Dr. August Oetker KG

Oetker-Gruppe

2017

Annual Report 2017

The Oetker Group
Key Indicators

	2015	in %	2016	in %	**2017**	in %	%[2]
NET SALES BY DIVISION[1] (IN EUR MILLION)	**11,949**	**100.0**	**11,704**	**100.0**	**11,601**	**100.0**	**–0.9**
Food	2,990	25.0	3,071	26.2	3,135	27.0	2.1
Beer and Nonalcoholic Beverages	1,878	15.7	1,901	16.2	1,908	16.4	0.4
Sparkling Wine, Wine and Spirits	501	4.2	502	4.3	523	4.5	4.2
Shipping	6,057	50.7	5,624	48.1	5,398	46.5	–4.0
Other Interests	524	4.4	606	5.2	637	5.5	5.0
NET SALES BY REGION[1] (IN EUR MILLION)	**11,949**	**100.0**	**11,704**	**100.0**	**11,601**	**100.0**	**–0.9**
Germany	3,733	31.2	3,894	33.3	3,874	33.4	–0.5
Rest of the EU	2,764	23.1	2,663	22.8	2,799	24.1	5.1
Rest of Europe	577	4.8	580	5.0	573	4.9	–1.2
Rest of the world	4,875	40.8	4,567	39.0	4,356	37.5	–4.6
INVESTMENTS[1] (IN EUR MILLION) (without first-time consolidations)	**740**	**100.0**	**405**	**100.0**	**558**	**100.0**	**37.8**
Food	153	20.7	182	45.1	198	35.5	8.7
Beer and Nonalcoholic Beverages	97	13.0	84	20.8	99	17.8	17.9
Sparkling Wine, Wine and Spirits	15	2.1	14	3.4	15	2.7	10.6
Shipping	437	59.0	77	18.9	217	38.9	183.0
Other Interests	38	5.2	48	11.9	29	5.1	–40.5
EMPLOYEES[1] (BY HEADCOUNT)	**30,787**	**100.0**	**32,078**	**100.0**	**32,204**	**100.0**	**0.4**
Food	14,478	47.0	15,368	47.9	15,733	48.9	2.4
Beer and Nonalcoholic Beverages	5,894	19.1	5,986	18.7	6,066	18.8	1.4
Sparkling Wine, Wine and Spirits	1,972	6.4	1,922	6.0	1,934	6.0	0.6
Shipping	5,960	19.4	6,300	19.6	5,874	18.2	–6.8
Other Interests	2,482	8.1	2,503	7.8	2,597	8.1	3.8

[1] In the 2017 financial year, the Shipping Division is included until November 30, 2017, the date of deconsolidation.

[2] Percentage change 2016/2017.

The percentages included in the group management report and the consolidated financial statements refer to the exact amounts, not the rounded amounts. Due to rounding it is possible that individual numbers (€, %, etc.) do not add up exactly to the specified sum.

01 *Group Management Report*

02 *Consolidated Financial Statements*

Ladies and Gentlemen,

The global political conditions that the companies of the Oetker Group operated under in 2017 are in many ways the factors that will make this year go down in history. The inauguration of the new US President with his message “America first!”, an expansive and ambitious global trade, investment and geo-strategy from China and the global rise of autocrats challenge the European-style democracies to provide forward-looking answers that strengthen our social order and assure companies of a reliable framework. A Europe facing the consequences of Brexit is also being challenged in some countries of the EU by a dilution of its Western European-oriented values and norms. The effects of the financial crisis, worries about excessive immigration and Islamist terrorism and worries about of economic decline, which are increasingly obscuring the benefits of globalization, unsettling people in many countries and playing into the hands of leaders who promise security and control. So, we would do well to invoke and re-appreciate the strengths of democracy so that the vision of a sovereign, united and democratic Europe can become a reality. This is the real opportunity. It is important to take it.

In the face of these developments, the familiar markets of the Oetker Group have changed rapidly on a global scale. The combination of classic industry competition for market share and cross-industry competition over positioning in the digital future are both an opportunity for us and a challenge at the same time. Specifically, this means that the companies of the Oetker Group will continue to successfully pursue traditional business models, but in addition, they will increasingly deal with new technologies, new products and completely new business models. Only then will it be possible to not only withstand the pressure of political conditions, the digital revolution, changed consumer behavior and innovative and disruptive competitors, but to counter them.

The Annual Report 2017 shows how diverse, creative and promising the companies of the Oetker Group have been in dealing with these challenges, without losing sight of the fundamental values that make up our collective corporate culture. The further development and expansion of digital skills while simultaneously optimizing existing structures and processes was the focus of strategic development for many of our companies. The sale of the Shipping Division on November 30, 2017, was an important step in this respect, but emotionally it also meant a farewell to a division that was an integral part of the group’s portfolio for more than 80 years.

Mastering the challenges outlined above while at the same time courageously taking advantage of the opportunities presented will only succeed if everyone involved pulls together. I would therefore like to thank our customers and business partners of the group companies for their excellent work during the year under review. But my thanks also go above all to our employees, for their dedication and their successful day-to-day work. They make

our company what it is today and with good reason can be proud of it. My special thanks go to the employees of Hamburg Süd, who with the sale of the Shipping Division left the Oetker Group on November 30, 2017. They remained committed and motivated in their work and made sure that Hamburg Süd was able to change hands with the same reputation for quality and outstanding expertise.

I would also like to thank, on behalf of my colleagues from the group management, the stockholder committees and the advisory board of Dr. August Oetker KG, who besides their role of supervising the group management were also always available for advice and support.

The companies of the Oetker Group have courageously plotted their course for the future. This course will entail a lot of new, unusual and sometimes even uncomfortable developments. But it will not deviate from the fundamental values and standards that have been our guide for more than 125 years, and on which we will be able to count on in the future.

On that note, and with best regards,

Dr. Albert Christmann

01 *Group Management Report*

The percentages included in the group management report and the consolidated financial statements refer to the exact amounts, not the rounded amounts. Due to rounding it is possible that individual numbers (€, %, etc.) do not add up exactly to the specified sum.

Group Management Report

01

Corporate Structure
Overview

The Oetker Group is one of Germany's major family businesses. A broad diversification in five business divisions characterizes the internationally active group, which is represented with production, sales and service centers in more than 50 countries worldwide. In the consolidated financial statements up until December 31, 2017, a total of 327 companies (previous year: 415) are included in accordance with the rules of full consolidation, of which 191 are in Germany (previous year: 236) and 136 abroad (previous year: 179). The group's head office is in Bielefeld (Germany).

The group is committed to the principle of risk balancing. After the deconsolidation of the Shipping Division, the group comprises four consolidated business divisions:

- Food
- Beer and Nonalcoholic Beverages
- Sparkling Wine, Wine and Spirits
- Other Interests

With the signing of the contract on March 14, 2017, the shares in the companies of the Shipping Division were sold to the Maersk Group. After all regulatory approvals for the execution of the purchase agreement had been obtained, the transaction and the deconsolidation of the Shipping Division became effective on November 30, 2017.

In addition to the above-mentioned divisions, which are fully consolidated, Bankhaus Lampe and its subsidiaries form the Bank Division, which is included at equity in the consolidated financial statements.

As the group holding company, Dr. August Oetker KG manages the corporate processes and sets the framework with clear responsibilities, coordinates finances and taxes and runs central service departments. Standards and values across the group form the cultural framework for effective cooperation that builds on high business continuity. Under the group umbrella and building on the strategic potential and core competencies of the Oetker Group, the business divisions are developed and expanded autonomously.

Business Divisions

↗ oetker.com
oetker.de
oetker-professional.de
martinbraungruppe.de
coppenrath-wiese.de

Food

The Food Division is comprised of the companies *Dr. Oetker, the Martin Braun Group* and *Conditorei Coppenrath & Wiese*. All three groups are headquartered in Germany and produce food for retail and wholesale consumers worldwide.

Under the umbrella of *Dr. Oetker*, and its head office in Bielefeld, 39 national companies operate across the globe. The various products are distributed worldwide via all key distribution channels. The Dr. Oetker sales activities are decentralized. Sales are country-specific and thus correspond to the local needs of the customers. Sales target groups are divided into retail and professional customers. In the German end-consumer business, Dr. Oetker concentrates on the categories cake/dessert and pizza. Along with that the Dr. Oetker Professional brand offers products in appropriate packaging sizes for kitchens and canteens, hospitals and other institutions. The retail products distributed in Germany are mostly produced at the locations in Bielefeld, Oerlinghausen, Wittenburg, Wittlich and Moers. The bulk consumer product range for Dr. Oetker Professional is mostly produced at the Ettlingen location. In addition to production sites in Germany, Dr. Oetker operates plants in the core European markets and in North America, South America, Africa and Asia.

Besides the Dr. Oetker brand, the company owns other strong and well-established brands in certain countries. These brands include cameo and Paneangeli in Italy, D'Gari in Mexico, Koopmans in the Netherlands and Chicago Town in the UK. The national companies offer international Dr. Oetker products as well as national products geared towards typical local products.

To fulfill the high quality requirements of the Oetker Group, the procurement of all materials is handled exclusively through carefully selected suppliers who have been approved through a regular, periodic quality assurance process. In this process, adherence to the strict quality standards is the top priority.

For Dr. Oetker, innovative new products and services guarantee growth and success. Consumer acceptance and confidence in the quality of products set the standard for new products and the continuing development of the existing product line. International teams work with products throughout their entire life cycle. Trends are thus identified and evaluated in a timely fashion, and possibly turned into new products.

The *Martin Braun Group*, headquartered in Hanover, includes all companies in the bulk consumer baking sector. It develops, produces and distributes a full range of convenience products for the bakery, confectionery and catering industries, and sells its products worldwide through wholesalers, retailers, bakeries, patisseries and industrial companies. The product portfolio includes flavors, fillings, cream stabilizers, glazes, pastes, decorative items, ready-made mixes and pre-mixes for baked goods, gelling and binding agents, ice cream products, toppings, beverage concentrates and fruit purees. The comprehensive product range for commercial processing offers confectionery ingredients under the Braun brand, ingredients for bread and rolls under the Agrano brand and ingredients for ice cream under the Cresco brand. In addition, the group produces premium frozen baked products under the Wolf ButterBack brand. The internationally active Martin Braun Group with its diverse product range is represented in all relevant distribution channels in many exporting countries.

The purchasing policies of the Martin Braun Group secure transparency in the purchasing process. All suppliers are selected based on defined criteria, and all incoming production materials undergo a careful receiving check. Through its holistic approach to products, the Martin Braun Group ensures a customer-oriented product line of foolproof baked products throughout the entire value chain, and in accordance with statutory food safety regulations.

Conditorei Coppenrath & Wiese is the German market leader in frozen gateaux and cakes, which are produced in Mettingen. The baked products produced in Germany are sold nationally and internationally under the corporate brand Conditorei Coppenrath & Wiese as well as other trade brands. The product line of the company includes cream gateaux, baked cakes, sheet cakes, cream rolls and tarts, strudels, mini confectionery and desserts, as well as frozen rolls and baguettes. The business model follows the credo "We provide the best alternative to home-made" and combines classic baking traditions and confectionery expertise with state-of-the-art manufacturing methods.

At Coppenrath & Wiese the high quality requirements for the baked products and the needs of customers set the standard for raw materials and the service quality of its suppliers. Procurement is implemented close to the market and, thanks to many years of close supplier relationships over short distances, is able to provide efficient solutions to problems, in particular for new raw materials, packaging and indirect goods.

↗ radeberger-gruppe.de

Beer and Nonalcoholic Beverages

Headquartered in Frankfurt, the *Radeberger Group* is Germany's largest private brewery group and forms the Beer and Nonalcoholic Beverages Division of the Oetker Group. It offers a broad portfolio of strong international, national and regional brands: In addition to the eponymous Radeberger Pilsner the portfolio includes well-known and popular beer brands such as Jever, Clausthaler Alkoholfrei, Schöfferhofer Weizen, Allgäuer Büble Bier, Ur-Krostitzer, Stuttgarter Hofbräu, Berliner Pilsner and Freiberger. Added to this is the mineral water brand Original Selters. The core sales market is Germany. Apart from Germany, the products are marketed in more than 60 countries. The Radeberger Group is also the exclusive distribution partner for the Guinness and Kilkenny brands from Diageo, and for the Heineken Group's Mexican beer brand Sol. Since 2015, in the context of a long-term partnership with PepsiCo, the Radeberger Group has been producing and distributing the Pepsi, Mirinda, 7Up, Schwip Schwap and Punica apple spritzer brands in Germany for the catering market and beverage outlets with no connection to the retail grocery trade.

With its portfolio, the Radeberger Group promotes the diversity of German beer and beverages, and continues to actively develop the German market for beer and nonalcoholic beverages with an innovative business model. So as to meet new consumer demands, the brand portfolio is regularly expanded and updated with new products or additions. In addition to its own production and sales locations, long-haul logistics under the umbrella of Getränke Essmann, wholesale beverage companies (GFGH) and beverage outlets (GAM) under the company name Getränke Hoffmann complete the Beer and Nonalcoholic Beverages Division.

In addition, as one of the key factors for future market success, digitization will create new business opportunities. In 2017, "DurstExpress" was launched, the group's own online ordering platform for beverage deliveries to end consumers in Berlin. The goal is to become the leading online ordering platform for beverages in Germany after expanding into other metropolitan regions.

