BERENTZEN-GRUPPE AKTIENGESELLSCHAFT

ANNUAL REPORT 2018

BERENTZEN-GRUPPE
Durst auf Leben

Key Figures

Key figures of the Berentzen-Gruppe

		2018 or 12/31/2018	2017 or 12/31/2017	Change 2018/2017
Consolidated revenues excl. spirits tax	EURm	162.2	160.4	+ 1.1 %
Spirits segment	EURm	84.2	83.6	+ 0.8 %
Non-alcoholic Beverages segment	EURm	49.7	46.2	+ 7.5 %
Fresh Juice Systems segment	EURm	18.8	20.7	- 9.4 %
Other segments	EURm	9.5	9.9	- 3.6 %
Total operating performance	EURm	163.6	162.4	+ 0.7 %
Contribution margin after marketing budgets	EURm	60.0	58.8	+ 1.9 %
Consolidated EBITDA	EURm	17.3	16.4	+ 5.6 %
Consolidated EBITDA margin	%	10.7	10.2	+ 0.5 PP [1]
Consolidated EBIT	EURm	9.8	9.2	+ 6.3 %
Consolidated EBIT margin	%	6.0	5.7	+ 0.3 PP [1]
Consolidated profit	EURm	5.2	2.6	> + 100 %
Operating cash flow	EURm	14.2	10.2	+ 38.5 %
Cash flow from investing activities	EURm	-6.5	- 7.8	+ 16.3 %
Free cash flow [2]	EURm	-0.9	- 3.7	+ 75.1 %
Consolidated equity ratio	%	32.7	31.1	+ 1.6 PP [1]
Employees	Total	487	484.0	+ 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

		2018 or 12/31/2018	2017 or 12/31/2017	Change 2018/2017
Berentzen common share (ISIN DE0005201602, WKN 520160) share price / XETRA	EUR / share	6.22	8.24	- 24.5 %
Market capitalisation	EURm	58.4	77.4	- 24.5 %
Dividend / Berentzen common share	EUR / share	0.28 [1]	0.22	+ 27.3 %
Dividend yield	%	4.5	2.7	+ 1.8 PP
Payout Ratio	%	51	81	- 30 PP

[1] Proposal for the 2018 financial year.

BERENTZEN-GRUPPE
Durst auf Leben

Content

A. To our shareholders

(1) Letter to shareholders

Ladies and Gentlemen, dear Shareholders,

We're on our way! That's how we would sum up the 2018 financial year in a single – admittedly simplified – sentence. On several occasions in the past, we have stated that our objective is to progress the Berentzen Group to the status of a powerful, integrated and innovative beverages group. A transformative journey such as the one we have embarked upon starts with a willingness to embrace change. This begins by questioning the status quo and searching for potential for change and development. Once this potential is identified, the next step is to get everyone on board and set off on our journey together. The path to transformation will be marked by successes, but there will also be setbacks along the way. Through all the ups and downs on the journey, it is important to keep our eyes firmly on our objective.

The year 2018 represents the first steps on our journey. In certain ways it was a year of transition, because a successful transformation process requires careful preparation. In the past year, we first tackled structural changes by establishing a matrix organisation in our corporate group. This new and interdisciplinary way of working makes us more modern and more agile. We analysed and changed processes. We examined our product portfolio and started to optimise it. We increased our marketing budgets. We invested in technical equipment and new staff. All in all, we can say that we put in place the prerequisites for further growth and for a real and sustainable transformation.

Today we can look back at a financial year that was successful overall. Our three key performance indicators – consolidated revenues, consolidated EBIT and consolidated EBITDA – all improved. At EUR 9.8 million, EBIT rose by 6.3%, while EBITDA was 5.6% up on the previous-year figure at EUR 17.3 million. As far as revenues are concerned, we achieved 1.1% growth on the 2017 financial year to a figure of EUR 162.2 million. Here we had hoped for more in the individual segments. Generally, it was individual factors that hampered us in fully implementing our growth plans. For example, we were confronted with a challenging market and sales situation in the business with fruit presses in France and the USA, and we grappled with a further complex and thus delayed expansion of distribution for our still very fast-growing brand *Mio Mio* in the south of Germany. The fact that we recorded a significant improvement in our earnings indicators despite a rather modest development in revenues and the stepped-up use of marketing measures shows that we have succeeded in significantly raising our product value added on the markets.

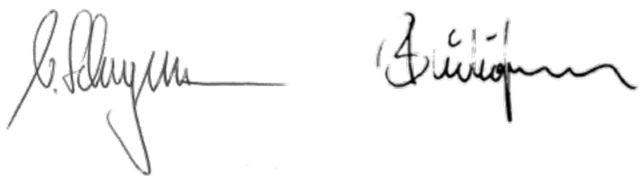
So, while 2018 was a year of transition in many ways, 2019 will be a year of execution. Back in January, we launched the largest innovation campaign in the history of the Berentzen Group. A range of real innovations will be introduced on the markets this year in all our business segments. April will see the retail launch of *Berentzen Signature*, an entirely new type of premium fruit liqueur with a fruit brandy base. In addition, we will implement a large number of other new product concepts in the *Spirits* segment, both for branded spirits and branded dealer and private-label products. In the *Non-alcoholic Beverages* segment we already added two new varieties to our *Mio Mio* product line in January 2019. In May we will also start to deliver *Kräuterbraut*, a whole new herbal lemonade brand. In the *Fresh Juice Systems* segment, this year we will respond especially to the issues of digital connectivity and ease of cleaning with a range of innovative devices. The successful and sustainable implementation of innovations is necessary in order to lay the foundation for future growth in our highly competitive and constantly changing markets. Our plans must focus firstly on establishing the innovations in the highly competitive markets. This means that it will take some time before they can achieve their full positive effect.

Particularly by launching lots of innovations, we expect revenues for the 2019 financial year to increase on the whole compared to 2018. This means that we will need and use more resources – including excellent staff, creative marketing, efficiency-enhancing technology and, last but not least, a powerful sales function – in order to facilitate not just short-term success but also long-term profitability. Consequently, we are forecasting that revenues will increase for the current year but that earnings indicators will remain on a par with the previous year.

We are starting to execute many of our innovations, but this does not mean that all of the steps from the past year have been fully completed. In the *Non-alcoholic Beverages* segment, for example, the transformation process is only starting to get under way. In order to achieve our objective of transforming the business segment into a national provider for branded items, we are currently analysing all of the segment’s processes and structures in great detail. This will allow us to see which areas need work in order to improve profitability substantially in this dynamically growing segment.

The transformative journey of the Berentzen Group is ongoing. We have put some distance behind us, but there is still a long way to go. We are full of enthusiasm and are looking forward to the next stages. We would be delighted for you to accompany us on our onward journey.

Kind regards,



(2) Our share

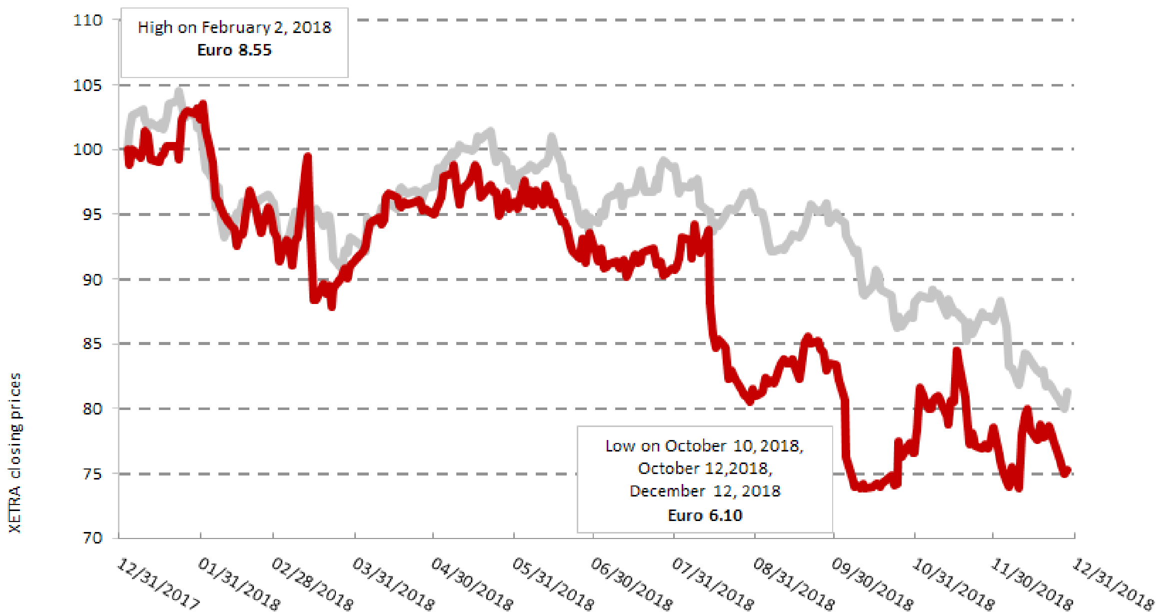
Key figures on the Berentzen-Gruppe Aktiengesellschaft share

		2018	2017
Number of listed shares (common stock)	Total	9,600,000	9,600,000
Number of treasury shares	Total	206,309	206,309
High for the year / XETRA	Euro / share	8.55	12.69
Low for the year / XETRA	Euro / share	6.10	7.50
Average for the year / XETRA	Euro / share	7.36	9.63
Average trading volume per trading day / XETRA	Total	10,628	20,994
Price at year-end / XETRA	Euro / share	6.22	8.24
Price-earnings ratio	Ratio	11.3	30.2
Dividend / share	Euro / share	0.28 [1)]	0.22
Dividend yield	%	4.5	2.7
Basic / diluted earnings per share	Euro / share	0.55	0.27
Payout ratio	%	51	81

[1)] Proposal for the 2018 financial year.

The Berentzen-Gruppe Aktiengesellschaft share is listed on the regulated market (General Standard) of the Frankfurt Stock Exchange and is traded on all German stock exchanges. Trading sales (XETRA) amounted to 2.6 million in 2018, down considerably on the previous-year volume (5.3 million). Average trading volume per trading day (XETRA) of 10.6 thousand shares was likewise down on the previous-year figure (21.0 thousand shares).

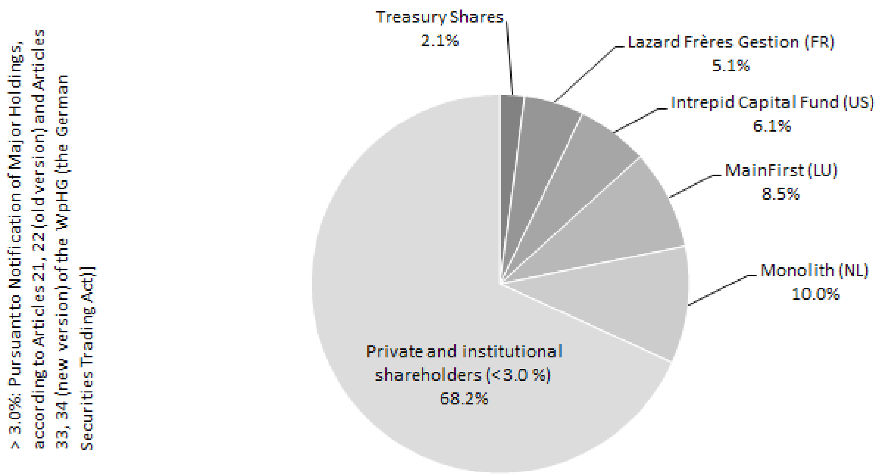
Price of the Berentzen-Gruppe Aktiengesellschaft share in 2018



2018 was a challenging year for the German equity market. Although the DAX started positively, reaching a record level of 13,597 points in January, various factors caused it to subsequently lose value, closing the year down 18%. This negative development is widely attributed to the international trade conflicts, in particular between the USA and China, uncertainty surrounding Brexit, geopolitical tensions as well as increasing concerns that the global economy is slowing down. The other key German equity indices likewise developed negatively in 2018, with the MDAX down almost 18%, the SDAX down 20% and the TecDAX down 3%.

In this environment, the Berentzen-Gruppe Aktiengesellschaft share unfortunately also noted a downward trajectory, losing almost 25% of its value. After starting trading at EUR 8.23 on the stock exchange on January 2, 2018, the share price edged up slightly at the beginning of the year, culminating in an annual high of EUR 8.55 on February 2, 2018. However, the share price dropped dramatically over the course of the year, falling to an annual low of EUR 6.10 on October 10, 2018. The shares closed the year at a price of EUR 6.22 on December 28, 2018. Market capitalisation also declined from EUR 77.4 million (at the end of 2017) to EUR 58.4 million (at the end of 2018) accordingly.

Shareholder structure
(at February 28, 2019)



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 10.4 million for the 2018 financial year be utilised to pay a dividend of EUR 0.28 per qualifying common share for the 2018 financial year and the rest be carried forward to new account.

Basic information on the Berentzen-Gruppe Aktiengesellschaft share

Securities identification numbers	ISIN: DE0005201602; Securities ID: 520160
Ticker symbol	Reuters: BEZ.DE; Bloomberg: BEZ3 GR
Stock markets	Hamburg and Frankfurt stock exchanges as well as all domestic stock exchanges
Designated sponsor	Oddo Seydler Bank AG
IPO	June 14, 1994

(3) Our products

The Berentzen Group is a broad-based beverages company that offers beverages for practically all times of day and nearly all tastes and occasions. The product range extends from spirits and non-alcoholic beverages 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. Since 1990, consumers can also find products from the *Puschkin* brand in the portfolio of the Berentzen Group. 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 foundations for the Company’s transformation into a true drinks incubator were laid in 2018 with the implementation of a new and comprehensive innovation process. Based on trend analyses and various scenarios, a multitude of product ideas were generated that integrated consumer feedback. From April 2019, consumers will be able to see the initial results of the ground-breaking innovation process in the form of the new *Berentzen Signature*. *Berentzen Signature* is a premium fruit liqueur with a fruit brandy base available in the varieties apple, pear and plum. Its target group are the over-30s, and it will be marketed as a drink that is not too sweet and has an authentic and natural taste. With 25% alcohol volume and a high-quality percentage of fruit brandy, it will meet the needs of discerning spirits consumers. With its *Fruity Spirits*, *Berentzen* thus provides the fitting taste nuances for every phase of life.

Of course, new products were also already launched in the past year: The *Fruity Spirits* product line under the *Berentzen* brand was expanded in the spring of 2018 to include the *Bitter Orange* variety, followed in the spring of 2019 with *Mango Vanilla*. The end of 2018 saw the development of *Berentzen Creamers* in the flavours *White Chocolate Macadamia*, *Coffee Cream* and *Caramel Cream*, which were launched in the segment for creamy liqueurs. Additions to the portfolio like these are also planned for 2019. For example, a bag will be available as a new form of packaging for *Berentzen* miniatures that can be used for a host of outdoor activities, e.g. during carnival celebrations, the May public holidays or at festivals. Another purpose-based packaging form is the product *Berentzen* mini-messages, which was launched back in the summer of 2018.

The successful unit sales performance of the *Puschkin* brand continued in 2018. Especially the *Nuts & Nougat* variety is proving hugely popular. Carrying on from that success, the product was complemented with a *Coffee & Caramel* variety last autumn and *White Choco Coco* from March 2019. *Russian Ice Tea* went on sale as a special promotional variety for the 2018 Soccer World Cup. February 2019 saw the start of delivery of lower-percentage vodka mixes in cans under the *Puschkin* brand. The mixes are available in three different flavours and show that the Berentzen Group is tapping into the current trend of ready-to-drink concepts.

There were also additions to the portfolio outside of the *Berentzen* and *Puschkin* brands. Innovative concepts have been developed to target growing spirits segments like gin and rum that are not catered for by products from the core brands. For one, the premium rum *Tres Países* was brought to market at the beginning of 2019. Secondly, *Norden Dry Gin* was introduced under the *Doornkaat* brand as a product that responds to the current popularity of gin and sets itself apart from other gins thanks to its northern German heritage.

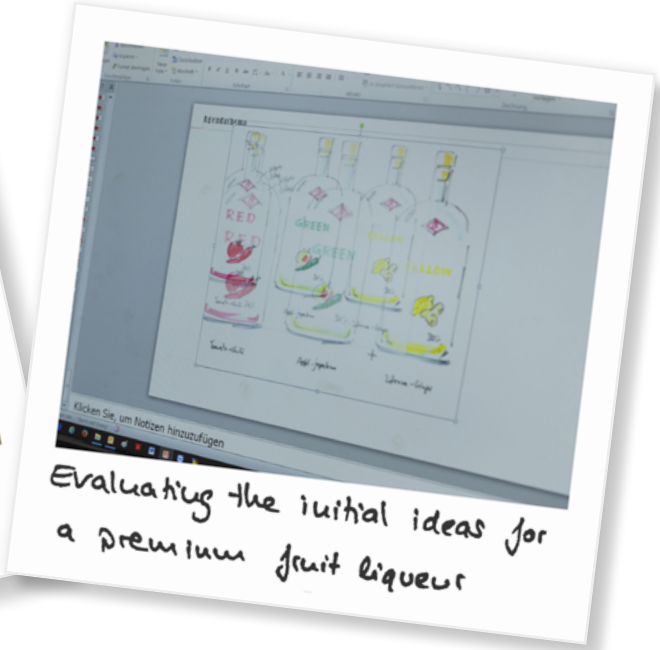
In 2018, the *Berentzen* brand was managed using targeted communication measures by means of an optimised multimedia mix and in terms of target groups. At the core of these measures was the “Freude bekennen” campaign, which was continued via a variety of channels with a focus on social media. The existing expertise in the field of digital advertising is also benefiting the *Puschkin* brand, with the target group of “young adults” also reached effectively through communication via social media.

The international brand portfolio is essentially based on the products distributed in Germany too, also taking into account the innovations launched on the German market.

Berentzen Apfel is the strongest-selling variant of the *Berentzen Fruchtigen* line of products internationally. For years, the Netherlands has held the best market position, with a clear and continuous gearing to young adults. The *Puschkin* product family has likewise been distributed in high numbers in the Benelux countries and in many countries of central and eastern Europe for many years.

Other high-volume products include *Berentzen Doppelkorn*, *Rasputin* and *Fjodor* in the border-shop business at the eastern border of the EU.

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 excellent quality and strong customer focus, but also for their new, customised product and marketing concepts. Among others, these also include international spirits specialities such as gin, bourbon, Cuban rum and tequila. Alongside the important entry-level business, the development, manufacture and sale of ‘value added dealer brand concepts’ was expanded significantly in virtually all spirits categories as part of an extended strategy. The first noteworthy success in 2018 was the high-quality gin *Ruby of Rangoon*. According to market research data from Nielsen, the gin went straight to the Top 10 most-sold gins in Germany after distribution started. Consumer-relevant value added dealer brand concepts, which are perceived as brands thanks to their characteristics and quality, are meeting with high levels of acceptance from trade partners and consumers in Germany and abroad. Last November, Pabst & Richarz Vertriebs GmbH was the only company to be awarded Gold in the German Honorary Award for Spirits by the Federal Ministry of Food and Agriculture for the excellent quality of its products.



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, consist in the production and marketing of mineral waters, lemonades, cola, energy and mate-tea drinks in numerous different packaging forms and under established own brands and the franchise brand *Sinalco*.

The most successful product line in the *Non-alcoholic Beverages* segment is *Mio Mio*. Approximately 25 million *Mio Mio* bottles were sold in the past year, constituting a substantial rise in unit sales. *Mio Mio* is now available in Poland in addition to Germany. Distribution activities started to ramp up substantially at the beginning of 2018 after engaging an outside distribution agency to raise the distribution level, particularly in southern Germany. The expansion of distribution was assisted by media measures tailored to the target group (particularly via social media and authentic out-of-home campaigns). These measures will be continued in 2019. Two new product platforms, *Guarana Pomegranate* and *Lapacho Lemongrass*, were launched on the market as of February 1, 2019. Together with the mate-tea and cola products, the *Mio Mio* portfolio now spans a total of seven invigorating (caffeine-based) varieties. The two new varieties are geared to consumers who do not like the mate-tea aroma but are looking for an unusual taste and a stimulating effect. Retailers are still very willing to stock innovative new varieties of the *Mio Mio* brand.

Because of the high demand for mineral water – especially on account of the long, hot summer of 2018 – the mineral water brands *Emsland Quelle* and *Märkisch Kristall* recorded a major rise in unit sales compared to the previous year. The new brand presence for *Emsland Quelle* launched in the middle of last year now reflects the product's heritage, freshness, quality and sustainability. The new pictograms with the slogans "From the region", "Made with 100% green electricity" and "Sustainable, socially responsible and fair" underscore the special characteristics of *Emsland Quelle*.

Vivaris Sport Grapefruit Lemon is a very significant part of the product portfolio. According to market research data from Nielsen, it is one of Germany's Top 10 sports drinks, and *vivaris Sport* is even top of the list in the main sales area in the north-west of Germany. With the new product development *vivaris Sport Pink Grapefruit*, a new, tasty and refreshing variety was added to the sports drinks portfolio in March 2019.

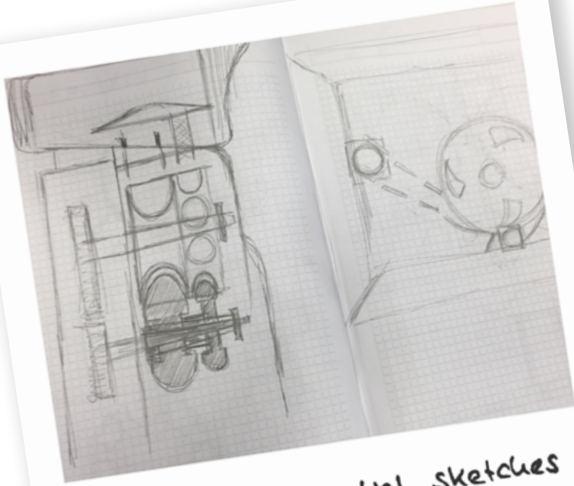
Building on the success of the *Mio Mio* product range, the *Non-alcoholic beverages* segment will be extended to include the *Kräuterbraut* brand from May 2019. *Kräuterbraut* is a lemonade made from 7 herbs. It is low in sugar, suitable for a vegan diet and geared to consumers looking for an authentic and natural taste. Available in the varieties Mint & Nettle, Sage & Tonka Bean as well as Coca & Cardamom, *Kräuterbraut* will be synonymous with natural herbal-based refreshment.

In its *Non-alcoholic Beverages* segment, the Berentzen Group also boasts more than 50 years of experience in the franchise business, currently acting as franchisee for the *Sinalco* brand. A large number of *Sinalco* products are manufactured at the production locations in Haselünne and Grüneberg, and mainly distributed in the core sales area for Vivaris.

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-quality fruit juicers distributed under the *Citrocasa* brand with juice oranges untreated after harvesting with the brand name *frutas naturales* and special bottling systems in some local markets. The fruit juicers are marketed worldwide.

Model development at TMP...



... based on initial sketches

In 2018, the launch of the manual *Fantastic ECO* marked the beginning of a new chapter in machines. A top-quality manually operated orange press is a novum on the market, which constitutes an important step on *Citrocasa's* path to innovation leadership. Further improvements and additions to the existing machine equipment were initiated as part of different projects. In 2019, they should lead to the securing of established markets and the tapping of new market potential. The *Citrocasa Starlight*, a manual machine developed specially for emerging economies and future markets like India and Latin America in terms of pricing, as well as the technical upgrade of the *Fantastic F/SB* to the *Fantastic F/SB ATS* are the first results of this innovation process.

The situation in relation to the availability of oranges was improved significantly compared to 2017 on the back of numerous measures such as optimising storage and broadening the supplier network. In terms of bottling, the year 2018 was characterised by an expanded customer base, both nationally and internationally. Further innovations and product refinements are also planned in this area.

Berentzen Hof

The Group company Der Berentzen Hof GmbH is also located in the Company's headquarters in Haselünne. Berentzen Hof includes numerous historical buildings which are used for an extensive programme of tours and events, among other things. Over the years, Berentzen Hof has become a popular location for events and experiences. The Berentzen Hof Distillery, opened in 2017, also plays a key role as the heart of the site.

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. This also positions Berentzen Hof as an attractive setting for conferences. A further attraction is the "Gaudium", which was added to Berentzen Hof in July 2018. In smaller groups, guests can compete with each other here in a total of seven entertaining games.

The Berentzen Hof offering is rounded off by the farm shop, completely redesigned in 2016, which provides a broad overview of the Berentzen Group's product portfolio to the more than 35,000 visitors every year.

Intensive market research throughout the entire innovation process

In its very beginnings: the layout for Kräuterbraut

(4) Sustainability in the Berentzen Group

One year has gone by since the publication of the first voluntary Sustainability Report of Berentzen-Gruppe Aktiengesellschaft and the affiliated subsidiaries. The second Sustainability Report of the Berentzen Group that was published at the same time as this Annual Report presents the outcome of the sustainability activities over the past 2018 financial year. It reveals which of the measures specified in the areas of activity have already been implemented and to what extent the objectives set have been achieved.

Once again, the Berentzen Group has big plans for the 2019 financial year: alongside various measures in all areas of activity, the materiality analysis is to be performed anew this year and the Sustainability Report is to be reviewed in even more depth for compliance with the German Act Implementing the CSR Directive.

The German Sustainability Code (Deutsche Nachhaltigkeitskodex, DNK) with the set of indicators for the GRI standards was used again for the preparation of the Sustainability Report for the 2018 financial year. The underlying data generally date from 2018. To be able to reveal the development of important ratios (e.g. consumption of electricity and natural gas), the presentation of selected indicators also includes the previous 2017 financial year and the base year 2015.

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.

The Sustainability Report is prepared at yearly intervals and published 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 also be accessed on the corporate website of Berentzen-Gruppe Aktiengesellschaft: https://www.berentzen-gruppe.de/en/responsibility/sustainability-report/.

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. Consequently, 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.

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.

(4.1) Our staff

The employees form the foundation for success and are the Berentzen Group's most important resource – each one of them, irrespective of their position, makes a contribution to achieving the corporate objectives. Measures are performed in various fields each year to ensure employee wellbeing and satisfaction. In the area of activity relating to staff, the past financial year stood under the sign of communications.

