BERENTZEN-GRUPPE AKTIENGESELLSCHAFT

ANNUAL REPORT 2017

BERENTZEN-GRUPPE
Durst auf Leben

Key Figures

Key figures of the Berentzen-Gruppe

		2017 or 12/31/2017	2016 or 12/31/2016	Change 2017/2016
Consolidated revenues excl. spirits tax	EURm	172.1	170.0	1.2 %
Spirits segment	EURm	91.0	91.6	- 0.7 %
Non-alcoholic Beverages segment	EURm	49.4	46.7	5.8 %
Fresh Juice Systems segment	EURm	20.7	21.6	- 4.2 %
Other segments	EURm	11.0	10.1	8.9 %
Total operating performance	EURm	174.2	172.7	0.9 %
Contribution margin after marketing budgets	EURm	58.4	57.7	1.2 %
Consolidated EBITDA	EURm	16.4	17.5	- 6.3 % [1]
Consolidated EBITDA margin	%	9.5	10.3	- 0.8 PP [1]
Consolidated EBIT	EURm	9.2	10.5	- 12.4 % [1]
Consolidated EBIT margin	%	5.3	6.2	- 0.9 PP [1]
Consolidated profit	EURm	2.6	4.4	- 40.9 %
Operating cash flow	EURm	10.2	11.2	- 8.9 %
Cash flow from investing activities [3]	EURm	-7.8	-6.2	25.8 %
Free cash flow [2]	EURm	-3.7	6.1	>-100.0%
Consolidated equity ratio	%	31.1	23.9	7.2 PP [1]
Employees	Total	484	487	- 0.6 %

[1] PP = percentage points.

[2] Cash flow from operating activities plus cash flow from investing activities.

Key figures for the Berentzen common share

		2017 or 12/31/2017	2016 or 12/31/2016	Change 2017/2016
Berentzen common share (ISIN DE0005201602, WKN 520160) share price / XETRA	EUR / share	8.24	7.65	7.7 %
Market capitalisation	EURm	77.4	71.9	7.6 %
Dividend / Berentzen common share	EUR / share	0.22 [1]	0.25	- 12.0 %
Dividend yield	%	2.7	3.3	- 0.6 PP
Price-earnings ratio	Ratio	30.2	16.2	14.0

[1] Proposal for the 2017 financial year.

BERENTZEN-GRUPPE
Durst auf Leben

Content

A. To our shareholders

(1) Letter to shareholders

Ladies and Gentlemen, dear Shareholders,

Looking back, the 2017 financial year was multi-faceted – with some changes, lots of positive moments as well as some challenges. This meant it was not possible to achieve the original earnings targets that we set out in the 2017 Annual Report, despite all best efforts. It was above all else a number of external factors that curtailed the success of our business, prompting us to lower the earnings expectations in September of last year. But it is also true that we need to leverage some internal potential for improvement.

Although we are not satisfied with how our consolidated earnings indicators developed, it is important to note that we operated profitably in the 2017 financial year and ultimately had one of the most successful financial years of this decade. We were within the range of the adjusted earnings forecast. Our consolidated revenues of EUR 172.1 million increased again compared with the 2016 financial year. At EUR 9.2 million, our consolidated operating profit (consolidated EBIT) remained very strong, albeit below the level of the previous year.

The *Spirits* segment performed especially well in the 2017 financial year, with an earnings contribution that was significantly higher than expected. In particular our core brands *Berentzen* and *Puschkin* held their own in a highly competitive market environment. Together they bucked the general downward trend, raising sales volumes by almost 6 percent in a year-on-year comparison. According to market research data from Nielsen, we doubled our market share of fruit-flavoured spirits within a five-year period with the *Berentzen* brand, thus copper-fastening our market leadership in this category. We also exceeded our own expectations in the business with our branded dealer and private-label products. Thanks to our market expertise and our cost efficiency, we are market leaders in many spirits categories in this field. Although the earnings contribution from our international business with branded spirits did not match our original expectations, it was considerably better than in the previous year. Revenue and segment earnings indicators improved year on year in the *Non-alcoholic Beverages* segment. Our *Mio Mio* product line has been and continues to be especially pleasing, allowing us to record very strong sales volume growth once again in the 2017 financial year. Nevertheless we are not satisfied with the earnings situation in the *Non-alcoholic Beverages* segment, and had originally hoped for better. Last summer was the worst for many years in terms of weather in our main sales area, and was a key factor leading to a sharp decline in sales volume there. The franchise business with the *Sinalco* brand was another area that did not develop as well as originally planned. The earnings contribution from the *Fresh Juice Systems* segment was substantially lower in the 2017 financial year, compared both to the previous year and to the forecast. Poor crop yields in all of our harvest destinations resulting from bad weather posed a particular challenge. The consequence was a scarcity of oranges that persisted over the entire year. Not only did this lead to higher purchasing prices, it also caused a massive jump in costs to ensure supply and assure quality. But the planned sales volume growth for fruit juicers did not materialise either, especially in the USA.

Significant factors for the corporate group in the 2017 financial year were the repayment of the corporate bond of EUR 50 million as well as the establishment of an independent *Corporate Social Responsibility* division. Among other things, the division was responsible for preparing our first, voluntary sustainability report, which we are publishing at the same time as this Annual Report. The report is part of a wider initiative: The objective is to incorporate social and ecological issues even more fundamentally into our corporate actions.

Against the backdrop of the challenges outlined above, we launched a comprehensive transformation programme last summer in order to realign the Berentzen Group and generate sustainable growth. Our goal for the coming years is to transform from the loosely organised beverages holding company with rather disparate segments that we are today into an integrated and powerful drinks incubator. As a first step, we have identified the shared DNA of the Berentzen Group – a social joie de vivre that says yes to life! From this, we have derived the title of the transformation programme, which doubles up as the new claim for the Berentzen Group: "Durst auf Leben" ("Thirst for Life"). Under this motto, we have already taken a number of major steps and a range of individual measures to pave the way to our goal. We have introduced a matrix structure in the corporate group in order to organise functions at a corporate level to a large extent – where this makes sense, for example supply chain, purchasing and marketing. This will allow the entire corporate group to take advantage of the existing strengths of what were formerly isolated individual parts.

For our umbrella brand, *Berentzen*, we have completely realigned our communication campaign with the motto "Freude bekennen." ("Admit to Happiness.") and have allocated a much higher marketing and media budget to this effort. This year, we will also integrate a ground-breaking innovation process in order to continue to win over customers with outstanding and contemporary product innovations. In the area of branded dealer and private-label products, we will steadily progress to becoming an established strategic partner to the retail trade. To achieve this goal, we have separated the supply chain function from that of sales/marketing, adding an additional management position to reflect this development. To exploit the full potential of our focus product, *Mio Mio*, we have already stepped up our sales activities since January 2018. This will be flanked by a media campaign due to commence in the coming weeks. Furthermore, to achieve our sales volume targets and also improve efficiency, we have initiated a range of efficiency-enhancing projects in the supply chain of our *Non-alcoholic Beverages* segment. In addition to reducing the complexity of the product portfolio and the organisation, we are investing in the supply chain to improve product efficiency and product capacity – for example by means of a considerably more efficient glass bottling unit. In the *Fresh Juice Systems* segment, we will put a huge effort into accelerating our new development cycles for fruit juicers, because the key to the success of this segment lies in the innovation competency of the appliances. But we have also secured ourselves better against potential fruit scarcities, for example by concluding pre-contracts and increasing our network of source plantations.

For the 2018 financial year, we are confident that the measures commenced will take effect and that they will form the basis for sustainable and profitable growth for our corporate group. Some measures will have positive effects right away, while others will have more of a medium to long-term effect. All of our segments are important to us in this regard in order to ensure a continued positive development.

We are convinced of the future of a broad-based beverages group. In this sense, we would be delighted for you to continue to place your trust in us and show us your support on our journey together.

We thank you sincerely in advance for your continued trust and support.

Kind regards,

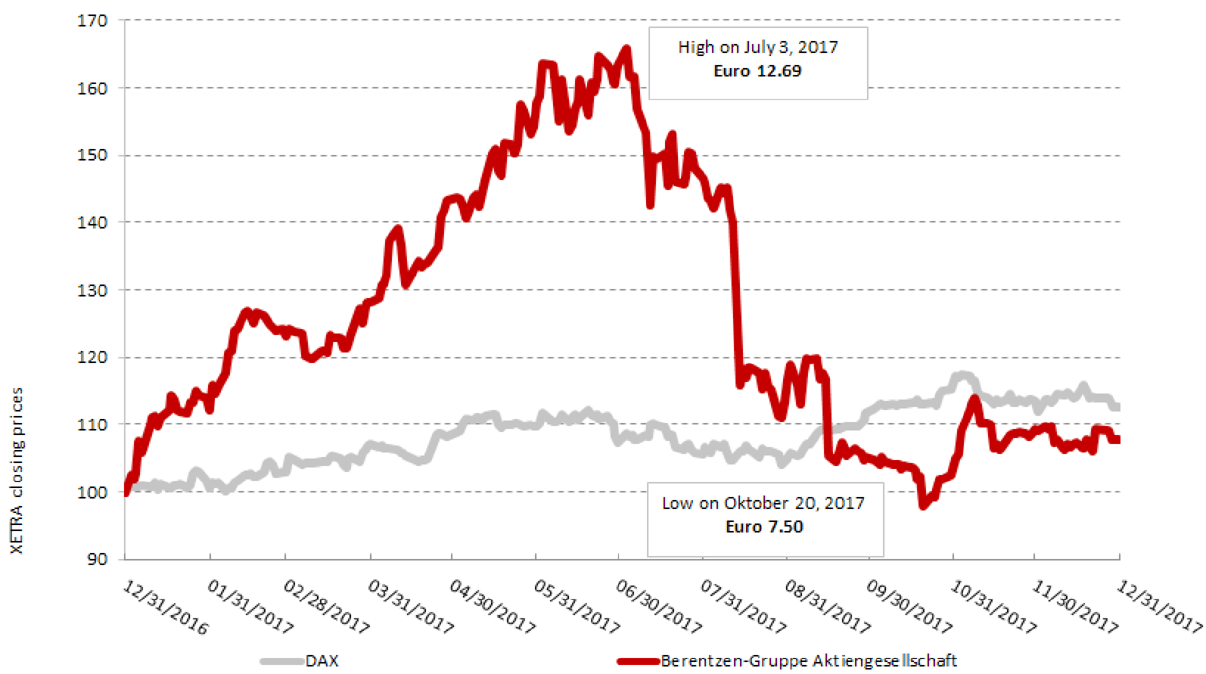
(2) Our share

Key figures on the Berentzen-Gruppe Aktiengesellschaft share

		2017	2016
Number of listed shares (common stock)	Total	9,600,000	9,600,000
High for the year / XETRA	Euro / share	12.69	7.90
Low for the year / XETRA	Euro / share	7.50	5.79
Average for the year / XETRA	Euro / share	9.63	6.70
Average trading volume per trading day / XETRA	Total	20,994	9,675
Price at year-end / XETRA	Euro / share	8.24	7.65
Dividend / share	Euro / share	0.22 [1)]	0.25
Basic / diluted earnings per share	Euro / share	0.273	0.473

1) Proposal for the 2017 financial year.

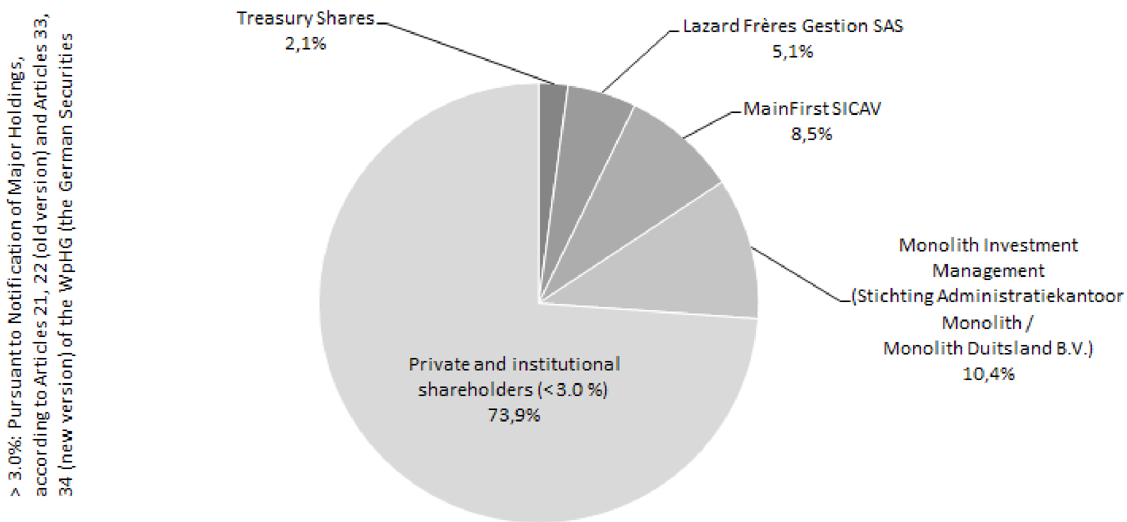
Price of the Berentzen-Gruppe Aktiengesellschaft share in 2017



The German equity market developed very positively in the past year. For example, the DAX rose to a record level of 13,525 points over the course of the year, but closed marginally short of the 13,000-points mark on the last day of trading in 2017. The DAX rose in value by almost 13% over the year as a whole, thus recording its sixth consecutive year of growth. The reasons most commonly cited for this positive development include the strong performance of the German economy as well as of most other economies around the world and the favourable monetary policy of the world's central banks. By contrast, uncertainty surrounding Brexit or geopolitical conflicts in North Korea and the Middle East appear to have scarcely hampered the development. The other key German equity indices recorded an even-better development in 2017, with the MDAX up more than 18%, the SDAX up almost 25% and the TecDAX up almost 40%.

In a challenging 2017 financial year for Berentzen-Gruppe Aktiengesellschaft, the share listed on the regulated market (General Standard) of the Frankfurt Stock Exchange appreciated by almost eight percent. Starting from a closing price of EUR 7.65 as of December 30, 2016, the share began trading in the past financial year at EUR 7.75 on January 2, 2017. Based on the successful 2016 financial year and a positive business performance in the first quarter of 2017, the share embarked upon a marked upward trajectory in the first half of 2017, ultimately reaching its high for the year of EUR 12.69 on July 3, 2017. However, the share did not succeed in settling at this level, and a downward trend followed which culminated on August 14, 2017. After an opening price of EUR 10.70, the share price slid to a price of ultimately EUR 8.86 on that date after publication of the Semi-Annual Financial Report with its moderate key indicators. Over the following period, the share price development remained stable at first, until Berentzen-Gruppe Aktiengesellschaft announced an adjustment to its earnings forecast for the 2017 financial year on September 14, 2017. The share price dropped to a value of EUR 8.06 on September 15, 2017 as a result. In the weeks that followed, the share showed a negative sideways movement. The figure recovered slightly after the Q3/2017 Interim Report was published, ultimately closing the year at a price of EUR 8.24 on December 29, 2017. Taking into account this closing price and the dividend distributed in May 2017 of EUR 0.25 per share, the overall return (share price gain and dividend yield) on the share stood at 11.0% in the 2017 financial year.

Shareholder structure
(at February 28, 2018)



Dividend proposal
The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft will propose to the general meeting that the distributable profit presented in the separate commercial-law financial statements of Berentzen-Gruppe Aktiengesellschaft in the amount of EUR 6.2 million for the 2017 financial year be utilised to pay a dividend of EUR 0.22 per qualifying common share for the 2017 financial year and the rest be carried forward to new account.

(3) Our products

The Berentzen Group is a broad-based beverages company that now offers beverages for practically all times of day and nearly all tastes and occasions. The product range extends from spirits and non-alcoholic beverages such as soft drinks and regional mineral waters through to fresh juice systems for freshly squeezed orange juice.

Spirits

The company's roots in the grain alcohol distillery and the *Berentzen* brand date back more than 250 years. The year 1976, when the company launched the *Berentzen Fruchtigen* line of products around the core *Apfelkorn* product, was an important milestone in the company's history. Young adults for whom vodka is preferred to schnapps nowadays at the national level have found products under the Puschkin brand since 1990. This was then expanded in the 1990s to include traditional spirits like *Strothmann, Bommerlunder* and *Doornkaat*. The strategic focus in developing the spirits portfolio is on the *Berentzen* and *Puschkin* umbrella brands. They are continuously reinforced by means of innovation and renewal, together with communication programmes for the retail trade.

The pattern of consumer behaviour observed by the Berentzen Group in Germany to increasingly mix spirits and enjoy them over a longer period of time in the evening was one reason for the strategic additions to the *Berentzen* portfolio: The aperitif line of products featuring *Cranberry Aperitif* mixed with sparkling wine and *Lemon Twist* mixed with tonic water has performed respectably. According to the independent market research enterprise The Nielsen Company, *Cranberry Aperitif* for example was the top innovative new product measured by sales in Germany already in the launch year of 2016; and the sales volume has tripled since that time. Other new *Berentzen* products are always presented with a "perfect serve"; for example, the *Herbe Orange* variety developed for the launch in March 2018 tastes great with lemon ice tea.

In the fruity miniatures segment, *Berentzen* further bolstered its market leadership position in Germany by increasing its sales 23% in the retail food trade. Take-away formats such as the *Berentzen Mini-Botschaften* ("mini-messages") offer further potential. The party-relevant messages on the packaging make *Berentzen* a trailblazer in this segment. These contemporary usages of new products are illustrative of the renewal of the *Berentzen* brand and make an important contribution to the Group's market success.

In addition to vodka as a strong base product, *Puschkin* has introduced unusual variants in the vodka liqueur segment. The *Nuts & Nougat* variety with the flavour of liquid chocolate has since become the most successful Puschkin variant, with sales in Germany doubling again in 2017. Starting in the spring of 2018, *Puschkin Watermelon* will be launched as a summer flavour and the Limited Edition *Russian IceTea* will come out in time for the World Soccer Cup in Russia. Furthermore, the traditional *Puschkin Vodka* product is periodically distributed in special design editions for the end-of-year holiday season, most recently with a striking *Glow in the Dark* edition.

Berentzen Hof Distillery has introduced new developments in the premium spirits segment. A certified premium organic double-distilled wheat schnapps, *Korn2Korn*, has been produced by our master at the headquarters in Haselünne since August 2017. Starting in mid-2018, an aged variant of *Korn2Korn* and a peated rye whisky will be mellowed in the company's own barrels.

The *Berentzen* umbrella brand launched a broad-based reach campaign at the start of 2018. The media budgets planned for the full year 2018 are about 50% higher than the 2017 media budgets. The campaign will target consumers on the basis of suitable occasions and needs, including the peak of carnival season with an online presence for party planning, city-light posters in carnival cities, and social media posts targeted to carnival-goers. The new marketing campaign *Freude bekennen* embodies the Berentzen brand core of “Enjoy your life!” and achieves continuous and efficient contact with users, with low scatter losses as before, mainly by means of a strong online presence. The company’s excellent marketing skills in online and social media channels are also put to good use in the media presentation of the *Puschkin* umbrella brand, where the positioning as a party brand is communicated directly to young adults in a cost-efficient way.

The international portfolio of our brand-name spirits is essentially based on the products distributed also in Germany. For example, *Berentzen Apfel* is the strongest-selling variant of the *Berentzen Fruchtigen* line of products also internationally. For years, the Netherlands has been the most important international market, where the company’s products are clearly and continuously targeted to young adult consumers.

The *Puschkin* product family – including the trendy variants – has likewise been distributed in the Benelux countries and in many countries of central and eastern Europe for many years.

Other important brands internationally include *Berentzen Tropical Yoghurt* in Japan, as a special cocktail component, and the high-volume products *Berentzen Doppelkorn*, *Rasputin* and *Fjodor Vodka* in the so-called border-shop business at the eastern border of the European Union.

The Group’s branded dealer and private-label products, which are marketed by the subsidiary Pabst & Richarz Vertriebs GmbH, are popular with the retail trade not only because of their good quality and strong customer orientation, but also for their new, customer-tailored product and marketing concepts. This is particularly true for the international spirits specialties, including premium-quality products like gin, bourbon whiskey, Cuban rum and tequila. Particular emphasis was again placed on refining trend articles and features in 2017. In this segment, premium-quality bottle formats are increasingly being utilized at the brand level and then further enhanced by the direct printing of colour gradients and labels on the bottles. Furthermore, the company is increasingly introducing new packaging formats, especially in the segment of miniature products. Good access to suppliers of high-quality spirits makes it possible to strategically broaden the portfolio and enhance quality. A forward-looking sourcing policy means that larger volumes of bourbon whiskey can still be offered to regular customers in particular.

Non-alcoholic beverages

The core competencies of the Group company Vivaris Getränke GmbH & Co. KG, which represents the *Non-alcoholic Beverages* segment in the Berentzen Group, consists in the production and marketing of mineral waters, lemonades, cola, energy and mate-tea drinks in numerous different packagings and under established own brands and the franchise brand *Sinalco*.

The hit product of the last few years, *Mio Mio*, further increased its unit sales and revenues in the 2017 financial year: Approximately 20 million bottles were sold, reflecting a gain of around 50 percent. *Mio Mio* is now available in Poland, in addition to Germany. Distribution activities were stepped up substantially at the start of 2018 by engaging an outside distribution agency and expanding the distribution network, particularly in southern Germany. In addition, a new media campaign was launched in February 2018. The new flavour *Mio Mio Mate Ginger* was named “New Product of the Year 2017” in the traditional retail trade survey of the trade journal *Getränke Zeitung*. Other flavours are already being planned for nationwide distribution in Germany. Retailers are still very willing to stock innovative new varieties of the *Mio Mio* brand.

According to *Getränke Zeitung*, many mineral water producers generated substantially lower unit sales during the summer of 2017 due to poor weather, especially in northern Germany. The mineral water brands of Vivaris Getränke GmbH & Co. KG were also affected by this development.

The highest-selling mineral water brand in the Vivaris portfolio in 2017 was again *Märkisch Kristall* from Grüneberg, which has deep roots in the region surrounding Berlin. The 6-bottle 1.0-liter PET reusable crate formerly used for the products *vivaris Sport Grapefruit-Zitrone*, *vivaris Sport Orange* and *vivaris ACE* was successfully converted to the new 12-bottle crate as a way of making the products more customer-friendly. Customers enjoy more variety now because all versions can be combined in one crate.

The new product *Sinalco Citres* was added to the franchise brand *Sinalco*'s portfolio of 0.33-liter bottles. *Sinalco ACE* and *Aquintéll Lemon* were added to the 12-bottle 0.5-liter PET reusable crate introduced in 2016.

The construction of a new warehouse at the Haselünne location increased storage capacities by around 40%. The first pallets were stored in the new warehouse already in late 2017. The warehouse was completely finished in the first quarter of 2018.

Fresh Juice Systems

The *Fresh Juice Systems* segment was added to the Berentzen Group's portfolio following the acquisition of the subsidiary T M P Technic-Marketing-Products GmbH at the end of 2014. It offers a system combining high-qualify fruit juicers distributed under the *Citrocasa* brand with juice oranges untreated after harvest with the brand name *frutas naturales* and special bottling systems. The fruit juicers are marketed worldwide.

After the successful launch of the new fruit juicer generation *Revolution Advance* in the second quarter of 2017, the successful roll-out to the worldwide distribution network began immediately. Delivery of the *Fantastic ECO*, a hand-cranked orange press that works without any electricity that was first unveiled at the HOST trade fair in Milan, began at the start of 2018.

Additional detail improvements were made in 2017 to the two established model series *8000 Advance* and *Fantastic Advance,* which are designed to produce larger quantities of fresh-pressed orange juice. The juice oranges *frutas naturales* were affected by catastrophic crop failures in 2017, both in Europe and South Africa. Besides leading to a reduction of available fruit quantities, they caused the quality of the remaining oranges to be lower than normal, in some cases much lower. It also led to a massive increase in purchasing prices and quality assurance costs as the company strove to keep its quality promise to customers. In order to meet such challenges more effectively in the future, the company entered into closer cooperation arrangements with fruit packers and entered into early contracts to secure crop shares.

Berentzen Hof

The Group company Der Berentzen Hof GmbH is located in the company's headquarters in Haselünne. Berentzen Hof includes the leased restaurant *Burgkeller* and other historical buildings which are used for an extensive programme of tours and events, among other things. The strong response to this offering has made Berentzen Hof a popular event location over the years.

Berentzen Hof gained a new central attraction when the Berentzen Hof Distillery opened in August 2017. Visitors on guided tours can now witness the distillery process first-hand. In addition, a completely redesigned conference room located right next to the distillery and connected to it by a viewing window opened in January 2018. Another part of Berentzen Hof is the farm shop, which opened back in 1996 and was completely renovated in 2016. The diversity of products offered there is reflective of the Group's broad product range. The farm shop provides a good overview of the Berentzen Group's portfolio to the more than 35,000 visitors of Berentzen Hof every year.

(4) Sustainability in the Berentzen Group

There has been a strong growth in the interest in topics relating to the social and ecological responsibility on the part of businesses in recent years. The German Act Implementing the CSR Directive (CSR-Richtlinie Umsetzungsgesetz) that came into effect in April 2017 once again underlined the importance of this issue and also generated pressure on many companies to take action by increasingly addressing non-financial performance indicators as part of their financial reporting.

Although the Berentzen Group is, to date, not subject to any obligation to publish a non-financial statement, it is presenting the first voluntary Sustainability Report for the 2017 financial year at the same time as Berentzen-Gruppe Aktiengesellschaft's Annual Report.

This Sustainability Report is a further significant step towards rendering the responsible management, the activities to date and the objectives of the coming years within the Berentzen Group visible and transparent to the general public.

The German Sustainability Code (Deutscher Nachhaltigkeitskodex, DNK) with the new set of indicators for the GRI standards was used for the preparation of this Report. The underlying data generally date from 2017. In order to demonstrate the development of important ratios (such as consumption of electricity and natural gas), the data platform used for selected indicators was extended to 2015 and 2016. This means that the 2015 financial year is at the same time the base year for the presentation of the development of important ratios.

The reporting is performed at Group level; this means that it covers all active production, sales and administrative locations. Location-specific data are aggregated for the whole corporate group for presentation.

In future, the Sustainability Report will be published at yearly intervals together with the Annual Report of Berentzen-Gruppe Aktiengesellschaft. Prepared on a voluntary basis, the Report is not subject to an external review.

The following pages contain a brief summary of the content of the Sustainability Report. The full Report can be downloaded from the corporate website at www.berentzen-gruppe.de/verantwortung/nachhaltigkeitsbericht/.

(4.1) Challenges in the areas of activity

The business activities of the Berentzen Group essentially comprise the production and distribution of spirits and non-alcoholic beverages and the development and distribution of fresh juice systems. As a consequence, the Berentzen Group bears responsibility not only for consumers but also for the environment and the society in which it operates. However, it does not manufacture any products where sustainability in the strictest sense is embedded by the business model at every stage in the value added chain. For this reason, the objective for the next few years is to reinforce sustainability in all areas of the Company and in all processes and make it part of our vision and mission.

As a corporate group that acts responsibly, the Berentzen Group's ambition is to continually improve in all areas in which its business activities have the greatest impact on sustainability issues. The sustainability strategy includes putting into practice a sustainable way of thinking and going about business in all areas and processes of the Company.

The topics material to the Berentzen Group and its stakeholders were broken down into three areas of activity

- Our staff
- Responsible management
- Energy and resource management

In these areas of activity and as a part of all topics specified in relation to the areas of activity, targets are set on an ongoing basis and measures elaborated with a view to achieving these targets. Wherever possible, national and international standards and frameworks are used as a guide.

(4.2) Our staff

The employees of the Berentzen Group make possible the success of the corporate group, safeguard future competitiveness in a fierce market environment and thus make a significant contribution to achieving the business objectives. The well-being and the satisfaction of employees is of great importance for the Berentzen Group, because committed, well qualified and motivated employees are the most important asset for a corporate group that generates its value added from special commitment to quality and innovative ideas.

In order to maintain the satisfaction, health and labour of the employees, the Berentzen Group offers a wide range of measures in the field of health management. Within the framework of the company's health promotion programme, that is conceptually structured into the areas of exercise, nutrition and relaxation, various measures were implemented in the 2017 financial year aimed at protecting the employees' physical and mental health and promoting a healthy lifestyle. These measures include, for example, internal sport groups, subsidised monthly contributions to a company fitness network, leased bicycles and internal lectures and events.

Further development of employee skills is also an important prerequisite to achieving joint success within the corporate group. Alongside specialist knowledge itself, interdisciplinary skills make a contribution to success. The range of training on offer is structured to theneeds and practice-oriented and effective. Alongside specific further training possibilities aligned to an individual's field of work, internal training courses for groups are also on offer. The objective of such standard training courses is to increase staff employability and to be able to meet demand for specialist personnel from the existing staff in the long term. Advanced training for employees is promoted by granting leaves of absence and assuming the costs of ongoing training, for example.

Outlook

The measures under the company's health promotion programme will continue in 2018 and will be supplemented by new offerings. The establishment of a regular staff survey is intended to provide employees a platform on which they can express their issues and wishes in future as a means of ensuring that problems and negative developments are identified in good time and countermeasures can be initiated.

The holding of regular structured talks with employees was approved in all group companies in February 2018 – on the basis of a works agreement, where necessary. This makes it possible to make more intense use once again of an instrument of personnel development that had been deployed for many years in the past.

Important employee-related ratios

	2017	2016	2015
Average headcount	490	488	488
Headcount as of December 31, 2017	484	487	491
Further employee-related ratios as of the December 31, 2017 reporting date			
Illness ratio [%]	3.9	3.7	4.0
Part-time ratio [%]	15.3	16.0	16.3
Ratio of women [%]	36.8	35.9	36.5
Trainee ratio [%]	5.2	6.2	7.1
Turnover rate [%]	13.0	10.9	13.8
Average term of employment [years]	13.8	14.2	14.0

(4.3) Responsible management

In the 2017 financial year, the focus of the responsible management area of activity was placed on developing and implementing new binding guidelines with a view to ensuring that the actions on the part of all employees within the entire corporate group remain within the bounds of the law. Ten years after it came into effect, it became apparent that the previous Berentzen Code was in need of revision as the environment in which the Company operates, specifically legislation, rules and requirements had drastically changed and the Code was therefore no longer able to cover all areas of work. Furthermore, the old version was exclusively for internal use and was not available to consumers, business partners, investors and the interested public.

Alongside the revision of the Code of Conduct, stand-alone Codes were drafted for the areas of purchasing/suppliers and marketing. At the same time, the adoption of the new Berentzen Codes laid the foundation for the elaboration of a concept to make the Berentzen Group's own standards more visible to customers and consumers and simultaneously increase transparency within the value added chain. The fundamental objective in this respect is to implement mechanisms to ensure compliance with human rights in the supply chain. To this end, delivery of the Marketing and Supplier Code of Conduct with a request for written confirmation of receipt began once the Berentzen Codes had come into effect on October 15, 2017.

Alongside the introduction of the Codes, the performance of a social audit constituted a further milestone along this path. The audits centred around working conditions, health protection, occupational safety, pay and working hours, business practices and environmental management. The results confirm that the corporate group is in a good position overall, not only with regard to the topics of occupational safety and compliance with the provisions of the law but also with regard to employee satisfaction.

The Sedex Members Ethical Trade Audit (SMETA) is social audit standard that was developed by the members of the supplier platform SEDEX (abbreviation for Supplier Ethical Data Exchange). SEDEX itself is an online platform known the world over that offers its members the possibility of sharing information relating to ethical and social responsibility with customers and business partners. This platform's objective is to increase transparency and accountability in supply chains. The Sedex Members Ethical Trade Audit forms the basis for the Berentzen Group's accession to SEDEX.

Alongside codes, guidelines and other sets of rules intended to ensure compliance with laws and ethically correct behaviour, the Berentzen Group submits itself to various other annual audits and certification procedures that substantiate compliance with standardsproviding customers and consumers with evidence that the Berentzen Group meets those standards and that it also requires the same of its suppliers. Within the Berentzen Group, certificates for energy management pursuant to ISO 50001, the International Food Standard (IFS) and ISO 9001 were brought up to date over the course of the 2017 financial year. Two new labels joined the collection: the EU certified organic products label for the new Korn2Korn premium spirit and the "Gesicherte Nachhaltigkeit" (certified sustainability) label for the products from the Non-alcoholic Beverages segment.

Outlook

Delivery of the Codes to suppliers is scheduled to be completed in 2018. This will be followed by the publication of the Group's own certificates and audit results on the SEDEX supplier platform and the elaboration of a risk profile with the corresponding follow-up measures. In this respect, social and ecological aspects will be given equal consideration. This is intended to ensure that the value added chain is reviewed with regard to compliance with human rights and ecological requirements.

The Berentzen Group's social and cultural engagement at the regions of its locations is to be expanded in the 2018 financial year through support being provided to further projects and events.

(4.4) Energy and resource management

One significant ecological impact from the business activities of the Berentzen Group is the emission of climate-damaging greenhouse gases through the use of energy. For this purpose, the primary energy sources of heating oil, natural gas and electricity are used to generate the forms of energy needed in each case, such as steam, heat or compressed air. Energy management pursuant to ISO 50001 was introduced in the Berentzen Group in the 2016 financial year with a view to optimising energy consumption within the Berentzen Group and reducing the occurrence of greenhouse gases.

A natural gas fired combined heat and power plant (CHP) was installed at the Rittergasse location in Haselünne as long ago as in 2013 which has covered part of the heating needs and most of the electricity requirements since then. This efficient CHP demonstrates a higher total utilisation rate in comparison to the previous combination of local heating and electricity supplies from the central power plant system. This greater efficiency stems from the fact that most of the waste heat from the electricity generation can be used locally. Alongside cost-savings, this also avoids emissions on a long-term basis.

Over the course of the 2017 financial year, the corporate group switched to renewable energies in the area of electricity supplies. Since April 2017, 7,326 megawatt hours of certified green energy has been purchased from Northern European hydropower plants. The transition made it possible to increase the share of renewable energies in total electricity consumption from 8.97 percent in the previous year to 78.44 percent in the 2017 financial year.

Purposeful measures to boost energy efficiency and to reduce the quantity of resources used have been implemented in recent years both in spirits production and in the manufacture of non-alcoholic beverages. This made it possible to reduced the specific consumption figures for water and energy in comparison to base year 2015.

	2017	2016	2015
Water consumption per litre of finished product [l/l]	2.33	2.44	2.38
Waste water produced per litre of finished product [l/l]	1.16	1.21	1.10
Waste produced per litre of finished product [g/l]	14.44	12.99	14.48
Specific fuel consumption [kWh/m³]	79.57	86.93	84.60
Specific electricity consumption [kWh/m³]	44.17	45.07	45.65
Specific energy consumption [kWh/m³]	136.66	145.61	146.65

Outlook

As a matter of principle, the Berentzen Group strives towards boosting efficiency and minimising the quantity of raw material and energy required and the quantity of waste and waste water incurred. Electricity from fossil energy sources is now only being used for supplies to the administrative building and for fuelling our own production with the CHP. Further measures to increase energy efficiency are planned for the 2018 financial year; these include gradual conversion to LED lighting.

Beyond the existing management systems, the introduction of a group-wide environmental management system is under preparation. This system is intended to provide improved transparency and reveal potential for optimisation with regard to use of resources, the volume of waste and emissions.

(5) Report of the Supervisory Board

Ladies and gentlemen,

The following report provides information on the activities of the Supervisory Board and its committees in the 2017 financial year pursuant to Section 171 (2) of the German Stock Corporation Act (AktG).

Again this year, the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft and its committees performed the duties incumbent upon them by law, the Company's Articles of Association and its rules of procedure, and advised and supervised the Executive Board as it managed the Company. The Supervisory Board was involved in all decisions of fundamental importance for the Company.

Cooperation between the Executive Board and the Supervisory Board

The Executive Board continued to keep the Supervisory Board informed promptly and comprehensively about all key topics in connection with the management of the Company and the corporate group in written and verbal form on a regular basis over the course of the 2017 financial year. In particular, this covered reporting on the strategy, the business plan, the business performance including the financial position, cash flows and financial performance, the risk position, financial reporting system and the financial reporting process, the effectiveness of the internal control system, as well as the risk management system and the internal audit system, the audit of the financial statements, the compliance function and numerous current topics of significance for the Berentzen Group. Deviations in the Company's performance from the business plan were explained case by case to the Supervisory Board. Furthermore, the Supervisory Board discussed material transactions with the Executive Board and provided advice on significant individual measures on the basis of relevant regular reports by the Executive Board and during individual meetings.

The Chairman of the Supervisory Board was in regular contact with the Executive Board outside of the Supervisory Board meetings to be kept up to date with the Company's performance and any significant transactions. Strategy discussions with the Chairman of the Supervisory Board focused on the prospects and future orientation of the Company and the corporate group.

The Supervisory Board was notified in due time where its approval was required for measures undertaken by the Executive Board. The Supervisory Board granted its approval to the underlying motions for resolution following in-depth examination and deliberation.

Meetings and main topics of deliberation of the Supervisory Board

A total of four regular meetings of the full Supervisory Board were held in the 2017 financial year. One other resolution was adopted by telephone and another one by written circular.

The development and the financial performance, cash flows and financial position of the corporate group were the subject of regular deliberations in all meetings of the Supervisory Board.

At its meeting on March 22, 2017, the Supervisory Board discussed the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as at December 31, 2016 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2016 financial year. In line with the final result of its own review, the Supervisory Board did not raise any objections and concurred with the audit findings of the independent auditor. Following the recommendations of the Finance and Audit Committee in each case, the Supervisory Board subsequently approved the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft; the financial statements were thus adopted. Based on its own examination, the Supervisory Board further approved the report on relations with affiliated companies (Dependent Company Report) of Berentzen-Gruppe Aktiengesellschaft for the reporting period from January 1 to September 23, 2016 and the findings of the audit of the same by the independent auditor and did not raise any objections to the closing declaration by the Executive Board contained in the same. With the approval of the Dependent Company Report, the Supervisory Board was likewise following a recommendation of the Finance and Audit Committee in this context. Furthermore, the Supervisory Board passed the agenda for the annual general meeting to be held on May 19, 2017 together with proposed resolutions. These included but were not limited to the proposal by the Supervisory Board based in each case on a recommendation of the Finance and Audit Committee for the appointment of the independent auditor of the separate and consolidated financial statements for the 2017 financial year and its proposal to the annual general meeting concerning the utilisation of the distributable profit for the 2016 financial year of Berentzen-Gruppe Aktiengesellschaft, with which the Supervisory Board in turn concurred with the proposal by the Executive Board to the annual general meeting on the utilisation of profit following its review of the same. Other proposals passed by the Supervisory Board for submission to the annual general meeting related to Supervisory Board proposals based on recommendations made in this respect by the Nomination Committee concerning the by-elections of the shareholder representatives on the Supervisory Board and a proposal relating to an amendment to the Articles of Association of Berentzen-Gruppe Aktiengesellschaft concerning remuneration of the Supervisory Board members. The deliberations by the Supervisory Board at this meeting further covered personnel matters concerning the Executive Board in connection with the changes in the composition of the management body consequently implemented in May and June 2017; the resolutions were passed on the basis of the corresponding recommendations of the Personnel Committee.

The subject of a resolution adopted by the Supervisory Board by telephone on April 7, 2017 was the appointment of Mr. Oliver Schwegmann as a member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft on the basis of a Personnel Committee recommendation; the appointment became effective as of June 1, 2017

The Supervisory Board held a further meeting directly after the annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 19, 2017. In light of the changes to the composition of the full assembly arising from the by-elections to the Supervisory Board held beforehand within the scope of the annual general meeting, the Supervisory Board used this meeting to elect a successor to the office of Deputy Chairman and new members of its committees; these also included the Chairman of the Finance and Audit Committee. Another item on the agenda concerned the legal requirement to set a target for the proportion of women on the Supervisory Board and on the Executive Board. Taking account of the results achieved regarding the targets made in this respect in 2015 for the first time, the Supervisory Board once again passed a resolution on these targets and deadlines for them to be met.

On July 14, 2017, the Supervisory Board passed resolutions by written circular relating to issues of corporate governance in light of the amendments to the German Corporate Governance Code passed by the governmental commission on the German Corporate Governance Code on February 7, 2017 and published in the Federal Gazette (Bundesanzeiger) on April 24, 2017. Alongside commitments and findings relating to the independence of its members representing the shareholders, the Supervisory Board passed a competence profile for the members of the Supervisory Board and to the subsequently published update of the annual declaration by the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) of November 2016.

After taking stock of the situation in this respect, the deliberations of the Supervisory Board meeting of September 25, 2017 focused on the strategic guidelines for the business development of the corporate group for the year 2018 and beyond, and updating the same. One of the first measures focusing on future development to be approved for implementation related to a major investment in the production equipment for the *Non-alcoholic Beverages* segment. Further discussions and resolutions related in particular to topics of corporate governance and compliance and included the passing of the three Berentzen Group Codes including the Berentzen Group Code of Conduct. Some of these Codes had been completely revised, others had been newly introduced.

At its meeting held on December 11, 2017, the Supervisory Board discussed the business plan submitted by the Executive Board for the 2018 financial year, the medium-term plan for the 2019 and 2020 financial years and once again addressed the strategic guidelines for the corporate group included in these plans, and subsequently approved the same. Another focal point of the meeting in turn centred on issues of corporate governance and compliance, also with regard to the German Act Implementing the CSR Directive that came into effect in April 2017. The Supervisory Board used this occasion to, among other things, pass a diversity concept for the composition of the Executive Board and the Supervisory Board that at the same time also takes account of the corresponding recommendations of the German Corporate Governance Code, especially with regard to setting specific targets on the composition of the Supervisory Board. Furthermore, the Supervisory Board passed the annual declaration by the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

Meetings and main topics of deliberation of the committees of the Supervisory Board

The Supervisory Board again had two committees in the 2017 financial year to help it carry out its tasks efficiently. In order to prepare and supplement its work, the Supervisory Board set up a Personnel/Nomination Committee and a Finance and Audit Committee, which act as standing committees. Certain decision-making powers of the Supervisory Board have been delegated to the committees within the legally permitted framework. The chairmen of the committees reported to the full Supervisory Board on the work in the committees.

Personnel Committee

The following tasks in particular have been assigned to the Personnel Committee: preparation of the relevant resolutions regarding the appointment and dismissal of members of the Executive Board and regarding the conclusion, amendment and termination of employment contracts The responsibility of the Personnel Committee does not extend to resolutions regarding the setting of the total compensation payable to an individual member of the Executive Board or regarding the reduction of compensation and benefits of members of the Executive Board; resolutions on such matters are solely the responsibility of the Supervisory Board.

The Personnel Committee met once in the 2017 financial year.

At its meeting on March 22, 2017, the Personnel Committee addressed the upcoming changes in the composition of the Executive Board after the then Executive Board Spokesman of Berentzen-Gruppe Aktiengesellschaft, Frank Schübel, had informed the Chairman of the Supervisory Board at the beginning of the year that he would not extend his appointment as member of the Executive Board due to end on October 30, 2017 but would at the same time be available for a post on the Supervisory Board. With a view to filling the imminent vacancy on the Executive Board caused by this, the discussions also extended, by way of preparation, to nominating a successor to the portfolio in question; a suitable candidate was found in Mr. Oliver Schwegmann. Based on its deliberations, the Personnel Committee then passed on to the Supervisory Board its recommendations in this context.

Nomination Committee

The Personnel Committee is simultaneously the Nomination Committee within the meaning of the German Corporate Governance Code (GCGC). In this function, and with its composition restricted to the members of the committee who represent shareholders, it deals with the selection of the candidates for a seat on the Supervisory Board as representatives of the shareholders.

The Nomination Committee likewise met once in the 2017 financial year.

Its meeting on March 13, 2017 centred on the discussion of and the passing of resolutions on recommending to the annual general meeting the proposals of the Supervisory Board regarding by-elections for shareholder representatives on the Supervisory Board. Prior to this, three Supervisory Board members for shareholders and representatives of the former majority shareholder of Berentzen-Gruppe Aktiengesellschaft, namely the Deputy Chairman of the Supervisory Board, Dr. Frank Forster, in addition to Dr. Dirk Markus and Dr. Martin Schoefer, had made it known in February 2017 that they intended to resign their offices prematurely with effect as of the end of the annual general meeting of the Company on May 19, 2017. Furthermore, the judicial appointment of Mr. Daniël M.G. van Vlaardingen as member of the Supervisory Board that had come into effect in 2016 formally ended at this time, which meant that a by-election by the annual general meeting was also necessary in this respect. Correspondingly, the Nomination Committee made four recommendations to the Supervisory Board for the same number of Supervisory Board proposals to the annual general meeting regarding the by-elections for the Supervisory Board.

Finance and Audit Committee

The Finance and Audit Committee similarly continued its work and held two meetings in the 2017 financial year. In particular, it has been tasked with overseeing the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, and the compliance function.

Outside of the meetings, the respective Chairman of the Finance and Audit Committee, in some cases accompanied by further committee members, held additional talks with the member of the Executive Board responsible for the portfolio, the respective company heads of department and/or the auditors signing off on behalf of the independent auditor of the financial statements; they reported on these talks at the following meeting of the Supervisory Board in each case.

At its meeting on March 22, 2017, the Finance and Audit Committee addressed, in the presence of the responsible auditor from the auditor of the financial statements and members of the Executive Board, the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2016, the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2016 financial year, the report on relations with affiliated companies (Dependent Company Report) of Berentzen-Gruppe Aktiengesellschaft for the reporting period from January 1 to September 23, 2016 and the financial statements of three material operating companies within the group as of December 31, 2016. The Finance and Audit Committee also considered the issues of overseeing the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and the compliance function. The Supervisory Board also handled the topics of overseeing the independence of the independent auditor and the additional services rendered by the independent auditor and the performance of the audit of the financial statements. The Executive Board and the responsible auditor from the independent auditor had previously reported extensively while answering the questions posed by the members of the committee present. The Finance and Audit Committee subsequently made one recommendation to the Supervisory Board for the approval of the separate and consolidated financial statements and one for the Dependent Company Report of Berentzen-Gruppe Aktiengesellschaft. A further resolution related to the Supervisory Board proposal to the annual general meeting on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2016 financial year. Following deliberations on the related proposal submitted by the Executive Board, the Finance and Audit Committee made a recommendation to the Supervisory Board to follow this proposal in its own proposal.

With regard to the audit of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year, the discussions related to the shortlisting of the independent auditor, the independence and the additional services rendered by the same as well as the issuing of the audit engagement and the agreement with the independent auditor on the fees payable. The deliberations by the Finance and Audit Committee came to a conclusion with a resolution to make a recommendation to the Supervisory Board as to its proposal to the annual general meeting regarding the election of the independent auditor for the separate and consolidated financial statements for the 2017 financial year, the independent auditor for any possible audit review of the condensed financial statements and the interim management report in the 2017 financial year (Group Half-yearly Financial Report) and the independent auditor for any possible audit review of additional financial information over the course of the 2017 and 2018 financial year up to the annual general meeting of Berentzen-Gruppe Aktiengesellschaft in 2018. In this context, the Finance and Audit Committee gave a declaration to the Supervisory Board pursuant to Regulation (EU) No. 537/2014, stating that its recommendation was free of any unreasonable influence exerted by third parties and that no unacceptable contractual terms had been imposed on it by third parties under which the options of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft with regard to the selection of a certain independent auditor or a certain audit firm for the performance of the audit of the financial statements were limited to certain categories or lists of independent auditors or audit firms.

Furthermore, the Finance and Audit Committee passed a resolution on determining the focal points for the audit of the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year.

The discussions and resolutions at the meeting of the Finance and Audit Committee held on December 11, 2017 likewise related to issues of relevance to the financial statements and the audit in the context of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017 and the management reporting for the 2017 financial year, specifically overseeing the independence of the independent auditor and the performance of the audit of the financial statements, as well as once again the issue of determining the focal points and the key audit matters determined by the independent auditor. Furthermore, the regular annual adoption of guidelines for the (preliminary) approval and a case-by-case (preliminary) approval of non-prohibited non-audit services provided by the independent auditor of Berentzen-Gruppe Aktiengesellschaft as required by Regulation (EU) No. 537/2014 in conjunction with Section 319a (1) No. 2 and No. 3 of the German Commercial Code (HGB). At this meeting the Finance and Audit Committee further addressed the focus of activities and audit areas of the Berentzen Group's internal audit function in the 2018 financial year.

Corporate governance

As a stock corporation (Aktiengesellschaft) organised under German law and because the shares it issues are listed on the regulated market (General Standard) of the Frankfurt Stock Exchange, Berentzen-Gruppe Aktiengesellschaft is deemed a publicly listed entity as defined by the German Stock Corporation Act or capital-market oriented as defined by the German Commercial Code (HGB).

In light of this, the Executive Board and Supervisory Board regularly deals with issues relating to corporate governance. This is understood to be responsible, transparent business management and controlling aligned to sustainable value creation.

More information on this can be found in the reporting by Berentzen-Gruppe Aktiengesellschaft and the Berentzen Group on corporate governance that includes the declaration and group declaration regarding the corporate governance and the Corporate Governance Report that can be downloaded from Berentzen-Gruppe Aktiengesellschaft's corporate website at www.berentzen-gruppe.de.

Declaration by the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft of Conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft issued their most recent joint annual Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (AktG) in December 2017, which has been made permanently available to the public on the Company's corporate website at www.berentzen-gruppe.de/en.

The Executive Board and Supervisory Board had previously updated in July 2017 the joint annual Declaration of November 2016 and subsequently published in the same manner such Declaration amended to reflect the actual circumstances.

Further aspects and topics relating to corporate governance

The Supervisory Board and the Finance and Audit Committee further dealt with a number of other aspects and topics relating to Corporate Governance in the 2017 financial year, not only with regard to the increasing volume of legislation in this area.

This included but is not limited to the passing of the three Berentzen Group codes – Code of Conduct, Marketing Code of Conduct and Supplier Code of Conduct – some of which had been revised while other had been newly introduced, the diversity concepts for the composition of the Executive Board and the Supervisory Board and a competence profile for the members of the Supervisory Board and the setting of targets for the proportion of women on the Supervisory Board and on the Executive Board and deadlines for them to be met. The rules of procedure for the Executive Board and the Supervisory Board were revised in this context as well as to take account of other developments. In addition, the Boards also addressed matters relating to compliance, risk management and the internal audit function.

Attendance at meetings by members of the Supervisory Board

In the 2017 financial year, one member of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board and the committees to which that member belongs or belonged. For the calculation of this figure, only those meetings are included that took place during the membership of the respective member in the Supervisory Board or of its committees.

Conflicts of interest

No conflicts of interest on the part of the Supervisory Board members in connection with their activities as members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft as defined in Article 5.5.2 of the German Corporate Governance Code occurred in the 2017 financial year.

Separate and consolidated financial statements, and audit of the financial statements

On the basis of a corresponding recommendation of the Finance and Audit Committee, the Supervisory Board had proposed to the annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 19, 2017 to elect Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the independent auditor of the separate and consolidated financial statements for the 2017 financial year. The audit firm had previously submitted a declaration of independence pursuant to Article 7.2.1 of the German Corporate Governance Code and Article 6 (2) (a) of Regulation (EU) No. 537/2014. Following their appointment by the annual general meeting, the Supervisory Board engaged Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft with the audit of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017 and the combined Management Report of the Berentzen Group (corporate group) and of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year.

It was agreed with the independent auditor as part of the audit engagement that the Chairman of the Finance and Audit Committee would be notified without delay of any possible grounds for exclusion or recusal during the audit, in the event that such matters could not be redressed without delay. The independent auditor is required to report without delay to the Chairman of the Supervisory Board on any and all findings and occurrences of significance for the tasks of the Supervisory Board that come to light when carrying out the independent audit of the financial statements. Furthermore, the independent auditor is required to inform the Supervisory Board and/or document the fact in the audit report if the independent auditor makes findings during the performance of the independent audit that prove the Declaration by the Executive Board and Supervisory Board pertaining to the German Corporate Governance Code to be incorrect.

The Finance and Audit Committee and/or its Chairman have, as part of the selection process, convinced themselves of the appropriateness of the proposed fees for the independent audit and, prior to and during the independent audit, of the independence and objectivity of the independent auditor and – on the basis of the regular reports by the independent auditor – of the efficacy of the independent audit. Furthermore, the focal points were determined and discussed with the independent auditor along with the key audit matters.

With a view to overseeing the financial reporting, the Finance and Audit Committee or its Chairman addressed individual aspects of this process and exchanged views with the independent auditor also with regard to the internal control system relating to the financial reporting.

The separate financial statements and the management report, which is combined with the Group Management Report, prepared in accordance with the provisions of German commercial law applicable to corporations and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) as well as the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and the Group Management Report of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year combined with the management report were audited together with the books of account by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft in accordance with Section 317 HGB and Regulation (EU) No. 537/2014; an unqualified audit opinion was issued in each case. In the opinion of the independent auditor, there were no material weaknesses in the internal control system and risk management system with regard to the financial reporting process. As part of the audit, the independent auditor also examined the risk early warning system and declared that the Executive Board had taken the measures required pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) including but not limited to setting up a suitable monitoring system and that such monitoring system is suitable to identify developments likely to jeopardise the continued existence of the Company at an early stage. The independent auditor furthermore confirmed being independent of Berentzen-Gruppe Aktiengesellschaft and the companies within the group in accordance with the provisions of European law and German commercial and professional law and furthermore declared that it had not rendered any prohibited non-audit services pursuant to Article 5 (1) of Regulations (EU) No. 537/2014. Accordingly, there were no grounds for exclusion or bias relating to the auditor during the audits.

The Finance and Audit Committee discussed at length the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year prepared by the Executive Board and in addition the written reports submitted by the independent auditor on its audit, material issues relating to the financial statements and the audit including the key audit matters and the Executive Board proposal on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year at its meeting held on March 13, 2018 in the presence of the Executive Board using the in-depth explanations provided by the Executive Board as a basis for these discussions and in the presence of the auditor from the independent auditor responsible for the independent audit. At this meeting, the latter also reported on the services rendered by the independent auditor in addition to the audit of the financial statements. Furthermore, the Sustainability Report of the Berentzen Group for the year 2017, prepared on a voluntary basis, was furthermore the subject matter of preparatory discussion in the Committee; this report is not subject to any external review regarding its content. The Finance and Audit Committee subsequently submitted a recommendation to the Supervisory Board to approve the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017 and to follow the Executive Board proposal for the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year in its own proposal to the annual general meeting.

The Chairman of the Committee reported to the Supervisory Board on its deliberations at its subsequent meeting on the same day. At this meeting, the Supervisory Board itself examined and discussed the financial statements presented in due time by the Executive Board and the Sustainability Report.

Following the final result of its reviews, the Supervisory Board does not raise any objections to the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017, the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year and the audit of the same by the independent auditor. The Supervisory Board believes that the combined Management Report meets the statutory requirements; the Supervisory Board agrees with the Executive Board in its assessment of the situation of Berentzen-Gruppe Aktiengesellschaft and the corporate group and the statements on the further development of the corporate group and the Company made in the combined Management Report.

At this meeting held on March 13, 2018, the Supervisory Board approved the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017 in accordance with the recommendation of the Finance and Audit Committee. This means that the financial statements of Berentzen-Gruppe Aktiengesellschaft have thereby been adopted. The Supervisory Board proposal to the annual general meeting on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the Berentzen-Gruppe Aktiengesellschaft 2017 financial year was reviewed taking account of shareholder interests and the business objectives and was subsequently given the approval of the Supervisory Board; the Supervisory Board further concurred with this proposal in its own proposal to the annual general meeting in this respect, thus likewise following a recommendation by the Finance and Audit Committee.

In response to a further recommendation by the Finance and Audit Committee, the Supervisory Board passed at the same meeting its proposal for resolution by the annual meeting on the election of the independent auditor of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year. This proposal was based on the declaration by the Finance and Audit Committee that its recommendation was free of any unreasonable influence by third parties and that no contractual terms as defined in Article 16 (6) of Regulation (EU) No. 537/2014 had been imposed on it restricting the options of the annual general meeting.

Executive Board and Supervisory Board – Personnel matters

There were the following changes in the composition of the Executive Board and the SupervisoryBoard of Berentzen-Gruppe Aktiengesellschaft in the 2017 financial year:

Executive Board

At the recommendation of the Personnel Committee, the Supervisory Board appointed Mr. Oliver Schwegman as a member of the Executive Board with effect as of June 1, 2017. He is the successor to Mr. Frank Schübel, whose appointment ended with effect as of the end of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 19, 2017 and who was elected as member of the Supervisory Board effective as of the end of the annual general meeting.

Supervisory Board

The personnel changes in the composition of the Supervisory Board related to the Supervisory Board members representing the shareholders.

After the Deputy Chairman of the Supervisory Board, Dr. Frank Forster, and the Supervisory Board Members, Dr. Dirk Markus and Dr. Martin Schoefer, had resigned from the respective offices effective as of the end of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft on May 19, 2017, the annual general meeting elected, following the proposal of the Supervisory Board, Prof. Dr. Roland Klose and Prof. Dr. Hendrik H. van der Lof, as well as the former Executive Board Spokesman Mr. Frank Schübel, to the Supervisory Board alongside Mr. Daniël M.G. van Vlaardingen who had been judicially appointed up to that date. The Nomination Committee had previously expressed its recommendations to the Supervisory Board in this context for the latter's proposals to the annual general meeting. At the meeting of the Supervisory Board held directly after the annual general meeting, Mr. Frank Schübel was elected Deputy Chairman and Hendrik H. van der Lof Chairman of the Finance and Audit Committee of the Supervisory Board.

The Supervisory Board wishes to take this opportunity to thank the departed Supervisory Board members, Dr. Frank Forster, Dr. Dirk Markus and Dr. Martin Schoefer for their many years of dedicated service to the benefit of the Company and the corporate group.

Furthermore, the Chairman of the Supervisory Board, Mr. Gert Purkert announced at the end of November 2017 that he would retire from his offices as Chairman and member of the Supervisory Board as of the end of the following annual general meeting of the Company on May 3, 2018 and would leave the Supervisory Board. On the basis of a corresponding recommendation by its Nomination Committee, the Supervisory Board will submit a proposal to the annual general meeting for the election to the Supervisory Board office then becoming vacant and subsequently elect a new Chairman from its members.

Thanks

The Supervisory Board would like to thank the employees of the Berentzen Group companies and the members of the Executive Board for all their hard work and the shareholders and investors of Berentzen-Gruppe Aktiengesellschaft for their trust and confidence.