↗ henkell-gruppe.de

Sparkling Wine, Wine and Spirits

Within the Oetker Group, the *Henkell & Co. Group* forms the Sparkling Wine, Wine and Spirits Division, operating its own production and sales locations in 22 countries – primarily in Western and Eastern Europe – and exporting sparkling wine, wine and spirits to more than 100 nations worldwide. Products are distributed through retail and wholesale outlets as well as the restaurant industry. The group offers all major varieties of sparkling wine from its own production facilities. The portfolio in Germany includes the sparkling wine brands Henkell Trocken, Fürst von Metternich and Söhnlein Brillant. The Henkell & Co. Group is represented with three production sites in Germany. The production for all German sparkling wine brands distributed in Germany and abroad is carried out at the original Henkell & Co. plant in Wiesbaden. The production of spirits produced in Germany has thus far been centralized at the Kuemmerling plant in Bodenheim near Mainz. By the middle of 2018, spirits production will be integrated into the Wiesbaden headquarters. Schloss Johannisberger Riesling and wines of the G.H. von Mumm'schen Weingut are cultivated and produced on the Johannisberg in the Rhine Gorge. In addition, Henkell & Co. operates various other production sites in Europe for sparkling wine, wine and spirits.

The group also has an international product line with its own champagne and crémant varieties sold under the brands Alfred Gratien and Gratien & Meyer from France, Mionetto prosecco from Italy and cava from the Cavas Hill brand in Spain. Also part of the portfolio are long-established sparkling wine brands from Hungary, the Czech Republic, Romania, Slovakia and Ukraine. Henkell & Co. is the market leader for premium sparkling wine in Germany, and for sparkling wine in Austria, Hungary, Estonia, the Czech Republic, Slovakia and Canada. The Mionetto brand is the leading prosecco in the world.

Besides sparkling wine, renowned national and international wines complete the group's product line. The German winery Fürst von Metternich-Winneburg'sche Domäne Schloss Johannisberg stands for exquisite, world-famous Riesling wines. With its wineries in the Czech Republic, Slovakia and Hungary, the group is one of the leading suppliers of quality wine in Central Europe, while the brand i heart WINES is one of the fastest-growing wine brands in England.

The Henkell & Co. Group also represents a broad spectrum of spirits that ranges from almost all relevant varieties of vodka, as well as "Korn" schnapps, gin, brandy and cream and bitter liqueurs, to aperitifs. In the spirits sector, Henkell & Co. is the market leader for vodka in Germany, gin in Poland and brandy in Slovakia.

Development efforts are driven by the desires and needs of customers for new product categories and taste experiences, but also by the continuing development of existing brands and products. Across divisions, interdisciplinary teams are working on the continuous development of the brands and the implementation of new product ideas.

↗ hamburgsud.com

Shipping

Until the date of deconsolidation as of November 30, 2017, the *Hamburg Süd Group* formed the Shipping Division within the Oetker Group. The core business of the Hamburg Süd Group is container liner shipping, including all upstream and downstream logistics services with Hamburg Süd as the German carrier, Aliança as the Brazilian shipping company and the container liner activities of the Chilean shipping company Compañía Chilena de Navegación Interoceánica SA (CCNI). In addition, the group operates under the name Rudolf A. Oetker (RAO), Furness Withy Chartering and Aliança Bulk (Aliabulk) in the bulk and product tanker operations and with the Hamburg Süd travel agency as a special service provider in the field of business travel, cruises and cargo ship travel.

As an international transport logistics company, the Hamburg Süd Group is one of the ten largest container shipping companies in the world, measured by the capacity of the ships used. With more than 160 ships – from container ships to bulk carriers to product tankers – it is one of the world's leading providers of global maritime transport and individual logistics services. In container liner shipping, which accounts for more than 85% of revenue, Hamburg Süd has traditionally focused on north-south traffic between Europe and South America, North America and South America, North America and Australia/New Zealand, and Asia and South America. In recent years, the shipping company has also established a presence in the large-volume east-west traffic between Asia and Europe, Europe and North America, and Asia and North America.

atlanticforfaiting.com
budenheim.com
oetkercollection.com
oediv.de
oetkerdigital.com
roland-transport.de

Other Interests

The Other Interests Division brings companies from the Oetker Group together that operate in different industries. These include the chemical specialist *Budenheim*, the *Oetker Collection, OEDIV Oetker Daten- und Informationsverarbeitung, Handelsgesellschaft Sparrenberg (HGS), Roland Transport, Oetker Digital and Atlantic Forfaiting* and other companies.

Budenheim has developed into a world-leading supplier of customized and high-quality specialty chemicals on the world markets. The products are marketed directly through distributors in more than 90 countries. The chemical specialist focuses on the pharmaceutical and medical sector, is breaking new ground in the fields of nutrition and health, offering its customers solutions for more sustainability and securing natural resources. Budenheim is one of the leading specialty chemicals companies in many of these market-oriented areas. It has its origins in the eponymous municipality in Rheinhessen, which is also home to the production facilities for high-purity phosphates. In addition, Budenheim carries out production in the US, Mexico, Spain and China. With its network of production and sales locations, e.g. in Singapore, India and South America, as well as numerous trade partners, the company is present in its customers' markets. The base material for Budenheim's range of phosphate products is extremely pure phosphoric acid, which is procured via a joint venture based in Morocco.

The *Oetker Collection* represents a unique collection of international grand hotels. It includes four group-owned luxury-class hotels in Germany and France. In addition, the Oetker Collection manages six unique, externally owned grand hotels at various locations across the globe. The hotels of the Oetker Collection, including their marketing activities and sales processes, are coordinated by the Oetker Hotel Management Company (OHMC). This enables coordinated and efficient marketing. Cooperation with the leading travel agents in the core markets, intensive support for the hotels from the international network of PR agencies, and the close cooperation between the hotels to jointly promote the individual operations of the Oetker Collection remain essential to sales success.

OEDIV Oetker Daten- und Informationsverarbeitung operates the data centers not only for the group´s own IT systems, but also the IT systems for a steadily increasing number of external companies. The focus includes applications by SAP and Microsoft, as well as corresponding solutions for visualizing integrated process chains. In addition to these core applications, OEDIV operates a wide range of related services. These include hybrid cloud scenarios, human resources services as well as web and security solutions. As a result of the growing demands, OEDIV continuously expands its range of services. OEDIV services meet the highest quality standards. Due to the extremely process-critical nature of the systems operated by OEDIV, the systems and architectures deployed must meet customers' exacting availability requirements. To secure its services, OEDIV operates two data centers, so that in the event of a disaster the critical systems are still available or can be put back into service as soon as possible. In addition, up-to-date security systems and infrastructures ensure the necessary data protection.

As a specialized information and procurement service provider, *Handelsgesellschaft Sparrenberg (HGS)* bundles the conceptual procurement expertise in the Oetker Group and supports group members and external customers in the development of new strategic perspectives. HGS has many years of experience in the analysis and use of European procurement markets, the research, processing and interpretation of market and price data, and the forecasting of possible future developments.

As an independent and service-oriented 4PL partner (4PL – fourth-party logistics), *Roland Transport* provides comprehensive logistics services for small and medium-sized enterprises. The company acts as a 4PL service provider that is always neutral and without assets of its own, and optimizes the various services offered in a total package.

With the founding of *Oetker Digital* in 2016, the group is closely involved with the subject of digitization. Oetker Digital actively supports the companies of the Oetker Group on their way to the digital future. As a partner, it strengthens the established brands of the group and identifies and develops new, future-oriented business models that sustainably enhance the digital profile of the Oetker Group.

Atlantic Forfaiting has been dealing with export and trade finance since the late 1950s. Its long-standing market presence as a smaller, specialized forfaiting company has led to consolidated business relationships, trust and appreciation among export customers and banks. The focus of the services is on the assumption of trade receivables without recourse to the seller. In addition, the portfolio also includes import financing and loans as well as the purchase and sale of trade receivables.

↗ bankhaus-lampe.de

Bank

Bankhaus Lampe and its subsidiaries form the Bank Division and are among the leading independent and general partner-managed private banks in Germany. The bank's business activities are focused on consultation and support for its three target customer groups: high net worth individuals, companies and institutional clients. It is included at equity in the consolidated financial statements. Additional information is available in the bank's separate annual report.

Management Structure

The Oetker Group is one of Germany's major family businesses. To this day, the owner family exerts considerable influence on the group's strategy and business policy. The values, which are solidified in more than 125 years of corporate history and place the human being at the center of all activity, are still embodied by the members of the highest executive body, the group management, are being upheld by group companies and are being actively transferred into the increasingly digitalized future.

The management structure ensures that decisions are made locally, close to the market and based on the needs of the line of business concerned, while at the same time resources are pooled centrally.

The management level consists of the stockholders, the advisory board, group management and the executive boards of the individual companies.

The advisory board of Dr. August Oetker KG, which, based on the articles of incorporation, is made up of stockholders and a majority of individuals from outside the stockholder families, remained unchanged during the 2017 financial year.

The members of the advisory board are Dr. h.c. August Oetker (Chairman), Dr. Alfred Oetker (Deputy Chairman) and Rudolf Louis Schweizer. The external members are Dr. Christoph v. Grolman, Dr. Andreas Jacobs, Hans-Otto Schrader and Carsten Spohr.

New to the group management is Dr. Heino Schmidt, previously member of the board of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd), responsible for accounting, controlling and human resources. He joined the group management on September 1, 2017, and as of November 1, 2017, took over the responsibility for the group finance department as well as the Other Interests and Bank divisions from Dr. Albert Christmann. Also effective from November 1, 2017, Dr. Albert Christmann, General Partner of Dr. August Oetker KG and member of the group management, took over the role of Chairman of the Executive Board of Dr. August Oetker Nahrungsmittel KG from Richard Oetker, who has retired. Richard Oetker remains with the company as a shareholder and on various advisory boards of group companies. From January 2017, Dr. Albert Christmann will continue to represent the group's Food and Sparkling Wine and Wine, Spirits divisions as well as Oetker Digital. Dr. Ottmar Gast, responsible for the Shipping Division (until November 30, 2017), left the group management, because he reached the agreed retirement age as of December 31, 2017.

Stockholders

Advisory Board

Dr. h. c. August Oetker
Chairman of the Advisory Board and stockholder of Dr. August Oetker KG.

Dr. Alfred Oetker
Stockholder of Dr. August Oetker KG and Deputy to the Chairman of the Advisory Board, Dr. h. c. August Oetker.

Dr. Christoph v. Grolman
Chief Executive Officer of TBG AG.

Dr. Andreas Jacobs
Member of the Administrative Board of Jacobs Holding AG and Chairman of INSEAD – the Business School for the World.

Hans-Otto Schrader
Chairman of the Supervisory Board of Otto AG für Beteiligungen.

Rudolf Louis Schweizer
Stockholder of Dr. August Oetker KG.

Carsten Spohr
Chairman of the Executive Board of Deutsche Lufthansa AG.

Group Management

Dr. Albert Christmann
General Partner of Dr. August Oetker KG and responsible for the Food and Sparkling Wine, Wine and Spirits divisions as well as Oetker Digital. In addition, Chairman of the Executive Board of Dr. August Oetker Nahrungsmittel KG (since November 1, 2017).

Dr. Ottmar Gast
General Partner of Dr. August Oetker KG (until December 31, 2017), spokesman for the Executive Board of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd) and responsible for the Shipping Division (until November 30, 2017).

Dr. Niels Lorenz
Chief Representative of Dr. August Oetker KG, spokesman for the Executive Board of Radeberger Group KG and responsible for the Beer and Nonalcoholic Beverages Division.

Dr. Heino Schmidt
Chief Representative of Dr. August Oetker KG and responsible for the Other Interests and Bank divisions as well as for Finance, Controlling, Legal and Taxes (since November 1, 2017).

Executive Boards of the Group Companies

Group Management

Dr. Albert Christmann
Food, Sparkling Wine, Wine and Spirits and Oetker Digital

Dr. Ottmar Gast
Shipping until November 30, 2017, General Partner and member of the group management until December 31, 2017

Dr. Niels Lorenz
Beer and Nonalcoholic Beverages

Dr. Heino Schmidt
Other Interests, Bank, Finance, Controlling, Legal and Taxes since November 1, 2017

Economic Framework

Macroeconomic conditions

The global economy grew by 3.9% in 2017. The economy continued to gain momentum in both emerging and advanced economies. The economic expansion in the emerging markets is mainly due to an upturn in production in the countries exporting raw materials. The volume of global trade increased by 4.5% versus the previous year. The growth in world trade is largely driven by the greater expansion of foreign trade in Asia, especially in China.

After the economy of the European Union (EU) had developed moderately in previous years, the economic expansion in 2017 gained in breadth and strength. Compared to the previous year, gross domestic product increased by 2.5% overall. This upturn was predominantly based on domestic buoyant forces. Investment was particularly strong, but private consumption also expanded in the face of increasing employment and rising wages. Favorable conditions for financing supported the positive development. The economic trend is now upward in all eurozone countries. By contrast, production in the UK rose comparatively moderately. The expected negative effects of the decision to leave the EU became visible during the year under review. There is still great uncertainty about future economic relations. This reduces investment propensity and also increases the pressure on the exchange rate of the British pound. German gross domestic product increased by 2.5%. The favorable employment and income situation of private households was reflected in the good consumer climate. The basic conditions for business investment in Germany were still a stimulating factor. Eastern Europe is growing again after the recession of previous years, mainly due to the improving Russian economy.

The US economy achieved growth of 2.3%. A continued positive consumer outlook and rising incomes continued to provide the foundation for economic expansion in the United States. This basic trend was reinforced by higher corporate investments. In South America, the economic outlook has improved significantly compared to the previous year. Brazil has made it out of the recession. The other states of Latin America, with the exception of Venezuela, were also able to increase their gross domestic product.

Growth in the Asia region remained strong, mainly due to developments in India and China. In China, the pace of economic development slowed only slightly, although monetary stimulus was less strong and credit growth slowed. Halting debt growth and the structural change towards a service-oriented economy with more sustainable growth are the main goals in China.