The introduction of a social intranet (known as "Flaschenpost" that translates as "Messages in a Bottle") in September 2018 was an important step towards networking employees more closely across locations and creating more transparency within the corporate group. "Flaschenpost" offers a wide range of possibilities to exchange ideas and information. Employees can be notified promptly about developments within the Group, can be sent information on various topics, can join working groups and use virtual work spaces. This offers members of staff from all levels of hierarchy the possibility of contacting each other directly and following company activities even in those areas in which they are not directly involved.

Furthermore, a new system for holding talks with employees was introduced. The talks are structured and allow employees' potential and expertise to become visible and give employees an opportunity to speak to their supervising managers openly in an atmosphere of trust not only about any issues but also wishes and future developments.

Furthermore, measures in the field of health management were again on offer in the 2018 financial year in order to maintain employee satisfaction, their health and labour. These measures include, for example subsidised monthly contributions to a company fitness network and the offer of leasing bicycles.

Outlook

In the 2019 financial year, the Berentzen is working towards obtaining a seal certifying its family friendliness to strengthen the Group's employer brand and make it visible to the outside world. The basis for certification will be measures already put in place such as company health management, trust-based working hours and family-friendly part-time models. Besides, certification is bringing to light additional measures that promote an appropriate work-life balance and further strengthen the family-friendly personnel policy.

Company health management activities will be further intensified over the course of the 2019 financial year going forward. The first offerings, such as health checks, an ergonomics consultation and the holding of a health day, are already in planning for the 2019 financial year.

As part of digitalisation, web-based software for the handling of personnel processes will be introduced over the course of the 2019 financial year. The aim of the application is to render personnel processes more transparent and efficient thanks to increased automation and greater employee involvement and additionally lower general process costs.

Important employee-related ratios

	2018	2017	2015
Average headcount	487	490	488
Headcount as of December 31, 2018	487	484	491
Further employee-related ratios as of the December 31, 2018 reporting date			
Illness ratio [%]	4.4	3.9	4.0
Part-time ratio [%]	14.8	15.3	16.3
Ratio of women [%]	35.1	36.8	36.5
Trainee ratio [%]	4.7	5.2	7.1
Turnover rate [%]	13.9	13.0	13.8
Average term of employment [years]	13.5	13.8	14.0

(4.2) Responsible management

The Berentzen Group's publication of its first voluntary Sustainability Report compliant with the criteria of the DNK in March 2018 was followed in December 2018 by the first declaration on the German Sustainability Code (DNK Declaration). The DNK Declaration is published on the website of the German Council for Sustainable Development. It demonstrates that the corporate group has reached a further milestone on its path to more sustainability and transparency.

The development and implementation of new binding guidelines in the form of Berentzen Group Codes laid the foundation in the 2017 financial year necessary to ensure that all employees throughout the Group act within the law. For the 2018 financial year, the concept adopted at the same time with a view to increasing transparency in the value added chain provided for confirmation of the Supplier Code of Conduct by the Berentzen Group's key suppliers. The ongoing process is scheduled to come to a conclusion for all suppliers by the end of the 2019 financial year.

The Berentzen Group has already acceded to the SEDEX (Supplier Ethical Data Exchange) supplier platform. The audit reports from the group-wide SMETA audits in the 2017 through 2019 financial years are deposited with the SEDEX profile of the Berentzen Group together with further documents. This means that networked customers and business partners have the possibility of obtaining information relating to ethical and social responsibility and at the same time share their own information with the Berentzen Group.

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 annual audits and certification procedures that provide customers and consumers with evidence that the Berentzen Group complies with standards. Some of these certifications were renewed once again in the 2018 financial year.

One highlight of the 2018 financial year was the “Wir sind dabei” label of the Lower Saxony Alliance for Sustainability, a cooperative arrangement between the state government, trade associations, trade unions and chambers. This award recognised the commitment of the Berentzen Group reflected in its achievements in the three dimensions of sustainability, the economy, ecology and social affairs. The award shows that the Berentzen Group is on the right path with its measures and projects. At the same time, it is an incentive to intensify the activities in this field even further.

As part of involving staff more closely in the corporate group’s sustainability management, a vote was held at the end of the 2018 financial year in which the employees were able to decide which organisation would receive a Christmas donation. The donation was given to the PAUL (Portable Aqua Unit for Lifesaving) project, a device developed at the University of Kassel that enables people in remote areas to filter water on their own.

Outlook

Following publication of the audit reports and further certification on the SEDEX supplier platform, the networking with key customers and suppliers will come to a conclusion before the end of the 2019 financial year. The process of communicating the Supplier Code of Conduct to the Berentzen Group’s key suppliers will likewise be completed.

The DNK Declaration for the 2018 financial year will be reviewed according to the higher application level for compliance with the core elements of the National Action Plan for Business and Human Rights and the requirements pursuant to the German Act Implementing the CSR Directive. The audit is intended to assist the Berentzen Group in further refining the sustainability reporting and will also be displayed on the DNK mark for the 2018 financial year.

Over the course of the 2019 financial year, the Berentzen Group will also reinforce its commitment to the environment: together with Kreisimkerverband Emsland e. V., a concept was developed on how to care for several beehives to be located on the premises in Haselünne. The project that is to be launched in April 2019 makes a positive contribution to the ecosystem and, at the same time, offers the possibility for interested employees and stakeholders, such as school classes, to be brought into contact with the most important pollinator insects and to raise awareness of their significance.

(4.3) 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.

In addition to the evaluations prepared as part of energy management, the Berentzen Group’s CO_2 footprint, the “corporate carbon footprint”, has been determined since the 2017 financial year. In the 2018 financial year, the calculation was made for the first time with the support of ClimatePartner, a leading provider of business solutions in the field of climate protection.

Following the corporate group’s transition to renewable energies in the field of electricity supplies in the 2017 financial year, the share of renewable energies in total electricity consumption was increased from 78.44 percent in the previous year to 96.14 percent in the 2018 financial year.

Guarantees of origin were acquired for 9,830 megawatt hours of climate-neutral green electricity generated in selected Norwegian hydropower plants and rendered climate neutral through cancellation in the register of guarantees of origin of the German Environment Agency. At the same time, support was provided for a conservation project in the Eggegebirge nature reserve.

Again in the 2018 financial year, several measures were carried out to modernise plant and equipment and to reduce energy consumption. At the Grüneberg location, one of the two service air compressors was replaced with a regulated compressor that does not have to start up as often due to the shared control system, which means it works considerably more efficiently. A blowing air compressor with an energy saver control system was likewise installed in Grüneberg. In contrast to the equipment previously used, all stages are now controlled using a frequency converter, which leads to a smaller number of on/off switching cycles and slower speeds.

The equipment for reusable glass bottles in Haselünne was modernised in the 2018 financial year. The labeller, a device known as the "inspector" and the centrepiece of the system – the filling unit – were replaced. After more than 30 years, the old system had reached its capacity limit and the modernisation doubled the production capacity for glass bottles at Vivaris in Haselünne.

A new high temperature boiler, including a new burner with a significantly lower heating oil consumption, was installed at the spirits production facility in Minden in addition to the replacement of the pallet lines.

Important ratios

	2018	2017	2015
Water consumption per litre of finished product [l/l]	2.25	2.33	2.38
Waste water produced per litre of finished product [l/l]	1.08	1.16	1.10
Waste produced per litre of finished product [g/l]	14.21	14.44	14.48
Specific fuel consumption [kWh/m^3]	90.58	80.45	85.59
Specific electricity consumption [kWh/m^3]	43.30	44.17	45.65
Specific energy consumption [kWh/m^3]	145.80	137.54	147.64

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 in the context of fuelling our own electricity production with a natural gas-fired combined heat and power (CHP) unit. The latter was installed at the Haselünne location as long ago as in 2013. Since then, part of the heating needs and part of the electricity requirements at the Haselünne location has been met using the CHP. 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.

The possibility of installing combined heating and power units at the Vivaris facilities in Haselünne and Grüneberg are also being reviewed in the 2019 financial year.

The sample labels have arrived

... and are being inspected

(5) Report of the Supervisory Board

Ladies and gentlemen,

The following report provides information on the activities of the Supervisory Board in or relating to the 2018 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 2018 financial year. In particular, this covered reporting on the strategy, the business plan, the business performance including the financial performance, cash flows and financial position, 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 2018 financial year. One other resolution was adopted 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.

On February 19, 2018, the Supervisory Board passed a resolution by written circular on the Corporate Governance reporting at the Berentzen Group in the 2017 financial year.

At its meeting on March 13, 2018, the Supervisory Board discussed the separate financial statements and the consolidated financial statements 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. 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 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. Furthermore, the Supervisory Board passed the agenda for the annual general meeting to be held on May 3, 2018 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 2018 financial year and its proposal to the annual general meeting concerning the utilisation of the distributable profit for the 2017 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 the Supervisory Board proposal based on the recommendation made in this respect by the Nomination Committee concerning the by-election of the shareholder representatives on the Supervisory Board and two proposals relating to an amendment to the Articles of Association of Berentzen-Gruppe Aktiengesellschaft, specifically one concerning a reduction in the size of the Supervisory Board from the current nine members to six members in future that will come into effect in 2019 upon conclusion of the annual general meeting in accordance with the resolution amending the Articles of Association passed by the annual general meeting on May 3, 2018 following this proposal. The Supervisory Board further addressed the status and further implementation of the transformation programme with regard to the corporate culture as one of the building blocks of the strategic guidelines for the business development of the corporate group in 2018 and beyond. The deliberations by the Supervisory Board at this meeting furthermore concerned amendments to the service agreement of one of the members of the Executive Board with regard to his future remuneration; the resolution passed in this context was based on a corresponding resolution by the Personnel Committee.

The Supervisory Board held a further meeting directly after the annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 3, 2018. In light of the changes to the composition of the full assembly arising from the by-election 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 Chairman.

The deliberations by the Supervisory Board at its meeting on September 20, 2018 focused on the development in 2018 and beyond of the corporate group's transformation programme dating from 2017, specifically with regard to the status of implementation and further measures planned in the individual segments of the corporate group to drive the programme forward. The deliberations additionally addressed the corporate group's activities in Turkey as well as arbitration proceedings between the Austrian subsidiary T M P Technic-Marketing-Products GMBH and its US distributor. The further deliberations and resolutions related to topics of Corporate Governance, primarily in connection with the regular elections to the Supervisory Board scheduled for the annual general meeting to be held in 2019 and the simultaneous reduction in the number of members of the Supervisory Board coming into effect at the close of this annual general meeting. Correspondingly, the Supervisory Board adopted updates to the diversity concept for the composition of the Supervisory Board and the competence profile for the members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft.

At its meeting held on December 13, 2018, the Supervisory Board's discussions centred around the business plan submitted by the Executive Board for the 2019 financial year, the medium-term plan for the 2020 and 2021 financial years and subsequently approved the same. In addition, the corporate group's business activities in Turkey and the arbitration proceedings between T M P Technic-Marketing-Products GMBH and its US distributor were once again the subject matter of deliberations. Further discussions and resolutions related to the Supervisory Board proposals to the annual general meeting relating to the upcoming elections of the shareholder representatives on the Supervisory Board to be held at the annual general meeting in 2019; these proposals were made on the basis of the recommendation of the Nomination Committee expressed to the Supervisory Board beforehand. Other items on the agenda of this meeting included Corporate Governance issues. In this context, the Supervisory Board passed resolutions on the achievements made in the 2018 financial year relating to the objectives set out in the diversity concepts for the composition of the Executive Board and Supervisory Board and on findings on the independence of its members. In addition, the Supervisory Board passed an update of the diversity concepts limited to the specification of new time periods and time frames for achieving the aspects and objectives set out in the same relating to the composition of the Executive 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 (GCGC) pursuant to Section 161 of the German Stock Corporation Act (AktG).

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

As in the previous year, the Supervisory Board had two committees in the 2018 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 twice in the 2018 financial year.

Fine-tuning the colour selection

The first proofs for Berentzen Signature

At its meeting on March 13, 2018, the Personnel Committee dealt with amendments to the service agreement of one of the members of the Executive Board with regard to his future remuneration and following its deliberations made a recommendation to the Supervisory Board.

At its meeting on December 13, 2018, the Personnel Committee's deliberations related to the reappointment of one of the members of the Executive Board involving an extension of that member's existing service agreement for the duration of the reappointment. 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 at the same time the Nomination Committee within the meaning of the German Corporate Governance Code. 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 held two meetings in the 2018 financial year.

The meeting on March 13, 2018 centred on the discussion of and the passing of a resolution on a recommendation to the Supervisory Board on the latter's proposal to the annual general meeting concerning a by-election for the shareholder representatives on the Supervisory Board. Prior to this meeting, Mr. Gert Purkert had resigned from his offices as Chairman and member of the Supervisory Board effective as of the conclusion of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 3, 2018. The Nomination Committee subsequently made a recommendation to the Supervisory Board for its proposal to the annual general meeting concerning the by-election for the Supervisory Board.

At its meeting on September 20, 2018, the Nomination Committee addressed the selection of candidates for membership of the Supervisory Board as shareholder representatives in light of the upcoming regular elections of shareholder representatives on the Supervisory Board to be held at the 2019 annual general meeting. Taking account of the reduction in the sizes of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft taking effect as of the close of this annual general meeting, the Nomination Committee correspondingly made four recommendations to the Supervisory Board for the same number of Supervisory Board proposals to the annual general meeting for the elections to the Supervisory Board.

Finance and Audit Committee

The Finance and Audit Committee similarly continued its work and held two meetings in the 2018 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 13, 2018, 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, 2017, the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year and the financial statements of three material operating companies within the group as of December 31, 2017. 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 approval of the separate financial statements and one relating to the consolidated financial statements 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 2017 financial year of Berentzen-Gruppe Aktiengesellschaft. 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 2018 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 2018 financial year, the independent auditor for any possible audit review of the condensed financial statements and the interim management report in the 2018 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 2018 and 2019 financial years up to the annual general meeting of Berentzen-Gruppe Aktiengesellschaft in 2019. 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, 2018 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year.

The discussions and resolutions at the meeting of the Finance and Audit Committee held on December 13, 2018 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, 2018 and the management reporting for the 2018 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 to date 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 and 2019 financial years; it also discussed a compliance issue.

Dialogue with investors

During their respective terms of office, both chairmen of the Supervisory Board who held office in the 2018 financial year held talks of an appropriate scope with investors on matters specific to the Supervisory Board and informed the Supervisory Board of the content of those talks.

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/en.

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 2018, which has been made permanently available to the public on the Company's corporate website at www.berentzen-gruppe.de/en.

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 2018 financial year.

This specifically included a review of the diversity concepts passed the previous year for the composition of the Executive Board and the Supervisory Board both with regard to content and to the results achieved in the 2018 financial year. In this connection, some of the content of the two diversity concepts was updated and new deadlines and time frames were specified for achievement of the aspects and objectives set out therein. The competence profile for the members of the Supervisory Board was likewise updated. 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 2018 financial year, no 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 2018 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 3, 2018 to elect Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the independent auditor of the separate and consolidated financial statements for the 2018 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, 2018 and the combined Management Report of the Berentzen Group (corporate group) and of Berentzen-Gruppe Aktiengesellschaft for the 2018 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 2018 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. Furthermore, it 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 at its meeting held on March 19, 2019 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 the following financial statement documents and objects: the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2018, the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2018 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 2018 financial year. At this meeting, the auditor 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 2018, 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 statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2018 and to follow the Executive Board proposal for the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2018 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, 2018, the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2018 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 19, 2018, the Supervisory Board approved the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2018 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 2018 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 2019 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

Unless stated otherwise, there were the following changes in the composition of the Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft in the 2018 financial year:

Executive Board

The composition of the Executive Board remained unchanged in the 2018 financial year.

Supervisory Board

The only personnel change in the composition of the Supervisory Board related to one Supervisory Board member representing the shareholders.

After the Chairman of the Supervisory Board up to that date Mr. Gert Purkert resigned from his offices as Chairman and member of the Supervisory Board in accordance with his communication from the end of November 2017 effective as of the end of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft on May 3, 2018, the annual general meeting held on that date elected Mr. Uwe Bergheim to the Supervisory Board at the proposal of the Supervisory Board. The Nomination Committee had previously expressed a corresponding recommendation to the Supervisory Board for the latter's proposal to the annual general meeting. At the meeting of the Supervisory Board held directly after the annual general meeting, Mr. Uwe Bergheim was elected as the new Chairman of the Supervisory Board.

The Supervisory Board would like to take this opportunity to express its thanks to the departed Chairman of the Supervisory Board, Mr. Gert Purkert, for his dedicated service to the benefit of the Company and the corporate group over many years.

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 19, 2019

Berentzen-Gruppe Aktiengesellschaft

For the Supervisory Board

Uwe Bergheim

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 (GCGC) 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 the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft. 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) Corporate Governance Declaration 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)

The Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft also addressed the recommendations set out in the German Corporate Governance Code in the 2018 financial year. In December 2017, the Executive Board and the Supervisory Board had jointly issued the annual declaration of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG on the basis of the Code versions of February 7, 2017 and May 5, 2015. 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 2018, 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 by the Federal Ministry of Justice and Consumer Protection in the official part of 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 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.

5. 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.

From concept to sample product

The recipes are refined over and over in the lab

6. 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.

7. 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.

II.

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 in December 2017, the recommendations of the “Government Commission on the German Corporate Governance Code” (Code version of February 7, 2017) published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette on April 24, 2017 are followed, with the following exceptions:

1. Contrary to No. 3.8 para. 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 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 did not have a Chairman or Spokesman in the time since May 19, 2017, for the reasons described in No. I. 2.
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 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.

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 design of this variable compensation component pertained 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 was not capped at maximum levels for the aggregate compensation, for the reasons described in No. I. 4.
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 for the company in granting pension commitments to the Executive Board members, for the reasons described in No. I. 5.
7. Contrary to No. 4.2.5 para. 3 and 4 of the Code version of 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. 6.
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 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. 7.

Haselünne, December 2018

Berentzen-Gruppe Aktiengesellschaft

For the Executive Board

For the Supervisory Board

Ralf Brühöfner

Member of the Executive Board

Oliver Schwegmann

Member of the Executive Board

Uwe Bergheim

Chairman of the Supervisory 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 on the social intranet of the Berentzen Group, among other places.

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(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 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 2018 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).

Over the period from January 1 to December 31, 2018 the following persons were members of the Executive Board of Berentzen-Gruppe Aktiengesellschaft:

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	Doornkaat Aktiengesellschaft, Norden, Germany (Deputy Chairman of the Supervisory Board)
Oliver Schwegmann Timmendorfer Strand, Germany	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)

(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. 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

Until the close of the annual general meeting that decides on the ratification of the actions of the members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year is generally composed of nine members, six of whom were elected individually by the Annual General Meeting (Supervisory Board members of the shareholders or shareholder representatives). Three members were elected by the employees (Supervisory Board members of the employees or employee representatives) in accordance with the One-Third Participation Act (DrittelbG).

In accordance with the resolution amending the Articles of Association passed by the annual general meeting on May 3, 2018, after the close of the aforementioned annual general meeting the Supervisory Board will generally consist of six members, of which four members are elected individually as Supervisory Board members of the shareholders and two members are elected by the employees of the company as Supervisory Board members of the employees in accordance with the German 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, 2018, 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).

Over the period from January 1 to December 31, 2018 the following persons were members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft:

Name	Position held	Other Supervisory Board mandates
Uwe Bergheim Dusseldorf, Germany Chairman of the Supervisory Board (since May 3, 2018)	Self-employed corporate consultant, Dusseldorf, Germany	
Gert Purkert Munich, Germany Chairman of the Supervisory Board (until May 3, 2018)	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	Managing Director of TEEKANNE Holding GmbH, Dusseldorf, Germany, as general partner of TEEKANNE GmbH & Co. KG, Dusseldorf, Germany	
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	Professor of Business Administration at FOM University of Economics & Management, Essen / Nuremberg, Germany	

Name	Position held	Other Supervisory Board mandates
Hendrik H. van der Lof Almelo, The Netherlands	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)
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-making powers of the Supervisory Board have been delegated to the committees within the legally permitted framework. 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 at the same time 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.

Unless stated otherwise, the following persons belonged to the Personnel and Nomination Committee over the period from January 1 to December 31, 2018:

Name	Committee function
Uwe Bergheim Chairman of the Supervisory Board (since May 3, 2018)	Chairman of the Personnel and Nomination Committee (since May 3, 2018)
Gert Purkert Chairman of the Supervisory Board (until May 3, 2018)	Chairman of the Personnel and Nomination Committee (until May 3, 2018)
Heike Brandt	Member of the Personnel Committee
Frank Schübel Deputy Chairman of the Supervisory Board	Member of the Personnel and Nomination Committee
Daniël M.G. van Vlaardingen	Member of the Personnel and Nomination Committee

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 (Regulation (EU No. 537/2014). Moreover, the Finance and Audit Committee monitors the independence of the auditor of the financial statements 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, 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.

Unless stated otherwise, the following persons belonged to the Finance and Audit Committee over the period from January 1 to December 31, 2018:

Name	Committee function
Hendrik H. van der Lof	Chairman of the Finance and Audit Committee
Johannes C.G. Boot	Deputy Chairman of the Finance and Audit Committee
Uwe Bergheim Chairman of the Supervisory Board (since May 3, 2018)	Member of the Finance and Audit Committee (since May 3, 2018)
Bernhard Düing	Member of the Finance and Audit Committee
Gert Purkert Chairman of the Supervisory Board (until May 3, 2018)	Member of the Finance and Audit Committee (until May 3, 2018)

(2.4.5) Cooperation between the Executive Board and the 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

Once again in the 2017 financial year, as in previous years, the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft intensively addressed the goals for the composition of Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft and on this basis adopted the diversity concepts described in the following. In accordance with the stated voluntarily commitment, these were reviewed in depth in the 2018 financial year both in terms of content and with regard to the results achieved. The diversity concepts that were updated in some parts on the basis of this review are likewise presented below.

The diversity plans encompass the diversity aspects pursuant to Sections 289f, 315d HGB, 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.

As part of the Supervisory Board's further deliberations in the 2018 financial year on the targets for the composition of the Executive Board, another time period or time frame for this was set until December 31, 2019. In terms of content, the diversity concept for the composition of the Executive Board remained unchanged in this context.

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, 2018 fulfils all aspects of the diversity plan described above. With regard to the aspect of gender, please refer in this context to the comments made in the following section (2.6). This section also contains separate information on achievement of the targets for the percentage of women on the Executive Board to the extent that reporting is required within the scope of the specifications made in this corporate governance declaration.

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 initially set for the attainment of these targets.

The diversity concept for the composition of the Supervisory Board was updated in the 2018 financial year not least in light of the upcoming regular elections to the Supervisory Board at the annual general meeting to be held in 2019, specifically with regard to the reduction in the number of members of the Supervisory Board coming into effect from the close of that Annual general meeting from nine up to that date to six thereafter. For additional information, please refer to the comments contained in section (2.4.3).

Correspondingly, a time period or time frame until the close of the aforementioned annual general meeting was specified within the scope of passing the updated diversity concept to achieve the aspects or targets that take into account the appointment of nine members to the Supervisory Board. In terms of content the diversity concept remained unchanged for this period.

A time period or time frame until December 31, 2019 was stipulated for achievement of the aspects and objectives, some of the content of which had been amended to allow for the reduction in the number of Supervisory Board members to six, pursuant to the diversity concept in place following the close of the annual general meeting in 2019.

An exception is, in turn, made in each case with regard to the specification of the time period or time frame for achievement of the target for the percentage of women on the Supervisory Board.

(The additions in brackets in the following depiction of the diversity concept each relate to the specifications of aspects or targets valid as of the close of the annual general meeting held in 2019.)

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 (three) 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 as members no more than two former members (one former member) 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 relating to potential conflicts of interest and independence and a standard limit on the duration of service on the Supervisory Board as well as on the number of its members that must be familiar with the sector in which the company operates.

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 (five) independent members within the meaning of No. 5.4.2 GCGC and at least five (three) independent members representing the shareholders within the meaning of No. 5.4.2 GCGC, subject to the condition of otherwise unchanged conditions.

Furthermore, 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.

With a view to specifying the provisions of the Stock Corporations Act according to which the members of the Supervisory Board as a group must be familiar with the sector in which the company operates, the diversity concept establishes that the Supervisory Board should have at least three (two) members with such sector knowledge.

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, two thirds of the 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 one third of the seats to which the representatives of the employees are entitled: 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 diversity concept, as correspondingly updated in the 2018 financial year and that will generally come into effect as of the close of the annual general meeting in 2019, is to be taken into consideration beforehand with regard to the upcoming regular elections to the Supervisory Board (then with a smaller number of members) to be held at that annual general meeting, both by the Supervisory Board's Nomination Committee when nominating suitable candidates to the Supervisory Board for its proposals to the Annual general meeting for the election of shareholder representatives on the Supervisory Board as well as by the Supervisory Board in the passing of resolutions in this respect.

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, 2018 fulfils all the aspects of the diversity plan in the version applicable to the 2018 financial year 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, the Supervisory Board 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).

With regard to the aspect of gender, including separate information on achievement of the targets for the percentage of women on the Shares – to the extent that reporting is required within the scope of the specifications made in this corporate governance declaration, please refer to 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 line with the review and updating of the diversity concept for the composition of the Supervisory Board, the profile of required skills and expertise was also reviewed and adjusted in the 2018 financial year, specifically with regard to the reduction in the number of Supervisory Board members coming into effect following the close of the annual general meeting in 2019. This adjusted profile is likewise to be taken into consideration by the bodies responsible already in their nominations/proposals of suitable candidates for election of shareholder representatives on the Supervisory Board at the annual general meeting in 2019.

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 applicable for the current composition of the Supervisory Board, 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 and the deadlines set for the attainment of these 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 specified 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 correspondingly adopted targets for the percentage of women pursuant to Section 76 para. 4 AktG and Section 111 para. 5 AktG. The targets were each 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.

The table below provides information on the most recent targets and time periods for their attainment set by the Executive Board and Supervisory Board in June 2017.