Haselünne, March 13, 2017

Berentzen-Gruppe Aktiengesellschaft

On behalf of the Supervisory Board

Gert Purkert

Chairman of the Supervisory Board

Corporate governance

(1) Corporate governance at the Berentzen Group

Corporate governance refers to responsible, transparent corporate management and supervision aimed at sustainable value creation. Encompassing all areas of the company, it comprises corporate management aligned with the interests of all stakeholders, transparency and responsibility in all business decisions, compliance with applicable laws, the appropriate management of risks, trusting cooperation between both the Executive Board and the Supervisory Board and among the employees, and transparent reporting and corporate communication.

The implementation of corporate governance at Berentzen-Gruppe Aktiengesellschaft and within the Berentzen Group is continually reviewed and adapted to suit new developments.

The term Berentzen Group refers to Berentzen-Gruppe Aktiengesellschaft and its Group companies and subsidiaries. Berentzen-Gruppe Aktiengesellschaft is a stock corporation under German law with its registered office in Haselünne, Germany. Therefore, it has three governing bodies: the General Meeting of Shareholders, the Supervisory Board and the Executive Board. Their duties and authorities are based on the German Stock Corporations Act and the Articles of Association of Berentzen-Gruppe Aktiengesellschaft.

The German Corporate Governance Code presents the essential statutory regulations for the management and supervision of German exchange-listed companies and contains internationally and nationally acknowledged standards for good and responsible corporate governance. The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft issue a joint declaration on the German Corporate Governance Code every year; this statement is additionally updated during the year when necessary.

In the corporate governance declaration to be issued in accordance with Sections 289f, 315d of the German Commercial Code (HGB) and in accordance with Article 3.10 of the German Corporate Governance Code (GCGC), the Executive Board (speaking also for the Supervisory Board) reports on corporate governance at Berentzen-Gruppe Aktiengesellschaft in the following. The declaration on corporate governance and the Group declaration on corporate governance are an integral part of the combined management report of Berentzen-Gruppe Aktiengesellschaft and the Berentzen Group. Unless indicated otherwise, the following statements apply both for Berentzen-Gruppe Aktiengesellschaft and the Berentzen Group. According to Section 317 para. 2 sentence 6 HGB, the independent auditor’s review of the statements pursuant to Sections 289f, 315d HGB is limited to verifying whether the statements were made.

(2) Declaration on Corporate Governance and Corporate Governance Report

(2.1) Declaration of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 Stock Corporations Act (AktG)

Also in the 2017 financial year, the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft addressed the recommendations set out in the German Corporate Governance Code, particularly including the changes resolved by the Government Commission on the German Corporate Governance Code on February 7, 2017 and published in the German Federal Gazette on April 24, 2017. Before that, the Executive Board and Supervisory Board had jointly issued the annual declaration of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG in November 2016 on the basis of the Code version of May 5, 2015 and updated it in July 2017 on the basis of the Code version of February 7, 2017. The jointly issued annual declaration of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG of December 2017, which is based on the Code version dated February 7, 2017, is reprinted in the following.

Declaration of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 Stock Corporations Act (AktG)

Pursuant to Section 161 AktG, the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft are obligated to annually declare that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette were followed and will be followed, or which recommendations were not or will not be followed, and why not.

After due examination, the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft jointly issue the following annual declaration on the German Corporate Governance Code pursuant to Section 161 AktG:

I.

The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft declare that the recommendations of the "Government Commission on the German Corporate Governance Code" (Code version of February 7, 2017) published in the Federal Gazette on April 24, 2017 are followed, with the following exceptions:

1. Contrary to No. 3.8 paras. 2 and 3 of the Code version of February 7, 2017, the D&O insurance taken out by Berentzen-Gruppe Aktiengesellschaft for the members of its Supervisory Board does not include a deductible.

   The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft are fundamentally not of the opinion that the motivation and responsibility with which the members of the Supervisory Board perform their duties could be improved by such a deductible. Therefore, Berentzen-Gruppe Aktiengesellschaft also does not intend to change its current D&O insurance policies in this respect.

2. Contrary to No. 4.2.1 sentence 1 of the Code version of February 7, 2017, the Executive Board of Berentzen-Gruppe Aktiengesellschaft does not have a Chairman or Spokesman.

   The Supervisory Board and Executive Board of Berentzen-Gruppe Aktiengesellschaft are of the opinion that the appointment of an Executive Board Chairman or Spokesman is not necessary due to the fact that the Executive Board currently has only two members. Also in this case, the existing rules of procedure for the Executive Board clearly and unambiguously govern communication with the Supervisory Board and representation of the Executive Board vis-à-vis the Supervisory Board and the areas of responsibility of the members of the Executive Board, and therefore also the representation of the Group and the company.

3. Contrary to No. 4.2.2 para. 2 sentence 3 of the Code version of February 7, 2017, the ratio of Executive Board compensation to the compensation paid to the senior management and entire staff, including its development over time, is not considered in setting the compensation of the Executive Board.

   No. 4.2.2 para. 2 sentence 3 of the German Corporate Governance Code contains the recommendation that the Supervisory Board consider the ratio of Executive Board compensation to the compensation of the senior management and entire staff, including its development over time. In concluding or extending the current Executive Board contracts, the Supervisory Board ensured, in accordance with the requirements of the Stock Corporations Act, that the relationship between the total compensation granted to Executive Board members and the general wage and salary structure within the company is appropriate and therefore the so-called "vertical appropriateness" of Executive Board compensation is assured. To the extent that this review of vertical appropriateness of Executive Board compensation already required by the Stock Corporations Act is concretized and the relevant comparison groups and time frame to be applied for the comparison are defined more precisely in the German Corporate Governance Code, an exception is declared by way of precaution. In concluding and extending the currently valid Executive Board contracts, the Supervisory Board did not distinguish between the comparison groups according to No. 4.2.2 para. 2 sentence 3 of the Code version of February 7, 2017 in reviewing the appropriateness and also did not conduct surveys of the development over time of the wage and salary structure. It also does not consider such a purely formal procedure to be necessary to ensure the appropriateness of Executive Board compensation.

4. Contrary to No. 4.2.3 para. 2 sentences 3 und 4 of the Code version of February 7, 2017, a variable compensation component was agreed in one Executive Board contract on a one-time basis that neither has a multiple-year assessment basis nor takes any negative developments into account.

   The aforementioned design of the variable compensation component pertains to the activity of a new Executive Board member appointed in the 2017 financial year during somewhat more than half of the 2017 financial year. In this case, the Supervisory Board does not consider it expedient to grant a variable compensation component that meets the criteria of No. 4.2.3 para. 2 sentences 3 and 4 of the German Corporate Governance Code for this comparatively short period of time. Beginning in the 2018 financial year, however, the variable compensation component under the corresponding Executive Board contract meets the said criteria without restrictions.

5. Contrary to No. 4.2.3 para. 2 sentence 6 of the Code version of February 7, 2017, the compensation agreed in the Executive Board contracts is not capped at maximum levels for the aggregate compensation.

   Whereas the Executive Board contracts include both maximum levels for both the fixed and the variable compensation components, they do not stipulate a maximum level for the aggregate compensation of the Executive Board. In this respect, the Supervisory Board is of the opinion that the maximum levels stipulated for both the fixed and the variable compensation components effectively lead to a cap on the aggregate compensation.

6. Contrary to No. 4.2.3 para. 3 of the Code version of February 7, 2017, no consideration was given to the target level of pension benefits and the resulting annual and long-term expense incurred in granting pension commitments to the Executive Board members.

   The corresponding recommendation of the German Corporate Governance Code states that the Supervisory Board should establish the target level of pension benefits for every pension commitment – including based on the duration of membership on the Executive Board – and consider the resulting annual and long-term expense incurred by the company. Each one of the currently valid Executive Board contracts includes a provision under which a fixed amount is granted to the Executive Board member for a life insurance policy or pension-suitable financial instrument to be taken out by the Executive Board member. At the choice of each Executive Board member, this amount can also be paid into a company pension plan. However, this provision does not grant a direct claim to pension benefits and does not lead to any future financial expense for the company beyond the term of each Executive Board contract. Therefore, the Executive Board and Supervisory Board believe that this mere contribution commitment is not a pension commitment within the meaning of the German Corporate Governance Code. However, because the German Corporate Governance Code does not define the term “pension commitment,” an exception is declared by way of precaution.

7. Contrary to No. 4.2.5 para. 3 and 4 of the Code version of February 7, 2017, the compensation granted to Executive Board members is not disclosed individually for each Executive Board member in the Compensation Report and broken down by components – particularly including the benefits granted, benefits received and pension expense – using the model tables provided as appendices to the Code.

   On May 12, 2016, the Annual General Meeting of Berentzen-Gruppe Aktiengesellschaft resolved in accordance with Section 286 para. 5 of the German Commercial Code (HGB) not to disclose the compensation of individual Executive Board members and to only state the aggregate Executive Board compensation in the notes to the financial statements and in the management report of the company and the Group. Therefore, the compensation also cannot be disclosed individually in the Compensation Report using the model tables provided as appendices to the German Corporate Governance Code because that would lead to an individualized disclosure of Executive Board compensation and contravene the General Meeting resolution of May 12, 2016. Furthermore, the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft are of the opinion that the information provided on Executive Board compensation in accordance with the relevant financial reporting regulations observed by Berentzen-Gruppe Aktiengesellschaft is sufficient. Breaking down the compensation of Executive Board members by components – particularly including the benefits granted, benefits received and pension expense – using the model tables in the Compensation Report provided as appendices to the Code – which may not be done on an individualized basis due to the aforementioned resolution of the General Meeting of May 12, 2016 – would not deliver any additional, capital market-relevant information.

8. Contrary to No. 5.4.6 para. 3 sentence 1 of the Code version of February 7, 2017, the compensation of Supervisory Board members is not disclosed individually and classified by components either in the notes to the financial statements or in the management report.

   The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft are of the opinion that the resulting infringements of the privacy of Supervisory Board members would not be proportionate to the benefits of such a practice. The aggregate Supervisory Board compensation is presented in the notes to the separate and consolidated financial statements and in the separate management report, which is combined with the Group management report. Furthermore, the compensation is known by reason of the fact that the company's Articles of Association are publicly accessible. An individualized disclosure would not deliver any additional, capital market-relevant information. Moreover, the Supervisory Board members have not consented to an individualized disclosure.

II.

The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft issued their last annual declaration on the German Corporate Governance Code pursuant to Section 161 AktG in November 2016 and updated it in July 2017.

The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft declare that since the issuance of their last annual declaration on the German Corporate Governance Code pursuant to Section 161 AktG, the recommendations of the "Government Commission on the German Corporate Governance Code" published in the Federal Gazette on June 12, 2015 (Code version of May 5, 2015) were followed in the period from November 2016 to April 23, 2017, and that the recommendations of the "Government Commission on the German Corporate Governance Code" published in the Federal Gazette on April 24, 2017 (Code version of February 7, 2017) have been followed in the time after April 24, 2017, with the following exceptions:

1. Contrary to No. 3.8 para. 2 and 3 of the Code versions of May 5, 2015 and February 7, 2017, the D&O insurance taken out by Berentzen-Gruppe Aktiengesellschaft for the members of its Supervisory Board did not include a deductible, for the reasons described in No. I. 1.

2. Contrary to No. 4.2.1 sentence 1 of the Code version of February 7, 2017, the Executive Board of Berentzen-Gruppe Aktiengesellschaft was not composed of more than one person in the time from May 19, 2017 to May 31, 2017.

The Supervisory Board of Berentzen-Gruppe Aktiengesellschaft is of the opinion that the very short period of vacancy that occurred in connection with the change of one of the two Executive Board members was acceptable given that the search for a competent and experienced successor was initiated immediately, but was time-consuming, and a careful selection process was conducted. In the interest of continuing to uphold the principle of collegiality and for reasons of transparency in corporate management and supervision, the Executive Board and Supervisory Board also chose not to propose adopting a resolution at the General Meeting of Berentzen-Gruppe Aktiengesellschaft on May 19, 2017 that would have amended the company's Articles of Association so that the Executive Board can also only consist of one person, which would have been possible under the Stock Corporations Act.

3. Contrary to No. 4.2.1 sentence 1 of the Code version of February 7, 2017, the Executive Board of Berentzen-Gruppe Aktiengesellschaft did not have a Chairman or Spokesman in the time since May 19, 2017, for the reasons described in No. I. 2.

4. Contrary to No. 4.2.2 para. 2 sentence 3 of the Code versions of May 5, 2015 and February 7, 2017, the ratio of Executive Board compensation to the compensation of the senior management and entire staff, including the development over time, was not also considered in setting the compensation of the Executive Board, for the reasons described in No. I. 3.

5. Contrary to No. 4.2.3 para. 2 sentence 3 of the Code versions of May 5, 2015 and February 7, 2017, only a comparatively small portion of the variable compensation components agreed in one Executive Board contract was subject to a multiple-year assessment basis.

   In this particular case, the Supervisory Board did not consider it absolutely necessary to specify a multiple-year assessment basis for all or even most of the variable compensation components. Even without such an assessment basis, it was assured in the opinion of the Supervisory Board that the compensation of the corresponding Executive Board member is geared to the sustainable development of the company on the whole, considering the circumstances of the specific case and the design of the variable compensation components. However, a variable compensation component designed in this way was applied for one Executive Board member for the last time in the 2016 financial year.

6. Contrary to No. 4.2.3 para. 2 sentences 3 and 4 of the Code versions of May 5, 2015 and February 7, 2017, a variable compensation component was agreed in one Executive Board contract on a one-time basis that neither has a multiple-year assessment basis nor takes any negative developments into account, for the reasons described in No. I. 4. Furthermore, a variable compensation component was agreed in another Executive Board contract that likewise did not have a multiple-year assessment basis.

   The aforementioned design of variable compensation components in the other Executive Board contract pertains to the compensation for the activity of one Executive Board member who left the company in the 2017 financial year. It was agreed with him that the pro-rated variable compensation component still owed to him for his work in the 2017 financial year would not have a multiple-year assessment basis. In this case, the Supervisory Board also did not consider it expedient to grant a variable compensation component that meets the criteria of No. 4.2.3 para. 2 sentences 3 and 4 of the German Corporate Governance Code for this comparatively short period of time of less than half a financial year.

7. Contrary to No. 4.2.3 para. 2 sentence 6 of the Code versions of May 5, 2015 and February 7, 2017, the compensation agreed in the Executive Board contracts was not capped at maximum levels for the aggregate compensation, for the reasons described in No. I. 5.

8. Contrary to No. 4.2.3 para. 3 of the Code versions of May 5, 2015 and February 7, 2017, no consideration was given to the target level of pension benefits and the resulting annual and long-term expense for the company in granting pension commitments to the Executive Board members, for the reasons described in No. I. 6.

9. Contrary to No. 4.2.5 para. 3 and 4 of the Code versions of May 5, 2015 and February 7, 2017, the compensation granted to the Executive Board was not disclosed individually for each Executive Board member in the Compensation Report and broken down by components – particularly including the benefits granted, benefits received and pension expense – using the model tables provided as appendices to the Code, in line with the resolution adopted in accordance with Section 286 para. 5 HGB by the company's Annual General Meeting on May 12, 2016 not to disclose the Executive Board compensation individually and to only state the aggregate Executive Board compensation in the notes to the financial statements and management report of the company and the Group, for the reasons described in No. I. 7.

10. Contrary to No. 5.3.2 sentence 3 of the Code version of May 5, 2015 and No. 5.3.2 para. 3 sentence 2 of the Code version of February 7, 2017, the Finance and Audit Committee had a Chairman who was not independent within the meaning of the Code in the time until May 19, 2017.

    In connection with the Stock Corporations Act, the legislature had initially considered it sufficient for at least one member of the Finance and Audit Committee who possesses expertise in the fields of financial accounting or auditing to be independent, but that person need not be its Chairman. The amendment of the Stock Corporations Act resulting from the "Act to Implement the Audit-Related Regulations of Directive 2014/56/EU and Implement the Corresponding Requirements of Regulation (EU) No. 537/2014 with Respect to the Auditing of Financial Statements of Companies of Public Interest (Audit Reform Act, AReG)" of May 10, 2016, which entered into force on June 17, 2016, eliminated this previously applicable statutory requirement that one member of the Finance and Audit Committee be independent. The company's Supervisory Board concurs with these assessments of the legislature.

11. Contrary to No. 5.4.6 para. 3 sentence 1 of the Code versions of May 5, 2015 and February 7, 2017, the compensation of Supervisory Board members was not disclosed individually for each Supervisory Board member and broken down by components in the notes to the financial statements or in the management report, for the reasons described in No. I. 8.

Haselünne, December 2017

Berentzen-Gruppe Aktiengesellschaft

For the Executive Board		For the Supervisory Board
Ralf Brühöfner	Oliver Schwegmann	Gert Purkert
Member of the Executive Board	Member of the Executive Board	Chairman of the Executive Board

(2.2) Relevant disclosures on corporate governance practices

Berentzen-Gruppe Aktiengesellschaft observes all legal requirements for corporate governance and also follows the recommendations of the German Corporate Governance Code – subject to the exceptions indicated and justified in the declaration of conformity pursuant to Section 161 AktG.

In order to implement good corporate governance, Berentzen-Gruppe Aktiengesellschaft had adopted guidelines (Berentzen Code) binding on all employees of the Berentzen Group already in 2007, which set out binding rules for lawful and ethical behaviour of all employees.

The Berentzen Code was thoroughly revised and replaced with the Berentzen Group Code of Conduct in 2017. In this connection, two new Codes were established, namely the Berentzen Group Marketing Code and the Berentzen Group Supplier Code. These three Codes contain the guidelines for responsible conduct at Berentzen-Gruppe Aktiengesellschaft and its subsidiaries. They are based on applicable laws and established standards and express the expectations that the corporate group has for its employees, suppliers, marketing and communication partners, and third parties who are involved in the value chain of Berentzen Group's products. The principles described in these Codes are all minimum standards.

The Berentzen Group Code of Conduct contains a summary of corporate principles. It defines the guidelines to be followed in the areas of lawful and responsible conduct, business and personal integrity, employees and employment conditions, assets and information, and quality and environmental protection.

The Berentzen Group Marketing Code is modelled after the rules of conduct of the German Advertising Standards Council (Deutscher Werberat). In awareness of the social responsibility of the corporate group, it contains guidelines for product-related communication and the responsible handling of its products.

The Supplier Code of the Berentzen Group creates a shared understanding of appropriate living and working conditions of employees, which is supported by all suppliers of the Berentzen Group and their employees. The Berentzen Group Supplier Code is modelled after the currently valid versions of the Ethical Trading Initiative Base Code (ETI Base Code), the principles of the International Labour Organisation (ILO), and the Ten Principles of the United Nations Global Compact. It forms the basis for long-term, sustainable business relationships.

Tips of violations of the principles set out in the Codes of the Berentzen Group or suspicions of such violations may be communicated – also anonymously – to the independent, external notification centre engaged for this purpose by the Executive Board of Berentzen-Gruppe Aktiengesellschaft. Both the employees of Berentzen Group and third parties are able to contact the notification centre; all tips are kept confidential.

The Codes of the Berentzen Group, including the contact data of the external notification centre, are posted on the company website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/ and are also available to employees in the intranet of the Berentzen Group, among other places.

(2.3) Compliance and risk management

(2.3.1) Compliance

The business activities conducted by the Berentzen Group in numerous countries and regions and therefore in different legal jurisdictions are subject to many national and international laws and regulations. Compliance in the Berentzen Group means compliance with all national and international laws and regulations applicable in every place, as well as industry standards, its Codes and its voluntarily assumed obligations and internal guidelines. Compliance by all companies of the Berentzen Group is an essential management responsibility of the Executive Board of Berentzen-Gruppe Aktiengesellschaft.

The Group's three Codes, the Berentzen Group Code of Conduct, the Berentzen Group Marketing Code, and the Berentzen Group Supplier Code form an important basis for compliance in the Berentzen Group. Particularly the guidelines for lawful and responsible conduct and business and personal integrity that make up the core of the Berentzen Group Code of Conduct, which is binding on all companies of the Berentzen Group and their employees, constitute the main corporate principles for ensuring compliance. In addition, a number of other internally established guidelines, including a handbook on compliance with capital markets law, serve to prevent compliance violations.

The responsibility for all topics and concerns related to compliance is organizationally assigned to the Corporate Legal Department of Berentzen-Gruppe Aktiengesellschaft. The Compliance Committee composed of the Chief Compliance Officer and another Compliance Officer is supervised by the Executive Board member in charge of the Legal Department, among other things, and reports to the full Executive Board of Berentzen-Gruppe Aktiengesellschaft. For its part, the full Executive Board reports on compliance in the Berentzen Group to the Supervisory Board's Finance and Audit Committee at regular intervals and whenever warranted.

The employees of the Berentzen Group usually receive instruction on compliance-related topics in classroom training courses that serve to raise awareness for compliance with all relevant legal requirements. If they have questions about lawful conduct or questions related to the understanding or interpretation of the Codes of the Berentzen Group, employees can turn to their supervising manager, the Compliance Committee, or the Corporate Legal Department of Berentzen-Gruppe Aktiengesellschaft.

Furthermore, an independent, external notification centre has been established to receive tips of compliance violations or related suspicions. More detailed information about the Codes of the Berentzen Group and the external notification centre can be found in the preceding Section (2.2).

(2.3.2) Risk management

Good corporate governance also encompasses the responsible management of risks by the company. The Executive Board of Berentzen-Gruppe Aktiengesellschaft ensures appropriate risk management and risk controlling in the company and the Group. Systematic risk management in line with the values-based management philosophy of the Berentzen Group ensures that risks are detected and assessed at an early stage and risk positions are optimized through limitation. The Executive Board regularly informs the Supervisory Board's Finance and Audit Committee of existing risks and their development.

Information on risk management, the risk management system, and the risks and opportunities arising in the course of the Berentzen Group's business activities can be found in the "Report on Risks and Opportunities" section of the Annual Report 2017 of Berentzen-Gruppe Aktiengesellschaft, which is available at the company website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/ and is an integral part of the combined management report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft.

(2.3.3) Internal Audit

Other integral elements of compliance and risk management are the Internal Audit Department of the corporate group and its internal control system, which are centrally organized at Berentzen-Gruppe Aktiengesellschaft.

Internal Audit is particularly charged with auditing important internal business processes, performing ad-hoc audits, and auditing the control mechanisms of the internal control system – either in connection with or separately from the other audits.

Internal Audit also reports to the Executive Board member of Berentzen-Gruppe Aktiengesellschaft in charge of the Legal Department, among other things. The audit subjects and results of Internal Audit are also the subject of deliberations in the Supervisory Board's Finance and Audit Committee.

(2.4) Composition and procedures of the Executive Board and Supervisory Board and the committees of the Supervisory Board

The management and supervision structure of Berentzen-Gruppe Aktiengesellschaft and the Berentzen Group is detailed below:

(2.4.1) Dual governance system

In accordance with legal requirements, Berentzen-Gruppe Aktiengesellschaft maintains a dual governance system under which the Executive Board manages the company and the Supervisory Board supervises the management. The authorities and members of both these bodies are strictly separate.

(2.4.2) Executive Board

Work of the Executive Board

The Executive Board manages the company with the goal of sustainable value creation, under its own responsibility and in the company's interest, thus with due regard to the interests of the shareholders, the employees, and the company's other stakeholders. As the executive body of the stock corporation, the Executive Board conducts the company's business under its own responsibility.

The Executive Board must ensure compliance with legal regulations and internal company guidelines, and must take steps to ensure that all Group companies comply with them as well. It is also responsible for the implementation of appropriate measures on the basis of the company's risk situation (Compliance Management System) and the maintenance of appropriate risk management and risk controlling functions. The Executive Board is also responsible for preparing the separate and consolidated financial statements, the half-yearly financial report, and any obligatory or voluntary interim reports or additional financial information during the year of Berentzen-Gruppe Aktiengesellschaft for the respective financial year.

The Executive Board informs the Supervisory Board regularly, promptly, and extensively on all relevant questions of strategy, planning, business developments, cash flows and profits, level of risk, risk management, and compliance.

According to the rules of procedure for the Executive Board of Berentzen-Gruppe Aktiengesellschaft adopted by the Supervisory Board, certain transactions and measures of fundamental importance to be taken by the Executive Board require the approval of the Supervisory Board, or if the Supervisory Board has delegated the authority to adopt resolutions of approval to one of its committees, they require the approval of the competent Supervisory Board committee. The Supervisory Board may expand or limit the scope of transactions or measures requiring approval at any time.

In filling managerial positions within the company, the Executive Board gives due consideration to diversity and particularly strives to give appropriate consideration to women. The Executive Board adopts targets for the proportion of positions held by women in the two management levels beneath the Executive Board; these gender-related targets, the other targets to be adopted under this law, and the corresponding statements to be included in the Declaration of Conformity are summarized in the following Section (2.6).

Executive Board meetings are held regularly, if possible at least once a month. Resolutions are adopted by a simple majority of votes cast. In case of a tie, the Executive Board Chairman, if one has been appointed, casts the deciding vote. In case of an uneven number of Executive Board members, the Executive Board Chairman is entitled to veto all resolutions.

More detailed rules governing the work of this governing body, including (for example) the division of responsibilities by management division and the matters reserved for the full Executive Board, are set out in the Articles of Association of Berentzen-Gruppe Aktiengesellschaft and the rules of procedure and executive organization chart of the Executive Board.

Composition of the Executive Board

In accordance with the Articles of Association, the Executive Board of Berentzen-Gruppe Aktiengesellschaft is composed of at least two members. In particular, the Supervisory Board may appoint a Chairman of the Executive Board. If an Executive Board Chairman has been appointed, he acts as Spokesman of the Executive Board vis-à-vis the Supervisory Board. If no such appointment has been made, the rules of procedure for the Executive Board contain detailed rules on the representation of the Executive Board vis-à-vis the Supervisory Board and the performance of duties that are otherwise fundamentally assigned to the Chairman of the Executive Board.

Notwithstanding the overall responsibility of all Executive Board members, the individual members of the Executive Board manage the divisions assigned to them independently and under their own responsibility. The Executive Board members work together as a team and keep each other informed of important measures and operations in their divisions.

The diversity plan adopted by the Supervisory Board, which is described in Section (2.5.1), sets out other important aspects or goals related to the composition of the Executive Board.

In accordance with its obligation under the Stock Corporations Act, the Supervisory Board has adopted targets for the percentage of women on the Executive Board. These gender-related targets, the other targets to be adopted under this law, and the corresponding statements to be included in the Declaration of Conformity are summarized in the following Section (2.6).

Unless otherwise noted, the following persons were members of the Executive Board of Berentzen-Gruppe Aktiengesellschaft in the time from January 1 to December 31,2017:

Name	Position held Responsibilities	Supervisory Board mandates
Ralf Brühöfner Lingen, Germany	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Finance, Controlling, Human Resources, Information Technology, Legal Affairs, Corporate Communications, Investor Relations, Corporate Social Responsibility	Berentzen USA, Inc., Dover / Delaware, United States of America (Board Member, until June 28, 2017) Doornkaat Aktiengesellschaft, Norden, Germany (Deputy Chairman of the Supervisory Board)
Oliver Schwegmann Timmendorfer Strand, Germany (since June 1, 2017)	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Marketing, Sales, Production and Logistics, Purchasing, Research and Development	Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board, since September 1, 2017)
Frank Schübel Gräfelfing, Germany (until May 19, 2017)	Executive Board Spokesman of Berentzen-Gruppe Aktiengesellschaft Marketing, Sales, Production and Logistics, Purchasing, Corporate Communications, Research and Development, Corporate Social Responsibility	Berentzen USA, Inc., Dover / Delaware, United States of America (Board Member, until March 14, 2017) Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board, until August 31, 2017)

(2.4.3) Supervisory Board

Work of the Supervisory Board

The Supervisory Board advises and supervises the Executive Board, whose members it appoints, regularly on the management of the company. It is involved in decisions of fundamental importance for the company; details are set out in the rules of procedure for the Supervisory Board and Executive Board. The Supervisory Board also supports the Executive Board with advice and promotes the goals of the company and the other Group companies. The Supervisory Board sees to it that the Executive Board informs it appropriately for this purpose; to this end, it establishes detailed rules governing the information and reporting duties of the Executive Board. The Supervisory Board also approves the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft.

Details concerning the duties of the Supervisory Board and its committees, as well as its composition, are set out in the law, the Articles of Association of Berentzen-Gruppe Aktiengesellschaft, and the rules of procedure of the Supervisory Board. In addition, the German Corporate Governance Code provides recommendations on the work of the Supervisory Board and its committees.

The regular meetings of the Supervisory Board are called in writing with advance notice of 21 days, with the meeting agenda attached to the notice of meeting. The documents produced in preparation for the meetings, including all draft resolutions, are forwarded to the Supervisory Board members in due time, i.e. usually 14 days before the meeting. The Supervisory Board meets at least four times a year, i.e. once per calendar quarter.

As a rule, resolutions of the Supervisory Board are adopted at in-person meetings. Between in-person meetings, resolutions can also be adopted by letter, telex, telegram, fax, telephone, or by another comparable form, particularly including video-conferences, at the order of the Supervisory Board Chairman. This option is exercised relatively rarely and normally only in cases that are especially urgent. The Supervisory Board has a quorum when at least four of its members participate in the adoption of resolutions. Absent members may participate by way of written votes. In case of a tied vote, the vote of the Supervisory Board Chairman is determining; the same rule applies for elections. If the Supervisory Board Chairman does not participate in the vote, the vote of his deputy is determining in case of a tied vote.

Composition of the Supervisory Board

As a general rule, the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft is composed of nine members, six of whom are elected individually by the Annual General Meeting (Supervisory Board members of the shareholders or shareholder representatives). Three members are elected by the employees (Supervisory Board members of the employees or employee representatives) in accordance with the One-Third Participation Act (DrittelbG). The Chairman is elected from the ranks of the Supervisory Board members. The term of office of Supervisory Board members is five years; the term of office of currently serving Supervisory Board members ends upon the close of the Annual General Meeting of Berentzen-Gruppe Aktiengesellschaft that will vote on ratification of the actions of the Supervisory Board members for the 2018 financial year.

According to the provisions of the Stock Corporations Act, the members of the Supervisory Board must be familiar as a group with the sector in which the company operates; furthermore, at least one member of the Supervisory Board must possess expertise in the fields of financial reporting or auditing. In its current composition, which has been in place since December 31, 2017, the Supervisory Board meets these legal requirements.

Another basis for the composition of the Supervisory Board is the diversity plan adopted by the Supervisory Board, which sets out important aspects or goals for the composition of the Supervisory Board. The diversity plan is described in Section (2.5.2).

In fulfilment of its obligation under the Stock Corporations Act, the Supervisory Board has adopted targets for the percentage of women on this board. These gender-related targets, the other targets to be adopted under the law, and the corresponding statements to be included in the Declaration of Conformity are summarized in the following Section (2.6).

Unless otherwise noted, the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft was composed of the following members in the period from January 1 to December 31, 2017:

Name	Position held	Other Supervisory Board mandates
Gert Purkert Munich, Germany Chairman of the Supervisory Board	Member of the Executive Board of AURELIUS Management SE, Grünwald, Germany, as general partner of AURELIUS Equity Opportunities SE & Co. KGaA, private equity firm, Grünwald, Germany	Aurelius Beteiligungsberatungs AG, Munich, Germany (Chairman of the Supervisory Board) Aurelius Portfolio Management AG, Munich, Germany (Chairman of the Supervisory Board) Aurelius Transaktionsberatungs AG, Munich, Germany (Member of the Supervisory Board) HanseYachts AG. Greifswald, Germany (Chairman of the Supervisory Board)

Name	Position held	Other Supervisory Board mandates
Frank Schübel Gräfelfing, Germany Deputy Chairman of the Supervisory Board (since May 19, 2017)	Managing Director of TEEKANNE Holding GmbH, Dusseldorf, Germany, as general partner of TEEKANNE GmbH & Co. KG, Dusseldorf, Germany	Berentzen USA, Inc., Dover / Delaware, United States of America (Board Member, until March 14, 2017) Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board, until August 31, 2017)
Dr Frank Forster Munich, Germany Deputy Chairman of the Supervisory Board (until May 19, 2017)	General Counsel Group in the Aurelius Group, Aurelius Beteiligungsberatungs AG, private equity firm, Munich, Germany	Aurelius Portfolio Management AG, Munich, Germany (Member of the Supervisory Board) HanseYachts AG, Greifswald, Deutschland (Deputy Chairman of the Supervisory Board)
Johannes C.G. Boot London, United Kingdom	Chief Investment Officer of Lotus Aktiengesellschaft, Grünwald, Germany	Deutsche Konsum REIT-AG, Broderstorf, Germany (Member of the Supervisory Board)
Heike Brandt Minden, Germany	Commercial employee at Berentzen-Gruppe Aktiengesellschaft, Haselünne, Germany	
Bernhard Düing Herzlake, Germany	Production Shift Manager at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Adolf Fischer Lähden, Germany	Production employee at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Prof Dr Roland Klose Würzburg, Deutschland (since May 19, 2017)	Professor of Business Administration at FOM University of Economics & Management, Essen / Nuremberg, Germany	
Hendrik H. van der Lof Almelo, The Netherlands (since May 19, 2017)	Managing Director of Via Finis Invest B.V., Almelo, The Netherlands	Monolith N.V., Amsterdam, The Netherlands (Member of the Supervisory Board) TIIN Buy Out and Growth fund B.V., Naarden, The Netherlands (Chairman of the Supervisory Board)

Name	Position held	Other Supervisory Board mandates
Dr Dirk Markus London, United Kingdom (until May 19, 2017)	Chairman of the Executive Board of AURELIUS Management SE, Grünwald, Germany, as general partner of AURELIUS Equity Opportunities SE & Co. KGaA, private equity firm, Munich, Germany	Deutsche Industrie Grundbesitz AG, Rostock, Germany (Deputy Chairman of the Supervisory Board, since October 18, 2017) Elk Fertighaus GmbH, Schrems, Austria (Deputy Chairman of the Supervisory Board) Obotritia Capital KGaA, Potsdam, Germany (Member of the Supervisory Board)
Dr Martin Schoefer Munich, Germany (until May 19, 2017)	Vice President Human Resources in the Aurelius Group, Aurelius Beteiligungsberatungs AG, private equity firm, Munich, Germany	
Daniël M.G. van Vlaardingen Hilversum, The Netherlands	Managing Director of Monolith Investment Management B.V., Investmentgesellschaft, Amsterdam, The Netherlands	

(2.4.4) Committees of the Supervisory Board

In order to perform its tasks efficiently, the Supervisory Board has established a Personnel and Nomination Committee and a Finance and Audit Committee as standing committees to prepare and supplement its work. Certain decision authorities of the Supervisory Board are delegated to the committees to the extent permitted by law. Detailed provisions on the work of the committees of the Supervisory Board, including for example on the composition and authorities of the committees, are set out in the rules of procedure of the Supervisory Board. The provisions on the preparation of meetings and the adoption of Supervisory Board resolutions apply also to the work of the committees.

Personnel and Nomination Committee of the Supervisory Board

Work of the Personnel and Nomination Committee

The Personnel Committee is responsible for preparing resolutions to be voted on by the Supervisory Board and for recommending resolutions pertaining to the appointment and dismissal of Executive Board members, as well as other resolutions involving Executive Board matters. The following resolution authorities in particular are delegated to the Personnel Committee: conclusion, amendment, and termination of contracts, particularly employment contracts, with Executive Board members, with the exception of resolutions setting the overall compensation of individual Executive Board members and resolutions that reduce compensation and benefits, which are the sole responsibility of the Supervisory Board by virtue of Section 107 (3) sentence 4 AktG; also the approval of material transactions with persons or companies closely associated with a member of the Executive Board, carrying out other legal transactions vis-à-vis the Executive Board pursuant to Section 112 AktG, and of contracts with Supervisory Board members or persons or companies closely associated with them within the meaning of Section 114 AktG, and the granting of loans to board members within the meaning of Sections 89 and 115 AktG.

The Personnel Committee is also the Nomination Committee within the meaning of the German Corporate Governance Code. In this function, it deals with the selection of candidates for membership on the Supervisory Board as shareholder representatives. To the extent that the Personnel Committee acts as the Nomination Committee, it will only be composed of the committee members who represent the shareholders. The Nominating Committee is a preparatory committee; it cannot adopt any resolutions for the Supervisory Board.

The participation of at least three committee members is required for the adoption of resolutions by the Personnel and Nomination Committee.

Composition of the Personnel and Nomination Committee

The Personnel and Nomination Committee of Berentzen-Gruppe Aktiengesellschaft is composed of at least three members of the Supervisory Board, including the Chairman and Deputy Chairman. The committee chair is the Chairman of the Supervisory Board. The Chairman of the Personnel and Nomination Committee reports to the full Supervisory Board.

The Personnel and Nomination Committee was composed of the following members in the period from January 1 to December 31, 2017:

Name	Committee function
Gert Purkert Chairman of the Supervisory Board	Chairman of the Personnel and Nomination Committee
Heike Brandt	Member of the Personnel Committee (since May 19, 2017)
Dr Frank Forster Deputy Chairman of the Supervisory Board (until May 19, 2017)	Member of the Personnel and Nomination Committee (until May 19, 2017)
Dr Martin Schoefer	Member of the Personnel and Nomination Committee (until May 19, 2017)
Frank Schübel Deputy Chairman of the Supervisory Board (since May 19, 2017)	Member of the Personnel and Nomination Committee (since May 19, 2017)
Daniël M.G. van Vlaardingen	Member of the Personnel and Nomination Committee (since May 19, 2017)

Finance and Audit Committee of the Supervisory Board

Work of the Finance and Audit Committee

The Finance and Audit Committee deals particularly with monitoring the financial reporting, the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, as well as compliance.

With regard to the audit of the financial statements, it is the duty of the Finance and Audit Committee to issue a recommendation to the Supervisory Board for its recommendation for election of the auditor to the ′Annual General Meeting, taking into account the relevant provisions of Regulation (EU) No. 537/2014 dated April 16, 2014 on specific requirements regarding statutory audits of public-interest entities. Moreover, the Finance and Audit Committee monitors the independence of the financial statements auditor and further deals with the additional services rendered by such auditor, the granting of the audit engagement to the auditor, the establishment of audit priorities, and the agreement of fees. This also includes the requirement of the Finance and Audit Committee's approval for the rendering of other than prohibited non-auditing services within the meaning of the aforementioned Regulation in conjunction with the German Commercial Code by the financial statements auditor or auditing firm performing an audit of the financial statements of Berentzen-Gruppe Aktiengesellschaft, and — insofar as the financial statements auditor or auditing firm belongs to a network — by every member of this network for the audited company, its parent company, or the companies which it controls.

Moreover, the Finance and Audit Committee is responsible for the preparation of the Supervisory Board meeting called to adopt the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, which it does through a prior discussion of the separate and consolidated financial statements with the auditor and the discussion of interim financial information with the Executive Board before the publication of such information.

The participation of at least three committee members is required for resolutions to be adopted by the Finance and Audit Committee.

Composition of the Finance and Audit Committee

The Finance and Audit Committee of Berentzen-Gruppe Aktiengesellschaft is composed of at least three members of the Supervisory Board, including the Chairman of the Supervisory Board. The committee is chaired by a representative of the shareholders. The Chairman of the Finance and Audit Committee reports to the full Supervisory Board.

In accordance with the Stock Corporations Act, the members of the Finance and Audit Committee must be familiar as a group with the sector in which the company operates; at least one member of the Finance and Audit Committee must possess expertise in the fields of financial reporting or auditing (financial expert). According to the recommendations of the German Corporate Governance Code, the Chairman of the Finance and Audit Committee should possess particular knowledge and experience in the application of financial reporting principles and internal control procedures, be independent, and not be a former member of the Executive Board whose term of office ended fewer than two years ago. Furthermore, the Chairman of the Supervisory Board should not be the Chairman of the Finance and Audit Committee.

The current composition of the Finance and Audit Committee meets the two aforementioned legal requirements. The Chairman of the Finance and Audit Committee since May 19, 2017, Hendrik H. van der Lof, is a financial expert within the meaning of Section 100 para. 5, 107 para. 4 AktG and also fulfils the corresponding recommendations of the German Corporate Governance Code, which are more demanding in part.

The Finance and Audit Committee was composed of the following members in the period from January 1 to December 31, 2017:

Name	Committee function
Hendrik H. van der Lof	Chairman of the Finance and Audit Committee (since May 19, 2017)
Dr Frank Forster Deputy Chairman of the Supervisory Board (until May 19, 2017)	Chairman of the Finance and Audit Committee (until May 19, 2017)
Johannes C.G. Boot	Deputy Chairman of the Finance and Audit Committee
Bernhard Düing	Member of the Finance and Audit Committee
Gert Purkert Chairman of the Supervisory Board	Member of the Finance and Audit Committee

(2.4.5) Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft engage in close cooperation in the interest of the company. The Executive Board coordinates the strategic orientation of the company with the Supervisory Board and regularly discusses the status of strategy implementation with it. The Executive Board informs the Supervisory Board regularly, promptly, and extensively on all relevant questions of strategy, planning, business developments, the risk situation, risk management, and compliance. Deviations from the prepared plans and goals of the company and the Group are likewise reported and explained immediately to the Supervisory Board.

In principle, the members of the Executive Board attend the meetings of the Supervisory Board, provide written and oral reports on the individual agenda items and draft resolutions, and answer the questions of the Supervisory Board.

In addition, the Chairman of the Executive Board regularly informs the Chairman of Supervisory Board of current developments orally and whenever appropriate also in writing. The Chairman of the Supervisory Board is immediately informed by the Chairman of the Executive Board about important events that are of material significance to assessing the situation and development of the company and to managing the company or the Group.

To the extent that transactions of the Executive Board require the consent of the Supervisory Board, the Chairman of the Executive Board provides extensive information about the intended transaction to the Supervisory Board and obtains the consent of the Supervisory Board.

If an Executive Board Chairman has not been appointed, the rules of procedure for the Executive Board set out detailed rules on the representation of the Executive Board vis-à-vis the Supervisory Board and the performance of duties that are otherwise fundamentally assigned to the Chairman of the Executive Board.

The members of the Executive Board and Supervisory Board are required to immediately disclose conflicts of interest related to their work for Berentzen-Gruppe Aktiengesellschaft to the Supervisory Board.

(2.5) Diversity plans for the composition of the Executive Board and Supervisory Board

The Supervisory Board of Berentzen-Gruppe Aktiengesellschaft intensively addressed the goals for the composition of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft again in the 2017 financial year and on this basis adopted the diversity plans described in the following, while at the same time lifting the targets that were last updated in 2015. This action was prompted by the transposition into national law of Directive 2014/95 of the European Parliament and Council of October 22, 2014 amending Directive 2013/34/EU with respect to the disclosure of non-financial and diversity-relevant information by certain large companies and groups through the CSR Directive Implementing Act, which entered into force on April 19, 2017, and the corresponding changes to the recommendations of the German Corporate Governance Code adopted by the Government Commission on the German Corporate Governance code on February 7, 2017 and published in the Federal Gazette on April 24, 2017.

The diversity plans encompass the diversity aspects pursuant to Sections 289f, 315d HGB introduced by the CSR Directive Implementing Act, as well as the corresponding recommendations of the German Corporate Governance Code, particularly those pertaining to the adoption of concrete targets for the composition of the Supervisory Board. Therefore, the following report serves equally to fulfil the statutory reporting obligation and the implementation of the corresponding recommendation of the German Corporate Governance Code.

(2.5.1) Executive Board

Description of the diversity plan

The diversity plan for the composition of the Executive Board covers the following aspects and targets, for the attainment of which a time period or time frame of up to December 31, 2018 was established, with the exception of the target adopted for the percentage of women on the Executive Board.

Age

The diversity plan includes an age limit for Executive Board members. Only those persons who will not yet complete their 65th year of life at the end of the regular term of office for which they were either appointed for the first time or re-appointed should be appointed to the Executive Board.

Gender

The independently adopted target for the percentage of women on the Executive Board, which the Supervisory Board is specifically obligated to do under the Stock Corporations Act, covers the aspect of gender.

Information on this subject can be found in the following Section (2.6), together with the other gender-related targets to be adopted by law and the corresponding disclosures to be included in the declaration on corporate governance.

Educational background

In the opinion of the Supervisory Board, managing a nationally and internationally active enterprise requires an appropriate level of education for the members of its governing bodies. Therefore, at least two members of the Executive Board should have a university or technical college degree or a comparable international academic degree.

Professional background

In relation to their professional background, the Executive Board should only have members with experience in the management or supervision of other medium-sized or large corporations.

Moreover, the members of the Executive Board should have experience from different professional activities, if possible; in this respect, the Executive Board should have at least one member who has professional experience in operational functions in the sector in which the company operates, and at least one member who has experience from professional activity in administrative and especially business administration functions.

Internationality

Also in view of the requirements for managing an internationally active enterprise, the Executive Board should have at least one member with international experience. In this respect, international experience does not necessarily or exclusively mean a foreign nationality, but it particularly means relevant, work-related experience in an international context.

Other aspects

Another specification pertains to the aspect of potential conflicts of interest for Executive Board members. They are obligated to serve the company's interests, may not pursue personal interests in their decisions, are subject to a comprehensive competition ban during their employment with the company, and may not exploit for themselves business opportunities to which the company is entitled. Every member of the Executive Board is obligated to observe the code of conduct relative to conflicts of interest that is recommended in the German Corporate Governance Code, which is also completely incorporated into the rules of procedure for the Executive Board. In consideration of the foregoing, the diversity plan states that the Executive Board shall have no member in whom material and not only temporary conflicts of interest could arise as a result of his activities and functions outside of Berentzen-Gruppe Aktiengesellschaft and its affiliated companies, particularly by reason of exercising consulting or governing body functions with customers, suppliers, lenders, or other third parties.

Goals of the diversity plan

In its entirety, the diversity plan for the Executive Board described above primarily pursues the goal of staffing the Executive Board in such a way that its members as a whole possess the necessary knowledge, skills, and specialized experience for managing the company by promoting the internal diversity of opinions and knowledge as a means of achieving that goal.

Manner of implementing the diversity plan

The diversity plan is to be implemented primarily by means of the involvement of the Supervisory Board in staffing the Executive Board, as required by the Stock Corporations Act, the Articles of Association of Berentzen-Gruppe Aktiengesellschaft, and the rules of procedure for the Supervisory Board. The Supervisory Board makes the corresponding decisions in the company's interest and after giving due consideration to all the circumstances of each case.

The appointment of Executive Board members by the Supervisory Board – and the preparatory proposals of the Supervisory Board's Personnel Committee – should be done in consideration of the specified diversity aspects.

Furthermore, it is specified that the Supervisory Board should review the diversity plan with respect to the composition of the Executive Board and the results achieved, whenever warranted, particularly when new Executive Board members are appointed or the composition of the Executive Board changes, and at regular intervals of time, at least once a year.

Results achieved in the financial year

In the judgment of the Supervisory Board, the composition of the Executive Board of Berentzen-Gruppe Aktiengesellschaft at December 31, 2017 fulfils all aspects of the diversity plan described above. With respect to the attainment of the targets for the percentage of women on the Executive Board, please refer to the comments in the following Section (2.6).

Further information about the members of the Executive Board can be found in the foregoing Section (2.4.2) and in their curricula vitae published on the company website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/.

(2.5.2) Supervisory Board

Description of the diversity plan

The diversity plan for the composition of the Supervisory Board covers the following aspects and targets. With the exception of the adopted target for the percentage of women on the Supervisory Board, a time period or time frame of up to December 31, 2018 has been set for the attainment of these targets.

Age

According to the specification in the diversity plan, the members of the Supervisory Board should not be older than 65 years of age when appointed for the first time or re-appointed, as a general rule.

Gender

The independently adopted target for the percentage of women on the Supervisory Board, which the Supervisory Board is specifically obligated to do under the Stock Corporations Act, covers the aspect of gender.

Information on this subject can be found in the following Section (2.6), together with the other gender-related targets to be adopted by law and the corresponding disclosures to be included in the declaration on corporate governance.

Educational background

Given the growing importance and complexity of the duties and activities of the Supervisory Board and its members in the regular advisement and supervision of the Executive Board in its management of the company, the diversity plan specifies that at least five members of the Supervisory Board should have a university or technical college degree or comparable international academic degree.

Professional background

With respect to the professional background of its members, the Supervisory Board should have at least two shareholder representatives who possess experience in the management or supervision of other medium-sized or large corporations, but should also have no more than two members who are former members of the Executive Board. Furthermore, members of the Supervisory Board should not exercise any governing body or consulting functions with important competitors of the company.

Internationality

With due regard for the operational and strategic orientation of the business activity of the Berentzen Group, the Supervisory Board strives to have at least one member representing the shareholders who possesses international experience. In this respect, international experience does not necessarily or exclusively mean a foreign nationality, but particularly relevant, work-related experience in an international context.

Other aspects

Other aspects of the diversity plan include specifications related to potential conflicts of interest and independence and a standard limit for the duration of service on the Supervisory Board.

All members of the Executive Board of Berentzen-Gruppe Aktiengesellschaft are obligated to observe the code of conduct relative to conflicts of interest prescribed in the German Corporate Governance Code, which is also completely incorporated in the rules of procedure for the Supervisory Board, and must respond to conflicts of interest that arise in accordance with No. 5.5.2f. GCGC. Thus, the members of the Supervisory Board must promptly disclose potential conflicts of interest having to do with their person or function to the full Supervisory Board and abstain from deliberations and votes on matters in which they are not impartial and resign from the Supervisory Board in the event of a not only temporary conflict of interest. In consideration of the foregoing, the diversity plan states that the Supervisory Board should have no member in whom material and not only temporary conflicts of interest could arise as a result of his activities and functions outside of Berentzen-Gruppe Aktiengesellschaft and its affiliated companies, particularly by reason of exercising consulting or governing body functions with customers, suppliers, lenders or other third parties.

According to the recommendations of the German Corporate Governance Code, the Supervisory Board should have an appropriate number of independent members according to its judgment, in consideration of the ownership structure. Therefore, a Supervisory Board member is to be regarded as not independent particularly when he maintains a personal or business relationship with the company, its governing bodies, a controlling shareholder, or affiliated company related to a controlling shareholder, which could give rise to a material and not only temporary conflict of interest. On this basis, the Supervisory Board has specified in relation to the aspect of independence of its members that the Supervisory Board should have at least eight independent members within the meaning of No. 5.4.2 GCGC and at least five independent members representing the shareholders within the meaning of No. 5.4.2 GCGC, subject to the condition of otherwise unchanged conditions.

Finally, the corresponding specification in the diversity plan sets a standard limit of 15 years on the duration of service for any one Supervisory Board member, regardless of the number of appointments.

Goals of the diversity plan

The overriding goal of the diversity plan for the Supervisory Board and the aspects considered therein is that its members as a whole possess the necessary knowledge, skills, and specialized experience for properly performing the task incumbent on the Supervisory Board of regularly advising and supervising the Executive Board in the management of the company. In this respect, appropriate consideration of diversity aspects in the context of the company’s specific situation promotes the internal diversity of opinions and experience.

Manner of implementing the diversity plan

The diversity plan is implemented primarily within the scope of the requirements of the Stock Corporations Act, the Articles of Association of Berentzen-Gruppe Aktiengesellschaft, and the rules of procedure for the Supervisory Board.

As representatives of the shareholders, six of the nine Supervisory Board members are elected by the Annual General Meeting, to which the Supervisory Board makes suitable election proposals. On the other hand, the Supervisory Board has no influence by law on the appointment of the three representatives of the employees: The freedom of employees to elect the Supervisory Board members who represent the employees is protected under the One-Third Participation Act; in this respect, the Supervisory Board has no right to propose candidates. Insofar as the aspects of the diversity plan refer to or include the Supervisory Board members who represent the employees, the diversity plan is not to be understood as a directive to those entitled to elect their representatives or a restriction of the freedom to vote.

Proposals for the election of Supervisory Board members who represent the shareholders by the Supervisory Board to the Annual General Meeting – and the preparatory work done for the Supervisory Board by its Nomination Committee – should take diversity aspects into consideration, so that the Annual General Meeting can contribute to the implementation of such aspects by adopting appropriate resolutions. However, the Annual General Meeting is not bound by the election proposals of the Supervisory Board.

Furthermore, it is specified that the Supervisory Board should review the diversity plan with respect to the composition of the Supervisory Board and the status of implementation or the results achieved whenever warranted, particularly in the case of proposals to the Annual General Meeting for the election of new Supervisory Board members representing the shareholders or a change in the composition of the Supervisory Board, and at regular intervals of time, at least once a year.

The profile of required skills and expertise of the members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft, which is described separately below, also serves the purpose of implementing the diversity plan.

Results achieved in the financial year

In its own judgment, the composition of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft at December 31, 2017 fulfils all the aspects of the diversity plan described above, with the sole qualification that one Supervisory Board member representing the employees has exceeded the standard limit of 15 years for the duration of service on the Supervisory Board, by way of exception.

Accordingly, the specifications set out in the diversity plan regarding the independence of Supervisory Board members are also fulfilled. In the judgment of the Supervisory Board, all its members are independent within the meaning of No. 5.4.2 GCGC, i.e. the Supervisory Board in its composition since May 19, 2017 has nine independent members within the meaning of No. 5.4.2 GCGC and also six independent members representing the shareholders within the meaning of No. 5.4.2 GCGC. The members are named in the preceding Section (2.4.3).

For information on the attainment of the targets for the percentage of women on the Supervisory Board, please refer to the comments in the following Section (2.6).

Further information about the members of the Supervisory Board can be found in their curricula vitae published on the company website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/.

Profile of required skills and expertise

In accordance with the corresponding recommendation of the German Corporate Governance Code, the Supervisory Board has also prepared a profile of required skills and expertise for its members, which is closely related to the diversity plan. This profile is meant to ensure an orderly selection process on the basis of objective requirements criteria for the Supervisory Board's proposal to the Annual General Meeting for the election of members to the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft; the proposals should strive to meet the criteria set out in the profile of required skills and expertise for the Supervisory Board as a whole. If the Supervisory Board also includes Supervisory Board members who represent the employees, they should also meet the main criteria of the profile of required skills and expertise.

The profile of required skills and expertise defines both general and particular personal requirements for membership on the Supervisory Board, as well as the necessary knowledge, skills and specialized experience; it also covers the individual aspects for the composition of the Supervisory Board set out in the diversity plan. Furthermore, it is explicitly specified that the Supervisory Board and the Supervisory Board's Nomination Committee performing preparatory work for the Supervisory Board should assure itself in making its proposals to the Annual General Meeting for the election of new Supervisory Board members that each candidate will be able to devote the necessary time to properly exercise the mandate.

In its own judgment, the current composition of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft fulfils the criteria of the profile of required skills and expertise, subject to the qualification stated above for the fulfilment of the diversity plan.

(2.6) Disclosures on the adoption of targets for the percentage of women pursuant to Section 76 para. 4 AktG and Section 111 para. 5 AktG, the time periods set for the attainment of these targets, and the attainment of the adopted targets

(2.6.1) Overview

For exchange-listed companies that are not subject to the parity codetermination requirement, Section 111 (5) AktG prescribes that the Supervisory Board of companies that are exchange-listed or subject to the codetermination requirement adopt targets for the percentage of women on the Supervisory Board and Executive Board and concurrently also set time periods for the attainment of these targets. For these companies, Section 76 (4) AktG also prescribes that the Executive Board of such companies adopt targets for the percentage of women holding positions in the two management levels beneath the Executive Board and concurrently also set time periods for the attainment of these targets. If the percentage of women on both levels is less than 30 percent at the time of adopting the targets, the targets so adopted may not be less than the percentage attained on the respective level. Such targets had to be adopted for the first time by September 30, 2015 at the latest, and the time periods set for the first time may not be longer than up to June 30, 2017, and afterwards may not be longer than five years at a time.

Berentzen-Gruppe Aktiengesellschaft is the only company of the Berentzen-Gruppe affected by these obligations.

Within their respective areas of responsibility, the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft adopted targets for the percentage of women pursuant to Section 76 para. 4 AktG and Section 111 para. 5 AktG for the first time in September 2015; the first deadline for attainment of the targets was predominantly set for a period not longer than up to June 30, 2017. The table below provides information about the attainment of these targets and the new targets and time periods set for their attainment by the Executive Board and Supervisory Board in June 2017.

		Percentage of women at 09/30/2015	Adopted target by 06/30/2017 [1]	Attained percentage of women at 06/30/2017	Adopted target by 12/31/2021
Supervisory Board	No. (≙ %)	1 (11)	1 (11)	1 (11)	1 (11)
Executive Board	No. (≙ %)	0 (0)	0 (0) / 1 (≤ 33) [2]	0 (0) [3]	0 (0) / 1 (≤ 33) [2]
First management level beneath the Executive Board	%	0	15	11	20
Second management level beneath the Executive Board	%	22	25	24	30

[1] Supervisory Board: Because the target was already attained at the time it was adopted, it was unnecessary to specify a time period for its attainment. Executive Board: The period of time allowed for attainment of the target refers to the event of enlargement of the Executive Board to more than two members.

[2] Executive Board: If the Executive Board has not more than two members, it does not need to have a female member. If the Executive Board has more than two members, at least one member of the Executive Board should be a woman.

[3] Executive Board: The Executive Board was composed of two members at June 30, 2017.

(2.6.2) Supervisory Board

The targets adopted by the Supervisory Board for the percentage of women on the Supervisory Board were established in consideration of the size and number of employees of comparable companies, particularly in the spirits and beverages industry, and the currently limited availability of qualified female candidates to exercise Supervisory Board mandates. With respect to the attainment of the targets, the Supervisory Board expressly made and makes no distinction between the Supervisory Board seats to be appointed by the representatives of the shareholders and those to be appointed by the representatives of the employees. The established target was attained at June 30, 2017.

(2.6.3) Executive Board

The targets adopted by the Supervisory Board for the percentage of women on the Executive Board reflect the fact that the Executive Board of Berentzen-Gruppe Aktiengesellschaft is adequately staffed with two members, in accordance with the Articles of Association, particularly also in view of the company’s size. In the opinion of the Supervisory Board, however, establishing a target of at least one female member of an Executive Board composed of only two members would lead to an undue limitation in the selection of suitable, qualified candidates. Mindful of the statutory regulations of the Stock Corporations Act and in view of the realistic possibility of increasing the number of Executive Board members, the Supervisory Board found it appropriate to resolve as its target for the percentage of women on the Executive Board that at least one member of the company’s Executive Board should be a woman. The targets for the percentage of women on the Executive Board, which was composed of two members at the time, were attained at June 30, 2017.

(2.6.4) First and second management levels beneath the Executive Board

The Executive Board has adopted targets for the percentage of women holding positions on the two management levels beneath the Executive Board. In determining the management levels and starting values for the targets to be adopted, the Executive Board considered the circumstances of Berentzen-Gruppe Aktiengesellschaft as the only company affected by the relevant statutory provisions. The definition of the two management levels was based on the exercise of managerial duties in the sense of personnel and budget responsibility, as well as the hierarchical classification. The targets were adopted in observance of the legal requirement that the targets for the percentage of women may not be less than the percentages attained at the time of adopting the targets.