The price of oil, an important parameter in the macroeconomic environment, has risen significantly since its low in June 2017. Increased confidence in OPEC production cuts and high demand for oil from the strong global economy and the steady rekindling of geopolitical tensions pushed oil prices up until the end of the year.

Consumer prices in the eurozone have risen by 1.5% compared to the previous year and are therefore below the European Central Bank's target of 2%. Monetary policy in the major advanced economies continues to vary widely. While the US Federal Reserve has raised rates several times over the past two years, Europe and Japan have continued their low interest rate policy.

The international business of the Oetker Group is influenced by the exchange rate of the euro to numerous currencies. Of particular importance is the US dollar, which continued to lose value against the euro, especially in the second half of the year. At the balance sheet date, the euro was trading at 1.1993 US dollars and posted an increase in value of 13.8% compared to the end of the previous year.

The development of the currencies important to the Oetker Group against the euro are shown in the following table.

CLOSING AND AVERAGE RATE AGAINST THE EURO	Closing rate December 31, 2016	**Closing rate December 31, 2017**	Average rate 2016	**Average rate 2017**
Australian dollar	1.4596	1.5346	1.4852	1.4795
Brazilian real	3.4305	3.9729	3.8193	3.6434
British pound	0.8562	0.8872	0.8227	0.8757
Canadian dollar	1.4188	1.5039	1.4589	1.4725
US dollar	1.0541	1.1993	1.1032	1.1370

Division-related conditions

Food; Beer and Nonalcoholic Beverages; Sparkling Wine, Wine and Spirits

The global fast-moving consumer goods (FMCG) market grew significantly in 2017 compared to the same period of the previous year and was strongly influenced by developments in the markets of Asia, Latin America and Australia including Oceania. E-commerce is an internationally growing segment. In the food sector, the digital big players like Google, Amazon and Uber are investing massively in new business models and driving the digitization of trade in various online services – including in the fresh food sector. At the same time, these companies are investing in brick-and-mortar retailing in order to create the logistical foundations. The brick-and-mortar retail trade is reacting to the new competitors and expanding its digital channels and delivery services. In addition, in 2017, other start-ups tried to overcome the high entry barriers in the food industry and challenge them with new, digital business models. These developments reinforce the market's continuing dynamic momentum and thus promote the process of concentration both in the retail market and in competition. As a result, competition in all product ranges and national markets has remained intense and the pressure on the margins of brand manufacturers is growing.

In 2017, the entire German beer market developed disappointingly for brewers. While the market has been stable over the past three years, sales during the year under review fell short of expectations with a minus of 2.5%. This development is due, among other things, to the rainy and sometimes cool weather in the peak summer months and the absence of a major event like the European Football Championships in the previous year. In addition to the decline in domestic sales, for the first time in years, exports also declined by 3.1%, mainly due to lower exports to China. Rising promotional rates, falling promotional prices and higher demands on the conditions by the intermediaries burdened the domestic beer market. In addition, the market is characterized by predatory competition as a result of lower domestic sales. In addition, in the beer market, the digitally based delivery services have come into competition with the traditional stationary business.

Germany is the largest market for sparkling wines. Compared internationally however, the large variety of products resulted in a low price level and intense predatory competition. While the sparkling wine market in Germany declined slightly, on a global level, sparkling wine enjoyed increasing popularity. Prosecco in particular continued to perform well, especially in the United States, the United Kingdom and Northern and Eastern Europe. For the first time in years, the market for spirits has had a positive trend.

Shipping

Global container shipments increased by 2.5% in the past year and underperformed global economic growth. By contrast, in 2017 transport growth was 6.4%, showing a better development than world production and world trade. This contrasted with an increase in global shipping capacity of 3.9%. With a total global capacity of around 21 million TEU (1 TEU = one 20-foot standard container), however, the increased demand for container transport was not enough to sustainably reduce overcapacities. Although freight rates stabilized in individual services and rate increases were at times possible, revenue pressure on the other routes continued in the face of persistent global overcapacity, which meant that most container liner shipping companies did not generate adequate return on capital as in previous years. This increased the consolidation pressure of the industry. In ever-larger business units and global alliances, attempts are being made to gain advantages in cost competition.

Chemicals

The chemical industry in Germany was positive in 2017. Production volumes and prices rose significantly, exceeding expectations. This pleasing development led to an increase in sales of 6.0% in the industry. Exports contributed disproportionately to this with a plus of 6.6%. Special chemicals were only slightly below chemicals as a whole. An increase in sales was likewise achieved with industrial phosphates, which was, however, only due to quantity. Prices were in some cases below the previous year's level. It was not until the turn of the year that prices increased, due to higher raw material costs.

Hotels

The hotel industry continued to develop dynamically worldwide. On the demand side, the number of international tourist arrivals in 2017 increased by 6.6% worldwide. With the continuous increase in the number of travelers, the global tourism sector has generally resisted predominantly negative and sometimes worrying situations in the news. On a regional level, a varied picture emerged due to the different economic, political and security conditions. For example, while Europe saw strong growth, the US market underperformed. The overall positive development on the demand side was accompanied by changes on the supplier side. Driven by the stable growth figures for overnight stays, the major hotel companies pushed ahead with organic growth by significantly expanding their hotel portfolio. In addition, comparison and booking sites further expanded their market power.

Business Development
Oetker Group

	2015		2016		2017		%[2]
		in %		in %		in %	
NET SALES BY DIVISION[1] (IN EUR MILLION)	**11,949**	**100.0**	**11,704**	**100.0**	**11,601**	**100.0**	**–0.9**
Food	2,990	25.0	3,071	26.2	3,135	27.0	2.1
Beer and Nonalcoholic Beverages	1,878	15.7	1,901	16.2	1,908	16.4	0.4
Sparkling Wine, Wine and Spirits	501	4.2	502	4.3	523	4.5	4.2
Shipping	6,057	50.7	5,624	48.1	5,398	46.5	–4.0
Other Interests	524	4.4	606	5.2	637	5.5	5.0
NET SALES BY REGION[1] (IN EUR MILLION)	**11,949**	**100.0**	**11,704**	**100.0**	**11,601**	**100.0**	**–0.9**
Germany	3,733	31.2	3,894	33.3	3,874	33.4	–0.5
Rest of the EU	2,764	23.1	2,663	22.8	2,799	24.1	5.1
Rest of Europe	577	4.8	580	5.0	573	4.9	–1.2
Rest of the world	4,875	40.8	4,567	39.0	4,356	37.5	–4.6
INVESTMENTS[1] (IN EUR MILLION) (without first-time consolidations)	**740**	**100.0**	**405**	**100.0**	**558**	**100.0**	**37.8**
Food	153	20.7	182	45.1	198	35.5	8.7
Beer and Nonalcoholic Beverages	97	13.0	84	20.8	99	17.8	17.9
Sparkling Wine, Wine and Spirits	15	2.1	14	3.4	15	2.7	10.6
Shipping	437	59.0	77	18.9	217	38.9	183.0
Other Interests	38	5.2	48	11.9	29	5.1	–40.5
EMPLOYEES[1] (BY HEADCOUNT)	**30,787**	**100.0**	**32,078**	**100.0**	**32,204**	**100.0**	**0.4**
Food	14,478	47.0	15,368	47.9	15,733	48.9	2.4
Beer and Nonalcoholic Beverages	5,894	19.1	5,986	18.7	6,066	18.8	1.4
Sparkling Wine, Wine and Spirits	1,972	6.4	1,922	6.0	1,934	6.0	0.6
Shipping	5,960	19.4	6,300	19.6	5,874	18.2	–6.8
Other Interests	2,482	8.1	2,503	7.8	2,597	8.1	3.8

[1] In the 2017 financial year, the Shipping Division is included until November 30, 2017, the date of deconsolidation.

[2] Percentage change 2016/2017.

The percentages included in the group management report and the consolidated financial statements refer to the exact amounts, not the rounded amounts. Due to rounding it is possible that individual numbers (€, %, etc.) do not add up exactly to the specified sum.

In view of the difficult global conditions, the Oetker Group finished the 2017 financial year quite well. However, not all business divisions, especially the Food Division, were able to fully meet their expectations. The group achieved sales revenue in the amount of EUR 11,601 million, which is 0.9% below the previous year's figure (EUR 11,704 million). The development of currency exchange rates had a negative impact of 168 million euros, above all due to the devaluation of the US dollar, British pound, Mexican peso and Turkish lira against the euro. Changes in the scope of consolidation resulted in an overall loss in revenue in the amount of EUR 447 million. This is largely attributable to the sale of Hamburg Süd, which was included in the scope of consolidation in the 2017 financial year from

January to November, but consolidated in the previous year throughout the year. Excluding the effects of first-time consolidation and deconsolidation, exchange-rate-adjusted sales were EUR 512 million higher than the comparable figure from last year. This corresponds to organic growth of 4.6%, which was primarily driven by companies in the Shipping and Food divisions.

From a regional perspective, group-wide domestic sales revenue fell by 0.5%, to EUR 3,874 million. The proportion of total sales generated outside of Germany is almost unchanged compared to the previous year. However, the individual regions abroad developed differently. While the Oetker Group recorded growth of 5.1% in the rest of the EU, driven in particular by Shipping and Sparkling Wine, Wine and Spirits, consolidated sales in the rest of the world reduced by 4.6% to 4,356 million euros in the year under review. This is largely attributable to the fact that the Shipping Division was only consolidated for only eleven months in 2017.

The investment volume (without first-time consolidation) of the Oetker Group in the amount of EUR 558 million was significantly higher than the previous year's level of EUR 405 million. At 73.3% (previous year: 65.2%), the proportion of investment in Germany has further increased. Most of the investment was accounted for by Shipping. At Hamburg Süd, expenditures increased by EUR 140 million relative to the previous year to EUR 217 million. The reasons for this were the final installments for the delivery of new ships and investments in containers as a result of increased cargo volume. In addition, investments in the Beer and Nonalcoholic Beverages and Food divisions increased significantly.

The number of employees increased by 0.4% in 2017, to 32,204 employees worldwide. Approximately half of these can be attributed to the Food Division, which counted an average of 2.4% more employees than in the previous year. This was due in particular to acquisition-related changes. In the previous year, Martin Braun acquired the majority of shares in the Polen Gida Group in Turkey, and in 2017 the employees were included for the whole year for the first time. In addition, the acquisition of Grupo Rexal in Mexico by Dr. Oetker led to an increase in the number of employees. This was offset by developments in the Shipping Division, which was only included in eleven months of 2017. Altogether, the Oetker Group had 18,342 employees in Germany and 13,862 employees abroad.

Food

Business processes

↗ General information on the division can be found on page 7.

In the 2017 financial year, *Dr. Oetker's* procurement department again focused on the development of more sustainable supply chains. This mainly concerns the raw materials cocoa, palm oil, meat and fish. By the end of 2017, the company had almost completely switched to sourcing sustainable UTZ-MB-certified raw materials for products manufactured in Germany or purchased for cocoa and chocolates. By the end of 2020, only sustainably grown and appropriately certified cocoa or rather chocolate is to be purchased worldwide. The palm oil procured by Dr. Oetker is fully RSPO-certified. Furthermore, the decision was made to no longer use palm oil worldwide by the end of 2018. Should this prove impossible for taste reasons, then by the end of 2020 any palm oil used must at least comply with the RSPO standard "Segregated". In the area of meat raw materials, the company is working on a sustainable concept aimed at improving animal welfare in the production of raw materials used by Dr. Oetker, as well as to further improve the transparency within supply chains and reduce their complexity. In this context, successive measures will be implemented for the purchase of chicken, pork and beef in Europe by the end of 2018 and globally by the end of 2020. An essential part of these measures is reducing the geographic distance covered by the supply chain in the procurement of meat. In this context, in 2017 Dr. Oetker almost completely switched the procurement of the chicken meat required for pizza production at its sites in Wittlich and Wittenburg to German-made goods. This gives Dr. Oetker the opportunity to exert more influence, if necessary, on the companies involved in the breeding, keeping and slaughtering of the animals. To further promote a sustainable fishing industry, since 2016 Dr. Oetker has been working closely with the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC) to increase the use of raw materials from fisheries that are certified according to the strict criteria of the MSC and/or ASC in its products. Accordingly, since 2017 tuna, salmon and shrimp have been MSC/ASC-certified for individual pizza varieties. In addition to commodity-related sustainability activities, the international purchasing organization was further developed in the past financial year by adding additional Dr. Oetker national companies. This achieves better volume bundling and creates synergy effects.

Capacity expansions in the plants

In the area of pizzas, plant capacities were expanded through the installation and modification or expansion of pizza lines at the locations in Canada, the United Kingdom and Poland. Part of this capacity expansion will be completed in 2018. Building on the increase in production capacity in Poland, Dr. Oetker expanded its logistics center there. The construction of an administration building was started at the Wittlich (Germany) location, which also produces pizza. The construction of a new social building at the decoration plant in Płock (Poland) was started in 2017. Dr. Oetker acquired an eleven-acre expansion area next to it. At the Romanian site, work has begun on a new warehouse and a new social building. Construction of a new production building has started at the Belgorod site in Russia.

On the sales side, Dr. Oetker has implemented international projects aimed at continuously improving the sales organization's capabilities and competencies, both at the point of sale and in key account management. Sales focused on further professionalization of the employees, who are being trained in various modules at the international in-house academy, the Dr. Oetker Sales Academy. In the area of marketing, the cross-divisional innovation process was further improved by means of a system-based project management solution. Through websites such as backen.de and bakken.nl and the ordering platform kuchenfreude.de, projects were implemented that deal with digitization, new forms of distribution and alternative business models. This development took place in close cooperation with the newly founded company Oetker Digital in 2016. In addition, the Dr. Oetker Café Gugelhupf opened up a new world of customer experiences in Switzerland.

