE	Noncontrolling equity interests	**Total equity**
Balance at Jan. 1, 2020	**43,774**	**107,329**	**11,609**	**−51,302**	**−475**	**436**	**−178**	**111,193**	**1,622**	**112,815**
Result for the period	—			1,468				1,468	**−65**	1,403
Other comprehensive income						183	**−185**	**−2**		**−2**
Comprehensive income				**1,468**		**183**	**−185**	**1,466**	**−65**	**1,401**
Dividends										
Repurchase of treasury stock										
Balance at Jun. 30, 2020	**43,774**	**107,329**	**11,609**	**−49,834**	**−475**	**619**	**−363**	**112,659**	**1,557**	**114,216**
Balance at Jan. 1, 2021	**43,774**	**107,330**	**12,825**	**−50,531**	**−475**	**−530**	**−51**	**112,342**	**921**	**113,263**
Result for the period				**−2,458**				**−2,458**	318	**−2,140**
Other comprehensive income						362	1	363		**363**
Comprehensive income				**−2,458**		362	1	**−2,095**	318	**−1,777**
Dividends									**−44**	**−44**
Capital increase									17	17
Balance at Jun. 30, 2021	**43,774**	**107,330**	**12,825**	**−52,989**	**−475**	**−168**	**−50**	**110,247**	**1,212**	**111,459**

Notes to the Consolidated Interim Financial Statements

General Accounting and Valuation Methods

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

In principle, the balancing and valuation methods used are those for the last consolidated financial statements as of the end of the fiscal year. A detailed description of these methods is provided in our annual report for the year 2020. In addition, IAS 34 "Interim Financial Statements" was applied.

New Accounting Standards

The first-time application of the new standards and interpretations which are mandatory from fiscal year 2021 has not had any effect on the recognition and measurement of assets and liabilities.

Effects of the Coronavirus Pandemic

As in the previous year, the coronavirus pandemic had a significant impact on our business activities in the first six months of the current fiscal year. The sharp decline in output in Germany's export-oriented mechanical and plant engineering sector, in particular, together with the higher raw materials prices has resulted in a significant drop in earnings. In the context of the current news from this segment, despite the present rate of infection and the developments on the raw materials markets we expect that the relevant industries will register significant revenue growth in Europe. We therefore envisage an improvement in our volume of sales and thus our results of operations too.

The coronavirus pandemic thus remains a critical component, and we are carefully monitoring its impact in order to implement appropriate countermeasures in good time.

With regard to the goodwill currently reported, the impairment testing implemented on the basis of the year 2020 has not given rise to any indication of the situation having changed so drastically as to result in impairment.

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

Currency Translation

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

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

Foreign currency	ECB reference rate as of the balance sheet date		Average rate of exchange	
per €	**Jun. 30, 2021**	Jun. 30, 2020	**6M 2021**	6M 2020
US dollar	1.1884	1.1198	1.2057	1.1012
Czech crown	25.4880	26.7400	25.8551	26.3421
Hungarian forint	351.6800	356.5800	357.8540	345.3946
Singapore dollar	1.5976	1.5648	1.6061	1.5409
Chinese renminbi	7.6742	7.9219	7.7981	7.7481

Scope of Consolidation

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

The consolidated group is as follows:

Number	Dec. 31, 2020	Additions	Disposals	Jun. 30, 2021
Consolidated subsidiaries	46	4	0	50
thereof in Germany	18	3	0	21
thereof abroad	28	1	0	29
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**	4	0	**55**

01 Sales

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

02 Earnings per Share

Income Figures in € k	Jan. 1, 2021–Jun. 30, 2021	Jan. 1, 2020–Jun. 30, 2020
Result attributable to the holders of Deufol SE common stock	−2,458	1,468
Shares in circulation Figures in units		
Weighted average number of shares	43,104,480	43,104,480

Earnings per share Figures in €		
Basic and diluted earnings per share, based on the income (loss) attributable to common shareholders of Deufol SE	−0.057	0.034

03 Property, Plant and Equipment

The increase in property, plant and equipment mainly consists of the property, plant and equipment newly acquired from the Wallmann Group in Hamburg.

04 Inventories

The growth in the volume of inventories chiefly reflects the strategy implemented to safeguard the supply of raw materials in the context of the coronavirus pandemic. Among other measures, order quantities have been increased and the timing of orders brought forward, which has thus increased the level of inventories. Measurement of inventories on the basis of higher raw materials prices was another factor which contributed to a significantly higher figure than at the end of 2020.

05 Equity

There were no changes to Subscribed Capital in the first six months of 2021.

06 Financial Liabilities

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

The Deufol Group complied with all of the financial covenants under its loan agreement as of March 31, 2021 and June 30, 2021.

07 Cash Flow Statement

The cash flow statement shows the origin and appropriation of the money flows in the first six months of fiscal years 2020 and 2021. It is of key significance for an assessment of the financial position of the Deufol Group.