Whereas the percentage of women serving at the second management level beneath the Executive Board approximately met the target established at June 30, 2017, the same percentage at the first management level beneath the Executive Board was rather considerably far below the target at the same date, although the percentage was considerably improved. The main reason for this was the only small number of new staffing appointments due to the nearly unchanged workforce size during the reporting period, coupled with rather low employee turnover. Therefore, the percentage of women in management positions increased only slowly.

The Executive Board has adopted two concrete measures to attain its newly established, further increased targets for the percentage of women in the two management levels beneath the Executive Board: First, the intensification of internal employee development from the point of view of selecting, promoting, and preparing women for management duties, and second, the improved recruitment of external female candidates for open positions.

(2.7) Compensation of members of the Executive Board and Supervisory Board

Information on the compensation of Executive Board and Supervisory Board members in the 2017 financial year is provided in the "Compensation Report" section of the combined management report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft, which is part of the Annual Report 2017 of Berentzen-Gruppe Aktiengesellschaft. The Annual Report 2017 is also available at the company website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/.

(2.8) Reportable securities trades (managers' transactions)

Members of the Executive Board and Supervisory Board, as persons exercising management duties, are obligated pursuant to Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014, on Market Abuse (Market Abuse Regulation - MAR) to disclose their own trades (e.g. purchases or sales) of shares of Berentzen-Gruppe Aktiengesellschaft or debt instruments or related financial instruments of Berentzen-Gruppe Aktiengesellschaft. This disclosure obligation also applies to persons closely associated with persons exercising management duties. A disclosure obligation only exists insofar as the total volume of the transactions within a calendar year reaches or exceeds EUR 5,000. Until July 3, 2016, such a disclosure obligation existed based on Section 15a of the Securities Trading Act (WpHG).

Berentzen-Gruppe Aktiengesellschaft has instituted a process for the due publication of the receipt of any such disclosures. Trades notified to the company in this way are available on the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/.

(2.9) Shareholders and Annual General Meeting

The shareholders of Berentzen-Gruppe Aktiengesellschaft exercise their rights in the Annual General Meeting. The Annual General Meeting is the main forum for shareholders, particularly for exercising their voting rights, obtaining information, and conducting a dialog with the Executive Board and Supervisory Board. In accordance with the Articles of Association, the Annual General Meeting must be held in the first eight months, but is usually held in practice in the first five months of the financial year.

The Annual General Meeting decides on all matters reserved to it by law, particularly including the utilization of profit, the ratification of the actions of Executive Board and Supervisory Board members, the election of shareholder representatives to the Supervisory Board and the financial statements auditor, amendments to the Articles of Association, and important business measures such as intercompany agreements, conversions, and capital measures. The Annual General Meeting is chaired by the Chairman of the Supervisory Board.

The Annual General Meeting of Berentzen-Gruppe Aktiengesellschaft is organized and conducted with the goal of providing prompt, extensive, and effective information about the company's situation to all shareholders before and during the Annual General Meeting. The notice of meeting and meeting agenda are published in the Federal Gazette and are available to the shareholders and all other interested parties at the website www.berentzen-gruppe.de/en/, along with all documents for the Annual General Meeting, particularly including all reports, documents, and other information which the law requires for the Annual General Meeting.

To make it easier for shareholders to personally exercise their rights and represent their voting rights, they are entitled at their own choice to authorize the custodial bank, a shareholders association or another person of their choice, or a company-appointed proxy bound by the shareholder's instructions, if the shareholders are not able to physically attend the Annual General Meeting themselves.

In addition, the current Articles of Association of Berentzen-Gruppe Aktiengesellschaft contains clauses authorizing the Executive Board to permit so-called online participation in the Annual General Meeting, audio-visual transmission of the Annual General Meeting, and postal voting.

(2.10) Financial reporting and audit of the financial statements

The consolidated financial statements and consolidated semi-annual financial report of Berentzen-Gruppe Aktiengesellschaft are prepared by the Executive Board in accordance with the principles of International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and in accordance with the German regulations to be applied additionally pursuant to Section 315e (1) HGB. The legally prescribed separate financial statements of Berentzen-Gruppe Aktiengesellschaft, which are determining for the dividend payment, are prepared in accordance with the German commercial-law regulations applicable to corporations. The consolidated and separate financial statements are reviewed and approved by the Supervisory Board.

The Annual General Meeting elected Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor of the consolidated and separate financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2017, after the financial statements auditor had previously declared in writing his independence according to No. 7.2.1 of the German Corporate Governance Code and Article 6 para. 2 letter a) of Regulation (EU) No. 537/2014 of the European Parliament and Council of April 16, 2014 on specific requirements regarding statutory audits of public-interest entities, and after the Finance and Audit Committee of the Supervisory Board assured itself of the financial statements auditor's independence. Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft has been the financial statements auditor and the consolidated financial statements auditor of Berentzen-Gruppe Aktiengesellschaft since the 2016 financial year. The undersigned auditors for the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2017 are Dr. Thomas Senger (since the 2016 financial year) and Mr. Ronald Rulfs (since the 2016 financial year). The legal requirements and rotation obligations pursuant to Sections 319 and 319a HGB in conjunction with Regulation (EU) No. 537/2014 of the European Parliament and Council of April 16, 2014, on specific requirements regarding statutory audits of public-interest entities, have been satisfied.

It was further agreed with the auditor of the financial statements for the audit for the 2017 financial year that the Chairman of the of the Finance and Audit Committee of the Supervisory Board is to be informed immediately during the audit of any potential grounds for exclusion or conflicts of interest, unless they are rectified immediately. The auditor is also required to report immediately all findings and events of importance to the tasks of the Supervisory Board that arise during the audit of the financial statements to the Chairman of the Supervisory Board. Furthermore, the auditor is required to inform the Supervisory Board or document in the audit report all facts noted in the course of the audit that are not compatible with the Declaration of Conformity issued by the Executive Board and Supervisory Board in accordance with Section 161 AktG.

(2.11) Transparent management

The company informs shareholders, investors, analysts, and the public equally and promptly. The company website of Berentzen-Gruppe Aktiengesellschaft, www.berentzen-gruppe.de/en/, is an important communication and publication platform. Information about the company's business activities, its governing bodies and Articles of Association, declarations on corporate governance and corporate governance reports, and declarations of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG, and particularly financial reports, reports and documents for the Annual General Meeting, ad-hoc and other capital market-relevant announcements, are made permanently available on this medium within the scope of the legal provisions applicable to publication deadlines and periods. A financial calendar provides information about the company's publication and event dates.

Haselünne, March 2018

Berentzen-Gruppe Aktiengesellschaft

For the Executive Board

Oliver Schwegmann	Ralf Brühöfner
Member of the Executive Board	Member of the Executive Board

B. Combined management report

Combined Management Report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft

(1) Underlying principles of the corporate group

(1.1) Corporate business model

Organisation and underlying principles

The Berentzen Group is one of the leading beverage groups in Germany and simultaneously one of the country's oldest producers of spirits with a history going back over 250 years. Berentzen-Gruppe Aktiengesellschaft based in Haselünne, Germany, is the ultimate parent of the Berentzen Group, which consists of more than 20 domestic and international subsidiaries as well as the parent company. The corporate group generated revenues of EUR 172.1 million in the 2017 financial year (EUR 170.0 million) and had 484 (487) employees at seven locations in three countries as of the reporting date of December 31, 2017.

As a stock corporation organised under German law, Berentzen-Gruppe Aktiengesellschaft has three executive bodies – the general meeting, the Supervisory Board and the Executive Board – each of which has certain areas of responsibility within the framework of competencies allocated in accordance with the German Stock Corporation Act (AktG). The general meeting is the ultimate executive body, mainly making decisions on the constitution of the Company, including specifying the corporate statutes and capital-raising measures, determining the utilisation of the distributable profit, appointing the shareholder representatives on the Supervisory Board and ratifying the actions of the Supervisory Board and the Executive Board. The Supervisory Board is responsible for the appointment, oversight and advice for the Executive Board; it is directly involved in decisions of fundamental importance for the Company, where these are not reserved for the general meeting. The Supervisory Board consists of nine members, one-third of whom are employee representatives in accordance with the German One-third Participation Act (Drittelbeteiligungsgesetz). The period of office of a member of the Supervisory Board amounts to five years, although the general meeting may resolve a shorter period of office.

According to the Articles of Association, the Executive Board of Berentzen-Gruppe Aktiengesellschaft consists of at least two people. In its role as the management body, the Executive Board of the Berentzen Group conducts the operations, determines the strategic orientation of the Company and implements this as agreed with the Supervisory Board. At present, one member of the Executive Board is responsible for the Marketing, Sales, Production and Logistics, Purchasing, and Research and Development functions and the other for the Finance, Controlling, Human Resources, Information Technology, Legal Affairs, Corporate Communications, and Corporate Social Responsibility functions.

Business activities

The business activities of the Berentzen Group essentially comprise the production and distribution of spirits and non-alcoholic beverages and the development and distribution of fresh juice systems. The business activities are divided into the following segments accordingly: *Spirits, Non-alcoholic Beverages,* and *Fresh Juice Systems*. The marketing, distribution and sale of spirits are grouped together in the Branded Products and the Private Label Products sales units within the *Spirits* segment. The marketing, distribution and sale of non-alcoholic beverages are combined in the *Non-alcoholic Beverages* segment. Depending on the system component, the development, marketing, distribution and sale of fruit presses, oranges and filling containers are grouped together in the *Fresh Juice Systems* segment. The *Other Segments* essentially cover the international business involving branded spirits together with the tourist and event activities of the Berentzen Group. This structure forms the basis for financial reporting.

The Berentzen Group currently produces its spirits and non-alcoholic beverages at four facilities in Germany: spirits in Minden and in the Berentzen Hof distillery in Haselünne. Non-alcoholic beverages are produced in Haselünne and Grüneberg. In addition, the logistics centre of the corporate group for the distribution of spirits is operated by an external service provider and located in Stadthagen, Germany. The operating activities in the *Fresh Juice Systems* segment are conducted and managed from the facility in Linz, Austria.

Brands, products and markets

Its long-established spirits brands and attractive private label products make the Berentzen Group a competent partner for the retail and hospitality trades. In this context, the spirits portfolio encompasses internationally known brands like *Berentzen* and *Puschkin* as well as traditional German spirits like *Strothmann*, *Doornkaat*, and *Bommerlunder*.

The consolidated subsidiary Vivaris Getränke GmbH & Co. KG based in Haselünne, Germany, has been operating in the German soft drinks market for decades. Its assortment of proprietary brands and products includes mineral waters in regionally important brands such as *Emsland Quelle* and *Märkisch Kristall* as well as lemonades, wellness and energy drinks, and the mate-based and cola drinks developed in house and established nationwide using the house brand *Mio Mio*. The second pillar of the Company is a franchise business that has been operating for over 50 years. It is under this activity that the Company produces and distributes soft drinks for the major German soft drinks brand *Sinalco* on the basis of a long-term agreement since January 2015. In addition, non-alcoholic branded and private label products are bottled under the terms of service agreements with the Sinalco corporate group, the PepsiCo Group and other customers.

Through its subsidiary T M P Technic-Marketing-Products GmbH, based in Linz, Austria, the corporate group is active as a system provider for fresh juice systems, particularly orange presses. Alongside orange presses, the full range marketed under the *Citrocasa* brand encompasses juicy oranges under the *frutas naturales* brand and containers for the bottling of freshly squeezed orange juice specially designed to accommodate the equipment used. The Company's core competencies are in the ongoing development and optimisation of the technology, and the provision of technical services and appropriate logistics for the delivery of fruit and bottles in system sales.

With such a diverse range of brands and products in the *Spirits, Non-alcoholic Beverages*, and *Fresh Juice Systems* segments, the Berentzen Group boasts a broad-based assortment in different price segments and for almost every taste.

The main sales market for the spirits marketed by the Berentzen Group is traditionally in Germany, which is dominated on the demand side by a notably strong, concentrated food retailing sector. In addition, the Berentzen Group has a presence in almost sixty countries worldwide and in the duty-free business. Distribution in these places is carried out by either distributors or own subsidiaries that are also involved in the management and adaptation of regional sales measures.

The sales market for non-alcoholic beverages essentially entails regional coverage in northern and eastern Germany including Berlin together with parts of Hesse and North Rhine-Westphalia. Distribution is carried out mainly by food retailers or drinks wholesalers for the hospitality trade. Now that the mate-based beverage *Mio Mio Mate* is listed nationwide by food retailers, its sales area expanded accordingly during the past financial years.

Austria, Germany, France, the Netherlands and the neighbouring countries, and also North America and increasingly Eastern Europe, are the main sales areas for the products of the Fresh Juice Systems segment. Worldwide distribution of equipment outside of Austria is handled by local distributors in almost fifty countries. The main distribution channels are the food retailing sector, the out-of-home market, and increasingly the on-trade channel.

Industry-specific legal framework

The business activities of the Berentzen Group are subject to a number of significant industry-specific legal provisions on top of the general domestic and international rules and regulations.

In terms of the production and distribution of spirits, non-alcoholic beverages and the system components marketed by the Fresh Juice Systems segment, there are regulatory requirements in connection with the production, marketing, declaration and labelling of foodstuffs. In this context, German and European food law is largely harmonised in European Union (EU) regulations, whereas other country-specific regulations are generally also applicable outside of Europe.

In addition, the production and distribution of fruit presses in the Fresh Juice Systems segment is subject to specific expanded regulations regarding product safety, technical designations and standards that are intended to ensure health and safety at work together with food safety and consumer protection. In Europe, these regulations are largely standardised in EU rules while additional or different regulations are normally applicable in non-EU countries in accordance with local law.

In terms of competition law, there are generally applicable regulations regarding the distribution of non-alcoholic beverages and the system components marketed by the Fresh Juice Systems segment. Besides this, the marketing of spirits is subject to additional regulations that vary from country to country, among other things in the form of sales and / or advertising restrictions as well as specific restrictions serving to protect minors.

Finally, special tax regimes relating to the alcohol tax (formerly called “spirits tax” in Germany; on 1 January 2018, the Alcohol Excise Tax Act [Alkoholsteuergesetz] and the Alcohol Excise Tax Regulation [Alkoholsteuerverordung] replaced the previous spirits duty regulations) and similar foreign consumption taxes levied at high rates on alcohol and alcohol-based drinks in almost all countries need to be observed for the production and especially the distribution of spirits. Moreover, high and in some cases prohibitive customs duties and import tariffs are regularly levied on imported spirits, especially outside of Europe.

(1.2) Management system

Principles of internal management

The Berentzen Group is managed using performance indicators that aim to optimally guide the business performance taking into account the mutually interrelated factors of growth, profit and liquidity. The most important of these performance indicators are determined at corporate level.

Prior to the start of each financial year, the Executive Board draws up a detailed corporate plan for the following financial year together with a medium-term corporate plan, which are submitted to the Supervisory Board for approval.

The internal management system is overseen centrally by the Controlling department of Berentzen-Gruppe Aktiengesellschaft, which reports directly to the Executive Board member responsible for the function. The Controlling department prepares detailed monthly reports containing information relevant for management as well as a wide range of other data, including income statements for the individual segments, which are made available to the Supervisory Board, the Executive Board and the relevant managers at the next level down. This includes both actual v. planned and year-ago comparisons.

Furthermore, a management reporting system has been implemented for the management of the corporate group that constantly makes available wide-ranging information on the sales, price and revenue development in variable combinations and at various aggregation levels.

There are also other instruments in place to help manage the liquidity and capital allocation of the corporate group as well as a specified, standard process flow for investments. Targeted returns are defined in the sense of a return on investment (ROI) for investments in excess of a specific size. This ratio is determined on the basis of dynamic investment appraisal procedure, while the discount rates applied are based on the Company's total cost of capital.

The Berentzen Group has to date not employed any non-financial performance indicators to manage the corporate group.

Financial performance indicators

The corporate group is mainly organised and managed on the basis of product groups and sales units. Profitability-oriented management and planning is performed at segment level on the basis of a ratio comprising the contribution margin after marketing budgets. This metric is determined using the revenues of the respective segment together with the product-related purchased goods and services and other direct costs and the expenses for marketing and advertising, adjusted for intersegment revenues and expenses.

Building on this, management is performed at corporate level on the basis of the normalised consolidated operating profit or consolidated EBIT (earnings before interest and taxes) adjusted for non-recurring items and the consolidated EBITDA (earnings before interest, taxes, depreciation, amortisation) as well as the consolidated revenues. The normalised consolidated EBIT reflects the consolidated profit before income or expenses from income taxes, the net financial and investment income, and non-recurring effects; when calculating the normalised consolidated EBITDA, depreciation and amortisation on property, plant and equipment and intangible assets is added as well. Non-recurring items are eliminated with a view to focusing on the evaluation and presentation of the operating performance and profitability of the corporate group, thus making it easier to compare results between the financial reporting periods. Non-recurring items reflect the impact of one-off or unusual transactions that are unique expense or income items or not recurring regularly in this form or amount.

Both the normalised consolidated EBIT and the normalised consolidated EBITDA are recognised economic profitability ratios, although they are not defined in accordance with the national and international accounting standards. This also holds true for the ratio used to manage the segments, the contribution margins after marketing budgets.

The development and analysis of the income-related performance indicators are presented in section (2.2.4), Financial performance, in the Economic report.

Cash flow indicators

The key performance indicator for the cash flows and financial position of the corporate group is the operating cash flow. The operating cash flow shown in the Cash Flow Statement documents the impact of operating profitability on the change in the cash position. It is defined as consolidated profit before depreciation, amortisation and impairment, adjusted for non-cash elements of the interest result, of income taxes, and of other non-cash effects, and also corrected for profit or loss shares from the disposals of non-current assets. Movements in the volatile working capital that is often subject to reporting-date effects are thus deliberately excluded to allow for a better assessment and presentation of cash inflows and outflows from operating activities.

Please refer to the comments in section (2.2.5), Cash flows, in the Economic report for information on the calculation and analysis of the cash flow indicator.

Financial position indicators

The Group’s financial position is planned and managed based on the two indicators equity ratio and dynamic gearing ratio.

The equity ratio provides insights concerning the extent to which risks entered into can be hedged by equity and thus concerning the financial stability of the Berentzen Group. The ratio is calculated as the ratio of adjusted equity to adjusted total consolidated capital (total consolidated assets). Adjusted equity is based on the consolidated capital reported in the Consolidated Statement of Financial Position. If available, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from the figure, while non-current liabilities to shareholders and mezzanine capital are added. Likewise, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from total consolidated capital if available.

The dynamic gearing ratio provides information on the period theoretically needed in order to repay financial liabilities using profits. Consequently, the ratio is also suitable for indicating the Berentzen Group’s debt servicing ability. The performance indicator is calculated as the ratio of total current and non-current financial liabilities adjusted for cash and cash equivalents to consolidated EBITDA recorded over the past 12 months.

The development and analysis of the financial position indicators are presented in section (2.2.6), Financial position, in the Economic report.

(1.3) Research and development

In order to keep the product range attractive for consumers and exploit potential consumption levels, the Group’s in-house Research and Development department worked on enhancing the quality and flavour of existing spirits products and developing innovative new products in 2017. A total of 460 (417) recipes were developed and assessed for spirits in the Branded and Private Label Products sales units in the last financial year 2017.

In the *Non-alcoholic Beverages* segment, additional flavours were developed for the product line of the house brand *Mio Mio* in financial year 2017, which, however, will not be introduced until the end of 2018, since the items *Mio Mio Mate Banana* and *Mio Mio Mate Ginger* are still in the market introduction phase. In addition, work was carried out on reducing the sugar content of new drinks and revising existing recipes, and options were examined to enhance the flavour using new sweeteners and sugar substitutes.

The research and development activities in the *Fresh Juice Systems* segment concentrated on the system technology and related accessories in financial year 2017. Alongside the development of new fruit juicer product lines, the continuous improvement of the current series also plays a major role. The Group company T M P Technic-Marketing-Products GmbH is responsible for all aspects of managing and controlling the product development process, including the engineering carried out in conjunction with external consultants and the producer of the machinery.

The direct expenses for research and development and for quality assurance totalled EUR 1.5 million in the 2017 financial year (EUR 1.6 million).

(2) Economic report

(2.1) General economic and industry-specific framework conditions

Apart from the development of the economy as a whole, the decisive framework conditions for the business development of the Berentzen Group are the development of the drinks market including the development of the distribution channels for drinks and fresh juice systems.

General economic conditions

In its World Economic Outlook Update from January 2018, the International Monetary Fund (IMF) estimated that global economic growth of 3.7% in 2017 was 0.5% stronger than in the previous year. According to its assessment from December 2017, the German Institute for Economic Research (DIW Berlin) expects gross domestic product (GDP) to have expanded by 4.2% (3.5%) in real terms worldwide. The rate of growth in the emerging markets stood at 4.7% (4.4%) in 2017, which the IMF attributed among other things to the recovery of major emerging markets such as Russia and Brazil. According to the IMF, the positive developments in the USA, Japan and Germany in particular contributed to economic growth of 2.3% (1.7%) in the industrialised nations. For the eurozone, the IMF and the DIW both project a growth rate of 2.4% overall (1.8% and 1.7% respectively).

The German economy was characterised by strong growth on the whole over 2017, as the Federal Statistical Office indicated in mid-January 2018. On an inflation-adjusted basis, gross domestic product grew by 2.2% (1.9%). This can be attributed primarily to positive stimuli from domestic sources. Once again, consumption was the main driver behind this development, with consumer spending as well as government spending on the increase. Increased investment was another factor contributing to growth.

Developments on the drinks market

According to figures from the Federal Statistical Office, consumer prices in Germany rose by an annual average of 1.8% in 2017 compared with the previous year. This rise is due in the main to the development of energy prices as well as of prices for food. Prices in the “food and non-alcoholic beverages” category and the “alcoholic beverages and tobacco” category were significantly above the previous-year level. According to the Federal Statistical Office, revenues in the German retail trade increased by 2.3% in 2017 compared with 2016 on an inflation-adjusted basis. Meanwhile, revenues in the “food, beverages and tobacco” sub-category, which is significant for the Berentzen Group, increased by 1.5% year on year after adjusting for inflation. According to figures released by Eurostat, the statistical office of the European Union (EU), retail sales volumes in the “food, beverages and tobacco” category rose by 1.3% (0.7%) in the eurozone in December 2017 compared with December 2016 and by 1.2% (1.4%) across the EU.

Figures published by independent market researcher The Nielsen Company (Nielsen) show that total domestic unit sales of spirits amounted to 560.1 million (573.6 million) 0.7-litre bottles in 2017 in Germany, which remains the most important regional sales market for spirits for the Berentzen Group. Total revenues fell at a slower pace, to EUR 4.49 billion (EUR 4.54 billion). In the German food retail trade and drugstores, the sales volume of spirits fell by 1.9% year on year to 521.2 million (531.4 million) 0.7-litre bottles. At EUR 4.07 billion (EUR 4.09 billion), revenues were down slightly on the previous-year level. The share of own brands in total German sales declined from 46.7% to 46.1% in 2017, with the share of total revenues falling from 34.5% to 33.7% in parallel. According to an announcement by the Federal Statistical Office in February 2018, revenues of the domestic hospitality industry in the 2017 financial year were 0.9% (0.9%) higher in real terms than in the previous-year comparison period. Unit sales in this second important distribution channel for the spirits and non-alcoholic beverages of the Berentzen Group thus increased once again. The spirits-friendly sub-category of “restaurants” displayed corresponding revenues growth of 0.9% (0.2%). According to figures from Nielsen, unit sales of spirits in German cash-and-carry markets fell by roughly 8.0% in 2017 (1.9%) from 42.3 million to 38.9 million 0.7-litre bottles, with revenues declining by 7.7% (0.4%) compared with 2016.

According to projections published at the beginning of January 2018 by Verband Deutscher Mineralbrunnen e.V. (VDM), a German mineral water industry association, unit sales of mineral and medicinal waters and non-alcoholic mineral spring beverages from German springs stood at 14.7 billion litres in 2017, thus remaining stable at the high level of the previous year (14.7 billion litres). Within this total, 11.3 billion litres (11.3 billion litres) related to unit sales of mineral and medicinal waters, while mineral spring beverages accounted for a further 3.4 billion litres (3.4 billion litres). Continued high sales volumes of mineral and medicinal waters are understood to reflect consumers’ desires for a balanced, natural and high-quality diet.

As far as the Berentzen Group is aware, to all intents and purposes there are no all-round, reliable market data available for the *Fresh Juice Systems* segment. The corporate group estimates that existing and future consumer demand for fresh foodstuffs, especially fresh drinks like not-from-concentrate juices, freshly squeezed juices and smoothies, is a key indicator for the development of this segment. The trend ongoing for several years now of increased dietary awareness and the impact on health and well-being are further influencing consumer behaviour. Values and product characteristics like freshness, biological and regional provenance as well as traceability in the production process are increasingly important factors for end customers. A market study by the Association of the Industry of Juices and Nectars from Fruits and Vegetables of the European Union (AIJN) from 2017 shows that the market development of smoothies, which are most readily comparable with the system solution offered by the *Fresh Juice Systems* segment (production of freshly squeezed fruit juices), was most recently very positive in the European markets most important for the segment. According to the study, sales volumes expanded in 2016 by 56.7% in Germany, by 29.1% in France, by 17.3% in Austria and by 6.2% in the Netherlands.

(2.2) Business performance and economic position

(2.2.1) Overview of business performance and operating results

In a very intense competitive environment overall, the Berentzen Group increased its consolidated revenues to EUR 172.1 million in the 2017 financial year (EUR 170.0 million); its adjusted consolidated operating profit amounted to EUR 9.2 million (EUR 10.5 million) and its adjusted consolidated operating profit before amortisation and depreciation stood at EUR 16.4 million (EUR 17.5 million). The Berentzen Group generated a consolidated profit of EUR 2.6 million (EUR 4.4 million).

The results for the reporting period are based largely on the significant developments and events described in section (2.2.3) below.

(2.2.2) Comparison of actual business performance with the forecast business performance

The following analysis covers the key financial performance indicators of the Berentzen Group that were used for the internal management of the corporate group in the 2017 financial year. In order to compare actual performance against the forecast performance, the forecasts provided in the past fiscal year are set against the actual performance. Symbols are used to demonstrate the extent to which the most recent forecast in each case was met, with ✓✓ indicating the forecast was surpassed, ✓ indicating the forecast was met and ✗ indicating the forecast was not met.

Financial performance

The development of the financial performance of the Berentzen Group in the 2017 financial year was challenging, with an uneven business performance across the individual segments.

Performance of the segments

	Forecast for the 2017 financial year in the 2016 Forecast Report EURm	Adjustments made during the 2017 financial year EURm	Actual business performance 2017 EURm	
Contribution margin after marketing budgets				
Segment				
Spirits	24.6 to 27.2		27.6	✓✓
Non-alcoholic Beverages	20.7 to 22.9	Q3: 19.2 to 21.2	19.3	✓
Fresh Juice Systems	8.4 to 9.3	Q2: 7.3 to 8.1	6.5	✗
Other segments	5.3 to 5.8	Q3: 4.7 to 5.2	5.0	✓

In the 2017 financial year, the original forecasts provided in the Annual Report for the 2016 financial year for segment earnings (contribution margin after marketing budgets) were exceeded in the case of one segment but were not met in the other three segments. Where adjustments were made to the individual forecasts during the course of the 2017 financial year, these later also materialised with one exception.

In the *Spirits* segment, segment earnings were up to EUR 27.6 million compared with the previous year, thus exceeding the initial forecast ranging between EUR 24.6 million and EUR 27.2 million. The contribution margin volume rose substantially compared with the related budget assumptions. This was partly attributable to the successful control of the product mix in the domestic business involving branded spirits, with the contribution margins for the core brands *Berentzen* and *Puschkin* in particular developing at an above-average rate. Another factor was the Company's ability to hold its ground in a slightly contracting market for branded dealer and private-label products and to marginally exceed its own expectations in terms of the development of the contribution margin volume for this product area. The funds used for marketing and trade advertising were in line with budget and thus had a neutral effect on the positive development of contribution margin.

By contrast, segment earnings in the *Other segments* – notably including international sales of branded spirits – amounted to EUR 5.0 million, which failed to match the original range forecast but did meet the adjusted range of between EUR 4.7 million and EUR 5.2 million announced in the third quarter of 2017. The business in the Benelux countries and through the duty-free distribution channel had a major positive impact on the development of contribution margins in this context. However, these continued to be burdened by the persistently difficult market environment for the spirits business in Turkey. In addition, the development on the eastern European markets and in the USA lagged behind expectations. Contribution margins developed at a below-average rate compared with the original assumptions as a result. However, lower marketing expenses – mostly based on service scope – meant that it was possible to compensate for this effect to a large extent.

The profit expectation stated in the 2016 Annual Report for the *Non-alcoholic Beverages* segment was similarly not achieved. However, the adjusted range of between EUR 19.2 million and EUR 21.2 million announced in the third quarter of 2017 was also met here, with a contribution margin after marketing budgets of EUR 19.3 million at the end of the day. The reasons for contribution margins falling short of expectations included the weak summer business, lower contributions from the franchise business with branded beverages from the Sinalco corporate group as well as a product, bottling system and customer mix that deviated from original estimates. This was countered only by the significantly positive development of contribution margins from the products marketed under the proprietary *Mio Mio* brand. Funds used for marketing and trade advertising were in line with budget. In terms of the forecast, this had neither a positive nor a negative effect on the overall development of segment earnings.

The *Fresh Juice Systems* segment was unable to match the original target or the adjusted target announced in the second quarter of 2017. At EUR 6.5 million, segment earnings were well short of the adjusted forecast of between EUR 7.3 million and EUR 8.1 million. The primary reason for the weak development of contribution margins was the scarcity of fruits (oranges) in the 2017 financial year in the wake of poor crop yields and limited fruit quality resulting from bad weather. As a consequence, a sharp rise in purchasing prices and costs to ensure supply and assure quality burdened these system components over the course of the year. Additionally, it was not possible to achieve the planned unit sales growth for the system component fruit juicers, especially in the major US market. The use of marketing budgets in the past financial year was adjusted to the development of revenues. This had a positive knock-on effect on segment earnings.

Development of consolidated revenues and consolidated operating profit

	Forecast for the 2017 financial year in the 2016 Forecast Report EURm	**Adjustments made during the 2017 financial year EURm**	**Actual business performance 2017 EURm**	
Consolidated revenues	170.4 to 179.2		172.1	✓
Consolidated operating profit (consolidated EBIT)	11.2 to 12.4	Q3: 9.1 to 10.1	9.2	✓
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	17.8 to 19.7	Q3: 16.0 to 17.7	16.4	✓

The Berentzen Group had forecast consolidated revenues ranging between EUR 170.4 million and EUR 179.2 million for the 2017 financial year. With consolidated revenues of EUR 172.1 million, this target was met, though revenue growth was chiefly attributable to the related development in the *Non-alcoholic Beverages* segment.

The financial performance of the Group yielded a different picture, however, and did not improve on the 2016 financial year despite the initial forecast. As explained above, the main reasons for this were contribution margins from the *Non-alcoholic Beverages* and *Fresh Juice Systems* segments that were lower than originally forecast. In light of these developments and of reassessments regarding the further development of earnings in the 2017 financial year, the forecast for the adjusted consolidated operating result (consolidated EBIT) and for the adjusted consolidated operating result before depreciation and amortisation (EBITDA) had to be adjusted in the third quarter of 2017. With consolidated EBIT of EUR 9.2 million and consolidated EBITDA of EUR 16.4 million for the 2017 financial year, this adjusted forecast was met.

Cash flows and financial position

The cash flows and financial position of the corporate group remained sturdy. However, both positive and negative deviations from the forecasts were observed individually with regard to the ratios used to manage the corporate group.

Development of cash flows

	Forecast for the 2017 financial year in the 2016 Forecast Report EURm	Adjustments made during the 2017 financial year EURm	Actual business performance 2017 EURm	
Operating cash flow	12.3 to 16.3		10.2	×

Operating cash flow, which excludes changes in working capital and therefore documents the effects of operating profitability on the change in liquidity, was forecast to lie between EUR 12.3 million and EUR 13.6 million, but actual results fell short of the forecast at EUR 10.2 million. This is due in part to the gentle slide in consolidated EBITDA and in part to other non-cash effects that are difficult to forecast.

Development of financial position

	Forecast for the 2017 financial year in the 2016 Forecast Report	Adjustments made during the 2017 financial year	Actual business performance 2017	
Equity ratio	32.8 % to 37.8 %		31.1 %	×
Dynamic gearing ratio	- 0.22 to- 0.17	Q2:- 0.52 to- 0.47	-0.7	✓✓

As of December 31, 2017, the equity ratio of 31.1% was significantly improved on the previous year, but was at the same time below the forecast range of between 32.8% and 37.8%. Contrary to expectations, it was not possible to increase consolidated shareholders' equity as of the end of the 2017 financial year. In addition, the other financial position parameters that are authoritative for this indicator did not decrease to the extent expected overall. This is principally attributable to reporting-date effects for current asset and liabilities items that are difficult to plan.

The dynamic gearing ratio amounted to-0.65 as of December 31, 2017 and thus exceeded both the original and the adjusted target from the second quarter in 2017. The negative figure means that cash and cash equivalents exceed non-current and current financial liabilities and that there is no net formal overindebtedness. It thus illustrates the strong ability of the Berentzen Group to service its debts going forward.

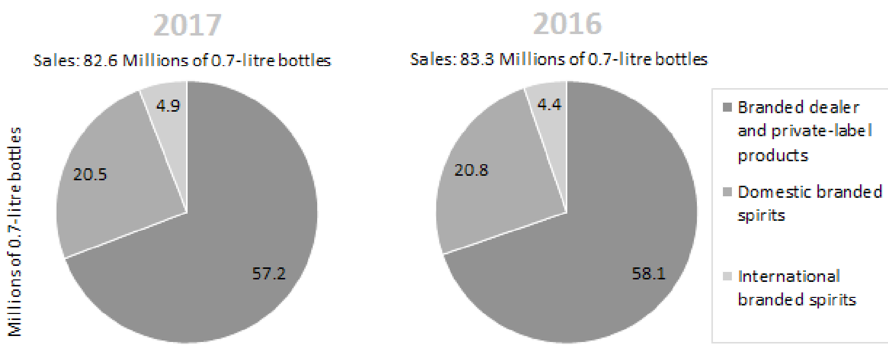
(2.2.3) Business performance – Significant developments and events

Sales volumes

The business performance is driven notably by the development of product sales that forms the focal point of the Company's operating activities, even though diverse sales mix effects mean that there is no strict linear relationship to revenues, gross profit and performance indicators.

Spirits

The following table shows the development of sales volumes in the Spirits business:



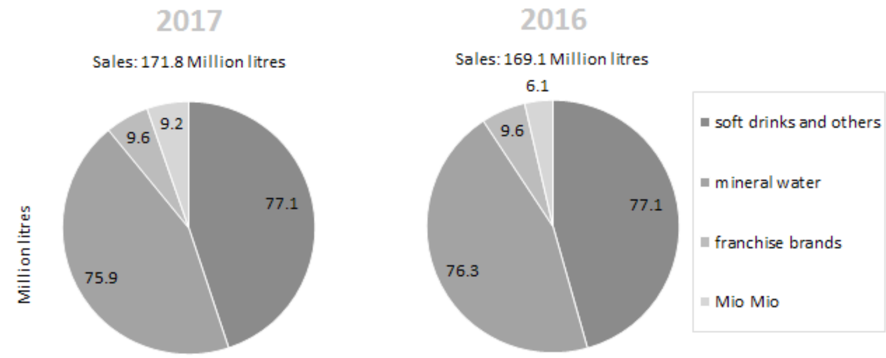
Sales of spirits by the Berentzen Group fell by 0.8% in the 2017 financial year to 82.6 million 0.7-litre bottles (83.3 million 0.7-litre bottles). While the domestic sales volumes of 69.2 million 0.7-litre bottles (70.6 million 0.7-litre bottles) were 2.0% lower than the previous-year figure, sales of spirits in other countries rose by 4.7% to 13.3 million 0.7-litre bottles (12.7 million 0.7-litre bottles). The Berentzen Group recorded sales of 25.4 million 0.7-litre bottles with branded spirits in Germany and abroad in the past year (25.2 million 0.7-litre bottles).

Sales in the domestic business with core brands like *Berentzen* and *Puschkin* were 5.7% higher than in the previous year. The umbrella brand *Puschkin* accounted for a significant portion of these sales, with a 16.5% rise in sales volumes recorded with spirits from this brand in the 2017 financial year. Sales of the products sold under the umbrella brand *Berentzen* edged up 0.7% on the previous-year level. By contrast, there was a fall in sales of other brands, particularly with traditional spirits, against the backdrop of general decline in the market development of some spirits segments. The volume of the domestic branded business slipped by 1.4% overall as of December 31, 2017.

The sales volume of the international branded spirits business climbed by 11.4% overall from the previous reporting period to 4.9 million 0.7-litre bottles (4.4 million 0.7-litre bottles). Buoyed by the core brands *Berentzen* and *Puschkin*, sales volumes rose especially in the Benelux countries. Another sizeable positive development took place in the international duty-free distribution channel, where sales volumes improved by 17.0%. This was assisted by a general economic recovery in eastern Europe. Unit sales growth stood at 28.6% for the Turkish market. Although this development is positive, it is still far short of expectations.

At 57.2 million 0.7-litre bottles, sales performance in the spirits business involving branded dealer and private-label products was down marginally on the high previous-year level (58.1 million 0.7-litre bottles). Sales rose by 2.3% in the international business, whereas sales of branded dealer and private-label products dropped by 2.2% domestically. The share of traditionally lower-priced standard products was reduced in favour of considerably higher-quality concepts for promotional and listed products.

Non-alcoholic Beverages



The sales volume of mineral water products and non-alcoholic beverages in the *Non-alcoholic Beverages* segment increased by 1.6% to 171.8 million litres in the 2017 financial year (169.1 million litres). Despite the marginal growth, this development was not satisfactory overall. The chief contributing factor was the weak level of business in the summer season. However, sales performance of the beverages marketed under the proprietary *Mio Mio* brand continue to be exceptionally good, up by almost 50.0% on the 2016 financial year. The production and logistics structures were optimised as part of an efficiency-enhancing programme in order to ensure the supply of *Mio Mio* products to the southern German states. Additional sales resources were also established in this respect in order to improve the availability of the products in these and other regions. Sales remained stable year on year in the franchise business with branded beverages from the Sinalco corporate group. However, this did mean that sales fell well short of expectations in this area. Year-on-year sales levels also remained steady in the business with lemonades and other non-alcoholic beverages. There was a small downward trend for proprietary brands, whereas the contract bottling business was stable in this project category. By contrast, sales of mineral waters slipped by 0.4% in a year-on-year comparison. There was a marginal decline in sales of proprietary mineral water brands, while the contract bottling business for mineral waters developed well.

Fresh Juice Systems

				Change	
		2017	**2016**		**%**
Fruit juicers	items	2,540	2,774	- 234	- 8.4
Bottling systems	in thous. items	16,015	14,073	+ 1,942	+ 13.8
Fruits	in thous. items	7,838	8,639	- 801	- 9.3

In the *Fresh Juice Systems* segment, sales performance of the main system components was uneven in the 2017 financial year: While sales of bottling systems jumped by 13.8% to 16,015 thousand items (14,073 thousand items), sales of fruit juicers dropped by 8.4%. Sales were increased on the important French market, while a decline in sales was observed both on the Austrian domestic market as well as in Germany and the USA. Likewise there was a drop in sales of fruits (oranges) of 9.3% to 7,838 thousand kg (8,639 thousand kg).

General statement on the sales volume performance

In consideration of the aforementioned business developments in the individual operating segments, especially the rise in sales volumes in the *Non-alcoholic Beverages* segment contributed to an increase in consolidated revenues.

Sourcing

The raw materials and goods purchased by the Berentzen Group relate mainly to the inputs of rectified spirit and distillates, sugar and sugar-containing preliminary products for the production of spirits and non-alcoholic beverages as well as glass bottles, packaging and other materials for product features. In the *Fresh Juice Systems* segment, purchasing costs arise for the individual system components of fruit juicers, fruits (oranges) and bottling equipment.

A major part of the raw materials required for the production of spirits and non-alcoholic beverages are agrarian products, as are the fruits (oranges) traded in the *Fresh Juice Systems* segment. This means that their availability hinges on harvests. Furthermore, certain required raw materials and merchandise for resale are affected by government regulation, which in some cases has a significant influence on their availability and hence their prices. In the case of the Berentzen Group, this relates for example to import duties for the sourcing of oranges from non-EU countries specified in the international General Agreement on Tariffs and Trade (GATT) during set seasons on account of the entry price process applicable under European market regulations. The trends on the raw materials markets once again had a considerable impact on the business performance of the corporate group in the 2017 financial year. The underlying conditions varied considerably, with prices both rising and falling on the market.

One of the reasons for the price fall was the expiry of the quota for sugar and isoglucose as of September 30, 2017. In contrast, there was a sharp rise in prices in relation to the purchasing costs for the system component fruits (oranges) in the *Fresh Juice Systems* segment. In the northern and southern hemispheres alike, harvest quality and quantity was very vulnerable in the 2017 financial year. Poor crop yields and limited fruit quality resulting from bad weather caused a scarcity, increased purchasing prices and higher secondary sorting costs and other quality assurance costs. These and other measures to safeguard sourcing were necessary in order to ensure the availability of top-quality fruit throughout the year.

Change of the financing structure

From October 2012 to October 2017, the corporate group’s previous long-term financing was secured by a Berentzen-Gruppe Aktiengesellschaft bond with an issue volume of EUR 50.0 million. On October 18, 2017, the Berentzen Group repaid this bond at the end of the five-year term. As part of this arrangement, the funds from the syndicated loan agreed with a bank syndicate on December 21, 2016 with an initial financing volume of EUR 25.5 million were utilised for the first time. This change in the financing structure had a significant impact on the cash flows and financial position of the corporate group in the 2017 financial year, which is presented in detail in the following sections (2.2.5) and (2.2.6).

The initial term for the syndicated loan is five years, with an option to extend the term by another year. The Berentzen Group made use of this option, extending the term by one year in February 2018. The date of final maturity is now December 21, 2022.

Change of control

The AURELIUS Group is no longer a shareholder of Berentzen-Gruppe Aktiengesellschaft since September 2016. Because there were no major changes in the composition of the Supervisory Board and the structure of the company-law framework of competencies in internal organisation between the executive bodies of Berentzen-Gruppe Aktiengesellschaft up until the annual general meeting on May 19, 2017, AURELIUS Equity Opportunities SE & Co. KGaA was the direct and ultimate, controlling parent of Berentzen-Gruppe Aktiengesellschaft up until that date. However, this control relationship ended once new appointments were made to the Supervisory Board at the annual general meeting of Berentzen-Gruppe Aktiengesellschaft.

(2.2.4) Financial performance

The following table summarises the development of the financial performance. Individual items in the Consolidated Statement of Comprehensive Income have been adjusted for exceptional effects (non-recurring items) in line with the definition of the normalised consolidated EBIT used to manage the corporate group.

	2017		2016		Change	
	EUR '000	%	EUR '000	%	EUR '000	%
Consolidated revenues	**172,125**	**98.8**	**170,025**	**98.4**	**2,100**	**1.2**
Change in inventories	2,076	1.2	2,701	1.6	-625	-23.1
Total operating performance	**174,201**	**100.0**	**172,726**	**100.0**	**1,475**	**0.9**
Purchased goods and services	93,090	53.4	91,676	53.1	1,414	1.5
Consolidated gross profit	**81,111**	**46.6**	**81,050**	**46.9**	**61**	**0.1**
Other operating income	5,158	3.0	4,402	2.5	756	17.2
Operating expenses	77,048	44.2	74,937	43.4	2,111	2.8
Consolidated operating profit (EBIT)	**9,221**	**5.3**	**10,515**	**6.1**	**-1,294**	**-12.3**
Exceptional effects	-427	-0.2	23	0.0	-450	>-100,0
Financial result and result from participating interests	-3,557	-2.0	-4,069	-2.4	512	-12.6
Consolidated profit before taxes	**5,237**	**3.0**	**6,469**	**3.7**	**-1,232**	**-19.0**
Income tax expenses	2,675	1.5	2,023	1.2	652	32.2
Consolidated profit	**2,562**	**1.5**	**4,446**	**2.6**	**-1,884**	**-42.4**

Consolidated revenues and total operating performance

The consolidated revenues of the Berentzen Group excluding alcohol tax amounted to EUR 172.1 million in the 2017 financial year (EUR 170.0 million), while consolidated revenues including alcohol tax totalled EUR 389.1 million (EUR 389.0 million). Including the changes in inventory of EUR 2.1 million (EUR 2.7 million), the total operating performance came to EUR 174.2 million (EUR 172.7 million).

The following table shows the development of revenues in the individual segments of the corporate group:

	2017	2016
	EUR '000	EUR '000
Revenues excluding spirits tax		
Spirits segment	90,995	91,619
Non-alcoholic Beverages segment	49,418	46,732
Fresh Juice Systems segment	20,707	21,592
Other segments	11,005	10,082
Consolidated revenues excluding alcohol tax [1)]	**172,125**	**170,025**
Spirits tax	216,980	218,925
Consolidated revenues including alcohol tax	**389,105**	**388,950**

[1)] Please refer to the comments on sector risks in section (4.2) of the Risk and Opportunities Report for information on the development of the share of consolidated revenues generated with the corporate group’s most important trading partners.

Purchased goods and services

In line with the higher total operating performance, the cost of purchased goods and services also increased to EUR 93.1 million (EUR 91.7 million). The ratio of purchased goods and services to total operating performance edged up slightly to 53.4% (53.1%). For further information, please refer to the comments on sourcing in section (2.2.3).

Other operating income

The other operating income of EUR 5.2 million in total generated in the 2017 financial year was more than the corresponding previous-year figure (EUR 4.4 million). In addition to reversals of liabilities and provisions of EUR 1.4 million (EUR 1.0 million), this item mostly includes cost refunds and other reimbursements of EUR 1.2 million (EUR 1.2 million) from business partners in connection with licence and sales agreements. There was also a positive effect in the 2017 financial year from the gains on disposals of EUR 0.4 million (EUR 0.0 million) owing to the removal of foreign subsidiaries from the consolidated group.

Operating expenses

Within the context of a slightly higher ratio of operating expenses to total operating performance of 44.2% (43.4%), operating expenses in the corporate group climbed by 2.8% to EUR 77.0 million (EUR 74.9 million) against the backdrop of the developments outlined below.

For example, personnel expenses nudged up to EUR 24.0 million (EUR 23.9 million), but the ratio of personnel expenses to total operating performance remained stable at 13.8% (13.8%). The increase in the absolute figure for personnel expenses is primarily caused by a staff increase in the *Fresh Juice Systems* segment and in the production area of the *Spirits* and *Non-alcoholic Beverages* segments as well as from compensation changes in the various organisational units in line with qualifications, performance and collective wage agreements. While the headcount as of December 31 dropped slightly year on year, there were substantially more full-time employees on average during the 2017 financial year, due among other things to the aforementioned staff hires. The corporate group had 484 employees on December 31, 2017 (487), 205 (208) of whom worked in production activities and 254 (249) in commercial and administrative activities; 25 (30) apprentices were in vocational training. The Berentzen Group had an average of 410 full-time employees in the past financial year (395).

Given the substantial rise in investment volume of EUR 8.2 million in total (EUR 6.4 million), depreciation and amortisation of assets increased overall to EUR 7.2 million in the 2017 financial year (EUR 7.0 million). Of this amount, amortisation charged on intangible assets allocated in connection with the acquisition of T M P Technic-Marketing-Products GmbH and therefore assigned to the *Fresh Juice Systems* segment amounted to EUR 0.9 million (EUR 0.9 million).

Other operating expenses rose to EUR 45.8 million (EUR 44.0 million). Expenses for marketing and trade advertising rose by EUR 0.3 million to EUR 16.2 million (EUR 15.9 million), mainly due to the higher expenses incurred for trade advertising in the *Spirits* and *Non-alcoholic Beverages* segments. A sharp rise in shipping and logistics costs in the *Non-alcoholic Beverages* segment meant that transport and selling expenses increased to EUR 16.3 million (EUR 15.6 million). Maintenance expenses totalling EUR 3.0 million (EUR 2.8 million) were marginally higher than the corresponding previous-year figure. Furthermore, miscellaneous other operating expenses climbed to EUR 10.4 million overall (EUR 9.7 million). The main effects here were reduced expenses for packaging recycling on the one hand and higher other personnel expenses on the other.

Exceptional effects

Exceptional effects in the 2017 financial year

An exceptional effect arose in the 2017 financial year from an ad hoc impairment test relating to the *Non-alcoholic Beverages* segment as of June 30, 2017. Despite a generally positive sales, revenues and segment earnings (contribution margin after marketing budgets) development year on year, there were indications that the segment's total profit contribution to the consolidated operating result is not and will not be as strong as expected. One of the reasons for this involves unexpectedly high overheads in the areas of production and logistics (supply chain). In addition, the present and future sales success of products bottled and delivered in reusable containers necessitates additional investments in empty bottle containers and crates. The resulting cash outflows will burden the segment's cash flow, depreciation and amortisation and thus the total profit contribution.

The impairment test to be performed for these assets as of June 30, 2017 in line with the rules of IAS 36 led to a net expense of EUR 0.4 million; for accounting reasons, this includes both write-downs of EUR 0.6 million and write-ups of EUR 0.2 million relating to the assets previously written down. Based on updated budget figures, another ad hoc impairment test was carried out as of December 31, 2017. This did not result in the need for any further write-downs or write-ups.

Exceptional effects in the 2016 financial year

An exceptional effect arose in the 2016 financial year from the after-effects of earlier events relating to the franchise business in the *Non-alcoholic Beverages* segment. In response to the announcement by the PepsiCo Group regarding the termination of the franchise agreements still in place at that time, an ad hoc impairment test conducted in the 2013 financial year led to impairment charges of EUR 3.2 million on property, plant and equipment in this segment. The impairment test to be repeated for these assets in the 2016 financial year led to insignificant income of less than EUR 0.1 million; for accounting reasons, this total includes both write-ups of EUR 0.3 million and additional write-downs of around EUR 0.3 million relating to the assets previously written down.

Financial result and result from participating interests

The financial result and result from participating interests improved year on year, resulting in a net expense of EUR 3.6 million (EUR 4.1 million). Financial expenses notably include interest expenses of EUR 2.6 million (EUR 3.3 million) for the Berentzen bond 2012/2017 repaid in October 2017. The interest expenses for the debt instruments used by the Berentzen Group with variable interest components – particularly for factoring lines – increased as a result of higher revenues including the alcohol tax and the ensuing higher volume of receivables sold without recourse. The 2017 financial year also saw interest expenses incurred for the first time in connection with the syndicated loan agreement concluded in December 2016. As presented, financial expenses fell sharply, while financial income reached only EUR 0.1 million (EUR 0.1 million) due to continued low market interest rates.

Income tax expenses

The income tax expenses of EUR 2.7 million (EUR 2.0 million) included EUR 2.1 million (EUR 2.4 million) for German trade tax and corporate income tax together with comparable foreign income taxes in the 2017 financial year as well as EUR 0.4 million for trade tax and corporate income tax for previous years. The measurement of deferred taxes in accordance with IAS 12 gave rise to an expense of EUR 0.2 million compared to income of EUR 0.4 million in the previous year. The expense essentially resulted from the reduction in deferred tax assets on tax loss carry-forwards.

Consolidated profit

The adjusted consolidated operating profit or EBIT recorded in the 2017 financial year remained below the previous-year level at EUR 9.2 million (EUR 10.5 million). While consolidated gross profit remained unchanged at EUR 81.1 million (EUR 81.1 million), higher operating expenses prevented any improvement in earnings performance. The total from other items burdening earnings, such as exceptional effects, the financial result and result from participating interests as well as a tax expense of EUR 6.7 million in total (EUR 6.1 million), was also higher than in the previous year. Consequently, consolidated profit was also well short of the previous year-level, at just EUR 2.6 million (EUR 4.4 million).

Income-related financial performance indicators (reconciliation)

The following reconciliation specifically shows income-related financial performance indicators serving as financial performance indicators as described in section (1.2) as part of the presentation of the underlying principles of the corporate group.

	2017					
	Revenues EUR' 000	Inter-segment revenues EUR' 000	Purchased goods and services EUR' 000	Other direct costs EUR' 000	Marketing including advertising EUR' 000	Contribution margin after marketing budgets EUR' 000
Contribution margin after marketing budgets						
Segment						
Spirits	90,995	397	48,923	4,640	10,186	27,643
Non-alcoholic Beverages	49,418	33	21,648	4,146	4,319	19,338
Fresh Juice Systems	20,707	35	12,693	1,294	301	6,454
Other segments	11,005	39	4,404	272	1,400	4,968
Total	**172,125**	**504**	**87,668**	**10,352**	**16,206**	**58,403**

	2016					
	Revenues EUR' 000	Intersegment revenues EUR' 000	Purchased goods and services EUR' 000	Other direct costs EUR' 000	Marketing including advertising EUR' 000	Contribution margin after marketing budgets EUR' 000
Contribution margin after marketing budgets						
Segment						
Spirits	91,619	352	50,269	4,954	9,940	26,808
Non-alcoholic Beverages	46,732	36	19,789	3,851	4,215	18,913
Fresh Juice Systems	21,592	30	12,659	1,184	267	7,512
Other segments	10,082	30	3,864	205	1,550	4,493
Total	**170,025**	**448**	**86,581**	**10,194**	**15,972**	**57,726**

	2017 EUR '000	2016 EUR '000
Consolidated revenues	**172,125**	**170,025**
Consolidated EBIT / consolidated EBITDA		
Consolidated profit	2,562	4,446
Income tax expenses	2,675	2,023
Financial result and income from participating interests	-3,557	-4,069
Exceptional effects	-427	23
Consolidated EBIT	**9,221**	**10,515**
Depreciation and amortisation	7,187	6,997
Consolidated EBITDA	**16,408**	**17,512**

(2.2.5) Cash flows

Financing structure

The main purposes of financial management are to provide adequate liquidity for the Company's commercial operations, to secure the financing of the corporate group partly with growth in mind and to balance temporary, volatile liquidity burdens so as to optimise both costs and income.

Based on consolidated comprehensive income of around EUR 1.7 million (EUR 3.6 million), shareholders' equity fell to EUR 44.6 million (EUR 45.2 million), including the dividend payment of EUR 2.3 million (EUR 1.9 million) passed by resolution of the annual general meeting in May 2017. As a result of lower total assets than in the previous year, the consolidated equity ratio still increased from 23.9% as of the end of the 2016 financial year to 31.1% as of December 31, 2017.

The changes in the corporate group's financing structure described in section (2.2.3) also affected its cash flows and financial position in the manner described below:

Non-current debt capital rose to EUR 20.0 million (EUR 13.6 million). This includes financial liabilities of EUR 7.1 million as of December 31, 2017, whereas there were no non-current financial liabilities included in this item in the previous financial year. Non-current liabilities accounted for 20.2% (9.5%) of consolidated total liabilities. In addition, the corporate group has various sources of financing with short-term loans, which amounted to EUR 78.9 million as of the end of the reporting period (EUR 130.3 million) or 55.0% (68.9%) of consolidated total assets.

The following table shows the overall financing of the Berentzen Group at the end of the 2017 financial year:

		Financing line 12/31/2017			Financing line 12/31/2016		
		Longterm	Shortterm	Total	Longterm	Shortterm	Total
		EURm	EURm	EURm	EURm	EURm	EURm
Syndicated loan agreement	Line, limited	7.5	18.0	25.5	7.5	18.0	25.5
Berentzen bond 2012/2017	Issue volume	0.0	0.0	0.0	0.0	50.0	50.0
Factoring	Line, limited	0.0	50.0	50.0	0.0	50.0	50.0
Central settlement through factoring	Line, unlimited [1]	0.0	9.7	9.7	0.0	9.9	9.9
Working capital loans	Line, limited [2]	0.0	1.4	1.4	0.0	1.6	1.6
Surety bond for alcohol tax liabilities	Line, limited	0.0	0.8	0.8	0.0	0.8	0.8
Total financing		**7.5**	**79.9**	**87.4**	**7.5**	**130.3**	**137.8**

[1] Average financing volume in the financial year.

[2] Working capital loans in foreign currency included therein are translated using the respective closing rate.

The syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 for a current total financing volume of EUR 25.5 million basically comprises three facilities: two facilities for the purpose of corporate financing, including one repayable-at-maturity facility in the amount of EUR 7.5 million and one facility in the amount of EUR 18.0 million that can be utilised as a working capital or guarantee line of credit under what is referred to as the branch facility agreements concluded bilaterally with the bank syndicate members. The parties also agreed on the option of increasing the financing volume through the addition of another repayable-at-maturity facility in the amount of EUR 10.0 million for the financing of acquisitions. The initial term is five years, with an option to extend the term by another year. The Berentzen Group made use of this option, extending the term by one year in February 2018. The date of final maturity is now December 21, 2022. Drawdowns bear interest at variable rates based on the EURIBOR reference rate plus an interest margin that is fixed. The syndicated loan agreement is not secured. Three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the syndicated loan agreement as guarantors as part of a cross-guarantee system taking the form of a guarantor concept based on the minimum fulfilment of certain group inventory levels and flow variables stipulated in the agreement, which Berentzen-Gruppe Aktiengesellschaft as the borrower and the guarantors are obliged to maintain. The borrower is obliged to regularly fulfil two contractually defined covenants, the dynamic gearing ratio and the equity ratio, which are to be measured on the basis of its consolidated financial statements. The syndicated loan agreement, which is essentially based on the international contract standard of the British Loan Market Association (“LMA standard”), also stipulates the customary obligations, conditions, assurances and warranties, particularly including debt limits, limitations on the sale of assets, and a change-of-control clause. If the covenants, other obligations, conditions, assurances and warranties are breached, and if a change of control occurs, the lenders are fundamentally entitled to terminate the syndicated loan agreement prematurely and to declare the borrowed funds, outstanding interest, and costs due and payable immediately.

The Berentzen bond 2012/2017 (ISIN: DE000A1RE1V3) issued by Berentzen-Gruppe Aktiengesellschaft in October 2012 with an issue volume of EUR 50.0 million is listed in the Basic Board segment (until February 28, 2017: Entry Standard segment) on the Open Market of Deutsche Börse AG (over-the-counter market of the Frankfurt Stock Exchange) and was repaid in full and on time on October 18, 2017.