New digital business models

Furthermore, numerous new products were launched in the 2017 financial year. The product highlights include the Vitalis SuperMüslis ("30% Protein", "Minus 30% Kohlenhydrate" and "Superfoods"), the ice cream powder in the varieties bourbon vanilla, chocolate and stracciatella and the coffee cakes (varieties: banana bread, apple cake, carrot cake). In addition, the decorating range has been expanded to include important new products. A particularly successful new development is the Dr. Oetker chocolate pizza Ristorante Dolce al Cioccolato, which has already been successfully launched in more than ten countries.

In 2017, *Martin Braun* invested in two new production facilities in Turkey. As a result, the company now has higher capacities for various product ranges. In addition, Martin Braun is using the expansion for the production of chocolate products as a new assortment group in Turkey. At Wolf ButterBack, building work on the construction of Plant 3, which will go into operation in 2018, was begun. As part of the further optimization of logistics processes, Martin Braun has put a new layer palletizer into operation in its main warehouse in Hanover. In addition, gloves with an integrated scanning unit were used for picking for the first time. This simplifies picking and led to the elimination of so-called hand-held devices.

In marketing and sales, the trend towards natural and low-declaration products is intensifying. This has long been regarded as a basic requirement in business with industrial customers and is also being increasingly demanded by major craft retailers and smaller craft enterprises. On the one hand, there is a focus on the issue of sustainability, primarily the conversion to palm-free and UTZ-certified products. On the other hand, it is of key importance to have natural products with low or no declarations. For this purpose, the company's own label "natürlich Braun" was developed, so that relevant products and product segments can be changed and proactively promoted. Another focus of marketing and sales activities was trend-driven topics, such as gluten-free products. In addition, vegetarian and vegan products and pastries are demanded in the bakeries. Martin Braun has already developed the first concepts and products for both, which will be further expanded as needed.

Focus on sustainable products

Innovation management implemented

These market changes require continuous adaptation of research and development structures in order to ensure sufficient speed. Despite the speed, a holistic view and the absolute success of Martin Braun's products are in the foreground. To this end, the group has implemented an innovation management system to take account of market and customer needs in product development.

In the 2017 financial year, *Conditorei Coppenrath & Wiese* focused on further improving production processes. Among other things, this included projects for faster set-up during product changes, dosing optimization and so-called low-cost automation. On the sales side, Conditorei Coppenrath & Wiese became active on AmazonFresh, after the group had already joined other online food delivery services in 2016. In the UK, Conditorei Coppenrath & Wiese has entered the refrigerated bakery market, developing frozen foods with no preservatives for a shelflife of nine days. In addition, the construction of a new administration building in Mettingen was completed in May 2017.

Business development

KEY FIGURES	2016	2017
Sales revenue (in EUR million)	3,071	3,135
Adjusted sales revenue (in EUR million)[1]	3,097	3,162
Investments (in EUR million)	182	198
Employees	15,368	15,733

[1] Sales revenue adjusted for scope of consolidation and exchange rate effects.

EUR 198
million in investments

The Food Division generated total revenue of EUR 3,135 million and thus grew by 2.1% in the year under review. Adjusted for acquisition and exchange rate effects, sales growth also amounted to 2.1%. Investments amounted to EUR 198 million (previous year: EUR 182 million) and accounted for the majority of the companies of Dr. Oetker. The number of employees rose in the reporting period by 2.4% to 15,733 employees, mainly due to the acquisitions by Dr. Oetker and Martin Braun.

The *Dr. Oetker* national companies were also able to increase their sales revenue by 0.8%. Sales revenue adjusted for acquisitions and currency effects increased by 1.4%. In particular, the devaluation of the Turkish lira, British pound and Mexican peso against the euro had a negative impact on foreign currency translation in the year under review. Although Dr. Oetker recorded slight growth overall, sales fell short of expectations. Due to the development of the retail landscape, which was characterized by the ongoing consolidation process, investments in online trading and the increase in digital competition, price rounds continued to be difficult in 2017. As a result of some of the exaggerated expectations of the trade, which Dr. Oetker could not meet, there were some de-listings which led to large volumes and consequently sales losses. In addition to the declining retail markets in some major countries, challenging competitive conditions dominated the business environment. Both private-label and brand-name competitors tried to gain market share from Dr. Oetker. The company was, however, able to compete strongly in this difficult environment, revitalizing markets, reaching out to buyers, expanding distribution and generating presentable repurchase rates with new innovative concepts. Particularly noteworthy in the pizza category is the introduction of the chocolate pizza Ristorante Dolce al Cioccolato in various countries, including Germany, as well as the introduction of the Pizza Feliciana in Poland. In the cake/dessert category, the introduction of porridge in some Eastern European countries and the further internationalization of the frozen bakery product range had a positive effect.

Main growth generated in the Americas region

In terms of regions, net sales in Germany declined. In Western Europe, sales were stable, while Eastern Europe and the regions of Asia, Africa and Australia continued to grow compared to the previous year. The main growth was generated in the Americas region. This region benefited from the development in Mexico. There, Dr. Oetker acquired the umbrella brand D'Gari in 2015, which has since developed positively. With effective date of June 1, 2017, the business of Grupo Rexal – located in Mexico – was acquired. The acquisition-related revenue contributions for the second half of the year thus supported growth in the Americas. Sales of the Morarita brand acquired in Romania in December 2016 were also reported for the first time in 2017. In addition, the investment stake in Dr. Oetker GIAS Export in Tunisia increased.

Investments remained at a high level of EUR 119 million in 2017 in order to lay the foundations for additional growth in the coming years. Apart from that, investments were made in the existing production sites to keep the technology up to date and ensure high-quality and efficient production. In this context, the investments also included the further expansion of pizza production and logistics capacities in Western and Eastern Europe. The new research and development center in Bielefeld was completed in early 2017.

11%
revenue increase

The *Martin Braun Group* achieved an increase in sales of 11.0% in the 2017 financial year. As planned, part of this growth was acquisition-related. As of October 1, 2016, Martin Braun acquired the majority stake in Polen Gida in Turkey. In the 2017 financial year, the sales contributions of Polen Gida were consolidated for the full year. In 2017, the organic sales of the Martin Braun Group also increased by 4.7% and held up well in the face of the challenges in the market. Although the number of craft bakeries in the German market is declining and thus the traditional segment of the Martin Braun Group is shrinking, the group once again exceeded the previous year's level. Due to the adjustments to product ranges and thanks to the frozen goods strategy, Martin Braun is successfully navigating the structural change in the German core market. However, significant growth impulses are attributable to the internationalization of the business. With the exception of Switzerland, overall sales growth was achieved in all European regions as well as in the rest of the world. Investments were significantly above the level of the previous year. The focus here was on the strategic business field of frozen bakery products and, above all, concerns the plant extension of Wolf ButterBack in Fürth.

Previous year's level once again exceeded

Conditorei Coppenrath & Wiese increased its sales by 3.2% in 2017. The planned increase in sales was primarily driven by the development of the strategic product groups gateaux/cakes, breakfast and sheet cakes in the German brand business. Secondary and private-label business in Germany reached the previous year's level. Unfortunately, in business with the UK, the impact of the British pound exchange rate could not be fully absorbed. The investment volume in 2017 was significantly higher than in the previous year. The investments were primarily related to the expansion of production capacities in the frozen bread and frozen cake segments.

Investments in the expansion of production capacities

Forecast

On the basis of various operational measures *Dr. Oetker* expects moderate organic sales growth for the year 2018. The sales development is stimulated by the further expansion of distribution in the growth regions of America as well as in Asia, Africa and Australia. In addition, revenue will increase as a result of the full-year inclusion of the acquisitions completed in 2017 as well as further acquisitions in 2018. An agreement was already signed in February 2018 to acquire the French baked goods and dessert brand Alsa, which is still subject to approval by the relevant competition authorities. Additional impulses should result from innovations and relaunches of existing concepts. Compensatory effects are expected from further negative exchange rate movements of the Canadian dollar, the Turkish lira, the Russian ruble and the Mexican peso.

In the context of its strategic measures, the *Martin Braun Group* will in the future continue to focus on the balance between core and emerging markets, and on the structure of its product range. At the same time, the group intends to further expand its internationalization and plans that the foreign regions will significantly increase their share of sales both organically and as a result of acquisitions. In February 2018, the acquisition of shares in the Belgian food company Diversi Foods was completed after the relevant competition authorities approved the transaction. For the financial year 2018, Martin Braun expects a significant increase in revenue.

Implementation of the internationalization concept

With persistently challenging conditions in procurement and in the competitive environment, *Conditorei Coppenrath & Wiese* is expecting a significant increase in revenue in 2018. The group will continue to expand its internationalization concept and substantially expand production capacity.

Beer and Nonalcoholic Beverages

↗ General information on the division can be found on page 8.

Business processes

The *Radeberger Group* has laid the foundation for ecologically, socially and economically responsible and transparent procurement with the extension of the procurement strategy to include sustainability aspects along the entire supply chain. On this basis, in addition to the existing and still relevant criteria, suppliers can now be selected, promoted and called upon in line with the evaluation of their commitment to sustainability. In addition, in the course of digitization procurement processes will be successively converted to modern order processing. In the first step, a supplier portal for document management and the expansion of catalog orders were implemented using web shops. September 2017 saw the start of a central, manufacturer-neutral craft beer trading platform, managed under the umbrella of "Die Internationale Brau-Manufacturen GmbH" (DIBM), for customers in the restaurant business and beverage wholesalers. With a national craft beer assortment of approximately 150 products, this platform provides a one-stop shop for wholesaler and catering partners to meet the craft beer demands of their customers and guests.

New construction of a bottling plant

The Radeberger Group implemented various measures in the areas of production and technology at its sites during the 2017 financial year. These included, among other things, the replacement and reinstallation of machinery as well as the construction of a new filling hall and logistical adjustments.

In the field of logistics, a new warehouse management system has been developed whose implementation for beverage wholesalers is planned for 2018. In addition, a multi-depot tour planning system was introduced in 2017, for the scheduling of more than 100,000 transport orders. The automated allocation of freight results in a considerable reduction of central planning. In addition, the successful completion of the pilot phases for paperless clearance and the digital security briefing took place in 2017, meaning that group-wide introduction can take place from 2018 onwards.

Marketing: focus on social media activities

In marketing, the focus was on the company's social media activities. Process changes required an adaptation of the brand management measures. In view of the increasing importance of social media and the associated communication on online channels, the Radeberger Group has bundled all its social media activities and transferred them to the agency OnlineDialog. To safeguard its own interests and to ensure high-quality social media support, Radeberger has acquired a stake in OnlineDialog with effect from January 1, 2017. On the sales side, the Radeberger Group also expanded its marketing activities in 2017. In the catering sector, the marketing of Captain Morgan Mutineer and the national marketing of nonalcoholic Allgäuer Büble Edelweissbier began. In addition, demanding catering partnerships have emerged in the market. Against this background, in coordination with the marketing department of the group and the catering industry, a separate catering marketing department was implemented. In the specialist beverage segment, Getränke Hoffmann has put the innovative B2C online delivery service "DurstExpress" into operation and designed a needs-based warehouse management system. In addition, Getränke Hoffmann has developed a paperless delivery module with integrated tour planning. As a result of the sales and efficiency-oriented administration, the Radeberger Group initiated a comprehensive realignment in 2017 and has already reduced the number of administrative locations in the smaller group from eight to three locations.

Development of new beverage products

In 2017, the main focus of development activities in the Radeberger Group was once again on the development of new beverage products. For example, in the growth segment of nonalcoholic mixed drinks Jever Fun Lemon has created a brand-typical, fresh product, and the well-known and popular range of Schöfferhofer Weizen mixed drinks has been supplemented by a new, fruity-fresh passion fruit and Weizen mix. The portfolio of the well-known brand Clausthaler has also been expanded to include an unfiltered version with Clausthaler Naturtrüb Dunkel. These new products were launched at the beginning of 2018. In addition to the development of new products, development work in the trial brewery and in the ongoing brewing and bottling process have optimized processes and implemented quality improvements to existing products.

Business development

KEY FIGURES	2016	2017
Sales revenue (in EUR million)	1,901	1,908
Adjusted sales revenue (in EUR million)[1]	1,901	1,901
Investments (in EUR million)	84	99
Employees	5,986	6,066

[1] Sales revenue adjusted for scope of consolidation and exchange rate effects.

Revenue kept stable

As expected, the Radeberger Group was able to keep its beverage sales and revenue stable in a still difficult market environment. In the 2017 financial year, group-wide revenue amounted to EUR 1,908 million, an increase of 0.4%. After elimination of currency and acquisition effects, the group achieved revenue at the level of the previous year. The regional brands in the portfolio of the group developed particularly well, especially the Allgäu Büble beer and Ur-Krostitzer. Both brands posted double-digit sales growth. For the first time in 2017, Krostitzer sold more than 1 million hectoliters and thus impressively continued the growth of recent years. Especially in metropolitan regions, Allgäu Büble beer was also able to score points with its range of nonalcoholic Büble Edelweissbier, an ambassador from the Allgäu Alps.

By contrast, the national brands in the Radeberger Group's portfolio, for example Radeberger Pilsner, Jever and Schöfferhofer Weizen, were under pressure, especially in retail, given their value-oriented positioning and the generally observable trend towards regional products.

Nevertheless, the segment was able to keep sales stable overall. While Radeberger was able to achieve sales at the previous year's level, Schöfferhofer Weizen, the group's national Weizen beer, suffered from the bad summer weather and was unable to match the previous year's sales revenue. Schöfferhofer Grapefruit Nonalcoholic, however, developed well. Jever was able to increase sales revenue, including encouraging growth with Jever Fun, which further strengthened its position as the second best-selling product in the growing nonalcoholic beers segment.