		Adopted target by 12/31/2021
Supervisory Board	No. (≙ %)	1 (11/17 [1])
Executive Board	No. (≙ %)	0 (0) / 1 (≤ 33) [2]
First management level beneath the Executive Board	%	20
Second management level beneath the Executive Board	%	30

[1] Supervisory Board: the change in the target percentage is merely arithmetic and results from the reduction in the number of Supervisory Board members from the previous nine to six, coming into effect at the close of the annual general meeting in 2019.

[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.

(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 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.

(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.

(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 Executive Board has adopted two concrete measures to attain its established 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 2018 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 2018 of Berentzen-Gruppe Aktiengesellschaft. The Annual Report 2018 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 the beginning of July 2016, such a disclosure obligation existed on the basis of national provisions (Section 15a of the Securities Trading Act (WpHG), old version).

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 generally 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 determine the dividend payment, are prepared in accordance with the German commercial-law regulations applicable to corporations and the provisions of German stock corporation law. 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, 2018, after the auditor of the financial statements 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, 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 auditor of the financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft since the 2016 financial year. The undersigning auditors responsible for the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2018 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 have been satisfied.

It was further agreed with the auditor of the financial statements for the audit for the 2018 financial year that the Chairman of the 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 on the German Corporate Governance Code 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, 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 on the company's corresponding publication and event dates.

Haselünne, March 2019

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 162.2 million in the 2018 financial year (EUR 160.4 million) and had 487 (484) employees at seven locations in three countries as of the reporting date of December 31, 2018.

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. Until the conclusion of the general meeting of Berentzen-Gruppe Aktiengesellschaft that will decide on the ratification of the actions of the Supervisory Board members in the 2018 financial year, the Supervisory Board consists of nine members, one-third of whom are employee representatives in accordance with the German One-third Participation Act (Drittelbeteiligungsgesetz). After the conclusion of this general meeting, the Supervisory Board will consist of six members, one third of whom will likewise be employee representatives. 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, Investor Relations, 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. Within the assortment of proprietary brands, the beverages of the *Mio Mio* brand are distributed nationally. Regionally important proprietary brands include *Emsland Quelle* and *Märkisch Kristall,* with products in the segments of mineral waters, lemonades and fruit juice beverages, as well as wellness products and energy drinks. 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 fruit 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, still consolidating 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 primarily or own subsidiaries that are also involved in the management and adaptation of regional sales measures.

The *Non-alcoholic Beverages* segment, including the products of the *Mio Mio* brand, are now distributed nationally. The core sales region for the regionally important brands comprises northern and eastern Germany including Berlin together with parts of Hesse and North Rhine-Westphalia. The most important sales channels are food retailers, beverage cash-and-carry markets and the hospitality trade (via drinks wholesalers).

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 more than 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 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 adjusted 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 adjusted for depreciation, amortisation and impairment, and for non-cash elements of the interest result, of income taxes, of exceptional effects (non-recurring items) and of other non-cash effects. Movements in the volatile working capital that is often subject to reporting-date effects are thus excluded to a great extent 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 2018. A total of 406 (460) recipes were developed and assessed for spirits in the Branded and Private Label Products sales units in the last financial year 2018.

In the *Non-alcoholic Beverages* segment, two additional flavours were developed for the product line of the house brand *Mio Mio* in financial year 2018 and were introduced to the market on February 1, 2019. In addition, the Group has introduced a new product line for herbal-based soft drinks with three innovative flavour variants, which will be available in the market in mid-2019. The Group also created a new flavour under the *Vivaris* brand called *Sport Pink Grapefruit*, which will supplement the existing ISO sports drink product line beginning in March 2019.

The research and development activities in the *Fresh Juice Systems* segment concentrated on the system technology and related accessories in financial year 2018. Alongside the development of new fruit press 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 1.7 million in the 2018 financial year (EUR 1.5 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 2019, the International Monetary Fund (IMF) estimated that global economic growth of 3.7% in 2018 was marginally below the previous year (3.8%). At the beginning of the year, the IMF had expected global economic growth of 3.9%, but lowered its forecast to 3.7% in October 2018. According to its assessment from December 2018, the German Institute for Economic Research (DIW Berlin) expects gross domestic product (GDP) to have expanded by 4.3% (4.2%) in real terms worldwide. According to the data from the IMF, there are indications of the marginal decline in economic growth both in the emerging markets and in the industrialised nations. For example, the emerging markets noted growth of 4.6% in 2018 (4.7%), while the industrialised nations recorded growth of 2.3% (2.4%). The IMF considers the weaker growth to be attributable in particular to new fuel emission standards in Germany as well as natural disasters in Japan. For the eurozone, the IMF and the DIW both expect a growth rate of 1.8% (2.4% and 2.5% respectively).

The German economy grew once again in 2018, but growth did slow down, as the Federal Statistical Office indicated in mid-January 2019. On an inflation-adjusted basis, gross domestic product grew by 1.5% (2.2%). This growth is due first and foremost to positive domestic impetus, with both consumer and government spending up, albeit at a lower rate than in recent years. Alongside consumption, 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 1.9% in 2018 compared with the previous year (1.8%). The primary reason for this increase is the development of energy and food prices. Prices in the “food and non-alcoholic beverages” and the “alcoholic beverages and tobacco” categories, which are important for the Berentzen Group, rose 2.4% (2.8%) and 3.4% (2.5%) respectively above the previous-year level. According to the Federal Statistical Office, sales in the German retail trade increased by 1.2% in 2018 compared with 2017 on an inflation-adjusted basis. Meanwhile, however, revenues in the “food, beverages and tobacco” sub-category, which is significant for the Berentzen Group, decreased by 1.5% 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 0.7% in the eurozone in December 2018 compared with December 2017 (1.3%) and by 0.6% (1.2%) across the EU.

Figures published by independent market researcher The Nielsen Company (Nielsen) show that total domestic unit sales of spirits amounted to 572.1 million 0.7-litre bottles in 2018 (575.4 million 0.7 litre bottles) in Germany, which remains the most important regional sales market for spirits for the Berentzen Group. By contrast, total revenues rose marginally to EUR 4.67 billion (EUR 4.62 billion). In the German food retail trade and drugstores, the sales volume of spirits fell by 0.3% year on year to 534.8 million 0.7-litre bottles (536.5 million 0.7 litre bottles). At EUR 4.27 billion (EUR 4.21 billion), revenues were nevertheless up slightly on the previous-year level. The share of private-label brands in total German sales declined from 46.2% to 44.7% in 2018, with the share of total revenues falling from 33.7% to 32.4% in parallel. According to an announcement by the Federal Statistical Office in February 2019, revenues of the domestic hospitality industry in the 2018 financial year were 1.0% higher in real terms than in the previous-year comparison period (0.9%). 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 0.7% (0.9%). According to figures from Nielsen, unit sales of spirits in German cash-and-carry markets fell by roughly 4.1% in 2018 (8.0%) from 38.9 million 0.7 litre bottles to 37.3 million 0.7-litre bottles, with revenues declining by 3.2% compared with 2017 (7.7%).

According to a projection published at the beginning of January 2019 by Verband Deutscher Mineralbrunnen (VDM), a German mineral water industry association, sales of mineral and medicinal waters and non-alcoholic mineral spring beverages from German springs increased by 5.1% to 15.2 billion litres in 2018 (14.5 billion litres). Within this total, 11.7 billion litres (11.1 billion litres) related to unit sales of mineral and medicinal waters, while mineral spring beverages accounted for 3.6 billion litres (3.4 billion litres). The higher sales are attributable to consumers' need for a high-quality and refreshing natural product as well as the lengthy period of hot weather.

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 2018 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 2017 by 55.6% in France, by 35.6% in Germany and by 15.2% in Austria.

(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 162.2 million in the 2018 financial year (EUR 160.4 million); its adjusted consolidated operating profit increased to EUR 9.8 million (EUR 9.2 million) and the adjusted consolidated operating profit before depreciation and amortisation stood at EUR 17.3 million (EUR 16.4 million). Taking into account an exceptional effect of EUR 0.8 million (EUR 0.4 million), an expense of EUR 1.6 million (EUR 3.6 million) from the financial result and result from participating interests as well as an income tax expense of EUR 2.3 million (EUR 2.7 million), the Berentzen Group generated a consolidated profit of EUR 5.2 million overall (EUR 2.6 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 2018 financial year. In order to compare actual performance against the forecast performance, the forecasts provided in the past financial 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

Realisation of the earnings targets for the 2018 financial year was challenging, with an uneven business performance across the individual segments.

Performance of the segments

	Forecast for the 2018 financial year in the 2017 Forecast Report EURm	Adjustments made during the 2018 financial year EURm	Actual business performance EURm	
Contribution margin after marketing budgets				
Segment				
Spirits	26.3 to 29.1		27.5	✓
Non-alcoholic Beverages	21.5 to 23.7		21.4	×
Fresh Juice Systems	7.5 to 8.3	Q2: 6.5 to 7.2	6.1	×
Other segments	5.3 to 5.9		5.0	×

In the 2018 financial year, the original forecasts provided in the Management Report for the 2017 financial year for segment earnings (contribution margin after marketing budgets) were met in the case of one segment but were not met in the other three segments. In one case, an adjustment was made during the year that did not, however, materialise.

In the *Spirits* segment, segment earnings came to EUR 27.5 million, meeting the initial forecast ranging between EUR 26.3 million and EUR 29.1 million. The contribution margin fell marginally short of the related budget assumptions. This was chiefly attributable to a detrimental product mix that deviated from original estimates in the domestic business involving branded spirits, in particular in terms of the development of the core brands *Berentzen* and *Puschkin*. By contrast, the Berentzen Group was able to hold its ground in a slightly contracting market for branded dealer and private-label products and marginally exceeded 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 well short of the original budgeting level and thus had a positive effect on the development of segment earnings.

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 forecast ranging between EUR 5.3 million and EUR 5.9 million. Contribution margins from the business in the Benelux countries, in Turkey and through the duty-free distribution channel developed positively, while performance on the Eastern European markets, in the USA and in Japan trailed behind expectations. Segment earnings were additionally burdened by an unfavourable development of contribution margins from the tourism and event-related activities of the Berentzen Group, which are also included in *Other Segments*. Because the funds used for marketing and trade advertising were in line with budget, these had neither a positive nor a negative effect on the overall development of segment earnings.

With segment earnings of EUR 21.4 million, the profit expectation stated in the 2017 Management Report for the *Non-alcoholic Beverages* segment ranging between EUR 21.5 million and EUR 23.7 million remained just out of reach. The key factors influencing this development were the lower contributions from the franchise business with branded beverages from the Sinalco corporate group as well as from the contract bottling business with lemonades and other non-alcoholic beverages. This was countered by the positive development of contribution margins from the business with mineral waters, in particular with proprietary mineral water brands. Although increased sales volumes and above-average improvements in contribution margins were recorded with the products marketed under the proprietary *Mio Mio* brand, the planned contribution margin increase was not achieved in full, especially as the expansion of the distribution network in the South of Germany did not progress as expected. The use of marketing budgets was lower than the scope originally budgeted for in the 2018 financial year, thus having a positive impact on segment earnings.

The *Fresh Juice Systems* segment was unable to match the original target or the adjusted target announced in the second quarter of 2018. At EUR 6.1 million, segment earnings were short of the adjusted forecast of between EUR 6.5 million and EUR 7.2 million. The primary reason for the weak development of contribution margins was the drop in sales for the system component fruit juicers, due first and foremost to a corresponding decline in business performance on the important French market. Although sales volume rose year on year, it was not possible to achieve the expected improvement in contribution margins in the US market either. By contrast, there was a positive development in the business with fruit juicers in the GSA region (Germany, Switzerland and Austria). The fruit trade (oranges) recovered substantially since the prior year. In this respect, the contribution margins developed positively in absolute terms but the improvement was not as great as expected on account of continued high costs to ensure supply and assure quality. Expectations were met, however, in the business with bottling systems. The use of funds for marketing and trade advertising in the past financial year was adjusted to the development of revenues, with the corresponding positive effect on segment earnings.

Development of consolidated revenues and consolidated operating profit

	Forecast for the 2018 financial year in the 2017 Forecast Report EURm	Adjustments made during the 2018 financial year EURm	Actual business performance EURm	2018
Consolidated revenues	170.1 to 178.9	Q2: 162.8 to 171.2	162.2	×
Consolidated operating profit (consolidated EBIT)	9.6 to 10.6		9.8	✓
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	17.2 to 19.0		17.3	✓

With consolidated revenues of EUR 162.2 million in the 2018 financial year, this figure fell only slightly short of the range forecast adjusted in the second quarter of 2018 of between EUR 162.8 million and EUR 171.2 million with a deviation of 0.4%.

This development is due in the main to the aforementioned missed target for segment earnings in the *Fresh Juice Systems* segment and the related lower contribution to revenues by that segment but also, albeit to a lesser extent, to lower-than-expected revenues in all other segments.

Overall, however, the changes outlined above in respect of the individual segment earnings and consolidated revenues did not have any impact on the development of the adjusted consolidated operating profit (consolidated EBIT) or the adjusted consolidated operating profit before depreciation and amortisation (consolidated EBITDA). With consolidated EBIT of EUR 9.8 million and consolidated EBITDA of EUR 17.3 million, the forecast for the 2018 financial year 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 2018 financial year in the 2017 Forecast Report EURm	Adjustments made during the 2018 financial year EURm	Actual business performance EURm	2018
Operating cash flow	14.0 bis 16.2		14.2	✓

Operating cash flow, which essentially excludes changes in working capital and therefore documents the effects of operating profitability on the change in liquidity, was forecast to lie in a range between EUR 14.0 million and EUR 16.2 million. This target was reached with results of EUR 14.2 million, with the increase being to a great extent attributable to a significantly higher consolidated profit.

Development of financial position

	Forecast for the 2018 financial year in the 2017 Forecast Report	Adjustments made during the 2018 financial year	Actual business performance 2018	
Equity ratio	32.6 % to 37.6 %		32.7%	✓
Dynamic gearing ratio	- 0,08 to - 0,03		- 0.44	✓✓

As of December 31, 2018, the equity ratio of 32.7% was improved on the previous year and at the same time within the forecast range of between 32.6% and 37.6%. The prime factor in this development was the EUR 2.8 million increase in equity on the back of significantly improved consolidated profit combined with a rise of a mere EUR 1.5 million in total assets.

The dynamic gearing ratio amounted to-0.44 as of December 31, 2018 and thus exceeded the original forecast ranging between-0.08 and-0.03. 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.

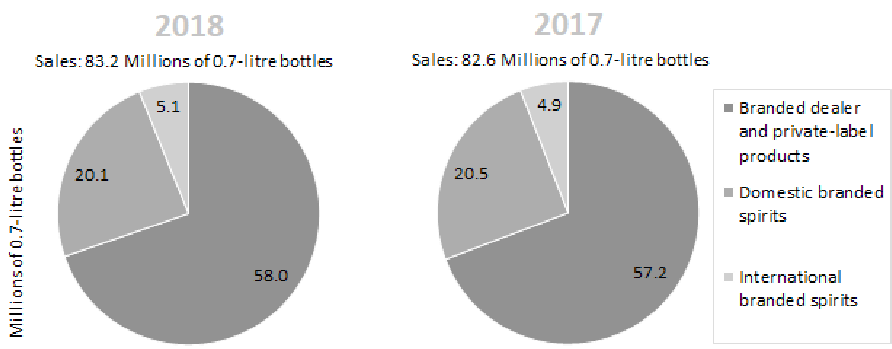
(2.2.3) Business performance – Significant developments and events

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 diagrams show the development of sales volumes in the Spirits business:



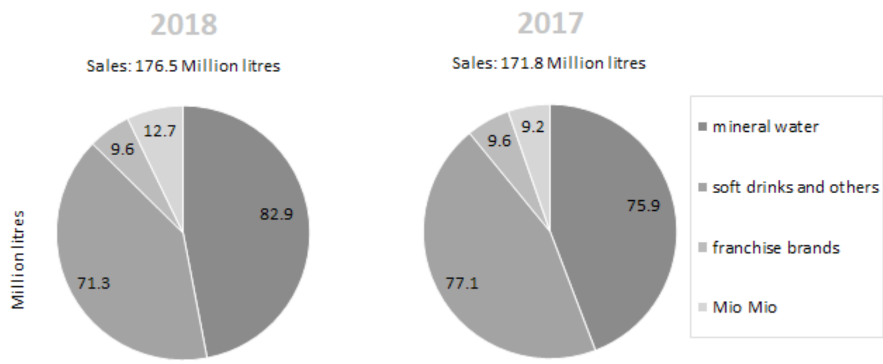
In the 2018 financial year, sales of spirits in the Berentzen Group increased by 0.7% to 83.2 million 0.7-litre bottles (82.6 million 0.7-litre bottles). While the domestic sales volumes of 68.3 million 0.7-litre bottles (69.2 million 0.7-litre bottles) were 1.3% lower than the previous-year figure, sales of spirits in other countries rose by 12.0% to 14.9 million 0.7-litre bottles (13.3 million 0.7-litre bottles). The Berentzen Group recorded sales of 25.2 million 0.7-litre bottles (25.4 million 0.7-litre bottles) with branded spirits in Germany and abroad in the past year.

The sales volume for the domestic branded business was down by a total of 2.3% as of December 31, 2018. Sales volumes for the core brands *Berentzen* and *Puschkin* were 2.7% below the level of the previous-year period, but these two umbrella brands developed very differently: While sales of the products sold under the umbrella brand *Berentzen* suffered a decline of 6.1% in the 2018 financial year, sales of spirits under the umbrella brand *Puschkin* continued to develop positively, rising by 3.5% on the previous-year period. There was a 1.6% fall in sales in the business with other brands, particularly with traditional spirits, against the backdrop of further general decline in the market development of some spirits segments.

The sales volume of the international branded spirits business climbed by 4.8% overall from the previous reporting period to 5.1 million 0.7-litre bottles (4.9 million 0.7-litre bottles). Buoyed by the core brand *Berentzen*, sales volumes rose especially in the Benelux countries by 9.7%. There was a similarly positive development in the international duty-free distribution channel, where sales volumes improved by 11.5%. At 10.3%, unit sales growth was very pleasing for the Turkish market, which is still subject to intense scrutiny. With sales down 10.1% in total on the previous-year period, however, the Czech and Slovakian markets developed very negatively. As a result, Berentzen worked together with the local distributor in the second half of the 2018 financial year on a sales and brand-strategic adjustment for these markets, and the measures implemented have already borne fruit.

At 58.0 million 0.7-litre bottles, sales performance in the spirits business involving branded dealer and private-label products was slightly improved on the previous-year level (57.2 million 0.7-litre bottles). Sales rose sharply by 15.8% in the international business, whereas sales of branded dealer and private-label products dropped marginally by 1.0% domestically. The share of traditionally lower-priced standard products was reduced further 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 2.7% to 176.5 million litres in the 2018 financial year (171.8 million litres). Despite the considerable growth.

After growth in the previous years that was already substantial, the beverages marketed under the proprietary brand *Mio Mio* grew once again by 37.8%. This constituted the strongest absolute increase to date year on year. Further work was carried out in the 2018 financial year to optimise the logistics and marketing structures in order to make progress in the distribution of *Mio Mio* in the southern part of Germany and in the catering trade in the home territory. Sales only remained stable year on year in the franchise business with branded beverages from the Sinalco corporate group. By contrast, sales of mineral waters rose noticeably by 9.2% in a year-on-year comparison. There was a growth of 9.9% in sales of proprietary mineral water brands, whereas the contract bottling business for mineral waters saw a sales gain of 5.7%. The main growth driver was significantly enhanced demand thanks to the good weather in the summer of 2018. Year-on-year sales levels in the business with lemonades and other non-alcoholic beverages slipped by 7.6%. There was a small upward trend for proprietary brands, however, whereas the contract bottling business contracted significantly in this project category. As far as the proprietary brands are concerned, it should also be noted that some of them were also affected by targeted measures to streamline the product portfolio.

Fresh Juice Systems

				Change	
		2018	**2017**		**%**
Fruit Juicers	Items	2,209	2,540	- 331	- 13.0
Bottling systems	In thous. items	16,378	16,015	+ 363	+ 2.3
Fruit	In thous. kilos	7,239	7,838	- 599	- 7.6

In the *Fresh Juice Systems* segment, sales performance of the main system components was uneven in the 2018 financial year: While sales of bottling systems rose by 2.3% to 16,378 thousand items (16,015 thousand items), sales of fruit juicers dropped by 13.0%. The business with fruit juicers was characterised primarily by a corresponding decline in business performance on the important French market. Although considerable net sales growth was achieved in the other sales regions – in India, Germany and the USA in particular – the dynamic growth on these markets was not sufficient to compensate for the aforementioned effect. Likewise, there was a drop in sales of fruit (oranges) of 7.6% to 7,239 thousand kg (7,838 thousand kg). It is important to note the stable level of revenues as well as positive effects from the procurement side in this regard.

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

For the production of spirits and non-alcoholic beverages, the raw materials and goods purchased by the Berentzen Group relate mainly to the material groups alcohol (including grain and rectified spirit, whiskeys and rum), aromatisation (inputs and aromas) and sugar as well as packaging (mainly glass and cardboard) and other materials for product features. In the *Fresh Juice Systems* segment, purchasing costs arise for the individual system components of fruit juicers, fruit (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 fruit (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 2018 financial year. The underlying conditions were more or less stable, with prices both rising and falling on the market.

Factors such as the expiry of the quotas for sugar and isoglucose as of September 30, 2017 resulted in a further price fall in the 2018 financial year. The procurement market for grain alcohols was challenging on account of the major drought in large parts of Europe and the resulting poor harvests. Thanks to previously agreed contracts, however, it was possible to achieve a price level that was virtually unchanged. By contrast, there was a more substantial jump in the price of tequila due to the lack of availability and high prices for agaves. The purchasing costs for the system component fruit (oranges) in the *Fresh Juice Systems* segment dropped in comparison to the previous year. Although the harvest situation improved markedly, there were continued high costs to ensure supply and assure quality.

Legal dispute with T M P Technic-Marketing-Products GMBH

Claims are being made against the Group company T M P Technic-Marketing-Products GMBH, Linz, Austria, in arbitration proceedings by the distributor responsible for marketing their products in the USA. Expenses of EUR 0.8 million were taken into account as of December 31, 2018 in connection with these proceedings. The comments on the exceptional effects in section (2.2.4) Financial performance include further details regarding this.

Change of the financing structure

As expected, the financial result and result from participating interests improved notably due to the changed funding structure, and this also had a noticeable effect on consolidated profit. 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. Since the bond was repaid on October 18, 2017, the Berentzen Group mainly relies on debt instruments with variable interest components for its external financing. These include in particular the syndicated loan agreement concluded with a bank syndicate in December 2016 as well as various factoring agreements. Interest expenses of EUR 1.5 million (EUR 0.9 million) were incurred for these debt instruments in the 2018 financial year, whereas additional interest expenses of EUR 2.6 million were incurred for the Berentzen bond 2012/2017 in the 2017 financial year.

(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. Since the beginning of the 2018 financial year, the Berentzen Group has applied the financial reporting standard IFRS 15 (Revenue from Contracts with Customers). The previous-year comparative figures affected by this change were adjusted using the full retrospective method. Further details are included in the notes to the consolidated financial statements in Notes (1.3) and (3.1).

	2018		2017		Change	
	EUR '000	%	EUR '000	%	EUR '000	%
Consolidated revenues	162,167	99.1	160,363	98.7	+ 1,804	+ 1.1
Change in inventories	1,412	0.9	2,076	1.3	- 664	- 32.0
Total operating performance	**163,579**	**100.0**	**162,439**	**100.0**	**+ 1,140**	**+ 0.7**
Purchased goods and services	91,903	56.2	93,090	57.3	- 1,187	- 1.3
Consolidated gross profit	**71,676**	**43.8**	**69,349**	**42.7**	**+ 2,327**	**+ 3.4**
Other operating income	4,712	2.9	4,713	2.9	- 1	- 0.0
Operating expenses	66,586	40.7	64,841	39.9	+ 1,745	+ 2.7
Consolidated operating profit (EBIT)	**9,802**	**6.0**	**9,221**	**5.7**	**+ 581**	**+ 6.3**
Exceptional effects	-808	-0.5	-427	-0.3	- 381	+ 89.2
Financial result and result from participating interests	-1,565	-1.0	-3,557	-2.2	+ 1,992	- 56.0
Consolidated profit before taxes	**7,429**	**4.5**	**5,237**	**3.2**	**+ 2,192**	**+ 41.9**
Income tax expenses	2,264	1.4	2,675	1.6	- 411	- 15.4
Consolidated profit	**5,165**	**3.2**	**2,562**	**1.6**	**+ 2,603**	**> + 100,0**

Consolidated revenues and total operating performance

The consolidated revenues of the Berentzen Group excluding alcohol tax amounted to EUR 162.2 million in the 2018 financial year (EUR 160.4 million), while consolidated revenues including alcohol tax totalled EUR 376.2 million (EUR 377.3 million). Including the changes in inventory of EUR 1.4 million (EUR 2.1 million), the total operating performance came to EUR 163.6 million (EUR 162.4 million).

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

	2018	2017
	EUR '000	EUR '000
Revenues excluding alcohol tax		
Spirits segment	84,193	83,566
Non-alcoholic Beverages segment	49,703	46,227
Fresh Juice Systems segment	18,760	20,707
Other segments	9,511	9,863
Consolidated revenues excluding alcohol tax [1)]	**162,167**	**160,363**
Alcohol tax	214,001	216,980
Consolidated revenues including alcohol tax	**376,168**	**377,343**

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

Despite the higher total operating performance, the cost of purchased goods and services decreased to EUR 91.9 million (EUR 93.1 million). The ratio of purchased goods and services to total operating performance fell to 56.2% (57.3%) by comparison. For further information, please refer to the comments on sourcing in section (2.2.3).

Other operating income

At EUR 4.7 million in total, other operating income remained stable in the 2018 financial year compared with the previous year (EUR 4.7 million). In addition to reversals of liabilities and provisions of EUR 1.2 million (EUR 1.4 million), this item mostly includes income from offsetting deposits and sales of empties of EUR 1.0 million (EUR 0.6 million) as well as cost refunds and other reimbursements of EUR 0.8 million (EUR 0.7 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 owing to the removal of foreign subsidiaries from the consolidated group.