The drawdown of factoring lines represents a further focal point of external financing. The ensuing total volume of financing available to the Berentzen Group on the basis of two existing factoring agreements running until March 31, 2021 amounts to EUR 50.0 million (EUR 50.0 million). Added to this is a formally unlimited factoring line under three further, open-ended central settlement and factoring agreements. In the 2017 financial year, this gave rise to an average gross financing volume of EUR 9.7 million (EUR 9.9 million). The factoring agreements are free of covenants on the whole.

The total volume of financing from credit agreements with providers of working capital to the Berentzen Group outside of the syndicated loan agreement amounts to EUR 1.4 million (EUR 1.6 million). These credit lines are available to two foreign group companies and each have an open-ended term. To draw down on a credit facility of an amount that translates to EUR 1.2 million (EUR 1.4 million), a foreign group company must provide collateral, generally in the form of cash or other securities already received. Furthermore, surety bonds for alcohol tax in the amount of EUR 0.8 million in total (EUR 0.8 million) provided by two of the surety bond insurers are included in the overall financing of the corporate group. Both the working capital credit agreements and one of the surety bond agreements contain change-of-control clauses that allow the financing agreements concerned to be terminated prematurely in the event of a change of control. The latter also includes covenants that give the insurer a special right of termination if they are breached.

Including the factoring agreements with a central settlement agency that have no formal limit on their amount, the gross financing volume from factoring and working capital lines not granted in connection with the syndicated loan agreement totalled EUR 61.1 million as of December 31, 2017 (EUR 61.5 million). These short-term outside and credit-financing lines essentially feature interest agreements based on the EURIBOR and EONIA reference rates, to which a fixed interest margin is added, or otherwise variable rates based on local market levels or fixed rates.

The factoring agreements, the central settlement and factoring contracts, and the agreements regarding working capital lines not granted in connection with the syndicated loan agreement have been concluded with both Berentzen-Gruppe Aktiengesellschaft and other Berentzen Group companies.

The ongoing repayment of financing instruments was carried out as planned in the 2017 financial year. All in all, this means that the Berentzen Group has sufficient credit agreements, mainly with a fixed maturity until 2021 or 2022, both for its volatile short- to medium-term and its long-term financing requirements for purposes of general corporate financing. Consequently, the corporate group's anticipated requirement for external financing and payment sureties can be covered using the various forms of debt described above.

As in the previous years, the financing of additions to the vehicle fleet and a few other items of plant and office equipment was ensured by leases. The total liabilities under operating leases classified in accordance with the criteria set forth in IAS 17 and not to be recognised by the lessee amounted to EUR 2.4 million as of the end of the reporting period (EUR 2.3 million).

The Berentzen Group acts as lessor in lease agreements classified as finance leases with regard to the distribution of juicers in the *Fresh Juices Systems* segment. The present value of the resulting minimum lease payments totalled EUR 0.7 million as of the end of the reporting period (EUR 0.5 million).

Consolidated Cash Flow Statement for the period from January 1 to December 31, 2017

The following Cash Flow Statement shows the development of liquidity in the corporate group, including the reconciliation for the cash flow indicators described in the presentation of the underlying principles of the corporate group in section (1.2). The cash and cash equivalents are calculated as the balance of the cash and cash equivalents shown in the Statement of Financial Position and part of the current financial liabilities.

Cash and cash equivalents include the current accounts maintained with banks that are used to settle two factoring agreements, containing the cash available at all times from the factoring arrangements (“customer settlement accounts”). The receivables from the customer settlement accounts have different characteristics from usual current account receivables from banks, notably with regard to interest. Only the shares of outside capital immediately available under working capital lines are presented as current financial liabilities.

	2017 EUR' 000	2016 EUR' 000	Change EUR' 000
Operating cash flow	10,219	11,159	- 940
Cash flow from operating activities	4,119	12,323	- 8,204
Cash flow from investing activities	- 7,767	- 6,166	- 1,601
Cash flow from financing activities	- 45,002	- 2,213	- 42,789
Change in cash and cash equivalents	**- 48,650**	**3,944**	**- 52,594**
Cash and cash equivalents at the end of the period	**18,434**	**67,084**	**- 48,650**

Operating cash flow and cash flow from operating activities

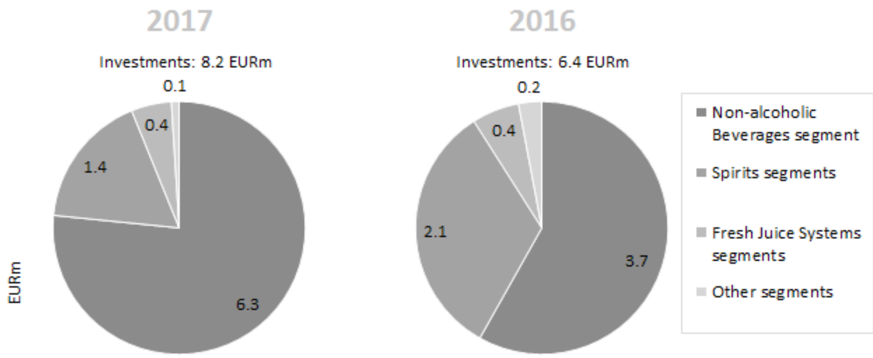
The operating cash flow decreased to EUR 10.2 million in the 2017 financial year (EUR 11.2 million), mainly due to the EUR 1.9 million decline in consolidated profit. This effect was countered by positive effects for operating cash flow – unlike in the previous year – from higher depreciation, amortisation and impairments totalling EUR 7.6 million (EUR 7.0 million) as well as a better payment balance in connection with taxes on income of EUR 0.8 million (EUR 0.6 million). Thanks especially to these factors, operating cash flow has not fallen to the extent that could have been expected from the lower consolidated profit.

The cash flow from operating activities also encompasses cash movements in working capital; there was a net cash inflow of EUR 4.1 million in the 2017 financial year (EUR 12.3 million). The following matters were the main contributory factors in this respect.

The change in trade working capital – i.e. the balance from the cash movement in inventories, receivables including factoring, liabilities from alcohol tax as well as trade payables – resulted in a net cash outflow of EUR 2.4 million (EUR 1.7 million). In addition, a cash outflow stemmed from the increase in other assets of EUR 1.8 million. In the previous year, a cash inflow of EUR 0.7 million was generated here. Furthermore, debt financing from provisions dropped by EUR 0.7 million (EUR 0.2 million), chiefly based on a corresponding change in the recognised amount of pension obligations. In addition, the change in other liabilities resulted in a cash outflow of EUR 1.2 million, after a cash inflow of EUR 2.4 million in the previous year.

Cash flow from investing activities

The investing activities of the corporate group led to a cash outflow of EUR 7.8 million (EUR 6.2 million). The investments in property, plant and equipment and intangible assets rose sharply to EUR 8.2 million in total (EUR 6.4 million).



This development was driven first and foremost by the measures in the *Non-alcoholic Beverages* segment. In order to grow production capacities considerably, EUR 1.3 million was invested in a new warehouse at the Haselünne location (EUR 0.4 million). Completion is planned for the first quarter of 2018. Additionally, the present and future sales success of products bottled and delivered in reusable containers – in particular from the *Mio Mio* brand – necessitates extensive investments in empty bottle containers and crates amounting to EUR 2.8 million (EUR 1.5 million). For the same reason, EUR 1.0 million was also invested in refurbishing a glass recycling facility in the 2017 financial year.

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 45.0 million (EUR 2.2 million), resulting above all else from the repayment of the Berentzen bond 2012/2017 of EUR 50.0 million. The first-time utilisation of the syndicated loan agreement meant that cash inflows of EUR 7.5 million were generated in the 2017 financial year, with cash outflows of EUR 0.2 million relating to same. Based on corresponding resolutions by the annual general meeting, the net cash outflow results from the dividend payment of EUR 2.3 million (EUR 1.9 million) as well as in the prior year from payments of EUR 0.3 million in connection with the share buy-back programme of Berentzen-Gruppe Aktiengesellschaft, which was initiated in July 2015 and ended in May 2016.

Cash and cash equivalents

All in all, cash and cash equivalents totalled EUR 18.4 million as of the end of the reporting period (EUR 67.1 million), of which EUR 15.5 million (EUR 31.9 million) were receivables from the customer settlement accounts held with banks that are used for settlement under two factoring agreements. As of the end of the 2017 financial year, drawdowns of short-term credit lines and financing instruments classified as such amounted to EUR 1.0 million (EUR 0.6 million).

Cash flow indicators (reconciliation)

The following reconciliation specifically shows cash flow indicators serving as financial performance indicators as described in section (1.2) as part of the presentation of the underlying principles of the corporate group.

	2017 EUR' 000	2016 EUR' 000	Change EUR' 000
Consolidated profit	2,562	4,446	- 1,884
Income taxes	767	578	+ 189
Balance of net interest income/expenses and interest payments/ receipts	142	182	- 40
Depreciation and amortisation of assets	7,187	6,842	+ 345
Impairments/ write-ups	427	132	+ 295
Other non-cash effects	- 861	- 1,006	+ 145
Gains (-) / losses (+) on the disposal of non-current assets	- 5	- 15	+ 10
Operating cash flow	**10,219**	**11,159**	**- 940**

(2.2.6) Financial position

	12/31/2017		12/31/2016		Change
	EUR' 000	%	EUR' 000	%	EUR' 000
Assets					
Non-current assets	60,325	42.1	60,306	31.9	+ 19
Current assets	83,120	57.9	128,907	68.1	- 45,787
	143,445	**100.0**	**189,213**	**100.0**	**- 45,768**
Shareholders' equity and liabilities					
Shareholders' equity	44,589	31.1	45,227	23.9	- 638
Non-current liabilities	19,984	13.9	13,639	7.2	+ 6,345
Current liabilities	78,872	55.0	130,347	68.9	- 51,475
	143,445	**100.0**	**189,213**	**100.0**	**- 45,768**

Assets

Total assets fell sharply from EUR 189.2 million on December 31, 2016 to EUR 143.4 million.

Non-current assets

EUR 60.3 million (EUR 60.3 million) of the assets of the corporate group are non-current assets. While absolute figures have remained stable, the share as a percentage of total assets has risen substantially to 42.1% (31.9%). The property, plant and equipment included in this figure increased by EUR 0.9 million overall (prior year: decrease of EUR 0.7 million), chiefly due to higher investment volume of EUR 7.6 million (EUR 6.0 million). By contrast, intangible assets declined by EUR 0.7 million (EUR 0.9 million). This was attributable to amortisation of EUR 0.9 million (EUR 0.9 million) on assets allocated in connection with the acquisition of T M P Technic-Marketing-Products GmbH and therefore assigned to the *Fresh Juice Systems* segment.

The coverage of non-current assets by shareholders’ equity and non-current debt capital rose to 107.0% (97.6%), due in the main to the increase in non-current financial liabilities through the utilisation of the syndicated loan agreement to the tune of EUR 7.5 million.

Current assets

Current assets were down considerably to EUR 83.1 million (EUR 128.9 million). This development is primarily due to a EUR 48.3 million reduction in cash and cash equivalents on account of a new financing structure. For example, the Berentzen bond 2012/2017 of EUR 50.0 million was repaid mainly from equity because of the strong liquidity situation on the one hand, and cash inflows of EUR 7.5 million were generated by the first-time utilisation of the syndicated loan agreement on the other. The continued excellent liquidity situation is reflected in the dynamic gearing ratio of-0.65 (-0.95). As far as the details of the financing structure are concerned, reference is made to the comments in section (2.2.5) Cash flows.

Inventories increased to EUR 37.0 million (EUR 35.6 million). Alongside the purely reporting-date and measurement-related effects, this figure reflects a further increase in the inventories of processed and unprocessed whiskey against the backdrop of sustained demand in the sales market.

Gross receivables of roughly EUR 56.0 million were sold within the scope of factoring agreements as of December 31, 2017 (EUR 51.7 million). The amount of receivables still recognised reduced by EUR 1.2 million as of December 31, 2016, whereas there was an increase in other current assets, which mostly include security retainers from factoring transactions. For example, these increased to EUR 9.6 million against the backdrop of a higher volume of gross receivables sold as of the end of the reporting period (EUR 8.3 million).

Shareholders' equity and liabilities

Shareholders' equity

Shareholders' equity dropped by EUR 0.6 million to EUR 44.6 million (EUR 45.2 million) as a result of the consolidated comprehensive income of EUR 1.7 million (EUR 3.6 million) and the dividend payment of EUR 2.3 million (EUR 1.9 million) passed by resolution of the annual general meeting in May 2017. The equity ratio jumped to 31.1% as of December 31, 2017 (23.8%).

Non-current liabilities

The corporate group has non-current debt capital totalling EUR 20.0 million at the end of the financial year (EUR 13.6 million). This increase is due first and foremost to the rise in non-current financial liabilities by EUR 7.1 million, which stems from the utilisation of the syndicated loan agreement with a volume of EUR 7.5 million in the 2017 financial year. The provisions for pension obligations declined to EUR 10.5 million (EUR 11.2 million).

Current liabilities

Current debt capital decreased to EUR 78.9 million (EUR 130.3 million). Due to the repayment of the Berentzen bond 2012/2017 in October 2017, only EUR 1.7 million of this figure relates to current financial liabilities (EUR 51.1 million). The liabilities from alcohol tax of EUR 43.3 million (EUR 44.4 million) and the trade payables of EUR 9.8 million (EUR 10.9 million) were down slightly on the previous-year level. Other current liabilities including current provisions remained stable at EUR 24.1 million (EUR 24.0 million).

Financial position indicators (reconciliation)

The following table shows the reconciliation of the financial position indicators with the financial performance indicators described in the presentation of the underlying principles of the corporate group in section (1.2).

		12/31/2017	12/31/2016
Equity ratio			
Consolidated shareholders' equity	EUR' 000	44,589	45,227
Tax accruals	EUR' 000	0	159
Adjusted shareholders' equity	**EUR' 000**	**44,589**	**45,068**
Total capital	EUR' 000	143,445	189,213
Tax accruals	EUR' 000	0	159
Adjusted total capital	**EUR' 000**	**143,445**	**189,054**
Equity ratio		**31.1 %**	**23.8 %**
Dynamic gearing ratio			
Non-current financial liabilities	EUR' 000	7,068	0
Current financial liabilities	EUR' 000	1,669	51,069
Cash and cash equivalents	EUR' 000	19,397	67,655
Total Net Debt	**EUR' 000**	**-10,660**	**-16,586**
EBITDA	**EUR' 000**	**16,408**	**17,512**
Dynamic gearing ratio	**ratio**	**-0.65**	**-0.95**

(2.2.7) General statement about the business performance and economic position of the corporate group

The Berentzen Group can look back at a 2017 financial year characterised by a large number of operational challenges. To summarise, the economic position of the corporate group can still be considered good against the backdrop of robust financing and a positive financial performance.

Consolidated revenues rose 1.2% to EUR 172.1 million (EUR 170.0 million), but the key performance indicators did not portray this development in a linear way. In the third quarter of 2017, the Berentzen Group lowered its earnings forecast with regard to the indicators adjusted consolidated operating profit (consolidated EBIT) and adjusted consolidated operating profit before depreciation and amortisation (consolidated EBITDA). With consolidated EBIT of EUR 9.2 million (EUR 10.5 million) and consolidated EBITDA of EUR 16.4 million (EUR 17.5 million), the adjusted expectations for the 2017 financial year were ultimately met.

This business performance is characterised by the uneven development of the individual segments. While the *Spirits* segment developed very positively in terms of year-on-year segment earnings and segment earnings compared to forecast, thanks in particular to successful control of the product mix in the business with branded spirits, this was not true for the *Fresh Juice Systems* segment. The segment earnings of the latter did not match expectations and did not increase year on year. The key factors causing the difficult business performance in the past financial year included the scarcity of fruit (oranges) in the wake of poor crop yields and limited fruit quality resulting from bad weather. The *Non-alcoholic Beverages* segment noted an improvement in year-on-year segment earnings on the back of revenue growth and the exceptionally strong performance of the products traded under the proprietary *Mio Mio* brand. However, it was not possible to meet the original expectations for this figure. The additional expenses incurred in this segment – principally in relation to the supply chain – also led to unplanned burdens on the earnings of the corporate group. In the *Other segments*, which especially comprise the international business with branded spirits, the Berentzen Group was confronted with major challenges in the 2017 financial year, particularly with regard to the business activities in Turkey. Nevertheless it was possible to improve segment earnings somewhat, though not to the extent expected.

The cash flows and financial position of the Berentzen Group remained sturdy. The financing structure changed materially in the course of the financial year: The Berentzen bond 2012/2017 with an issue volume of EUR 50.0 million was repaid at the end of the five-year term in accordance with the bond terms and conditions. At the same time, the syndicated loan agreement concluded with a bank syndicate in December 2016 was utilised for the first time. Under the terms of the syndicated loan agreement, the Berentzen Group is entitled to a total volume of funding of EUR 25.5 million at present, comprising a repayable-at-maturity facility of EUR 7.5 million and a facility of EUR 18.0 million that can be utilised as a working capital or guarantee line of credit. The provision of external funding is supplemented by the internal financing strength of the Berentzen Group, which is shown as operating cash flow and amounted to roughly EUR 10.2 million in 2017 (EUR 11.2 million) and was therefore sufficient to cover the payments in connection with the investing activities of EUR 7.8 million (EUR 6.2 million). The corporate group thus continues to operate on a basis of good and balanced liquidity, equity and external financing. The asset and capital structure likewise changed substantially, mostly based on the aforementioned change in the financing structure. Taking into account a EUR 45.8 million reduction in consolidated total assets to EUR 143.4 million, the equity ratio of the Berentzen Group improved to 31.1% as of December 31, 2017 (23.8%).

(3) Compensation report

The following Compensation Report forms part of the combined Management Report. It explains the compensation paid to the Executive Board in the 2017 financial year and also presents the structure and aggregate amounts granted to the members of the Executive Board for the 2017 financial year. Furthermore, the present Compensation Report contains disclosures regarding the structure and amount of compensation paid to the members of the Supervisory Board in the 2017 financial year.

(3.1) Compensation of the Executive Board

System and principles for setting compensation

The compensation system for the Executive Board and the personal compensation of the individual members of the Executive Board are set and regularly reviewed by the full Supervisory Board after preparation by the Personnel Committee in accordance with the law and an appropriate provision in the rules of procedure for the Supervisory Board of the Company. When setting the compensation and reviewing the appropriateness of its amount, the Supervisory Board takes account of the duties and personal performance of the individual member of the Executive Board, as well as the economic situation, performance and the future prospects of the Company. Furthermore, it considers how usual the compensation is in light of the compensation structure that otherwise applies in the Company. In structuring the compensation system, the Supervisory Board also ensures that it creates an incentive for the sustainable development of the Company.

In the period from January 1, 2017 to December 31, 2017, the Executive Board of Berentzen-Gruppe Aktiengesellschaft was composed of Mr. Frank Schübel (until May 19, 2017), Oliver Schwegmann (from June 1, 2017) and Ralf Brühöfner. The Supervisory Board has concluded employment contracts containing individual agreements on the respective compensation with all members of the Executive Board.

Components of the compensation system for the Executive Board

The compensation system for the Executive Board of Berentzen-Gruppe Aktiengesellschaft calls for the compensation to consist of a non-performance-based and a performance-based component.

The non-performance-based portion of the Executive Board compensation consists of fixed basic annual compensation disbursed as a basic monthly salary together with various fringe benefits that the members of the Executive Board pay tax on individually, where appropriate. This specifically includes allowances for insurance policies and non-cash benefits arising from the provision of company cars. Furthermore, the members of the Executive Board are included in a directors and officers liability insurance policy (D&O policy), under which a deductible amounting to ten percent of the loss or 1½ times the fixed annual compensation has been agreed.

The variable compensation consists of the performance-based component of Executive Board compensation, which is mainly linked to the company’s profitability.

The amount of variable compensation is mainly determined on the basis of a specified percentage of the consolidated EBIT stated in the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, although a cap has been set on the consolidated EBIT to be considered. The applicable percentage of consolidated EBIT and the cap are agreed with each Executive Board member individually.

In order to ensure that the Executive Board compensation is oriented towards sustainable company development, moreover, more than half of the amount of the variable Executive Board compensation determined in this way is not disbursed until two years later, depending on the amount and development of the consolidated EBIT generated in the two subsequent financial years.

The Executive Board employment contracts also allow the Supervisory Board to additionally approve payment of an appropriate bonus (special bonus) to an Executive Board member in recognition of outstanding performance and project successes, especially when they make a contribution to the sustained success of the Company.

Furthermore, in the event of conversion or restructuring measures at Berentzen-Gruppe Aktiengesellschaft, the members of the Executive Board have a special right to terminate their employment relationships under conditions defined in greater detail in the respective employment contracts. In addition, Executive Board members have been granted the special option of terminating their employment relationships in the event of a change of control at Berentzen-Gruppe Aktiengesellschaft, under conditions defined in greater detail in the respective employment contracts. If the employment relationship ends as a result of such special termination, the members of the Executive Board are each entitled to receive severance pay; for one member of the Executive Board, however, this special termination is subject to the further condition that he must have been a member of the Company's Executive Board for at least 12 months at the time of the event giving rise to the special termination. In principle, the amount of the severance award is the amount of compensation that would have been paid for the remainder of the contract term. However, only the monetary value of the variable compensation components and fringe benefits at the date when the special termination right was exercised will be payable. Furthermore, the claim to severance pay is always limited to twice the annual fixed and variable compensation and fringe benefits at most. The currently valid Executive Board employment contracts do not contain any further commitments regarding the payment of severance pay in the event of early termination of the employment relationship.

Total compensation of the Executive Board in the 2017 financial year

The following table summarizes the total compensation granted to the members of the Executive Board within the meaning of Section 314 para. 1 No. 6 letter a sentences 1-4 HGB and Section 285 No. 9 letter a) sentences 1-4 HGB, as well as committed compensation:

Type of compensation	2017 EUR '000	2016 EUR '000
Non-performance-based components	705	701
Performance-based components	462	930
Total compensation	**1,167**	**1,631**
Committed performance-based components with a long-term incentive effect	**107**	**179**

Total compensation of EUR 1.2 million (EUR 1.6 million) was granted to the members of the Executive Board in the 2017 financial year, allocated in differing amounts to the members of the Executive Board. The non-performance-based, fixed compensation accounted for EUR 0.7 million (EUR 0.7 million) of total Executive Board compensation, while the performance-based, variable portion accounted for EUR 0.5 million (EUR 0.9 million) of the total. In the case of one departed Executive Board member, however, the assessment base for the performance-based, variable compensation component was slightly modified and a separate portion with a multi-year assessment base was not established; also in the case of one Executive Board member appointed during the financial year, no such separate portion was established for financial year 2017 and a fixed minimum amount was agreed for the variable portion. The total amount of the commitments made additionally to the members of the Executive Board from the variable compensation components with a multi-year assessment base as described above amounts to EUR 0.1 million (EUR 0.2 million).

Total compensation specifically also includes fringe benefits in the form of benefits in kind essentially arising from the value of allowances for insurance policies to be recognised under tax rules and the use of a company car. The total compensation granted as disclosed includes – to the extent that corresponding work was performed – salaries, profit shares, subscription rights and other share-based compensation, reimbursements of expenses, insurance premiums, commissions and fringe benefits in accordance with the relevant legal provisions. Where applicable, the total compensation also includes compensation that is not disbursed, but rather converted into other types of claims or used to increase other claims.

At the present time, Berentzen-Gruppe Aktiengesellschaft refrains from disclosing the compensation of the Executive Board on an individualised basis, meaning separately for each member of the Executive Board, as the Annual General Meeting of the Company voted against such individualised disclosure on May 12, 2016 – as was already the case in prior years – by adopting a resolution to the effect that, in accordance with Section 314 para. 3 sentence 1 HGB in conjunction with Section 286 para. 5 sentence 1 HGB, the information required by Section 314 para. 1 No. 6 letter a) sentences 5-8 HGB and Section 285 No. 9 letter a) sentences 5-8 HGB and will not be disclosed.

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Executive Board subscription rights or any other share-based compensation in the 2017 financial year, nor do they hold any such compensation instruments. Furthermore, the members of the Executive Board were not granted any compensation in the 2017 financial year for positions held with subsidiaries. Furthermore, the total compensation of the Executive Board in the 2017 financial year does not include any benefits payable to former members of the Executive Board in connection with the cessation of their activity. In the case of one departed Executive Board member, however, a separate, multi-year assessment base was not established for the pro-rated variable compensation due to him; instead, the total amount of variable compensation will be paid when the 2017 financial statements are adopted. Furthermore, it was agreed in connection with the departure of the corresponding Executive Board member that he would resign from his Executive Board seat a few days before the end of the month when his employment contract – and therefore his claim to the benefits agreed in the employment contract – ended.

Other disclosures

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Executive Board any loans or advances during the 2017 financial year and no contingent liabilities were assumed in their favour.

No compensation was paid to former members of the Executive Board or their surviving dependents in the 2017 financial year. Pension payments totalling financial year. Pension payments totalling EUR 0.1 million (EUR 0.1 million) were made to former directors of Group companies for which Berentzen-Gruppe Aktiengesellschaft is the legal successor. The present value of the pension obligations for this group of people at December 31, 2017 amounts to EUR 0.9 million (EUR 1.0 million) when determined in accordance with IAS 19 or EUR 0.7 million (EUR 0.8 million) when determined in accordance with Section 253 HGB.

(3.2) Compensation of the Supervisory Board

System and principles for setting compensation

The compensation paid to the members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft is determined by the General Meeting as documented in the Articles of Association of Berentzen-Gruppe Aktiengesellschaft. In this respect, the General Meeting resolved on May 19, 2017 to change the rules for the compensation of the Supervisory Board, subject to the condition that this change is applicable already from the beginning of the 2017 financial year. According to Article 14 of the currently valid Articles of Association, the members of the Supervisory Board each receive fixed compensation totalling EUR 17,000.00 for each full financial year (in previous Articles of Association: 8,522.00), in addition to the reimbursement of their expenses. The Chairman of the Supervisory Board receives twice and the Vice Chairman one and a half times the amount of this fixed compensation. Members of one of the committees set up by the Supervisory Board each additionally receive one quarter compensation and the Chairmen of the committees each receive half of the fixed annual compensation for these activities for each full financial year. No performance-based compensation component is granted.

Total compensation of the Supervisory Board in financial year 2017

The total compensation of the members of the Supervisory Board for the 2017 financial year within the meaning of Section 314 para. 1 No. 6 letter a) sentences 1- 4 HGB and Section 285 No. 9 letter a) sentences 1-4 HGB amounted to EUR 0.2 million (EUR 0.1 million); their expenses were reimbursed in a total amount of EUR 6 thousand (EUR 4 thousand). Moreover, the members of the Supervisory Board were included in a Directors & Officers liability insurance policy (D&O policy), although no deductible was agreed in this regard.

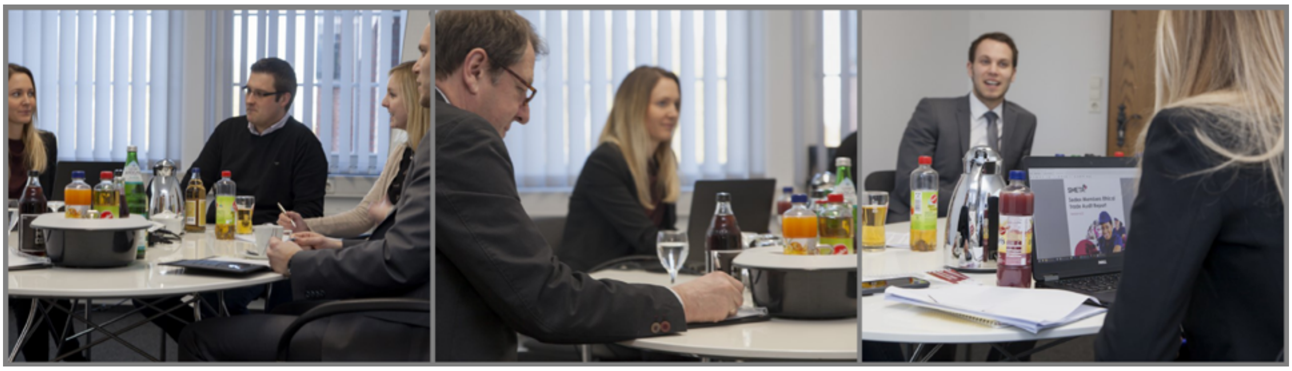
Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Supervisory Board subscription rights or other share-based compensation in the 2017 financial year, neither do they hold any such compensation instruments. Furthermore, the members of the Supervisory Board were not granted any compensation in the 2017 financial year for positions held with subsidiaries. Finally, the total compensation of the Supervisory Board in the 2017 financial year does not include any benefits payable to former members of the Supervisory Board in connection with the cessation of their activity.

With the exception of the work performed by the employee representatives under the terms of their employment contracts, moreover, no compensation or benefits were paid or granted to the members of the Supervisory Board for work performed personally, such as consulting and brokerage services. However, one Supervisory Board member received benefits under his employment contract concluded for his Executive Board activity for a period of less than two weeks after he departed from the Company’s Executive Board while he was a member of the Supervisory Board because this employment contract was only terminated with effect a few days after resigning from his Executive Board seat.

Other disclosures

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Supervisory Board any loans or advances during the 2017 financial year and no contingent liabilities were assumed in their favour.

No compensation was paid to former members of the Supervisory Board or their surviving dependents in the 2017 financial year.



(4) Report on risks and opportunities

On the one hand, the Group's business activities open up numerous opportunities, while on the other hand, the corporate group is exposed to numerous risks. Risks are understood to be internal or external events based on uncertainty regarding future developments that prevent the Company from achieving defined goals or successfully realising strategies. Conversely, opportunities are understood as possible future successes that exceed the defined goals and thus can positively impact business performance. Risks and opportunities do not represent polar opposite concepts that are independent of one another, but are instead directly linked with one another: Whereas the perception of opportunities as a rule is linked with risks, risks can also arise in the absence of opportunities.

(4.1) Risk management system

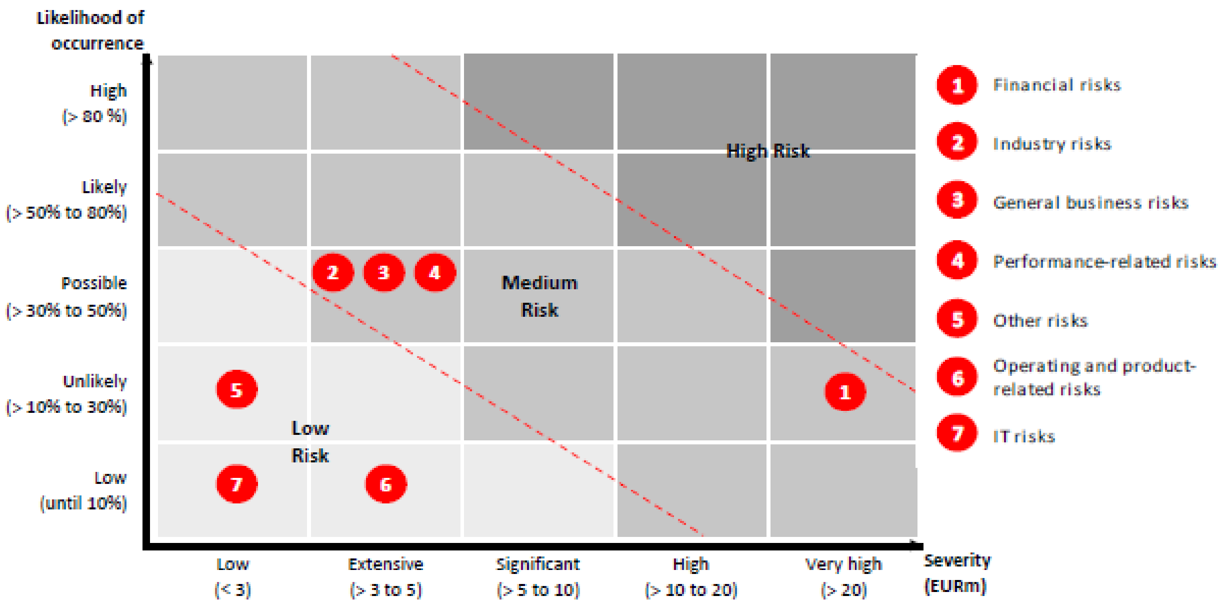
The Berentzen Group's risk management is geared towards promptly identifying risks, assessing them and countering them by means of appropriate security measures. The possible scope of risk is identified, probabilities of occurrence are determined and measures are planned and implemented in order to ensure the achievement of corporate objectives. Thanks to group-wide reporting, the Executive Board can identify and control risks to the Company as a going concern as well as risks that can materially impact the financial position, cash flows and financial performance.

The risk management system meets the requirements set forth under Section 91(2) of the German Stock Corporation Act (AktG) as well as Article 4.1.4 of the German Corporate Governance Code.

The direct risk responsibility and monitoring is assigned to employees working in operations who report quarterly to the Risk Management Officer as well as immediately when new risks are identified. The Risk Management Officer informs the Executive Board of the main changes and developments in the risk portfolio. Based on the Group's overall risk exposure, value at risk, which is determined with the help of Monte Carlo simulations, is also used, among other things. The system is thoroughly updated by means of an annual review that encompasses all risks, assessments and measures in a handbook and provides an outlook for the next three years.

In order to identify possible risks to the Group as a going concern, risks are assessed within the context of the risk management system based on severity and estimated likelihood of occurrence. Classification into the risk categories "high", "medium" or "low" is based on the combination of risk exposure and probability of occurrence, which is reflected in the weighted expected value (based on risk containment measures) thereby derived, whereby the expected value is defined as the value at which consolidated net profit and therefore consolidated equity could be negatively impacted.

This results in the following assessment matrix at the reporting date:



(4.2) Risks

The primary risks consolidated into categories that can have significant detrimental effects on the Company's business activities as well as on the Group's financial performance, cash flows and financial position are described below. The order of risk categories reflects the current assessment of risk exposure for the Berentzen Group. As a general rule, the described risks relate – unless otherwise indicated – to all of the Group's segments.

Financial risks

Qualitative disclosures regarding risks related to financial instruments

The primary financial instruments used by the Berentzen Group include the syndicated loan agreement as well as overdraft facilities, factoring agreements and trade payables. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets at its disposal, for example trade receivables and loans granted as well as cash and cash equivalents that can be directly attributed to the business activities.

The Central Financial Management Department manages the Berentzen Group's financial risk. It monitors liquidity risk, credit risk and market risk.

The strategies and methods employed to manage the individual financial risks are presented below.

Liquidity risk

Liquidity risk is the risk that a company is not in a position to procure the funds needed to settle obligations entered into in connection with financial instruments. The Executive Board, the Management and Central Financial Management Department manage the Group’s liquidity risk. Liquidity risk is managed primarily by procuring funds as part of the overall funding of the Berentzen Group, which is presented in the Economic report in Section (2.2.5) Cash flow/Financing structure.

In this context it follows that, among other things, the syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 contains an obligation to comply with the covenants of “dynamic debt ratio” and “equity ratio”, specified in the agreement, calculated on the basis of the consolidated financial statements. Furthermore, the agreement contains the customary obligations, conditions, assurances and warranties that include, in particular, limits on leverage, limits relating to the sale of assets and a change-of-control clause. In the event of failure to comply with the covenants, other obligations, assurances and warranties or the occurrence of a change of control, the lenders under the syndicated loan agreement will be entitled to prematurely terminate the syndicated loan agreement and demand immediate repayment of the funds utilised and any outstanding interest and costs. The covenants must be met at the end of every month. On account of Berentzen Group’s good cash flows, first utilisation of the funds occurred in October 2017 in the context of the planned repayment of the corporate bonds issued by Berentzen-Gruppe Aktiengesellschaft in 2012 with an issue volume of EUR 50.0 million.

Furthermore – although characterised by a relative minor risk level – the financing contracts granted to some foreign subsidiaries of Berentzen Group in the form of working capital loans, as well as a surety for alcohol tax provided by a guarantee and bonding insurance company, likewise contain change-of-control clauses. A covenant has been agreed for this surety in which the Berentzen Group undertakes to comply with a defined economic equity ratio. A violation of change-of-control clauses or covenants gives rise to special call rights on the part of the lender.

Compliance with the covenants and the miscellaneous other arrangements contained in the financing agreements is continuously monitored by the Executive Board and the Central Financial Management Department. The expected financing requirements and the foreseeable development of the covenants are mapped in the planning and budgeting process so that countermeasures can be initiated and the provision of outside capital can be ensured if necessary.

Furthermore, with respect to the financing of the corporate group, measures are continuously reviewed and/or implemented that have the goal of both providing an adequate credit line volume as well as maturity matching. This is supplemented to the extent possible by approaches to reducing traditional use of debt capital (e.g. through alternative financing forms such as leasing or by freeing up capital internally in the working capital).

Credit risk/Risk of default

Credit risk or risk of default is defined as the risk of a financial loss that arises if a contracting party fails to meet its payment obligations.

The management of credit risk or risk of default in the Berentzen Group is substantially geared towards entering into transactions with creditworthy third parties.

Around 76% (75%) of consolidated revenues are realised over foreign branch offices that in addition to del credere agreements also assume the credit risk. In addition, the risk of default is covered under trade credit insurance. As a general rule, balances in excess of EUR 5 thousand are covered under credit insurance. Trade credit insurance reimburses all defaults on receivables on the part of insured customers up to the agreed deductible of 20% for customers residing in Germany and 10% for customers residing abroad. Alongside export credit insurance, security payments or advance payments are frequently agreed with the Group company domiciled outside of Europe.

A significant portion of trade receivables is sold under factoring agreements. Since the respective factor also assumes the del credere liability without recourse, these receivables are not reported in the consolidated statement of financial position in accordance with the relevant accounting standards. An exception to this is a relatively insignificant continuing involvement compared to the volume of factored receivables that represents the late payment risk remaining with the group. Measured on the customer structure, the amounts receivable from individual counterparties are accordingly not so large that they would signify a material concentration of risk.

Loans and/or credits are not granted in foreign currencies and bill of exchange operations are not carried out. As a general rule, no deliveries are made to customers not associated with foreign branch offices without first conducting a credit assessment with the help of rating agencies. The receivables portfolio is monitored on an ongoing basis; consequently, the risk of default to which the Group is exposed is manageable and not significant. Furthermore, credit periods for payments are regularly observed.

In addition, the risk of default includes the country risk and/or the transfer risk. On the one hand, this includes the risk of economic or even political instability in connection with investments or the cross-border financing of Group companies in countries deemed to be risky, and on the other hand also the risk associated with selling directly to customers in these countries. Country risk with respect to equity measures or other forms of cross-border financing for Group companies is managed in connection with the decision to develop or expand a foreign market using a Group company by means of an overall assessment of the general economic and political environment, including the country rating. Companies are not established in countries deemed to be unstable. Subsequent financing measures oriented strictly towards actual capital requirements with respect to previously established foreign Group companies are also accordingly assessed based on continuous observation and updated findings and are furthermore managed and accompanied centrally. For example, both intragroup financing made to a subsidiary based in Turkey as well as its current assets are subject to more intense monitoring on account of the political events of the past years due to the associated implications of a higher risk of default. Security payments or advance payments are agreed in order to minimise the risk associated with selling directly to customers in countries deemed risky if there is no trade credit insurance coverage or it is not possible to sell the receivables under factoring agreements. In addition, the responsible Executive Board member receives separate reports on any overdue foreign receivables.

Market risk

Market risk is defined as the risk that the fair value of future cash flows from a financial instrument changes due to market price fluctuations. Market risk includes currency risk, interest rate risk and other price risks. Market risk is also managed by the Group's Executive Board, the Management and the Central Financial Management Department.

Currency risk arises from the translation of foreign currencies into the Group's functional currency (euros) as a consequence of changes in the exchange rate and generally results as defined by the Berentzen Group from financial items in the statement of financial position as well as any executory contracts or transactions planned in foreign currencies. The foreign currencies relevant for the corporate group include in particular the U.S. dollar and the Turkish lira. In addition to the exchange rate trend, the resulting risk potential also depends on changes in the volume of transactions effected or to be entered into in foreign currencies. So far, the business activities with respect to procurement and sales have been largely concentrated in the euro zone or are settled in euros. No transactions are entered into with suppliers or customers in hyperinflationary economies. Furthermore, some currency risk is balanced out in that both procurement as well as sales are carried out in the same foreign currency; as a result, incoming payments offset outgoing payments in the same foreign currency – albeit as a rule not in the same amount or in matching maturities. Without taking consolidation effects into account, liabilities and receivables denominated in foreign currencies amounted respectively to approximately EUR 2.3 million (previous year: EUR 2.6 million) and EUR 3.0 million (previous year: EUR 5.0 million) as of December 31, 2017. Rate-hedging measures are carried out regularly for the most important foreign currency, the U.S. dollar, insofar as an assessment of the foreign currency environment makes this appear to be useful. In order to hedge foreign currency risk arising from future purchases of merchandise, there were no forward exchange deals as of December 31, 2017 (December 31, 2016: a total volume of USD 0.8 million). Given the prerequisite of an unchanged scope of consolidation, currency risk is still to be regarded insofar as relatively low overall. However, this assessment can change with an increasing volume of corresponding transactions as well as due to the effects of financial policy and corporate policy decisions or future trends on the foreign exchange market.

From a Group perspective, the recoverability of assets and/or the nominal value of the Berentzen Group's liabilities outside of Germany are also subject to exchange rate fluctuations. Foreign currency effects on items that must be translated are recognised directly in consolidated equity when translating the net carrying amount of assets from the financial statements of foreign Group companies; however, risks arising from foreign currencies recognized in profit or loss – even though they are not cash items from a Group perspective – can insofar also result from intra-Group transactions effected in foreign currencies, such as in particular the financing of foreign companies using the Group's own funds. The Berentzen Group's risk management presumes that, as a rule, investments in foreign Group companies and intra-Group financing are carried out for indefinite periods of time. Nevertheless, in the event of subsequent divestments, currency risk from consolidation differences due to currency translation previously recognised directly in equity can be recognised in profit or loss. Thus four foreign subsidiaries were deconsolidated in financial year 2017. Within the framework of the reclassifications of exchange rate effects that had previously been recognised in Other Comprehensive Income (OCI) that consequently had to be carried out, a net positive result of EUR 0.4 million was recognised. As of December 31, 2017, negative currency effects remain in the Berentzen Group’s retained earnings from the translation of Group-internal financing to a Group company in Turkey in the amount of EUR 2.4 million (previous year: EUR 1.9 million).

The actual average credit period across the entire corporate group is currently around 34 (34) days. This does not result in elevated liquidity or interest rate risk, because sufficient factoring lines or – in particular outside of Germany – financing instruments with a comparable effect are available for the financing of receivables. The need for classic short-term credit lines is thereby significantly reduced.

Any utilisation of the syndicated loan agreement and funds provided in connection with two factoring agreements are subject to variable interest rates on the basis of the EURIBOR reference rate, which means interest rate risks do in principle exist. The effects of any changes in the interest rate can be partially compensated for by the deployment of interest rate hedging instruments. For this reason, the development of interest rates is monitored on an ongoing basis and the possible use of interest rate hedging instruments is regularly reviewed.

Furthermore, the procurement of raw materials and materials as well as the purchase costs of merchandise and system components are subject to market and/or price risk. The cost prices of the raw materials and packaging materials and/or merchandise and system components used by the Berentzen Group are influenced in all segments in particular by their availability on the market; accordingly, purchases carried out in foreign currencies are influenced by the exchange rate trend of the respective currency against the euro. A large part of the raw materials needed for the production of spirits and non-alcoholic beverages as well as the fruits (oranges) traded in the Fresh Juice Systems segment are agrarian products, the availability of which depends on the respective crop yields. Furthermore, certain required raw materials and merchandise are affected by regulatory measures, which in some cases may have a considerable influence on their availability and therefore their prices.

In the *Spirits* segment and *Other segments*, annual supply contracts stipulating fixed quantities and fixed prices are in effect for glass bottles. Fixed-quantity contracts covering the period from harvest to harvest (September/October) are generally formed for wheat distillate and sugar. Neutral alcohol prices are adjusted every quarter with reference to publicly available and independent price reports (F.O.Licht, ICIS). Commodity price indices (LME, EUWID) are applied as a reference for the semi-annual adjustment of the prices of aluminium closures and cardboard packaging. The same applies for the Non-alcoholic Beverages segment to the extent that the above-mentioned raw materials and materials are also used in this segment. In the *Fresh Juice Systems* segment, purchases of the individual system components are predominantly managed on the basis of single contracts; in particular, the procurement of fruits (oranges) is dependent on harvest seasons in the global cultivation areas.

Quantitative disclosures regarding risks related to financial instruments

The specific qualitative disclosures regarding the individual risks related to financial instruments are provided as part of the quantitative disclosures discussed in note (4.5) to the consolidated financial statements.

Risk assessment

With respect to financial risks monitored as part of the risk management system as a whole, the estimate with respect to the likelihood of occurrence remained unchanged compared to the previous year, as did the assessment of the severity of the risk. When weighted, these risks remained overall in the "medium risk" category as was the case in the risk reporting for the 2016 financial year.

Industry risks

As with other daily consumable products, spirits, non-alcoholic beverages and fresh drinks such as freshly pressed fruit juices are considered to be Fast Moving Consumer Goods (FMCG). The relative ease with which such products can be substituted also requires for the preservation and expansion of the business volume, among other things, that new brands and products are continuously developed in significant volumes and introduced to the market. Market surveys and past experience document that the risk of not being able to successfully introduce new brands and products to the market in the FMCG segment – or that the success cannot be sustained – is significant. In particular in the Spirits and Non-Alcoholic Beverages segments, such innovations represent an important building block for sustainable growth geared towards adding value for the Berentzen Group. Therefore, in light of the presented background, they bear the risk that the contributions to earnings planned insofar cannot be realised at all or in the budgeted volumes. Appropriate countermeasures such as careful planning, product development and market tests conducted in advance of the introduction as well as subsequent marketing and sales promotions are also incapable of preventing this. As a general rule, this applies accordingly in the Fresh Juice Systems segment, even though the focus of the risk from the perspective of the Berentzen Group insofar does not lie so much on the beverage ultimately purchased by the consumers, but rather on the system components fruit juicers, and thus consequently on the success of an innovation-driven machine technology in whose development the long-term and currently only supplier also plays an important role that is carried out as part of a close cooperation. Insufficient innovative capacity and thus technical innovations that fail to materialise, are late, or not successful on the market therefore also include the risk despite corresponding risk containment measures – in particular general engineering as well as ongoing engineering geared towards the development of new applications – contributions to earnings factored into the managerial planning cannot be realised at all or in part.

In addition, the general economic trend can have a direct influence on consumer behaviour. In addition to a decrease in consumer spending and/or consumer restraint in Germany, a considerable deterioration in conditions can lead to an increase in the market shares of discounters if the consumers switch to low-priced products such as dealer brands. Similar market trends are already becoming evident or are already established in numerous foreign markets, in particular in Europe and in bordering regions. This could increase pressure on the margins, which in particular would have a negative impact on the earnings situation in the Spirits segment and Other segments.

As a result of the continuing increasing concentration in the German food retailing sector, the top key accounts – and therefore the dependency of individual suppliers on these major customers – are becoming more and more important. Comparable trends can also be observed abroad with corresponding effects on the subsidiaries. In some cases, substantial dependencies develop in the business relationships with individual major customers. All of the Group's segments are affected by this – each individually to a different extent – with the exception of the Other segments. In total, the Berentzen Group realised around 40% (42%) of its consolidated revenues in the 2017 financial year with its three largest customers, each of whom belong to the food retailing sector. In this context, there are various aspects that can have a negative impact on the success of the Berentzen Group's business. For example, the supplier agreements – as is typical in the industry – have a relatively short term and normally do not include any purchase commitments. Furthermore, there is the risk that important customers abruptly end their business relationships with the Berentzen Group or do not extend them and that the corporate group will not be able to quickly adjust its cost and production structure fully or sufficiently and/or cannot find another customer, leading insofar to excess capacities. The pressure on the individual supplier and price terms as well as conditions rises together with a customer's increasing importance; as a result, the Berentzen Group’s net selling prices can decrease. It is accordingly possible that the Company may not at all be able to pass on price increases with respect to raw materials or rising personnel expenses and overheads, or that they can only be passed on in part or with a delay. If these risks are realised, this could prove to be a drag in particular on earnings and on the whole have a significant negative impact on the financial position, cash flows and financial performance of the Berentzen Group. The Berentzen Group is countering this risk by strengthening key account management together with further systematic efforts to increase sales and distribution. Advertising activities to promote the brand are intended to improve the corporate group's position vis-à-vis its business partners. All measures are accompanied by efforts to further expand the distribution channels in order to achieve a balanced customer portfolio as well as to continuously and diligently foster relationships with the customers' most important decision-makers and contact persons.

When weighted, these industry risks observed within the context of the risk management system remained overall in the "medium risk" category both with respect to their likelihood of occurrence as well as to their severity as was the case in the risk reporting for the 2016 financial year.

General business risks

As a globally-oriented and operating organisation, the Berentzen Group depends on the economic, political and social development of countries and regions in which it is already active on the market or plans to be. This relates both to the purchasing as well as the selling side of the business. The operating environment in the individual markets is subject to continuous – and in some cases very short-term – changes. The corporate group is exposed to a series of factors on which it only has a limited influence or none at all. These include, among other things, political, social, economic, or legal instabilities, including insufficiently developed or differentiated legal and administrative systems, restrictions on the movement of goods and capital, regulatory changes or limitations, encroachments, or the loss of property, volatility in the financial markets and changes with respect to exchange rates and the resulting market effects as well as general changes in the supply of goods and services, the demand for such goods and services, or consumer trends and/or behaviour. Such risks can have a temporary or permanent negative impact on business activities and therefore on the achievement of the objectives pursued by the Berentzen Group; this applies in particular for earnings-based objectives. Such general business risk is subject to permanent control in the accompaniment, monitoring and management of the operating business.

Similar to the previous year, the political crises and conflicts in the Middle East and the associated refugee movements, as well as the ongoing tense domestic political situation in Turkey, merit special mention in this context in the 2017 financial year. In addition, there were political events such as the UK's decision to leave the EU as of March 2019 ("Brexit") as well as the protectionism emanating from the US administration, for instance by the adoption of tax reforms in December 2017, and possible global effects. At the beginning of the 2018 financial year, the US administration announced tariffs on steel and aluminium imports. Potential European countermeasures in the form of tariffs on American whiskey could have a negative impact on the business with whiskey in the Spirits segment.

General business risk separately observed as part of risk management relate above all to the Spirits segment and Other segments. Restrictions on the marketing of alcoholic beverages, for instance through sales restrictions, increases in alcohol tax or comparable foreign excise taxes, anti-alcohol campaigns or advertising bans, and import restrictions on key raw materials, represent potential risks for the Berentzen Group. Legislative measures such as special taxes and measures regulating advertising have had a significant influence on the beverage industry in the past.

The discussion regarding restrictions on the freedom of advertising for alcoholic beverages persists. While further legal restrictions are not currently on the horizon at the national level, such restrictions have been implemented in the recent past in individual international markets of relevance for the Berentzen Group, for example in Turkey. The latter point also applies to an increase in excise taxes on alcoholic beverages; specifically for the market in Turkey there were further considerable tax increases in 2017 that have also been announced for the following years.

When weighted, these general business risks were unchanged in comparison to the risk reporting for the 2016 financial year, remaining in the "medium risk" category, both with regard to their probability of occurrence as well as their severity.

Performance-related risks in connection with the business model

Performance-related risk represents those risks that can arise within the value added chain, i.e. as part of production and sales, to the extent that they are not assigned in particular to operating and product-related risk or industry risk. Furthermore, negative developments in the value chain may impact the economic profitability and the cash flow of Berentzen Group's assets. As a consequence, the Group monitors, specifically on the basis of the provisions contained in the International Financial Reporting Standards (IFRS), whether there is any indication that the assets are impaired. In this context, potential future impairments may have a negative impact on the Berentzen Group's financial position, cash flows and financial performance.

In the Non-Alcoholic Beverages segment business environment, a significant portion of the business volume can be attributed to the Company's business with products of franchise brands as well as the bottling of franchise or other third-party brands and private-label products in connection with service agreements. As a general rule, the franchise business with the soft drinks brand Sinalco is based on a corresponding contractual agreement with a term lasting many years. In addition to competition-related provisions and an associated change-of-control clause, the franchise agreement also specifies performance-related indicators and provides for further agreements that entitle the franchiser to early terminate the franchise agreement in the event of non-compliance or non-performance and/or to set economically disadvantageous limitations on the rights of the franchisee. Franchise or other third-party brands and private-label products are bottled on the basis of multiple service agreements with medium contractual periods. Individually, these include various arrangements, such as competition-related qualified change-of-control clauses that entitle the respective client to early termination of the agreement in the event of non-compliance or non-performance.

In addition, as with all contractual relationships, there is the risk – both with respect to the franchise agreements as well as the service agreements – that when the contractual term expires they will not be continued or can only be continued under terms and conditions that are unfavourable for the Berentzen Group. The loss of the franchise business or a significant portion of the business involving the bottling of franchise or other third-party brands and private-label products can have a significant impact on the development of the business as well as the financial performance, cash flows and financial position as a result of major declines in revenue and earnings as well as structurally necessary follow-up measures and effects that must be reflected in the accounting, to the extent that such a loss cannot be replaced through the business with the Company's proprietary brands and products, another franchise business, or other corresponding contracts.

Early unintended termination of the franchise agreement or the service agreements is prevented to the extent possible through the agreement of realistic objectives, adherence to and strict compliance with agreements and instructions within the context of systematic contract management and through constant relationship management. However, since these are necessarily bilateral agreements, some risks – in particular those outside of the franchisee/contractor's area of influence – cannot insofar be ruled out.

In the *Spirits* segment, the business with whiskey is very important due to high market demand over the past several years. In addition to the shortage on the procurement market for whiskey, the mostly multi-year storage periods also require an anticipatory purchasing policy geared insofar towards the medium term in order to secure the basic materials. On the sales side, there are corresponding sales supply contracts with a standard term that, in most cases, is longer than the storage period required for whiskey, but shorter in some cases, however. This mismatch in periods leads to risks from the uncertainty regarding the sale of volumes of unprocessed or processed whiskey that can have a negative impact on the financial performance, cash flows and financial position.

Any occurrence of the aforementioned risks and further indications extending beyond the same could lead to an accounting impairment loss being recognised on the Berentzen Group’s assets. As part of risk management, impairment testing is performed on an ongoing basis. In addition to the information from the internal reporting system, monitoring extends to exogenous factors such as market interest rates or market returns, factors that the Berentzen Group can only influence to a limited extent or not at all. Both in the past financial year and the previous financial year, ad hoc impairment testing was performed on, among other things, the Non-alcoholic Beverages cash-generating unit. The notes to the consolidated financial statements include more detailed information regarding this under Note (3.7). Recording impairment losses generally reduces the risk of further impairment. Despite the impairment losses recorded in the 2017 financial year as well as in the previous years, further impairment losses with a negative impact on the financial position, cash flows and financial performance cannot be ruled out for the future.

With respect to performance-related risks monitored as part of the risk management system as a whole, the estimate with respect to the likelihood of occurrence remained unchanged compared to the previous year, as did the assessment of the severity of the risk. When weighted, these risks remained overall in the "medium risk" category as was the case in the risk reporting for the 2016 financial year.

Other risks

Risks on the part of the Berentzen Group that are not classified under any of the aforementioned risk categories and which could have a negative impact on the Group's financial performance, cash flows and financial position are combined under the category "Other risks".

Legal and tax-related risks

As a concern operating in the international food industry, the Berentzen Group is exposed to various legal and regulatory risks. These include contractual and third-party risks in connection with the respective national or international provisions governing express warranties and product liability, food laws, consumer protection laws, competition and antitrust laws, trademark and patent laws, environmental, construction and planning laws, labour laws and occupational health and safety laws, foreign trade and customs laws, tax laws – in particular excise tax laws related to the taxation of alcoholic beverages – as well as provisions related to purchasing activities and procurement; for example the observation of sanctions lists. In addition, Berentzen Group AG is subject to obligations resulting from its listing on the stock exchange, in particular the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation- MAR) and the German Securities Trading Act (WpHG).

The Berentzen Group has methods and institutions at its disposal to ensure compliance with national and international laws and guidelines and, if necessary, the initiation of suitable countermeasures. These include in particular appropriate organisational instruments, including by-laws, competence guidelines, the corporate group's central departments for legal, tax and accounting issues as well as the engagement of external advisers in legal and tax-related matters. Risk insurance policies are taken out for these risks to the extent possible and appropriate in the opinion of the Berentzen Group; in contrast, it is not possible to insure against possible reputation losses.

The aforementioned measures also serve not least to prevent and minimise legal risks that can ultimately manifest themselves in legal disputes or judicial, administrative, or other proceedings. The Group is represented in legal disputes by the corporate group's Central Legal Department or by the engagement of external legal advisers with the goal of preventing losses or keeping them as small as possible. Nevertheless, disadvantageous expenditures can arise for the Berentzen Group from any legal disputes and proceedings, not only if they are not covered or cannot be covered under insurance policies, but also if they exceed the risk provisions undertaken by means of insurance protection or provisions. There were no specific legal disputes that could possibly have a significant negative impact on the Group's financial performance, cash flows and financial position up to the date of approval for the consolidated financial statements and the annual financial statements of Berentzen Group AG as well as for the combined management report for the Berentzen Group (corporate group) and Berentzen Group AG. The notes to the consolidated financial statements include more detailed information regarding this under Note (4.4) Legal disputes.

Legal risks separately observed in connection with risk management include such risks arising legal obligations entered into, primarily with respect to long-term contractual relationships, in particular based on third-party contractual relationships, risks arising from insufficient contract controlling and risks from contractually agreed change-of-control clauses. This can lead to legally and economically detrimental claims and/or the undesired cancellation of contracts or the forgone or delayed assertion of the Company's own claims.

Individual companies of the Berentzen Group are parties to bilateral contracts in which change-of-control clauses are agreed in various forms. Depending on the design in individual cases, these clauses entitle one or both contracting parties to terminate the agreement early or without notice if there is a change in control. This primarily relates to financing contracts, a franchise agreement and service agreements regarding the bottling of franchise and other third-party brands. Furthermore, there are corresponding agreements with members of the Executive Board. The comments on financial risks in this section, the disclosures in Section (6.8) related to mergers and the Compensation Report in Section (3.1) include further details regarding this.

In addition, the other risks include such risks related to income, transaction and excise taxes resulting primarily from inappropriate tax treatment, improper handling that does not meet the formal requirements, or non-standard tax assessment on the part of the responsible tax authorities regarding transactions to the disadvantage of the taxpayer. In various capacities, the Group companies are largely subject to regular tax audits and insofar are closely monitored by the tax authorities. In light of the multitude and complexity of tax rules, it is nearly impossible to completely rule out these risks. Both corresponding organizational measures for the review, processing and clearing of transactions as well as central departments for customs and tax-related matters in Germany and the consultation of external tax advisers serve to limit such risks.