New in the portfolio: Captain Morgan Mutineer

The international brands of the Radeberger Group, above all Guinness, Kilkenny, Stowford, Sol and Estrella Damm, also recorded a positive development and continued to increase sales revenue. Captain Morgan Mutineer added another innovative international brand to the portfolio at the beginning of the year.

While the industry suffered from generally declining exports, especially to China, the Radeberger Group benefited from its independence from the Chinese market. Thus, the decline in export sales to China was offset by an increase in deliveries to other countries. As a result, sales revenue in the export business was significantly higher than in the previous year. Sales revenue continued to expand in the strategic markets of the USA and Italy. This was mainly due to the positive development of Schöfferhofer Grapefruit in the USA, where the brand has now developed into the third-largest German import brand. In contrast, the development in Canada declined compared to the previous year.

The nonalcoholic beverages segment also developed positively. The acquisition of a further concession and the expansion of the existing business boosted sales with the brand range of the cooperation partner PepsiCo significantly. Original Selters mineral water maintained the previous year's level of sales revenue, while the organic drinks Bionade and Ti were under pressure from new competitors and did not reach the previous year's level. The Bionade and Ti brands were sold to the Hassia Group effective January 1, 2018.

EUR 99
million in investments

In 2017, investments by the Radeberger Group, at EUR 99 million, were significantly higher than in the previous year. In addition to higher investments in technical equipment, the purchase of the Neuselters site led to a significant increase in investments. Additionally, shares in the companies Gastrofix and OnlineDialog were acquired in order to accelerate the digitization projects. Furthermore, Getränke Hoffmann has acquired the home delivery service company A&O and signed a contract to acquire 180 Dursty stores from Veltins on January 1, 2018.

Forecast

The *Radeberger Group* expects moderate sales revenue growth in 2018. This anticipated increase in sales will be the result of the price increase in the bottled beer sector announced for February 1, 2018, and of the "DurstExpress" online beverage ordering platform launched at the end of 2017. In addition, sales of the trading companies will increase significantly as of January 1, 2018, as a result of the acquisition of the Dursty beverage stores. This will be offset by the sale of the Bionade and Ti brands.

Due to the increase in bottled beer prices, the Radeberger Group expects a slight decline in domestic beer sales. Export sales are expected to show moderate growth. Due to the sales of the Bionade and Ti brands, revenue is correspondingly lower in the nonalcoholic drinks segment.

Sparkling Wine, Wine and Spirits

General information on the division can be found on page 9.

Business processes

In the 2017 financial year, the organization developed in the area of procurement. Along the entire supply chain, *Henkell & Co.* has set up supply chain management that links the functional departments of material purchasing, raw material purchasing, production planning and logistics. The constantly growing complexity of the business is reflected by a segmentation of the portfolio into core products, niche products and innovations. Furthermore, *Henkell & Co.* has transferred the previously partly analogue and decentralized supply chain management systems into an SAP-based planning system. Apart from development on the systems side, the group continues to integrate its platforms across the national borders of the group companies.

Projects for digital transformation

In production, further projects for the digital transformation were expedited. The objective was to reduce structural costs within the group. Key steps included measures to increase efficiency through connectivity and the use of modern machines and production robots. The control of the production facilities on the basis of operational data acquisition and data analysis with the help of digital cockpits was a key function enabling plants to operate at the optimum operating point.

Establishment of a cross-divisional digital team

In its marketing and sales activities, Henkell & Co. continued to focus on its core brands, supporting them with classic advertising, point-of-sale, digital and PR activities. In addition, the group has continuously expanded its digital communication for its brands. As part of the digital strategy, a cross-divisional digital team was established with a focus on digital media and platforms, especially social media. As a result, a significantly stronger network of all marketing, sales and PR activities with all relevant digital touch points was developed. Its objective is both qualitative development and the development of online communications as long-range media. Step by step, the company is adjusting to digitalization, and unlocking its potential for the future success of the company.

International brand teams have been set up to better manage international processes. With the founding and expansion of Henkell & Co. Global, both the brand development and the international marketing of the products in Wiesbaden have been successfully centralized.

Business development

KEY FIGURES	2016	2017
Sales revenue (in EUR million)	502	523
Adjusted sales revenue (in EUR million)[1]	502	526
Investments (in EUR million)	14	15
Employees	1,922	1,934

[1] Sales revenue adjusted for scope of consolidation and exchange rate effects.

The Henkell & Co. Group continued to establish itself as a global player. In accordance with the forecast from the previous year, moderate growth was achieved in 2017. Overall, the group achieved sales revenue of EUR 523 million in the year under review, an increase of 4.2% over the previous year. Adjusted for exchange rate effects, revenue grew by 5.0% to EUR 526 million. Over 70% of sales were generated in international markets. The growth drivers were the markets in Western Europe and overseas. Domestic business also developed positively in a slightly declining market. The premium brands in particular contributed to this. The group's German premium market share is over 50%. Positive developments in brand business were offset by a decline in domestic merchandise. Investments of EUR 15 million compared to EUR 14 million in the previous year related mainly to machinery and equipment. In addition, investments were made in the construction of the sparkling wine factory in the parent company in Wiesbaden as well as in vineyards and new processing plants in the Czech Republic. At the Italian site Valdobbiadene, investments have been made in the expansion of the winery.

EUR 15
million in investments

The German market was slightly down. Nevertheless, in the brand business, both Henkell Trocken and Mionetto prosecco were able to grow. The main spirits brands Wodka Gorbatschow and Mangaroca Batida de Coco also increased.

The engine of dynamic Western European growth was the Italian prosecco Mionetto and the international wine brand i heart WINES. The two brands were the basis of the continuing positive growth of the Copestick Murray subsidiary in the United Kingdom. Mionetto also grew in its home market Italy, which achieved double-digit growth. In addition, Henkell & Co. Austria, Henkell & Co. Benelux and Cavas Hill in Spain contributed to the positive development in Western Europe, not least due to the successful repositioning of the Alfred Gratien, Gratien & Meyer and Cavas Hill brands.

The Henkell & Co. Eastern European business was dominated by the strong subsidiaries Bohemia in the Czech Republic and Törley in Hungary, which each have more than 60% market share in their countries. Henkell & Co. Poland also developed particularly well, while Hubert in Slovakia was unable to exceed the previous year's level. In a market that remains challenging, the declines in Ukraine partially offset the positive developments in Poland and the Czech Republic.

Disproportionate growth in non-European business

The business outside of Europe again posted disproportionate growth. This was mainly due to the central business unit Henkell & Co. Global, which bundles the export marketing of the entire Henkell & Co. Group. Mionetto USA expanded its market position from a prosecco supplier to a specialist in European quality sparkling wines. Growth rates of champagne, crémant and cava in the US market confirmed that this was the right move to make.

Positive development of the international wine brand i heart WINES

The group's wine segment continued to develop positively in 2017. The international wine brand i heart WINES contributed disproportionately to this. In addition, there are the wine brands György Villa and Szent István (Hungary), Habánské Sklepy and Víno Mikulov (Czech Republic), the Vitis wines from Slovakia and the Schloss Johannisberger Rieslings from the Rhine Gorge (Germany).

The strongest brand in the spirits segment was Wodka Gorbatschow. The German vodka market leader was supplemented by Kuemmerling Kräuterlikör, Pott Rum and Fürst Bismarck Doppelkorn. On an international level, the most noteworthy product is the coconut liqueur Mangaroca Batida de Coco, acquired in 2017. The beverage is being distributed internationally after a fresh relaunch in more than 20 countries. Key spirits brands include Poland's market leader for gin, Lubuski Gin, the leading brandy in Slovakia, Karpatské Brandy, and the Romanian vermouth Angelli.

Forecast

Continued trend for prosecco expected

The *Henkell & Co. Group* also expects moderate growth in 2018. With a focus on the premium segment, global market growth for sparkling wine is expected. Due to the ongoing prosecco trend, the US and the UK will benefit disproportionately from growth. In Russia and Ukraine, the group predicts at least a slight improvement in the market situation. Henkell & Co. expects the market to remain stable in Germany, the world's largest sparkling wine market, although the high-price segment is expected to continue to develop disproportionately to the overall market. The Henkell & Co. Group is well positioned with its brand activities, so that overall and organic growth is expected in Germany, Western Europe, Eastern Europe, the USA and globally.

In addition, revenue will rise as a result of acquisitions. In March 2018, the Henkell & Co. Group signed an agreement to acquire 50.67% of the shares of Freixenet S.A. With this step, both companies have joined forces and want to grow to become the world leader in the sparkling wine industry. The purchase of the shares is subject to approval by the competition authorities.

Shipping

↗ General information on the division can be found on page 10.

Business processes

In the logistics sector, the transport of fresh cargo is one of the core competences of *Hamburg Süd*. The shipping group has a worldwide global reefer competence team that develops individual solutions for the transport of fresh fruit and vegetables and advises customers on all aspects of reefer transport. By the time of the sale of Hamburg Süd, three out of a total of four newly built 3,800 TEU ships had been put into service, which are to be used with a high proportion for refrigerated container slots in traffic from the Caribbean to Europe.

One of Hamburg Süd's core activities, service from the east coast of South America to the Mediterranean and Northern Europe, was reconfigured during the year – including a new hub in Tangier (Morocco) – to provide customers with even better geographic coverage and frequency.

Business development

KEY FIGURES	2016	2017
Sales revenue (in EUR million)	5,624	5,398
Adjusted sales revenue (in EUR million)[1]	5,133	5,520
Investments (in EUR million)	77	217
Employees	6,300	5,874

[1] Sales revenue adjusted for scope of consolidation and exchange rate effects.

In the period from January 1 to November 30, 2017, the date of deconsolidation, the Hamburg Süd Group generated sales revenue of EUR 5,398 million. Adjusted for exchange rate effects, sales revenue in the past fiscal year amounted to EUR 5,520 million. On a like-for-like basis, the Shipping Division achieved organic revenue growth of 7.5% compared to the same period last year (from January to November 2016). In liner shipping, transport volumes increased by 6.3% to 4.3 million TEU in the same period, while average freight revenue per single transport increased only slightly by around 1%.

18%
increase in revenue for product tankers and bulk carriers

Revenue in product tankers and bulk carrier shipping increased by around 18% compared to the same period in the previous year. The sales development is attributable in particular to the slight upward trend in the bulk markets. The key factor for the positive market development was China's rising raw material imports. Driven by rising steel and energy production, China's coal and iron ore imports rose strongly in the first half of 2017, compared with the previous year. In addition, growing demand for coal in several Southeast Asian countries and buoyant grain trade had a positive impact on demand for transport space. In a longer-term comparison with historical market rates, however, the current spot market level is still comparatively low.

Consolidation and restructuring of liner services

Increased transport volumes were offset by significantly higher bunker prices. The stronger average annual exchange rate of the Brazilian real as an important cost currency against the euro also had a negative effect on the result in the liner segment. Although the result was significantly better than in the previous year, it still could not be described as satisfactory.

Investments in shipping fleet and containers

Expenditure for investments amounted to EUR 217 million, which was well above the previous year's level. This was due to significantly higher investments in the ship fleet, as three newly built 3,800 TEU vessels were delivered in the year under review, meaning that the final installment was due. On the other hand, investments in containers were well above the level of the previous year. Due to a higher cargo volume, an additional need for containers has arisen, which could not be fully covered by additional leasing equipment. Added to this was increased investment in Brazil, as in addition to the three tugs ordered in 2015, another four tugs were ordered in 2017.

The number of employees decreased from 6,300 to 5,874 in the 2017 reporting period. As a result of the deconsolidation of the Shipping Division as of November 30, 2017, the employee figures for 2017 are calculated on the basis of the eleven-month average.

Other Interests

General information on the division can be found on page 11.

Business processes

In the area of production and logistics, *Budenheim* commissioned the new fully automated robot palletizing system in the 2017 financial year. This reduces the complexity of the numerous packaging variations and at the same time improves the delivery capability. In addition, following the works management plan, the planning for the new construction of the customer and innovation center "Budenheim.com" was continued. The new building is expected to be ready by the end of 2020.

To support the global business units, the sales processes were redefined, standardized and mapped in a new customer relationship management system. The system is fully compatible with mobile devices and especially designed for fast information flow and short reaction times.

In the research and development area, Budenheim achieved an innovation rate of 8.1% in 2017, thus again increasing on the previous year's figure. The innovation process has been optimized to ensure greater market relevance at all stages of development, as well as to enable greater efficiency and faster project execution. In order to be able to make more efficient use of business opportunities away from the existing Budenheim business, the innovation platforms in the area of research and innovation were reorganized and more closely aligned with the more agile approach of start-ups.

The innovation platform Phosphorus Recovery, which deals with the recovery of phosphorus from sewage sludge, was able to reach a significant milestone with the ceremonial inauguration of its ExtraPhos® pilot plant on the grounds of the Mainz-Mombach business.

Product portfolio expanded with new technologies

In 2017, the Food Ingredients business unit expanded its product portfolio with new technologies that offer customers added value. Following the acquisition of wowCAPS® microencapsulation technology, highly stable omega-3 could be offered for healthier baked goods and dairy products with a longer shelf life. At the same time, new encapsulated leaving systems under the brand name LEVALL® CP offer tailor-made solutions for fresh and frozen bakery products. Following intensive exchanges with key customers, the CAFOS® product line has been expanded to increase its functionality in calcium-fortified dairy products. New calcium- and magnesium-based leavening acids under the brand names LEVALL® AS and LEVALL® AR have further increased market momentum as healthy alternatives to aluminum-based products. In addition, four new seafood products to increase the shelf life of shrimp have been launched under the NOMELAN® and PARAZIMA® brand names. After the market launch in the previous year, CARNAL® HQ PEEL has now been successfully established in the market for cold water shrimp processing.