Operating expenses

As a result of the developments described below, consolidated operating expenses rose by 2.7% to EUR 66.6 million (EUR 64.8 million). Total operating performance only increased by 0.7% to EUR 163.6 million at the same time (EUR 162.4 million), leading to a slightly higher ratio of operating expenses to total operating performance of 40.7% (39.9%).

Personnel expenses climbed to EUR 24.6 million (EUR 24.0 million), and the personnel expenses ratio was marginally above the previous-year level at 15.0% (14.8%). This development is linked primarily to a higher headcount in the production area of the *Non-alcoholic Beverages* segment. For this reason in particular, the Group's headcount as of December 31, 2018 increased slightly compared to the previous year. There were also more full-time employees on average during the 2018 financial year. The corporate group had 487 employees on December 31, 2018 (484), 204 (205) of whom worked in production activities and 260 (254) in commercial and administrative activities; 23 (25) apprentices were in vocational training. The Berentzen Group had an average of 412 full-time employees in the past financial year (410).

Although investment volume dropped to a total of EUR 6.8 million compared with the prior year (EUR 8.2 million), depreciation and amortisation of assets nevertheless increased to a total of EUR 7.5 million in the 2018 financial year (EUR 7.2 million). This is attributable to the sharp increase in the share of investment in assets with useful lives of no more than five years, especially empty bottle containers and crates, in the past three financial years. The 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 nudged up to EUR 34.5 million (EUR 33.6 million). There was a EUR 1.0 million increase in the marketing and trade advertising expenses to EUR 5.0 million (EUR 4.0 million), chiefly in connection with communications-based advertising services for the *Mio Mio* brand in the *Non-alcoholic Beverages* segment. The positive sales performance for products marketed under the *Mio Mio* brand led to higher shipping and logistics costs in the *Non-alcoholic Beverages* segment, resulting in higher transport and selling expenses of EUR 16.8 million in total (EUR 16.3 million). Maintenance expenses totalling EUR 2.8 million (EUR 3.0 million) were marginally lower than the previous-year figure. Furthermore, miscellaneous other operating expenses fell to EUR 9.8 million overall (EUR 10.4 million). The main effects here were reduced legal, advisory and audit costs as well as lower out-of-period expenses.

Exceptional effects

Exceptional effects in the 2018 financial year

Within the framework of the arbitration proceedings still pending in the USA initiated at the beginning of August 2018 by the US distributor for the subsidiary T M P Technic-Marketing-Products GMBH, Linz, Austria, the distributor is claiming in particular for damages for alleged infringements of the sales agreement in place between the parties. The sum involved is a medium to large six-digit figure in euros. The Berentzen Group and T M P Technic-Marketing-Products GMBH are convinced that such claims are unfounded. T M P Technic-Marketing-Products GMBH has taken corresponding measures to defend and assert its legal position. In connection with these proceedings, expenses of EUR 0.8 million were recognised as an exceptional effect for legal costs already incurred as well as estimated future litigation risks.

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 was not and would not be as strong as expected. One of the reasons for this involved 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 containers and crates for empties. 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.

Financial result and result from participating interests

The financial result and result from participating interests was much improved on the previous year, resulting in a net expense of EUR 1.6 million (EUR 3.6 million). In the 2018 financial year, most interest expenses related to the debt instruments with variable interest components of EUR 1.5 million used by the Berentzen Group (EUR 0.9 million). In addition, the 2017 financial year was burdened by interest expenses of EUR 2.6 million for the Berentzen bond 2012/2017 repaid in October 2017. 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 2.3 million (EUR 2.7 million) included EUR 2.5 million (EUR 2.1 million) for German trade tax and corporate income tax together with comparable foreign income taxes in the 2018 financial year as well as EUR 0.2 million for trade tax and corporate income tax refunds for previous years. The measurement of deferred taxes in accordance with IAS 12 gave rise to income of less than EUR 0.1 million compared to an expense of EUR 0.2 million in the previous year.

Consolidated profit

At EUR 9.8 million, the adjusted consolidated operating result or EBIT recorded in the 2018 financial year surpassed the previous year (EUR 9.2 million). This can be attributed mainly to the improvement in consolidated gross profit by EUR 2.3 million to EUR 71.7 million (EUR 69.3 million). However, this was counterbalanced by a EUR 1.7 million jump in operating expenses. 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 4.6 million in total (EUR 6.7 million), was also much lower than in the previous year. Consequently, consolidated profit was well above the previous year-level, at EUR 5.2 million (EUR 2.6 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.

	2018					
	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	84,193	289	49,667	4,569	2,768	27,478
Non-alcoholic Beverages	49,703	34	21,905	4,694	1,744	21,394
Fresh Juice Systems	18,760	11	11,058	1,317	283	6,113
Other segments	9,511	19	4,103	246	182	4,999
Total	**162,167**	**353**	**86,733**	**10,826**	**4,977**	**59,984**

	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	83,566	397	48,923	4,640	2,757	27,643
Non-alcoholic Beverages	46,227	33	21,648	4,146	683	19,783
Fresh Juice Systems	20,707	35	12,693	1,294	301	6,454
Other segments	9,863	39	4,404	272	258	4,968
Total	**160,363**	**504**	**87,668**	**10,352**	**3,999**	**58,848**

	2018 EUR '000	2017 EUR '000
Consolidated revenues	**162,167**	**160,363**
Consolidated EBIT / consolidated EBITDA		
Consolidated profit	5,165	2,562
Income tax expenses	2,264	2,675
Financial result and income from participating interests	-1,565	-3,557
Exceptional effects	-808	-427
Consolidated EBIT	**9,802**	**9,221**
Depreciation and amortisation	7,526	7,187
Consolidated EBITDA	**17,328**	**16,408**

(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 in the 2018 financial year of EUR 4.9 million (EUR 1.7 million), shareholders' equity climbed to EUR 47.4 million (EUR 44.6 million), including the dividend payment of EUR 2.1 million (EUR 2.3 million) passed by resolution of the annual general meeting in May 2018. As a result of slightly higher total assets than in the previous year, the consolidated equity ratio increased from 31.1% as of the end of the 2017 financial year to 32.7% as of December 31, 2018.

Non-current debt capital dropped to EUR 19.0 million (EUR 20.0 million) and includes financial liabilities of EUR 7.1 million as of December 31, 2018 (EUR 7.1 million). Non-current liabilities accounted for 19.5% (20.2%) of consolidated total liabilities. In addition, the corporate group has various sources of financing with short-term loans, which amounted to EUR 78.5 million as of the end of the reporting period (EUR 78.9 million) or 54.2% (55.0%) of consolidated total assets.

The following table shows the overall financing of the Berentzen Group at the end of the 2018 financial year:

		Financing line 12/31/2018			Financing line 12/31/2017		
		Longterm EURm	Short-term EURm	Total EURm	Longterm EURm	Short-term EURm	Total EURm
Syndicated loan agreement	Line, limited	7.5	18.0	25.5	7.5	18.0	25.5
Factoring	Line, limited	0.0	50.0	50.0	0.0	50.0	50.0
Central settlement through factoring	Line, unlimited [1)]	0.0	9.2	9.2	0.0	9.7	9.7
Working capital loans	Line, limited [2)]	0.0	1.1	1.1	0.0	1.4	1.4
Surety bond for alcohol tax liabilities	Line, limited	0.0	0.8	0.8	0.0	0.8	0.8
Total financing		**7.5**	**79.1**	**86.6**	**7.5**	**79.9**	**87.4**

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 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 2018 financial year, this gave rise to an average gross financing volume of EUR 9.2 million (EUR 9.7 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 1.1 million (EUR 1.4 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 0.9 million (EUR 1.2 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 60.3 million as of December 31, 2018 (EUR 61.1 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 2018 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 2.4 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 0.7 million).

Consolidated Cash Flow Statement for the period from January 1 to December 31, 2018

The following Cash Flow Statement shows the development of liquidity in the corporate group, including the reconciliation for the cash flow indicator 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.

	2018 **EUR' 000**	**2017** **EUR' 000**	**Change** **EUR' 000**
Operating cash flow	14,164	10,224	+ 3,940
Cash flow from operating activities	5,592	4,119	+ 1,473
Cash flow from investing activities	- 6,500	- 7,767	+ 1,267
Cash flow from financing activities	- 2,067	- 45,002	+ 42,935
Change in cash and cash equivalents	**- 2,975**	**- 48,650**	**+ 45,676**
Cash and cash equivalents at the end of the period	**15,459**	**18,434**	**- 2,975**

Operating cash flow and cash flow from operating activities

Operating cash flow growth in the 2018 financial year was chiefly attributable to the EUR 2.6 million rise in consolidated profit to EUR 14.2 million (EUR 10.2 million).

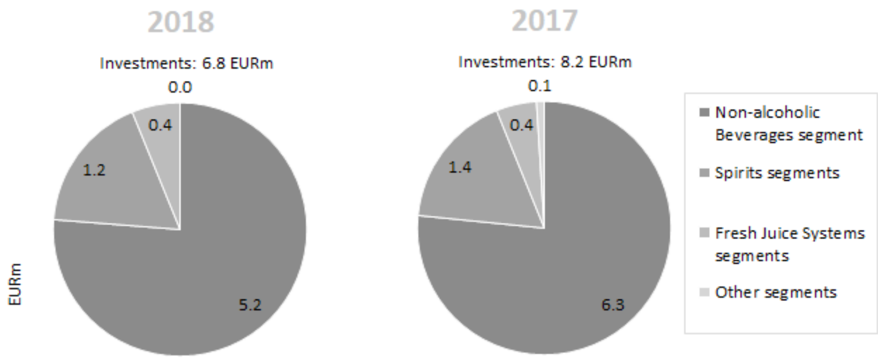
While depreciation, amortisation and impairments totalling EUR 7.5 million (EUR 7.6 million) remained more or less at the previous-year level, a better payment balance in connection with taxes on income of EUR 1.0 million (EUR 0.8 million) as well as other non-cash effects that were EUR 0.4 million lower than in the previous year had a positive effect on operating cash flow.

The cash flow from operating activities of EUR 5.6 million (EUR 4.1 million) also encompasses changes in working capital; there was a net cash outflow of EUR 8.6 million in the 2018 financial year (EUR 6.1 million). The following matters were the main contributory factors in this respect:

The change in trade working capital – i.e. the part of working capital that comprises solely the cash movements in inventories, receivables including factoring, liabilities from alcohol tax as well as trade payables – resulted in a net cash outflow of EUR 7.1 million (EUR 2.4 million). In addition, a cash outflow stemmed from the increase in other assets of EUR 0.9 million (EUR 1.8 million). Debt financing from provisions dropped by EUR 0.4 million (EUR 0.7 million), whereas the change in other liabilities resulted in a cash inflow of EUR 0.5 million, after a cash outflow of EUR 1.2 million in the previous year.

Cash flow from investing activities

The investing activities of the corporate group led to a net cash outflow of EUR 6.5 million (EUR 7.8 million). The investments in property, plant and equipment and intangible assets fell to EUR 6.8 million in total (EUR 8.2 million).



The lower cash outflow from investments in property, plant and equipment and intangible assets year on year was caused mainly by developments in the *Non-alcoholic Beverages* segment. The primary development in this respect related to the building of a new warehouse at the Haselünne location. Investments of EUR 1.3 million were made for this project in the 2017 financial year, and there were no comparable construction-related investments in terms of scale or amount in the 2018 financial year. The present and future sales success of products bottled and delivered in reusable containers – in particular from the *Mio Mio* brand – necessitated extensive investments in empty bottle containers and crates amounting to EUR 2.6 million (EUR 2.8 million). For the same reason, a glass recycling facility was commissioned in March 2018 for which investments of EUR 0.9 million were made in the 2018 financial year (EUR 1.0 million). In the *Spirits* segment, the largest investment in the 2018 financial year involved the replacement of a pallet conveyor at the Minden production location with an acquisition cost of EUR 0.4 million.

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 2.1 million (EUR 45.0 million), stemming completely from the dividend payment of EUR 2.1 million (EUR 2.3 million). In the prior year, the repayment of the Berentzen bond 2012/2017 of EUR 50.0 million accounted for most of the increase in cash outflows. The first-time utilisation of the syndicated loan agreement also 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.

Cash and cash equivalents

All in all, cash and cash equivalents totalled EUR 15.5 million (EUR 18.4 million) as of the end of the financial year, of which EUR 13.4 million (EUR 15.5 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 2018 reporting period, drawdowns of short-term credit lines and financing instruments classed as such amounted to EUR 0.3 million (EUR 1.0 million).

Cash flow indicators (reconciliation)

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

	2018 EUR' 000	2017 EUR' 000	Change EUR' 000
Consolidated profit	5,165	2,562	+ 2,603
Income taxes	1,040	767	+ 273
Balance of net interest income/expenses and interest payments/ receipts	259	142	+ 117
Depreciation and amortisation of assets	7,526	7,187	+ 339
Impairments/ write-ups	0	427	- 427
Other non-cash effects	- 476	- 861	+ 385
Other non-cash components of the exceptional effects	650	0	+ 650
Operating cash flow	**14,164**	**10,224**	**+ 3,940**

(2.2.6) Financial position

	12/31/2018		12/31/2017		Change
	EUR' 000	%	EUR' 000	%	EUR' 000
Assets					
Non-current assets	59,442	41.0	60,325	42.1	- 883
Current assets	85,537	59.0	83,120	57.9	+ 2,417
	144,979	**100.0**	**143,445**	**100.0**	**+ 1,534**
Shareholders' equity and liabilities					
Shareholders' equity	47,409	32.7	44,589	31.1	+ 2,820
Non-current liabilities	19,047	13.1	19,984	13.9	- 937
Current liabilities	78,523	54.2	78,872	55.0	- 349
	144,979	**100.0**	**143,445**	**100.0**	**+ 1,534**

Assets

Compared with December 31, 2017, total assets edged up from EUR 143.4 million to EUR 145.0 million.

Non-current assets

EUR 59.4 million (EUR 60.3 million) of the assets of the corporate group are non-current assets. This corresponds to 41.0% of total assets (42.1%). The book values of the property, plant and equipment included in this figure decreased by EUR 0.4 million overall (prior year: increase of EUR 0.9 million), with investment volume down EUR 1.6 million year on year to EUR 6.0 million (EUR 7.6 million). Intangible assets fell by EUR 0.6 million (EUR 0.7 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.

The coverage of non-current assets by shareholders' equity and non-current debt capital rose to 111.8% (107.0%), due in the main to the EUR 2.8 million increase in equity.

Current assets

Current assets increased marginally to EUR 85.5 million (year: EUR 83.1 million). This development stemmed chiefly from the EUR 2.7 million rise in current trade receivables and the EUR 2.9 million increase in inventories, while cash and cash equivalents were down EUR 3.6 million.

The aforementioned increase in inventories to EUR 39.9 million (EUR 37.0 million) includes increased stocks of unprocessed whiskey and tequila. There continued to be strong demand for both product categories on the respective sales markets.

Gross receivables of roughly EUR 55.7 million had been sold within the scope of factoring agreements by December 31, 2018 (EUR 56.0 million). The amount of receivables still recognised rose by EUR 2.7 million as of December 31, 2017, with the security retainers from factoring transactions included in other current assets climbing to EUR 10.4 million (EUR 9.6 million).

Shareholders' equity and liabilities

Shareholders' equity

Shareholders' equity rose by EUR 2.8 million to EUR 47.4 million (EUR 44.6 million) as a result of the consolidated comprehensive income of EUR 4.9 million (EUR 1.7 million) on the one hand and the dividend payment of EUR 2.1 million (EUR 2.3 million) passed by resolution of the annual general meeting in May 2018 on the other. The equity ratio increased to 32.7% as of December 31, 2018 (31.1%).

Non-current liabilities

The corporate group has non-current debt capital totalling EUR 19.0 million at the end of the financial year (EUR 20.0 million). The decline of EUR 1.0 million can be attributed to the fall in provisions for pension obligations to EUR 9.5 million (EUR 10.5 million). By contrast, non-current financial liabilities remained constant at EUR 7.1 million (EUR 7.1 million).

Current liabilities

Current debt capital decreased marginally to EUR 78.5 million (EUR 78.9 million). There was a slight year-on-year decline in current financial liabilities totalling EUR 1.1 million (EUR 1.7 million), liabilities from alcohol tax amounting to EUR 42.3 million (EUR 43.3 million) as well as trade payables of EUR 9.4 million (EUR 9.8 million). By contrast, other current liabilities including current provisions increased to EUR 25.8 million (EUR 24.1 million).

The appropriate use of funding linked to interest rates in relation to internal financing strength for operations is reflected in the stability of the dynamic gearing ratio with a value of-0.44 (-0.65) (see the calculation in the following table).

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).

		12/31/2018	12/31/2017
Equity ratio			
Consolidated shareholders' equity	EUR' 000	47,409	44,589
Adjusted shareholders' equity	**EUR' 000**	**47,409**	**44,589**
Total capital	EUR' 000	144,979	143,445
Adjusted total capital	**EUR' 000**	**144,979**	**143,445**
Equity ratio		**32.7%**	**31.1%**
Dynamic gearing ratio			
Non-current financial liabilities	EUR' 000	7,134	7,068
Current financial liabilities	EUR' 000	1,086	1,669
Cash and cash equivalents	EUR' 000	15,793	19,397
Total Net Debt	**EUR' 000**	**-7,573**	**-10,660**
EBITDA	**EUR' 000**	**17,328**	**16,408**
Dynamic gearing ratio	**ratio**	**-0.44**	**-0.65**

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

The Berentzen Group can look back at a 2018 financial year characterised by a large number of structural and 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 1.1% to EUR 162.2 million (EUR 160.4 million), thus falling slightly short of the forecast adjusted in the second quarter of 2018. The Berentzen Group closed the 2018 financial year with an adjusted consolidated operating result (consolidated EBIT) of EUR 9.8 million (EUR 9.2 million) and an adjusted consolidated operating profit before depreciation and amortisation (consolidated EBITDA) of EUR 17.3 million (EUR 16.4 million). This positive development matched the expectations for the 2018 financial year outlined in the 2017 Management Report. While increased expenses from an exceptional effect had a negative impact, in particular the sharp decline in expenses from the financial result and result from participating interests had a positive effect on the development of consolidated profit. With consolidated profit of EUR 5.2 million (EUR 2.6 million), the previous-year figure was exceeded by EUR 2.6 million.

This business performance was once again characterised by the uneven development of the individual segments. While the *Spirits* segment developed very consistently in terms of year-on-year segment earnings and segment earnings compared to forecast, thanks in particular to a positive development of contribution margins in the business with branded dealer and private-label products, this was not true for the *Fresh Juice Systems* segment. The segment earnings of the latter did not meet the expectations adjusted in the second quarter of 2018 and there was also a year-on-year decrease. The key factors causing the difficult business performance in the past financial year included the negative sales performance for the system component fruit juicers, with this development arising chiefly from the drop in sales on the important French market. The *Non-alcoholic Beverages* segment noted an improvement in year-on-year segment earnings on the back of dramatic revenue growth in the business with mineral waters and with products traded under the proprietary *Mio Mio* brand. It was nevertheless not possible to quite meet the original expectations for this figure. Segment earnings in the *Other segments* were on a par with the previous year. While the business with branded spirits in the Benelux countries, in Turkey and through the duty-free distribution channel developed satisfactorily, segment earnings were burdened by the disadvantageous development on the Eastern European markets and in the USA as well as by the tourism and event-related activities of the Berentzen Group.

The cash flows and financial position of the Berentzen Group remained sturdy, as the financing structure did not change materially compared with the end of the 2017 financial year. Accordingly, the funds available under a syndicated loan agreement as well as various factoring agreements continue to form the backbone of the external financing for the Berentzen Group. The internal financing strength of the Berentzen Group, which is shown as operating cash flow, amounted to roughly EUR 14.2 million in the 2018 financial year (EUR 10.2 million) and was therefore sufficient to cover the payments in connection with the investing activities of EUR 6.5 million (EUR 7.8 million). The corporate group thus continues to operate on a basis of good and balanced liquidity, equity and external financing. Taking into account a slight increase of EUR 1.5 million in consolidated total assets to EUR 145.0 million, the equity ratio of the Berentzen Group improved to 32.7% as of the end of the 2018 financial year (31.1%). The dynamic gearing ratio of-0.44 as of December 31, 2018 (-0.65) reflects the appropriate use of funding linked to interest rates in relation to internal financing strength for operations.

(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 2018 financial year and also presents the structure and aggregate amounts granted to the members of the Executive Board for the 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 2018 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.

The Executive Board of Berentzen-Gruppe Aktiengesellschaft had two members in the period from January 1, 2018 to December 31, 2018, Mr Ralf Brühöfner and Mr Oliver Schwegmann. The Supervisory Board has concluded employment contracts containing individual agreements on the respective compensation with both 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 per cent of the loss or 1½ times the fixed annual compensation has been agreed.

The performance-based portion of the Executive Board compensation comprises variable compensation that is linked above all to the specific profitability of the Company.

The amount of the variable compensation is governed primarily by a specified percentage of the consolidated EBIT stated in the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, although a limit has been set on the consolidated EBIT to be considered. The applicable percentage of consolidated EBIT as well as the limit are agreed upon separately with each individual member of the Executive Board.

In order to ensure that the Executive Board compensation is oriented towards sustainable company development, furthermore, more than half of the amount of the individual 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 earned in the two subsequent financial years.

The Executive Board employment contracts each also allow the Supervisory Board to additionally approve payment of an appropriate bonus (special bonus) to a member of the Executive Board in case 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. 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 in each case. 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 2018 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	2018 EUR '000	2017 EUR '000
Non-performance-based components	719	705
Performance-based components	218	462
Total compensation	**937**	**1,167**
Committed performance-based components with a long-term incentive effect	**129**	**107**

Total compensation of EUR 0.9 million (EUR 1.2 million) was granted to the members of the Executive Board in the 2018 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 0.2 million (EUR 0.5 million) of the total. The total amount of the commitments made additionally to the members of the Executive Board for the variable compensation components with a multi-year assessment base as described above amounts to EUR 0.1 million (EUR 0.1 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 2018 financial year, nor do they hold any such compensation instruments. Furthermore, the members of the Executive Board were not granted any compensation in the 2018 financial year for positions held with subsidiaries. Furthermore, the total compensation of the Executive Board in financial year 2018 contained no benefits to former members of the Executive Board in connection with the cessation of their activity.

Other disclosures

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Executive Board any loans or advances during the 2018 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 2018 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, 2018 amounts to EUR 0.8 million (EUR 0.9 million) when determined in accordance with IAS 19 or EUR 0.7 million (EUR 0.7 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. 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 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 2018

The total compensation of the members of the Supervisory Board for the 2018 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 0.2 million); their expenses were reimbursed in a total amount of EUR 9 thousand (EUR 6 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 2018 financial year, neither do they hold any such compensation instruments. Furthermore, the members of the Supervisory Board were not granted any compensation in the 2018 financial year for positions held with subsidiaries. Finally, the total compensation of the Supervisory Board in the 2018 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.

Other disclosures

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Supervisory Board any loans or advances during the 2018 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 2018 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

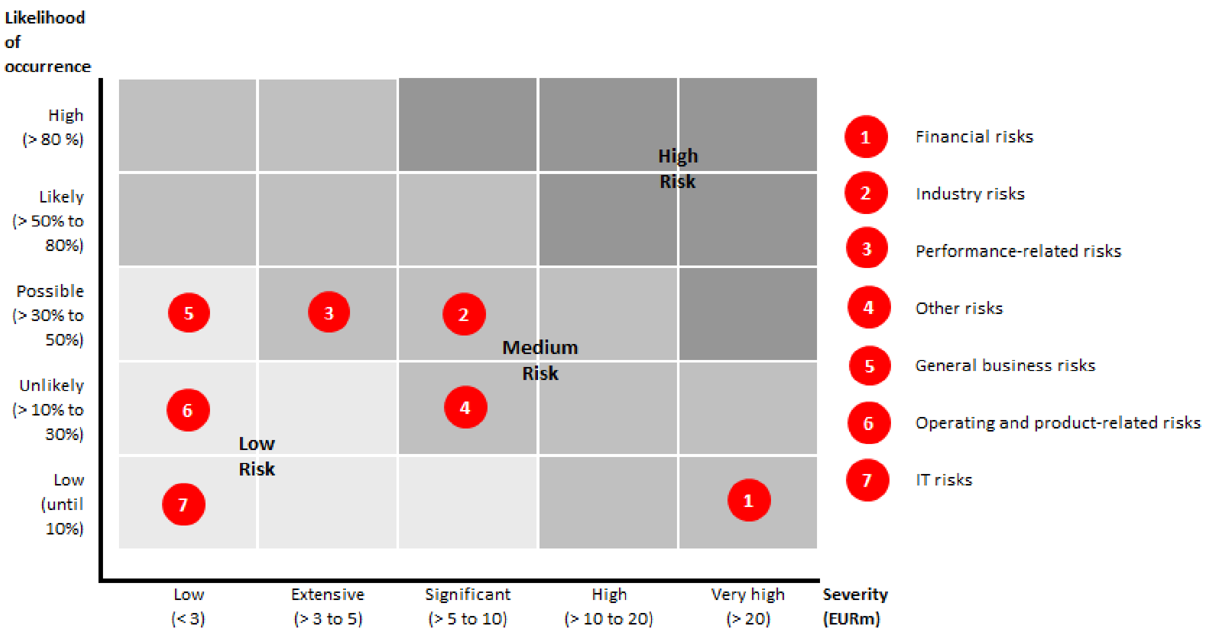
The Berentzen Group's risk management is geared towards promptly identifying risks, assessing them and countering them by means of appropriate security measures. The possible scope of risk is identified, probabilities of occurrence are determined and measures are planned and implemented in order to ensure 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 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.

Furthermore – although characterised by a relative minor risk level – the financing contracts granted to two foreign subsidiaries of Berentzen-Gruppe Aktiengesellschaft 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% (76%) of consolidated revenues are realised via 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 are largely settled in euros and US dollars. No significant 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 as of December 31, 2018 to approximately EUR 0.7 million (EUR 2.3 million) and EUR 2.5 million (EUR 3.0 million) respectively. 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. There were no forward exchange deals as of December 31, 2018 (December 31, 2017: no forward exchange deals) to hedge foreign currency risk arising from future purchases of merchandise. Given the prerequisite of an unchanged scope of consolidation, currency risk is to be regarded insofar as relatively low or 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 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. Nevertheless, in the event of the deconsolidation of foreign subsidiaries, currency risk from consolidation differences due to currency translation previously recognised directly in equity can be recognised in profit or loss. No foreign subsidiaries were deconsolidated in the 2018 financial year, so 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 2.8 million as of December 31, 2018 (EUR 2.4 million).