Personnel risks

The expertise, commitment and motivation of employees are key factors of success for the Berentzen Group. Qualified specialists and managers are a requirement for the realisation of the strategic goals. In the increasing competition for personnel, the personnel management of the medium-sized corporate group, which operates globally in a highly structured environment, pursues the goal of training and attracting qualified specialists and managers, further developing their skills and binding them to the Company for the long term. The measures undertaken include, among other things, vocational training, an offer of dual courses of study, the promotion of talent, targeted training and personnel development measures, workplace health and integration management and variable remuneration components based on performance-related Group and personal goals. Not least, there is also anticipatory succession planning and consistent rules on representation.

In the area of human resources, special risks arise from the fact that there could be general lack of sufficient human resources available with respect to key positions to be filled by specialists and managers in the corporate group or that a sufficient number of representatives could not be ensured. In addition to the measures described above, the minimisation of risk serves in particular the timely and continuous identification of key positions.

Risk assessment

When weighted, these other risks observed within the context of the risk management system remained overall in the "low risk" category both with respect to their likelihood of occurrence as well as to their severity as was the case in the risk reporting for the 2016 financial year.

Operating and product-related risks

Operating risks

In the *Spirits*, *Non-Alcoholic Beverages* and *Other segments*, there are operating risks primarily with respect to the breakdown of production plants or sites as well as, if applicable, with respect to the outsourcing of production capacities to another plant location that could lead to supply bottlenecks or delivery disruptions. The risk of production losses is minimised by means of ongoing maintenance and capital expenditures, the constant availability of technical service and emergency staffing plans. In addition, production capacities are available at other beverage manufacturers for emergencies and there is a business interruption insurance policy. In order to limit this risk, suppliers are carefully selected with a view towards maintaining long-term relationships as part of a sustainable relationship management process. In addition, the entire production process is also closely accompanied and monitored in collaboration with the suppliers. Specifically in the Fresh Juice Systems segment there are risks with respect to the system component fruit juicers in light of the low level of vertical integration and the concentration on one supplier in particular as a consequence of production disruptions on the part of that supplier. With respect to this, supply disruptions or bottlenecks in the specific case can furthermore lead to a situation in which the supplier justifiably or unjustifiably unilaterally terminates the supplier relationship or their capacity/willingness to make deliveries is otherwise limited or reduced, for example as a result of quality-related reductions in production volumes. The availability of alternative production capacities is currently very limited and it is expected that it could only be realised with a considerable delay. This risk is countered by means of particularly close support and management of the long-term cooperation that includes, among other things, the implementation of an effective local quality assurance system.

Furthermore, in the Spirits and Non-Alcoholic Beverages segments, whose manufacturing facilities and property have been utilised for decades, operating risks could arise from environmental damage. This is understood to be a directly or indirectly occurring identifiable, detrimental change (impairment) in protected species and natural habitats (biodiversity) as well as in waters or in the ground as a result of which the Group must bear environmental liability risks and risks arising from existing or changing general regulatory conditions. In addition to rules related to the environment that are included in the quality assurance system, risk provisions for environmental damage serve to cover insured losses.

Product-related risks

Product-related risks can result from product defects, product sabotage, or product extortion and in particular lead to health risks on the part of consumers, loss of reputation, and restrictions in the marketability of products up to and including product recalls. Product defects are defined as the unintentional chemical, physical, or microbiological contamination of a product in connection with the manufacturing process. In contrast, product sabotage and product extortion are based on intentional actions outside or within the Company during or subsequent to the manufacturing process.

In order to reduce the potential losses and/or the effects of an operating or product-related incident, the arrangements for security, plant and product safety are constantly further improved or expanded and monitored through corresponding checks. Installations for fire protection and burglary are maintained using state-of-the-art technology. Special measures are undertaken for the individualised management of access authority in the product-relevant workspaces.

The Berentzen Group responds to rising requirements from statutory provisions in the area of technology and product safety, for example for accident prevention and environmental protection or under the relevant food regulations, by using internal plant inspections, by selecting reputable suppliers, with the use of qualified personnel and by engaging reliable service providers that demonstrate a proficiency in the use of Berentzen Group products. In addition, product safety is served by ongoing quality controls and the established quality assurance and crisis management system, which is subject to regular internal audits and corresponding external certifications according to recognised quality standards, namely according to the IFS Version 6.0 (International Featured Standards) Food and also – in the *Non-Alcoholic Beverages* segment – in accordance with the Consolidated Standards for Beverage Facilities issued by AIB International. Furthermore, in particular in the Fresh Juice Systems segment there are the certifications issued with respect to technical safety by the relevant testing organisations such as the Technical Inspection Association (TüV). For the procurement of capital goods and raw materials, quality standards are defined and safeguarded by long-term cooperation with corresponding suppliers; new suppliers must undergo a qualification process. An additional building block for the reduction of product-related risks consists in the covering of corresponding insured losses.

In addition, there are other product-related risks in the individual segments.

In the *Fresh Juice Systems* segment, the highest standards of quality are maintained for the oranges marketed in the "frutas naturales" variety. Depending on the time of the year and the harvest cycle, the fruits are procured from Southern Europe, but also from cultivation areas outside of Europe. Insofar, there are risks with respect to the availability of the oranges for a wide range of reasons. These include, among other things, a general market shortage, e.g. as a result of increased demand or poor harvests, bad weather, errors, interruptions, or delays – considering the relatively easy perishability – in the particularly important logistics processes or also a deterioration in the relationship with the suppliers or producers. Measures to minimise the risk include an anticipatory procurement policy executed on the broadest possible supplier basis and with a view towards sustainable relationship management as well as the appropriate management and monitoring of the logistics processes.

The counterfeiting of products is a risk to be observed in particular with respect to spirits on the Turkish market assigned to the Other segments with the consequence of lost revenue and the loss of reputation. The tendency to copy original products is growing with increasing market prices for alcohol. Countering these risks requires active observation of the market and educating the customers and distributors as well as the initiation of legal action as a last resort.

Risk assessment

When weighted, these operating and product-related risks observed within the context of the risk management system remained overall in the "low risk" category both with respect to their likelihood of occurrence as well as to their severity as was the case in the risk reporting for the 2016 financial year.

IT risks

The reliability and security of the information technology (IT) are very important for the corporate group. At the same time, IT security around the world is exposed to increasing threats in general. This not only applies for the use of IT systems in connection with the business processes, but also for IT systems implemented for internal and external communication. Outages or disruptions of these IT systems signify risks for the availability, reliability and confidentiality of systems and data in development, production, distribution or administration and therefore for the Berentzen Group's financial position, cash flows and financial performance.

This risk is countered, among other things, through the redundant configuration of server systems, hardware support contracts with short reaction times, a direct availability of replacement parts and data lines as well as an uninterruptible power supply. An even higher level of security and availability of the ERP system is ensured by means of a high availability environment (virtualisation) in connection with a storage solution involving redundant capacities at two computer centres and deploying a synchronous mirroring system. Data can be restored very quickly over a shadow database in the event of an interruption. In addition, all data sets are backed up daily. Firewall systems, a VPN solution with two-step authorisation, anti-virus scanners, spam and content filters, the Windows domain and authorisation concepts ensure a high degree of security for access rights and remote access.

When weighted, these IT risks observed within the context of the risk management system remained overall in the "low risk" category both with respect to their likelihood of occurrence as well as to their severity as was the case in the risk reporting for the 2016 financial year.

(4.3) Opportunities

The Group's broad positioning with its product range of spirits, non-alcoholic beverages and fresh juice systems allows the Berentzen Group to emancipate itself from critical demand factors and declining beverage product categories and opens up manifold opportunities for sustained positive business performance. They are based on the consistent dual-track operational positioning in the traditional segments – with spirits and non-alcoholic beverages, branded products and branded dealer or private-label products as well as the national market and international markets – but in particular in the Fresh Juice Systems segment. These opportunities are supported by a consistent focus on the needs of the consumers as well as those of the trade and catering partners. In addition to endogenous factors based on internal decisions and measures, exogenous factors can also have an impact on the market success. The most important opportunities that arise against this background are described below. However, they only represent a sample of the possibilities and a snapshot assessment, because the Berentzen Group is continually further developing just like the markets, and therefore the significance of an opportunity can decrease just as options that are entirely unknown today can arise in the future. Therefore, the Berentzen Group observes all relevant trend lines in order to systematically take advantage of future opportunities with decisions that are appropriate for the situation.

Opportunities from the change in general economic conditions

Opportunities open up for the Group from the development of national and international general economic conditions if the economy in the important industrial nations of Germany and the USA permanently retains the growth recorded in 2017. From the perspective of the Berentzen Group, the resulting potential for opportunities must insofar be regarded subject to this proviso in light of the ongoing worldwide geopolitical crises and conflicts over the course of the year 2017 as well as the possible expansion of restrictions on global trade.

The money market policy trends occurring in the 2017 financial year with the strengthening of the euro against the US dollar could influence opportunities, first with regard to procurement, here primarily in the *Spirits* and *Fresh Juice segments*, and second with regard to sales, in particular in the Fresh Juice and Other segments. For the 2018 financial year an essentially straight-line development of the two currencies is expected, and thus continued strength for the euro. However, reasons do exist for continued high volatility, in this case particularly geopolitical uncertainties such as the North Korea crisis and the situation in the Near and Middle East.

Further positive potential influences stem from the reduction in bureaucratic hurdles, easing the entry into new markets and reducing the costs for access to existing markets. Specific opportunities could arise, among other things, from the free trade agreement between the USA and the European Union (TTIP – Transatlantic Trade and Investment Partnership), which has currently not yet been negotiated and is also controversial in some aspects. The negotiations ground to a halt in the 2017 financial year due to political developments in the USA. It is currently unclear whether and how the US administration will resume negotiations on the agreement.

An improvement in the political and economic conditions prevailing in Turkey can have a beneficial effect on the export business with branded spirits assigned to the *Other segments*. The Group company operating in that country provides the foundation on which the Group can build to benefit directly from any recovery; currently the market environment continues to be challenging. Furthermore, cooperation with the *Fresh Juice Systems* segment could give rise to synergies relating to the sale of fruit presses on the Turkish market. In the Berentzen Group’s estimation there are justified doubts regarding a short-term recovery of the market environment especially in light of the continued strained domestic political situation.

Opportunities in connection with strategic decisions

As an internationally active beverage concern, the Berentzen Group has set itself the strategic goal of being a provider of drinks for every occasion by means of a balanced position in the *Spirits*, *Non-Alcoholic Beverages*, and *Fresh Juice Systems* segments. Further expansion of the product portfolio and more intensive concentration on trends and customer benefit or expectations can open up new growth opportunities, and the Berentzen Group intends to continue focusing on select areas promising strong growth. In addition, revenue opportunities will arise from implementation of improved supply chain efficiency, particularly in the *Non-Alcoholic Beverages* segment, and from centralisation and bundling of formerly scattered responsibilities using a matrix organisation.

The Berentzen Group's spirits umbrella brands *Berentzen* and *Puschkin* are widely recognised on the German market. Particularly in the past two financial years, it was possible to increase market share in the significant category of “spirits with added ingredients”. In “Fruity Spirits" Berentzen products hold a market share of more than 20%, and the lead over its competitors has almost doubled in the past three years. Therefore, measures to bolster the brand name in the areas of marketing and distribution form a key basis for long-term business success. As part of this, the new Berentzen campaign “Freude bekennen” (“Admit to Happiness”) will be launched in the 2018 financial year. Here, the focus will be on interactive and effective communication through digital and other channels appropriate to the consumption behaviour of the target groups. The intent is for the existing market potential to be better utilised by introducing innovative new products, more strongly exploiting topics and seasonal highlights, and activating new customer and sales channels. With regard to the latter, the Berentzen Group has been positioning itself increasingly in the dynamically growing Premium Spirits segment since financial year 2017 using the premium schnapps brand *Korn2Korn* as well as additional planned products. In addition, optimised sales structures in Germany as well as possible retreats by competitors may result in additional opportunities.

A strong trend towards promotional and premium products has developed in the area of branded dealer and private-label products in the Spirits segment. Opportunities continue to arise for the Berentzen Group in this area by developing compelling innovations. The prerequisites for meeting these challenges were created by stronger organisational differentiation between Marketing and Sales on the one hand and the supply chain on the other. Moreover, additional revenue and earnings potential exists with branded dealer and private-label products in the further expansion of the international business, both by investing in the expansion of increasingly international food retailers, and by selling own private labels to trading partners located abroad.

External sales partners are generally used in the business with branded spirits abroad with the goal of reducing operational risks. This approach permits risk-optimised flexibility with respect to the reaction to market changes and thus enables the Berentzen Group to quickly and efficiently take advantage of opportunities in growth markets. In this respect, successful implementation of product innovations for the two umbrella brands of Berentzen and Puschkin in particular can lead to growth impetus.

The nationwide listing of the Mate drink *Mio Mio Mate* achieved in the *Non-Alcoholic Beverages* segment affords subsequent opportunities to further expand on the *Mio Mio* brand's previously demonstrated national potential and to utilise it for the establishment of further products. The innovation *Mio Mio Mate Ginger* introduced in the 2017 financial year enjoyed especially positive response from retail. A new marketing plan, significantly expanded sales resources, and capacity-enhancing investments in corresponding bottling plants result in opportunities to develop additional sales potentials in the 2018 financial year. The franchise business with branded drinks from the Sinalco corporate group continues to have potential for expansion of business volume, particularly by concentrating sales efforts on comparatively higher-margin packaging varieties. Given the challenging market environment, however, expectations are modest. In addition, there are opportunities in the mineral water market in Germany resulting from the increased focus on topics such as regionality, ecology, and sustainability.

In the *Fresh Juice Systems* segment, the competitive advantage of the *Citrocasa* brand from its positioning as a premium system vendor in particular presents opportunities for the further development of international growth potential. Optimisation of international fruit logistics as well the development and market launch of technical innovations of the fruit juices component afford additional opportunities. The most recent approach is the newly developed *Fantastic ECO* juicer, whose special functional feature is manual drive with otherwise identical cutting, cleaning, and juicing technology. The idea underlying this machine is the combination of energy-saving food preparation with the experience of doing something oneself in as part of the “handicraft” trend. Furthermore, the potential for opportunities is supported by the continuing tendency to consume fresh and natural products observed with consumers and in the food trade.

Opportunities from the implementation of operating measures

The Berentzen Group is already one of the most efficient spirits manufacturers in Germany, because it subjects its production and logistics processes to continuous analysis and always finds approaches for additional optimisations. Additional productivity increases are therefore regarded as possible, in particular as replacement investments are also designed not only with stabilisation in mind, but rather as an improvement in the status quo. This applies correspondingly to the *Non-Alcoholic Beverages* segment, with a focus on production. The intent is to increase efficiency and secure sales goals by extensive investments in technology and empties as well as optimisation of the organizational structure. In the *Fresh Juice Systems* segment, the demanding logistics for fruits represent a major challenge with considerable potential for improvement.

With respect to procurement, the Berentzen Group is dependent on the commodity and producer markets. Insofar, cost advantages can be realised if there is a general decrease in commodity prices or if medium to long-term supplier contracts can be formed for the procurement of such commodities at favourable points in time. Specifically, bountiful harvests of commodities and traded goods of agrarian origin with respect to individual raw materials needed for the production of spirits and non-alcoholic beverages as well as the oranges sold in the *Fresh Juice Systems* segment, in particular, can lead to favourable price trends. While it may be possible to profit from an advantageous price development in sugar in the *Non-Alcoholic Beverages* segment, risks predominate in the *Spirits* segment overall according to current assessments. Thus increased volatilities present particular challenges for Procurement.

Opportunities from strategic acquisitions

With its current positioning, the Berentzen Group considers itself in a good position to meet the various needs of the consumers as well as those of its trade and catering partners in large volumes with its product portfolio of spirits, non-alcoholic beverages and fresh juice systems. In addition to the opportunities highlighted from organic growth, the Berentzen Group also continues to pursue exogenous growth opportunities in connection with opportunities presented as a result of selective business acquisitions that support the Group's growth strategy.

As a general rule, these opportunities not only open up the possibility of sensibly expanding sales channels or rounding out the product and customer portfolio, they also leverage and utilise mutual synergy effects. Therefore, business acquisitions can have a positive impact on the business performance and the Group's financial performance, cash flows and financial position.

(4.4) Overall assessment of risks and opportunities

In the opinion of the Management, the Berentzen Group's risk exposure remains unchanged compared to the previous year, and thus remains manageable from today's perspective.

On the basis and in the sense of the assessment matrix presented in Section (4.1), there are no risks assessed as "high" risks. Performance-related risks, financial risks, industry risks, and general business risks continue to be assessed as “medium” risks. Also with respect to the remaining risks presented, there were no changes individually with respect to the likelihood of occurrence and severity; consequently, the individual assessments remained respectively at the "low risk" level.

In particular supported by the good cash flows and financial performance of the corporate group, no separate or cumulative risks are expected by the Management with respect to the risks described above and their possible likelihood of occurrence that could jeopardize the company as a going concern with a period of at least one year. Moreover, the Executive Board sees potential for the Group in the consistent pursuit of the opportunities discussed above that should not be passed up. The strategic measures adopted in the 2017 financial year in particular should show a positive effect in the coming years. Highlights in this context are the new marketing direction of the Berentzen umbrella brand in the *Spirits* segment, the expansion of sales and marketing activities for the *Mio Mio* product line, the development of a matrix structure, and an efficiency enhancement program in the area of production and logistics.

The Berentzen Group continues to have high liquidity at its disposal and therefore the possibility of taking advantage of its growth potential as well as to implement other measures to improve its profitability and systematically invest in its further development both through organic growth as well as through opportune business acquisitions. However, the materialisation of risks or the realisation of opportunities can have an impact on the Group's forecasts.

(4.5) Comments on the accounting-related internal control and risk management system

The objective of the accounting-related internal control and risk management system set up by the Berentzen Group is to ensure the propriety of the financial reporting in the sense of the compliance with all the relevant provisions for the annual and consolidated financial statements of Berentzen Group AG as well as the management report.

Internal control system

The internal control system in the Berentzen Group includes all principles, methods and measures to ensure the effectiveness, efficiency and compliance of the accounting as well as to ensure the compliance with the relevant legal provisions.

The internal control system comprises the internal control and internal monitoring system. Below the level of the Executive Board, the responsibility for the internal control system lies in particular with the areas of Controlling and Reporting, Accounting, Finance and Taxes as well as Legal and Personnel, which are managed centrally at Berentzen Group AG.

Process-integrated and process-independent control measures form the elements of the internal monitoring system. In addition to the manual process controls – for instance, the "dual control principle" – IT process controls in the system represent a significant part of the process-integrated measures. Expanded risk control matrices are introduced for material transactions that are updated on an ongoing basis. Furthermore, process-integrated monitoring is ensured through organisational measures, for example by means of guidelines or access restrictions as well as through specific Group functions such as the central Investment Controlling or also central departments for tax, accounting and legal affairs.

The Supervisory Board – specifically the Finance and Audit Committee – of Berentzen Group AG and the Internal Auditing department of the Berentzen Group are involved in the internal control system at the Group level with the process-independent audit procedures.

Accounting process

In the legal sense, the Group Executive Board is obligated to prepare the annual and consolidated financial statements of Berentzen Group AG as well as the combined management report for the Berentzen Group (Group) and Berentzen Group AG, while the respectively responsible Executive Board member bears the overall responsibility for all processes.

All accounting entries are recorded in the annual financial statements of the individual companies of the corporate group by Berentzen Group AG's central Accounting department, with the exception of foreign Group companies, using the SAP ERP system developed by the homonymous software enterprise. The application of the SAP system is periodically reviewed by the auditor and/or the Group auditor. The standardised, uniform preparation of the consolidated financial statements of Berentzen Group AG is ensured due to the fact that the individual annual financial statements are primarily prepared centrally. All accounting entries are recorded in the annual financial statements of the foreign Group companies by the Company's respective local Accounting department using various ERP systems or in line with corresponding agreements by external expert service providers. The individual annual financial statements of the foreign Group companies consolidated in the consolidated financial statements are included by means of a corresponding reporting package, which also contains further information – for instance, for the notes to the consolidated financial statements. The reporting packages of the material foreign Group companies included in the consolidated financial statements are subjected to an audit in accordance with International Standards on Auditing (ISA) or a review, depending on their significance for the Group and/or the consolidated financial statements.

The information resulting from the separate annual financial statements and reporting packages is transferred to a consolidation file that is not integrated in the ERP system. Manual reconciliation and a review by the Group auditor ensure the accuracy of the transferred data. All consolidation processes for the preparation of the consolidated financial statements of Berentzen Group AG, such as the consolidation of capital, the consolidation of assets and liabilities, and the consolidation of income and expenses, are listed in the consolidation file. The result is tested for plausibility and validated with the help of the statement of changes in equity. The disclosures in the notes to the separate financial statements and the notes to the consolidated financial statements are prepared and documented on the basis of the information provided to the central Accounting and Controlling department as well as computer-based evaluations.

Comments on the main features of the internal control and risk management system with respect to the accounting process

The internal control and risk management system with respect to the accounting process ensures an efficient accounting process in which errors are largely avoided, but at any rate can be detected. The system is based on a central accounting and reporting function for all German Group companies, which simultaneously also manages and controls the accounting and reporting function of the foreign Group companies.

The accounting entries recorded in the respective Group companies, which are reviewed on an ongoing basis for completeness and accuracy, for example as part of plausibility assessments, by means of sampling, or computer-based processes, as well as periodic or as-needed specific control activities, form the basis for the data used to prepare the separate annual financial statements and the consolidated financial statements as well as the combined management report. Further accounting control mechanisms include analytical audits with respect to the individual line items of the separate annual financial statements and consolidated financial statements, and with respect to the consolidated financial statements both at the aggregated level of the Group as well as at the level of the underlying separate annual financial statements of the individual companies.

As a general rule, internal processes are subject to the "dual control principle", which is applied accordingly based on the size of the company. Accounting-related processes are audited in selected areas by the Internal Auditing department.

There is an authorisation concept for the IT systems employed in the accounting area in order to prevent unauthorised access and unauthorised use as well as to ensure that the accounting-related data cannot be altered.

Additional building blocks to ensure an orderly, uniform and continuous accounting process include sufficient staffing levels in responsible functional areas with employees who exhibit the requisite qualifications as well as clear internal instructions with respect to a separation of functions for the key areas involved in the accounting process, but also in the form of the preparation and updating of accounting-related guidelines.

The clear separation of areas of responsibility as well as various control and inspection mechanisms ensure the propriety of the accounting system as a whole. On this basis, it is ensured that transactions are recorded, processed and documented as well as evaluated in their entirety on a timely basis and properly in the bookkeeping system in compliance with statutory provisions, the German generally accepted accounting principles and international accounting standards and also accurately included and presented in the separate annual financial statements and consolidated financial statements as well as in the combined management report.

(5) Forecast Report

The Forecast Report of the Berentzen Group takes account of the relevant facts and events known at the time of preparing the consolidated financial statements that could have an impact on the corporate group's future business performance. The forecasts made herein on the basis of the current version of the integrated corporate plan of the Berentzen Group for the 2018 financial year are built around the organic development of the corporate group excluding significant non-recurring exceptional effects and changes arising from possible company acquisitions; where such events need to be incorporated at the time of preparing of the present Forecast Report, this is stated accordingly.

(5.1) General economic and industry-specific conditions

General economic environment

In its World Economic Outlook Update dated January 2018, the International Monetary Fund (IMF) predicted that the global economy would expand by 3.9% in 2018, while the German Institute for Economic Research (DIW Berlin) expresses its view in its DIW Wochenbericht weekly report dated December 2017 that real gross domestic product will rise by 4.1% worldwide. The IMF forecasts growth of 2.3% for the economies of the industrialised nations. These expectations are also reflected in the forecasts for the USA and the eurozone, which amount to 2.3% and 2.4% respectively for the year 2018. The DIW expects economic growth of 2.1% for the eurozone and 2.5% for the USA in 2018. Growth of 4.9% is anticipated for the emerging markets.

The IMF sees risks for the global economy, and hence also for the European economy, predominantly in possible changes in monetary policy as well as in geopolitical unrest. The DIW believes that political uncertainties in Europe, for example the uncertain outcome of major elections in 2018 as well as the development of the Brexit negotiations, pose the main risks for the world economy. Furthermore, trade restrictions imposed by the USA could burden global trade and global investing activities.

With regard to German economic output, the IMF is optimistic, reckoning with a growth rate of 2.3%. DIW Berlin is predicting GDP growth of 2.2% in real terms in 2018. The main growth drivers here are seen as higher consumer spending on the back of increased employment as well as a rise in investments. According to DIW Berlin, the German economy is enjoying a period of prosperity without any threat of an overheated economy.

Developments on the drinks market

In light of the expected development of the domestic economy, the Berentzen Group believes that this positive trend will apply by analogy to a slightly lesser degree to the “food, beverages and tobacco” category determined by the Federal Statistical Office. Considering the development of sales volumes in the last few years, total sales of spirits in the German retail trade are likely to remain stable at best or to decline marginally. Accordingly, the general market trend in the domestic spirits business will presumably not provide a boost to growth. Also, potential further consolidation amongst trade partners for the domestic spirits business may play a significant role, although the process of market consolidation appears to be almost over. Consequently, the retail trade is focusing more on backward integration measures and on collaborations. The Berentzen Group also assumes that a lasting trend in favour of premium brands and customised concepts will have a major influence on how the market develops.

It is also anticipated by the Berentzen Group that the expected positive development of the global economy, in particular for the USA and the eurozone, will have a positive knock-on effect on the development of the international spirits business, albeit to a lesser extent. However, the situation is exacerbated by the fact that a large number of the international brands are not displaying any impetus for growth, and competition with international drinks corporations goes hand in hand with high advertising and price pressure. Another relevant factor in this regard is that the Turkish market, a significant market for the international business with branded spirits, will remain challenging in the coming financial year with the expectation of further domestic political tensions.

The Berentzen Group expects an uneven development for the *Non-alcoholic Beverages* segment. Whereas in particular the steady trend of consumers favouring a healthy, regionally sourced and sustainable diet could have a positive effect on the development of sales of mineral waters and “alternative lemonades”, the Berentzen Group assesses the general market outlook for its activities involving soft drinks as restrained, meaning that domestic sales of non-alcoholic beverages are likely to rise marginally on the whole compared to 2017.

With reference to the presentation of the developments on the drinks market in the Economic Report (section 2.1), as far as the Berentzen Group is aware, for all intents and purposes there are no all-round, reliable market data available for the *Fresh Juice Systems* segment, meaning that it makes use of the market development of fresh drinks like not-from-concentrate juices, freshly squeezed fruit juices and smoothies as a leading indicator. Based on its internal assessment, the Berentzen Group is working on the assumption that the long-standing trend in favour of sensible, healthy diets will persist. Consequently, it is expected that the positive sales and revenue development for fresh drinks confirmed by the market study published in 2017 by the Association of the Industry of Juices and Nectars from Fruits and Vegetables of the European Union (AIJN) will continue, especially on the main markets in Europe.

(5.2) Anticipated development of financial performance

Anticipated development of the segments

	2017 EURm	Forecast for the 2018 financial year EURm
Contribution margin after marketing budgets		
Segment		
Spirits	27.6	26.3 to 29.1
Non-alcoholic Beverages	19.3	21.5 to 23.7
Fresh Juice Systems	6.5	7.5 to 8.3
Other Segments	5.0	5.3 to 5.9
Total	**58.4**	

Spirits segment

The objective for the *Spirits* segment for the coming financial year is to follow on from the excellent previous-year level, with segment earnings in a range between EUR 26.3 million and EUR 29.1 million. The authoritative factor here is to raise the contribution margin volume, although this is expected to be partially cancelled out by the increased use of funds for marketing and trade advertising.

The key objective for the domestic business with branded spirits for 2018 is to extend the market position of the umbrella brands *Berentzen* and *Puschkin* on a long-term basis, for example by constantly establishing innovations and by supplementing the brand families with new product variants. This should generate additional users and occasions for use. Additional support is expected to stem from measures such as the Berentzen campaign “Freude bekennen” („Admit to Happiness“) initiated together with a new lead agency, a targeted promotional policy as well as maximum exploitation of seasonal peaks.

Because the market for branded dealer and private-label products continues to be reticent, the forecast assumes a slight increase in the total contribution margin at the already high level of the previous year. It has been assumed that price pressure on selling prices will continue to intensify, meaning that cost structures that can compete on the market and a forward-looking purchasing policy will play an even greater role. This will be hampered by what is expected to be major volatility on the key raw materials markets for the business model. The sales function will continue to focus on designing innovative promotional products and on developing value-creating private-label brand concepts in cooperation with the trade partners. The development of premium offerings will gain in significance in this context.

It should be noted with regard to the *Spirits* segment that it remains difficult to make a reliable forecast due to the fact that, despite active management, the composition of sales and revenues with products with better or poorer-quality margins depends heavily on external factors like the future development of consumption patterns and the corresponding demand.

Other segments

The contribution margin after marketing budgets of the *Other segments,* which notably encompass international sales of branded spirits, is expected to improve to a range of between EUR 5.3 million and EUR 5.9 million. It is assumed here that contribution margins that are higher than in the previous year will more than compensate for the earnings effects of what are also larger marketing budgets.

The Berentzen Group will counter the prevailing challenging framework conditions on the international spirits markets with a new organisational structure for the international business with branded spirits, which will be implemented in the course of the 2018 financial year. A decisive role will be played by increased integration with other segments and more rigorous controlling of sales and marketing activities. The basis for the business performance is still to continue and to step up efficient working of the international markets via local distributors. Accordingly, the aim is to follow on from the successful development in the Benelux countries, but also in Austria and Hungary. Based on the organisational restructuring of the US business completed at the end of the past financial year, the US market is expected to yield a considerably better sales volume. While sales are also expected to develop positively in Turkey, a difficult environment is likely to prevail on this market, which is taken care of by a local group company. Developments will thus be subject to intensified monitoring.

Non-alcoholic Beverages segment

The corporate group has planned a sharp rise in segment earnings to between EUR 21.5 million and EUR 23.7 million for the *Non-alcoholic Beverages* segment. This is based on the assumption of strong contribution margin growth with a simultaneous rise in marketing expenses.

These assumptions for a positive development are founded on the implementation of an extensive optimisation of the product portfolio and the focusing of sales and marketing activities on the *Mio Mio* brand. Additional sales potential is to be tapped through a new marketing concept, substantially increased sales resources as well as investments in corresponding bottling units to increase capacities. In the franchise business with branded drinks from the *Sinalco* corporate group, sales volumes are expected to rise and contribution margins are forecast to improve disproportionately at the same time, despite a challenging market environment. This will be thanks to a focus by the sales function on bottle variants that yield comparatively higher margins. The business with mineral waters, lemonades and other non-alcoholic beverages will see the development and implementation of regional marketing concepts that get their inspiration among other things from the topics of regionality, ecology and sustainability. In addition, lower sugar prices in the 2018 financial year will lead to a lower cost of materials for all drinks containing sugar, and consequently to an improvement in the corresponding contribution margins.

Fresh Juice Systems

In relation to the *Fresh Juice Systems* segment, the Berentzen Group expects segment earnings to climb to between EUR 7.5 million and EUR 8.3 million in the 2018 financial year. Dramatic sales growth for the system component fruit juicers will be decisive in this development. Accordingly, it is assumed that the contribution margin volume will develop very positively. This will be countered by a marginal increase in marketing budgets.

Efforts are to continue in the 2018 financial year to leverage the competitive advantage of the *Citrocasa* brand arising from the positioning as a premium system vendor with a view to unlocking further international growth potential. As far as the system component fruit presses is concerned, growth on the significant US market is predicted to take off again in the 2018 financial year after difficult conditions there in the past financial year. Additionally, the largest volume increases are set to be recorded on the French, UK and Middle Eastern markets, and work will commence on extending the sales function to international markets that have not yet been penetrated to any great degree. The development and market launch of technical innovations will also take centre stage. In the 2018 financial year, the newly developed press *Fantastic ECO* will be marketed for the first time. This is a manually operated machine created in response to the trend favouring handcrafted products. Otherwise the cutting, cleaning and pressing technology is the same.

In the business with fruits (oranges), contribution margins are to rise considerably based on a constant sales volume thanks to significantly reduced wastage costs and lower purchasing prices in the spring/summer harvesting season. This will be accompanied by a broader focus on quality assurance and close support of the production partners within the framework of optimising the international fruit logistics. Sales and contribution margins for the system component bottling systems are likely to remain stable compared to the high level of the past financial year.

The above assessment is based on the assumption of average framework conditions. The planned success hinges in particular on the performance of external sales partners on the international markets as well as on harvest quality, availability and prices for oranges.

Anticipated development of consolidated revenues and consolidated operating profit

	2017 EURm	Forecast for the 2018 financial year EURm
Consolidated revenues	172.1	170.1 to 178.9
Consolidated operating profit (consolidated EBIT)	9.2	9.6 to 10.6
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	16.4	17.2 to 19.0

Against the backdrop of the expected positive development of the individual segments described above, the Berentzen Group expects that consolidated revenues in the 2018 financial year will lie within a range of EUR 170.1 million to EUR 178.9 million, with the *Non-alcoholic Beverages* segment expected to be the main growth driver. It should also be noted here that the first-time application of the IFRS 15 financial reporting standard will lead to a reduction in consolidated revenues by approximately EUR 12.0 million in the 2018 financial year. This effect has already been taken into account in this forecast, meaning that stronger growth is expected than a comparison of actual and forecast data would suggest.

The consolidated operating profit (consolidated EBIT) is forecast to improve moderately to a range of between EUR 9.6 million and EUR 10.6 million, and once again this change will be attributable to corresponding improvements in the *Non-alcoholic Beverages* segment as well as in the *Fresh Juice Systems* segment. In terms of absolute figures, the *Spirits* segment will continue to make the largest contribution to earnings. Based on a higher investment volume, especially in the *Non-alcoholic Beverages* segment, and higher depreciation and amortisation charges as a result, consolidated operating profit before depreciation and amortisation (consolidated EBITDA) is likely to move in a range between EUR 17.2 million and EUR 19.0 million.

(5.3) Anticipated development of cash flows and financial position

Based on the anticipated development of operating activities as described above, it is assumed that the existing strong cash flows and solid financial position of the corporate group will improve further in the 2018 financial year.

Anticipated development of cash flows

	2017 EURm	Forecast for the 2018 financial year EURm
Operating cash flow	10.2	14.0 to 16.2

The corporate group expects operating cash flow to improve to a figure of between EUR 14.0 million and EUR 16.2 million. The key factors here are the forecast positive development of earnings as well as expected positive effects from higher depreciation and amortisation charges – a key ratio for the development of earnings – as well as from a better balance of payments in connection with income taxes. It should be added that operating cash flow is also subject to other non-cash effects that are difficult to predict and that could have a major impact on the development in the coming financial year.

Anticipated development of financial position

	2017	Forecast for the 2018 financial year
Equity ratio	31.1 %	32.6 % to 37.6 %
Dynamic gearing ratio	-0.65	- 0.08 to- 0.03

As a result of the positive profit the Berentzen Group is forecasting and assuming an appropriate dividend policy and expects consolidated shareholders' equity to rise in absolute terms by the end of the 2018 financial year. Taking into account more or less constant total assets in the Group, we thus expect the equity ratio to improve to a figure of between 32.6% and 37.6%.

In view of the fact that key financial position parameters are set to change – in particular working capital cash flows and the expected positive development of financial performance – the dynamic gearing ratio is expected to range between-0.08 and-0.03 at the end of the 2018 financial year. The negative value illustrates the good ability of the Berentzen Group to service its debts, which is expected to remain strong going forward.

Based on the corporate plan for the 2018 financial year, the financial position and cash flows of the corporate group will remain balanced overall. Nevertheless the indicators used to manage the corporate group are also subject to reporting-date effects to a large extent, in particular if they are only subject to short commitment periods.

(5.4) General statement regarding the anticipated development of the corporate group

Based on the above forecasts, the Berentzen Group expects its financial position, cash flows and financial performance to develop positively in the 2018 financial year. This will be founded on the viability of the corporate group's proprietary products and brands, the innovation strength of all operating segments and the successful implementation of key strategic and operational topics in all of the individual segments. Both the secured financing headroom and appropriate corporate structures for the relevant risks and rewards are crucial to the attainment of the corporate group's goals.

The 2018 financial year will once again bring a number of challenges: At an organisational level, this expectation will be countered primarily by implementing a matrix structure in the segments *Spirits*, *Non-alcoholic Beverages* and *Other segments* that transcends the individual segments. In addition, supply chain activities will be stepped up in relation to the *Non-alcoholic Beverages* and *Fresh Juice Systems* segments. In the former, this will take place as part of a programme to increase efficiency in production and logistics, while in the latter it will be as part of optimising international fruit logistics. In terms of the sales and marketing activities, the main focus is on extensive measures and concepts for the umbrella brands *Berentzen* and *Puschkin* in the segments *Spirits* and *Other segments* as well as a comprehensive marketing concept for *Mio Mio* products in the *Non-alcoholic Beverages* segment. In addition, the four segments will face numerous other challenges, mainly of an operational nature.

Regardless of the different forecasts for the respective development of the individual segments, the aim of the corporate group is to grow the overall scope of business. Focussing the operating measures and thus also the resource allocation to segments, products and customers with comparatively higher profitability should also lead to a positive development of financial performance overall.

The forecasts presented here are based on an unchanged corporate structure compared with the 2017 financial year. Accordingly, significant deviations may arise from the realisation of the possible opportunities to make further company acquisitions. Furthermore, the actual business performance is dependent not least upon the general economic and industry-specific environment and may be negatively affected by more strongly adverse changes in the underlying conditions described. Both positive and negative deviations from the forecast may also result from not only the opportunities and risks described in the Report on Risks and Opportunities but also such opportunities and risks that were not identifiable at the time of preparing this Group Management Report.

(6) Acquisition-related disclosures and explanatory report of the Executive Board

The acquisition-related disclosures pursuant to Section 315a para. 1 and Section 289a para. 1 of the German Commercial Code (HGB) and the explanatory report of the Executive Board of Berentzen-Gruppe Aktiengesellschaft form part of the Combined Management Report.

Beyond this, the Executive Board believes there is no need for any further explanations within the meaning of Section 175 para. 2 sentence 1 and Section 176 para. 1 sentence 1 of the German Stock Corporations Act (AktG).

(6.1) Composition of subscribed capital

The subscribed capital of Berentzen-Gruppe Aktiengesellschaft of EUR 24,960 thousand is divided into 9,600,000 shares of common stock structured as no-par bearer shares and is fully paid in. The imputed nominal value per share is EUR 2.60.

All the shares confer the same rights and obligations. The rights and obligations of the shareholders are derived in detail from the provisions of the German Stock Corporation Act (AktG), and notably from Section 12, Section 53a et seq., Section 118 et seq. and Section 186 AktG.

With respect to the disclosures about the shares of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 para. 1 no. 3 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.12), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017, Note (2.5).

(6.2) Restrictions relating to voting rights or the transfer of shares

Each share confers one vote in the general meeting and is definitive for the share of the Company's profit attributable to the shareholders. Excluded from this are the treasury shares held by Berentzen-Gruppe Aktiengesellschaft, which do not confer any rights to the Company pursuant to Section 71b AktG. Berentzen-Gruppe Aktiengesellschaft held 206,309 treasury shares as of December 31, 2017.

In the instances set forth in Section 136 AktG, the voting right is excluded from the shares concerned by law. Violations of notification obligations within the meaning of Sections 21 (1) and (1a), 25 (1) and 25a (1) of the German Securities Trading Act in the version in effect until January 2, 2018 (WpHG old version) or within the meaning of Sections 33 paras. 1 and 2, 38 para. 1 and 39 para. 1 of the German Securities Trading Act in the version in effect since January 3, 2018 (WpHG new version) may lead to the at least temporary abrogation of rights conferred by shares and also the voting right pursuant to Section 28 WpHG old version or Section 44 WpHG new version.

The Executive Board of Berentzen-Gruppe Aktiengesellschaft is not aware of any contractual restrictions on voting rights or the transfer of shares.

(6.3) Equity holdings exceeding 10% of voting rights

The following direct holdings and indirect holdings attributable to the respective shareholders in accordance with Section 22 WpHG old version or Section 34 WpHG new version in the capital of Berentzen-Gruppe Aktiengesellschaft exceed 10% of the voting rights:

Name, registered office	Direct / indirect holding of equity exceeding 10% of the voting rights
Monolith Duitsland B.V. Amsterdam, The Netherlands	direct
Stichting Administratiekantoor Monolith Amsterdam, The Netherlands	indirect

The above disclosures are based notably on the notifications pursuant to Sections 21 para. 1 and 1a, 25 para. 1 and 25a para. 1 WpHG old version or Sections 33 paras. 1 and 2, 38 para. 1 and 39 para. 1 WpHG new version that Berentzen-Gruppe Aktiengesellschaft has received and published.

With respect to the disclosures Berentzen-Gruppe Aktiengesellschaft pursuant to the German Securities Trading Act on the subject of participating interests pursuant to the Section 160 para. 1 no. 8 AktG, reference is additionally made to the notes to the consolidated financial statements, Note (4.8), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017, Note (4.3).

(6.4) Shares with special rights that confer control powers

There are no shares with special rights in accordance Section 315a para. 1 sentence 1 no. 4 HGB and Section 289a para. 1 sentence 1 no. 4 HGB that confer control powers.

(6.5) Type of voting rights control where employees hold shares of capital and do not exercise their control rights directly

Where they hold shares in the capital in Berentzen-Gruppe Aktiengesellschaft, employees normally exercise their voting rights like other shareholders directly in compliance with the statutory provisions and the arrangements set forth in the Articles of Association of Berentzen-Gruppe Aktiengesellschaft. The Company is not aware of any employees who hold shares of the Company's capital and do not exercise their control rights directly.

(6.6) Statutory provisions and regulations in the Articles of Association regarding the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

Appointment and dismissal of members of the Executive Board

The appointment and dismissal of members of the Executive Board are based on Section 84 and Section 85 AktG in conjunction with Article 6 of the Articles of Association of Berentzen-Gruppe Aktiengesellschaft. Article 6 para. 1 of the Articles of Association states that the Executive Board must consist of at least two members. According to Article 6 para. 2 of the Articles of Association, the number of Executive Board members is determined by the Supervisory Board. The Supervisory Board may appoint a chairman and a deputy chairman of the Executive Board.

Amendments to the Articles of Association

Amendments to the Articles of Association of Berentzen-Gruppe Aktiengesellschaft are fundamentally governed by Section 119 para. 1 no. 5 and Sections 179, 181 and 133 AktG and require a resolution adopted by the general meeting . At the same time, there are numerous further provisions in the German Stock Corporation Act that may become applicable in the event of provisions in the Articles of Association and modify the regulations mentioned above. According to Article 19 para. 3 of the Articles of Association, resolutions are adopted by the general meeting with a simple majority of the votes cast and, where the law prescribes a capital majority as well as a vote majority, with a simple majority of the capital stock eligible to vote represented when the resolution is put to the vote, provided that compulsory statutory provisions do not require a larger majority. According to Article 15 of the Articles of Association, amendments only affecting the wording of the Articles of Association may be adopted by the Supervisory Board without a resolution of the general meeting.

(6.7) Powers of the Executive Board notably regarding the option to issue or buy back shares

Authorised Capital (not issued)

The Executive Board of Berentzen-Gruppe Aktiengesellschaft is authorised, with the consent of the Supervisory Board, to increase the capital stock by issuing new bearer shares of common stock in exchange for cash or in-kind contributions on one or more occasions, but for a maximum total of up to EUR 12,480 thousand, in the time until May 21, 2019 (Authorised Capital 2014). A subscription right is normally to be granted to the shareholders. The Executive Board is, however, authorised, with the consent of the Supervisory Board, to exclude the statutory subscription right of the shareholders in the following instances:

– For fractional amounts;
– For the acquisition of non-cash contributions, such as the granting of shares against the contribution of companies, against the contribution of company divisions or participating interests in companies, or against the contribution of other assets;
– In order to issue shares to employees of the Company and affiliated companies subordinate to the Company to an appropriate extent, however with a total proportionate share of capital stock not exceeding EUR 2,496 thousand attributable to such shares;
– In order to grant to the holders and/or creditors of conversion and/or warrant rights, or the debtors of conversion and/or warrant obligations conferred by convertible bonds and/or warrant bonds issued by the Company directly or by way of a (direct or indirect) majority-owned company, a subscription right to new shares to the extent to which they would be entitled following exercise of the conversion and/or warrant rights or settlement of the conversion and/or warrant obligations;

– If the capital increase is carried out against cash contributions and the total proportionate amount of the capital stock attributable to the new shares for which the subscription right is excluded does not exceed EUR 2,496 thousand and 10 percent of the capital stock present at the date when the new shares were issued, and the issue amount for the new shares is not significantly below the quoted price within the meaning of Section 203 (1) and (2) and Section 186 (3) 4 AktG for the already listed shares of the same class and features at the date when the Executive Board definitively set the issue amount. The maximum volume stated in this paragraph is reduced by the proportionate amount of capital stock attributable to shares, or to which the conversion or warrant rights or conversion or warrant obligations conferred by bonds refer, that have been issued or sold since May 22, 2014 upon direct, corresponding or analogous application of Section 186 (3) 4 AktG.

Where the shareholders' subscription right is not excluded, it may also be granted to the shareholders in the form of an indirect subscription right in accordance with Section 186 (5) 1 AktG.

The Executive Board is authorised, with the consent of the Supervisory Board, to establish the further details of the execution of capital increases under Authorised Capital.

Issuance of convertible and/or warrant bonds (not issued)

Nominal amount, authorisation period, number of shares, maturity

The annual general meeting on May 22, 2014 and the separate meeting of the preferred shareholders on May 22, 2014 that was required by reason of the composition of subscribed capital at that time authorised the Executive Board, with the consent of the Supervisory Board, to issue once or more than once up until May 21, 2019 bearer or registered convertible bonds and/or warrant bonds (referred to together as "bonds" below) with a total nominal amount of up to EUR 200,000 thousand, and to grant to or impose on holders or creditors of the bonds conversion or warrant rights and/or conversion or warrant obligations relating to new shares of common bearer stock, or shares of preferred bearer stock without voting rights, of the Company with a proportionate share of capital stock totalling up to EUR 12,480 thousand, in strict compliance with the terms and conditions of the convertible bonds or warrant bonds. In this regard, however, conversion and warrant rights, and conversion and warrant obligations, relating to new shares of non-voting preferred bearer stock may only be granted to the extent that the proportionate share of capital stock attributable to existing shares of common stock at the date of granting exceeds the proportionate share of capital stock attributable to existing shares of non-voting preferred stock at the date of granting. The bonds together with conversion and warrant rights, and conversion and warrant obligations, may be issued with or without limitation of maturities.

Apart from euros, the bonds may also be issued in the legal currency of any OECD country – restricted to the equivalent euro amount. The total nominal amount of the bonds may not exceed EUR 200,000 thousand or the equivalent amount in a different legal currency. Issuance may also be done by a (direct or indirect) majority-owned company; in this instance, the Executive Board is authorised, with the consent of the Supervisory Board, to assume the guarantee for the bonds on behalf of the Company and grant to the holders or creditors of such bonds conversion or warrant rights on Company shares.

Granting of subscription rights, exclusion of subscription rights

The shareholders are entitled to a subscription right to the bonds, subject to the authorisations below. The subscription right may also be granted indirectly by acquiring the bonds of one or more banks, or equivalent companies as defined in Section 186 (5) 1 AktG, with the undertaking to offer them to the shareholders for subscription.

Where both bonds conferring conversion or warrant rights on the subscription of shares of common bearer stock and bonds conferring conversion or warrant rights on the subscription of shares of preferred bearer stock are issued, the subscription rights on the bonds conferring conversion or warrant rights on shares of the other class may be excluded for holders of shares of one class, provided that the subscription ratio for the bond subscription is set at the same level for the holders of both share classes (exclusion of subscription rights to other share classes).

In addition, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right of shareholders to the bonds:

- For fractional amounts;
- Where necessary to grant to the holders or creditors of previously granted conversion or warrant rights on Company shares, or to the holders or creditors of bonds conferring conversion or warrant obligations, a subscription right to the extent to which they would be entitled as shareholders following exercise of these rights or settlement of the conversion or warrant obligations;
- Where bonds conferring conversion or warrant rights, or conferring conversion or warrant obligations, on new shares of preferred bearer stock are issued against cash contributions, and the issue price is not significantly below the theoretical market value of the bonds calculated in accordance with recognised mathematical methods. However, the shares of preferred stock to be issued to service the conversion and/or warrant rights, or conversion and/or warrant obligations thus conferred may not exceed a total of 10 percent of the capital stock, either at the time when the conversion takes effect or – if this figure is lower – at the date when this authorisation was used. The maximum volume stated in this paragraph for the shares of preferred stock to be issued to service the right and obligations is reduced by the proportionate amount of capital stock attributable to shares or to which the conversion or warrant rights, or conversion or warrant obligations, conferred by bonds refer, that have been issued or sold since May 22, 2014 upon direct, corresponding or analogous application of Section 186 (3) 4 AktG.

The issues of convertible bonds and/or warrant bonds may be divided into fractional bearer bonds each conferring equal rights.

Conversion rights, conversion obligations

In the event that bonds conferring conversion rights are issued, the holders or creditors may exchange their bonds for new bearer common shares and/or new non-voting bearer preferred shares of the Company in accordance with the bond terms and conditions. The proportionate share of capital stock of the shares to be issued upon conversion may not exceed the nominal amount of the bond or a lower issue price. The exchange ratio is calculated by dividing the nominal amount of a bond by the defined conversion price for one Company share. The exchange ratio may also be calculated by dividing the issue price of a bond that is lower than the nominal amount by the defined conversion price for one new Company share. The exchange ratio may be rounded to a conversion ratio with a full number and, if appropriate, an additional cash payment may be specified. Furthermore, it may be specified that fractional amounts are consolidated and/or compensated in cash.

The bond terms and conditions may also allow for a conversion obligation. In this instance, the previous paragraph is applicable analogously.

Warrant rights, warrant obligations

In the event that bonds conferring warrant rights are issued, one or more warrants are attached to each bond entitling the holder or creditor to acquire Company shares in accordance with the detailed warrant terms and conditions to be specified by the Executive Board. It may be specified that fractional amounts can be consolidated and/or compensated in cash. The warrant terms and conditions may also allow for the warrant price to be set by transferring fractional bonds and, if appropriate, making an additional cash payment. The proportionate share of capital stock of the shares to be acquired for each bond may not exceed the nominal amount of the warrant bond or an issue price that is less than the nominal amount. Where fractional amounts of shares arise, it may be specified that these fractional amounts can be consolidated to acquire whole shares in compliance with the warrant or bond terms and conditions, where necessary against additional payment.

The bond terms and conditions may also allow for a warrant obligation. In this instance, the previous paragraph is applicable analogously.

Right to offer alternative performance

The bond terms and conditions may include the right of the Company not to grant new no-par shares in the event that the conversion or warrant rights are exercised, but instead to make a cash payment corresponding to the arithmetic mean of the closing prices for preferred shares of the Company in electronic trading on the Frankfurt Stock Exchange over a period to be specified in the bond terms and conditions for the number of shares to be delivered otherwise. The bond terms and conditions may also allow for a bond conferring conversion rights or warrant rights or obligations to be converted into existing shares of the Company or a different listed company instead of new shares from a conditional capital increase, or the warrant rights or conversion rights or obligations to be satisfied by delivering such shares. The bond terms and conditions may also allow for a combination of the performance forms listed above.

The bond terms and conditions may also grant the Company the right to grant no-par shares of the Company or a different listed company to the holders or creditors, in part or in full, upon expiry of a bond conferring conversion rights or warrant rights or obligations (this also includes expiry due to termination), instead of paying the cash amount due.

Conversion/option price, dilution protection

With the exception of cases where a conversion or warrant obligation is envisaged, the conversion or option price to be established for a no-par share of the Company must in each case amount to at least 80% of the arithmetic mean of the closing prices for the preferred shares of the Company in electronic trading on the Frankfurt Stock Exchange on the last ten trading days prior to the date when the resolution was adopted by the Executive Board regarding the issuance of bonds conferring conversion or warrant rights or obligations. In the event that a subscription right is granted, the conversion or option price to be set in each case for a no-par share of the Company must be at least 80% of the arithmetic mean of the closing prices for the preferred shares of the Company in electronic trading on the Frankfurt Stock Exchange during the subscription period, with the exception of those days of the subscription period that are required to ensure that the conversion or option price can be announced in a timely manner in accordance with Section 186 (2) sentence 2 AktG. Section 9 (1) AktG and Section 199 AktG remain unaffected.

In the case of a conversion / option obligation, or in cases where alternative performance is offered, in accordance with the specific bond terms and conditions the conversion or option price must either amount to at least the minimum price mentioned above or correspond to the arithmetic mean of the closing prices for the preferred shares of the Company in electronic trading on the Frankfurt Stock Exchange on the ten trading days prior to the expiry date or a different defined date, even if this average price is below the minimum price mentioned above (80%). Section 9 (1) AktG and Section 199 AktG remain unaffected.

Notwithstanding Section 9 (1) AktG, the bond terms and conditions may contain dilution-protection clauses in the event that the Company increases the capital stock during the conversion or warrant period with a subscription right granted to its shareholders or issues further convertible bonds or warrant bonds or grants or guarantees other warrant rights, and no subscription right is granted to the holders of conversion or warrant rights to the extent to which they would be entitled following execution of the conversion or warrant rights or settlement of the conversion or option obligation, provided that the adjustment is not already required by law. The terms and conditions may allow for a value-protection adjustment of the conversion or option price for other measures taken by the Company that may lead to a dilution of the value of the conversion or warrant rights. In all circumstances, the proportionate share of capital stock of the shares to be acquired for each bond may not exceed the nominal amount of the bond or an issue amount that differs from the nominal amount, provided that Section 199 (2) AktG does not require otherwise.

Authorisation to specify the further terms and conditions of the bonds

The Executive Board is authorised, with the consent of the Supervisory Board, to specify the further details of the issuance and features of the bonds and their terms and conditions, notably including the interest rate, type of interest, issue price, maturity, denomination and conversion or warrant period, the specification of an additional cash payment, the compensation or consolidation of fractional amounts and cash payment instead of delivery. In the event of issuance by way of a (direct or indirect) majority-owned company, the Executive Board is additionally required to obtain the consent of the governing bodies of the majority-owned company issuing the bond.

Conditional Capital (not issued)

The capital stock is conditionally increased by up to EUR 12,480 thousand through the issuance of up to 4,800,000 new shares of common bearer stock qualifying for dividends from the beginning of the financial year in which they are issued (Conditional Capital 2014). The conditional capital increase serves to grant shares to the holders or creditors of convertible bonds and/or warrant bonds conferring conversion or warrant rights, and/or conversion or warrant obligations, issued or guaranteed by the Company or by way of a company majority-owned (directly or indirectly) by the Company in accordance with the authorisation resolved by the annual general meeting on May 22, 2014. New shares are issued at the conversion or option price established in the authorisation mentioned above. The conditional capital increase is only carried out when the conversion or warrant rights conferred by bonds are exercised or when the conversion or warrant obligations conferred by bonds are settled, and other performance forms are not used to service such rights or obligations. The Executive Board is authorised, with the consent of the Supervisory Board, to specify the further details of the execution of the conditional capital increase.

Treasury shares (own shares)

The extraordinary general meeting of July 20, 2015 authorised the Executive Board to purchase shares of common or preferred stock of the Company up until July 21, 2020 with a proportionate share of capital stock totalling up to EUR 2,496 thousand attributable to such shares, subject to the condition that not more than 10 percent of the Company's capital stock is attributable to the shares to be purchased on account of this authorisation, together with other Company shares which the Company has already acquired and still holds, or which are attributable to the Company in accordance with Section 71d and Section 71e AktG. Trading in treasury shares is not permitted. Furthermore, the conditions set forth in Section 71 (2) 2 and 3 AktG must be observed. The authorisation may be exercised in full or in part. The purchase may take place during the authorisation period on one date or different purchase dates, until the maximum purchase volume has been reached.

The purchase takes place in accordance with the principle of equal treatment (Section 53a AktG) by way of the stock exchange or by way of a public tender offer addressed to all holders of shares of common or preferred stock.

- Where the purchase is made on the stock exchange, the purchase price for each share of common or preferred stock (excluding transaction costs) may not be 10 percent more or less than the quoted price for the common or preferred shares in XETRA trading of Deutsche Börse AG (or a comparable successor system) determined in the opening auction on the day of purchase date. The last closing price is definitive instead if a quoted price is not determined for the shares of common or preferred stock in the opening auction on that day.
- Where the purchase is made by way of a public tender offer, the tender price (excluding transaction costs) may not be 10 percent more or less than the average quoted price for the common or preferred shares on the last three trading days prior to the tender publication date, determined on the basis of the arithmetic mean of the closing auction prices for the common or preferred shares in XETRA trading of Deutsche Börse AG (or a comparable successor system). The volume of the tender may be limited. Where the total number of shares tendered in response to a public tender offer exceeds its volume, the purchase may be made in proportion to the shares tendered (tender rate); in addition, the preferential acceptance of small packages of shares (up to 50 shares per shareholder) may be permitted as well as rounding in accordance with commercial principles in order to avoid any imputed fractional amounts of shares. Any further shareholder tendering right is excluded accordingly. The closing price is definitive instead if no quoted price is determined for the common or preferred shares in the closing auction on the last three trading days.