In the Performance Materials business unit, further solutions for formulation challenges were made available for the pharmaceutical application market. For example, the introduction of the product TRI-CAFOS® 200-7 provides an outstanding flow improvement for difficult-to-process drugs. For technical applications, the distinctive specialty portfolio was further expanded: for example, a new product for the production of optical glasses with significantly increased purity. For the refractory industry, the range of special binders has been expanded with FFB® 80. The new high-temperature lubricant PHOSPHATHERM® 104 FSC for descaling seamless tubes is currently the only product available on the market that does not require a hazardous substance label. Thanks to increasing environmental awareness in the customer industry, the product was successfully placed on the market in 2017.

For color additives, FR CROS® 584 successfully entered the introductory phase. Two innovative products were presented at the European Coating Show. Its unique resistance to water makes FR CROS® 587 an excellent additive for durable exterior coatings. FR CROS® 490 is particularly suitable for textile coatings with skin contact. Budenheim also relies on environmentally compatible and noncorrosive, halogen-free formulations for the development of flame retardants for plastics. BUDIT® 610/611 was successfully sampled by customers and presented at FAKUMA. These innovations are characterized by low wear in processing and thus lower processing costs. With the market introduction of the BUDIT®-F series for the foaming of plastics and silicones, key customers have been gained who pave the way for successful commercialization.

Comprehensive service desk set up and technical account management team implemented

OEDIV further expanded its service portfolio during the course of the financial year. For example, in an international context cloud-based infrastructures were piloted. Owing to the strong growth and changed market requirements, OEDIV undertook a major transformation project in 2017. The essential market-related, technological and organizational requirements were intensively analyzed and, based on this, a target structure and process organization was designed. These changes were implemented gradually in the second half of the year and will be largely completed in the first half of 2018. Through this project, OEDIV is preparing itself for the foreseeable challenges. Along with the transformation project, a comprehensive service desk was set up. In addition, a technical account management team was implemented to provide cross-functional technical advice to customers. Technical account managers meet customer requirements and work with the OEDIV departments to develop solution architectures.

Business development

KEY FIGURES	2016	**2017**
Sales revenue (in EUR million)	606	637
Adjusted sales revenue (in EUR million)[1]	606	641
Investments (in EUR million)	48	29
Employees	2,503	2,597

[1] Sales revenue adjusted for scope of consolidation and exchange rate effects.

EUR 637
million in revenue

The companies of the Other Interests Division are primarily active in the chemical industry and luxury hotel sector. In view of the different markets, the companies of this division developed differently. Overall, the division achieved an increase in sales revenue of 5.0%, to EUR 637 million. After adjusting for price and acquisition effects, sales revenue increased by 5.7% to EUR 641 million in 2017. Investments amounted to EUR 29 million for the year under review, compared to EUR 48 million in the previous year. The number of employees grew from 2,503 to 2,597.

Among aggressively priced competition, *Budenheim* was able to record strong growth in sales volumes, especially in the Food Ingredients business unit. This was primarily a result of metered price concessions. The development of sales could not keep pace with the volume growth. Compared to the previous year, however, Budenheim still achieved a plan-conforming, significant increase in sales of 5.5% to EUR 293 million. The strength of the euro against a number of currencies had a negative impact on sales. Adjusted for foreign exchange and acquisition effects, growth was 6.9%.

Budenheim business unit with highest revenue: Food Ingredients

Sales in the highest-selling business unit, Food Ingredients, increased significantly year-on-year, with average margins slightly down due to market-driven sales price adjustments. This was based on significantly increased growth in Asian consumer markets and the addition of key technologies in a highly competitive market environment for food additives and food ingredients. Supplying meat processing customers and handling fish and seafood products has become an important regional factor for expansion in 2017. This development was further supported by sales of additives for animal nutrition. Special attention was paid to the development of the Chinese market. To this end, a product portfolio that complies with the Chinese food standard (Guobiao standard) was developed and successfully placed on the market. The driver for sales volume growth in the treatment of fish and seafood was above all the innovative product CARNAL® HQ PEEL, developed in 2016 in collaboration with industrial partners for the handling of chilled water Shrimp. The growth in the baked goods sector was in particular the result of intensified sales activities in North America as well as intensive customer service for the introduction of the LEVALL® AS and LEVALL® AR leavening acid lines. Similarly, with the introduction of other encapsulated leavening systems and micro-encapsulated omega-3 fatty acids (wowCAPS®), key technologies have been translated into new product concepts. Both product groups increase the product and utility value for customers in the baking and milk sectors.

The business unit Material Ingredients combines the fields of functional plastic and color additives as well as materials for fighting forest fires. Over the years, there was a stable trend of moderate growth. In the case of additives for fire protection coatings, volume sales increased by 6% compared to 2016. The purchase volumes of leading, globally active paint manufacturers grew disproportionately, driven by the further expansion of holistic customer orientation. In the field of plastic additives, the flame protection segment increased its sales by about one third. This was due in particular to the BUDIT® 667/668 intumescent systems for polyolefins. In the second segment, plastics additives, the market launch of the BUDIT®-F series for foaming plastics was intensified and pushed ahead with key customers.

The Performance Materials business unit once again generated significant sales and margin growth with its diversified portfolio of specialty chemicals. In particular, special additives for the ceramics industry and high-temperature lubricants for metalworking recorded high growth rates. In addition to the successful acquisition of new business, the ceramics business also profited from the global recovery of the refractory industry, which in turn was driven by the rise in steel and aluminum commodity markets. The surge in oil extraction activity in North America fueled sales of high-temperature lubricants needed to produce seamless tubes for oil production. Thanks to intensive cooperation with customers in the field of high-temperature lubricants, the production lines of several customers' plants were also converted to Budenheim's unique, environmentally friendly product alternative PHOSPHATHERM®. In the application area of Pharmaceuticals, activities in Asia in particular were strengthened with new distribution channels, for example in China, Korea and Malaysia, and with a large number of technical seminars. As part of its continued presence at CPhI, the leading global pharmaceutical company, it was possible to underpin the expertise of Budenheim in the pharmaceutical industry with new TRI-CAFOS® formulation solutions. On the basis of a significant expansion of the position in Europe and the Middle East, the business with process excipients for the production of Styrofoam also showed moderate overall growth.

New hotel openings by the OHMC in São Paulo and in the Caribbean on Jumby Bay Island

Although the *Oetker Collection* achieved a total revenue increase of 2.7% to EUR 150 million in the reporting year, the group was unable to achieve the planned sales targets for 2017. Revenue at the Hotel du Cap-Eden-Roc has developed much better than expected. On the other hand, there was slightly lower revenue from the other group hotels. Compared with the previous year, the negative revenue development of the Brenners Park-Hotel & Spa was more than offset by the increase in revenue of the group-owned hotels in France – which benefited significantly from positive developments in average rates – and the Oetker Hotel Management Company (OHMC). In addition, in 2017 the OHMC opened the luxury hotel Palácio Tangará in São Paulo and a second Masterpiece Hotel in the Caribbean, on Jumby Bay Island off the main island of Antigua.

Falling overnight stays by guests from Germany and the Middle East put a strain on the Brenners Park-Hotel & Spa. As a result of the political unrest in the Middle East, the number of overnight guests from this region declined significantly in almost all markets. At the same time, the number of overnight stays of Russian guests after the long-standing economic problems of this region recovered only very slowly. On a positive note, the hotel market in Paris is recovering and slowly stabilizing after the onerous terrorist attacks of recent years. Thus, the Hotel Le Bristol in Paris was able to stop the trend of declining revenue of the previous years and once again recorded growth in 2017.

OEDIV's revenue developed significantly in the 2017 financial year, exceeding the previous year's forecast. As in 2016, the majority of OEDIV sales came from the core segments SAP and Microsoft, which accounted for two-thirds of total sales. A key driver of revenue growth was SAP HANA. This technology is increasingly in demand among new and existing customers. Other growth drivers included the increased demand from existing customers for additional, previously unused services from the OEDIV portfolio, as well as growth-related expansion to existing infrastructures. The successful acquisition of new customers has also boosted sales.

Driver of revenue growth: SAP HANA

The largest share of OEDIV's revenue was attributable to German customers with international locations. The revenue increases described were also generated by this customer group.

Forecast

As a market-oriented specialty chemicals company, *Budenheim* expects revenue for 2018 to be on a par with the previous year. The Performance Materials and Material Ingredients business units are planning moderate volume growth. In addition, the Food Ingredients and Material Ingredients business units will benefit from positive price effects. Compensating effects are expected due to negative currency effects from the US dollar and rising raw material costs. To counter this, the company will raise prices.

The *Oetker Collection* expects a significant rise in revenue for the coming fiscal year. All hotels of the group and the activities of the OHMC will contribute to this. The OHMC will benefit from the 2017 opening of the Masterpiece Hotels in São Paulo and Antigua, which will make annual revenue contributions. The group hotels are estimating rising occupancy rates with stable average rates for 2018.

OEDIV's total sales in 2018 are expected to be at the previous year's level. Lower license revenue within the Oetker Group is offset by a significant increase in revenue in the service business. This continues to increase OEDIV's original business. The service portfolio will be expanded so that new customers can be won, together with strategic partners, and the service breadth of existing customers can be extended. This, in combination with the ongoing digitization, will contribute to the growth of OEDIV.

Financial Position

The balance sheet total increased by EUR 246 million relative to December 31, 2016, to EUR 9,143 million it should be noted that the balance sheet structure at the end of 2017 has changed due to the sale of the Shipping Division. As a result, fixed assets fell significantly, while cash and cash equivalents increased from EUR 990 million to EUR 4,174 million as at December 31, 2017. The basic values of the balance sheet structure are as follows:

BALANCE SHEET STRUCTURE

In EUR million	2015	2016	**2017**
Total assets	8,812	8,896	9,143
Fixed assets	5,216	5,059	2,895
Inventories, accounts receivable, prepaid expenses	2,789	2,848	2,074
Cash and cash equivalents	807	990	4,174
Equity	3,613	3,648	3,749
Provisions	1,750	1,778	1,403
Liabilities including deferred income, deferred tax liabilities	3,450	3,470	3,991

As compared to the previous year, intangible assets decreased by EUR 108 million, to EUR 351 million. Depreciation and amortization in the reporting year clearly exceeded capital expenditures. Additions in 2017 totaled EUR 60 million. EUR 5 million of this was goodwill and can be attributed to acquisitions in the Food Division. The decline in property, plant and equipment by EUR 2,047 million to EUR 1,968 million is largely attributable to the sale of Hamburg Süd, whose balance sheet end of 2016 included ships and containers totaling EUR 1,958 million. Investments and depreciation in property, plant and equipment were roughly balanced. Total additions to property, plant and equipment and intangible assets amounted to EUR 598 million (previous year: EUR 442 million). EUR 40 million of this can be attributed to acquisitions (previous year: EUR 37 million). Current investments totaled EUR 558 million, which is EUR 153 million above last year's level of investment. In regional terms, the focus was again on investments in domestic companies, while the share of foreign companies in current investments fell from 34.8% to 26.7% in 2017. Amortization on intangible assets and depreciation on property, plant and equipment totaled EUR 673 million (previous year: EUR 694 million).

The carrying amount of the investments in associated companies fell by EUR 31 million, to EUR 458 million. The investments accounted for using the equity method mainly comprised Bankhaus Lampe KG, Düsseldorf, S.A Damm, Barcelona (Spain) and Emaphos Euro Maroc Phosphore S.A, Casablanca (Morocco). Itapoá Terminais Portuários S.A, Itapoá (Brazil), was part of the divested Shipping Division, so the change in the book value of associated companies is essentially due to this sale.

The reduction in inventories and trade receivables is also characterized by the deconsolidation of the Shipping Division. Inventories fell by EUR 193 million year-on-year to EUR 685 million, with the existing business units posting an operating increase. Trade receivables decreased by EUR 412 million, to EUR 946 million. The accounts receivable from affiliated companies totaled EUR 5 million (previous year: EUR 6 million) and can be set against liabilities of EUR 6 million (previous year: EUR 20 million). These items relate to German and foreign subsidiaries and other investments not included in the scope of consolidation.

Other assets fell to EUR 406 million as of the balance sheet date (previous year: EUR 536 million), also a consequence of the sale of the Shipping Division. In addition to tax refund claims, other assets include short-term loans as well as claims not set off against liability items from the reinsurance of pension obligations with the Condor insurance group, receivables relating to empty packaging and the like. They also include the assets of Atlantic Forfaitierungs AG, which essentially relate to short-term financial investments. An amount of EUR 46 million (previous year: EUR 75 million) of other assets has a residual term of more than one year.

Through the sale of Hamburg Süd, the Oetker Group received considerable funds. At the balance sheet date, cash and cash equivalents amounted to EUR 4,174 million (previous year: EUR 990 million). They consist of claims against Bankhaus Lampe KG, marketable securities and the item “Cash in hand, deposits with nonaffiliated banks and checks”.

The fixed capital of Dr. August Oetker KG remained unchanged at EUR 450 million. The group’s reserves increased by EUR 48 million, to EUR 3,419 million on the balance sheet date. The positive change in the equity difference from currency translation of EUR 51 million mainly resulted from the realization of translation differences, which were recognized directly in equity during the group affiliation of the shipping companies. This was offset primarily by the shift in the euro to the national currencies in Brazil, Mexico, the United Kingdom, the United States and Turkey.