The actual average credit period across the entire corporate group is currently around 35 (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 prices exist for glass bottles. Fixed-quantity contracts covering the period from harvest to harvest (September/October) are generally agreed for wheat distillate as well as grain alcohols and sugar. Neutral alcohol prices are generally fixed every quarter or every six months depending on the market situation. Commodity price indices (ICIS, LME, EUWID) are applied as a reference as for the fixing of the prices of equipment such as 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 the financial risks as a whole, the estimate with respect to the likelihood of occurrence decreased compared to the previous year, but the assessment of the severity of the risk remained the same. On the whole, these risks remained in the “medium risk” category, as was the case in the risk reporting for the 2017 financial year.

Industry risk

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 48% (46%) of its consolidated revenues in the 2018 financial year with its four 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.

Based on the estimate carried out in the risk management system, the industry risks observed within this context increased from “extensive” to “significant”, while the likelihood of occurrence continued to be “possible”. Overall, the classification remained in the “medium risk” category.

Performance-related risk 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 some medium and some short contractual periods. Furthermore, the individual agreements 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 some 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. In the past financial years, ad hoc impairment testing was performed on the Non-alcoholic Beverages cash-generating unit among others. Recording impairment losses generally reduces the risk of further impairment. Despite the impairment losses recorded in the past financial 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. Overall, the risks remained in the “medium risk” category as was the case in the risk reporting for the 2017 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-Gruppe Aktiengesellschaft 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, any legal disputes and proceedings could have a negative impact on the financial performance, cash flows and financial position of the Group or of a company included in the consolidated financial statements, 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. More details on specific legal disputes in existence up to the date of approval for publication of the consolidated financial statements and the annual financial statements of Berentzen-Gruppe Aktiengesellschaft as well as for the combined management report for the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft can be found in the notes to the consolidated financial statements in 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 as well as performance-related 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 risk

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. 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. The minimisation of risk serves in particular the timely and continuous identification of key positions as well as anticipatory succession planning and consistent rules on representation.

Risk assessment

Based on the estimate carried out in the risk management system, the other risks observed within this context increased from “low” to “significant”, while the likelihood of occurrence continued to be “unlikely”. Overall, the classification thus increased to the “medium risk” category.

General business risks

As an organisation with a global gearing and global operations, 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 insufficiently differentiated legal and administrative systems, restrictions on the movement of goods and capital, regulatory changes or limitations, encroachments on or the loss of property, volatility in the financial markets and changes with respect to exchange rates 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.

Developments that merit special mention in this context firstly include the political crises and conflicts in the Middle East and North Africa in particular and the associated refugee movements, as well as the ongoing tense domestic political situation in Turkey despite the end of the state of emergency announced on July 19, 2018. Secondly, existing and threatened international trade conflicts and the resulting increases in tariffs, e.g. the tariff on bourbon in place since the end of June 2018, as well as other non-tariff restrictions on trade flows should be mentioned. There continues to be uncertainty surrounding the macroeconomic consequences of “Brexit”, i.e. the UK’s exit from the European Union. The direct risk to the Berentzen Group’s revenues is very low, however. Less than 1% of the Group’s revenues were generated in the UK in the 2018 financial year. The risk is also immaterial from a procurement perspective. The exit process is being monitored continuously nevertheless, and potential measures relating to the movement of goods with the UK are being examined in order to be in a position to respond in a timely and appropriate way. Also, in light of the aforementioned situation in Turkey, this market – which is served by a local group company – is subject to continued more intense monitoring within the Berentzen Group’s risk management system.

General business risks 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 2018 that have also been announced for the following years.

Based on the estimate carried out in the risk management system, the general business risks observed within this context decreased from “extensive” to “low”, while the likelihood of occurrence remained as “possible”. Overall, the classification of the risk category thus changed from “medium risk” to “low risk”.

Operating and product-related risk

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. In the *Fresh Juice Systems* segment there is a concentration on one machine supplier and thus risks relating to production disruptions, capacity bottlenecks and situations in which the supplier justifiably or unjustifiably unilaterally terminates the supplier relationship 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 6.1 (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, and are brought to market without any post-harvest treatment. Insofar, there are risks with respect to the availability and quality of the oranges for a wide range of reasons. These include, among other things, a general market shortage, poor harvests, bad weather, interruptions or delays – considering the easy perishability – in the particularly important logistics processes or also a deterioration in the relationship with suppliers or producers. Furthermore, quality defects can lead to grave reputational damage. 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 quality of the procurement process for oranges is confirmed externally via an IFS Broker certificate. Internal quality analyses and sensory assessments are also carried out. Additionally, analyses for pesticides are performed in cooperation with laboratories.

Risk assessment

Based on the estimate carried out in the risk management system, the operating and product-related risks observed within this context were reduced from “extensive” to “low”, while the likelihood of occurrence increased from “very unlikely” to “unlikely”. Overall, the classification thus remains in the “low risk” category.

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.

The IT risks observed within the context of the risk management system remained overall in the “low risk” category, as was the case in the risk reporting for the 2017 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 2018. 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 2018 as well as the possible expansion of restrictions on global trade.

The money market policy trends occurring in the 2018 financial year involved the weakening of the euro against the US dollar, while the forecast expected development for the 2019 financial year is predominantly for the euro to recover. A potential strengthening could on the one hand offer opportunities with regard to procurement, here primarily in the *Spirits* and *Fresh Juice Systems* segments, and on the other hand influence sales, in particular in the *Fresh Juice Systems* and *Other segments*.

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 from free trade agreements between the European Union and other countries. While negotiations concerning the controversial free trade agreement between the USA, Canada and the European Union (TTIP – Transatlantic Trade and Investment Partnership) have ground to a halt since January 2017 due to political developments in the USA, the European Union has been negotiating with several countries and groups of countries around the globe in respect of other bilateral free trade agreements (e.g. with the ASEAN (Association of Southeast Asian Nations) countries).

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.

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.

The Berentzen Group's spirits umbrella brands *Berentzen* and *Puschkin* are widely recognised on the German market. Particularly in the past three financial years, it was possible to increase market share in the significant category of “spirits with added ingredients”. With a market share of just under 20% in “Fruity Spirits”, the Berentzen brand remains the clear market leader by a wide margin. One material success factor is the constant marketing and sales support especially through continuing and establishing the Berentzen campaign “Freude bekennen” (“Admit to Happiness”). In this respect, the focus is on the digital media relevant to the target group and visual “out-of-home” media in order to significantly increase brand awareness and the effectiveness of communication. With a view to better exploiting the existing market potential, an extensive, integrated innovation process was implemented in addition. The first results will be presented to consumers in April 2019 and will take the form of the new *Berentzen* SIGNATURE product line. This range of products is intended to reach a significantly broader consumer base. Further product concepts and extensions to product lines under the core *Berentzen* and *Puschkin* brands will be followed by concepts for the rapidly expanding premium spirits segment. While the booming gin segment is served by *Norden Dry Gin*, the market launch of the *Tres Países* premium rum took place in February 2019 in order to generate further growth opportunities. In addition, optimised sales structures in Germany as well as possible retreats by competitors may result in additional opportunities.

The trend towards promotional and premium products has continued 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. 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. Two new varieties in the *Mio Mio* product line – *Lapacho Lemongrass* and *Guarana Pomegranate* – as well as the introduction of another, new brand are creating corresponding opportunities in the area of trend lemonades in this regard. Furthermore, brand support that is tailored to the target groups and a modified logistics strategy in the south of Germany should help to tap additional sales potential in the 2019 financial year. The franchise business with *Sinalco* offers potential for expansion of business volume, particularly by stepping up efforts to win new customers and intensifying collaboration with the associations that represent specialist drinks wholesalers. 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. In view of the latter, developments are focusing on a higher level of automation, better machine handling and simplified care. 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

As an efficient spirits manufacturer the Berentzen Group 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. In the *Fresh Juice Systems* segment, the demanding logistics for fruit continue to represent a major challenge with 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. However, risks predominate overall in the outlook for 2019 and beyond, as topics such as a lack of specialist staff and energy price rises gain in significance alongside the increasing volatility of commodity prices, potentially leading to increasing procurement prices going forward.

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 risk categories assessed as “high” risk. Performance-related risk, financial risk and industry risk continue to be assessed as “medium” risks. While other risks are currently also classified as “medium” risks, general business risks are now “low” risks. With respect to the remaining risks presented, the assessments remained at the “low risk” level in each case.

In particular supported by the good financial position, 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. 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 implemented in the 2018 financial year in particular as well as the introduction and establishment on the market of innovative new products should show a positive effect in the coming years.

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-Gruppe Aktiengesellschaft 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-Gruppe Aktiengesellschaft.

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-Gruppe Aktiengesellschaft 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-Gruppe Aktiengesellschaft as well as the combined management report for the Berentzen Group (Group) and Berentzen-Gruppe Aktiengesellschaft, 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-Gruppe Aktiengesellschaft'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-Gruppe Aktiengesellschaft 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-Gruppe Aktiengesellschaft, 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 2019 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 the present Forecast Report, this is stated accordingly.

(5.1) General economic and industry-specific framework conditions

General economic conditions

In its World Economic Outlook Update dated January 2019, the International Monetary Fund (IMF) predicted that the global economy would expand by 3.5% in 2019, while the German Institute for Economic Research (DIW Berlin) expresses its view in its DIW Wochenbericht weekly report dated December 2018 that real gross domestic product will rise by 3.9% worldwide. The IMF forecasts growth of 2.0% for the economies of the industrialised nations. Growth in the USA is expected to outpace this figure, with the IMF forecasting 2.5% growth there and the DIW predicting growth of 2.4%. The IMF expects economic growth of 1.6% for the eurozone, with the DIW forecasting 1.7% for the region. The IMF anticipates growth of 4.5% for the emerging markets.

The IMF sees risks for the global economy, and hence also for the European economy, predominantly in a deterioration of the mood on the financial market and increasing trade tensions. It lists a no-deal Brexit as a potential trigger for a worsening of the mood on the financial market, which could result in increased risk aversion. The IMF believes that the standstill agreement reached between the USA and China will alleviate trade tensions. The DIW likewise refers to the political difficulties in Europe and believes that a potential no-deal Brexit would create significant risks for private investing activities and consumer trust. Furthermore, the DIW also refers to the trade tensions and emphasises that the standstill agreement between the USA and China is merely postponing rather than eliminating the risk.

With regard to German economic output, the IMF is optimistic, reckoning with a growth rate of 1.3% for 2019. DIW is predicting GDP growth of 1.6% in real terms in 2019. It sees the main growth drivers as being catch-up effects in the automotive industry and a rise in income based on the finance policy decision to reduce social insurance contributions, which are leading to increased consumption. According to the DIW, growth in the German economy is returning to a normal level after years of prosperity.

Developments on the drinks market

In light of the rather modest prospects for the domestic economy, the Berentzen Group believes that the “food, beverages and tobacco” category determined by the Federal Statistical Office will experience a stable development at best. Total sales of spirits in the German retail trade are expected only to remain stable or to experience a marginal decline. 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 as well as backward integration measures and collaborations may play a significant role for the domestic spirits business. 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.

Although the forecasts for global economic growth presented above are positive, these predictions are linked to significant risks. Especially in view of the trade tensions and the uncertainty surrounding the macroeconomic consequences of Brexit, the Berentzen Group does not expect global economic performance to provide any major stimulus for the development of the international spirits business. Additionally, a large number of the international markets will not be providing any impetus for growth, and competition with international drinks corporations goes hand in hand with high advertising and price pressure.

In light of the trends in favour of a healthy diet, sustainability and regional sourcing, but also fresh and premium products, the Berentzen Group expects the overall market for non-alcoholic beverages to grow marginally. Based on observations of general market trends, the individual product segments are likely to develop differently, however, also as this summer is not expected to be as hot as last summer in Germany. While substantial growth is possible for sweetened beverages for example, and premium lemonades in particular, the business with mineral waters is expected to either move sideways or decline slightly after the excellent year in 2018.

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 there are for all intents and purposes 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 2018 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

	2018 EURm	Forecast for the 2019 financial year EURm
Contribution margin after marketing budgets		
Segment		
Spirits	27.5	27.4 to 30.3
Non-alcoholic Beverages	21.4	21.4 to 23.6
Fresh Juice Systems	6.1	7.1 to 7.9
Other Segments	5.0	5.3 to 5.8

Spirits segment
The objective for the *Spirits* segment for the coming financial year is to achieve segment earnings in a range between EUR 27.4 million and EUR 30.3 million, after a figure of EUR 27.5 million in the 2018 financial year. The authoritative factor for the planned performance is to raise the contribution margin volume, although this is expected to be partially cancelled out by the slightly increased use of funds for marketing and trade advertising.

In the domestic business with branded spirits, which is characterised by a highly competitive and dynamic market environment, the market position of the umbrella brands *Berentzen* and *Puschkin* is to be expanded further in 2019. Within the framework of an increased marketing budget, additional support will stem from measures such as the campaign “Freude bekennen”, targeted point of sale promotions as well as maximum exploitation of seasonal peaks. In addition, the new product concepts resulting from the integrated innovation process implemented in 2018 are to be established on the market. These include first and foremost the new product line *Berentzen SIGNATURE,* which is intended to appeal to a considerably broader consumer base. The enhanced focus on the fast-growing premium spirits segment will also play a significant role.

The forecast for the market for branded dealer and private-label products assumes a slight increase in the total contribution margin at the already high level of the previous year. Because increasing packaging and raw materials costs on the procurement markets are putting pressure on product earnings, a strong purchasing policy will continue to be key to earnings power. The sales function will focus on stepping up existing and establishing new strategic partnerships with trade. Driven by the international trend in favour of premium dealer brands, innovations in this product segment are to be marketed proactively at a national and international level. Despite the fact that sales performance is expected to decline, it is assumed that the increased share of premium product concepts will lead to a positive contribution margin development nonetheless.

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 – which is a decisive factor for earnings performance – 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 5.8 million. This is based on the assumption of contribution margin growth with a simultaneous stable development in marketing expenses.

Framework conditions in the international business with branded spirits continue to be challenging, with a large number of markets lacking any impetus for growth and the competitive situation resulting in increased price pressure. The Berentzen Group continues to counter this situation through the efficient working of the international markets via local distributors. There is a focus on stepping up collaborations and on close commercial leadership of the distributors and thus more rigorous controlling of sales and marketing activities. Accordingly, the aim is to follow on from the successful development in the Benelux countries and on the Turkish market, which is taken care of by a local group company. Because the sales markets in the Czech Republic and Slovakia initially performed very negatively in the first half of 2018, work was carried out together with the local distributor on a sales and brand-strategic adjustment for these markets. As the measures implemented already bore fruit in the second half of the 2018 financial year, these markets are also expected to develop positively in the 2019 financial year.

Non-alcoholic Beverages segment
The corporate group has planned a positive development in segment earnings to a range of between EUR 21.4 million and EUR 23.6 million for the *Non-alcoholic Beverages* segment. This is based on the assumption of contribution margin growth, while the use of funds for marketing and trade advertising is expected to remain at a level unchanged from the 2018 financial year.

The key positive drivers on the markets for non-alcoholic beverages are current trends such as sustainability, regional sourcing and increased dietary awareness. While this consumer environment is attractive in principle, a large number of established as well as new market participants are nevertheless creating a challenging competitive situation. Against this backdrop, the further optimisation of the product and customer mix is a vital component for the planned positive development of the contribution margin after marketing budgets in this business segment. The central measures and prerequisites for this in the 2019 financial year include the successful launch (a) of two new product platforms under the *Mio Mio* brand and (b) of further product and brand innovations, above all else of the new proprietary brand *Kräuterbraut.* Further expansion of the national and international distribution of the *Mio Mio* brand family will also be of core importance for the success of the segment.

These planned market activities and sales successes are to be supported by continued optimisation of the overheads structure and efficiency in all areas of the business segment’s value added chain. Last but not least, it is important to note that the development of the product and customer mix in general depends heavily on external factors like the development of consumption patterns and the weather in the summer months.

Fresh Juice Systems segment

In relation to the *Fresh Juice Systems* segment, the Berentzen Group expects segment earnings to climb sharply to between EUR 7.1 million and EUR 7.9 million in the 2019 financial year. It is assumed that the contribution margin will experience strong growth and will more than compensate for the earnings effect from the simultaneous rise in marketing budgets.

The business with fresh juice systems is characterised by a competitive situation that is becoming more and more intense, particularly in the core markets of the GSA region and France. To restore the growth dynamic, efforts are to continue to leverage the competitive advantage of the *Citrocasa* brand arising from the positioning as a premium system vendor. Close collaboration with and commercial leadership of the distributors is expected to yield significant sales growth in the business with the system component fruit presses. The largest volume increases are set to be recorded in Asia, Germany and the UK. Marginal growth is also forecast on the important French market. Work has also been carried out on professionalising the quality and production processes on the one hand and progressing with the development of new and innovative appliances and additional features on the other hand.

In the business with fruit (oranges), contribution margins are to rise considerably based on a slightly higher sales volume thanks to lower costs for ensuring supply and assuring quality and lower purchasing prices. The sales volume for the system component bottling systems is likely to fall slightly compared to the high level of the past financial year, whereas a slight positive development is forecast for the contribution margins.

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

	2018 EURm	Forecast for the 2019 financial year EURm
Consolidated revenues	162.2	164.7 to 173.4
Consolidated operating profit (consolidated EBIT)	9.8	9.0 to 10.0
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	17.3	17.0 to 18.8

Against the backdrop of the expected positive development of the individual segments described above, the Berentzen Group expects that consolidated revenues in the 2019 financial year will lie within a range of EUR 164.7 million to EUR 173.4 million, with the *Spirits* and *Fresh Juice Systems* segments expected to be the main growth drivers.

In relation to the consolidated operating result (consolidated EBIT), the Berentzen Group expects a figure of between EUR 9.0 million and EUR 10.0 million. Gross profit is forecast to be significantly improved, but this improvement will be countered by higher operating expenses – especially for personnel and marketing. Because the share of investment in assets with comparatively short useful lives – especially containers and crates for empties in the *Non-alcoholic Beverages* segment – has risen markedly in recent years and extensive investments are also expected in the 2019 financial year in this regard, the Berentzen Group expects higher depreciation and amortisation and consequently assumes that consolidated operating profit before depreciation and amortisation (consolidated EBITDA) will move in a range between EUR 17.0 million and EUR 18.8 million. Furthermore, first-time application of the financial reporting standard IFRS 16 is resulting in a shift between expense types – from pure lease expenses to amortisation and an interest expense – and thus having a positive effect on the development of this figure.

(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 cash flows and financial position of the corporate group will remain stable in the 2019 financial year.

Anticipated development of cash flows

	2018 EURm	Forecast for the 2019 financial year EURm
Operating cash flow	14.2	14.1 to 16.4

Compared with the 2018 financial year, the corporate group expects operating cash flow to experience a stable to positive development with clearly positive figures overall of between EUR 14.1 million and EUR 16.4 million. The forecast rise in consolidated operating profit before depreciation and amortisation (consolidated EBITDA) is an authoritative factor in this regard.

Anticipated development of financial position

	2018	Forecast for the 2019 financial year
Equity ratio	32.7%	34.2% to 39.2%
Dynamic gearing ratio	- 0.44	0.19 to 0.24

As a result of the positive profit it is forecasting and assuming an appropriate dividend policy, the Berentzen Group expects consolidated shareholders' equity to rise in absolute terms by the end of the 2019 financial year. Taking into account a marginal drop in total assets in the Group, the equity ratio is expected to improve to a figure of between 34.2% and 39.2%.

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 consolidated EBITDA – the dynamic gearing ratio is expected to range between 0.19 and 0.24 at the end of the 2019 financial year. The ability of the Berentzen Group to service its debts as reflected in this figure is therefore expected to remain strong going forward. The expected figure is now positive, meaning that non-current and current financial liabilities are expected to exceed cash and cash equivalents and there will be a low level of net formal overindebtedness as a result.

Based on the corporate plan for the 2019 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 well in the 2019 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 2019 financial year will once again bring a number of challenges:

From an organisational perspective, the Berentzen Group will invest in personnel and technology for sustainable profitable growth in all segments and will also refine the processes and structures in the Group and in the business segments. Activities in the *Non-alcoholic Beverages* segment will centre around optimising the overheads and improving efficiency along the entire value added chain. In the *Fresh Juice Systems* segment, the focus will be on further professionalisation of the quality and production processes and on securing international fruit logistics.

On the sales side, the new product concepts resulting from the integrated innovation process implemented in the past financial year will play a pivotal role. The new product line *Berentzen SIGNATURE* in the *Spirits* segment and the two new product platforms under the *Mio Mio* brand as well as the new proprietary brand *Kräuterbraut* in the *Non-alcoholic Beverages* segment are worthy of special mention here. Accordingly, product communication will revolve around extensive marketing activities for the umbrella brand *Berentzen* 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 the *Fresh Juice Systems* segment, work commenced at the beginning of 2019 on launching on the target markets a fruit press with reduced mechanical systems, designed primarily for the emerging markets. Additionally, a new and innovative component that will greatly facilitate cleaning of the existing product lines thanks to its simple operation is expected to record its first sales successes in the last quarter of 2019.

In addition, the four segments will face numerous other challenges, mainly of an operational nature.

The forecasts presented here are based on an unchanged corporate structure with company law entities compared with the 2018 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 in accordance with Section 315 a(1) and Section 289a (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 (2) 1 and Section 176 (1) 1 of the Stock Corporation 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 (2.11), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2018, 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, 2018.

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 N.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 pursuant to the German Securities Trading Act on the subject of participating interests of Berentzen-Gruppe Aktiengesellschaft 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, 2018, Note (4.3).

(6.4) Shares with special rights that confer control powers

There are no shares with special rights in accordance Section 315a (1) sentence 1 no. 4 HGB and Section 289a (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 (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

Authorized 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 necessary due to the composition of the 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.

In addition to euros, the bonds can also be issued in the legal currency of an OECD country, subject to limitation to the corresponding euro value. 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 pursuant to Section 160 para. 1 no. 2 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.11), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2018, Note (2.8).

(6.8) Significant agreements of the parent company or the Company 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.

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 alcohol 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.

Moreover, Berentzen-Gruppe Aktiengesellschaft is authorised to sell a foreign branded spirit in Germany based on a corresponding contractual agreement. This distribution agreement includes a clause based on a change in the ownership structure of the corporate assets of Berentzen-Gruppe Aktiengesellschaft that authorises both parties to the agreement to extraordinary termination if such a change occurs. According to this clause, any transfer or acquisition of more than 50% of the shares in Berentzen-Gruppe Aktiengesellschaft is also deemed to be such a change within the meaning of this distribution agreement.

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, or Berentzen-Gruppe Aktiengesellschaft could lose the authorisation to sell the foregoing foreign branded spirit. 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. For the current members of the Executive Board, moreover, the option of a special termination right for the employment relationship has also been granted 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 two services agreements 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 parent company or 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, to a significantly lesser extent, the subsidiary T M P Technic-Marketing-Products GMBH, Linz, Austria. 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, 2018, Berentzen-Gruppe Aktiengesellschaft employed 216 (214) people (including apprentices), at three facilities, including 104 (103) at the Haselünne facility, 107 (106) 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, 2018, there were 9,393,691 (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

	2018		2017		Change	
	EUR '000	%	EUR '000	%	EUR '000	%
Revenues	**101,659**	**98.6**	**101,686**	**98.1**	**- 27**	**- 0.0**
Change in inventories	1,476	1.4	2,021	1.9	- 545	- 27.0
Total operating performance	**103,135**	**100.0**	**103,707**	**100.0**	**- 572**	**- 0.6**
Purchased goods and services	55,455	53.8	55,172	53.2	+ 283	+ 0.5
Gross profit	**47,680**	**46.2**	**48,535**	**46.8**	**- 855**	**- 1.8**
Other operating income	1,404	1.4	3,924	3.8	- 2,520	- 64.2
Operating expenses	39,078	37.9	39,745	38.3	- 667	- 1.7
Operating profit (EBIT)	**10,006**	**9.7**	**12,714**	**12.3**	**- 2,708**	**- 21.3**
Other taxes	51	0.0	65	0.1	- 14	- 21.5
Financial result and result from participating interests	- 1,323	- 1.3	- 7,331	- 7.1	+ 6,008	- 82.0
Profit before income taxes	**8,632**	**8.4**	**5,318**	**5.1**	**+ 3,314**	**+ 62.3**
Income tax expenses	2,321	2.3	2,314	2.2	+ 7	+ 0.3
Net profit for the year	**6,311**	**6.1**	**3,004**	**2.9**	**+ 3,307**	**+ 110.1**

Revenues and total operating performance

The revenues of Berentzen-Gruppe Aktiengesellschaft without the alcohol tax totalled EUR 101.7 million (EUR 101.7 million) in the 2018 financial year; the revenues including the alcohol tax amounted to EUR 311.0 million (EUR 314.1 million). Including the change in inventories of EUR 1.5 million (EUR 2.0 million), the total operating performance came to EUR 103.1 million (EUR 103.7 million).

Purchased goods and services

The goods and services purchased by the Berentzen Group relate mainly to the material groups Alcohol (including grain and agricultural alcohol, whiskeys, and rum), flavourings (raw materials and aromas) and sugar as well as packaging (primarily glass and cardboard) and other materials for product features. Although the total operating performance fell slightly on the previous year, purchased goods and services increased to EUR 55.5 million (EUR 55.2 million) in absolute terms in the 2018 financial year and the ratio of purchased goods and services to total operating performance increased slightly to 53.8% (53.2%). Within this overall picture, the sourcing markets for the raw materials relevant to Berentzen-Gruppe Aktiengesellschaft developed unevenly again in the 2018 financial year, but remained largely stable.