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

Cash flow from operating activities has been adjusted for changes to the scope of consolidation and amounted to € 1,390 thousand in the first six months of 2021.

The outflow of funds from investing activities amounted to € 6,995 thousand and includes the cash flows from the purchase and sale of property, plant and equipment and intangible assets as well as payments made for the purchase/proceeds resulting from the sale of subsidiaries, the change in financial receivables as well as interest received. This also includes outflows of funds from the acquisition of business units, less acquired cash and cash equivalents.

The outflow of funds from financing activities amounted to € 4,052 thousand and reflects the net changes in financial liabilities and equity plus interest paid.

Including the exchange-rate-related changes, which amounted to € 239 thousand, the cash and cash equivalents balance decreased by – € 9,418 thousand.

Dividend

Deufol SE did not distribute any dividend in the first six months of 2021.

Contingencies

There were no significant changes to contingencies by comparison with December 31, 2020.

Significant Events after the Balance Sheet Date

No material events occurred after the balance sheet date for which a reporting obligation is applicable pursuant to IAS 10.

Segment Information

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

Its primary reporting format is based on geographical regions which are grouped for the purpose of corporate management. In order to assess the business success of the respective segments, the management has calculated the result for the period before taxes, financial income, financial expenses, shares of profits of companies accounted for using the equity method and amortization/impairment of goodwill (EBITA) as the relevant performance indicator. The Deufol Group has the following segments:

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

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

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

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

Supplementary Disclosures

Disclosures Concerning the Executive Bodies

Administrative Board

The current members of the Administrative Board were reelected at the Annual General Meeting which was held in a virtual format on June 29, 2021. Members of the Administrative Board serve a two-year term of office. The Administrative Board subsequently had the following members: Detlef W. Hübner, Helmut Olivier, Holger Bürskens, Prof. Dr. Rüdiger Grube, Dennis Hübner, Marc Hübner, Ewald Kaiser and Axel Wöltjen.

At the constituent meeting held on the same day, the Administrative Board reelected Mr. Detlef W. Hübner as its chairman and Mr. Helmut Olivier as its deputy chairman.

Relationships with Related Parties

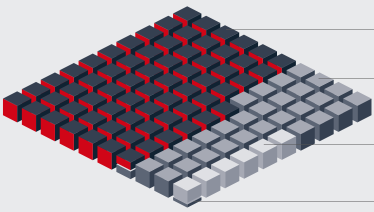
With regard to the transactions with related parties, there was no significant change in relation to the previous annual financial statements.

Segment Information by Region (Primary Reporting Format)

Figures in € k	Germany	Rest of Europe	USA/Rest of the World	Holding	Elimina-tion	Group
6M 2021						
External sales	72,110	31,116	6,680	287	0	110,193
Internal sales	11,042	14,427	7	2,677	−28,153	0
Total sales	83,152	45,543	6,687	2,964	−28,153	**110,193**
EBITA = EBIT	1,198	2,614	−195	−2,944	−802	−129
Financial income	143	295	48	924	−1,386	24
Finance costs	−1,260	−973	−201	−821	1,388	−1,867
Income (loss) from associates	−24	0	0	−4	0	−28
Other financial result	0	−48	0	0	0	−48
EBT	57	1,888	−348	−2,845	−800	−2,048
Taxes	18	−260	8	142	0	−92
Result for the period	75	1,628	−340	−2,703	−800	**−2,140**
Assets	141,306	150,996	43,193	278,600	−334,622	279,473
thereof investments accounted for using the equity method	1,414	0	0	6	0	1,420
Non-allocated assets	0	0	0	0	0	0
Total assets	141,306	150,996	43,193	278,600	−334,622	**279,473**
Financial liabilities	63,650	58,554	7,314	68,741	−84,946	113,313
Other debt	33,432	36,576	12,262	11,348	−38,918	54,700
Non-allocated debt	0	0	0	0	0	0
Total liabilities	97,082	95,130	19,576	80,089	−123,864	**168,013**
Depreciation, amortization and impairment	5,271	3,199	957	859	−122	10,164
Investments (incl. additions due to IFRS 16)	9,958	2,005	503	632	−2,031	11,067

External sales by region

Figures in %

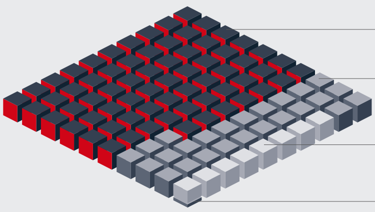


	6M 2021
Germany	65.4
Rest of Europe	28.2
USA/Rest of the World	6.1
Holding	0.3

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

External sales by region

Figures in %



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

Additional Information

Financial Calendar

August	27, 2021	Semi-Annual Financial Report 2021
April	30, 2022	Annual Financial Report 2021

Key to Symbols

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

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