The Executive Board is authorised to use shares purchased on account of the authorisation described above for any and all purposes permitted by law. This notably includes:

- Selling treasury shares again in accordance with the principle of equal treatment (Section 53a AktG) through the stock exchange or offering them to the shareholders for acquisition on account of an offer addressed to all shareholders while maintaining the subscription right;
- Offering treasury shares to third parties within the framework of company mergers or the acquisition of companies, company divisions or participating interests in companies as consideration, in each case under exclusion of the purchase or subscription right of the shareholders;

– Using treasury shares to settle exchange or subscription rights conferred by convertible bonds and convertible profit-sharing rights and by warrant bonds and warrant profit-sharing rights or conversion obligations conferred by convertible bonds, under exclusion of the shareholders' purchase or subscription right in each case. All in all, a proportionate share of at most 10% of the capital stock may be attributable to the shares transferred on account of this authorisation, provided that the shares are used to settle exchange or subscription rights or conversion obligations issued or conferred by analogous application of Section 186 (3) sentence 4 AktG. This percentage threshold is reduced by the proportionate share of capital stock attributable to shares issued or sold during the period of this authorisation or on account of other authorisations at the time of use pursuant to or in accordance with Section 186 (3) sentence 4 AktG, under exclusion of the subscription right;
– Selling treasury shares against cash payment that is not significantly less than the quoted price for Company shares of the same class at the time of sale, under exclusion of the shareholders' purchase or subscription right in each case. This authorisation is, however, only valid on the condition that the imputed share of capital stock of the shares sold under exclusion of the subscription right in accordance with Section 186 (3) sentence 4 AktG may not exceed 10% of the capital stock in total; this percentage threshold is reduced by the proportionate share of capital stock attributable to shares issued during the period of this authorisation on account of other authorisations pursuant to or in accordance with Section 186 (3) sentence 4 AktG, under exclusion of the subscription right;
– Retiring treasury shares, without the retirement or the performance of the retirement requiring a further resolution from the general meeting. The retirement is carried out by way of a capital decrease in such a way that the capital stock remains unchanged and the imputed share of other shares in capital stock increases in accordance with Section 8 (3) AktG.

The authorisations listed above may be used once or more than once, individually or together, and regarding partial volumes of the treasury shares purchased.

The Executive Board of Berentzen-Gruppe Aktiengesellschaft had decided on July 21, 2015 to exercise the authorisation granted by the general meeting to purchase treasury shares in accordance with Section 71 (1) No. 8 AktG. and the Company's common shares and preferred shares up to a total maximum volume (excluding transaction costs) of EUR 1,500 thousand on the stock exchange. The share buyback programme ended on May 27, 2016. Berentzen-Gruppe Aktiengesellschaft purchased a total of 206,309 shares under the share buyback programme in the time from July 27, 2015 to and including May 27, 2016. This corresponds to an imputed share equal to EUR 536 thousand or 2.15% of the Company's capital stock.

With respect to the disclosures about the treasury shares of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 para. 1 no. 2 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.12), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2017, Note (2.8).

(6.8) Significant Company agreements subject to change-of-control provisions in the event of a takeover bid

Financing agreements

Berentzen-Gruppe Aktiengesellschaft is the borrower under a syndicated loan agreement concluded with a bank syndicate on December 21, 2016, with a current financing volume of EUR 25.5 million. Three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the syndicated loan agreement as guarantors with respect to the payment obligations under this agreement as part of a cross-guarantee system taking the form of a guarantor concept. According to the provisions of this financing agreement, the lending syndicate members are authorised – individually or collectively – and obligated if so directed by the majority of lenders to cancel the loan commitments under the syndicated loan agreement with immediate effect and to call in the borrowed funds and outstanding interest and costs for payment in the event of a change of control at Berentzen-Gruppe Aktiengesellschaft or one of the subsidiaries included as borrowers in the syndicated loan agreement upon such change or control and at any time thereafter. The syndicated loan agreement defines a change of control as a situation in which a total of more than 50% of capital shares or voting rights in Berentzen-

Gruppe Aktiengesellschaft is held directly or indirectly by one or more persons acting collectively (i.e. persons who coordinate their behaviour with respect to their purchase of capital shares or voting rights or their exercise of voting rights with the purchaser by virtue of an agreement or by other means), unless such persons already held such a majority at the time when the syndicated loan agreement was concluded. The same applies analogously to the subsidiaries of Berentzen-Gruppe Aktiengesellschaft that are included in the syndicated loan agreement as guarantors.

Until the beginning of the 2017 financial year, Berentzen-Gruppe Aktiengesellschaft was also the borrower under a working capital agreement with a financing volume of EUR 2.5 million. The relevant terms and conditions allowed for the creditor to terminate the working capital agreement without notice and with immediate effect in the event that a change of control occurs at the borrower during the term of the agreement, causing the risk situation to deteriorate from the point of view of the creditor, and subject to the further condition that negotiations with the creditor do not lead to agreement on continuing the credit arrangement within four weeks of occurrence of the change of control. A change of control at the borrower was deemed to occur when a different shareholder assumes or acquires at least 50% of the voting rights in the borrower. In this context, voting rights were attributed in accordance with Section 30 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG). This working capital line of credit was annulled in the course of concluding the syndicated loan agreement, with effect as of January 27, 2017.

Berentzen-Gruppe Aktiengesellschaft is also party to a framework agreement regarding a credit guarantee with a financing volume of EUR 0.5 million serving to provide security for spirits tax payable as required by the relevant statutes. This includes an agreement that changes in the shareholder structure of Berentzen-Gruppe Aktiengesellschaft of more than five percent fundamentally constitute an extraordinary termination right for the finance provider.

The exercise of these termination rights could have a negative effect on the financing of the Berentzen Group’s ongoing business activities, at least temporarily.

Distribution agreements

Furthermore, Berentzen-Gruppe Aktiengesellschaft has concluded contractual agreements with a number of domestic and international distributors regarding the distribution of branded spirits outside of Germany. These distribution agreements similarly include mutual agreements that permit the other contracting party in each case to invoke the extraordinary termination of the distribution agreement in question in the event of a change of control (change-of-control clauses). In the basic form of the agreements, a change of control is defined as a change in the participating or controlling interests in the other contractual party or any contractual party with a direct holding or controlling interest in this second contractual party. In this context, "control" describes the authority conferred by a contract, a participating interest or other principle to assume the executive management of a different party. Internal restructurings are not classified as a change of control. As this basic form may be the subject of individual negotiations between the contractual parties, agreements deviating from this may be reached in individual instances.

In the event that these termination rights are exercised, the distribution of proprietary branded spirits of the Berentzen Group outside Germany could be impaired, at least temporarily. This in turn could have a negative effect on the financial performance, cash flows and financial position of the corporate group.

Agreements with members of the Executive Board

Under the service agreements concluded by Berentzen-Gruppe Aktiengesellschaft with the members of the Executive Board, the members of the Executive Board have a special termination right they can invoke under conditions defined more closely in the respective service agreements in the event of transformation or restructuring measures at Berentzen-Gruppe Aktiengesellschaft. The serving members of the Executive Board have also been granted the option of a special termination right for the employment relationship in the event of a change of control at Berentzen-Gruppe Aktiengesellschaft.

Where the employment relationship ends as a result of such a special termination right, each member of the Executive Board is entitled to a severance payment; please refer to the comments regarding the components of the compensation system for the Executive Board in the Compensation Report under section (3.1) for further details in this regard. Furthermore, the exercise of such special termination rights could have a negative effect on the business performance of the Berentzen Group, at least temporarily.

Other agreements

Some subsidiaries of Berentzen-Gruppe Aktiengesellschaft have similarly concluded significant agreements, including financing and distribution agreements, a franchise agreement and a services agreement regarding the bottling of franchised branded products, which also include change-of-control clauses that fundamentally grant an extraordinary termination right to the other contractual party in such a case, even if the precise terms differ in each individual case. A change of control within the meaning of these agreements is defined in some cases not only as a direct but also an indirect change to the participating or controlling interest in the subsidiaries that are party to the respective agreement that may occur as a result of a change in the participating or controlling interests in Berentzen-Gruppe Aktiengesellschaft.

(6.9) Compensation agreements made by the Company with the members of the Executive Board or employees in the event of a takeover bid

Members of the Executive Board

The service agreements concluded with the serving members of the Executive Board contain provisions conferring a special termination right which the members of the Executive Board can exercise in the event of a takeover bid or a change of control at Berentzen-Gruppe Aktiengesellschaft, among other things. In the event that the special termination right is exercised, the affected member of the Executive Board will be entitled to a severance payment; again, please refer to the comments regarding the components of the compensation system for the Executive Board in the Compensation Report under section (3.1) for further details.

Employees

Berentzen-Gruppe Aktiengesellschaft has not entered into any compensation agreements with its employees in the event of a takeover bid.

(7) Berentzen-Gruppe Aktiengesellschaft (explanatory notes on the basis of HGB)

Berentzen-Gruppe Aktiengesellschaft (the "Company") based in Haselünne, Germany, is the parent company of the Berentzen Group. Unlike the consolidated financial statements of the Berentzen Group, which are prepared in accordance with the International Financial Reporting Standards (IFRS), the separate financial statements are prepared in accordance with German commercial law as embodied in the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG).

(7.1) Basic facts about the Company

The business activities of Berentzen-Gruppe Aktiengesellschaft essentially comprise the production of spirits, which from the corporate point of view are managed in the *Spirits* and *Other segments*. In addition, the Company performs management and central functions for the Berentzen Group by carrying out significant overarching activities for the domestic subsidiaries and the corporate group. The centrally pooled and managed functions notably include the strategy of the corporate group, corporate communications including capital market reporting, financial management, finance and accounting, human resources, IT, internal support for legal and tax affairs, and corporate compliance.

The Company produces its spirits at the Minden facility in Germany and at the Berentzen Hof distillery in Haselünne. In addition, the Company's logistics centre for the distribution of spirits, which is operated by an external service provider, is located in Stadthagen, Germany.

Furthermore, Berentzen-Gruppe Aktiengesellschaft directly and indirectly holds participating interests in more than 20 domestic and international subsidiaries; there are no minority stakes. Against this backdrop, the management and central functions influence the performance of the Company alongside the commercial operations. Accordingly, the key items are the costs for services performed passed on to the subsidiaries and the financial result and result from participating interests resulting from the holding function performed by Berentzen-Gruppe Aktiengesellschaft.

At December 31, 2017, Berentzen-Gruppe Aktiengesellschaft employed 214 (208) people (including apprentices), at three facilities, including 103 (100) at the Haselünne facility, 106 (103) at the Minden facility, and 5 (5) at the Stadthagen facility.

The capital stock of Berentzen-Gruppe Aktiengesellschaft in the amount of EUR 24,960 thousand (previous year: EUR 24,960 thousand) is divided into 9,600,000 shares of common stock (previous year: 9,600,000 shares of common stock), which are structured as no-par bearer shares and are fully paid in. The imputed nominal value per share is EUR 2.60. All common shares of Berentzen-Gruppe Aktiengesellschaft are listed on the regulated market (General Standard) of the Frankfurt Stock Exchange under the International Securities Identification Number (ISIN) DE0005201602. As of December 31, 2017, there were 9,393,691 (previous year: (previous year: 9,393,691) common shares in issue, Berentzen-Gruppe Aktiengesellschaft having purchased a total of 206,309 treasury shares in the 2015 and 2016 financial years.

As a publicly traded company governed by the law of a member state of the European Union (EU), Berentzen-Gruppe Aktiengesellschaft is required by Article 4 of Regulation (EC) No. 1606/2002 to prepare its consolidated financial statements in accordance with IFRS and the applicable further provisions of commercial law specified in Section 315e (1) of the German Commercial Code (HGB). Accordingly, the management of the corporate group takes place on this basis and exclusively at corporate level. The income-related performance indicators for Berentzen-Gruppe Aktiengesellschaft encompass those of the Spirits and Other segments. For further information in this regard, please refer to the comments in the Combined Management Report in sections (2), (4) and (5): the Economic report, the Report on opportunities and risks, and the Forecast report. On account of the significance of Berentzen-Gruppe Aktiengesellschaft for the corporate group, please similarly refer to the relevant comments relating to the corporate group in the Combined Management Report regarding cash flow and financial position indicators, as there are no key financial performance indicators in this regard that relate exclusively to Berentzen-Gruppe Aktiengesellschaft.

Further information notably regarding the organisation and principles underlying Berentzen-Gruppe Aktiengesellschaft and the commercial activities of the Company and its subsidiaries is presented in section (1), Underlying principles of the corporate group, in the Combined Management Report.

(7.2) Economic report

(7.2.1) Economic conditions and business performance

The general economic conditions for Berentzen-Gruppe Aktiengesellschaft and its subsidiaries together with the key developments and events affecting their performance are presented in the Economic report for the corporate group as described in section (2.1), General economic and industry-specific conditions, and section (2.2.3), Business performance – Significant developments and events, in the Combined Management Report. In particular, the comments regarding the Spirits and Other segments of the corporate group are applicable.

(7.2.2) Financial performance

In the table below, certain non-recurring items (exceptional effects) have been eliminated from individual items in the Income Statement in line with the definition of the normalised operating result or EBIT (earnings before interest and taxes) used as a key indicator for managing the corporate group.

	2017		2016		Change	
	EUR '000	%	EUR '000	%	EUR '000	%
Revenues	**101,686**	**98.1**	**101,579**	**97.4**	**+ 107**	**+ 0.1**
Change in inventories	2,021	1.9	2,701	2.6	- 680	- 25.2
Total operating performance	**103,707**	**100.0**	**104,280**	**100.0**	**- 573**	**- 0.5**
Purchased goods and services	55,172	53.2	56,138	53.8	- 966	- 1.7
Gross profit	**48,535**	**46.8**	**48,142**	**46.2**	**+ 393**	**+ 0.8**
Other operating income	3,924	3.8	1,811	1.7	+ 2,113	> + 100.0
Operating expenses	39,745	38.3	40,793	39.1	- 1,048	- 2.6
Operating result (EBIT)	**12,714**	**12.3**	**9,160**	**8.8**	**+ 3,554**	**+ 38.8**
Other taxes	65	0.1	49	0.0	+ 16	+ 32.7
Financial result and result from participating interests	- 7,331	- 7.1	- 4,465	- 4.3	- 2,866	+ 64.2
Profit before income taxes	**5,318**	**5.1**	**4,646**	**4.5**	**+ 672**	**+ 14.5**
Income tax expenses	2,314	2.2	1,621	1.6	+ 693	+ 42.8
Net profit for the year	**3,004**	**2.9**	**3,025**	**2.9**	**- 21**	**- 0.7**

Revenues and total operating performance

The revenues of Berentzen-Gruppe Aktiengesellschaft without alcohol tax totalled EUR 101.7 million (EUR 101.6 million) in the 2017 financial year; the revenues including alcohol tax amounted to EUR 314.1 million (EUR 316.2 million). Including the change in inventories of EUR 2.0 million (EUR 2.7 million), the total operating performance came to EUR 103.7 million (EUR 104.3 million).

Purchased goods and services

The goods and services purchased by the Berentzen Group relate mainly to the inputs of rectified spirit and distillates, sugar and sugar-containing preliminary products for the production of spirits, and glass bottles, packaging and other materials for product features. Against the backdrop of the lower total operating performance, purchased goods and services also declined to EUR 55.2 million (EUR 56.1 million) in absolute terms in the in the 2017 financial year and the ratio of purchased goods and services to the total operating performance was lowered to 53.2% (53.8%). Within this overall picture, the sourcing markets for the raw materials relevant to Berentzen-Gruppe Aktiengesellschaft developed unevenly. Whereas it was necessary to absorb significant price increases for some raw materials, the recovery of the euro against the US dollar led to a modest reduction of the cost of whiskey purchases. In addition, sales-related changes in the product and customer mix are reflected in the improved gross profit margin.

Other operating income

At EUR 3.9 million (EUR 1.8 million), other operating income in the 2017 financial year was considerably higher than the previous-year figure and mainly consisted of income from charged-off receivables from affiliated companies in the amount of EUR 2.3 million (EUR 0 million) and income from the reversal of provisions in the amount of EUR 0.9 million (EUR 0.8 million).

Operating expenses

The total operating expenses including depreciation, amortisation and impairments came to EUR 39.7 million (EUR 40.8 million) and were therefore 2.6% less than the previous-year figure.

Personnel expenses declined by EUR 0.3 million to EUR 11.7 million (EUR 12.0 million) and the personnel expenses ratio improved to 11.3% (11.5%), mainly due to compensation changes related to qualifications and performance. As of December 31, 2017, Berentzen-Gruppe Aktiengesellschaft had 214 (208) employees, of whom 72 (69) worked in production activities and 126 (121) in commercial and administrative activities; 16 (18) apprentices were in vocational training. The Company had an average of 174 (172) full-time equivalents in the 2017 financial year.

Depreciation and amortisation amounted to EUR 1.9 million in the 2017 financial year (EUR 2.0 million); both depreciation of property, plant and equipment and amortisation of intangible assets were modestly lower than the respective previous-year figures.

Other operating expenses fell to EUR 26.1 million (EUR 26.8 million). Both the marketing and trade advertising expenses of EUR 11.8 million (EUR 11.6 million) and the transport and selling expenses of EUR 8.9 million (EUR 8.9 million) were little changed from the respective previous-year figures. Specific other overhead costs exhibited a mixed development but the total amount of EUR 5.4 million was considerably lower than the previous-year figure (EUR 6.3 million).

Financial result and result from participating interests

The net balance of the financial result and the result from participating interests was an expense of EUR 7.3 million (EUR 4.5 million).

The result from participating interests and income under profit-and-loss transfer agreements with affiliated companies amounted to EUR 1.5 million (EUR 2.0 million). This relates almost exclusively to a dividend payment by the Austria-based subsidiary T M P Technic-Marketing-Products GmbH.

Impairments of non-current financial assets totalled EUR 4.6 million (EUR 2.4 million) and consisted of impairments of the book values of two affiliated companies in the 2017 financial year. The impairments were attributable in part to the liquidation of a Czech subsidiary and were related in part to the performance of the Turkish subsidiary influenced notably by a deterioration of the market and currency environment, as in the previous year. The expenses from losses assumed rose to EUR 0.9 million (EUR 0.6 million) and resulted from losses assumed from subsidiaries with which profit-and-loss transfer agreements are in place. The income from loans of non-current financial assets, which is generated with affiliated companies, fell to EUR 0.2 million (EUR 0.4 million).

Of the total interest expenses of EUR 3.6 million (EUR 4.0 million), an amount of EUR 2.6 million (EUR 3.3 million) related to the Berentzen 12/17 bond that was redeemed in October 2017; in addition, interest expenses were incurred in connection with the syndicated loan agreement concluded in December 2016. In total, the interest expenses for the debt instruments with variable interest components used by the Company were modestly higher than the previous-year figure, amid an environment of persistently low market interest rates.

Income tax expenses

Current income tax expenses totalled EUR 2.1 million (EUR 1.5 million) in the 2017 financial year, notably on account of the profit recorded for the year. This essentially results from trade tax and corporate income tax for the 2017 financial year and supplemental tax payments resulting from a tax audit of the years 2012 and 2013. Effects arising from the recognition of deferred tax assets and liabilities arising from temporary differences between the commercial and tax balance sheets amounted to EUR 0.2 million (EUR 0.1 million).

Operating result and net profit for the year

At EUR 12.7 million, the operating result generated in the 2017 financial year was 38.8% higher than the previous-year figure. The main factors contributing to this result included the higher gross profit resulting from the higher revenues and the improved purchased goods and services ratio, as well as income from charged-off receivables from affiliated companies. By comparison, operating expenses declined by 2.6%. After a negative financial result and result from participating interests in the amount of EUR 7.3 million (EUR 4.5 million) and income taxes of EUR 2.3 million (EUR 1.6 million), Berentzen-Gruppe Aktiengesellschaft generated a net profit for the year of EUR 3.0 million (EUR 3.0 million), on the level of the previous year.

Executive Board’s proposal for the utilisation of profit

The distributable profit of Berentzen-Gruppe Aktiengesellschaft in the 2017 financial year amounts to EUR 6.2 million (EUR 5.5 million). This total includes the remaining profit carry-forward from the previous year in the amount of EUR 3.2 million (EUR 2.7 million).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft will propose to the annual general meeting that the distributable profit for the 2017 financial year of EUR 6.2 million be used to pay a dividend of EUR 0,22 per common share eligible for dividends for the 2017 financial year, with any remaining amount carried forward to new account. Taking into account the treasury shares not eligible for dividends held by the Company on the day of the annual general meeting in accordance with Section 71b AktG, this corresponds to an anticipated pay-out totalling around EUR 2.1 million and an amount of EUR 4.1 million carried forward to new account. The payment of this dividend is dependent upon the approval of the annual general meeting on May 3, 2018. The number of shares eligible for dividends may change in the time leading up to the annual general meeting. In this case, the dividend will remain unchanged at EUR 0.22 per eligible common share and an adjusted draft resolution for the utilisation of profit will be presented to the annual general meeting.

(7.2.3) Cash flows

Funding structure

In its role as parent company of the Berentzen Group, Berentzen-Gruppe Aktiengesellschaft acts as the central source of funding for the affiliated companies. The overall funding of the Berentzen Group at the end of the 2017 financial year is described in detail in section (2.2.5), Cash flows, of the Economic report for the corporate group.

Cash Flow Statement for the period from January 1 to December 31, 2017

The following abridged Cash Flow Statement shows the development of liquidity in the Company. The Cash Flow Statement is based on a definition of cash and cash equivalents that encompasses the balance of liquid assets less bank liabilities due without notice.

Cash and cash equivalents include the current account maintained with a bank that is used to settle a factoring agreement, which contains the cash available at all times from this factoring agreement (“customer settlement account”). The receivables from the customer settlement account have different characteristics from usual current account receivables from banks, notably with regard to interest.

	2017 EUR '000	2016 EUR '000
Operating cash flow	9,513	7,377
Cash flow from operating activities	15,919	16,313
Cash flow from investing activities	- 3,555	- 2,155
Cash flow from financing activities	- 44,848	- 2,206
Change in cash and cash equivalents	**- 32,484**	**11,952**
Cash and cash equivalents at the end of the period	**8,978**	**41,462**

Operating cash flow and cash flow from operating activities

The operating cash flow remained positive at EUR 9.5 million (EUR 7.4 million) in the 2017 financial year, on the back of a profit for the year of EUR 3.0 million (EUR 3.0 million).

The cash flow from operating activities also includes cash movements in working capital. All in all, this gave rise to a net cash inflow of EUR 15.9 million (EUR 16.3 million) in the 2017 financial year. Cash movements in current assets, some of which relate to the reporting date and revenues, as well as notably a cash- and scheduling-related decrease in the amounts receivable from affiliated companies, led to a net cash inflow of EUR 8.7 million (EUR 5.3 million). The alcohol tax liability of EUR 43.3 million was EUR 1.1 million less than the EUR 44.4 million owed at the previous-year reporting date, whereas this amount had been EUR 0.1 million higher than the corresponding previous-year figure in the 2016 financial year. All in all, the change in provisions and other liabilities gave rise to a cash outflow of EUR 2.3 million, as compared to a cash inflow of EUR 3.7 million in the previous year.

Cash flow from investing activities

Investing activities led to a net cash outflow of EUR 3.6 million (EUR 2.2 million). The investments in property, plant and equipment totalled EUR 1.3 million (EUR 2.0 million), and were offset by proceeds from the disposal of items of property, plant and equipment of less than EUR 0.1 million (EUR 0.0 million). The investments in non-current financial assets amounted to EUR 2.3 million (EUR 1.2 million). In the 2017 financial year and in the previous year, these investments related exclusively to the funding of an additional paid-in capital reserve for a domestic subsidiary. The liquidation of a foreign subsidiary gave rise to cash inflows of less than EUR 0.1 million from the disposal of non-current financial assets in the 2017 financial year. In the previous year, moreover, cash inflows from the disposal of non-current financial assets were generated from the repayment of loans to affiliated companies in the amount of EUR 1.1 million.

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 44.8 million (EUR 2.2 million), which resulted from cash outflows related to the redemption of the Berentzen 12/17 bond in the amount of EUR 50.0 million (EUR 0.0 million), cash inflows from drawdowns under the syndicated loan agreement in the amount of EUR 7.5 million (EUR 0.0 million), and the dividend payment in the amount of EUR 2.3 million (EUR 1.9 million). In the previous year, this item also included EUR 0.3 million in payments from the share buy-back programme of Berentzen-Gruppe Aktiengesellschaft that was initiated in July 2015 and ended in May 2016.

Cash and cash equivalents

Cash and cash equivalents totalled EUR 9.0 million (EUR 41.5 million), at year-end, of which EUR 6.5 million (EUR 8.7 million) related to receivables from the customer settlement account maintained with a bank that is used for settlement under a factoring agreement.

(7.2.4) Financial position

	12/31/2017		12/31/2016		Change
	EUR '000	%	EUR '000	%	EUR '000
Assets					
Non-current assets	54,914	42.4	57,865	33.3	- 2,951
Current assets	74,481	57.5	115,639	66.6	- 41,158
Other assets	126	0.1	139	0.1	- 13
	129,521	**100.0**	**173,643**	**100.0**	**- 44,122**
Shareholders' equity and liabilities					
Shareholders' equity	46,667	36.0	46,011	26.5	+ 656
Non-current liabilities	10,608	8.2	3,235	1.9	+ 7,373
Current liabilities	72,246	55.8	124,394	71.6	- 52,148
Other items of shareholders' equity and liabilities	0	0.0	3	0.0	- 3
	129,521	**100.0**	**173,643**	**100.0**	**- 44,122**

Assets

Total assets declined to EUR 129.5 million compared with December 31, 2016 (EUR 173.6 million). Non-current assets amounted to EUR 54.9 million (EUR 57.9 million), accounting for around 42.4% (33.3%) of total assets.

Non-current assets

Alongside property, plant and equipment such as property, technical equipment and machinery, plant and office equipment, which accounts for EUR 20.9 million (EUR 21.5 million) of non-current assets, a further EUR 33.7 million (EUR 36.1 million) related to non-current financial assets, primarily including shares in affiliated companies in the amount of EUR 28.3 million (EUR 30.7 million) and loans of EUR 5.4 million (EUR 5.4 million) used to ensure the long-term funding of affiliated companies. Intangible assets consisting mainly of software licences make up a further EUR 0.3 million (EUR 0.2 million) of total non-current assets. Berentzen-Gruppe Aktiengesellschaft has increased EUR 3.7 million (EUR 3.3 million) in non-current assets in the past financial year.

Current assets

Receivables and other assets, which declined nominally by EUR 9.4 million, from EUR 44.6 million to EUR 35.2 million, mainly due to the change in receivables from affiliated companies resulting from cash and liquidity management effects, accounted for 47.3% (38.6%) of the total current assets of EUR 74.5 million (EUR 115.6 million). Inventories rose to EUR 30.3 million (EUR 29.5 million), mainly due to higher inventories of unprocessed and processed whiskey.

The cash and cash equivalents of EUR 9.0 million (EUR 41.5 million) decreased as a result of the negative cash flow totalling EUR 32.5 million, which is mainly attributable to the redemption of the Berentzen 12/17 bond in the amount of EUR 50.0 million, as described in section (7.2.3) Cash flows.

Shareholders' equity and liabilities

Shareholders' equity

Shareholders' equity rose to EUR 46.7 million (EUR 46.0 million). This figure is based on the net profit for the year of around EUR 3.0 million (EUR 3.0 million) and includes the dividend payment of EUR 2.3 million (EUR 1.9 million) resolved by the annual general meeting in May 2017.

Non-current liabilities and provisions

An amount of EUR 10.6 million (EUR 3.2 million) was available to the Company in the form of non-current liabilities and provisions, which mainly consisted of liabilities under the syndicated loan agreement in the amount of EUR 7.5 million (EUR 0.0 million) and pension provisions in the amount of EUR 2.6 million (EUR 2.6 million).

Current liabilities and provisions

Current liabilities and provisions declined in absolute terms to EUR 72.2 million (EUR 124.4 million), particularly due to the redemption of the Berentzen bond 12/17 in October 2017, and accounted for 55.8% (71.6%) of total assets.

Alcohol tax liabilities amounted to EUR 43.3 million (EUR 44.4 million). This figure represents the alcohol tax liabilities for the last two months of the financial year.

Other liabilities and other current provisions together declined to EUR 28.0 million (EUR 29.3 million).

(7.2.5) General statement about the business performance and economic position

Business performance

With an expanded business volume overall, the business performance of Berentzen-Gruppe Aktiengesellschaft proved healthy as a whole.

Although unit sales of the two core brands *Berentzen* and *Puschkin* together increased by 5.7% over the previous-year figure, modest unit sales declines were registered for domestic spirits, including branded spirits, branded dealer and private-label products. Foreign sales of branded spirits exhibited a positive development.

Please refer to the comments on the Spirits and Other segments in the Economic report in section (2.2.3) of the Combined Management Report for further details.

Economic situation

The Company’s economic situation is satisfactory overall in light of the financial performance.

Despite modest unit sales declines in the spirits business, revenues were slightly higher so that Berentzen-Gruppe Aktiengesellschaft completed the 2017 financial year with an operating profit of EUR 12.7 million (EUR 9.2 million), reflecting an increase of 38.8% over the previous year, on the back of further improved profitability. This development was mainly caused by optimisations of the product and customer mix and income from charged-off receivables from affiliated companies in the amount of EUR 2.3 million. By contrast, the financial result and result from participating interests were lower than the respective previous-year figures. Aside from lower investment income, impairments were recognised in non-current assets in the total amount of EUR 4.6 million (EUR 2.4 million) in the 2017 financial year, mainly due to the performance of the Turkish subsidiary that was negatively affected by the adverse development of the market environment. After these effects, the net profit for the year totalled EUR 3.0 million (EUR 3.0 million).

For more information about the Company’s continued positive and solid cash flows and financial position, please refer to the presentation for the corporate group in the Economic Report in section (2.2.5) and (2.2.6) of the Combined Management Report.

(7.3) Report on risks and opportunities

The business performance of Berentzen-Gruppe Aktiengesellschaft is basically subject to the same risks and opportunities as the corporate group. These risks and opportunities are described in section (4) of the Combined Management Report. Whereas various individual risks directly affect, and opportunities are created for the parent company itself in the operating activities of the parent company – which correspond to those of the corporate group in the *Spirits* and *Other segments* – or the managerial and corporate functions exercised by the parent company, Berentzen-Gruppe Aktiengesellschaft itself fundamentally participates in the risks and opportunities of its subsidiaries, directly or indirectly, in proportion to its shareholdings in the subsidiaries.

As the parent company of the corporate group, moreover, Berentzen-Gruppe Aktiengesellschaft is integrated into the group-wide risk management system, which is summarised in section (4.1) of the report on risks and opportunities.

The financial reporting-related internal control system of Berentzen-Gruppe Aktiengesellschaft is described in the explanatory notes to the financial reporting-related internal control and risk management system in section (4.5) of the report on risks and opportunities.

(7.4) Forecast report

The expectations for Berentzen-Gruppe Aktiengesellschaft are basically reflected in the expectations for the corporate group by reason of its position and weight within the corporate group. The financial position, cash flows and financial performance of the parent company are dependent both on its own business performance, particularly including its operating business involving the production and distribution of spirits, and on the business performance and dividends of the subsidiaries or the shares of profit attributable to the parent company.

Based on the forecast development of the corporate group in the 2018 financial year, it is expected that Berentzen-Gruppe Aktiengesellschaft will generate a profit of a sufficient amount to pay a dividend of an appropriate amount from the corresponding distributable profit also in the 2018 financial year.

Please refer to the Forecast Report in section (5) of the Combined Management Report for further explanations of the key operating topics in the 2018 financial year and for the general statement about the anticipated performance of the corporate group.

(8) Management Statement and Corporate Governance Report

The Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code (HGB) and the Group Management Statement pursuant to Section 315d HGB are components of the combined management report. These documents, as well as the Corporate Governance Report under No. 3.10 of the German Corporate Governance Code (DCGK), have been published on the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berenzten-gruppe.de/en.

C. Consolidated Financial Statements

Consolidated Statement of Financial Position at December 31, 2017

	Note	12/31/2017 EUR '000	12/31/2016 EUR '000
ASSETS			
Non-current assets	(2.1)		
Intangible assets	(2.2)	12,682	13,429
Property, plant and equipment	(2.3)	46,199	45,260
Investment property	(2.4)	760	776
Other financial assets	(2.5)	684	682
Deferred tax assets	(2.6)	0	159
Total non-current assets		**60,325**	**60,306**
Current assets			
Inventories	(2.7)	37,001	35,610
Current trade receivables	(2.8)	13,775	14,938
Current income tax assets	(2.9)	634	174
Cash and cash equivalents	(2.10)	19,397	67,655
Other current financial and non-financial assets	(2.11)	12,313	10,530
Total current assets		**83,120**	**128,907**
TOTAL ASSETS		**143,445**	**189,213**

	Note	12/31/2017 EUR '000	12/31/2016 EUR '000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(2.12)		
Subscribed capital		24,424	24,424
Additional paid-in capital		6,821	6,821
Retained earnings		13,344	13,982
Total shareholders' equity		**44,589**	**45,227**
Non-current liabilities			
Non-current provisions	(2.13)	10,992	11,718
Non-current financial liabilities	(2.14)	7,068	0
Deferred tax liabilities	(2.6)	1,924	1,921
Total non-current liabilities		**19,984**	**13,639**
Current liabilities			
Alcohol tax liabilities	(2.15)	43,312	44,394
Current provisions	(2.16)	80	80
Current income tax liabilities	(2.17)	2,078	1,033
Current financial liabilities	(2.18)	1,669	51,069
Trade payables and other liabilities	(2.19)	31,733	33,771
Total current liabilities		**78,872**	**130,347**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**143,445**	**189,213**

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2017

	Note	2017 EUR '000	2016 EUR '000
Revenues	(3.1)	172,125	170,025
Change in inventories	(3.2)	2,076	2,701
Other operating income	(3.3)	5,158	4,402
Purchased goods and services	(3.4)	93,090	91,676
Personnel expenses	(3.5)	24,019	23,892
Amortisation and depreciation of assets	(3.6)	7,187	6,842
Impairments/ write-ups	(3.7)	427	132
Other operating expenses	(3.8)	45,842	44,048
Financial income	(3.9)	51	64
Financial expenses	(3.9)	3,608	4,133
Earnings before income taxes		**5,237**	**6,469**
Income tax expenses	(2.6)	2,675	2,023
Consolidated profit		**2,562**	**4,446**
Currency translation differences		- 784	- 536
Items to be reclassified to the income statement at a later date		**- 784**	**- 536**
Revaluation of defined benefit obligations		- 96	- 384
Deferred taxes on revaluation of defined benefit obligations		28	113
Items not to be reclassified to the income statement at a later date		**- 68**	**- 271**
Other comprehensive income	(2.12)	**- 852**	**- 807**
Consolidated comprehensive income		**1,710**	**3,639**
Earnings per share based on profit, attributable to shareholders (in euros per share)			
Basic/ diluted earnings per common share	(3.11)	0.273	0.473

Consolidated Statement of Changes in Shareholders’ Equity for the period from 1 January to 31 December 2017

	Subscribed capital EUR '000	Additional paid-in capital EUR '000	Retained earnings EUR '000	Total equity EUR '000
Balance at 01/01/2016	**24,555**	**6,821**	**12,418**	**43,794**
Consolidated profit			4,446	4,446
Other comprehensive income			- 807	- 807
Consolidated comprehensive income			3,639	3,639
Dividends paid			- 1,880	- 1,880
Purchased treasury shares	- 131		- 195	- 326
Balance at 12/31/2016	**24,424**	**6,821**	**13,982**	**45,227**
Balance at 01/01/2017	**24,424**	**6,821**	**13,982**	**45,227**
Consolidated profit			2,562	2,562
Other comprehensive income			- 852	- 852
Consolidated comprehensive income			1,710	1,710
Dividends paid			- 2,348	- 2,348
Balance at 12/31/2017	**24,424**	**6,821**	**13,344**	**44,589**

See Note (2.12) for additional information about consolidated shareholders’ equity.

Consolidated Cash Flow Statement for the period from 1 January to 31 December 2017

	2017 EUR '000	2016 EUR '000
Consolidated profit	2,562	4,446
Income tax expenses	2,675	2,023
Interest income	- 51	- 64
Interest expenses	3,608	4,130
Amortisation and depreciation of assets	7,187	6,842
Impairments / write-ups of assets	427	132
Other non-cash effects	- 861	- 1,006
Increase (+) / decrease (-) in provisions	- 726	- 232
Gains (-) / losses (+) on disposals of property, plant and equipment	- 5	- 15
Increase (+) / decrease (-) in receivables assigned under factoring agreements	3,006	- 5,758
Decrease (+) / increase (-) in other assets	- 5,037	673
Increase (+) / decrease (-) in alcohol tax liabilities	- 1,082	136
Increase (+) / decrease (-) in other liabilities	- 2,261	6,345
Cash and cash equivalents generated from operating activities	**9,442**	**17,652**
Income taxes paid	- 1,908	- 1,445
Interest received	49	70
Interest paid	- 3,464	- 3,954
Cash flow from operating activities	**4,119**	**12,323**
Proceeds from disposals of intangible assets	34	142
Payments for investments in intangible assets	- 552	- 423
Proceeds from disposals of property, plant and equipment	346	95
Payments for investments in property, plant and equipment	- 7,613	- 5,998
Proceeds from disposals of financial assets	18	18
Cash flow from investing activities	**- 7,767**	**- 6,166**
Cash inflows from the utilization of loan agreements	7,500	0
Repayment of Bonds	- 154	0
Payments related to the issuance of bonds	- 50,000	- 5
Dividend payments	- 2,348	- 1,880
Payments for the purchase of treasury shares	0	- 328
Cash flow from financing activities	**- 45,002**	**- 2,213**
Change in cash and cash equivalents	**- 48,650**	**3,944**
Cash and cash equivalents at the start of the period	67,084	63,140
Cash and cash equivalents at the end of the period	**18,434**	**67,084**

For the definition of cash and cash equivalents, and their composition at the end of the period, see Note (2.10).

For the explanatory notes to the Cash Flow Statement, see Note (4.1).

Notes to the Consolidated Financial Statements of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year

(1) Policies and methods

(1.1) Information about the Company

Berentzen-Gruppe Aktiengesellschaft, (the "Company"), Haselünne, is a stock corporation (Aktiengesellschaft) organised under German law. The Company's registered head office is in Ritterstraße 7, 49740 Haselünne, Germany, and the Company is registered in the Commercial Register maintained by Osnabrück Local Court (record HRB 120444). The business activities of Berentzen-Gruppe Aktiengesellschaft and its affiliated companies comprise the production and distribution of spirits and non-alcoholic beverages and the development and distribution of fresh juice systems.

(1.2) Explanatory notes to the policies and methods applied in the preparation of the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft in accordance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee as applicable in the European Union (EU). All pronouncements of the International Accounting Standards Board (IASB) that are subject to mandatory application have been taken into account, leading to a true and fair view of the financial position, cash flows and financial performance of Berentzen-Gruppe Aktiengesellschaft. The consolidated financial statements comply with the European Union directive regarding consolidated accounts (Directive 83/349/EEC). As a publicly traded company governed by the law of a member state of the European Union (EU), Berentzen-Gruppe Aktiengesellschaft is required by Article 4 of Regulation (EC) No. 1606/2002 to prepare and publish its consolidated financial statements in accordance with IFRS and the applicable further provisions of commercial law specified in Section 315e (1) of the German Commercial Code (HGB).

The consolidated financial statements have been prepared in euros (EUR). All amounts are shown in thousands of euros (EUR'000). The consolidated financial statements are prepared in accordance with the consolidation, recognition and measurement methods described below. The cost summary format has been chosen for the presentation of the Statement of Comprehensive Income.

In order to improve the clarity and informative value of the financial statements, individual items have been grouped together in the Statement of Comprehensive Income and the Statement of Financial Position. These items are shown and explained separately in the notes to the consolidated financial statements. Estimates are required to prepare consolidated financial statements in accordance with IFRS. Furthermore, the application of uniform recognition and measurement methods requires the Management to make judgements. Areas with greater scope for such judgements, for which assumptions and estimates are of significance for the consolidated financial statements, are listed in Note (1.7), "Assumptions and estimates".

The Executive Board approved the present consolidated financial statements at December 31, 2017 and the combined Group management report for the 2017 financial year for publication and submission to the Supervisory Board on March 8, 2018.

(1.3) New and amended IFRS standards

Standards, interpretations and amendments to published Standards that are material to the Berentzen Group and are subject to mandatory initial application in the 2017 financial year

In financial year 2017, there were no Standards, interpretations and amendments to published Standards that material to the Berentzen Group that were subject to mandatory initial application.

Standards, Interpretations and amendments to published Standards that are material to the Berentzen Group that are not the subject of mandatory application in the 2017 financial year and were not applied early by the Group

Standard	Mandatory application	Content
IFRS 9 „Financial Instruments“	01/01/2018	In July 2014, the IASB adopted the final version of IFRS 9 Financial Instruments, which summarises the results of the study projects to revise classification and measurement, impairments and the accounting treatment of hedge accounting. This new version of the Standard incorporates the new “expected loss” impairment model and limited amendments to the recognition and measurement rules for financial assets. The Berentzen Group intends to apply the simplified impairment model of IFRS 9 and to recognise the losses expected from all trade receivables and active contract items over the full term. Recognition of expected losses according to the new impairment model leads to earlier accounting for impairments. The Berentzen Group does not expect any material effects from applying the new impairment model or from the amended measurement regulations. In addition, application of the standard is expected to lead to more extensive disclosures in the notes to the financial statements and changes to classification.
IFRS 15 „Revenue from Contracts with Customers“	01/01/2018	The new Standard combines the previous Standards and Interpretations that had previously contained revenue recognition rules. IFRS 15 is applicable to all revenue transactions regardless of sector and provides a principles-based, five-step model: - Identify the contract(s) with a customer, - Identify the specific performance obligations in the contract, - Determine the transaction price, - Allocate the transaction price to the performance obligations in the contract, - Recognise revenue when (or as) the entity satisfies a performance obligation. Under the new Standard, revenue is recognised when control of the goods or services passes to the customer; the transfer of opportunities and risks is only indicative. In addition, the new Standard provides guidance on whether revenue should be recognised at a certain point or over a certain time period. The Berentzen Group expects that expenses in the amount of about EUR 12.0 million will have to be recognised directly as sales deductions in financial year 2018. Formerly, they were recognised as other operating expenses. Group EBIT remains unaffected by this shift. In addition, application of this Standard will presumably lead to expanded disclosures in the notes to the financial statements. The intent is to apply the new Standard retrospectively in its entirely at the time of conversion.
IFRS 16 „Leases“	01/01/2019	IFRS 16 changes the accounting treatment to be applied by the lessee particularly in that leases are no longer classified as operating or finance leases; instead, both a right-of-use asset and a lease liability must be recognised in most cases. The lease liability comprises the present value of the lease payments payable over the lease term, plus any expected payments under residual value guarantees. Whereas the right-of-use asset is usually depreciated on a straight-line basis, the lease liability must be compounded in subsequent periods. With respect to the accounting treatment to be applied by the lessor, the previous rules of IAS 17 were retained, so that leases must be classified as either operating or finance leases and accounted for accordingly. Early application of the Standard is permitted if IFRS 15 Revenue from Contracts with Customers is applied concurrently. The Berentzen Group will apply IFRS 16 initially in financial year 2019. The Berentzen Group acts both as lessor and as lessee and will therefore be affected by the amendments to this Standard. The Management is currently assessing the concrete effects, but expects an expansion of the duty to recognize leases previously classified as operating leases. The decision as to the method of initial application of the Standard is still pending.

(1.4) Consolidation principles

Principles of consolidation

Essentially all subsidiaries that are controlled by Berentzen-Gruppe Aktiengesellschaft according to the regulations of IFRS 10 are included in the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, alongside the parent company, Berentzen-Gruppe Aktiengesellschaft. Subsidiaries are included in the consolidated financial statements under full consolidation from the date when the Group gains control over the investee. Deconsolidation takes place from the date at which that control is lost. The accounting treatment is in accordance with the acquisition method as defined in IFRS 3 in conjunction with IFRS 10.

Shares in non-fully consolidated companies are normally presented at amortised acquisition cost, as no active market exists for these companies and fair values cannot reasonably be determined reliably.

For debt consolidation, the receivables and liabilities of the companies included are netted. During the elimination of intercompany profits and losses, profits and losses from intra-Group transactions between affiliated companies are eliminated. Deferred tax assets and liabilities are recognised in accordance with IAS 12 for differences resulting from consolidation activities recognised in profit or loss. Income and expenses from intra-Group transactions, especially those arising from intercompany transactions, are eliminated in the Statement of Comprehensive Income.

Pursuant to IFRS 10 Consolidated Financial Statements, the annual financial statements of the subsidiaries included in consolidation are prepared in accordance with uniform recognition and measurement methods.

Business combinations

The consolidation of investments in subsidiaries is carried out in accordance with the acquisition method as defined in IFRS 3 in conjunction with IFRS 10, by netting the consideration given against the fair value of the assets, liabilities and contingent liabilities assumed at the time of acquisition. In this context, the acquisition cost for a business combination corresponds to the fair value of the assets transferred, the equity instruments issued and the liabilities arising or assumed at the time of acquisition. Incidental acquisition costs are normally recognised as an expense. Where the net assets measured at fair value exceed the consideration transferred, this portion is recognised as goodwill. In the converse instance, the difference is recognised directly in the Statement of Comprehensive Income.

(1.5) Consolidation group

Essentially all domestic and foreign companies controlled by Berentzen-Gruppe Aktiengesellschaft within the meaning of IFRS 10 are included in the consolidated financial statements at December 31, 2017 alongside Berentzen-Gruppe Aktiengesellschaft. Including Berentzen-Gruppe Aktiengesellschaft, the group of companies included in the consolidated financial statements comprises ten (previous year: ten) domestic and two (previous year: six) foreign Group companies.

Name	Registered office
Domestic Group companies	
Berentzen-Gruppe Aktiengesellschaft (parent company)	Haselünne
Berentzen Distillers Asia GmbH	Haselünne
Berentzen Distillers International GmbH	Haselünne
Berentzen Distillers Turkey GmbH	Haselünne
Berentzen North America GmbH	Haselünne
Der Berentzen Hof GmbH	Haselünne
DLS Spirituosen GmbH	Flensburg
Doornkaat AG	Norden
Pabst & Richarz Vertriebs GmbH	Minden
Vivaris Getränke GmbH & Co. KG	Haselünne
Foreign Group companies	
Berentzen Alkollü İçkiler Ticaret Limited Sirketi	Istanbul, Republic of Turkey
T M P Technic-Marketing-Products GmbH	Linz, Republic of Austria

Companies, whose influence on the net worth, financial position and results of the Group is not material, are not consolidated. The subsidiaries not fully consolidated account for hardly more than 1% of the aggregate revenues, net profit and liabilities of the Group.

The following changes in the scope of consolidation compared to the consolidated financial statements as of December 31, 2016 resulted:

Berentzen Distillers CR, spol. s.r.o., v likvidaci, Prague, Czech Republic, was dissolved by shareholder resolution of December 20, 2016. The liquidation is now final and enforceable and the company has been deleted from the Commercial Register as of October 19, 2017. The deconsolidation resulted in other operating income of EUR 371 thousand.

Berentzen USA, Inc., Dover, Delaware, United States of America, was deleted by submission of a liquidation statement on June 28, 2017. The deconsolidation did not result in any material expense or income.

Berentzen Spirit Sales (Shanghai) Co., Ltd., Shanghai, People's Republic of China, filed for commencement of insolvency proceedings in November 2015 due to insolvency. After this filing was rejected by the competent court for inexplicable reasons, a second application for insolvency proceedings was filed in August 2016, which was again rejected. Please refer to Note (4.4) for details on this subject. Due to the now-subordinate significance for the consolidated financial statements, the company was deconsolidated as of December 31, 2017. The deconsolidation did not result in any material expense or income.

As of December 31, 2017, moreover, Berentzen Spirits India Private Limited, Gurgaon, Republic of India, was deconsolidated due to its now-subordinate significance for the consolidated financial statements. The deconsolidation did not result in any material expense or income.

(1.6) List of corporate shareholdings

The following list shows the shareholdings of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 313 (2) No. 1-4 HGB. The respective shareholdings have not changed in comparison to the previous year.

Direct subsidiaries

Name, registered office	Shareholding in %
Berentzen Distillers International GmbH, Haselünne	100.0
Der Berentzen Hof GmbH, Haselünne [1)]	100.0
DLS Spirituosen GmbH, Flensburg [1)]	100.0
Doornkaat AG, Norden [1)]	100.0
Kornbrennerei Berentzen GmbH, Haselünne	100.0
LANDWIRTH´S GmbH, Minden	100.0
Medley´s Whiskey International GmbH, Haselünne	100.0
Pabst & Richarz Vertriebs GmbH, Minden [1)]	100.0
Puschkin International GmbH, Haselünne	100.0
Strothmannn Spirituosen Verwaltung GmbH, Haselünne	100.0
T M P Technic- Marketing-Products GmbH, Linz, Republic of Austria	100.0
Turoa Rum International GmbH, Haselünne	100.0
Vivaris Getränke GmbH & Co. KG, Haselünne [1)]	100.0
Winterapfel Getränke GmbH, Haselünne	100.0

[1)] Pursuant to Section 264 Para. 3 and Section 264b HGB, the designated corporations and partnerships are freed from their obligation to prepare annual financial statements and a management report according to the regulations applicable to corporations, to have them audited, and to publish them.

Indirect subsidiaries

Name, registered office	Shareholding in %
Domestic companies	
Berentzen Distillers Asia GmbH, Haselünne	100.0
Berentzen Distillers Turkey GmbH, Haselünne	100.0
Berentzen North America GmbH, Haselünne	100.0
Die Stonsdorferei W. Koerner GmbH & Co. KG, Haselünne	100.0
Grüneberger Spirituosen und Getränkegesellschaft mbH, Grüneberg	100.0
Vivaris Getränke Verwaltung GmbH, Haselünne	100.0
Foreign companies	
Berentzen Alkollü Ickiler Ticaret Limited Sirketi, Istanbul, Republic of Turkey	100.0
Berentzen Spirit Sales (Shanghai) Co., Ltd., Shanghai, People's Republic of China	100.0
Berentzen Spirits India Private Limited, Gurgaon, Republic of India	100.0
Sechsämtertropfen G. Vetter Spolka z o.o., Jelenia Gora, Poland	100.0

(1.7) Recognition and measurement methods

Foreign currency translation

The consolidated financial statements have been prepared in euros (EUR), the functional currency of Berentzen-Gruppe Aktiengesellschaft. Since all the foreign subsidiaries conduct their business activities independently in financial, economic and organisational regards, the respective local currency is their functional currency. Items in the Statement of Financial Position are translated at the exchange rate applicable at the reporting date; items in the Consolidated Statement of Comprehensive Income are translated at the annual average rate. Differences from the currency translation of foreign subsidiaries are recognised outside of profit or loss and reported under retained earnings.

Foreign currency transactions are translated into the functional currency at the exchange rates applicable at the transaction date or the measurement date in the event of remeasurement. Gains and losses resulting from the settlement of such transactions and from translation at the end-of-period exchange rate of monetary assets and liabilities maintained in foreign currency are normally recognised in the Statement of Comprehensive Income. Foreign currency gains and losses resulting from the translation of cash and cash equivalents and financial liabilities are presented under Financial income or Financial expenses, and all other foreign currency gains and losses in Other income.

Intangible assets

Intangible assets are recognised at amortised cost. All intangible assets except for goodwill have definite useful lives. Amortisation is taken on proprietary brands on a straight-line basis over the individually estimated useful life of 15 years. Acquired technologies, customer lists and software licences are amortised on a straight-line basis over an estimated economic useful life of no more than eight years. Purchase commitments are amortised during the agreed term across the annual quantity purchased using a charge rate for each period; their operational useful life usually totals 5 years.

Intangible assets that are subject to scheduled amortisation are tested for impairment when relevant events indicate that the carrying amount may no longer be recoverable. An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount. The fair value of trademarks and copyrights is measured using the multi-period excess earnings method (MEEM). Where the reasons for the previously recognised impairments no longer apply, the impairments on such assets are reversed to the value that would have arisen had no impairments been recognised in earlier periods.

Goodwill is not subject to amortisation; instead, it undergoes an impairment test once a year at the level of cash-generating units and where there are indications of an impairment. The recoverable amount of a cash-generating unit is compared against its carrying amount including goodwill. Where the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the difference is recognised on the goodwill allocated to this cash-generating unit. Impairments of goodwill may not be reversed in later periods.

Research costs are presented as current expenses. Development costs are capitalised insofar as the conditions for capitalisation stated in IAS 38 are met.

Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less scheduled depreciation and, where necessary, less appropriate impairments. Acquisition or production cost includes those costs that are directly attributable to the purchase. Finance costs are not capitalised as part of the historical cost, since no qualified assets currently exist in the Group. Depreciation of the items of property, plant and equipment always starts when the asset is used.

Subsequent acquisition or production costs are only recognised as part of the asset if it is probable that future economic benefits will flow to the Group and the costs can be reliably measured. All other repair and maintenance costs are recognised as an expense in the financial year in which they accrue.

No depreciation charges are taken on land. Depreciation on property, plant and equipment is taken exclusively using the straight-line method. The following standard economic useful lives are used as the basis for depreciation charges throughout the Group:

	Economic useful life, in years
Buildings	20-75
Land improvements	10-30
Technical equipment and machinery	5-25
Other equipment, operational and office equipment	5-30

The residual values and economic useful lives are reviewed at each reporting date and, if necessary, adjusted. Where there are indications for an impairment, and the recoverable amount is less than the amortised cost, impairments are recognised in property, plant and equipment. The recoverable amount is the higher of the fair value of the asset less the costs to sell and the value in use. For the impairment test, assets are grouped together at the lowest level for which cash flows can be identified separately (cash-generating unit). In the case of assets for which an impairment has been recognised in the past, a further test is carried out at each reporting date to ascertain whether the impairment should be reversed (write-up).

Gains and losses on the disposal of assets are measured as the difference between the proceeds on disposal and the carrying amount and recognised in the Statement of Comprehensive Income under Operating income or Other operating expenses.

Investment property

Investment property is measured at amortised cost and depreciated in accordance with the depreciation methods and useful lives described in the section on Property, plant and equipment.

Leases

In accordance with IAS 17, the economic ownership of a leased asset is attributable to the lessor if substantially all the significant risks and rewards incidental to ownership of the asset remain with the lessor (finance lease). Where economic ownership of the leased item of property, plant and equipment is attributable to Berentzen Group companies, the leased asset is capitalised at cost at the inception of the lease or, if lower, the present value of the minimum lease payments. Depreciation is taken – in line with comparable acquired items of property, plant and equipment – on a straight-line basis over the useful life or the term of the lease, if this is shorter.

Where Berentzen Group companies act as the lessor of a finance lease, receivables are recognised in the amount of the net investment value arising from the leases and the interest income is recognised in profit or loss.

Leases under which a substantial portion of the risks and rewards incidental to ownership of the leased asset remains with the lessor are classified as operating leases. Both expenses and income in connection with these contracts are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Inventories

Inventories are valued at the lower of acquisition or production costs or net realisable values. Alongside the direct costs which are generally measured at the moving average, the cost of inventories comprises appropriate portions of the required indirect materials and production overheads, as well as production-related depreciation that can be attributed directly to the production process. The cost of administration and social facilities is included insofar as it can be attributed to production. Write-ups are recognised if the reasons that led to a write-down of the inventories no longer apply.

Income taxes, and deferred tax assets and liabilities

Income taxes comprise the taxes on income to be paid immediately, essentially comprising the current corporate income tax and trade tax, along with deferred taxes.

Effects arising from the measurement of deferred taxes compliant with IAS 12 on account of temporary differences between the carrying amounts under IFRS and the carrying amounts used in the tax balance sheet or as a result of the recognition and measurement of tax loss carry-forwards that have not already been utilised are similarly included.

Probable tax savings and charges arising in the future are recognised for temporary differences between the carrying amounts stated in the consolidated financial statements and the values of assets and liabilities stated for tax purposes. Anticipated tax savings arising from the utilisation of loss carry-forwards deemed to be realisable in the future are capitalised.

In accordance with the criteria set out in IAS 12.74, deferred tax assets and liabilities broken down by current/non-current are offset within the individual company and within a group of companies for income tax purposes.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards exceeding the deferred tax liabilities arising from taxable temporary differences are only recognised to the extent that it is probable that enough taxable income will be generated to realise the corresponding benefits. Various factors such as the loss history and operating plans are applied to assess the probability.

The tax charges on planned dividend pay-outs by domestic and international subsidiaries are insignificant and hence not normally recognised. These tax charges arising from German corporate-income and trade tax of approximately 1.5% on all dividends would exist for subsidiaries with the legal form of an incorporated company.

Financial instruments

Financial assets that are not classified at fair value through profit or loss are measured at fair value plus transaction costs upon initial recognition. Additions and disposals of financial assets are recognised at the trade date. The trade date is the date when the Group commits to purchase or sell the asset. Financial assets are normally divided into the following categories for the purposes of subsequent measurement:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

The classification depends upon the purpose for which the individual financial assets were acquired. The management determines the classification upon initial recognition and reviews it at each reporting date. The categories currently relevant to the consolidated financial statements are described below.

The category of "financial assets at fair value through profit or loss" contains two sub-categories: financial assets classified as held for trading from the outset and financial assets classified at fair value through profit or loss from the outset. A financial asset is assigned to this category when it was acquired with the basic intention to resell it in the short-term future or when it was designated as such by the management. Derivatives are similarly classified as held for trading, provided they are not designated as hedges. Financial assets designated at fair value through profit or loss are initially recognised at fair value; associated transaction costs are recognised in profit or loss. Subsequent measurement is done at fair value, whereby a resulting profit or loss is recognised under Other operating income and expenses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Group makes cash, goods or services directly available to a debtor without any intention of trading the receivables. Loans and receivables are presented within Trade receivables and Other current financial assets in the Statement of Financial Position. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairments. Gains or losses are recognised within Other operating income or Other operating expenses in the profit or loss for the period when the loans and receivables are derecognised or impaired, and within the framework of amortisation.

There are no financial assets in the category of "Held-to-maturity investments".

Available-for-sale financial assets are non-derivative financial assets that are either assigned to this category or not assigned to any of the other categories listed. After initial recognition, available-for-sale financial assets are measured at fair value, with any unrealised gains or losses recognised directly within Other comprehensive income. Dividend income from financial assets in this category is recognised within Other income in the Statement of Comprehensive Income. Dividends on available-for-sale equity instruments are recognised as Other income when the Group's right to receive payment is established. Shares in affiliated companies, participating interests, securities and shares in cooperatives are similarly classified as available-for-sale financial assets, although they are normally measured at their respective acquisition cost as the fair value is not capable of being reliably measured. The shares held by the Berentzen Group, for which there is currently no intention to sell, are not listed, and no active market exists for them.

Cash and cash equivalents
Cash and cash equivalents comprise cash, sight deposits and other current, highly liquid financial assets with an original maturity of less than three months.

Treasury shares
Treasury shares purchased and held are measured at cost, including directly allocable transaction costs, and are deducted directly from equity instead of being recognised in profit or loss. The imputed share of nominal capital attributable to treasury shares is set off against subscribed capital, and the difference between the imputed nominal value and the acquisition cost of purchased treasury shares is offset against retained earnings.