Other operating income

At EUR 1.4 million (EUR 3.9 million), other operating income in the 2018 financial year was considerably lower than the previous-year figure and mainly consisted of income from the reversal of provisions in the amount of EUR 0.5 million (EUR 0.9 million). In the previous year, this item primarily included income from charged-off receivables from affiliated companies in the amount of EUR 2.3 million.

Operating expenses

The total operating expenses including depreciation, amortisation and impairments came to EUR 39.1 million (EUR 39.7 million) and were therefore 1.7% less than the previous-year figure.

Personnel expenses increased by EUR 0.4 million to EUR 12.1 million (EUR 11.7 million) and the personnel expenses ratio increased to 11.7% (11.3%), mainly due to compensation changes related to qualifications and performance as well as a larger number of full-time employees employed compared to the previous year as an annual average. As of December 31, 2018, Berentzen-Gruppe Aktiengesellschaft had 216 (214) employees, of whom 70 (72) worked in production activities and 132 (126) in commercial and administrative activities; 14 (16) apprentices were in vocational training. The Company had an average of 180 (174) full-time equivalents in the 2018 financial year.

Depreciation and amortisation amounted to EUR 1.9 million in the 2018 financial year (EUR 1.9 million); both depreciation of property, plant and equipment and amortisation of intangible assets were at the same level as the respective previous-year figures.

Other operating expenses decreased to EUR 25.1 million (EUR 26.1 million). The marketing and trade advertising expenses decreased to EUR 10.8 million (EUR 11.8 million), while the transport and selling expenses of EUR 8.9 million (EUR 8.9 million) remained largely unchanged. Specific other overhead costs exhibited a mixed development but the total amount likewise remained constant at EUR 5.4 million (EUR 5.4 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 1.3 million (EUR 7.3 million).

The result from participating interests and income under profit-and-loss transfer agreements with affiliated companies amounted to EUR 1.0 million (EUR 1.5 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 0.4 million (EUR 4.6 million) and consisted of impairments of the book value of an affiliated company in the 2018 financial year. In the previous year, more extensive impairments had to be applied to the book values of two affiliated companies—in connection with the liquidation of a Czech subsidiary as well as the performance of the Turkish subsidiary influenced notably by a deterioration of the market and currency environment. The expenses from losses assumed fell to EUR 0.8 million (EUR 0.9 million) and resulted from losses assumed from subsidiaries with which profit-and-loss transfer agreements are in place. Income from lending of noncurrent assets earned from affiliated companies likewise fell to EUR 0.1 million (EUR 0.2 million).

In the 2018 financial year, interest and similar expenses fell significantly on the previous year to EUR 1.3 million (EUR 3.6 million). In the past financial year, this figure includes interest expenses and fees of EUR 0.8 million (EUR 0.6 million) in connection with factoring as well as an interest expense of EUR 0.1 million (EUR 0 million) for a long-term loan. In addition, expenses in the amount of EUR 0.1 million (EUR 0.1 million) from compounding of pension provisions and other provisions are included. In the previous year, moreover, interest expenses of EUR 2.6 million were recognised for the corporate group bond from Berentzen-Gruppe Aktiengesellschaft that matured in 2017.

Income tax expenses

Current income tax expenses totalled EUR 2.2 million (EUR 2.1 million) in the 2018 financial year, notably on account of the profit recorded for the year. This essentially results from trade tax and corporate income tax for the 2018 financial year and tax refunds for previous years. 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 0.1 million (EUR 0.2 million).

Operating result and net profit for the year

At EUR 10.0 million, the operating result generated in the 2018 financial year was 21.3% lower than the previous-year figure. The main factors contributing to this result included the lower gross profit as well as the other operating income that was significant lower compared to the previous year. In contrast, operating expenses declined by 1.7%. After a continued negative financial result, which, however, was significantly improved compared to the previous year in the amount of EUR 1.3 million (EUR 7.3 million) and income taxes of EUR 2.3 million (EUR 2.3 million), Berentzen-Gruppe Aktiengesellschaft generated a significantly improved net profit for the year of EUR 6.3 million (EUR 3.0 million).

Executive Board’s proposal for the utilisation of profit

The distributable profit of Berentzen-Gruppe Aktiengesellschaft in the 2018 financial year amounts to EUR 10.4 million (EUR 6.2 million). This total includes the remaining profit carry-forward from the previous year in the amount of EUR 4.1 million (EUR 3.2 million).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft will propose to the annual general meeting that the distributable profit for the 2018 financial year of EUR 10.4 million be used to pay a dividend of EUR 0.28 per common share eligible for dividends for the 2018 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 2.6 million and an amount of EUR 7.8 million carried forward to new account. The payment of this dividend is dependent upon the approval of the annual general meeting on May 22, 2019. 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 0.28 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 2018 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, 2018

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.

	2018 **EUR '000**	**2017** **EUR '000**
Operating cash flow	8,604	9,513
Cash flow from operating activities	- 544	15,919
Cash flow from investing activities	- 1,790	- 3,555
Cash flow from financing activities	- 2,067	- 44,848
Change in cash and cash equivalents	**- 4,401**	**- 32,484**
Cash and cash equivalents at the end of the period	**4,577**	**8,978**

Operating cash flow and cash flow from operating activities

The operating cash flow remained positive at EUR 8.6 million (EUR 9.5 million) in the 2018 financial year, on the back of a profit for the year of EUR 6.3 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 outflow of EUR 0.5 million in the 2018 financial year, while in the previous year a net cash inflow of EUR 15.9 million was earned. Cash movements in current assets, some of which relate to the reporting date and revenues, as well as notably a cash- and scheduling-related increase in the amounts receivable from affiliated companies, led to a net cash outflow of EUR 9.5 million, whereas in the previous year, it was possible to generate a net cash inflow of 8.7 million. The alcohol tax liability declined by EUR 1.0 million (EUR 1.1 million) to EUR 42.3 million (EUR 43.3 million) compared to the reporting date of the previous year. All in all, the change in provisions and other liabilities gave rise on balance to a cash inflow of EUR 0.4 million, whereas an outflow of EUR 2.3 million was generated in the previous year.

Cash flow from investing activities

Investing activities led to a net cash outflow of EUR 1.8 million (EUR 3.6 million). The investments in property, plant and equipment totalled EUR 1.0 million (EUR 1.3 million), and were offset by proceeds from the disposal of items of property, plant and equipment of less than EUR 0.0 million (EUR 0.1 million). The investments in non-current financial assets amounted to EUR 0.6 million (EUR 2.3 million). In the 2018 financial year and in the previous year, these investments related primarily to the funding of an additional paid-in capital reserve for a domestic subsidiary.

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 2.1 million (EUR 44.8 million), which resulted entirely from the dividend payment of EUR 2.1 million (EUR 2.3 million). In the previous year, this item also included cash outflows related to the redemption of the Berentzen 12/17 bond in the amount of EUR 50.0 million as well as cash inflows from drawdowns under the syndicated loan agreement in the amount of EUR 7.5 million.

Cash and cash equivalents

Cash and cash equivalents totalled EUR 4.6 million (EUR 9.0 million), at year-end, of which EUR 3.3 million (EUR 6.5 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

	12/31/2018		12/31/2017		Change
	EUR '000	**%**	**EUR '000**	**%**	**EUR '000**
Assets					
Non-current assets	54,409	40.6	54,914	42.4	- 505
Current assets	79,566	59.3	74,481	57.5	+ 5,085
Other assets	153	0.1	126	0.1	+ 27
	134,128	**100.0**	**129,521**	**100.0**	**+ 4,607**
Shareholders‘ equity and liabilities					
Shareholders‘ equity	50,911	38.0	46,667	36.0	+ 4,244
Non-current liabilities	10,376	7.7	10,608	8.2	- 232
Current liabilities	72,841	54.3	72,246	55.8	+ 595
	134,128	**100.0**	**129,521**	**100.0**	**+ 4,607**

Assets

Total assets increased to EUR 134.1 million compared with December 31, 2017 (EUR 129.5 million). Non-current assets amounted to EUR 54.4 million (EUR 54.9 million), accounting for around 40.6% (42.4%) 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 20.1 million (EUR 20.9 million) of non-current assets, a further EUR 33.9 million (EUR 33.7 million) related to non-current financial assets, primarily including shares in affiliated companies in the amount of EUR 28.5 million (EUR 28.3 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 0.4 million (EUR 0.3 million) of total non-current assets. Berentzen-Gruppe Aktiengesellschaft had total non-current assets of EUR 1.8 million (EUR 3.7 million) in the past financial year.

Current assets

Receivables and other assets, which increased nominally by EUR 7.4 million, from EUR 35.2 million to EUR 42.6 million, mainly due to a short-term loan issued to a subsidiary as well as changes in receivables from affiliated companies resulting from cash and liquidity management effects, accounted for 53.5% (47.3%) of the total current assets of EUR 79.6 million (EUR 74.5 million). Inventories rose to EUR 32.4 million (EUR 30.3 million), mainly due to higher inventories of unprocessed whiskey and tequila.

The cash and cash equivalents of EUR 4.6 million (EUR 9.0 million) decreased as a result of the negative cash flow totalling EUR 4.4 million, as shown in the Cash-Flow Statement.

Shareholders' equity and liabilities

Shareholders' equity

Shareholders' equity rose to EUR 50.9 million (EUR 46.7 million). This figure is based on the net profit for the year of around EUR 6.3 million (EUR 3.0 million) and includes the dividend payment of EUR 2.1 million (EUR 2.3 million) resolved by the annual general meeting in May 2018.

Non-current liabilities and provisions

An amount of EUR 10.4 million (EUR 10.6 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 7.5 million) and pension provisions in the amount of EUR 2.4 million (EUR 2.6 million).

Current liabilities and provisions

Current liabilities and provisions increased slightly to EUR 72.8 million (EUR 72.2 million) and accounted for 54.3% (55.8%) of total assets.

Alcohol tax liabilities amounted to EUR 42.3 million (EUR 43.3 million). This figure represents the alcohol tax liabilities for the last two months of the financial year.

Other liabilities and other current provisions together increased to EUR 29.6 million (EUR 28.0 million).

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

Business performance

With stable business volume, the business performance of Berentzen-Gruppe Aktiengesellschaft proved satisfactory as a whole.

With developments that varied individually, it was possible to achieve a sales volume that was slightly above the level of the previous year in the Spirits business. Due to, among other factors, a sales volume of the two core brands *Berentzen* and *Puschkin*, which declined slightly overall, modest unit sales declines were registered for domestic branded spirits. In contrast, branded dealer and private-label products, as well as 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 likewise satisfactory overall in light of the financial performance.

Based on stable unit sales and revenue levels, Berentzen-Gruppe Aktiengesellschaft completed the 2018 financial year with an operating profit of EUR 10.0 million (EUR 12.7 million). This negative development was mainly caused by significantly lower other operating income compared to the previous year, since in the 2017 financial year revenues were received from charged-off receivables from affiliated companies in the amount of EUR 2.3 million.

The financial result and result from participating interests showed clearly positive development. Particularly the Berentzen 12/17 bond redeemed in full in October 2017 and a new funding structure optimised to meet needs and minimise interest made it possible to reduce interest expenses by EUR 2.3 million; at the same time, the amortisation of the investment book value of affiliated companies turned out to be EUR 4.2 million lower. After these effects, the net profit for the year totalled EUR 6.3 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 2019 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 2019 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 2019 financial year and for the general statement about the anticipated performance of the corporate group.

(8) Corporate Governance Declaration 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 (GCGC), have been published on the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berenzten-gruppe.de/en.

C. Consolidated Financial Statements

Statement of Financial Position at December 31, 2018

	Note	12/31/2018 EUR '000	12/31/2017 EUR '000
ASSETS			
Non-current assets	(2.1)		
Intangible assets	(2.2)	12,083	12,682
Property, plant and equipment	(2.3)	45,796	46,199
Investment property	(2.4)	744	760
Other financial assets	(2.5)	819	684
Total non-current assets		**59,442**	**60,325**
Current assets			
Inventories	(2.6)	39,920	37,001
Current trade receivables	(2.7)	16,434	13,775
Current income tax assets	(2.8)	306	634
Cash and cash equivalents	(2.9)	15,793	19,397
Other current financial and non-financial assets	(2.10)	13,084	12,313
Total current assets		**85,537**	**83,120**
TOTAL ASSETS		**144,979**	**143,445**

	Note	12/31/2018 EUR '000	12/31/2017 EUR '000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(2.11)		
Subscribed capital		24,424	24,424
Additional paid-in capital		6,821	6,821
Retained earnings		16,164	13,344
Total shareholders' equity		**47,409**	**44,589**
Non-current liabilities			
Non-current provisions	(2.12)	9,945	10,992
Non-current financial liabilities	(2.13)	7,134	7,068
Deferred tax liabilities	(2.14)	1,968	1,924
Total non-current liabilities		**19,047**	**19,984**
Current liabilities			
Alcohol tax liabilities	(2.15)	42,277	43,312
Current provisions	(2.16)	730	80
Current income tax liabilities	(2.17)	2,802	2,078
Current financial liabilities	(2.18)	1,086	1,669
Trade payables and other liabilities	(2.19)	31,628	31,733
Total current liabilities		**78,523**	**78,872**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**144,979**	**143,445**

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2018

	Note	2018 EUR '000	2017 EUR '000
Revenues	(3.1)	162,167	160,363
Change in inventories	(3.2)	1,412	2,076
Other operating income	(3.3)	4,712	4,713
Purchased goods and services	(3.4)	91,903	93,090
Personnel expenses	(3.5)	24,569	24,019
Amortisation and depreciation of assets	(3.6)	7,526	7,187
Impairments/ write-ups	(3.7)	0	427
Other operating expenses	(3.8)	35,299	33,635
Financial income	(3.9)	70	51
Financial expenses	(3.9)	1,635	3,608
Earnings before income taxes		**7,429**	**5,237**
Income tax expenses	(2.14)	2,264	2,675
Consolidated profit		**5,165**	**2,562**
Currency translation differences		- 426	- 784
Items to be reclassified to the income statement at a later date		**- 426**	**- 784**
Revaluation of defined benefit obligations		211	- 96
Deferred taxes on revaluation of defined benefit obligations		- 63	28
Items not to be reclassified to the income statement at a later date		**148**	**- 68**
Other comprehensive income	(2.11)	**- 278**	**- 852**
Consolidated comprehensive income		**4,887**	**1,710**
Earnings per share based on profit, attributable to shareholders (in euros per share)			
Basic/ diluted earnings per common share	(3.11)	0.550	0.273

Consolidated Statement of Changes in Shareholders’ Equity for the period from 1 January to 31 December 2018

	Subscribed capital EUR '000	Additional paid-in capital EUR '000	Retained earnings EUR '000	Total equity EUR '000
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**
Balance at 01/01/2018	**24,424**	**6,821**	**13,344**	**44,589**
Consolidated profit			5,165	5,165
Other comprehensive income			- 278	- 278
Consolidated comprehensive income			4,887	4,887
Dividends paid			- 2,067	- 2,067
Balance at 12/31/2018	**24,424**	**6,821**	**16,164**	**47,409**

See Note (2.11) for additional information about consolidated shareholders’ equity.

Consolidated Cash Flow Statement for the period from 1 January to 31 December 2018

	2018 EUR '000	2017 EUR '000
Consolidated profit	5,165	2,562
Income tax expenses	2,264	2,675
Interest income	- 70	- 51
Interest expenses	1,635	3,608
Amortisation and depreciation of assets	7,526	7,187
Impairments / write-ups of assets	0	427
Other non-cash effects	- 476	- 861
Increase (+) / decrease (-) in provisions	- 397	- 726
Gains (-) / losses (+) on disposals of property, plant and equipment	- 10	- 5
Increase (+) / decrease (-) in receivables assigned under factoring agreements	- 1,026	3,006
Decrease (+) / increase (-) in other assets	- 5,460	- 5,037
Increase (+) / decrease (-) in alcohol tax liabilities	- 1,035	- 1,082
Increase (+) / decrease (-) in other liabilities	6	- 2,261
Cash and cash equivalents generated from operating activities	**8,122**	**9,442**
Income taxes paid	- 1,224	- 1,908
Interest received	73	49
Interest paid	- 1,379	- 3,464
Cash flow from operating activities	**5,592**	**4,119**
Proceeds from disposals of intangible assets	85	34
Payments for investments in intangible assets	- 753	- 552
Proceeds from disposals of property, plant and equipment	189	346
Payments for investments in property, plant and equipment	- 6,023	- 7,613
Proceeds from disposals of financial assets	2	18
Cash flow from investing activities	**- 6,500**	**- 7,767**
Cash inflows from the utilization of loan agreements	0	7,500
Repayment of Bonds	0	- 154
Payments related to the issuance of bonds	0	- 50,000
Dividend payments	- 2,067	- 2,348
Cash flow from financing activities	**- 2,067**	**- 45,002**
Change in cash and cash equivalents	**- 2,975**	**- 48,650**
Cash and cash equivalents at the start of the period	18,434	67,084
Cash and cash equivalents at the end of the period	**15,459**	**18,434**

For the definition of cash and cash equivalents, and their composition at the end of the period, see Note (2.9).

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 2018 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, 2018 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, 2018, and the combined Group management report for the 2018 financial year for publication and submission to the Supervisory Board on March 14, 2019.

(1.3) New and amended IFRS standards

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee have issued or revised further Standards and Interpretations. The initial application of these Standards and Interpretations occurred in compliance with the transition regulations. Unless otherwise indicated, the application of these new and revised Standards and Interpretations does not have any significant effects on the consolidated financial statements. However, they led in some cases to additional notes.

Standards, interpretations and amendments to published Standards that are material to the Berentzen Group and are subject to mandatory initial application in the 2018 financial year

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 applies the simplified impairment model of IFRS 9 and recognises 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 application of the Standard leads to changes in the classification of financial instruments. In accordance with the transition regulations in IFRS 9.7.2.15, IFRS 9 was implemented retrospectively without change to the comparison periods. More detailed comments on the effects of the first-time application of IFRS 9 are presented under Note (2.7) and (2.21).
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 first-time application of IFRS 15 leads to reclassifications within the Berentzen Group’s other comprehensive income. A portion of the expenditures for marketing and advertising is now to be recognised as a reduction in revenues and a portion of the income from on-charging and cost reimbursements will now be recognised under revenues. All-in-all, revenues for the 2017 financial year were reduced by EUR 11.8 million due to reclassifications. The result, EBIT and the Group’s Statement of Financial Position are not affected by the reclassifications. The segment result “Contribution margin after marketing budgets” of the previous year was adjusted in the amount of EUR 445 thousand by means of shifts between other operating income and revenues. The Berentzen Group applies the new Standard to the full extent retrospectively on the date of the reclassification and retrospectively adjusts the comparative statements for the 2017 financial year. More detailed comments regarding the effects of the first-time application of IFRS 15 are presented under Note (3.1).

Standards, Interpretations and amendments to published Standards that are material to the Berentzen Group that are not the subject of mandatory application in the 2018 financial year and were not applied early by the Group

Standard	Mandatory application	Content
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. The Berentzen Group acts both as lessor and as lessee and will therefore be affected by the amendments to this Standard. The Berentzen Group will apply IFRS 16 in financial year 2019 for the first time. The Berentzen Group will make use of the option to refrain from recognising a right of use and a lease obligation when a short-term lease relationship is involved or the asset underlying the lease relationship is of low value. The new Standard will be applied in modified retrospective form on the reclassification date. Consequently, no adjustment of the previous year's figures is made and the cumulative effect from initial application is shown in retained earnings. At the time of initial application, the simplification is used that, for lease relationships that were previously classified as operating leases pursuant to IAS 17, the right of use and the lease obligation are recognized in the amount of the present value of the outstanding lease payments discounted by the boundary capital interest rate at January 1, 2019. In addition, the option is used to classify lease relationships whose term ends by no later than December 31, 2019, as short term. Upon initial application of IFRS 16, current knowledge is taken into account in determining the term of contracts with extension and termination options. The Berentzen Group expects that the consolidated statement of financial position total in financial year 2019 will increase by about EUR 1.5 million as a result of recognizing rights of use and lease relationships. In addition, consolidated EBIT and EBITDA are expected to not change materially or to improve slightly. .

(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 this represents the best estimate of the fair value.

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, 2018, 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: two) 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 Aktiengesellschaft	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 basis of consolidation has not been changed compared to the consolidated financial statements as of December 31, 2017.

(1.6) List of corporate shareholdings

Berentzen-Gruppe Aktiengesellschaft, Haselünne, prepares the consolidated financial statements for the largest and simultaneously smallest group of companies. 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
Berentzen Start-ups Investment GmbH, (formerly: Turoa Rum International GmbH), Haselünne	100.0
Der Berentzen Hof GmbH, Haselünne [1)]	100.0
DLS Spirituosen GmbH, Flensburg [1)]	100.0
Doornkaat Aktiengesellschaft, 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
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
MIO MIO GmbH, Haselünne	100.0
Vivaris Getränke Verwaltung GmbH, Haselünne	100.0
Foreign companies	
Berentzen Alkollü İçkiler 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) Accounting policies

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 recognised 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

Additions of financial assets are recognised at the trade date. The trade date is the date when the Group commits to purchase the asset. With the exception of trade receivables without a significant financing component, financial assets are measured at fair value upon initial recognition. If an asset does not belong to the category "measured at fair value through profit or loss", the transaction costs are to be added. Trade receivables without a significant financing component are recognised at their transaction price.

Financial assets are normally divided into the following categories for the purposes of subsequent measurement:

- Financial assets measured at amortised cost (AC)
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVPL)

The classification depends upon the Group's business model for the management of financial assets and the contractual cash flows of the financial asset. The management determines the classification upon initial recognition and reviews it at each reporting date.

The category of "measured at amortised cost" includes assets that are held to collect contractual cash flows and for which these cash flows represent solely payments of principal and interest. Assets of this category are subsequently measured at amortised cost based on the effective interest rate method, less valuation allowances for impairment losses. Interest income is recognised in profit or loss under financial income. Gains and losses are recognised in profit or loss under other operating income or expenses when the financial instrument is derecognised or an impairment loss is recognised.

Assets that are held to collect contractual cash flows and for sale and for which these cash flows represent solely payments of principal and interest are assigned to the category "measured at fair value through other comprehensive income". There are no financial assets in this category.

If an asset is not classified as either the category "measured at amortised cost" or the category "measured at fair value through other comprehensive income", it is classified as "measured at fair value through profit or loss". These assets are subsequently measured at fair value. A gain or loss resulting from such a measurement, as well as interest and dividend income, is recognised in profit or loss.

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 1.1% 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

The financial assets of the category “measured at amortised cost” are subject to the impairment rules of IFRS 9. Therefore, the future expected credit loss is assessed for these assets on every reporting date so as to enable a presentation of the risk of default. The applicable impairment method depends on whether the risk of default has significantly increased. When determining whether a financial asset’s risk of default has increased significantly, information and analyses based on both past experience as well as information regarding the future are taken into account. The risk of default is presumed to have increased significantly if the contractual cash flows are more than 30 days past due. If an asset’s risk of default has increased significantly, the impairment is measured in the amount of the expected lifetime credit loss. In contrast, if the risk of default has not increased significantly, the impairment is recognised in the amount of the 12-month expected credit loss. The two impairment methods differ insofar as all expected losses from potential default events occurring over the entire remaining term flow into the lifetime expected credit loss, whereas only losses expected from default events in the following twelve months flow into the 12-month expected credit loss.

The amount of the impairment to be recognised corresponds to the credit losses, i.e. the difference between the contractually agreed payments and the expected payments, discounted at the financial instrument’s effective interest rate. The carrying amount of the asset is reduced by means of a valuation adjustment account, and the loss is recognised within Other operating expenses. When the payments from an asset have become uncollectible, the asset is derecognised against the valuation adjustment account. Subsequent cash receipts on previously derecognised amounts are recognised against the impairments presented in the Statement of Comprehensive Income.

The simplified impairment approach of IFRS 9 is applied for trade receivables. According to this approach, the risk of default is not assessed for these assets; instead, the credit losses expected over the lifetime of the asset are recognised. Trade receivables are grouped together on the basis of common features and the number of days past the due date for the measurement of the expected credit losses.

Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual claims to receive the cash flows from the asset expire or have been transferred and the Group has transferred substantially all opportunities and risks associated with the ownership of the financial asset.

If substantially all of the opportunities and risks associated with the ownership of the financial asset are neither transferred nor retained, the asset is derecognised if the Group does not retain control over the financial asset. In contrast, if the Group continues to retain control over the transferred financial asset, the Group recognises 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

The consideration defined in an agreement with a customer is the basis for the measurement of revenues. Revenues are realised when control over the goods is transferred to the customer, i.e. when the goods are delivered. There is no significant financing component, since the actual average period allowed for payment over the entire corporate group is 35 days.

For the sale of goods, terms and conditions are often agreed that include quantity discounts, advertising subsidies, special allowances, etc. These terms and conditions are recognised as reductions in the transaction price and consequently reduce the amount of revenues. Since the terms and conditions are defined in annual meetings, the resulting reduction in revenues is determined at the time of the sale. For sales that include such terms and conditions, a reimbursement liability is also recognised that is presented under trade liabilities and other liabilities.

Other operating income is recognised when it is received or the carrying amount of an asset increases and when a liability is derecognised or its carrying amount is reduced.