Pension provisions amounted to EUR 491 million as of the balance sheet date (previous year: EUR 616 million). While portfolio changes had an impact of EUR –160 million, above all due to the deconsolidation of Hamburg Süd, interest and exchange rate effects had an impact of EUR 32 million. As in the past, a portion of the staff pension arrangements is covered by direct insurance policies, mainly with Condor Lebensversicherungs-AG. The insurance premiums needed for this purpose are largely paid in the form of a lump sum. Policy loans are not used.

Provisions for taxes of EUR 59 million (previous year: EUR 86 million) include only effective taxes. The other provisions include amounts for outstanding invoices, deposit credit balances from the Beer and Nonalcoholic Beverages Division, and sales reductions, especially in the Food Division and in the personnel department.

Total liabilities amounted to EUR 3,976 million (previous year: EUR 3,436 million) and can be found in the appendix, broken down by remaining maturity. The miscellaneous other liabilities of EUR 2,807 million (previous year: EUR 1,616 million) include the stockholders’ accounts identified within Dr. August Oetker KG.

Deferred tax liabilities decreased by EUR 15 million to EUR 9 million as of the balance sheet date and resulted solely from consolidation measures. There was an asset surplus at the level of the individual financial statements, essentially as the result of different valuation approaches in the provisions for pensions. To that extent, the company availed itself of the option under Section 274, para. 1, sent. 2, of the German Commercial Code (HGB).

The Oetker Group's financial position is marked by internal financing, largely retained earnings and long-term bank loans. As of December 31, 2016, net financial assets showed a positive balance of EUR 70 million. In particular, as a result of the cash inflow from the sale of Hamburg Süd, the balance at the end of 2017 increased significantly to EUR 3,584 million.

As compared to the previous year, equity increased by EUR 101 million, to EUR 3,749 million. With a 2.8% increase in the total equity and liabilities at the same time, the equity ratio remained unchanged at 41.0%. The bank liabilities are mainly based on loans with terms of ten years, which are serviced according to plan. Long-term loans of EUR 148 million were repaid during the reporting year, and no new loans were taken out. Leasing agreements and other off-balance sheet financing instruments are only of secondary importance for the Oetker Group.

Financing and cash investments by subsidiaries are combined within the Oetker Group wherever possible in order to minimize risks and exploit potential optimization. Interest, price and currency hedging is carried out primarily by Dr. August Oetker KG by means of derivative financial instruments.

Forecast Report

Global economic growth was much more stable in the 2017 financial year and gained more momentum than in previous years. The global economy will continue to expand in 2018, gaining about 4%, with the expansion contribution expected to increase significantly, especially in advanced economies. World trade will not grow as well as it did last year (4.5%), again at around 4%. Household consumer spending in the euro area is expected to rise by 1.6% in 2018. Together with sustained positive economic growth and an increase in disposable income, private consumption – as an important parameter for the consumer goods businesses of the Oetker Group – is a key pillar of the euro area economy. The economic forecast is determined by many influencing factors. Examples include a still unpredictable economic and trade policy in the US, a cooling of the Chinese economy or political unrest.

In 2018, the business development of the Oetker Group will continue to essentially depend on the development of economic conditions. In the consumer goods divisions, rising prices are expected for raw materials; however, due to price hedges, these will only have a partial effect. Regarding the rates of the foreign currencies important to the Oetker Group, all but the US dollar and the Canadian dollar have been planned to be close to the annual average for 2017.

Sales revenue planning for 2018 is based on both organic growth and acquisition-related revenue growth. As a result of the divestment of the Shipping Division in 2017, revenue for the coming year will be significantly lower. Overall, the group management is planning moderate growth in revenue, which will exceed the level of EUR 6 billion. For the financial year 2018, capital expenditures (excluding first-time consolidations) of around EUR 380 million are expected, above all in the Food Division and in the Radeberger Group. The net financial balance will continue to be clearly positive. The number of employees is assumed to be almost constant, without the deconsolidation effect of Shipping.

↗ The forecasts for the individual divisions can be found starting on page 26.

Other aspects of the expected development in the individual divisions are described in their respective sections.

Opportunities and Risks Report

The business activities of the Oetker Group offer many opportunities and are subject to permanent risks. The primary goal is to achieve a balance between opportunities and risks.

All trends in the industries relevant to the group are constantly monitored. Opportunities are considered when formulating plans and tracked as part of periodic reporting. Regular market and competitive analyses are carried out and the crucial success factors for the markets are examined.

The group companies are subject to different economic conditions. In the three consumer goods divisions, consumption trends among consumers are particularly relevant. A diversified product portfolio and continuous development of new products help the group to take account of market and consumer needs. This also includes the trend towards more quality awareness and increased demand for sustainably produced products.

Expanding the group's market presence also offers strategic opportunities. This applies, for example, to the markets in emerging nations. With the help of strategic acquisitions, the product portfolio can be expanded, the market position improved and growth boosted.

Within the context of its structure, which is diversified across both industries and regions, the Oetker Group is also exposed to different risks. These are mainly economic risks, commodity price risks and, to a lesser extent, currency risks. Dealing with these business risks is a key component of entrepreneurial leadership in the Oetker Group.

Operational opportunities and risks

Procurement market opportunities and risks

In the estimation of the group management, the prices on the procurement markets will increase in 2018. Many of the raw materials important to the consumer goods divisions have already been firmly contracted for 2018 in terms of their prices, so there are no risks there. Diversification through different suppliers and further measures to secure volumes reduce other procurement risks.

Environmental and industry-related opportunities and risks

The consumer climate is of crucial importance to the consumer goods businesses. In addition, interventions by national authorities, trade conflicts or uncertain geopolitical situations, such as in Russia, Ukraine or Turkey, can have a major impact. The ongoing debt and financial crisis in some countries also creates risks for the group's business segments. In addition, increasingly intense competition and increasing trade concentration pose risks. By continuously strengthening their brands and constantly developing new products, the group companies counter these risks while at the same time generating new opportunities. Apart from this, using different sales channels enables a balance between potentially structural migration movements and consumer demand patterns.

Functional opportunities and risks

Financial opportunities and risks

The Oetker Group is subject to financial opportunities and risks in terms of liquidity, currencies and interest rates. Given the solid earnings structure and financial condition of the Oetker Group, long-term links to various credit institutions and financing based on classic ten-year bank loans, the liquidity and interest rate risk is considered to be extremely low. Currency risks are mainly hedged with the help of forward exchange transactions, which limit potential losses.

Legal and regulatory risks

As a company that operates worldwide, the Oetker Group has to observe a large number of legal and regulatory standards.

To implement them, internal standards, guidelines and procedures need to be regularly reviewed – including within the context of management systems. All relevant legal and regulatory requirements and compliance with the Oetker Code of Conduct are monitored by a compliance organization set up across the group.

In addition, the usual insurance policies have been concluded to cover certain legal risks.

Opportunities and risks in the area of IT/digitalization

The use of digital technology enables the ongoing standardization of data systems as well as the harmonization and optimization of processes. Information technology risks are counteracted by extensive investments in the security architecture of IT systems. Digital transformation is an unstoppable trend that is influencing consumer behavior and market participants. Apart from risks, for example as a result of the entry of new market participants, this also results in new offerings that will provide the Oetker Group with new opportunities for growth, especially in the consumer goods divisions.

Personnel opportunities and risks

The financial success of the Oetker Group is largely defined by its employees' skills and motivation. Recruiting highly qualified specialists and managers and binding them to the Oetker Group in the long term is therefore enormously important. To this end, the group relies on targeted measures to develop employees, and on incentive systems. A further focal point in the group's human resources work is on health management and the counseling of employees in different phases of their lives.

Environmental and safety factors
Due to its activities at numerous locations worldwide, the Oetker Group has to observe environmental, safety, health and social standards. This can result in harm to people and goods. Measures that target legal and regulatory risks also help counter environmental and safety risks, as do the certification, counseling and training of employees. In addition, high technical standards in production provide effective protection.

Summary of the opportunities and risks situation
There are no concentrations of risk worthy of mention either on the customer side or on the supplier side. Likewise, there are no apparent risks that may put the group's existence at risk in connection to the countries in which the Oetker Group operates.

Moreover, from today's perspective, there are no risks apparent that might result in any impact on the long-term existence of the Oetker Group. In addition, a higher risk coverage volume has been created in past years via a solid equity capital base, with which from today's perspective the risk drivers in the Oetker Group's business can be even more effectively managed. At the same time, the opportunities offered can be grasped from this solid foundation.

02 *Consolidated Financial Statements*

The percentages included in the group management report and the consolidated financial statements refer to the exact amounts, not the rounded amounts. Due to rounding it is possible that individual numbers (€, %, etc.) do not add up exactly to the specified sum.

Consolidated Financial Statements

02

Consolidated Balance Sheet

Dr. August Oetker KG

ASSETS In EUR '000	2016	**2017**
FIXED ASSETS		
Intangibles		
Acquired concessions, trademarks and similar rights and assets as well as licenses to such rights and assets	317,952	256,136
Goodwill	138,337	93,239
Advance payments	2,715	2,081
	459,004	**351,456**
Tangibles		
Land, leasehold rights and buildings, including buildings on leasehold land	1,141,990	1,097,062
Machinery and equipment	488,746	456,727
Other equipment, fixtures, furniture and office equipment		
Ships and containers	1,957,936	
Miscellaneous other equipment	286,920	275,037
Advance payments and fixed assets under construction	139,101	139,358
	4,014,694	**1,968,185**
Financial assets		
Shares in subsidiaries	107	76
Investments in associated companies	488,913	458,085
Investments in other companies	27,542	33,832
Long-term borrowings to affiliated companies	1,851	26
Fixed-assets securities	1,707	1,457
Other long-term borrowings	64,857	66,108
Advance payments on financial assets		15,600
	584,977	**575,185**
	5,058,674	**2,894,826**
CURRENT ASSETS		
Inventories		
Raw materials and supplies	296,994	217,404
Work in progress		
Voyages in progress (Shipping)	139,598	
Other work in progress	91,093	98,694
Finished products and merchandise	342,153	364,491
Advance payments	8,901	4,883
	878,738	**685,472**
Accounts receivable and other current assets		
Accounts receivable (trade)	1,358,455	946,261
Accounts receivable from subsidiaries	186	82
Accounts receivable from affiliated companies (apart from banks)	5,522	4,714
Other current assets	535,988	405,937
	1,900,150	**1,356,993**
Funds		
Accounts receivable from affiliated banks	107,510	43,015
Marketable securities		1,420,889
Cash in hand, deposits with nonaffiliated banks and checks	882,374	2,710,362
	989,883	**4,174,266**
	3,768,772	**6,216,731**
DEFERRED CHARGES AND PREPAID EXPENSES	**65,244**	**29,307**
POSITIVE DIFFERENCE BETWEEN PLAN ASSETS AND RETIREMENT BENEFIT OBLIGATIONS	**3,705**	**1,880**
	8,896,396	**9,142,744**

EQUITY AND LIABILITIES In EUR ’000	2016	**2017**
EQUITY		
Fixed capital	450,000	450,000
Reserves	3,370,911	3,419,388
Difference in equity due to currency conversion	–185,087	–133,979
Noncontrolling interests	11,696	13,119
	3,647,520	**3,748,528**
DIFFERENCE DUE TO CAPITAL CONSOLIDATION	**111**	**86**
PROVISIONS		
Provisions for pensions and similar obligations	616,310	491,170
Provisions for taxes	85,619	58,501
Other provisions	1,076,480	853,753
	1,778,409	**1,403,424**
LIABILITIES		
Liabilities due to banks		
Liabilities due to banks outside the Oetker Group	910,195	580,136
Liabilities due to affiliated banks	9,930	9,974
Advance payments received	8,814	7,535
Accounts payable (trade)	593,605	432,709
Accounts payable to subsidiaries	27	25
Accounts payable to affiliated companies (apart from banks)	20,201	6,166
Miscellaneous liabilities		
Taxes	263,130	120,228
Social security	14,420	12,497
Other	1,615,897	2,807,177
	3,436,220	**3,976,448**
DEFERRED INCOME	**9,887**	**5,317**
DEFERRED TAX LIABILITIES	**24,250**	**8,941**
	8,896,396	**9,142,744**

Bielefeld, April 18, 2018
Dr. August Oetker KG
General Partners

Dr. Albert Christmann

Dr. Ottmar Gast
(until December 31, 2017)

Consolidated Statement of Changes in Fixed Assets

Dr. August Oetker KG

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS In EUR '000	Cost as of January 1, 2017	Currency differences and effects due to change in scope of consolidation	Additions	Disposals	Reclassifications	Cost as of December 31, 2017
Intangibles						
Acquired concessions, trademarks and similar rights and assets as well as licenses to such rights and assets	1,280,456	−9,805	51,425	−249,962	2,356	1,074,471
Goodwill	232,426	−12,769	7,461	−4,982		222,136
Advance payments	2,715	−19	1,405	−204	−1,742	2,155
	1,515,596	**−22,593**	**60,292**	**−255,148**	**614**	**1,298,762**
Tangibles						
Land, leasehold rights and buildings, including buildings on leasehold land	2,259,042	−20,100	61,520	−80,212	16,828	2,237,078
Machinery and equipment	2,249,518	−12,768	71,202	−34,209	34,597	2,308,340
Ships and containers	4,001,327	−23,390	173,572	−4,189,206	37,697	
Other equipment, fixtures, furniture and office equipment	877,717	−2,908	76,511	−97,036	8,484	862,767
Advance payments and fixed assets under construction	139,157	−2,583	154,554	−53,461	−98,222	139,444
	9,526,761	**−61,749**	**537,358**	**−4,454,123**	**−617**	**5,547,630**
Financial assets						
Shares in subsidiaries	111		8	−43		76
Investments in associated companies	497,612	−3,603	29,220	−56,445		466,785
Investments in other companies	33,290	−112	11,682	−8,831		36,029
Long-term borrowings to affiliated companies	1,871		80	−1,925		26
Fixed-assets securities	2,108	−19	29	−318		1,800
Other long-term borrowings	80,783	514	24,022	−24,967	3	80,355
Advance payments on financial assets			15,600			15,600
	615,775	**−3,220**	**80,641**	**−92,529**	**3**	**600,671**
TOTAL	**11,658,133**	**−87,562**	**678,291**	**−4,801,799**		**7,447,062**