Provisions
Provisions take account of present legal or constructive obligations towards third parties that arise from past events, the settlement of which is expected to result in an outflow of resources, provided that a reliable estimate can be made of the amount of the obligation. They are recognised at the necessary amount expected to settle the obligation. Non-current provisions are recognised at the discounted settlement amount at the reporting date. Increases resulting from compounding are recognised within Financial expenses. Provisions are not offset against rights of recourse.

Employee benefits

The actuarial measurement of the pension provisions for the Company pension plan is carried out using the projected unit credit method prescribed by IAS 19. The defined benefit obligation (DBO) is measured annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the anticipated future cash outflows with the market yields on high quality corporate bonds with equivalent terms to the pension obligations. This was 1.0% during the reporting period (previous year: 1.0%). Actuarial gains and losses based on experience adjustments and the effects of changes to the actuarial assumptions are recognised directly in Other comprehensive income and not in profit or loss.

Post-employment benefits are granted where an employee is terminated before reaching ordinary retirement age or an employee leaves employment voluntarily against payment of a termination indemnity. Termination payments are recognised when the obligation demonstrably exists to terminate the employment of current employees in accordance with a detailed formal plan without a realistic possibility of withdrawal from that plan.

Liabilities

Liabilities comprise financial liabilities, trade payables and other liabilities. Upon initial recognition, they are measured at the fair value of the consideration received less the transaction costs associated with the borrowing.

Financial liabilities are subsequently measured at amortised costs, applying the effective interest method. Gains and losses are recognised directly in profit or loss when the liabilities are derecognised and within the framework of amortisation. The transaction costs are recognised under Financial expenses.

Non-current liabilities are subsequently measured at amortised cost. Differences between historical cost and the redemption amount are measured in accordance with the effective interest method.

Current liabilities are recognised at their redemption or settlement amount.

Liabilities classified as “held for trading” are measured at fair value through profit or loss.

Financial liabilities arising from finance leases are recognised at the fair value of the leased asset or the present value of the minimum lease payments, where this value is lower.

The alcohol tax and import duties are recognised in the amount payable to the main customs offices and are shown in a separate line item in order to improve the informative value of the consolidated financial statements.

Contingent liabilities are not recognised in the Statement of Financial Position. They are shown in Note (4.3) in the notes to the consolidated financial statements.

Government grants

Government grants for investments in assets are presented as deferred income within liabilities and reversed in profit or loss on a straight-line basis over the expected useful life of the assets concerned.

Impairments of financial assets

IAS 39 requires an entity to assess at every reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity instruments classified as available for sale, a material or lasting decline in the fair value below the acquisition cost of these equity instruments is considered an indicator that the equity instruments are impaired. When there is such an indication for available-for-sale assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised relating to the financial asset in question – is derecognised in shareholders' equity and recognised in the Statement of Comprehensive Income. Once they have been recognised in the Statement of Comprehensive Income, impairment losses on equity instruments are not reversed in profit or loss.

An impairment loss is recognised on trade receivables when there is objective evidence that the amounts due for payment are not fully collectible. The following are considered indicators for the presence of an impairment: considerable financial difficulties on the part of a debtor; it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and a breach of contract. The amount is recognised within Other operating expenses. The impairment is the difference between the carrying amount and the fair value of the future cash flows, discounted using the effective interest rate. The carrying amount of the receivable is reduced by means of a valuation adjustment account, and the loss is recognised within Other operating expenses. When a receivable has become uncollectible, it is derecognised against the valuation adjustment account. Subsequent cash receipts on previously derecognised amounts are recognised against the impairments on trade receivables presented in the Statement of Comprehensive Income.

Derecognition of financial assets and liabilities

A financial asset is derecognised when one of the conditions of IAS 39.17-19 is met.

Insofar as the Group nether transfers nor retains essentially all of the opportunities and risks connected with the ownership, but continues to have the power to dispose of the transferred asset, the Group recognizes its remaining share of the assets and a corresponding liability in the amount that must possibly be paid. When the continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original amount of the asset and the maximum amount of the consideration received that the Group could be required to repay.

A financial liability is derecognised when the obligation underlying this liability is discharged or cancelled or expires.

If an existing financial liability is exchanged for another liability of the same lender with substantially different contractual terms, or the conditions of an existing liability are changed significantly, such an exchange or change leads to the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Recognition of income and expenses

Normally, revenues and other operating income are not recognised until the services have been performed, or the goods or products have been delivered, and hence the risk has been transferred. Operating expenses are recognised at the date of performance or date of incurrence. Interest income and expenses are recognised in profit or loss.

Assumptions and estimates

When preparing the consolidated financial statements, assumptions have been made and estimates applied that have an impact on the presentation and measurement of the recognised assets, liabilities, income, expenses and contingent liabilities.

They essentially relate to the assessment of the impairment of intangible assets, the definition of uniform economic useful lives, the collectability of receivables, the recognition and measurement of provisions, and the realisation of future tax savings.

In the course of business combinations, assumptions are made for the purpose of purchase price allocation regarding the valuation of liabilities assumed, and particularly of acquired assets, as the fair value is used as the measure. This is generally measured as the present value of the future cash flows, taking into account the present value of the depreciation-related tax benefit.

The present value of pension obligations depends upon a number of factors that are based on actuarial assumptions. The assumptions applied when determining the net expenses (income) for pensions include the anticipated discount rate. Berentzen-Gruppe Aktiengesellschaft determines the appropriate discount rate at the end of each year. Due to Company-specific factors, the rate of increase in the pension obligation is 1.5% (previous year: 1.5%). Further significant assumptions for pension obligations are based on existing market conditions. These actuarial assumptions may differ from actual developments due to changed market and economic conditions, thus leading to a significant change in the pension and similar obligations.

The measurement of provisions for legal disputes depends on estimates to a considerable degree. Legal disputes often involve complex legal questions and are fraught with considerable uncertainties. It may be necessary to recognise a new provision for an ongoing legal dispute as a result of new developments or to adjust the amount of an existing provision. In addition, the outcome of a legal dispute could give rise to expenditures that exceed the provision recognised for the respective proceeding. Legal disputes can have significant effects on the financial position, cash flows and financial performance of the Berentzen Group. Required information about legal disputes according to IAS 37 is not disclosed if the Berentzen Group concludes that such information could seriously endanger the outcome of the given proceeding.

The repayment obligations (liabilities) arising from deposits received are measured using the turnover rate of the returnable containers determined in accordance with the respective container type and the underlying deposit system.

Income taxes must be estimated for each tax jurisdiction in which the Group operates. This involves calculating the anticipated current income tax payable and assessing the temporary differences arising from the differing treatment of certain items in the Statement of Financial Position between the consolidated financial statements prepared in accordance with IFRS and the financial statements prepared under tax law. Where there are temporary differences, they normally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. The management must make assessments when calculating actual and deferred taxes. Where the actual results differ from these estimates, or these estimates need to be adjusted in future periods, this may have a negative impact on the Company's financial position, cash flows and financial performance. Where there is a change in the assessment of the value of deferred tax assets, write-downs are taken on the deferred tax assets and recognised in profit or loss.

Fluctuating business cycles give rise to risks for the further development of the market and economic situation. These fluctuations may cause underlying assumptions to differ from actual developments and have an impact on commodity prices, interest rates and patterns of consumer behaviour.

The assumptions and estimates are underpinned by premises that are based on the currently available information. The actual values may in some cases differ from the assumptions and estimates made. Changes are recognised in profit or loss at the date when a better understanding is gained.

(2) Explanatory notes to the Consolidated Statement of Financial Position

(2.1) Non-current assets

Development of intangible assets, property, plant and equipment, and investment property in the 2016 and 2017 financial years

	Intangible assets EUR '000	Property, plant and equipment EUR '000	Investment property EUR '000	Total non-current assets EUR '000
Acquisition/production cost				
Balance at 01/01/2016	71,634	145,088	0	216,722
Additions	423	5,998	0	6,421
Disposals	-1,352	-1,642	0	-2,994
Reclassifications	0	-1,203	1,203	0
Currency effects	-2	-9	0	-11
Balance at 12/31/2016	70,703	148,232	1,203	220,138
Additions	552	7,613	0	8,165
Disposals	-69	-2,318	0	-2,387
Currency effects	-2	-13	0	-15
Balance at 12/31/2017	71,184	153,514	1,203	225,901
Depreciation/amortisation/impairments				
Balance at 01/01/2016	57,284	99,105	0	156,389
Additions	1,228	5,595	19	6,842
Impairments	0	264	155	419
Write-ups	0	-287	0	-287
Disposals	-1,238	-1,446	0	-2,684
Reclassifications	0	-253	253	0
Currency effects	0	-6	0	-6
Balance at 12/31/2016	57,274	102,972	427	160,673
Additions	1,270	5,901	16	7,187
Impairments	0	635	0	635
Write-ups	0	-208	0	-208
Disposals	-40	-1,973	0	-2,013
Currency effects	-2	-12	0	-14
Balance at 12/31/2017	58,502	107,315	443	166,260
Net carrying amounts 12/31/2017	**12,682**	**46,199**	**760**	**59,641**
Net carrying amounts 12/31/2016	**13,429**	**45,260**	**776**	**59,465**

The syndicated loan agreement concluded in December 2016 stipulates that material sales of non-current assets exceeding the normal course of business may require the consent of the lender.

(2.2) Intangible assets

Development of intangible assets in the 2016 and 2017 financial years

	Goodwill EUR '000	Trademarks, customer lists, and technical knowledge EUR '000	Licences and other intangible assets EUR '000	Advance payments made EUR '000	Total intangible assets EUR '000
Acquisition/production cost					
Balance at 01/01/2016	6,056	63,353	2,200	25	71,634
Additions	0	287	89	47	423
Disposals	0	- 1,344	- 8	0	- 1,352
Reclassifications	0	0	25	- 25	0
Currency effects	0	0	- 2	0	- 2
Balance at 12/31/2016	6,056	62,296	2,304	47	70,703
Additions	0	296	198	58	552
Disposals	0	- 69	0	0	- 69
Reclassifications	0	0	47	- 47	0
Currency effects	0	0	- 2	0	- 2
Balance at 12/31/2017	6,056	62,523	2,547	58	71,184
Amortization/impairments					
Balance at 01/01/2016	0	55,617	1,667	0	57,284
Additions	0	1,018	210	0	1,228
Disposals	0	- 1,230	- 8	0	- 1,238
Currency effects	0	0	0	0	0
Balance at 12/31/2016	0	55,405	1,869	0	57,274
Additions	0	1,044	226	0	1,270
Disposals	0	- 40	0	0	- 40
Currency effects	0	0	- 2	0	- 2
Balance at 12/31/2017	0	56,409	2,093	0	58,502
Net carrying amounts 12/31/2017	**6,056**	**6,114**	**454**	**58**	**12,682**
Net carrying amounts 12/31/2016	**6,056**	**6,891**	**435**	**47**	**13,429**

The following table shows the detailed breakdown of the net carrying amounts of intangible assets:

	12/31/2017 EUR '000	12/31/2016 EUR '000
Trademarks	3,147	3,416
Customer lists	1,260	1,596
Technical knowledge	1,218	1,474
Purchase commitments	489	405
Trademarks, customer lists, and technical knowledge	6,114	6,891
Goodwill	6,056	6,056
Licences and other intangible assets	454	435
Advance payments made	58	47
	12,682	**13,429**

Pursuant to IAS 36.10, the goodwill capitalised in financial year 2014 within the framework of the acquisition of T M P Technic-Marketing-Products GmbH in the amount of EUR 6,056 thousand (previous year: EUR 6,056 thousand) is subject to annual impairment testing. The impairment test performed in the 2017 financial year did not give rise to any impairment (as was the case in the previous year). The recoverable amount is determined using the fair value less costs to sell. The fair value less costs to sell was calculated by determining the present value of the future anticipated cash flows (discounted cash flow method), using a planning period of three years.

The weighted average cost of capital (WACC) of an appropriate peer group was applied as the discount rate. This discount rate determined for the CGU was 5.6% (previous year: 5.7%). The parameters for the weighted average cost of capital were determined on the basis of values derived from external market conditions. The applied growth rate was 1.0% (previous year: 1.0%).

The principal assumptions applied in the calculation of the fair value less costs to sell pertained to the weighted average cost of capital, the forecast development of revenues, the EBITDA growth rate and the sustainable growth rate of the terminal value. The fair value less costs to sell is mainly based on non-observable input data (fair value hierarchy Level 3).

As in the prior year, no intangible assets were encumbered with security interests at December 31, 2017. As of December 31, 2017, contractual commitments to purchase intangible assets amounted to EUR 119 thousand (previous year: EUR 73 thousand).

Costs for research and development in the amount of EUR 1,465 thousand (previous year: EUR 1,630 thousand) were recognised as an expense in the reporting period.

(2.3) Property, plant and equipment

Development of property, plant and equipment in the 2016 and 2017 financial years

	Land and buildings EUR '000	Technical equipment and machinery EUR '000	Other equipment, operational and office equipment EUR '000	Advances to suppliers and construction in progress EUR '000	Total property, plant and equipment EUR '000
Acquisition/production cost					
Balance at 01/01/2016	46,470	76,626	20,552	1,440	145,088
Additions	265	2,130	2,429	1,174	5,998
Disposals	0	-304	-1,338	0	-1,642
Reclassifications	-1,186	1,388	2	-1,407	-1,203
Currency effects	0	0	-9	0	-9
Balance at 12/31/2016	45,549	79,840	21,636	1,207	148,232
Additions	263	792	3,486	3,072	7,613
Disposals	-683	-304	-1,331	0	-2,318
Reclassifications	26	765	31	-822	0
Currency effects	0	0	-13	0	-13
Balance at 12/31/2017	45,155	81,093	23,809	3,457	153,514
Depreciation/impairments					
Balance at 01/01/2016	25,848	58,592	14,665	0	99,105
Additions	705	2,932	1,958	0	5,595
Impairments	0	251	13	0	264
Write-ups	0	-283	-4	0	-287
Disposals	0	-211	-1,235	0	-1,446
Reclassifications	-253	0	0	0	-253
Currency effects	0	1	-7	0	-6
Balance at 12/31/2016	26,300	61,282	15,390	0	102,972
Additions	714	2,860	2,327	0	5,901
Impairments	0	630	5	0	635
Write-ups	0	-191	-17	0	-208
Disposals	-683	-168	-1,122	0	-1,973
Currency effects	0	0	-12	0	-12
Balance at 12/31/2017	26,331	64,413	16,571	0	107,315
Net carrying amounts 12/31/2017	**18,824**	**16,680**	**7,238**	**3,457**	**46,199**
Net carrying amounts 12/31/2016	**19,249**	**18,558**	**6,246**	**1,207**	**45,260**

For details on the impairments and write-ups performed, please refer to Note (3.7).

As in the previous year, no items of property, plant and equipment were encumbered with security interests at December 31, 2017. As of December 31, 2017, contractual commitments to purchase property, plant and equipment amounted to EUR 860 thousand (previous year: EUR 1,820 thousand).

Operating leases

The Berentzen Group has entered into various rental and lease agreements that are classified as operating leases on account of their economic content. The lease agreements essentially relate to the vehicle fleet, leased offices and business premises, and plant and office equipment. Rental and lease expenses of EUR 1,191 thousand (previous year: EUR 1,030 thousand) were paid under operating leases during the reporting period.

The following table shows the breakdown of financial obligations arising from operating rental and lease agreements by residual maturity:

	2017 EUR '000	2016 EUR '000
up to one year	1,019	974
up to five years	1,404	1,366
more than five years	0	0
Total minimum lease payments under operating leases	**2,423**	**2,340**

The Berentzen Group also acts as lessor under rental and lease agreements that are similarly to be classified as operating leases. These essentially relate to the letting of parts of buildings and storage space. Rental and lease payments of EUR 330 thousand (previous year: EUR 293 thousand) were received during the reporting period.

The anticipated future payments received under operating rental and lease agreements have the following maturity structure:

	2017 EUR '000	2016 EUR '000
up to one year	117	40
up to five years	17	38
more than five years	0	0
Total minimum lease payments under operating leases	**134**	**78**

(2.4) Investment property

Development of investment property in the 2016 and 2017 financial years

	Land EUR '000	Buildings EUR '000	Total investment property EUR '000
Acquisition/production cost			
Balance at 01/01/2016	0	0	0
Additions	0	0	0
Disposals	0	0	0
Reclassifications of property, plant and equipment	480	723	1,203
Balance at 12/31/2016	480	723	1,203
Additions	0	0	0
Disposals	0	0	0
Balance at 12/31/2017	480	723	1,203
Depreciation/impairments			
Balance at 01/01/2016	0	0	0
Additions	0	19	19
Impairments	73	82	155
Reclassifications of property, plant and equipment	0	253	253
Disposals	0	0	0
Balance at 12/31/2016	73	354	427
Additions	0	16	16
Disposals	0	0	0
Balance at 12/31/2017	73	370	443
Net carrying amounts 12/31/2017	**407**	**353**	**760**
Net carrying amounts 12/31/2016	**407**	**369**	**776**

Investment property comprises the land and buildings of the former production facility in Norden, parts of which have been leased to third parties since the closure of this production facility. The fair value of investment property was EUR 1,050 thousand at December 31, 2016. Outside appraisals determined a market value corresponding to the fair value by means of the German income approach (a method based on the present value of future cash flows) on the basis of appropriate rents and the corresponding property rates. No new appraisal was prepared at December 31, 2017, since the Berentzen Group assumes a merely immaterial change in the context of a market environment that has hardly changed.

(2.5) Other financial assets

	12/31/2017 EUR '000	12/31/2016 EUR '000
Shares in affiliated companies	329	329
Receivables under finance leases	311	291
Shares in cooperatives	32	32
Participating interests	11	11
Other loans	1	19
	684	**682**

Shares in affiliated companies

Shares in affiliated companies include non-consolidated general partner companies and non-operating shell companies.

Receivables under finance leases

There are lease agreements in the Fresh Juice Systems segment that are to be classified as finance leases on account of their contractual terms. These agreements essentially relate to the leasing business involving fruit presses. The non-current portion of the receivables under finance leases amounts to EUR 311 thousand (previous year: EUR 291 thousand) and is presented within Other financial assets. The current portion of the receivables amounts to EUR 554 thousand (previous year: EUR 259 thousand) and is capitalised under Other current financial assets (Note (2.11)).

The following table shows the minimum lease payments to be received in the future and the present value of the minimum lease payments, broken down by due date:

	Gross investment in lease		Present value of minimum lease payments	
	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000
up to one year	576	273	404	240
one year and up to five years	318	302	260	235
more than five years	0	0	0	0
	894	**575**	**664**	**475**

The following table shows the reconciliation of future minimum lease payments and non-guaranteed residual values with the gross and net investment in leases and with the present value of future lease payments:

	2017 EUR '000	2016 EUR '000
Future minimum lease payments	624	493
Unguaranteed residual values	270	82
Gross investment in leases	**894**	**575**
Unrealised financial income	-29	-25
Net investment in leases	**865**	**550**
Present value of the non-guaranteed residual values	**201**	**75**
Present value of future minimum lease payments	**664**	**475**

(2.6) Deferred taxes and income tax expenses

	12/31/2017 EUR '000	12/31/2016 EUR '000
Deferred tax assets	0	159
Deferred tax liabilities	1,924	1,921

The following table shows the breakdown of deferred tax assets and liabilities by item in the Statement of Financial Position and content:

	12/31/2017		12/31/2016	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
ASSETS				
Non-current assets				
Intangible assets	0	1,413	0	1,622
Property, plant and equipment	0	1,655	0	1,770
Other financial assets	1	0	1	0
Current assets				
Inventories	215	8	90	11
Current trade receivables	0	24	164	148
Other current assets	127	368	287	158
SHAREHOLDERS‘ EQUITY AND LIABILITIES				
Non-current liabilities				
Non-current provisions	1,195	0	1,312	0
Current liabilities	138	185	165	262
Subtotal for temporary differences	1,676	3,653	2,019	3,971
Of which non-current	1,245	2,932	1,362	3,146
Impairments	0		- 316	
Capitalization of tax loss carry-forwards	53		506	
Netting	- 1,729	- 1,729	- 2,050	- 2,050
Deferred taxes shown in the Statement of Financial Position	**0**	**1,924**	**159**	**1,921**

The amount of deductible temporary differences for which no deferred tax assets were recognised amounted to EUR 1,263 thousand in the previous year; impairments of deferred tax assets were recognised in the amount of EUR 316 thousand in the previous year. In addition, deferred tax liabilities of EUR 261 thousand (previous year: EUR 388 thousand) were not recognised in respect of temporary differences of subsidiaries of Berentzen-Gruppe Aktiengesellschaft amounting to EUR 886 thousand (previous year: EUR 1,316 thousand) due to the existence of control according to IAS 12.39.

The reserve of unused tax loss carryforwards at year-end is as follows:

	12/31/2017 EUR '000	12/31/2016 EUR '000
For corporation tax	1,519	6,207
For trade tax	4,330	4,295

Deferred tax assets of EUR 264 thousand (previous year: EUR 1,000 thousand) were recognised in respect of corporation tax loss carry-forwards of EUR 0 thousand (previous year: EUR 2,244 thousand) and deferred tax assets of EUR 53 thousand (previous year: EUR 506 thousand) were recognised in respect of trade tax loss carry-forwards. No deferred tax assets were recognised in respect of tax loss carry-forwards beyond the amount required to offset deferred tax liabilities.

No deferred tax assets were recognised in respect of corporation tax loss carry-forwards of EUR 1,255 thousand (previous year: EUR 5,206 thousand) and trade tax carry-forwards of EUR 4,330 thousand (previous year: EUR 2,052 thousand) despite the positive profit forecasts in specific cases, due to the loss history. The trade tax loss carry-forwards can all be used without limitation in time. The time periods over which corporation tax loss carry-forwards for which no deferred tax assets were recognised are presented in the table below.

	12/31/2017 EUR '000	12/31/2016 EUR '000
Corporation tax loss carry-forwards	1,255	5,206
Expiry date within		
1 year	150	497
2 years	318	599
3 years	5	0
4 years	339	0
5 years	239	0
More than 5 years	15	0
Unlimited usability	189	4,110

Income tax expenses

The taxes on income paid or owed in the individual countries are presented as income tax expenses together with deferred tax accruals.

The following table shows the breakdown of the earnings before income taxes and income tax expenses by geographic origin:

	2017 EUR '000	2016 EUR '000
Earnings before taxes		
Germany	4,124	3,428
Austria	1,653	3,685
Other countries	- 540	- 644
	5,237	**6,469**
Taxes paid or owed		
Germany (of which attributable to other periods: EUR 375 thousand; previous year: EUR 5 thousand)	2,123	1,511
Austria (of which attributable to other periods EUR 2 thousand; previous year: EUR 0 thousand)	358	892
Other countries (of which attributable to other periods: EUR 1 thousand; previous year: EUR 0 thousand)	3	3
	2,484	**2,406**
Deferred taxes	**191**	**- 383**
Income tax expenses	**2,675**	**2,023**

Due to the increase in deferred tax assets recognised in respect of actual gains and losses in connection with the accounting treatment of pension provisions, deferred tax income of EUR 28 thousand (previous year: EUR 113 thousand) was additionally recognised in other comprehensive income.

No tax loss carry-forwards were utilised to reduce corporation tax expenses and to reduce trade tax expenses in the current financial year as well as in the previous financial year.

The income tax expenses for 2017 in the amount of EUR 2,675 thousand (previous year: EUR 2,023 thousand) differed from the expected tax expenses of EUR 1,545 thousand (previous year: EUR 1,908 thousand), which would have resulted from the application of an expected average tax rate of 29.5% to the Group's earnings before income taxes, by an amount of EUR 1,130 thousand (previous year: EUR 115 thousand). The following reconciliation shows the causes of the difference between expected and actual tax expenses in the corporate group:

	2017 EUR '000	2016 EUR '000
Profit after taxes	2,562	4,446
Actual income tax expenses	2,484	2,406
Deferred income tax expenses	191	- 383
Income tax expenses	2,675	2,023
Earnings before income taxes	**5,237**	**6,469**
Applicable tax rate	29.5%	29.5%
Expected income tax expenses	**1,545**	**1,908**
Tax effect of trade tax additions	125	137
Tax effect of trade tax reductions	- 17	- 17
Tax increases/reductions due to non-deductible expenses	161	164
Tax reductions due to tax-exempt income	- 177	- 21
Permanent differences from items of the Statement of Financial Position	- 42	- 129
Tax effects of loss carry-forwards and temporary differences	753	60
Current taxes attributable to other periods	375	5
Deferred taxes attributable to other periods	- 33	0
Foreign taxes	0	2
Different domestic/foreign tax rates	- 11	- 85
Other	- 4	- 1
Income tax expenses	**2,675**	**2,023**
Effective tax rate in %	**51.1%**	**31.3%**

(2.7) Inventories

	12/31/2017 EUR '000	12/31/2016 EUR '000
Raw materials	3,347	4,098
Packaging and equipment	2,896	2,765
Supplies	16	0
Raw materials and supplies	6,259	6,863
Work in progress	15,781	14,769
Finished products	10,895	9,831
Merchandise for resale	4,066	4,147
Finished products and merchandise for resale	14,961	13,978
Inventories	**37,001**	**35,610**

When measuring inventories at the lower of cost or net realisable value, write-downs totalling EUR 156 thousand (previous year: EUR 200 thousand) were charged on inventories. The carrying amount of the inventories measured at net realisable value totalled EUR 1,117 thousand (previous year: EUR 411 thousand). The write-downs were recognised in profit or loss and presented within Other operating expenses and Change in inventories.

(2.8) Current trade receivables

	12/31/2017 EUR '000	12/31/2016 EUR '000
Trade receivables, gross	14,076	15,248
Less individual valuation adjustments	301	310
Current trade receivables	**13,775**	**14,938**

Valuation adjustments are recognised when there is objective evidence that the receivable concerned cannot be collected at all or in full, or not within a specific period of time. This is regularly the case in the case of trade receivables and other receivables when the internal collection office is unable to collect the receivables and it becomes necessary to call in external collection firms or lawyers. The amount of the individual valuation adjustment is determined using the documented status and the other information available; it totals between 25% and 100% of the individual receivable outstanding. Valuation adjustments of EUR 19 thousand (previous year: EUR 28 thousand) were charged on trade receivables during the reporting period, as there was objective evidence that the amounts receivable and due for payment were not fully collectible.

The following table shows the development of the valuation adjustment account:

	2017 EUR '000	2016 EUR '000
Balance at 01/01	**310**	**518**
Additions	19	28
Use	16	96
Reversals	12	140
Balance at 12/31	**301**	**310**

The following table shows the age structure of the trade receivables with valuation adjustments at December 31:

	Carrying amount 12/31/2017 EUR '000	with valuation adjustments and past due at the reporting date in the following time buckets				
		up to 30 days EUR '000	between 31 and 60 days EUR '000	between 61 and 90 days EUR '000	between 91 and 120 days EUR '000	more than 120 days EUR '000
Trade receivables	301	0	2	0	0	299
	100 %	0 %	1 %	0 %	0 %	99 %

	Carrying amount 12/31/2016 EUR '000	with valuation adjustments and past due at the reporting date in the following time buckets				
		up to 30 days EUR '000	between 31 and 60 days EUR '000	between 61 and 90 days EUR '000	between 91 and 120 days EUR '000	more than 120 days EUR '000
Trade receivables	310	17	0	0	0	293
	100 %	5 %	0 %	0 %	0 %	95 %

The following analysis shows the trade receivables past due without valuation adjustments at December 31:

	Carrying amount 12/31/2017 EUR '000	of which without valuation adjustments and not past due at the reporting date EUR '000	of which without valuation adjustments and past due at the reporting date in the following time buckets up to 30 days EUR '000	between 31 and 60 days EUR '000	between 61 and 90 days EUR '000	between 91 and 120 days EUR '000	more than 120 days EUR '000
Trade receivables	13,775	9,197	2,108	888	1,113	382	87
	100 %	67 %	15 %	6 %	8 %	3 %	1 %

	Carrying amount 12/31/2016 EUR '000	of which without valuation adjustments and not past due at the reporting date EUR '000	of which without valuation adjustments and past due at the reporting date in the following time buckets up to 30 days EUR '000	between 31 and 60 days EUR '000	between 61 and 90 days EUR '000	between 91 and 120 days EUR '000	more than 120 days EUR '000
Trade receivables	14,938	9,257	2,400	912	1,000	1,091	278
	100 %	62 %	16 %	6 %	7 %	7 %	2 %

Transfers of financial assets

As part of its external financing activities, the Berentzen Group also utilises factoring lines. The total available financing amount on the basis of two factoring agreements is EUR 50,000 thousand (previous year: EUR 50,000 thousand). The Group can also access a formally unlimited factoring line based on three additional centralised settlement and factoring agreements which stipulate no maximum commitment; instead, the possible drawdown is limited only by the available amount of saleable receivables. The factor concerned normally purchases the receivables at face value. The purchase prices are disbursed less retentions and provisions for bonuses and discounts; in this context, the retentions amount to between 10% and 20% of the face value of the receivables and the companies of the Berentzen Group are required to report the provisions for bonuses and discounts on a monthly basis. Furthermore, any charges and interest accruing are retained. At December 31, 2017, trade receivables of EUR 55,988 thousand (previous year: EUR 51,663 thousand) had been sold and assigned to the respective factoring companies.

In some instances, interest payments are payable to the factor for the financial assets transferred to the factor up to the date payment is received by the factor, but no more than 120 days after the due date of the receivables. The interest rate to be applied is derived from the 1-week or 3-month Euribor plus a fixed component. This gives rise to the risk of the Berentzen Group having to make additional interest payments due to payments received late or not at all by the factor (late payment risk). The maximum loss from late payment risk for the amounts already transferred amounts to EUR 115 thousand at the reporting date (previous year: EUR 29 thousand). The fair value of the obligation arising from late payment risk totals EUR 11 thousand (previous year: EUR 7 thousand). Some of the servicing activities for the receivables sold under factoring agreements, notably including the reminder procedures, have remained with the Berentzen Group. The resulting liability has not been recognised due to the immateriality of the amount.

Because almost all of the risks and rewards incident to ownership of the financial assets were transferred to the factor, the trade receivables sold were completely derecognised in accordance with IAS 39.20a. The remaining late payment risk was recognised as an asset representing a continuing involvement of EUR 188 thousand in the 2017 financial year (previous year: EUR 195 thousand). A liability of the same amount was recognised at the same time. The following table shows the effect of factoring on various items in the Statement of Financial Position:

	Item in the Statement of Financial Position	**12/31/2017 EUR '000**	**12/31/2016 EUR '000**
Trade receivables sold and assigned	Current trade receivables	55,988	51,663
Continuing involvement	Other current financial and non-financial assets	188	195
Security retentions and provisions for bonuses and discounts	Other current financial and non-financial assets	9,594	8,275
Cash available	Cash and cash equivalents	15,503	31,915
Cash transferred	Cash and cash equivalents	30,894	11,465
Continuing involvement	Current financial liabilities	188	195
Interest liability from continuing involvement	Current financial liabilities	10	12
Retained interest/ charges/ insurance	Retained earnings/ consolidated comprehensive income	742	725

The factor retained collateral amounting to EUR 9,594 thousand (previous year: EUR 8,275 thousand) to secure any deductions from the face value of receivables. This item is presented within Other current assets.

The available cash of EUR 15,503 thousand (previous year: EUR 31,915 thousand) shown in the table above reflects the balance of the cash arising from the sale of trade receivables that has not yet been drawn down by the Berentzen Group from the factor’s customer settlement account. Although these amounts in the customer settlement accounts may be drawn down by the Berentzen Group at any time, they had not been utilised or drawn down at the reporting date. The available cash is covered in more detail in Note (2.10) Cash and cash equivalents. At the same time, the transferred cash of EUR 30,894 thousand (previous year: EUR 11,465 thousand) had already been credited to the current accounts maintained by the Berentzen Group with other banks.

At the time of derecognition of the financial assets, losses totalling EUR 742 thousand (previous year: EUR 725 thousand) were incurred during the reporting period. The gains are presented in Financial income in the amount of EUR 601 thousand (previous year: EUR 584 thousand) and the losses in Other operating expenses in the amount of EUR 141 thousand (previous year: EUR 141 thousand).

The factoring financing lines (receivables sold) utilised at the reporting date are expected to yield interest payments of EUR 14 thousand (previous year: EUR 11 thousand) in the first quarter of 2018. The interest payments depend among other things on the due dates of the receivables and the different interest rates applicable.

(2.9) Current income tax receivables

	12/31/2017 EUR '000	**12/31/2016 EUR '000**
Claims to income tax refunds (corporation tax, trade tax, capital gains tax)	634	174
	634	**174**

(2.10) Cash and cash equivalents

	12/31/2017 EUR '000	12/31/2016 EUR '000
Cash in banks and cash on hand	19,397	67,655
	19,397	**67,655**

The cash and cash equivalents shown in the Cash Flow Statement consist of the line item Cash and cash equivalents item and part of line item Current financial liabilities in the Statement of Financial Position. Cash and cash equivalents include the current accounts maintained with banks that are used to settle two factoring agreements, containing the cash available at all times from these factoring agreements (“customer settlement accounts”). The receivables from the customer settlement accounts have different characteristics from usual current account balances with banks, notably with regard to interest. Only the shares of outside capital immediately available under working capital lines are presented as current financial liabilities.

Pursuant to IAS 7.45, the cash and cash equivalents shown in the Cash Flow Statement are determined as follows:

	12/31/2017 EUR '000	12/31/2016 EUR '000
Cash and cash equivalents		
Cash on hand	10	15
Current account receivables due from banks	3,884	35,725
Receivables from customer settlement accounts with banks	15,503	31,915
Receivables due from banks	19,387	67,640
	19,397	**67,655**
Current financial liabilities		
Overdraft facilities with banks	963	571
	963	**571**
	18,434	**67,084**

(2.11) Other current financial and non-financial assets

	12/31/2017 EUR '000	12/31/2016 EUR '000
Receivables from factoring haircut	9,594	8,275
Refund claims	888	530
Receivables under finance leases	554	259
Advance payments on account of inventories	384	102
Other items	893	1,364
	12,313	**10,530**

(2.12) Equity

Subscribed capital

The capital stock of Berentzen-Gruppe Aktiengesellschaft in the amount of EUR 24,960 thousand (previous year: EUR 24,960 thousand) is divided into 9,600,000 shares of common stock (previous year: 9.600.000 shares of common stock), which are no-par bearer shares and are fully paid-in. The imputed nominal value per share is EUR 2.60. The development of subscribed capital and the number of shares outstanding are presented in the table below:

		12/31/2017		12/31/2016	
		EUR '000	No.	EUR '000	No.
Common shares	Bearer shares	24,960	9,600,000	24,960	9,600,000
Capital stock		24,960	9,600,000	24,960	9,600,000
Treasury shares		-536	-206,309	-536	-206,309
Subscribed (outstanding) capital / shares outstanding		24,424	9,393,691	24,424	9,393,691

In financial years 2015 and 2016, 206,309 no par value shares were acquired by Berentzen-Gruppe Aktiengesellschaft within the scope of a share buy-back program. This corresponds to an imputed share of capital stock equal to EUR 536 thousand and thus 2.15% of the Company's capital stock. The average purchase price per share was EUR 7.2706. The shares were purchased for a total purchase price of EUR 1,500 thousand (excluding transaction costs). The cumulative difference between the imputed nominal value and the acquisition cost of the treasury shares purchased was EUR 971 thousand and was offset against retained earnings.

Authorized Capital (not issued)

The Executive Board of Berentzen-Gruppe Aktiengesellschaft is authorised, with the consent of the Supervisory Board, to increase the share capital by issuing new bearer shares of common stock in exchange for cash or in-kind contributions on one or more occasions, but for a maximum total of up to EUR 12,480 thousand, in the time until May 21, 2019. The Executive Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in certain cases. The conditions under which the Executive Board can exclude, with the consent of the Supervisory Board, the shareholders' subscription right in a capital increase are set out in Article 4 para. 4 of the Articles of Association of Berentzen-Gruppe Aktiengesellschaft in the version of 19 May 2017. The Executive Board is authorised, with the consent of the Supervisory Board, to establish the further details of the execution of capital increases under Authorised Capital.

Conditional Capital (not issued)

The share capital is conditionally increased by up to EUR 12,480 thousand through the issuance of up to 4,800,000 new bearer shares of common stock qualifying for dividends from the beginning of the financial year in which they are issued (Conditional Capital 2014). The Conditional Capital is related to the authorisation granted to the Executive Board by resolution of the annual general meeting of May 22, 2014 to issue, with the consent of the Supervisory Board, bearer or registered convertible bonds and/or warrant bonds in the total nominal amount of up to EUR 200,000 thousand on one or more occasions in the time until May 21, 2019, and to grant the holders or creditors of the bonds conversion or warrant rights for new bearer shares of common stock or bearer non-voting shares of preferred stock representing a total share of capital of up to EUR 12,480 thousand, in accordance with the detailed conditions of the convertible or warrant bonds.

Additional paid-in capital

Additional paid-in capital consists of the share premium on the capital increases of Berentzen-Gruppe Aktiengesellschaft in the years 1994 and 1996. EUR 15,855 thousand and EUR 23,010 thousand were withdrawn from additional paid-in capital and appropriated to retained earnings in 2004 and 2008, respectively, to cover the respective net losses of the Company.

Retained earnings

Retained earnings exhibited the following development:

	12/31/2017 EUR '000	12/31/2016 EUR '000
Retained earnings at 01/01	**13,982**	**12,418**
Consolidated profit	2,562	4,446
Currency translation differences	-784	-536
Revaluation of defined benefit obligations	-96	-384
Deferred tax on revaluation of defined benefit obligations	28	113
Other comprehensive income	-852	-807
Consolidated comprehensive income	1,710	3,639
Dividends paid	-2,348	-1,880
Treasury shares (difference between the imputed nominal value and the cost of purchased treasury shares)	0	-195
Retained earnings at 12/31	**13,344**	**13,982**

Within the framework of the deconsolidation of four subsidiaries as of December 31, 2017, exchange rate effects totaling EUR 353 thousand from Other comprehensive income were recognised in the Statement of Comprehensive Income for the period from January 1, 2017, to December 31, 2017.

Profit utilisation / dividend

In accordance with the German Stock Corporation Act (AktG), the profit utilisation including the dividend distribution to shareholders is determined exclusively on the basis of the distributable profit presented in the separate financial statements of Berentzen-Gruppe Aktiengesellschaft prepared in accordance with commercial-law regulations.

At the annual general meeting of May 19, 2017, it was resolved to use the distributable profit of EUR 5,522 thousand (previous year: EUR 4,572 thousand) presented in the separate financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2016 financial year to pay a dividend of EUR 0.25 per qualifying common (previous year: EUR 0.20) share for the 2016 financial year and to carry forward the remaining amount to new account. After accounting for the treasury shares held by the Company on the day of the annual general meaning, which do not qualify for dividends in accordance with Section 71b AktG, the total dividend pay-out was approximately EUR 2,348 thousand (previous year: EUR 1,880 thousand) and the profit carried forward to new account was EUR 3,173 thousand (previous year: EUR 2,692 thousand).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft proposes to the annual general meeting that the distributable profit for financial year 2017 in the amount of EUR 6,178 thousand presented in the annual financial statements of Berentzen-Gruppe Aktiengesellschaft prepared in accordance with German Commercial Code regulations be utilised to pay a dividend of EUR 0.22 per common share qualifying for dividends for the 2017 financial year and to carry forward the remaining amount to new account. In consideration of the treasury shares held by the Company at the date of the annual general meeting, which do not qualify for dividends in accordance with Section 71b AktG, this amount corresponds to a total expected distribution of approximately EUR 2,067 thousand and a carry-forward to new account of approximately EUR 4,111 thousand. Payment of this dividend is dependent on the approval of the annual general meeting of May 3, 2018. The number of shares qualifying for dividends can change up to the annual general meeting. In this case, given an unchanged dividend of EUR 0.22 per common share qualifying for dividends, a correspondingly adjusted recommended resolution for the utilisation of distributable profit will be proposed to the annual general meeting.

(2.13) Non-current provisions

	12/31/2017 EUR '000	12/31/2016 EUR '000
Pension provisions	10,509	11,183
Other non-current provisions	483	535
	10,992	**11,718**

Pension provisions

	12/31/2017 EUR '000	12/31/2016 EUR '000
Pension provisions	10,509	11,183

Defined benefit plans

The pension provisions based on defined benefit plans pertain to the post-employment benefit obligations (old age, disability, and survivor's pensions) of the companies included in the consolidated financial statements, which are governed by different pension codes. The amount of individual benefits depends on the length of service with the Company and the age and/or salary level of the employee. For the most part, this relates to non-covered pension plans for which the Company itself settles the obligations as soon as they fall due for payment. Some of the obligations are secured by reinsurance policies worth EUR 16 thousand (previous year: EUR 33) thousand although these are not classified as plan assets within the meaning of IAS 19; these are presented as Other current assets.

The benefit obligations cover a total of 242 (previous year: 250) beneficiaries, of whom 232 (previous year: 233) are pensioners and surviving dependents, 10 (previous year: 17) are former employees receiving benefits. No defined benefit commitments are being made to newly hired employees at this time. Even if no further benefits become vested at all from commitments made in the past, the Company is nonetheless obliged to continue bearing the resulting actuarial risk, like interest rate risk and longevity risk.

Pursuant to IAS 19, the provisions for pension and similar obligations are calculated in accordance with the projected unit credit method for defined benefit plans. The figures are determined on the basis of actuarial reports. The following table shows the development of the defined benefit obligation (DBO) at December 31, 2017:

	12/31/2017 EUR '000	12/31/2016 EUR '000
DBO at the start of the financial year	11,183	11,515
Interest expenses on DBO	107	166
Revaluations		
Actuarial gains / losses due to change in financial assumptions	0	510
Actuarial gains / losses due to change in experience-based adjustments	96	- 126
Pension benefits paid	- 877	- 882
DBO at the end of the financial year	**10,509**	**11,183**

Of the DBO at the end of the 2017 financial year, EUR 9,959 thousand (previous year: EUR 10,199 thousand) relates to pensioners and surviving dependents, and EUR 550 thousand (previous year: EUR 984 thousand) to former employees receiving benefits.

The following table shows the breakdown of pension expenses for the respective reporting period before income tax effects:

	2017 EUR '000	2016 EUR '000
Interest expenses on DBO	107	166
Expenses recognised in the consolidated Income Statement	**107**	**166**
Actuarial gains (-) / losses (+)	96	384
Expenses/ income recognised in Other comprehensive income	**96**	**384**
Total pension expenses	**203**	**550**

Actuarial assumptions

The pension obligations are measured on the basis of actuarial reports. The following parameters have been applied: an actuarial interest rate of 1.0% p.a. (previous year: 1.0% p.a.), a rate of increase in future compensation of 0% p.a. (previous year: 0% p.a.) and an imputed rate of increase in pension benefits of 1.5% p.a. (previous year: 1.5% p.a.). The actuarial calculations for the 2017and 2016 financial years are based on the 2005 G standard tables prepared by Professor Klaus Heubeck.

Sensitivity analysis

The following table shows the impact on the DBO of changes in the relevant actuarial assumptions. The impact on the DBO in the event of changes to an assumption is shown in each case, whereas the other assumptions remain unchanged compared with the original calculation. Correlation effects between the assumptions are not included accordingly. The change in the DBO shown is only valid for the actual extent of the change in the individual assumption. If the assumptions change to a different extent, a straight-line impact on the DBO cannot be assumed.

		DBO 12/31/2017 EUR '000	DBO 12/31/2016 EUR '000
Actuarial interest rate	+ 1.0 PP	9,615	10,202
	- 1.0 PP	11,560	12,341
Rate of increase in pension benefits	+ 0.5 PP	10,972	11,738
	- 0.5 PP	10,078	10,666
Rate of increase in future compensation	+ 0.5 PP	10,509	11,183
	- 0.5 PP	10,509	11,183
Life expectancy	+ 1 year	11,015	11,712
	- 1 year	10,016	10,665

The same calculation method (projected unit credit method) was applied when determining the impact on the DBO as was used when calculating the pension provisions at year-end.

Expected pension payments

The following table shows the expected pension payments for the following ten years:

	Expected pension payments EUR '000
2018	888
2019	836
2020	769
2021	731
2022	688
2023- 2027	2,890

The average weighted maturity of the benefit obligations at December 31, 2017 is around 10 years (previous year: 10 years).

Defined contribution plans

As a general rule, the Berentzen Group currently grants its employees post-employment benefits in the form of defined contribution plans. Within the framework of deferred compensation and employer allowances, contributions to post-retirement benefits are essentially paid into a pension fund or pension plans for the employees. Employer contributions of EUR 82 thousand (previous year: EUR 79 thousand) to these defined contribution plans were recognised in Personnel expenses in the 2017 financial year.

Employer contributions of EUR 1,394 thousand (previous year: EUR 1,353 thousand) were paid to the statutory state insurance scheme in Germany and employer contributions of EUR 251 thousand (previous year: EUR 25 thousand) were paid to statutory pension insurance schemes in other countries in the 2017 financial year.

Other long-term provisions and accruals

	12/31/2017 EUR '000	12/31/2016 EUR '000
Compensation with performance-based components	269	338
Service anniversary awards	214	197
	483	**535**

Please refer to Note (4.7) Related Party Disclosures for a detailed explanation of the performance-based components of Executive Board compensation.

Provisions for service anniversary awards are accrued taking into account a general employer contribution to social security of 20% in line with the employee’s present length of service and discounted using an interest rate of 2.91 % (previous year: 3.37 %). The provision is formed on the basis of current employee numbers and future claims to the aforementioned payments through the age of 65. The figures calculated are based on reports using a fluctuation rate of 5% and the 2005 G standard tables prepared by Professor Klaus Heubeck as the biometric basis of calculation based on the projected unit credit method in accordance with the generally accepted principles of actuarial mathematics.

Analysis of provisions

	Pension provisions EUR '000	Other non-current provisions EUR '000	Current provisions EUR '000	Total EUR '000
Balance at 01/01/2017	**11,183**	**535**	**80**	**11,798**
Use	877	185	80	1,142
Addition	96	139	80	315
Compounding	107	4	0	111
Reversal	0	10	0	10
Balance at 12/31/2017	**10,509**	**483**	**80**	**11,072**

(2.14) Non-current financial liabilities

	12/31/2017 EUR '000	12/31/2016 EUR '000
Liabilities from syndicated loan	7,068	0
	7,068	**0**

In October 2017, within the framework of the repayment of the Berentzen Bond 2012/2017, the Berentzen-Gruppe Aktiengesellschaft utilised the facility with a fixed maturity date from the syndicated loan agreement concluded in December 2016 in the amount of EUR 7,500 thousand with a term of five years. Interest is payable on the utilisation at a variable rate on the basis of the EURIBOR reference rate plus a fixed interest margin. After deduction of transaction costs in connection with the syndicated loan agreement in the amount of EUR 457 thousand, the net issue value amounted to EUR 7,043 thousand, with an expected effective interest rate of 3.7%. The pro-rated transaction costs included in Financial expenses for financial year 2017 amount to EUR 25 thousand.

(2.15) Alcohol tax liabilities

	12/31/2017 EUR '000	12/31/2016 EUR '000
Alcohol tax liabilities	43,312	44,394
	43,312	**44,394**

The stated amount pertains to the reported alcohol tax for the months of November and December 2017, which is payable on January 5 and February 5 of the following year, respectively, pursuant to the German Alcohol Tax Act.

(2.16) Current provisions

	12/31/2017 EUR '000	12/31/2016 EUR '000
Costs of annual financial statements	80	80
	80	**80**

(2.17) Current income tax liabilities

	12/31/2017 EUR '000	12/31/2016 EUR '000
Current income tax liabilities (corporation tax, trade tax)	2,078	1,033
	2,078	**1,033**

(2.18) Current financial liabilities

	12/31/2017 EUR '000	12/31/2016 EUR '000
Liabilities due to banks	963	571
Liabilities due to non-consolidated affiliated companies	508	484
Continuing involvement	188	195
Interest liability continuing involvement	10	12
Liabilities from the bond issue	0	49,807
	1,669	**51,069**

Information regarding risk management can be found in Note (4.5).

(2.19) Trade payables and other liabilities

	12/31/2017 EUR '000	12/31/2016 EUR '000
Trade payables	9,835	10,877
Marketing and sales commitments, and bonuses	9,863	8,366
Liabilities for payroll, sales and other taxes	5,735	6,736
Supplier invoices outstanding	1,228	1,645
Governments grants for investments	1,164	1,277
Liabilities for salary components relating to other periods	1,091	1,094
Money deposited as security	1,067	1,052
Debtors with credit balances	326	520
Legal, consulting, and auditing costs	206	441
Other	1,218	1,763
	31,733	**33,771**

The stated values of trade payables are equal to their fair values. They are due within one year.

(2.20) Analysis of contractual residual maturities of financial liabilities

The following table shows the contractually agreed, non-discounted interest payable and principal repayments for the financial liabilities:

		up to 1 year		1 to 5 years		more than 5 years	
	Carrying amount 12/31/2017 EUR '000	Principal repayment EUR '000	Future interest payments EUR '000	Principal repayment EUR '000	Future interest payments EUR '000	Principal repayment EUR '000	Future interest payments EUR '000
Liabilities from syndicated loan	7,068	0	143	7,500	523	0	0
Liabilities due to banks	963	963	0	0	0	0	0
Other current financial liabilities	706	706	5	0	0	0	0
Trade payables	9,835	9,835	0	0	0	0	0
Other liabilities	21,898	21,898	0	0	0	0	0
- of which financial liabilities not subject to IAS 39	9,158	9,158	0	0	0	0	0
Total	**40,470**	**33,402**	**148**	**7,500**	**523**	**0**	**0**

		up to 1 year		1 to 5 years		more than 5 years	
	Carrying amount 12/31/2016 EUR '000	Principal repayment EUR '000	Future interest payments EUR '000	Principal repayment EUR '000	Future interest payments EUR '000	Principal repayment EUR '000	Future interest payments EUR '000
Liabilities for bond issue	49,807	50,000	2,591	0	0	0	0
Liabilities due to banks	571	571	0	0	0	0	0
Other current financial liabilities	691	691	5	0	0	0	0
Trade payables	10,877	10,877	0	0	0	0	0
Other liabilities	22,894	22,894	0	0	0	0	0
- of which financial liabilities not subject to IAS 39	10,187	10,187	0	0	0	0	0
Total	**84,840**	**85,033**	**2,596**	**0**	**0**	**0**	**0**

All financial instruments held at December 31, 2017 and for which payments had already been contractually agreed are included. Budgeted amounts for future new liabilities are not included. The variable interest payments were determined on the basis of the interest rates last fixed before December 31, 2017. The future interest payments include fixed interest payments on long-term loans together with interest on short-term drawings, where relevant. Financial liabilities payable at any time are always allocated to the shortest bucket.

(2.21) Financial instruments

The cash and cash equivalents, trade receivables, and other financial assets are mostly due within a short time. Therefore, the carrying amounts at the reporting date are approximately equal to the fair values. The fair values of loans are equal to the present values of the payments related to the assets, in consideration of up-to-date interest parameters. No stock exchange or market prices are available for financial instruments assigned to the category of “available-for-sale financial assets”. The fair values of these assets cannot be measured reliably. It is not currently planned to sell these financial assets.

The fair value of the liabilities from the syndicated loan agreement approximates the recognised value due to its partially variable interest calculation based on benchmark interest rates. In the previous year, the fair value of exchange-listed bonds was equal to the listed price of the total nominal value, based on the listed price at the reporting date. The fair value was attributable to Level 1 of the fair value hierarchy of IFRS 13. The fair values of current financial liabilities such as liabilities due to non-consolidated affiliated companies are equal to the respective carrying amounts because they are due within a short time and the effects of discounting to present value would be immaterial. The market values of derivative financial instruments (foreign exchange futures) are determined by application of the present-value method. End-of-day interest rates are applied for this purpose, and ECB reference rates are applied for the last day of the month. The fair value is attributable to Level 2 of the fair value hierarchy of IFRS 13. The fair value measurement of these items gave rise to a negative earnings effect of EUR 38 thousand (previous year: positive earnings effect of EUR 30 thousand). Trade payables and other liabilities are usually due within a short time. The amounts presented are approximately equal to the fair values.

The different levels of the fair value hierarchy of IFRS 13 are presented below:

- Level 1: The input factors are quoted (not adjusted) prices in active markets for identical assets or liabilities, which the Company can access at the measurement date.
- Level 2: The input factors are inputs other than the quoted market prices applied in Level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3: The input factors are unobservable inputs for the asset or liability.

Carrying amounts and fair values by category of financial instrument

The carrying amounts and fair values of the financial instruments presented in the consolidated financial statements are presented in the table below:

	Category per IAS 39	12/31/2017 Carrying amount EUR '000	12/31/2017 Fair value EUR '000	12/31/2016 Carrying amount EUR '000	12/31/2016 Fair value EUR '000
Assets					
Cash and cash equivalents	LaR	19,397	19,397	67,655	67,655
Trade receivables	LaR	13,775	13,775	14,938	14,938
Other financial assets					
Available-for-sale financial assets	AfS	372	n.a	372	n.a
Derivative financial assets not used in hedging relationships	FAHfT	0	0	38	38
Other financial assets	LaR	11,457	11,457	9,950	9,950
Liabilities					
Liabilities from bond issue	FLAC	0	0	49,807	51,850
Liabilities from syndicated loan	FLAC	7,068	7,068	0	0
Trade payables	FLAC	9,835	9,835	10,877	10,877
Other financial liabilities					
Derivative Financial liabilities not used in hedging relationships	FLHfT	0	0	0	0
Other financial liabilities	FLAC	14,409	14,409	13,970	13,970

Aggregated carrying amounts and fair values by category of financial instrument

The aggregate carrying amounts and fair values of the financial instruments are presented for each category defined in IAS 39 in the table below:

	Category per IAS 39	Measured at	Fair value hierarchy level	12/31/2017 Carrying amount EUR '000	12/31/2017 Fair value EUR '000	12/31/2016 Carrying amount EUR '000	12/31/2016 Fair value EUR '000
Loans and receivables	LaR	Amortised cost	n.a.	44,629	44,629	92,543	92,543
Available-for-sale financial assets	AfS	Amortised cost	n.a.	372	n.a	372	n.a
Financial assets held for trading	FAHfT	Fair value	Level 2	0	0	38	38
Financial liabilities measured at amortized cost	FLAC	Amortised cost	n.a.	31,312	31,312	24,847	24,847
			Level 1	0	0	49,807	51,850
Financial liabilities held for trading	FLHfT	Fair value	Level 2	0	0	0	0

(3) Explanatory notes to the Consolidated Statement of Comprehensive Income

(3.1) Revenues

Revenues are generated exclusively on sales of goods.

	2017 EUR '000	2016 EUR '000
Spirits segment	90,995	91,619
Non-alcoholic Beverages segment	49,418	46,732
Fresh Juice Systems segment	20,707	21,592
Other segment	11,005	10,082
Revenues	**172,125**	**170,025**

(3.2) Change in inventories

	2017 EUR '000	2016 EUR '000	Change EUR '000
Work in progress	15,781	14,769	1,012
Finished products	10,895	9,831	1,064
Change in inventories			**2,076**

(3.3) Other operating income

	2017 EUR '000	2016 EUR '000
Reversal of liabilities (accruals)	1,418	1,045
Costs allocations/ cost reimbursements	1,164	1,210
Sales of empty containers and deposit refunds	594	582
Income from deconsolidation of subsidiaries	401	0
Rental income	289	280
Waste recycling	261	229
Miscellaneous other operating income	1,031	1,056
	5,158	**4,402**

(3.4) Purchased goods and services

	2017 EUR '000	2016 EUR '000
Cost of raw materials and supplies, and merchandise for resale	89,973	89,283
Cost of purchased services	3,117	2,393
	93,090	**91,676**

(3.5) Personnel expenses

	2017 EUR '000	2016 EUR '000
Wages and salaries	20,292	20,513
Social security	3,695	3,328
Pension costs	32	51
	24,019	**23,892**

The following table shows the number of employees in the corporate group:

	Annual average		Year-end	
	2017	**2016**	**2017**	**2016**
Salaried staff	257	249	254	249
Wage-earning staff	208	208	205	208
	465	**457**	**459**	**457**
Apprentices	25	31	25	30
	490	**488**	**484**	**487**

Based on full-time equivalents, the workforce increased from an annual average of 395 to 410.

(3.6) Amortisation and depreciation of assets

	2017 EUR '000	2016 EUR '000
Amortisation of intangible assets	1,270	1,228
Depreciation of property, plant and equipment	5,901	5,595
Depreciation of investment property	16	19
	7,187	**6,842**

(3.7) Impairments/write-ups of assets

	2017 EUR '000	2016 EUR '000
Write-ups of property, plant and equipment	- 208	- 287
Impairments of property plant and equipment	635	264
Impairment of investment property	0	155
	427	**132**

At June 30, 2017, an ad-hoc impairment test was carried out for the *Non-alcoholic Beverages* segment. Despite positive developments in sales volume, sales revenues, and segment result (profit margin by marketing budget), there were indications that the segment's overall contribution to the consolidated operating profit is and will be less strong than expected. This is caused, among other things, by unexpectedly high overhead costs in the areas of production and logistics (the supply chain). In addition, the sales volume successes already realised or still to be expected from products that are bottled and delivered in reusable packaging require additional investments in containers and boxes for empties. The resulting amortization will reduce the segment's overall contribution to the result. The appraisal that consequently had to be carried out according to the regulations of IAS 36 required that reversals in the amount of EUR 208 thousand (previous year: EUR 287 thousand) were now to be applied to impairments applied in previous years, along with additional impairments in the amount of EUR 635 thousand (previous year: EUR 264 thousand). An additional ad-hoc impairment test was carried out as of December 31, 2017, based on updated planning figures. It did not result in any further impairments or reversals.

When conducting the impairment test, the sum of the CGU's carrying amounts is compared with the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The impairment test determined a recoverable amount of EUR 19,627 thousand as of June 30, 2017, and of EUR 23,904 thousand as of December 31, 2017, for the Non-alcoholic Beverages CGU. This corresponds to the fair value less costs to sell. The calculation of the fair value less costs to sell was performed by determining the present value of the anticipated cash flow from the *Non-alcoholic Beverages* operating segment (discounted cash flow method).

Cash flows were planned for a period of three years. The cash flows were planned using a qualified planning process based on internal experience values and extensive market knowledge; these cash flows also reflected the judgment and estimates of the management regarding the future development of the regional market for non-alcoholic beverages. The principal assumptions applied in the calculation of the fair value less costs to sell pertained to the weighted average cost of capital, the forecast development of revenues, the EBITDA growth rate and the sustainable growth rate of the terminal value. The weighted average cost of capital (WACC) of an appropriate peer group was applied as the discount rate. This discount rate determined for the CGU was 6.1% as of June 30, 2017, and 5.6% as of December 31, 2017 (November 30, 2016: 5.7%). The parameters for the weighted average cost of capital were determined on the basis of values derived from external market conditions. The applied growth rate was 0.5 % (previous year: 0.5 %).