Operating expenses are recognised in profit or loss when a liability is incurred or its carrying amount increases and upon the disposal of an asset or when its carrying amount decreases

Financial expenses and income are recognised through 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 2017 and 2018 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 01/01/2017	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	71,187	153,514	1,203	225,901
Additions	753	6,023	0	6,776
Disposals	-312	-5,941	0	-6,253
Currency effects	-3	-13	0	-16
Balance at 12/31/2018	71,622	153,583	1,203	226,408
Depreciation/amortisation/impairments				
Balance at 01/01/2017	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
Additions	1,297	6,213	16	7,526
Disposals	-260	-5,731	0	-5,991
Currency effects	0	-10	0	-10
Balance at 12/31/2018	59,539	107,787	459	167,785
Net carrying amounts 12/31/2018	**12,083**	**45,796**	**744**	**58,623**
Net carrying amounts 12/31/2017	**12682**	**46,199**	**760**	**59,641**

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 2017 and 2018 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 01/01/2017	6,056	62,296	2,304	47	70,703
Additions	0	296	198	58	552
Disposals	0	- 69	0	0	- 69
Currency effects	0	0	- 2	0	- 2
Balance at 12/31/2017	6,056	62,523	2,547	58	71,184
Additions	0	296	417	40	753
Disposals	0	- 308	- 4	0	- 312
Reclassifications	0	0	58	- 58	0
Currency effects	0	0	- 3	0	- 3
Balance at 12/31/2018	6,056	62,511	3,015	40	71,622
Amortization/impairments					
Balance at 01/01/2017	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
Additions	0	1,070	227	0	1,297
Disposals	0	- 256	- 4	0	- 260
Currency effects	0	0	0	0	0
Balance at 12/31/2018	0	57,223	2,316	0	59,539
Net carrying amounts 12/31/2018	**6,056**	**5,288**	**699**	**40**	**12,083**
Net carrying amounts 12/31/2017	**6,056**	**6,114**	**454**	**58**	**12,682**

The following table shows the detailed breakdown of the net carrying amounts of intangible assets:

	12/31/2018 EUR '000	12/31/2017 EUR '000
Trademarks	2,879	3,147
Customer lists	924	1,260
Technical knowledge	961	1,218
Purchase commitments	524	489
Trademarks, customer lists, and technical knowledge	5,288	6,114
Goodwill	6,056	6,056
Licences and other intangible assets	699	454
Advance payments made	40	58
	12,083	**12,682**

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 2018 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 4.8% (previous year: 5.6%). 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, 2018. As of December 31, 2018, there were no contractual commitments to purchase intangible assets (previous year: EUR 119 thousand).

Costs for research and development in the amount of EUR 1,716 thousand (previous year: EUR 1,465 thousand) were recognised as an expense in the reporting period.

(2.3) Property, plant and equipment

Development of property, plant and equipment in the 2017 and 2018 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 01/01/2017	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
Additions	246	1,955	3,271	551	6,023
Disposals	0	-4,494	-1,447	0	-5,941
Reclassifications	1,650	1,694	82	-3,426	0
Currency effects	0	0	-13	0	-13
Balance at 12/31/2018	47,051	80,248	25,702	582	153,583
Depreciation/impairments					
Balance at 01/01/2017	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
Additions	781	2,730	2,702	0	6,213
Disposals	0	-4,398	-1,333	0	-5,731
Currency effects	0	1	-11	0	-10
Balance at 12/31/2018	27,112	62,746	17,929	0	107,787
Net carrying amounts 12/31/2018	**19,939**	**17,502**	**7,773**	**582**	**45,796**
Net carrying amounts 12/31/2017	**18,824**	**16,680**	**7,238**	**3,457**	**46,199**

For details on the impairments and write-ups performed in the previous year, 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, 2018. As of December 31, 2018, there were no contractual commitments to purchase property, plant and equipment (previous year: EUR 860 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 1,170 thousand (previous year: EUR 1,191 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:

	2018 EUR '000	2017 EUR '000
Up to one year	1,033	1,019
Up to five years	1,400	1,404
More than five years	0	0
Total minimum lease payments under operating leases	**2,433**	**2,423**

The Berentzen Group also acts as a lessor under rental and lease agreements that are likewise classified as operating leases. These mainly relate to the letting of parts of buildings and storage areas. In the financial year rental and lease payments of EUR 240 thousand were received (previous year: EUR 330 thousand).

The maturities of the instalments from operating rental and lease agreements to be received in future break down as follows:

	2018 EUR '000	2017 EUR '000
Up to one year	246	117
One year and up to five years	9	17
More than five years	0	0
Total minimum lease payments under operating leases	**255**	**134**

(2.4) Investment property

Development of investment property in the 2017 and 2018 financial years

	Land EUR '000	Buildings EUR '000	Total investment property EUR '000
Acquisition/production cost			
Balance at 01/01/2017	480	723	1,203
Additions	0	0	0
Disposals	0	0	0
Balance at 12/31/2017	480	723	1,203
Additions	0	0	0
Disposals	0	0	0
Balance at 12/31/2018	480	723	1,203
Depreciation/impairments			
Balance at 01/01/2016	73	354	427
Additions	0	16	16
Disposals	0	0	0
Balance at 12/31/2017	73	370	443
Additions	0	16	16
Disposals	0	0	0
Balance at 12/31/2018	73	386	459
Net carrying amounts 12/31/2018	**407**	**337**	**744**
Net carrying amounts 12/31/2017	**407**	**353**	**760**

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, 2018, 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

	12/31/2018 EUR '000	12/31/2017 EUR '000
Shares in affiliated companies	405	329
Receivables under finance leases	371	311
Shares in cooperatives	32	32
Participating interests	11	11
Other loans	0	1
	819	**684**

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 371 thousand (previous year: EUR 311 thousand) and is presented within Other financial assets. The current portion of the receivables amounts to EUR 494 thousand (previous year: EUR 554 thousand) and is capitalised under Other current financial assets (Note (2.10)).

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	
	2018 EUR '000	2017 EUR '000	2018 EUR '000	2017 EUR '000
up to one year	516	576	352	404
one year and up to five years	382	318	303	260
more than five years	0	0	0	0
	898	**894**	**655**	**664**

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:

	2018 EUR '000	2017 EUR '000
Future minimum lease payments	681	624
Unguaranteed residual values	217	270
Gross investment in leases	**898**	**894**
Unrealised financial income	-33	-29
Net investment in leases	**865**	**865**
Present value of the non-guaranteed residual values	210	201
Present value of future minimum lease payments	**655**	**664**

(2.6) Inventories

	12/31/2018 EUR '000	12/31/2017 EUR '000
Raw materials	4,317	3,347
Packaging and equipment	3,095	2,896
Supplies	83	16
Raw materials and supplies	7,495	6,259
Work in progress	18,112	15,781
Finished products	9,976	10,895
Merchandise for resale	4,337	4,066
Finished products and merchandise for resale	14,313	14,961
Inventories	**39,920**	**37,001**

When measuring inventories at the lower of cost or net realisable value, write-downs totalling EUR 119 thousand (previous year: EUR 156 thousand) were charged on inventories. The carrying amount of the inventories measured at net realisable value totalled EUR 496 thousand (previous year: EUR 1,117 thousand). The write-downs were recognised in profit or loss and presented within Other operating expenses and Change in inventories.

(2.7) Current trade receivables

	12/31/2018 EUR '000	12/31/2017 EUR '000
Trade receivables, gross	16,791	14,076
Less individual valuation adjustments	357	301
Current trade receivables	**16,434**	**13,775**

The initial application of IFRS 9 beginning on January 1, 2018, led to changes in the accounting policies and adjustments of the amounts recognised in the financial statements. The Berentzen Group applies the simplified approach set forth in IFRS 9 for the measurement of expected credit losses. According to this approach, the credit losses expected over the lifetime of the financial asset are applied for all trade receivables. In order to measure the expected credit losses, trade receivables were grouped together on the basis of common features and the number of days past due. The recording of expected credit losses according to the new impairment model leads to a situation where impairments are recognised at an earlier stage. On this basis, the first-time application of IFRS 9 in the 2018 financial year led to an increase in the impairment loss on trade receivables by TEUR 78:

December 31, 2018	Current and less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Loss rate	0.5%	0.3%	0.7%	0.6%	
Gross carrying amount (EUR '000)	15,971	188	92	223	16,474
Impairment (EUR '000)	**75**	**1**	**1**	**1**	**78**

Valuation allowances are additionally recognised for receivables 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 following table shows the overall development of the valuation adjustment account:

	2018 EUR '000	2017 EUR '000
Balance at 01/01	**301**	**310**
IFRS 9 adjustment	78	0
Additions	47	19
Use	7	16
Reversals	62	12
Balance at 12/31	**357**	**301**

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, 2018, trade receivables of EUR 55,746 thousand (previous year: EUR 55,988 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 131 thousand at the reporting date (previous year: EUR 115 thousand). The fair value of the obligation arising from late payment risk totals EUR 8 thousand (previous year: EUR 11 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 IFRS 9.3.2.6 (a). The remaining late payment risk was recognised as an asset representing a continuing involvement of EUR 202 thousand in the 2018 financial year (previous year: EUR 188 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	**12/31/2018 EUR '000**	**12/31/2017 EUR '000**
Trade receivables sold and assigned	Current trade receivables	55,746	55,988
Continuing involvement	Other current financial and non-financial assets	202	188
Security retentions and provisions for bonuses and discounts	Other current financial and non-financial assets	10,377	9,594
Cash available	Cash and cash equivalents	13,413	15,503
Cash transferred	Cash and cash equivalents	31,957	30,894
Continuing involvement	Current financial liabilities	202	188
Interest liability from continuing involvement	Current financial liabilities	9	10
Retained interest/ charges/ insurance	Retained earnings/ consolidated comprehensive income	992	742

The factor retained collateral amounting to EUR 10,377 thousand (previous year: EUR 9,594 thousand) to secure any deductions from the face value of receivables. This item is presented within Other current assets.

The available cash of EUR 13,413 thousand (previous year: EUR 15,503 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 (2.9) Cash and cash equivalents. At the same time, the transferred cash of EUR 31,957 thousand (previous year: EUR 30,894 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 992 thousand (previous year: EUR 742 thousand) were incurred during the reporting period. The gains are presented in Financial income in the amount of EUR 858 thousand (previous year: EUR 601 thousand) and the losses in Other operating expenses in the amount of EUR 134 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 49 thousand (previous year: EUR 14 thousand) in the first quarter of 2019. The interest payments depend among other things on the due dates of the receivables and the different interest rates applicable.

(2.8) Current income tax receivables

	12/31/2018 EUR '000	**12/31/2017 EUR '000**
Claims to income tax refunds (corporation tax, trade tax)	306	634
	306	**634**

(2.9) Cash and cash equivalents

	12/31/2018 EUR '000	12/31/2017 EUR '000
Cash in banks and cash on hand	15,793	19,397
	15,793	**19,397**

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:

	12/31/2018 EUR '000	12/31/2017 EUR '000
Cash and cash equivalents		
Cash on hand	13	10
Current account receivables due from banks	2,367	3,884
Receivables from customer settlement accounts with banks	13,413	15,503
Receivables due from banks	15,780	19,387
	15,793	**19,397**
Current financial liabilities		
Overdraft facilities with banks	334	963
	334	**963**
	15,459	**18,434**

(2.10) Other current financial and non-financial assets

	12/31/2018 EUR '000	12/31/2017 EUR '000
Receivables from factoring haircut	10,377	9,594
Refund claims	1,043	888
Receivables under finance leases	494	554
Advance payments on account of inventories	140	384
Other items	1,030	893
	13,084	**12,313**

(2.11) 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:

		12/31/2018		12/31/2017	
		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 May 3, 2018. 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:

	12/31/2018 EUR '000	12/31/2017 EUR '000
Retained earnings at 01/01	**13,344**	**13,982**
Consolidated profit	5,165	2,562
Currency translation differences	-426	-784
Revaluation of defined benefit obligations	211	-96
Deferred tax on revaluation of defined benefit obligations	-63	28
Other comprehensive income	-278	-852
Consolidated comprehensive income	4,887	1,710
Dividends paid	-2,067	-2,348
Retained earnings at 12/31	**16,164**	**13,344**

Within the framework of the deconsolidation of four subsidiaries as of December 31, 2017, exchange rate effects totalling 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 3, 2018, it was resolved to use the distributable profit of EUR 6,178 thousand (previous year: EUR 5,522 thousand) presented in the separate financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2017 financial year to pay a dividend of EUR 0.22 per qualifying common (previous year: EUR 0.25) share for the 2017 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 2,067 thousand (previous year: EUR 2,348 thousand) and the profit carried forward to new account was EUR 4,111 thousand (previous year: EUR 3,173 thousand).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft proposes to the annual general meeting that the distributable profit for financial year 2018 in the amount of EUR 10,422 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 0.28 per common share qualifying for dividends for the 2018 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 2,630 thousand and a carry-forward to new account of approximately EUR 7,791 thousand. Payment of this dividend is dependent on the approval of the annual general meeting of May 22, 2019. The number of shares qualifying for dividends can change up to the annual general meeting. In this case, given an unchanged dividend of EUR 0.28 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.

(2.12) Non-current provisions

	12/31/2018 EUR '000	12/31/2017 EUR '000
Pension provisions	9,542	10,509
Other non-current provisions	403	483
	9,945	**10,992**

Pension provisions

	12/31/2018 EUR '000	12/31/2017 EUR '000
Pension provisions	9,542	10,509

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 17 thousand (previous year: EUR 16 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 226 (previous year: 242) beneficiaries, of whom 223 (previous year: 232) are pensioners and surviving dependents, 3 (previous year: 10) 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, 2018:

	12/31/2018 EUR '000	12/31/2017 EUR '000
DBO at the start of the financial year	10,509	11,183
Interest expenses on DBO	101	107
Revaluations		
Actuarial gains / losses due to change in demographic assumptions	116	0
Actuarial gains / losses due to change in financial assumptions	- 85	0
Actuarial gains / losses due to change in experience-based adjustments	- 243	96
Pension benefits paid	- 856	- 877
DBO at the end of the financial year	**9,542**	**10,509**

Of the DBO at the end of the 2018 financial year, EUR 9,404 thousand (previous year: EUR 9,959 thousand) relates to pensioners and surviving dependents, and EUR 138 thousand (previous year: EUR 550 thousand) to former employees receiving benefits.

The following table shows the breakdown of pension expenses for the respective reporting period before income tax effects:

	2018 EUR '000	2017 EUR '000
Interest expenses on DBO	101	107
Expenses recognised in the consolidated Income Statement	**101**	**107**
Actuarial gains (-) / losses (+)	-212	96
Expenses/ income recognised in Other comprehensive income	**-212**	**96**
Total pension expenses	**-111**	**203**

Actuarial assumptions

The pension obligations are measured on the basis of actuarial reports. The following parameters have been applied: an actuarial interest rate of 1.1% 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 2018 financial year are based on the 2018 G (previous year: 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 12/31/2018 EUR '000	DBO 12/31/2017 EUR '000
Actuarial interest rate	+ 1.0 PP	8,756	9,615
	- 1.0 PP	10,462	11,560
Rate of increase in pension benefits	+ 0.5 PP	9,960	10,972
	- 0.5 PP	9,151	10,078
Rate of increase in future compensation	+ 0.5 PP	9,542	10,509
	- 0.5 PP	9,542	10,509
Life expectancy	+ 1 year	10,036	11,015
	- 1 year	9,061	10,016

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
2019	807
2020	768
2021	730
2022	679
2023	643
2024- 2028	2,690

The average weighted maturity of the benefit obligations at December 31, 2018, is around 9 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 83 thousand (previous year: EUR 82 thousand) to these defined contribution plans were recognised in Personnel expenses in the 2018 financial year.

Employer contributions of EUR 1,444 thousand (previous year: EUR 1,394 thousand) were paid to the statutory state insurance scheme in Germany and employer contributions of EUR 210 thousand (previous year: EUR 251 thousand) were paid to statutory pension insurance schemes in other countries in the 2018 financial year.

Other long-term provisions and accruals

	12/31/2018 EUR '000	12/31/2017 EUR '000
Compensation with performance-based components	224	269
Service anniversary awards	179	214
	403	**483**

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 2.43% (previous year: 2.91%). 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 2018 G (previous year: 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 01/01/2018	**10,509**	**483**	**80**	**11,072**
Use	856	173	80	1,109
Addition	0	144	730	874
Compounding	101	4	0	105
Reversal	212	55	0	267
Balance at 12/31/2018	**9,542**	**403**	**730**	**10,675**

(2.13) Non-current financial liabilities

	12/31/2018 EUR '000	12/31/2017 EUR '000
Liabilities from syndicated loan	7,134	7,068
	7,134	**7,068**

In October 2017, within the framework of the repayment of the Berentzen Loan 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. In 2018, Berentzen-Gruppe Aktiengesellschaft exercised an option to extend the loan, thereby extending the term by one year to six years. The option to extend was associated with EUR 26 thousand in additional transaction costs. The expected effective interest rate is 3.4% (previous year: 3.7%). The pro-rated transaction costs included in Financial expenses for financial year 2018 amount to EUR 97 thousand (previous year: EUR 25 thousand).

(2.14) Deferred taxes and income tax expenses

	12/31/2018 EUR '000	12/31/2017 EUR '000
Deferred tax liabilities	1,968	1,924

The following table shows the breakdown of deferred tax assets and liabilities by item in the Statement of Financial Position and content:

	12/31/2018		12/31/2017	
	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	1,216	0	1,413
Property, plant and equipment	0	1,597	0	1,655
Other financial assets	1	0	1	0
Current assets				
Inventories	177	3	215	8
Current trade receivables	12	17	0	24
Other current assets	0	329	127	368
SHAREHOLDERS‘ EQUITY AND LIABILITIES				
Non-current liabilities				
Non-current provisions	1,062	0	1,195	0
Current liabilities	140	198	138	185
Subtotal for temporary differences	1,392	3,360	1,676	3,653
Of which non-current	1,080	2,668	1,245	2,932
Impairments	0		0	
Capitalization of tax loss carry-forwards	0		53	
Netting	- 1,392	- 1,392	- 1,729	- 1,729
Deferred taxes shown in the Statement of Financial Position	**0**	**1,968**	**0**	**1,924**

The temporary differences related to the equity interest in subsidiaries of Berentzen-Gruppe Aktiengesellschaft, for which no deferred tax liabilities were recognised in accordance with IAS 12.39, amounted to EUR 4 thousand (previous year: EUR 886 thousand).

The reserve of unused tax loss carryforwards at year-end is as follows:

	12/31/2018 EUR '000	12/31/2017 EUR '000
For corporation tax	1,303	1,519
For trade tax	4,518	4,330

No deferred tax assets were recognised in respect of corporate tax loss carry-forwards of EUR 1,303 thousand (previous year: EUR 1,255 thousand) and trade tax carry-forwards of EUR 4,518 thousand (previous year: EUR 4,330 thousand) despite the positive profit forecasts in specific cases, due to the loss history. Whereas in the previous year deferred tax assets were recognised in the amount of EUR 53 thousand on corporate tax loss carry-forwards in the amount of EUR 264 thousand, no deferred tax assets were recognised on loss carry-forwards in the current financial year.

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.

	12/31/2018 EUR '000	12/31/2017 EUR '000
Corporation tax loss carry-forwards	1,303	1,255
Expiry date within		
1 year	238	150
2 years	4	318
3 years	254	5
4 years	180	339
5 years	209	239
More than 5 years	105	15
Unlimited usability	313	189

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:

	2018 EUR '000	2017 EUR '000
Earnings before taxes		
Germany	6,985	4,124
Austria	393	1,653
Other countries	51	- 540
	7,429	**5,237**
Taxes paid or owed		
Germany (of which attributable to other periods: EUR-245 thousand; previous year: EUR 375 thousand)	2,220	2,123
Austria (of which attributable to other periods EUR-5 thousand; previous year: EUR 2 thousand)	57	358
Other countries (of which attributable to other periods: EUR 0 thousand; previous year: EUR 1 thousand)	0	3
	2,277	**2,484**
Deferred taxes	**- 13**	**191**
Income tax expenses	**2,264**	**2,675**

Due to the change in deferred tax assets recognised in respect of actual gains and losses in connection with the accounting treatment of pension provisions, a deferred tax expense of EUR 63 thousand (previous year: deferred tax income of EUR 28 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 2018 in the amount of EUR 2,264 thousand (previous year: EUR 2,675 thousand) differed from the expected tax expenses of EUR 2,192 thousand (previous year: EUR 1,545 thousand) that would have resulted from the application of an expected average tax rate of 29.5% to the Group’s earnings before income taxes by EUR 72 thousand (previous year: EUR 1,130 thousand). The following reconciliation shows the causes of the difference between expected and actual tax expenses in the corporate group:

	2018 EUR '000	2017 EUR '000
Profit after taxes	5,165	2,562
Actual income tax expenses	2,277	2,484
Deferred income tax expenses	- 13	191
Income tax expenses	2,264	2,675
Earnings before income taxes	**7,429**	**5,237**
Applicable tax rate	29.5%	29.5%
Expected income tax expenses	**2,192**	**1,545**
Tax effect of trade tax additions	48	125
Tax effect of trade tax reductions	- 17	- 17
Tax increases/reductions due to non-deductible expenses	62	161
Tax reductions due to tax-exempt income	0	- 177
Permanent differences from items of the Statement of Financial Position	31	- 42
Tax effects of loss carry-forwards and temporary differences	61	753
Current taxes attributable to other periods	- 263	375
Deferred taxes attributable to other periods	147	- 33
Change in deferred taxes due to amended tax rates	6	0
Different domestic/foreign tax rates	0	- 11
Other	- 3	- 4
Income tax expenses	**2,264**	**2,675**
Effective tax rate in %	**30.5%**	**51.1%**

(2.15) Alcohol tax liabilities

	12/31/2018 EUR '000	12/31/2017 EUR '000
Alcohol tax liabilities	42,277	43,312
	42,277	**43,312**

The stated amount pertains to the reported alcohol tax for the months of November and December 2018, 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

	12/31/2018 EUR '000	12/31/2017 EUR '000
Costs of annual financial statements	80	80
Legal disputes	650	0
	730	**80**

Current provisions for legal disputes pertain to litigation risks in connection with a legal dispute of T M P Technic-Marketing-Products GMBH, Linz, Austria, for future litigation costs, among other things. More details on this can be found in Note (4.4).

(2.17) Current income tax liabilities

	12/31/2018 EUR '000	12/31/2017 EUR '000
Current income tax liabilities (corporation tax, trade tax)	2,802	2,078
	2,802	**2,078**

(2.18) Current financial liabilities

	12/31/2018 EUR '000	12/31/2017 EUR '000
Liabilities to banks	334	963
Liabilities to non-consolidated affiliated companies	541	508
Continuing involvement	202	188
Interest liability continuing involvement	9	10
	1,086	**1,669**

(2.19) Trade payables and other liabilities

	12/31/2018 EUR '000	12/31/2017 EUR '000
Marketing and sales commitments, and bonuses	10,272	9,863
Trade payables	9,368	9,835
Liabilities for payroll, sales and other taxes	5,384	5,735
Supplier invoices outstanding	1,296	1,228
Money deposited as security	1,083	1,067
Governments grants for investments	1,051	1,164
Liabilities for salary components relating to other periods	959	1,091
Debtors with credit balances	561	326
Legal, consulting, and auditing costs	181	206
Other	1,473	1,218
	31,628	**31,733**

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:

	Carrying amount 12/31/2018 EUR '000	up to 1 year Principal repayment EUR '000	up to 1 year Future interest payments EUR '000	1 to 5 years Principal repayment EUR '000	1 to 5 years Future interest payments EUR '000	more than 5 years Principal repayment EUR '000	more than 5 years Future interest payments EUR '000
Liabilities from syndicated loan	7,134	0	144	7,500	506	0	0
Liabilities to banks	334	334	0	0	0	0	0
Other current financial liabilities	752	752	5	0	0	0	0
Trade payables	9,368	9,368	0	0	0	0	0
Other liabilities	22,260	22,260	0	0	0	0	0
- of which financial liabilities not subject to IFRS 9	8,749	8,749	0	0	0	0	0
Total	**39,848**	**32,714**	**149**	**7,500**	**506**	**0**	**0**

	Carrying amount 12/31/2017 EUR '000	up to 1 year Principal repayment EUR '000	up to 1 year Future interest payments EUR '000	1 to 5 years Principal repayment EUR '000	1 to 5 years Future interest payments EUR '000	more than 5 years Principal repayment EUR '000	more than 5 years Future interest payments EUR '000
Liabilities for bond issue	7,068	0	143	7,500	523	0	0
Liabilities 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 IFRS 9	9,158	9,158	0	0	0	0	0
Total	**40,470**	**33,402**	**148**	**7,500**	**523**	**0**	**0**

All financial instruments held at December 31, 2018, 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, 2018. 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 amortised cost of certain financial instruments in the category of "measured at fair value through profit or loss", such as shares in affiliated companies, other equity investments and shares in a cooperative society constitutes the best estimate of their fair value.

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. The fair values of current financial liabilities such as liabilities 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. On balance, measurement at fair value did not give rise to any negative earnings effect (previous year: negative earnings effect of EUR 38 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.

On January 1, 2018 (the date of initial application of IFRS 9), the management decided which business models apply for the Berentzen Group's financial assets and assigned the financial instruments to the appropriate IFRS 9 measurement categories. The effects of this reclassification are presented below:

	Fair Value through Profit & Loss (FVPL) EUR '000	**Fair Value through OCI (FVOCI) EUR '000**	**Amortised cost (AC) EUR '000**
December 31, 2017 (IAS 39)	0	372	75,941
Reclassifications of "available-for-sale financial assets" to FVPL	372	-372	0
January 1, 2018 (IFRS 9)	**372**	**0**	**75,941**

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	Category per IFRS 9	12/31/2018 Carrying amount EUR '000	12/31/2018 Fair value EUR '000	12/31/2017 Carrying amount EUR '000	12/31/2017 Fair value EUR '000
Assets						
Cash and cash equivalents	LaR [1]	AC	15,793	15,793	19,397	19,397
Trade receivables	LaR	AC	16,434	16,434	13,775	13,775
Other financial assets						
Equity instruments	AfS [2]	FVPL	448	448.	372	n.a.
Other financial assets	LaR	AC	12,266	12,266	11,457	11,457
Liabilities						
Liabilities from syndicated loan	FLAC [3]	AC	7,134	7,134	7,068	7,068
Trade payables	FLAC	AC	9,368	9,368	9,835	9,835
Other financial liabilities	FLAC	AC	14,597	14,597	14,409	14,409

[1] Loans and receivables.

[2] Available-for-Sale.

[3] Financial Liabilities measured at amortised cost.

(3) Explanatory notes to the Consolidated Statement of Comprehensive Income

(3.1) Revenues

Revenues are generated primarily from the sale of goods in various geographic regions and within various product groups at specific times. Since the beginning of the 2018 financial year, the Berentzen Group has been applying the financial reporting standard IFRS 15 “Revenue from Contracts with Customers”. This has brought about changes to financial reporting principles and adjustments to the amounts reporting in the financial statements. The figures from the previous-year period were completely restated with a retrospective presentation.