The fair value less costs to sell is mainly based on non-observable input data (fair value hierarchy Level 3).

In allocating the impairments and write-ups, due consideration was given to IAS 36.105 and IAS 36.122; furthermore, external appraisals were used for the purpose of deriving the fair value less costs to sell for the main items of property, plant and equipment. Finally, the assumption of a going concern was applied. The fair value less costs to sell determined in the appraisal is mainly based on observable input data (fair value hierarchy Level 2). The main valuation assumptions pertain to the fair market rental rate, the applicable standard land value, and market prices for comparable technical equipment.

If the discount rate applied in the impairment test had been 0.5 percentage points higher, this would not have resulted in a higher impairment or reversal of impairment (write-up), due to the provisions of IAS 36.105 and IAS 36.122. Conversely, if the applied discount rate had been 0.5 percentage points lower, or if the sustainable growth rate applied in the impairment test had been 0.5 percentage points higher, this would also not have resulted in a lower impairment or reversal of impairment.

Of the total reversals of earlier impairments performed as a consequence of the impairment testing of the *Non-alcoholic Beverages* CGU as of June 30, 2017, an amount of EUR 191 thousand (previous year: EUR 283 thousand) pertained to technical equipment, plant and machinery, and EUR 17 thousand (previous year: EUR 4 thousand) pertained to other operational and office equipment. The additionally determined impairments pertained to technical equipment, plant and machinery in the amount of EUR 630 thousand (previous year: EUR 251 thousand), and other operational and office equipment in the amount of EUR 5 thousand (previous year: EUR 13 thousand).

On balance, the aforementioned impairments and write-ups yielded a negative earnings effect of EUR 427 thousand (previous year: EUR 132 thousand).

(3.8) Other operating expenses

	2017 EUR '000	2016 EUR '000
Marketing, including advertising	16,206	15,913
Other selling costs	16,285	15,578
Maintenance	2,975	2,824
Charges, contributions, insurance premiums	1,803	1,674
Rents, office costs, money transfer costs	1,614	1,572
Legal, consulting, auditing costs	1,281	1,135
Other services	1,015	975
Packaging recycling	1,012	1,193
Temporary staff	750	672
Expenses relating to other periods	610	585
Other personnel expenses	572	421
Miscellaneous other operating expenses	1,719	1,506
	45,842	**44,048**

(3.9) Financial income/financial expenses

	2017 EUR '000	2016 EUR '000
Other interest and similar income	51	64
Financial income	51	64
Interest and similar expenses	3,605	4,130
Loss absorption expenses	3	3
Financial expenses	3,608	4,133
Financial result	**- 3,557**	**- 4,069**

(3.10) Net results by valuation categories

The net results broken down by measurement category are as follows for the 2017 financial year:

			from subsequent measurement				
		from interest EUR '000	at fair value EUR '000	currency translation EUR '000	from write-downs EUR '000	from disposal EUR '000	Net results 2017 EUR '000
Loans and receivables	LaR	38	0	0	9	0	47
Available-for-sale financial assets	AfS	- 3	0	0	0	0	- 3
Held-for-trading financial assets	FAHfT	0	- 38	0	0	0	- 38
Financial liabilities at amortised cost	FLAC	- 2,822	0	0	0	0	- 2,822
Held-for-trading financial liabilities	FLHfT	0	0	0	0	0	0
Total		**- 2,787**	**- 38**	**0**	**9**	**0**	**- 2,816**

In the previous year, the net results broken down by measurement category are as follows:

			from subsequent measurement				
		from interest EUR '000	at fair value EUR '000	currency translation EUR '000	from write-downs EUR '000	from disposal EUR '000	Net results 2016 EUR '000
Loans and receivables	LaR	47	0	0	208	0	255
Available-for-sale financial assets	AfS	- 3	0	0	0	0	- 3
Held-for-trading financial assets	FAHfT	0	34	0	0	0	34
Financial liabilities at amortised cost	FLAC	- 3,356	0	0	0	0	- 3,356
Held-for-trading financial liabilities	FLHfT	0	- 4	0	0	0	- 4
Total		**- 3,312**	**30**	**0**	**208**	**0**	**- 3,074**

The interest from financial instruments is presented as part of Financial income or Financial expenses.

The value adjustments charged against trade receivables that are attributable to loans and receivables are presented within other operating expenses.

Changes in the market value of financial instruments measured at fair value are presented within other operating income or other operating expenses.

(3.11) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated net profit or loss attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial year.

The capital stock of Berentzen-Gruppe Aktiengesellschaft is divided into 9,600,000 shares of common stock (previous year: 9,600,000 shares of common stock). Taking treasury shares into account, there were 9,393,691 weighted average shares outstanding of Berentzen-Gruppe Aktiengesellschaft in financial year 2017 (previous year: 9,407,323).

Berentzen-Gruppe Aktiengesellschaft has not issued any stock options or convertible bonds; there were no potential diluting instruments that could be exchanged for shares at December 31, 2017. For this reason, only the basic earnings per share of common stock are presented.

		2017	2016
Consolidated profit	EUR' 000	2,562	4,446
Number of common shares [1]	in thousands	9,394	9,407
Basic earnings per share of common stock	**EUR**	**0.273**	**0.473**

[1] Weighted average shares outstanding during the financial year.

(4) Other explanatory notes

(4.1) Cash Flow Statement

Cash flow from operating activities

The cash flow from operating activities comprises both the cash flows generated from operations as presented in the Group management report (consolidated earnings before interest, taxes, depreciation and amortisation, corrected for non-cash elements) as the central managerial indicator of liquidity, and cash movements in working capital. The net cash inflow fell to EUR 4,119 thousand in the 2017 financial year (previous year: EUR 12,323 thousand). The following circumstances were significant influencing factors.

A net cash inflow of EUR 2,352 thousand (previous year: EUR 1,725) resulted from the change in trade working capital – i.e., the balance of the cash movements of the inventories, receivables including factoring, liabilities from alcohol tax, and trade payables. In addition, a cash outflow resulted from the increase in other assets of EUR 1,803 thousand; in the previous year, a cash inflow of EUR 733 thousand was generated in this respect. Furthermore, debt financing from provisions decreased by EUR 726 thousand (previous year: EUR 232 thousand), primarily based on a corresponding change in recognised pension obligations. In addition, the change in other liabilities gave rise to a cash outflow of EUR 1,219 thousand, while in the previous year this resulted in a cash inflow of EUR 2,388 thousand.

Cash flow from investing activities

The Group’s investing activities led to a net cash outflow of EUR 7,767 thousand (previous year: EUR 6,166 thousand). The investments in property, plant and equipment and intangible assets increased significantly to EUR 8,165 thousand (previous year: EUR 6,421 thousand).

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 45,002 thousand (previous year: EUR 2,213 thousand), which resulted primarily from the repayment of the Berentzen Bond 2012/2017 in the amount of EUR 50,000 thousand. Cash inflows of EUR 7,500 thousand were generated in financial year 2017 from the initial utilization of the syndicated loan agreement, while funds of EUR 154 thousand flowed out in the same context. Moreover, the net cash outflow results – based on corresponding resolutions of the Annual Shareholders' Meeting – in the amount of EUR 2,348 thousand (previous year: EUR 1,880 thousand) from the dividend payment, as well as in the amount of EUR 328 thousand in the previous year from disbursements in connection with the share buyback program of 2017 initiated in July 2015 and terminated in May 2016.

The following table includes changes in liabilities arising from financing activities, divided into cash and non-cash components:

			Non-cash changes				
	01/01/2017 EUR ’000	Cash additions and deletions EUR ’000	Changes in scope of consolidation EUR ’000	Exchange rate change EUR ’000	Changes in fair value EUR ’000	Other effects EUR ’000	12/31/2017 EUR ’000
Non-current financial liabilites	0	7,346	0	0	0	-278	7,068
Current financial liabilities	51,069	-49,367	0	-217	0	184	1,669
	51,069	**-42,021**	**0**	**-217**	**0**	**-94**	**8,737**

Cash and cash equivalents

At year-end, the cash and cash equivalents as defined in Note (2.10) totalled EUR 18,434 thousand (previous year: EUR 67,084 thousand), of which EUR 15,503 thousand (previous year: EUR 31,915 thousand) relates to receivables from the customer settlement accounts maintained with banks that are used for settlement under two factoring agreements. In addition, short-term credit lines or financing instruments classified as such were utilised in the amount of EUR 963 thousand (previous year: EUR 571 thousand) at the reporting date for the 2017 financial year.

(4.2) Segment report

Operating segments

The segment report is prepared in accordance with IFRS 8 Operating Segments. This requires the business segments to be identified on the basis of the internal management reports of the Company's divisions, the operating results of which are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The segment reports accord with the internal reports presented to the chief operating decision maker, the Executive Board of Berentzen-Gruppe Aktiengesellschaft. The Executive Board uses the "contribution margin after marketing budgets" as the key performance indicator. The corporate group is mainly organised and managed on the basis of product groups and sales units. The internal reporting of Berentzen-Gruppe Aktiengesellschaft is generally based on the same recognition and measurement principles as the consolidated financial statements. The segment report is organised in the same way as the internal reports.

In the segment report, the main operating units of "Domestic Branded Spirits" and "Private Label Products" are grouped together to form one reporting segment due to their similar customer groups, products and long-term margins.

The corporate group operated in the following segments in the 2016 and 2017 financial years:

- *Spirits* (domestic branded spirits and private-label products): The marketing, distribution and sale of spirits in the above-mentioned sales divisions are combined in this segment.
- *Non-alcoholic Beverages*: The marketing, distribution and sale of non-alcoholic beverages combined in this segment.
- *Fresh Juice Systems*: Depending on the system component, the development, manufacture, marketing, distribution and sale of fruit presses, oranges and filling containers are combined in this segment.
- *Other segments*: This segment primarily includes the foreign business with branded spirits (marketing and sales) as well as the tourist and event activities of the Berentzen Group.

Segment data

The revenues of the individual segments consist of the intersegment revenues together with revenues generated with customers outside of the corporate group. The sum total of the external revenues of the individual segments yields the consolidated revenues of the corporate group. The prices and terms for the products and services exchanged between the Group companies and segments are the same as those applied with third parties.

The "contribution margin according to marketing budgets" segment earnings include expenses directly incurred by the areas allocated to the respective segment. For product-related purchased goods as services, other direct costs (shipping, packaging recycling, commissions) and marketing including advertising, it is possible to perform an unambiguous allocation to the individual segments enabling a full presentation of the contribution according to marketing budgets for the segments that can be used as a performance indicator.

The internal reports submitted to the Group's decision-makers do not include a breakdown of assets and liabilities by segment but only present them at group level. This means that the Executive Board of Berentzen-Gruppe Aktiengesellschaft, in its function as key decision-making body, is not given any details of segment assets.

Segment report for the period from 1 January to 31 December 2017

	2017					
	Spirits EUR '000	Non-alcoholic Beverages EUR '000	Fresh Juice Systems EUR '000	Other segments EUR '000	Elimination of intersegment revenues/ expenses EUR '000	Total EUR '000
Revenues with third parties	**90,995**	**49,418**	**20,707**	**11,005**		**172,125**
Intersegment revenues	397	33	35	39	- 504	
Total revenues	**91,392**	**49,451**	**20,742**	**11,044**	**- 504**	**172,125**
Purchased goods and services (product-related only)	- 48,923	- 21,648	- 12,693	- 4,404	504	**- 87,164**
Other direct costs	- 4,640	- 4,146	- 1,294	- 272		**- 10,352**
Marketing, including advertising	- 10,186	- 4,319	- 301	- 1,400		**- 16,206**
Contribution margin after marketing budgets	**27,643**	**19,338**	**6,454**	**4,968**		**58,403**
Other operating income						**5,158**
Purchased goods and services/change in inventories (if not included in contribution margin)						**- 3,850**
Personnel expenses						**- 24,019**
Depreciation and amortisation of assets						**- 7,187**
Miscellaneous other operating expenses						**- 19,284**
Consolidated operating result, EBIT						**9,221**
Exceptional profit effects		- 427				**- 427**
Financial income						**51**
Financial expenses						**- 3,608**
Consolidated profit before income taxes						**5,237**
Income tax expenses						**- 2,675**
Consolidated profit						**2,562**

Segment report for the period from 1 January to 31 December 2016

	2016					
	Spirits EUR '000	Non-alcoholic Beverages EUR '000	Fresh Juice Systems EUR '000	Other segments EUR '000	Elimination of intersegment revenues/ expenses EUR '000	Total EUR '000
Revenues with third parties	**91,619**	**46,732**	**21,592**	**10,082**		**170,025**
Intersegment revenues	352	36	30	30	- 448	
Total revenues	**91,971**	**46,768**	**21,622**	**10,112**	**- 448**	**170,025**
Purchased goods and services (product-related only)	- 50,269	- 19,789	- 12,659	- 3,864	448	**- 86,133**
Other direct costs	- 4,954	- 3,851	- 1,184	- 205		**- 10,194**
Marketing, including advertising	- 9,940	- 4,215	- 267	- 1,550		**- 15,972**
Contribution margin after marketing budgets	**26,808**	**18,913**	**7,512**	**4,493**		**57,726**
Other operating income						**4,402**
Purchased goods and services/change in inventories (if not included in contribution margin)						**- 2,842**
Personnel expenses						**- 23,892**
Depreciation and amortisation of assets						**- 6,997**
Miscellaneous other operating expenses						**- 17,882**
Consolidated operating result, EBIT						**10,515**
Exceptional profit effects		23				**23**
Financial income						**64**
Financial expenses						**- 4,133**
Consolidated profit before income taxes						**6,469**
Income tax expenses						**- 2,023**
Consolidated profit						**4,446**

Geographical breakdown

The regional breakdown of external revenues is based on the location of the customers, as follows:

	2017 EUR' 000	2016 EUR' 000
Germany	134,969	132,178
Rest of European Union	30,159	31,142
Rest of Europe	4,074	3,305
Rest of world	2,923	3,400
	172,125	**170,025**

Breakdown of revenues by product group

	2017 EUR' 000	2016 EUR' 000
Private-label and dealer brands	53,633	54,518
Non-alcoholic beverages	49,418	46,732
Branded spirits	47,358	45,966
Fresh juice systems	20,707	21,592
Other product groups	1,009	1,217
	172,125	**170,025**

Dependence on key customers

In both the 2017 financial year and the previous year, more than 10% of consolidated revenues were generated with three (previous year: three) customers in the *Spirits*, *Non-alcoholic Beverages*, and *Fresh Juice Systems* segments, broken down as follows:

	2017		2016	
Customer	**Revenues EUR' 000**	**Proportion of total revenues**	**Revenues EUR' 000**	**Proportion of total revenues**
Customer A	28,672	17%	28,369	17%
Customer B	22,686	13%	22,396	13%
Customer C	17,338	10%	20,307	12%

(4.3) Contingent liabilities

The following contingent liabilities existed at year-end:

	2017 EUR' 000	2016 EUR' 000
Liabilities from guarantees	2,193	2,193
Other contingent liabilities	336	358
	2,529	**2,551**

Berentzen-Gruppe Aktiengesellschaft has issued an absolute maximum-liability guarantee of EUR 2,185 thousand (previous year: EUR 2,185 thousand) for the branch of a subsidiary in Brandenburg in favour of InvestitionsBank des Landes Brandenburg to secure receivables arising from the subsidy relationship, especially possible future claims to repayment. In both 2007 and 2010, the subsidiary had submitted an ongoing request for the granting of state aid to industry under the regional economic promotion programme over an investment period of three years. The amounts requested by calling down funds were disbursed starting in 2011 and secured by the guarantees. There are no indications to suggest that amounts payable under the subsidy relationship – especially a request for repayment of state aid – could be enforced and consequently that the guarantee could possibly be expected to be utilised.

The other contingent liabilities related to the legal disputes of Berentzen Spirit Sales (Shanghai) Co., Ltd., Shanghai, People's Republic of China. Please refer to Note (4.4) for details on this subject.

In addition, there are letters of indemnity related to maximum-liability customs bonds in the amount of EUR 776 thousand (previous year: EUR 776 thousand). The current alcohol tax liabilities secured by such guarantees amounted to EUR 43,312 thousand at year-end (EUR 44,394 thousand).

(4.4) Legal disputes

In connection with their ordinary business activities, the companies of the Berentzen Group are involved in legal disputes in different jurisdictions; moreover, existing legal disputes may be broadened or additional legal disputes may be initiated. These legal disputes could result in payment obligations for the companies of the Berentzen Group in the form of damages, punitive damages, or obligations to satisfy other claims, as well as penalties, fines, or disgorgements under criminal law or civil law. In isolated cases, moreover, legal disputes could lead to formal or informal exclusions from public tenders or the withdrawal or loss of government permits or approvals. Claims asserted in legal disputes bear interest, as a general rule.

In relation to the measures implemented in connection with the adjustment of the national distribution strategy in China since the end of the third quarter of 2013, claims totalling approximately EUR 392 thousand (previous year: EUR 418 thousand) were asserted, titled and enforced to a minor extent against Berentzen Spirit Sales (Shanghai) Co., Ltd., Shanghai, People's Republic of China, by two former local distribution partners in connection with trade dealings and by the other contractual party under the former lease of the Company's business premises. Berentzen Spirit Sales (Shanghai) Co., Ltd. filed for commencement of an insolvency proceeding due to insolvency in November 2015 and again in August 2016; the motions were rejected by the competent courts for incomprehensible reasons. Considering the economic situation of the Company, however, the Berentzen Group believes that a further assertion of the aforementioned claims will not be successful, for which reason no provisions were formed for legal disputes in this matter.

At the present time, the Berentzen Group does not expect any material adverse effects on its financial position, cash flows and financial performance to result from legal disputes not described herein. Appropriate risk provisions have been formed for these proceedings insofar as the corresponding obligation is sufficiently concretised. However, because the risks of legal disputes can be estimated only to a limited extent, the occurrence of adverse effects not covered by the respective risk provisions cannot be ruled out, as a general rule.

(4.5) Risk management

Organisation

The primary financial instruments used by the Berentzen Group include the syndicated loan agreement as well as overdraft facilities, factoring agreements and trade payables. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets at its disposal, for example trade receivables and loans granted as well as cash and cash equivalents that can be directly attributed to the business activities.

The Central Financial Management Department manages the Berentzen Group's financial risk. It monitors liquidity risk, credit risk and market risk. The strategies and methods employed to manage the individual financial risks are presented below.

Liquidity risk

Liquidity risk is the risk that a company is not in a position to procure the funds needed to settle obligations entered into in connection with financial instruments.

Management of liquidity risk

The Executive Board, the Management and Central Financial Management Department manage the Group’s liquidity risk. Liquidity risk is managed primarily by procuring funds as part of the overall funding of the Berentzen Group. The Group’s financing at the end of financial year 2017 is described in the following.

The syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 with a current total funding volume of EUR 25.5 million in principle contains three facilities: two facilities for the purposes of company financing, of which one facility amounting to EUR 7.5 million has a fixed maturity date and one facility amounting to EUR 18.0 million. Within the scope of what is known as a branch agreement, the latter can be utilised as working capital or bank guarantee lines of credit. An optional agreement governs an increase in the volume of funding by a further facility with a fixed maturity date for the financing of acquisitions amounting to EUR 10.0 million. The initial term is five years; the term can be optionally extended by a further year. The Berentzen Group exercised this option and extended the term by one year in February 2018. The final maturity date now falls on December 21, 2022. Interest is payable on utilisations at a variable rate on the basis of the EURIBOR reference rate plus a fixed interest margin. The syndicated loan agreement is not secured. As part of a cross-guarantee system taking the form of a guarantee concept that consists of a minimum coverage to be granted by Berentzen-Gruppe Aktiengesellschaft as borrower and the guarantors relating to certain group inventory levels and flow variables specified in the agreement, three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the concept as guarantors. The borrower will be obliged to comply, at regular intervals, with contractually specified two covenants based on their financial statements – dynamic net debt ratio and equity ratio. The syndicated loan agreement, that is based in all material respects on the international standard agreements issued by the British Loan Market Association (“LMA standard”), further contains the obligations, conditions, assurances and warranties customary under such agreements that include, in particular, limits on leverage, limits relating to the sale of assets and a change-of-control clause. In the event of failure to comply with the covenants, other obligations, assurances and warranties or the occurrence of a change of control, the lenders under the syndicated loan agreement will be entitled to prematurely terminate the syndicated loan agreement and demand immediate repayment of the funds utilised and any outstanding interest and costs.

The drawdown of factoring lines represents a further focal point of external funding. The ensuing total volume of funding available to the Berentzen Group on the basis of two factoring agreements running until March 31, 2021 amounts to EUR 50.0 million (EUR 50.0 million). Added to this is a formally unlimited factoring line under three further, open-ended central settlement and factoring agreements. In the 2017 financial year, this gave rise to an average gross funding volume of EUR 9.7 million (EUR 9.9 million). In contrast, the factoring agreements are free of covenants.

Apart from the syndicated loan agreement, the volume of funding from credit agreements with the providers of working capital to the Berentzen Group totals EUR 1.4 million (EUR 1.6 million). These lines of credit have been made available to two foreign Group companies, all of which are open-ended. Collateral must be provided for this by a foreign Group company in the translated amount of EUR 1.2 million (EUR 1.4 million), fundamentally in the form of cash received before the due date or other securities. In addition, two sureties for alcohol tax provided by guarantee and bonding insurance companies in a total amount of EUR 0.8 million (EUR 0.8 million) are part of the overall financing of the Group. Both the working capital credit agreements as well as one of the surety agreements contain change-of-control clauses that allow the funding agreements concerned to be terminated prematurely in the event of a change of control. The latter also contains covenants that lead to a special termination right of the insurer in case of a violation.

Including the formally unlimited factoring agreements with a central settlement agent, the gross funding volume from factoring arrangements and not falling under the scope of the working capital credit lines of the syndicated loan agreement thus stood at EUR 61.1 million at December 31, 2017 (previous year: EUR 61.5 million). These short-term external or credit financing arrangements bear interest on the basis of the EURIBOR and EONIA reference interest rates, plus a fixed interest margin, otherwise at interest rates based on local market conditions or at fixed interest rates.

The factoring agreements, the central settlement and factoring agreements, and the agreements regarding working capital lines outside of the syndicated loan agreement have been concluded with both Berentzen-Gruppe Aktiengesellschaft and other Berentzen Group companies.

Compliance with the covenants and the miscellaneous other arrangements contained in the financing agreements is continuously monitored by the Executive Board and the Central Financial Management Department. The expected financing requirements and the foreseeable development of the covenants are mapped in the planning and budgeting process so that countermeasures can be initiated and the provision of outside capital can be ensured if necessary.

Furthermore, with respect to the financing of the corporate group, measures are continuously reviewed and/or implemented that have the goal of both providing an adequate credit line volume as well as maturity matching. This is supplemented to the extent possible by approaches to reducing traditional use of debt capital (e.g. through alternative financing forms such as leasing or by freeing up capital internally in the working capital).

Credit risk/default risk

Credit risk or risk of default is defined as the risk of a financial loss that arises if a contracting party fails to meet its payment obligations.

Management of credit risk/default risk

The management of credit risk or risk of default in the Berentzen Group is substantially geared towards entering into transactions with creditworthy third parties. Credit references or historical data from the business relationship to date are considered for the purpose of avoiding payment defaults. In the event of discernible risks, appropriate value adjustments are charged against receivables.

Approximately 76% (previous year: 75%) of consolidated revenues are billed via trade offices, of consolidated revenues are realised over foreign branch offices that in addition to del credere agreements also assume the credit risk. In addition, the risk of default is covered under trade credit insurance. As a general rule, balances in excess of EUR 5 thousand are covered under credit insurance. Trade credit insurance reimburses all defaults on receivables on the part of insured customers up to the agreed deductible of 20% for customers residing in Germany and 10% for customers residing abroad. For domestic customers, the VAT included in the amount of the receivable is also insured. In the event of default on receivables, the net default risk is only slightly less than 5% of the gross receivable, because the tax authority refunds the VAT. Security payments or advance payments are frequently agreed with the Group company domiciled outside of Europe.

A significant portion of trade receivables is sold under factoring agreements. Since the respective factor also assumes the del credere liability without recourse, these receivables are not reported in the consolidated statement of financial position in accordance with the relevant accounting standards. An exception to this is a relatively insignificant continuing involvement compared to the volume of factored receivables that represents the late payment risk remaining with the group. Measured on the customer structure, the amounts receivable from individual counterparties are accordingly not so large that they would signify a material concentration of risk.

No trade credit insurance is carried for one of the major trade offices because it has furnished an unconditional absolute guarantee of a major German credit insurer to the company to cover the receivables due from it.

	2017		2016	
	EUR '000	%	EUR' 000	%
Trade receivables	**14,076**	**100.00 %**	**15,248**	**100.00 %**
- of which trade credit-insured	3,035	21.56 %	3,623	23.76 %
- of which secured by a surety	2,644	18.78 %	2,456	16.11 %
- of which secured by guarantees	1,711	12.16 %	2,723	17.86 %
- of which unsecured	6,385	45.36 %	6,136	40.24 %
- of which written down	301	2.14 %	310	2.03 %

With regard to the trade receivables for which no value adjustments have been charged and which are not in default, there were no indications at the reporting date to suggest that the debtors will not fulfil their payment obligations. The intrinsic value of receivables is protected by means of assigning limits to all customers on the basis of the assessments of rating agencies or the credit insurer, and by means of regular payment reminders and constant monitoring of all receivables accounts.

Cash and cash equivalents are invested with major banks and state banks.

In the event of counterparty default, the maximum credit risk of the Group’s other financial assets such as cash and cash equivalents and available-for-sale financial instruments is equal to the carrying amounts of these instruments.

No loans denominated in foreign currencies are granted and no bill transactions are conducted. As a general rule, no deliveries are made to customers not associated with foreign branch offices without first conducting a credit assessment with the help of rating agencies. Receivables are continuously monitored to ensure that the Group’s default risk is manageable or not substantial. In addition, payment terms are regularly monitored.

Default risk also comprises country risk or transfer risk. This risk comprises the risk of economic or political instability in connection with investments or cross-border financing transactions of Group companies in so-called high-risk countries, as well as the risk inherent in direct sales to customers in such countries. Country risks related to capital measures or other cross-border financing transactions of Group companies are managed already as part of the decision to enter or increase exposure to a foreign market by a Group company. This decision is made on the basis of a comprehensive assessment of the economic and political parameters with reference to country ratings. No companies are founded in countries deemed to be instable on this basis. Subsequent financing measures for foreign Group companies that have already been founded, which are based solely on the actual capital requirements, are also assessed appropriately on the basis of continuous monitoring and updated knowledge; furthermore, such financing measures are centrally managed and supported. For example, both intragroup financing made to a subsidiary based in Turkey as well as its current assets are subject to more intense monitoring on account of the political events of the past years due to the associated implications of a higher risk of default. In order to minimise the risk of direct sales to customers in so-called high-risk countries, security is obtained or cash in advance is agreed in cases in which there is no trade credit insurance or it is not possible to sell the receivables under factoring agreements. In addition, any past-due foreign receivables are reported to the competent Executive Board member by means of a separate reporting system.

Market risk

Market risk is defined as the risk of changes in the fair value of future cash flows from a financial instrument due to market price fluctuations. Market risk comprises currency risks, interest rate risks and other price risks.

Management of market risk

Market risk is also managed by the Executive Board, the Management and the Group's Central Financial Management Department.

For presenting market risks, IFRS 7 requires an entity to conduct sensitivity analyses to determine the effects of hypothetical changes in relevant risk variables on net profit and shareholders' equity. Besides currency risks, the Berentzen Group is exposed to interest rate risk and other price risks.

The periodic effects are determined by applying the hypothetical changes in risk variables to the holdings of financial instruments held at the reporting date. The holdings at the reporting date are representative of the full year.

Foreign currency risks arise from the translation of foreign currency items into the Group's functional currency (euro) due to exchange rate changes. According to the Berentzen Group's definition, they generally result from financial items, pending transactions where applicable, and planned transactions denominated in foreign currencies. Relevant foreign currencies for the Group particularly include the U.S. dollar and the Turkish lira. The corresponding risk potential depends on the development of exchange rates and the volume of transactions conducted or to be conducted in foreign currencies. To date, the Group's activities in both procurement and sales have been concentrated largely in the Eurozone or conducted in euros. No business is conducted with suppliers or customers in hyperinflationary countries. Currency risk is also partially neutralised in that procurement and sales are always conducted in the same foreign currency and therefore the corresponding cash inflows and cash outflows occur in the same currency – although not usually in the same amounts or maturities. Without taking consolidation effects into account, liabilities and receivables denominated in foreign currencies amounted respectively to approximately EUR 2.3 million (previous year: EUR 2.6 million) and EUR 3.0 million (previous year: EUR 5.0 million) as of December 31, 2017. Rate-hedging measures are carried out regularly for the most important foreign currency, the U.S. dollar, insofar as an assessment of the foreign currency environment makes this appear to be useful. In order to hedge foreign currency risk arising from future purchases of merchandise, there were no forward exchange deals as of December 31, 2017 (December 31, 2016: a total volume of USD 0.8 million). Insofar, currency risk is still to be regarded as relatively low overall. However, this assessment can change with an increasing volume of corresponding transactions as well as due to the effects of financial policy and corporate policy decisions or future trends on the foreign exchange market.

From the Group’s perspective, the value of the Berentzen Group’s assets or the nominal amounts of its liabilities located outside of Germany are likewise subject to foreign currency fluctuations. Foreign currency effects arising on the translation of net asset positions from the separate financial statements of foreign Group companies are recognised directly in equity; nevertheless, foreign currency risks that affect profit or loss – but not cash flows from the Group’s perspective – could result from intragroup transactions denominated in foreign currencies, particularly including the financing of foreign companies with the Group’s own funds. For purposes of the Berentzen Group’s risk management system, it is assumed that investments in foreign Group companies and intragroup loans have indefinite terms, as a general rule. In the event of disinvestment, however, the effects of the foreign currency risks inherent in the currency translation differences previously recognised in Group equity would need to be recognized in profit or loss. Thus four foreign subsidiaries were deconsolidated in financial year 2017. Within the framework of the reclassifications that consequently had to be carried out, a net positive result of EUR 0.4 million was recognised. As of December 31, 2017, negative currency effects remain in the Berentzen Group’s retained earnings from the translation of Group-internal financing to a Group company in Turkey in the amount of EUR 2.4 million (previous year: EUR 1.9 million).

The sensitivity of consolidated profit/loss before income taxes and shareholders’ equity to a fundamentally possible change in exchange rates according to prudent judgment is presented in the table below. All other variables remain constant.

	2017		2016	
	Exchange rate change + 5 % EUR' 000	Exchange rate change - 5% EUR' 000	Exchange rate change + 5% EUR' 000	Exchange rate change - 5% EUR' 000
Effects on earnings before income taxes	-307	339	-79	88
Effects on shareholders‘ equity	-307	339	-79	88

The Group holds interest-bearing assets. The magnitude of the resulting interest income is not materially important for the consolidated earnings and cash flows. Therefore, changes in market interest rates are also immaterial.

Interest rate hedging instruments in the form of financial instruments are currently not employed. The 2012/2017 bond issue of Berentzen-Gruppe Aktiengesellschaft carried a fixed nominal interest rate or coupon throughout its term, so that it remained unaffected by potential interest rate increases. By contrast, changes in market interest rates affect the interest result of non-derivative variable-interest rate financial instruments and are included in the computation of result-oriented sensitivities:

	Interest Rate Risk					
	2017			2016		
	Amount EUR' 000	+ 100 BP result EUR' 000	- 100 BP result EUR' 000	Amount EUR' 000	+ 100 BP result EUR' 000	- 100 BP result EUR' 000
Financial assets						
Cash and cash equivalents	19,397	194	- 194	67,655	677	- 677
Other current assets	1,331	13	- 13	1,351	14	- 14
Effect before income taxes		207	- 207		690	- 690
Financial liabilities						
Liabilities from syndicated loan	7,500	75	- 75	0	0	0
Liabilities due to banks	963	10	- 10	571	6	- 6
Factoring (off-balance sheet)	9,740	97	- 97	9,856	99	- 99
Effects before income taxes		182	- 182		104	- 104
Total effect		**25**	**- 25**		**586**	**- 586**

If the level of market interest rates had been 100 basis points higher (lower) in the reporting period, the net profit would have been EUR 25 thousand (previous year: EUR 586 thousand) higher (lower).

The actual average payment term for the entire Group is currently around 34 (34) days. This payment term does not give rise to heightened liquidity or interest rate risk because sufficient factoring lines or (particularly in foreign countries) similar financing instruments are available to finance the Group's receivables. Consequently, the need for conventional short-term credit lines is reduced to a considerable degree.

Any utilisation of the syndicated loan agreement and funds provided in connection with two factoring agreements are subject to variable interest rates on the basis of the EURIBOR reference rate, which means interest rate risks do in principle exist. The effects of any changes in the interest rate can be partially compensated for by the deployment of interest rate hedging instruments. For this reason, the development of interest rates is monitored on an ongoing basis and the use of interest rate hedging instruments is regularly reviewed.

Market and price risks are also inherent in the procurement of raw materials and supplies and in the procurement costs of merchandise and system components. In all segments, the purchase prices of the raw materials and supplies, merchandise and system components used by the Berentzen Group are particularly influenced by their market availability and, in the case of purchases conducted in foreign currencies, the development of the corresponding exchange rates against the euro. A large part of the raw materials needed for the production of spirits and non-alcoholic beverages as well as the fruits (oranges) traded in the F*resh Juice Systems* segment are agrarian products, the availability of which depends on the respective crop yields. Furthermore, certain required raw materials and merchandise are affected by regulatory measures, which may have a considerable influence, in some cases, on their availability and therefore their prices.

In the *Spirits* Segment and *Other Segments*, annual supply contracts stipulating fixed quantities and fixed prices are in effect for glass bottles. Fixed-quantity contracts covering the period from harvest to harvest (September/October) are customarily concluded for wheat distillate and sugar. Neutral alcohol prices are adjusted every quarter with reference to publicly available and independent price reports (F.O.Licht, ICIS). Commodity price indices (LME, EUWID) are applied as a reference for the semi-annual adjustment of the prices of aluminium closures and cardboard packaging. The same applies for the *Non-alcoholic Beverages* segment to the extent that the above-mentioned raw materials and supplies are also used in this segment. In the *Fresh Juice Systems* segment, purchases of the individual system components are predominantly managed on the basis of single contracts; in particular, the procurement of fruits (oranges) is dependent on harvest seasons in the global cultivation areas.

(4.6) Capital management

The objectives of the corporate group with regard to capital management are to secure the continued existence of the Company as a going concern and to support growth targets. In light of these primary objectives, the capital structure needs to be optimised in order to maintain the cost of capital at an appropriate level. The corporate group has been using the equity ratio as well as the dynamic debt ratio to monitor its capital since financial year 2017; in the previous year, the net debt ratio and the adjusted equity ratio were used as indicators.

The equity ratio is calculated as the ratio of adjusted equity to adjusted total consolidated capital (total consolidated assets). Adjusted equity is based on the consolidated capital reported in the Consolidated Statement of Financial Position. If available, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from the figure, while non-current liabilities to shareholders and mezzanine capital are added. Likewise, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from total consolidated capital if available.

The equity ratio is calculated in detail as follows:

	12/31/2017 EUR '000	12/31/2016 EUR '000
Consolidated shareholders' equity	44,589	45,227
Tax accruals	0	159
Adjusted shareholders' equity	**44,589**	**45,068**
Total capital	143,445	189,213
Tax accruals	0	159
Adjusted total capital	**143,445**	**189,054**
Equity ratio	**31.1 %**	**23.8 %**

The dynamic gearing ratio provides information on the period theoretically needed in order to repay financial liabilities using profits. Consequently, the ratio is also suitable for indicating the Berentzen Group's debt servicing ability. This performance indicator is calculated as the ratio of total current and non-current financial liabilities adjusted for cash and cash equivalents to consolidated EBITDA recorded over the past 12 months.

The following table shows the dynamic gearing ratio at year-end:

	12/31/2017 EUR '000	12/31/2016 EUR '000
Non-current financial liabilities	7,068	0
Current financial liabilities	1,669	51,069
Cash and cash equivalents	19,397	67,655
Total Net Debt	**-10,660**	**-16,586**
EBITDA	**16,408**	**17,512**
Dynamic gearing ratio	**- 0.65**	**- 0.95**

Information regarding risk management, particularly regarding compliance with the covenants agreed upon, can be found in Note (4.5). As of December 31, 2017, all covenants were met.

(4.7) Related party disclosures

The disclosures prescribed by IAS 24 refer to dealings with related entities and persons, to the extent that they are not included in the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as reporting entities. Persons or entities related to the reporting entity within the meaning of IAS 24 specifically include companies that belong to the same corporate group as the reporting entity and persons who either control or have a significant influence over the reporting entity, or who are a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Related entities

Until May 19, 2017, Berentzen-Gruppe Aktiengesellschaft belonged to the AURELIUS Group, Grünwald, Germany. Therefore, all companies belonging to the AURELIUS Group were related entities within the meaning of IAS 24 until that date.

Parent company and highest-level controlling parent company

The AURELIUS Group has not been a shareholder of Berentzen-Gruppe Aktiengesellschaft since September 2016. Since the composition of the Supervisory Board and the structure in which powers are allocated within the Group under company law between the boards and bodies of Berentzen-Gruppe Aktiengesellschaft remained virtually unchanged until the regular annual general meeting on May 19, 2017, AURELIUS Equity Opportunities SE & Co. KGaA was considered to be the direct and highest-level controlling parent company of Berentzen-Gruppe Aktiengesellschaft. However, the control by AURELIUS Equity Opportunities SE & Co. KGaA ended with the new appointments to the Supervisory Board at the regular annual general meeting of Berentzen-Gruppe Aktiengesellschaft, so that since that time Berentzen-Gruppe Aktiengesellschaft represents the highest controlling parent company.

Berentzen-Gruppe Aktiengesellschaft and its subsidiaries were consequently included in the consolidated financial statements of AURELIUS Equity Opportunities SE & Co. KGaA, Grünwald, Germany, until May 19, 2017, which prepared the consolidated financial statements for the largest and the smallest group of companies.

Goods and services supplied, and other transactions

		Goods and services supplied, and other transactions		Goods and services received, and other transactions	
		2017	2016	2017	2016
Type of relationship	Type of transaction	EUR '000	EUR '000	EUR '000	EUR '000
Affiliated company	Consulting services	0	0	0	126
Parent company	Dividend	0	360	0	0

Receivables and payables from goods and services supplied and received

		Receivables		Payables	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Type of relationship	Type of transaction	EUR '000	EUR '000	EUR '000	EUR '000
Affiliated company	Consulting services	0	0	0	52

Further information about affiliated companies is provided at other points in the present Notes to the Consolidated Financial Statements. The relations between Berentzen-Gruppe Aktiengesellschaft and its subsidiaries in accordance with IAS 24.13 are as shown in the List of Shareholdings for the corporate group (Note 1.6).

Related persons

Related persons are the members of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft.

Executive Board

The compensation granted to members of the Executive Board within the meaning of IAS 24.17 is presented in the table below:

Type of compensation	2017 EUR '000	2016 EUR '000
Short-term benefits	1,139	1,609
Other long-term benefits	136	201
	1,275	**1,810**

At the annual general meeting on May 12, 2016, a resolution was adopted with the requisite majority of the capital stock with voting rights in accordance with Section 314 (3) sentence 1 HGB in conjunction with Section 286 (5) sentence 1 HGB to the effect that the individualised disclosure of the compensation paid to the members of the Executive Board required by Section 314 (1) No. 6a) sentences 5 to 8 HGB and Section 285 No. 9a) sentences 5 to 8 HGB would not be included when the Company's annual and consolidated financial statements were prepared.

The following total compensation within the meaning of Section 314 (1) No. 6 letter a) sentences 1 to 4 HGB or compensation commitments were granted to the members of the Executive Board:

Type of compensation	2017 EUR '000	2016 EUR '000
Non-performance-based components	705	701
Performance-based components	462	930
Total compensation	**1,167**	**1,631**
Committed performance-based components with a long-term incentive effect	**107**	**179**

In addition to the total compensation granted in the respective financial year, commitments of performance-based, non-share-based compensation components were granted to the members of the Executive Board for the respective financial year. The amounts to be paid depend on the level of consolidated EBIT in the respectively following financial year and in the two respectively following financial years. The total amounts so committed amounted to EUR 107 thousand (EUR 179 thousand).

Neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted subscription rights or other share-based compensation to members of the Executive Board in financial year 2017, nor do the members of the Executive Board hold any such compensation instruments. Moreover, no compensation was granted to Executive Board members for exercising mandates on the boards of subsidiaries in financial year 2017. Furthermore, the total compensation of the Executive Board in financial year 2017 contained no benefits to former members of the Executive Board in connection with the cessation of their activity.

Furthermore, neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted loans or advances to members of the Executive Board, nor did they assume contingent liabilities in favour of them in financial year 2017.

No compensation was paid to former members of the Executive Board or their surviving dependents in the 2017 financial year. Post-employment benefits or total compensation within the meaning of Section 314 Paragraph 1 No. 6 letter b) HGB were granted to former managing directors of Group companies to which Berentzen-Gruppe Aktiengesellschaft is the legal successor, and their survivors, in the amount of EUR 106 thousand in financial year 2017 (EUR 105 thousand).

As calculated in accordance with IAS 19, the present value of accrued pension obligations for this group of persons amounted to EUR 876 thousand at December 31, 2017 (previous year: EUR 952 thousand).

Supervisory Board

Short-term benefits within the meaning of IAS 24.17 or total compensation within the meaning of Section 314 (1) No. 6 letter a) sentence 1-4 HGB in the amount of EUR 243 thousand (previous year: EUR 117 thousand) were granted to the members of the Supervisory Board in their function as members of the Supervisory Board.

The employee representatives on the Supervisory Board received short-term benefits or total compensation in the total amount of EUR 150 thousand (previous year: EUR 149 thousand) for their activity outside their functions as Supervisory Board members. Neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted subscription rights or other share-based compensation to members of the Supervisory Board in financial year 2017, nor do the members of the Supervisory Board hold any such compensation instruments. Moreover, no compensation was granted to Supervisory Board members for exercising mandates on the boards of subsidiaries in financial year 2017. Furthermore, the total compensation of the Supervisory Board in financial year 2017 contained no benefits to former members of the Supervisory Board in connection with the cessation of their activity.

Furthermore, neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted loans or advances to members of the Supervisory Board, nor did they assume contingent liabilities in favour of them in financial year 2017.

No compensation was granted to former members of the Supervisory Board and their survivors in financial year 2017.

Additional related-party disclosures

The outstanding balances due from or to related entities and persons at the end of the financial year at December 31, 2017 are not secured and do not bear interest. No guarantees have been provided for amounts due to or from related parties.

There were no doubtful receivables related to outstanding balances due from related parties at December 31, 2017, and therefore no provisions have been recognised for this purpose. No expenses for uncollectible or doubtful receivables due from related parties were recognised in the 2017 financial year, as in the previous year.

(4.8) Announcements and notifications of changes in voting rights in Berentzen-Gruppe Aktiengesellschaft pursuant to the German Securities Trading Act

The following persons have notified Berentzen-Gruppe Aktiengesellschaft pursuant to Section 33 of the Securities Trading Act (WpHG) in the version in force since January 3, 2018 (WpHG n.v.) or pursuant to Section 21 WpHG o.v. that the share of voting rights of Berentzen-Gruppe Aktiengesellschaft held by the notifying party has fallen below or exceeded certain thresholds stipulated in the Securities Trading Act:

Subject to reporting obligation	Date when a reporting threshold was reached, exceeded, or fallen below	Attribution per WpHG	Attribution via	Voting rights %	Voting rights No.
Stichting Administratiekantoor Monolith Amsterdam, The Netherlands	April 25, 2016	Section 22 (old version)	Monolith Duitsland B.V.	10.42	1,000,000
MainFirst SICAV Senningerberg, Luxembourg	March 2, 2016			8.50	815,500
Lazard Frères Gestion S.A.S. Paris, France	June 22, 2017			5.07	486,598
PWM Vermögensfondsmandat - DWS Luxembourg, Luxembourg	April 4, 2017			2.98	286,000
Deutsche Asset Management S.A. Luxembourg, Luxembourg	December 18, 2017	Section 22 (old version)		2.98	285,693
	May 5, 2017	Section 22 (old version)		3.00	288,100
	April 4, 2017	Section 22 (old version)		2.98	286,000
	January 19, 2017	Section 22 (old version)	As of January 19, 2017, PWM Vermögensfondsmandat- DWS delegated voting rights to the management company Deutsche Asset Management S.A.	3.13	300,000
Andrew Gibbs United Kingdom	April 3, 2017	Section 22 (old version)	Otus Capital Management Limited Otus Capital Management LP	2.32	223,060
	February 24, 2017	Section 22 (old version)	Otus Capital Management Limited Otus Capital Management LP	4.77	458,274

(4.9) Declaration of Conformity with the German Corporate Governance Code

The annual declaration of conformity with the German Corporate Governance Code (DCGK) by the Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 161 AktG was issued in December 2017. The declaration has been made permanently accessible on the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en.

(4.10) Governing bodies of Berentzen-Gruppe Aktiengesellschaft

Executive Board of Berentzen-Gruppe Aktiengesellschaft

The following persons served as members of the Executive Board of Berentzen-Gruppe Aktiengesellschaft in the 2017 financial year:

Name	Position held Responsibilities	Supervisory Board mandates
Ralf Brühöfner Lingen, Germany	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Finance, Controlling, Human Resources, Information Technology, Legal Affairs, Corporate Communications, Investor Relations, Corporate Social Responsibility	Berentzen USA, Inc., Dover / Delaware, United States of America (Board Member, until June 28, 2017) Doornkaat Aktiengesellschaft, Norden, Germany (Deputy Chairman of the Supervisory Board)
Oliver Schwegmann Timmendorfer Strand, Germany (since June 1, 2017)	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Marketing, Sales, Production and Logistics, Purchasing, Research and Development	Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board, since September 1, 2017)
Frank Schübel Gräfelfing, Germany (until May 19, 2017)	Executive Board Spokesman of Berentzen-Gruppe Aktiengesellschaft Marketing, Sales, Production and Logistics, Purchasing, Corporate Communications, Research and Development, Corporate Social Responsibility	Berentzen USA, Inc., Dover / Delaware, United States of America (Board Member, until March 14, 2017) Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board, until August 31, 2017)

Supervisory Board of Berentzen-Gruppe Aktiengesellschaft

The following persons served as members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft in the 2017 financial year:

Name	Position held	Other Supervisory Board mandates
Gert Purkert Munich, Germany Chairman of the Supervisory Board	Member of the Executive Board of AURELIUS Management SE, Grünwald, Germany, as general partner of AURELIUS Equity Opportunities SE & Co. KGaA, private equity firm, Grünwald, Germany	Aurelius Beteiligungsberatungs AG, Munich, Germany (Chairman of the Supervisory Board) Aurelius Portfolio Management AG, Munich, Germany (Chairman of the Supervisory Board) Aurelius Transaktionsberatungs AG, Munich, Germany (Member of the Supervisory Board) HanseYachts AG. Greifswald, Germany (Chairman of the Supervisory Board)
Frank Schübel Gräfelfing, Germany Deputy Chairman of the Supervisory Board (since May 19, 2017)	Managing Director of TEEKANNE Holding GmbH, Dusseldorf, Germany, as general partner of TEEKANNE GmbH & Co. KG, Dusseldorf, Germany	Berentzen USA, Inc., Dover / Delaware, United States of America (Board Member, until March 14, 2017) Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board, until August 31, 2017)

Name	Position held	Other Supervisory Board mandates
Dr Frank Forster Munich, Germany Deputy Chairman of the Supervisory Board (until May 19, 2017)	General Counsel Group in the Aurelius Group, Aurelius Beteiligungsberatungs AG, private equity firm, Munich, Germany	Aurelius Portfolio Management AG, Munich, Germany (Member of the Supervisory Board) HanseYachts AG, Greifswald, Deutschland (Deputy Chairman of the Supervisory Board)
Johannes C.G. Boot London, United Kingdom	Chief Investment Officer of Lotus Aktiengesellschaft, Grünwald, Germany	Deutsche Konsum REIT-AG, Broderstorf, Germany (Member of the Supervisory Board)
Heike Brandt Minden, Germany	Commercial employee at Berentzen-Gruppe Aktiengesellschaft, Haselünne, Germany	
Bernhard Düing Herzlake, Germany	Production Shift Manager at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Adolf Fischer Lähden, Germany	Production employee at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Prof Dr Roland Klose Würzburg, Deutschland (since May 19, 2017)	Professor of Business Administration at FOM University of Economics & Management, Essen / Nuremberg, Germany	
Hendrik H. van der Lof Almelo, The Netherlands (since May 19, 2017)	Managing Director of Via Finis Invest B.V., Almelo, The Netherlands	Monolith N.V., Amsterdam, The Netherlands (Member of the Supervisory Board) TIIN Buy Out and Growth fund B.V., Naarden, The Netherlands (Chairman of the Supervisory Board)
Dr Dirk Markus London, United Kingdom (until May 19, 2017)	Chairman of the Executive Board of AURELIUS Management SE, Grünwald, Germany, as general partner of AURELIUS Equity Opportunities SE & Co. KGaA, private equity firm, Munich, Germany	Deutsche Industrie Grundbesitz AG, Rostock, Germany (Deputy Chairman of the Supervisory Board, since October 18, 2017) Elk Fertighaus GmbH, Schrems, Austria (Deputy Chairman of the Supervisory Board) Obotritia Capital KGaA, Potsdam, Germany (Member of the Supervisory Board)
Dr Martin Schoefer Munich, Germany (until May 19, 2017)	Vice President Human Resources in the Aurelius Group, Aurelius Beteiligungsberatungs AG, private equity firm, Munich, Germany	
Daniël M.G. van Vlaardingen Hilversum, The Netherlands	Managing Director of Monolith Investment Management B.V., Investmentgesellschaft, Amsterdam, The Netherlands	

(4.11) Total fees paid to the independent auditor of the consolidated financial statements

At the annual general meeting of Berentzen-Gruppe Aktiengesellschaft on May 19, 2017, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Dusseldorf, was elected as the independent auditor of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft. The following table shows the breakdown of total fees recognised for the services provided by the independent auditor of the consolidated financial statements in the 2017 financial year:

	2017 EUR '000	2016 EUR '000
Financial statements auditing services	167	168
Other certification services	0	0
Tax advisory services	0	0
Other services	0	0
	167	**168**

The financial statements auditing services relate to the statutory audit of the annual and consolidated financial statements of Berentzen Gruppe Aktiengesellschaft. In addition, the auditor carried out a statutory audit of the annual financial statements as well as auditor's reviews of subsidiaries.

(4.12) Events after the reporting date

No reportable events have taken place since the end of the financial year.

Haselünne, March 8, 2018

Berentzen-Gruppe Aktiengesellschaft

The Executive Board

Oliver Schwegmann

Member of the Executive Board

Ralf Brühöfner

Member of the Executive Board

D. Declarations and Other Information

Declaration by the legal representatives

We hereby declare that, to the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated annual financial statements give a true and fair view of the Group's financial position, cash flows and financial performance and the Management Report, which has been combined with the Management Report of Berentzen-Gruppe Aktiengesellschaft, provides a true and fair view of the development and performance of the Group together with a description of the principal opportunities and risks associated with the probable development of the Group.

Haselünne, March 8, 2018

Berentzen-Gruppe Aktiengesellschaft

The Executive Board

Oliver Schwegmann

Member of the Executive Board

Ralf Brühöfner

Member of the Executive Board

Independent Auditor’s Report

To Berentzen-Gruppe Aktiengesellschaft

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, Haselünne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated cash flow statement for the financial year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report which is combined with the management report of Berentzen-Gruppe Aktiengesellschaft (hereinafter: combined management report) for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the Statement on Corporate Governance pursuant to Section 289f and Section 315d HGB [Handelsgesetzbuch: German Commercial Code].

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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January 2017 to 31 December 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the above listed Statement on Corporate Governance pursuant to Section 289f and Section 315d HGB.

Pursuant to Section 322 para. 3 sentence 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.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit 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.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In the following we present the key audit matter in our view. Our presentation of the key audit matter has been structured as follows:

1. Financial statement risk
2. Audit approach
3. Reference to related disclosures

Assessment of the Impairment of the Cash-Generating Unit Non-Alcoholic Beverages

1. Financial Statement Risk

In 2013, Berentzen-Gruppe Aktiengesellschaft conducted an impairment test in accordance with IAS 36 of the cash-generating unit Non-Alcoholic Beverages due to the termination of the Pepsi-concession agreement and determined an impairment loss on tangible fixed assets in the amount of EUR 3.2 million. In the years that followed until 2016, write-ups in the total amount of EUR 0.5 million net were recognized under due consideration of IAS 36.105 and IAS 36.122.

On 30 June 2017, there were indications that the overall profit contribution of the cash-generating unit Non-Alcoholic Beverages to consolidated operating result will be less strong than expected due to, among other things, unexpectedly high overheads in the areas of production and logistics (the “supply chain”). The impairment test required by IAS 36 that was consequently performed on the assets as at June 30, 2017 caused an net impairment loss of EUR 0.4 million that included, for accounted-related purposes, impairments of EUR 0.6 million as well as write-ups relating to assets already impaired in the past of EUR 0.2 million.

On 14 September 2017 Berentzen-Gruppe Aktiengesellschaft communicated in an ad-hoc release that in the Non-Alcoholic Beverages segment, in addition to a weak seasonal business during the summer, a lower gross profit, in particular resulting out of the concessionary business with brand drinks from the Sinalco Group as well as sales-related in view of a different product, filling containers and customer mix than previously assumed, is expected.

Based on the planning for the cash-generating unit Non-Alcoholic Beverages updated in December 2017, Berentzen-Gruppe Aktiengesellschaft conducted an additional ad hoc impairment test, resulting in no further impairments or write-ups.

The measurement of the cash-generating unit Non-Alcoholic Beverages is based on accounting estimates with high estimation uncertainties and complex valuation models. Against this background and considering the communicated deviations, this matter was of particular importance in our audit.

2. Audit Approach

As part of our audit of the measurement of the cash-generating unit Non-Alcoholic Beverages, among other things, we analysed the methodological approach for performing the impairment test. Taking into account that even small changes in the discount rate may have a material impact on the result of the impairment test, we assessed the appropriateness of the cost of capital parameters used in the impairment test as at 31 December 2017. In addition, we assessed the appropriateness of the cash flows used in the measurement by comparison with the medium-term planning and by reconciliation with industry-specific market expectations. We discussed the planning assumptions in particular with regard to their feasibility considering the strategic key topic in detail with the responsible management and evaluated selected measures for increasing future cash flows based on additional evidence. We enquired on plan deviations during the reporting period and their reasons, asked for the Company's explanations of their reasons, and considered if the reasons have appropriately been taken into account in the current medium-term planning. Within our assessment of the impairment test of the assets included in the cash-generating unit Non-Alcoholic Beverages, we also evaluated the usability of the valuation of the land and buildings and of technical equipment performed by an external expert. We have recalculated and have checked the calculation of the impairments and write-ups resulting from the valuation report for plausibility.

3. Reference to related Disclosures

The company's disclosures concerning the assessment of the impairment of the cash-generating unit Non-Alcoholic Beverages are included in Section 3.7 of the notes to the consolidated financial statements.

Other Information

The Management is responsible for the other information. The other information includes:

- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code including the Statement on Corporate Governance pursuant to Section 289f and Section 315d HGB
- the Responsibility Statement pursuant to Section 297 para. 2 sentence 4 HGB regarding the consolidated financial statements and the Responsibility Statement pursuant to Section 315 para. 1 sentence 5 HGB regarding the combined management report
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management is responsible for such internal control as they have determined 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, the Management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility 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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management is responsible for the preparation of the combined 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, the Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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.

The Supervisory 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) 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.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined 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 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.
- Evaluate the appropriateness of accounting policies used by the Management and the reasonableness of estimates made by the Management and related disclosures.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, 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. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined 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 the Management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the 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 audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 19 May 2017. We were engaged by the Supervisory Board on 20.November 2017. We have been the group auditor of Berentzen-Gruppe Aktiengesellschaft without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ronald Rulfs.

Düsseldorf, 9 March 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger	Ronald Rulfs
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

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Financial Calendar 2018

January 11/12, 2018	ODDO BHF Forum in Lyon, France, Lyon Convention Center
February 1, 2018	Publication of preliminary business figures 2017
March 15, 2018	Publication of consolidated and separate financial statements and 2017 Annual Report
April 26, 2018	Publication of the Q1/2018 Interim Report
May 3, 2018	Annual general meeting in Hanover, Germany, Hannover Congress Centrum (HCC), Glashalle
May 15/16, 2018	Equity Forum Spring Conference 2018 in Frankfurt/Main, Germany, Marriott Hotel Frankfurt
August 14, 2018	Publication of the 2018 Group Semiannual Report
October 25, 2018	Publication of the Q3/2018 Interim Report

At March 15, 2018. The financial calendar is provided for information purposes only and will be regularly updated. It is subject to change.

Disclaimer

This report also contains forward-looking statements. These are based on management assumptions, estimates and expectations at the time of this report's publication regarding future company-related developments. They therefore carry risks and uncertainties which are named and explained, particularly (but not exclusively) as part of the management report within the risk and opportunities report and the forecast report. Events and results that actually occur thereafter may therefore significantly differ from the forward-looking statements, both positively and negatively. Many uncertainties and resulting risks are characterised by circumstances that are beyond the control and influence of Berentzen-Gruppe Aktiengesellschaft and cannot be estimated with certainty. These include changing market conditions and their economic development and effect, changes in financial markets and exchange rates, the behaviour of other market actors and competitors and legal changes or political decisions by regulatory and governmental authorities. With regard to the forward-looking statements, unless otherwise required by law, Berentzen-Gruppe Aktiengesellschaft assumes no obligation to make any corrections or adjustments based on facts arising after the time of this report's publication. No guarantee or liability, neither expressed nor implied, is assumed for the currency, accuracy or completeness of the forward-looking statements. The trademarks and other brand names that are used in this report and may be protected by third parties are governed by the provisions of the applicable trademark law and the rights of the registered owners. The copyright and reproduction rights for trademarks and other brand names created by Berentzen-Gruppe Aktiengesellschaft itself remain with the company unless it expressly agrees otherwise.

This report is also available in English translation for information purposes. In case of discrepancies the German version alone is authoritative and takes precedence over the English.

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