	2018 EUR '000	2017 EUR '000
Spirits segment	84,193	83,566
Non-alcoholic Beverages segment	49,703	46,227
Fresh Juice Systems segment	18,760	20,707
Other segment	9,511	9,863
Revenues	**162,167**	**160,363**

The reclassifications made within the scope of first-time application of IFRS 15 from other operating expenses or other operating income can be seen from the following overview:

01/01 to 12/31/2017	Revenues (before IFRS 15) EUR '000	Marketing, including advertising EUR '000	Cost allocations / cost reimbursements EUR '000	Revenues (after IFRS 15) EUR '000
Spirits segment	90,995	- 7,429	0	83,566
Non-alcoholic Beverages segment	49,418	- 3,636	+ 445	46,227
Fresh Juice Systems segment	20,707	0	0	20,707
Other segments	11,005	- 1,142	0	9,863
Total	**172,125**	**- 12,207**	**+ 445**	**160,363**

(3.2) Change in inventories

	2018 EUR '000	2017 EUR '000	Change EUR '000
Work in progress	18,112	15,781	+ 2,331
Finished products	9,976	10,895	- 919
Change in inventories			**+ 1,412**

(3.3) Other operating income

	2018 EUR '000	2017 EUR '000
Reversal of liabilities (accruals)	1,158	1,418
Sales of empty containers and deposit refunds	998	594
Costs allocations/ cost reimbursements	818	719
Waste recycling	332	261
Other income relating to other periods	261	157
Rental income	242	289
Income from deconsolidation of subsidiaries	0	401
Miscellaneous other operating income	903	874
	4,712	**4,713**

Due to the first-time application of IFRS 15 “Revenue from Contracts with Customers”, income from cross-charging / reimbursements of EUR 445 thousand were reclassified to revenues and the previous-year figure correspondingly restated.

(3.4) Purchased goods and services

	2018 EUR '000	2017 EUR '000
Cost of raw materials and supplies, and merchandise for resale	89,143	89,973
Cost of purchased services	2,760	3,117
	91,903	**93,090**

(3.5) Personnel expenses

	2018 EUR '000	2017 EUR '000
Wages and salaries	20,719	20,292
Social security	3,837	3,695
Pension costs	13	32
	24,569	**24,019**

The following table shows the number of employees in the corporate group:

	Annual average		Year-end	
	2018	2017	2018	2017
Salaried staff	259	257	260	254
Wage-earning staff	206	208	204	205
	465	**465**	**464**	**459**
Apprentices	22	25	23	25
	487	**490**	**487**	**484**

Based on full-time equivalents, the workforce increased from an annual average of 410 to 412.

(3.6) Depreciation and amortisation of assets

	2018 EUR '000	2017 EUR '000
Depreciation of property, plant and equipment	6,213	5,901
Amortisation of intangible assets	1,297	1,270
Depreciation of investment property	16	16
	7,526	**7,187**

(3.7) Impairments/write-ups of assets

	2018 EUR '000	2017 EUR '000
Write-ups of property, plant and equipment	0	- 208
Impairments of property plant and equipment	0	635
	0	**427**

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 were now to be applied to impairments applied in previous years, along with additional impairments in the amount of EUR 635 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. No ad-hoc impairment tests were required in financial year 2018 according to the regulations of IAS 36.

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. 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%.

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 pertained to technical equipment, plant and machinery, and EUR 17 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, and other operational and office equipment in the amount of EUR 5 thousand.

On balance, the aforementioned impairments and write-ups yielded a negative earnings effect of EUR 427 thousand for financial year 2017.

(3.8) Other operating expenses

	2018 EUR '000	2017 EUR '000
Other selling costs	16,810	16,285
Marketing, including advertising	5,003	3,999
Maintenance	2,835	2,975
Charges, contributions, insurance premiums	1,683	1,803
Rents, office costs, money transfer costs	1,573	1,614
Legal, consulting, auditing costs	1,549	1,281
Other services	1,183	1,015
Packaging recycling	1,051	1,012
Temporary staff	872	750
Damage claims	602	138
Expenses relating to other periods	281	610
Other personnel expenses	545	572
Miscellaneous other operating expenses	1,312	1,581
	35,299	**33,635**

Due to the first-time application of IFRS 15 “Revenue from Contracts with Customers”, expenses of EUR 12,207 for marketing including advertising in the previous year were reclassified as a direct reduction in revenues and the previous-year figure was correspondingly adjusted.

(3.9) Financial income/financial expenses

	2018 EUR '000	2017 EUR '000
Other interest and similar income	70	51
Financial income	70	51
Interest and similar expenses	1,630	3,605
Loss absorption expenses	5	3
Financial expenses	1,635	3,608
Financial result	**- 1,565**	**- 3,557**

(3.10) Net results by measurement categories

The net results by measurement categories break down as follows in the 2018 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 2018 EUR '000
Financial assets and liabilities measured at fair value through profit or loss	FVPL	- 5	0	0	0	0	- 5
Financial liabilities measured at amortised cost	AC	- 644	0	0	0	0	- 644
Financial assets measured at amortised cost	AC	57	0	0	- 56	0	1
Total		**- 592**	**0**	**0**	**- 56**	**0**	**- 648**

In the previous year, the net result by measurement category broke down 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 2017 EUR '000
Financial assets and liabilities measured at fair value through profit or loss	FVPL	- 3	- 38	0	0	0	- 41
Financial liabilities measured at amortised cost	AC	- 2,822	0	0	0	0	- 2,822
Financial assets measured at amortised cost	AC	38	0	0	9	0	47
Total		**- 2,787**	**- 38**	**0**	**9**	**0**	**- 2,816**

The interest from financial instruments are disclosed under financial income or financial expenses.

The impairment losses on trade receivables are disclosed under other operating expenses.

Changes in the market value of financial instruments measured at fair value are disclosed under 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 2018 (previous year: 9,393,691).

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, 2018. For this reason, only the basic earnings per share of common stock are presented.

		2018	2017
Consolidated profit	EUR' 000	5,165	2,562
Number of common shares [1)]	in thousands	9,394	9,394
Basic earnings per share of common stock	**EUR**	**0.550**	**0.273**

[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 operating cash flow generated from operations as presented in the Group management report (consolidated earnings before interest, taxes, depreciation and amortisation, adjusted for non-cash elements) as the central managerial indicator of liquidity, and cash movements in working capital. In the 2018 financial year, net cash inflow increased to EUR 5,592 thousand (previous year: EUR 4,119). The material factors influencing this development are presented below.

The change in what is referred to as trade working capital – i.e. the balance of the cash movements in inventories, receivables including factoring, spirit tax liabilities and trade payables – gave rise to a net cash inflow of EUR 7,080 thousand (previous year: EUR 2,352 thousand). In addition, a cash outflow resulted from the increase in other assets of EUR 908 thousand; a cash outflow of EUR 1,803 thousand was generated in this context in the previous year. Furthermore, the debt financing from provisions decreased by EUR 397 thousand (previous year: EUR 726 thousand), primarily on the basis of a reduction of the pension commitments shown in the balance sheet to EUR 9,542 thousand (previous year: EUR 10,509 thousand) as well as an increase in the provisions for legal disputes to EUR 650 thousand (previous year: EUR 0 thousand) on account of arbitration proceedings in the USA against T M P Technic-Marketing-Products GMBH. In addition, the change in other liabilities brought about a cash inflow of EUR 473 thousand; in the previous year, there was still a cash outflow of EUR 1,219 in this context in the previous year.

Cash flow from investment activities

The Group's investing activities led to a cash outflow overall of EUR 6,500 thousand (previous year: EUR 7,767). Investments in property, plant and equipment and intangible assets fell significantly to EUR 6,776 thousand (previous year: EUR 8,165).

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 2,067 thousand (previous year: EUR 45,002 thousand), which resulted in its entirety from the dividend paid – on the basis of the corresponding resolutions passed at the annual general meeting – of EUR 2,067 thousand (previous year: EUR 2,348 thousand). In the previous year, the net cash outflow was essentially due to the repayment of the Berentzen bond 2012/2017 of EUR 50,000 thousand. Furthermore, the first utilisation of the syndicated loan agreement in the 2017 financial year generated cash inflows of EUR 7,500 thousand, with an outflow of EUR 154 thousand in the same connection.

A breakdown of the change in financial liabilities into cash and non-cash components can be found in the following table:

	2018		2017	
	Non-current financial liabilities EUR '000	Current financial liabilities EUR '000	Non-current financial liabilities EUR '000	Current financial liabilities EUR '000
01/01	7,068	1,669	0	51,069
Cash additions and repayments	0	-485	7,346	-49,367
Non-cash changes				
Changes in the consolidated group	0	0	0	0
Exchange rate changes	0	-111	0	-217
Changes in fair value	0	0	0	0
Other effects	66	13	-278	184
12/31	**7,134**	**1,086**	**7,068**	**1,669**

Cash and cash equivalents

At year-end, the cash and cash equivalents as defined in Note (2.9) totalled EUR 15,459 thousand (previous year: EUR 18,434 thousand), of which EUR 13,413 thousand (previous year: EUR 15,503 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 334 thousand (previous year: EUR 963 thousand) at the reporting date for the 2018 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 2017 and 2018 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 and distribution as well as the 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 prior-year amounts for financial year 2017 were correspondingly adjusted as part of the initial and fully retrospective application of IFRS 15 in financial year 2018. A reconciliation of revenues before and after the application of IFRS 15 is shown under Note (3.1).

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. Income that was previously reported as other operating income is now defined as revenues as part of the fully retrospective initial application of IFRS 15. Insofar, the prior-year amount of the segment result was adjusted accordingly by EUR 445 thousand.

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 2018

	2018					
	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	**84,193**	**49,703**	**18,760**	**9,511**		**162,167**
Intersegment revenues	289	34	11	19	- 353	
Total revenues	**84,482**	**49,737**	**18,771**	**9,530**	**- 353**	**162,167**
Purchased goods and services (product-related only)	- 49,667	- 21,905	- 11,058	- 4,103	353	**- 86,380**
Other direct costs	- 4,569	- 4,694	- 1,317	- 246		**- 10,826**
Marketing, including advertising	- 2,768	- 1,744	- 283	- 182		**- 4,977**
Contribution margin after marketing budgets	**27,478**	**21,394**	**6,113**	**4,999**		**59,984**
Other operating income						**4,712**
Purchased goods and services/change in inventories (if not included in contribution margin)						**- 4,111**
Personnel expenses						**- 24,569**
Depreciation and amortisation of assets						**- 7,526**
Miscellaneous other operating expenses						**- 18,688**
Consolidated operating profit, EBIT						**9,802**
Exceptional effects			- 808			**- 808**
Financial income						**70**
Financial expenses						**- 1,635**
Consolidated profit before income taxes						**7,429**
Income tax expenses						**- 2,264**
Consolidated profit						**5,165**

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	**83,566**	**46,227**	**20,707**	**9,863**		**160,363**
Intersegment revenues	397	33	35	39	- 504	
Total revenues	**83,963**	**46,260**	**20,742**	**9,902**	**- 504**	**160,363**
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	- 2,757	- 683	- 301	- 258		**- 3,999**
Contribution margin after marketing budgets	**27,643**	**19,783**	**6,454**	**4,968**		**58,848**
Other operating income						**4,713**
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 profit, EBIT						**9,221**
Exceptional 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**

Geographical breakdown

The regional breakdown of external revenues is based on the location of the customers, as follows:

	2018 EUR' 000	2017 EUR' 000
Germany	126,898	124,349
Rest of European Union	28,875	29,364
Rest of Europe	3,869	3,995
Rest of world	2,525	2,655
	162,167	**160,363**

Breakdown of revenues by product group

	2018 EUR' 000	2017 EUR' 000
Private-label and dealer brands	54,946	53,239
Non-alcoholic beverages	49,703	46,227
Branded spirits	37,692	39,002
Fresh juice systems	18,760	20,707
Other product groups	1,066	1,188
	162,167	**160,363**

Dependence on key customers

In both the 2018 financial year and the previous year, more than 10% of consolidated revenues were generated with two (previous year: two) customers in the *Spirits*, *Non-alcoholic Beverages*, and *Fresh Juice Systems* segments, broken down as follows:

	2018		2017	
Customer	**Revenues EUR' 000**	**Proportion of total revenues**	**Revenues EUR' 000**	**Proportion of total revenues**
Customer A	29,617	18%	28,660	18%
Customer B	17,378	11%	17,150	11%

(4.3) Contingent liabilities

The following contingent liabilities existed at year-end:

	2018 EUR' 000	2017 EUR' 000
Liabilities from guarantees	2,193	2,193
Other contingent liabilities	334	336
	2,527	**2,529**

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 42,277 thousand at year-end (previous year: EUR 43,312 thousand).

(4.4) Litigation

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 389 thousand (previous year: EUR 392 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.

The US distributor acting on behalf of the subsidiary T M P Technic-Marketing-Products GMBH, Linz, Austria, is asserting claims as part of pending arbitration proceedings instigated by the distributor in August 2018; the claims include but are not limited to damages in connection with alleged breaches of the distribution contract between the parties of a medium to high six-digit figure in euros. The Berentzen Group and T M P Technic-Marketing-Products GMBH are convinced that such claims are unfounded. T M P Technic-Marketing-Products GMBH has taken corresponding measures to defend and assert its legal position and will continue to oppose the claims asserted in this respect in these proceedings with all legal means available to it.

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 and 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, such as 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 risk types 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 the Central Financial Management Department manage the Group's liquidity risk. The liquidity risk is managed primarily by procuring funds as part of the overall funding of the Berentzen Group, which breaks down as follows for the 2018 financial year:

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 with an option to extend the term by a further year. The Berentzen Group has exercised this option in February 2018 and extended the term by a year. The maturity date is now 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 (previous year: 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 2018 financial year, this gave rise to an average gross funding volume of EUR 9.2 million (previous year: EUR 9.7 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 1.1 million (previous year: EUR 1.4 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 0.9 million (previous year: EUR 1.2 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 (previous year: 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 60.3 million at December 31, 2018 (previous year: EUR 61.1 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: 76%) 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 a default on receivables, the net default risk is only slightly less than 5% of the gross receivable as the VAT is refunded by the tax authorities. The provision or collateral or payment in advance is frequently demanded of 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. The maximum credit risk of the trade receivables corresponds to this carrying amount.

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.

	2018		2017	
	EUR '000	%	EUR' 000	%
Trade receivables	**16,791**	**100.00%**	**14,076**	**100.00%**
- of which trade credit-insured	4,900	29.18%	3,035	21.56%
- of which secured by a surety	5,418	32.27%	2,644	18.78%
- of which secured by guarantees	2,145	12.77%	1,711	12.16%
- of which unsecured	3,971	23.65%	6,385	45.36%
- of which written down	357	2.13%	301	2.14%

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 cash and cash equivalents, financial assets measured at fair value through profit or loss, and other financial assets 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 0.7 million (previous year: EUR 2.3 million) and EUR 2.5 million (previous year: EUR 3.0 million) as of December 31, 2018. 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. 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 recognised in profit or loss. No foreign subsidiaries were deconsolidated in financial year 2018. As a result, negative currency effects from the translation of Group-internal financing for a Group company in Turkey remain in the Berentzen Group's retained earnings in the amount of EUR 2.8 million (previous year: EUR 2.4 million) as of December 31, 2018.

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 using a hypothetical appreciation or depreciation of the euro by 5% vis-a-vis all currencies. All other variables remain constant.

	2018		2017	
	Exchange rate change + 5% EUR' 000	Exchange rate change - 5% EUR' 000	Exchange rate change + 5% EUR' 000	Exchange rate change - 5% EUR' 000
USD	-415	458	-385	426
TRY	123	-136	113	-125
Other	-13	15	-35	38
Overall effect on equity and earnings before income taxes	**-305**	**337**	**-307**	**339**

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.

No financial instruments are currently employed as hedging instruments. 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					
	2018			2017		
	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	15,793	158	- 158	19,397	194	- 194
Other current assets	1,361	13	- 13	1,331	13	- 13
Effect before income taxes		171	- 171		207	- 207
Financial liabilities						
Liabilities from syndicated loan	7,500	75	- 75	7,500	75	- 75
Liabilities due to banks	334	3	- 3	963	10	- 10
Factoring (off-balance sheet)	9,188	92	- 92	9,740	97	- 97
Effects before income taxes		170	- 170		182	- 182
Total effect		**1**	**- 1**		**25**	**- 25**

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 1 thousand (previous year: EUR 25 thousand) higher (lower).

The actual average payment term for the entire Group is currently around 35 (previous year: 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 *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 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.

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:

	12/31/2018 EUR '000	12/31/2017 EUR '000
Consolidated shareholders' equity	47,409	44,589
Adjusted shareholders' equity	**47,409**	**44,589**
Total capital	144,979	143,445
Adjusted total capital	**144,979**	**143,445**
Equity ratio	**32.7%**	**31.1%**

The dynamic debt 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 debt ratio at year-end:

	12/31/2018 EUR '000	12/31/2017 EUR '000
Non-current financial liabilities	7,134	7,068
Current financial liabilities	1,086	1,669
Cash and cash equivalents	15,793	19,397
Total Net Debt	-7,573	-10,660
EBITDA	17,328	16,408
Dynamic gearing ratio	**- 0.44**	**- 0.65**

Information regarding risk management, particularly the covenants agreed upon, can be found in Note (4.5). As of December 31, 2018, 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.

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	2018 EUR '000	2017 EUR '000
Short-term benefits	902	1,138
Other long-term benefits	164	136
	1,066	**1,274**

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	2018 EUR '000	2017 EUR '000
Non-performance-based components	719	705
Performance-based components	218	462
Total compensation	**937**	**1,167**
Committed performance-based components with a long-term incentive effect	**129**	**107**

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 129 thousand (EUR 107 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 2018, 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 2018. Furthermore, the total compensation of the Executive Board in financial year 2018 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 2018.

No compensation was paid to former members of the Executive Board or their surviving dependents in the 2018 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 105 thousand in financial year 2018 (EUR 106 thousand).

As calculated in accordance with IAS 19, the present value of accrued pension obligations for this group of persons amounted to EUR 763 thousand at December 31, 2018 (previous year: EUR 876 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 241 thousand (previous year: EUR 243 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 156 thousand (previous year: EUR 150 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 2018, 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 2018. Furthermore, the total compensation of the Supervisory Board in financial year 2018 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 2018.

No compensation was granted to former members of the Supervisory Board and their survivors in financial year 2018.

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, 2018, 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, 2018, 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 2018 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 new version in force since January 3, 2018, or pursuant to Section 21 WpHG in the previously valid old version 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:

Person subject to notification obligation	Names of shareholders [1]	Date when a reporting threshold was reached, exceeded, or fallen below	Attribution per WpHG	Attribution via	Voting rights	
					%	No.
Stichting Administratiekantoor Monolith Amsterdam, The Netherlands		February 2, 2019 [2]	Section 34	Monolith N.V.	10.04	964,022
MainFirst SICAV Senningerberg, Luxembourg		March 2, 2016			8.50	815,500
Intrepid Capital Corp. [3] Jacksonville Beach / Florida, Vereinigte Staaten von Amerika	Intrepid Capital Fund	May 23, 2018	Section 34	Intrepid Capital Corp. Intrepid Capital Management, Inc. The Intrepid Capital, LP	6.11	586,711
		April 10, 2018	Section 34	Intrepid Capital Corp. Intrepid Capital Management, Inc. The Intrepid Capital, LP	3.21	308,507
Lazard Frères Gestion S.A.S. Paris, France		June 22, 2017			5.07	486,598
Intrepid Capital Management Funds Trust [3] Jacksonville Beach / Florida, Vereinigte Staaten von Amerika	Intrepid Capital Fund	May 23, 2018	Section 34	Intrepid Capital Management Funds Trust Intrepid Capital Fund Intrepid Capital Management Funds Trust The Intrepid International Fund	3.99	383,375
C+F NV Antwerp, Belgium		May 23, 2018	Section 34		1.86	178,290
		March 16, 2018	Section 34		3.05	292,421
Capfi Delen Asset Management NV Antwerp, Belgium		May 23, 2018	Section 34		1.86	178,290
		March 16, 2018	Section 34		3.05	292,421

1) Names of shareholders with voting rights amounting to 3% or more if different than the person obliged to provide notification.

2) Voluntary Group announcement relating to the reaching of a threshold only at the level of the subsidiary. The notification threshold of 10% was reached or exceeded for the first time on April 25, 2016 with allocation via a different subsidiary.

3) According to information available to Berentzen-Gruppe Aktiengesellschaft, the share of the companies attributable to the Intrepid Investor Group in the voting rights amounts to a total of 6.11% or 586,711 shares based on the notifications provided in accordance with the Securities Trading Act (WpHG).

(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 2018. 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 2018 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	Doornkaat Aktiengesellschaft, Norden, Germany (Deputy Chairman of the Supervisory Board)
Oliver Schwegmann Timmendorfer Strand, Germany	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)

Supervisory Board of Berentzen-Gruppe Aktiengesellschaft

The following persons served as members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft in the 2018 financial year:

Name	Position held	Other Supervisory Board mandates
Uwe Bergheim Dusseldorf, Germany Chairman of the Supervisory Board (since May 3, 2018)	Self-employed corporate consultant, Dusseldorf, Germany	
Gert Purkert Munich, Germany Chairman of the Supervisory Board (until May 3, 2018)	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	Managing Director of TEEKANNE Holding GmbH, Dusseldorf, Germany, as general partner of TEEKANNE GmbH & Co. KG, Dusseldorf, Germany	
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	Professor of Business Administration at FOM University of Economics & Management, Essen / Nuremberg, Germany	
Hendrik H. van der Lof Almelo, The Netherlands	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)
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 3, 2018, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was elected as the independent auditor of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft. The independent auditor of the consolidated financial statements in the 2018 financial year charged a total fee which breaks down as shown in the following table:

	2018 EUR '000	2017 EUR '000
Financial statements auditing services	165	167
Other certification services	0	0
Tax advisory services	0	0
Other services	0	0
	165	**167**

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 in the previous year.

(4.12) Events after the reporting date

No reportable events have taken place since the end of the financial year.

Haselünne, March 14, 2019

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

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group, and the group management report, which is combined with the management report of Berentzen-Gruppe Aktiengesellschaft, provides a true and fair view of the development of the business, including the results of operations and the position of the Group as well as a description of the significant opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Haselünne, March 14, 2019

Berentzen-Gruppe Aktiengesellschaft

The Executive Board

Oliver Schwegmann	Ralf Brühöfner
Executive Board member	Executive Board member

Independend Auditor’s Report

To Berentzen-Gruppe Aktiengesellschaft, Haselünne

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 as at 31 December 2018, 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 2018 to 31 December 2018, 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 (referred to subsequently as “combined management report”) for the financial year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Declaration pursuant to Section 289f and Section 315d HGB [Handelsgesetzbuch: German Commercial Code] and the Corporate Governance Report, referred to in section (8) of the combined management report.

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 paragraph 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 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, 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 Corporate Governance Declaration pursuant to Section 289f and Section 315d HGB and of the Corporate Governance Report.

Pursuant to section 322 paragraph 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 2018 to 31 December 2018. 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

Risks arising from an arbitration proceeding

1. Financial Statement Risk

The consolidated financial statements as of 31 December 2018 include provisions for legal disputes in the amount of EUR 650 thousand under "current provisions". These provisions were recognized for the estimated litigation costs and litigation risks of the group company TMP Technic-Marketing-Products GmbH, Linz/Austria. The US distributor acting on behalf of the subsidiary T M P Technic-Marketing-Products GMBH, Linz, Austria, is asserting claims as part of pending arbitration proceedings instigated by the distributor in August 2018; the claims include but are not limited to damages in connection with alleged breaches of the distribution contract between the parties of a medium to high sixdigit figure in euros..

The risk assessment required for the presentation of the litigation is based on estimates and assumptions of the executive directors of Berentzen-Gruppe Aktiengesellschaft concerning the development of the arbitration proceedings and is therefore associated with high estimation uncertainties. Against this background, the matter was of particular importance for our audit.

2. Audit Approach

As part of our audit, among other things, we assessed the process established by the Company to ensure the recognition, the estimate of the costs and outcome of the proceedings, and the accounting presentation of a legal dispute. In addition, the material assumptions relevant for the recognition and measurement of the provision recognised for the arbitration proceeding were assessed and the calculation method was verified. For this purpose we inspected the underlying documents of the legal dispute and the legal counsel's confirmations. We conducted inquiries of one executive director and the Company's legal department to obtain an understanding of the current development and the rationale on which the relevant estimates are based. Furthermore, a written statement concerning the underlying assumptions for the accounting of the provision was obtained from the Company.Within our audit we also assessed the respective disclosures in the notes to the consolidated financial statements.

3. Reference to Related Disclosures

The company's disclosures concerning the legal disputes are included in sections 1.7, 2.16 and 4.4 of notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- the Corporate Governance Report including the Corporate Governance Declaration pursuant to Section 289f and Section 315d HGB.
- the Declaration pursuant to Section 297 para. 2 sentence 4 HGB regarding the consolidated financial statements and the Declaration 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 Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are 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 paragraph 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 executive directors are 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 executive directors are 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 executive directors are 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 executive directors are 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 executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 paragraph 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 executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 3 May 2018. We were engaged by the supervisory board on 25 August 2018. We have been the group auditor of Berentzen-Gruppe Aktiengesellschaft, Haselünne, 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, 15 March 2019

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Thomas Senger	Ronald Rulfs
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

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Financial Calendar 2019

January 10/11, 2019	ODDO BHF Forum in Lyon, France, Lyon Convention Center
February 5, 2019	Publication of preliminary business figures 2018
March 21, 2019	Publication of consolidated and separate financial statements and 2018 Annual Report
May 7, 2019	Publication of the Q1/2019 Interim Report
May 14/15, 2019	Equity Forum Spring Conference 2019 in Frankfurt/Main, Germany, Le Mèridien Frankfurt
May 22, 2019	Annual general meeting in Hanover, Germany, Hannover Congress Centrum (HCC), Glashalle
August 13, 2019	Publication of the 2019 Group Semiannual Report
October 24, 2019	Publication of the Q3/2019 Interim Report

At March 21, 2019. The financial calendar is provided for information purposes only and will be regularly updated. It is subject to change.

Disclaimer

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