Accumulated depreciation and amortization as of January 1, 2017	Currency differences and effects due to change in scope of consolidation	Depreciation and amortization in 2017	Disposals	Reclassifi-cations	Write-ups in 2017	Accumulated depreciation and amortization as of Decem-ber 31, 2017	**Book value as of December 31, 2017**	Book value as of December 31, 2016
−962,504	4,473	−100,371	238,886	−21	1,203	−818,335	256,136	317,952
−94,088	5,243	−42,332	2,280			−128,897	93,239	138,337
		−73				−73	2,081	2,715
−1,056,592	**9,716**	**−142,777**	**241,166**	**−21**	**1,203**	**−947,305**	**351,456**	**459,004**
−1,117,052	7,240	−80,582	50,027	−2	353	−1,140,016	1,097,062	1,141,990
−1,760,772	5,302	−122,783	26,581	−57	115	−1,851,613	456,727	488,746
−2,043,391	6,257	−249,977	2,287,111					1,957,936
−590,797	1,453	−76,635	78,031	80	136	−587,730	275,037	286,920
−56	−3	−28				−86	139,358	139,101
−5,512,068	**20,251**	**−530,003**	**2,441,750**	**21**	**605**	**−3,579,445**	**1,968,185**	**4,014,694**
−4			4				76	107
−8,699						−8,699	458,085	488,913
−5,748		−401	3,952			−2,197	33,832	27,542
−20			20				26	1,851
−401		−25	77		5	−343	1,457	1,707
−15,926	−514	−1,827	3,611		410	−14,247	66,108	64,857
							15,600	
−30,798	**−514**	**−2,253**	**7,664**		**416**	**−25,486**	**575,185**	**584,977**
−6,599,458	**29,453**	**−675,033**	**2,690,580**		**2,223**	**−4,552,236**	**2,894,826**	**5,058,674**

Notes to the Consolidated Financial Statements
Dr. August Oetker KG

Application of the statutory requirements

As a commercial partnership, Dr. August Oetker KG is required pursuant to Section 2 of the German Act on Disclosure of Company Financial Statements (below Disclosure Act) to compile and publish consolidated financial statements and a group management report. These consolidated financial statements and group management report, which were prepared in accordance with Section 13 of the Disclosure Act in conjunction with Sections 294 to 315 of the German Commercial Code (below Commercial Code), qualify for exemption within the meaning of Section 264 (4) of the Commercial Code, Section 264b of the Commercial Code and Section 5 (6) of the Disclosure Act for the companies identified in the list of shareholdings pursuant to Section 313 of the Commercial Code (published in the electronic Federal Gazette).

With the exception of the information pursuant to Section 313 (2) of the Commercial Code, this annual report complies with the regulations of Section 13 of the Disclosure Act in conjunction with Sections 294 to 315 of the Commercial Code.

Scope of consolidation

All of the major domestic and foreign companies on which Dr. August Oetker KG can exert a controlling influence directly or indirectly have been included in the consolidated financial statements.

As of the balance sheet date, the scope of consolidation included a total of 327 companies (previous year: 415), thereof 191 German and 136 foreign companies. Due to their minor significance, six companies were not fully consolidated (previous year: nine). The same applies to nine associated companies (previous year: 13 companies) with regard to consolidation at equity.

In addition, eight companies are valued at equity (previous year: seven).

The following significant changes occurred within the scope of consolidation:

The acquisition of the Mexican Grupo Rexal on June 1, 2017, expanded the scope of consolidation by three foreign companies. Further additions were made to the other business divisions, but they are also of minor importance to the group as a whole.

The Hamburg Süd Group, with 87 consolidated companies, was deconsolidated after the sale to the Maersk Group as of November 30, 2017. No longer in the scope of consolidation are several small companies, insignificant from the perspective of the group, that were either merged or liquidated.

A listing of shareholdings is published in the electronic Federal Gazette as an element of the notes to the consolidated financial statements.

Accounting policies and valuation methods

In the individual financial statements of the companies included in the consolidated financial statements prepared for consolidation purposes, the accounting and valuation are performed in accordance with standardized criteria pursuant to the provisions of the Disclosure Act and the Commercial Code and on the basis of the Oetker Group's accounting policies and valuation methods (Handelsbilanz II). The financial statements of the companies accounted for using the equity method were adjusted in part to the uniform group guidelines.

Tangible and intangible assets were valued in accordance with Section 253 of the Commercial Code. No use was made of the option provided for in Section 248 (2), sent. 1, of the Commercial Code to capitalize self-produced intangible assets within the Oetker Group. Goodwill is amortized according to its useful life. The maximum valuation limit for the production cost is the cost pursuant to Section 255 (2), sent. 1 and 2, of the Commercial Code. Investment grants were treated as deductions from the acquisition cost. Scheduled depreciation and amortization were based both on the straight-line and the declining-balance method (with transition to the straight-line method if the amount thus produced was higher than with the declining-balance method), largely in accordance with the useful lives recognized by the tax authorities. In Germany, minor assets with an acquisition cost of up to EUR 410 are fully written off in the year of acquisition. A similar approach is taken abroad in comparable cases. In some cases, low-value assets whose acquisition or production costs for the individual assets exceed EUR 150 but not more than EUR 1,000 form a vintage-related collective item that is written off over a period of five years in a uniform manner.

The value of financial assets is not to exceed their acquisition cost where no lower values are called for. Permanent decreases in the value of fixed assets are accounted for by impairment losses.

Current assets are valued in accordance with Sections 253 and 256 of the Commercial Code. The production cost of inventories includes appropriate manufacturing overheads observing the production cost limits set by the tax authorities; interest on borrowed capital is not capitalized. Apparent inventory risks are accounted for through loss-free valuation. Adequate specific and general provisions are formed to cover risks in accounts receivable.

Transactions in foreign currencies are translated at the mean spot exchange rate at the time of the transaction for the sake of simplicity and at the monthly average rate in some cases.

Pension provisions are calculated based on actuarial reports. The valuation of pension provisions at domestic companies is carried out in accordance with the rules of Section 6a of the Income Tax Act, taking into account the current mortality tables of Prof. Klaus Heubeck. The simplification rule of Section 253 (2), sent. 2, of the Commercial Code is applied and the interest rate for 15-year residual maturities calculated by the German Central

Bank as of October 31, 2017, forecast on December 31, 2017 (3.68%; previous year: 4.01%): In addition, as in the previous year, an expected wage and salary increase of 3.0% and an expected pension increase of 1.5% (previous year: 1.6%) are taken as a basis. The pension obligations of the foreign companies are assessed on the basis of the respective national regulations and are not of material importance. The difference in accordance with Section 253 (6) of the Commercial Code is EUR 40 million.

Assets within the meaning of Section 246 (2), sent. 2, of the Commercial Code of EUR 20 million were set off against corresponding provisions for pension obligations.

Provisions are recognized at the settlement amount necessary based on prudent commercial judgment. The provisions for long service anniversaries are also calculated based on the values stated for interest rates and wage and salary increases. Expected price increases of 1.5% are taken into account under "Other provisions".

Liabilities are recognized at their settlement amount.

On account of an asset surplus in deferred taxes from individual financial statements, the deferred taxes are formed only as provided for by Section 306 of the Commercial Code. Deferred tax assets and liabilities from consolidation transactions are set off against one another, leaving an excess of liabilities. As compared to the previous year, this was decreased by EUR 15 million, to EUR 9 million. Tax rates specific to the individual companies are applied.

Valuation units within the meaning of Section 254 of the Commercial Code are formed to a minor extent. In these cases, the freezing method is applied.

Currency translation

The currency translation of items in foreign currencies on the balance sheets of the consolidated companies is based on Section 256a of the Commercial Code. Where not already drawn up in euros, the balance sheets of the foreign subsidiaries are translated based on the modified closing rate method of Section 308a of the Commercial Code. Movements in the consolidated statement of changes in fixed assets are translated at the average exchange rate for the year.

Consolidation principles

The annual financial statements of all consolidated companies are compiled as of the date of the consolidated financial statements. Upon consolidation for the first time, the acquisition cost and investment book values are set off against the proportional equity in the capital consolidation based on the principles of the revaluation method. Initial consolidation is carried out on the date on which the company became a subsidiary. The fair value of the acquired assets, debts, accruals and deferrals, and special items acquired is derived as far as possible from market prices within the context of comparable transactions. The remaining differences on the assets side are recognized as goodwill and written off as an expense in the subsequent years pursuant to Section 309 (1) of the Commercial Code. The amortization is linear and the useful life is max. five years. The same applies to the companies consolidated at equity. Differences on the liabilities side are recognized under the item "Difference due to capital consolidation" after equity and treated in accordance with Section 309 (2) of the Commercial Code.

All receivables and payables between consolidated companies are calculated to net and profits and losses on intercompany transactions are eliminated, as are intercompany expenses and income. Deferred taxes are allowed for in the event of differences resulting from consolidation that are expected to be eliminated in subsequent financial years.

Profits on intercompany transactions with companies consolidated at equity are not eliminated.

Other information

Liabilities amount to EUR 3,976 million. Based on remaining maturity, the individual items are structured as shown in Table 1.

TABLE 1: LIABILITIES In EUR million	**Payable within one year (previous year)**	Payable after one year (previous year)	Payable after more than 5 years (previous year)
Liabilities due to banks outside the Oetker Group	151 (352)	429 (559)	137 (207)
Liabilities due to affiliated banks	10 (10)		
Advance payments received	7 (9)		
Accounts payable (trade)	433 (592)	(2)	
Accounts payable to affiliated companies (apart from banks)	6 (20)		
Miscellaneous liabilities	599 (956)	2,341 (937)	2,037 (430)
Total	**1,206 (1,938)**	**2,770 (1,498)**	**2,174 (638)**

No securities requiring disclosure were granted for these liabilities.

On the balance sheet date, the following contingencies existed in accordance with Section 251 of the Commercial Code:

TABLE 2: CONTINGENT LIABILITIES In EUR million	2016	**2017**
Liabilities from guarantees	17	19
Liabilities from warranties	57	4
Thereof due to associated companies	40	

Risks arising from claims with respect to contingent liabilities are not anticipated given the creditworthiness of the debtor concerned.

The other financial obligations pursuant to Section 314 (1), no. 2a, of the Commercial Code total EUR 514 million, of which EUR 103 million is for next year. Off-balance-sheet transactions in accordance with Section 314 (1) no. 2 of the Commercial Code were only carried out toan extent that had a negligible impact on the financial position of the Oetker Group.

As companies operating internationally, Dr. August Oetker KG and its subsidiaries are exposed to interest rate, price and currency risks. To mitigate these risks, Dr. August Oetker KG has, in particular, concluded contracts in derivative financial instruments (futures, swaps and options). At the balance sheet date, there were forward exchange purchases/sales with a transaction volume of EUR 81 million and a fair value of EUR 1 million.

No provisions have been set up for futures, swaps and options not included in valuation units.

The derivative financial instruments are valued based on certain assumptions and valuation models, such as the present value method, Black-Scholes or Heath-Jarrow-Morton.

The workforce of the companies consolidated in the Oetker Group rose during the reporting period by 0.4% to 32,204 employees (previous year: 32,078). The Food Division increased its headcount from 15,368 to 15,733. In the Beer and Nonalcoholic Beverages Division, the number of employees rose from 5,986 to 6,066. The Sparkling Wine, Wine and Spirits Division recorded a slight increase in personnel from 1,922 to 1,934 employees. The number of employees in the Shipping Division fell from 6,300 to 5,874, as only eleven months were taken into account in 2017, due to the deconsolidation of the Hamburg Süd Group as of November 30, 2017. The workforce in the Other Interests Division grew from 2,503 to 2,597 employees.

The differential amount between the corresponding carrying amounts and the share of equity of all associated companies included amounts to EUR 5 million.

The total fee pursuant to Section 314 (1), no. 9, of the Commercial Code amounts to EUR 2,444 thousand. Of this amount, EUR 2,037 thousand is attributable to annual account auditing services, EUR 123 thousand to other confirmation services, EUR 199 thousand to tax consulting services and EUR 84 thousand to other services.

Transactions with related companies and persons pursuant to Section 314 (1), no. 13, of the Commercial Code were immaterial in scope.

Income statement
In accordance with Section 13 (3), sent. 2, of the Disclosure Act, no income statement will be published. In the same application of the Disclosure Act to the management report, it

also does not provide any explanations regarding the earnings situation or key financial indicators, with the exception of sales revenue. The income statement of the bank can be found in its separate annual report.

The disclosures required pursuant to Section 5 (5), sent. 3, of the Disclosure Act are published in a separate appendix – see Table 3.

TABLE 3: APPENDIX TO THE BALANCE SHEET
Pursuant to Section 13 (3), sent. 2, of the Disclosure Act in conjunction with Section 5 (5), sent. 3, of the Disclosure Act

	2016	**2017**
a) External sales (in EUR '000)	11,703,946	11,600,724
b) Income from investments (in EUR '000)	80,030	40,809
c) Wages and salaries, social security contributions, expenditure on pensions and other benefits (in EUR '000)	1,558,157	1,649,565
d) Number of employees Converted into full-time employees, the average number of employees in 2017 was 30,893 (previous year: 30,851).	32,078	32,204

The sales revenue reported is broken down into geographically defined markets and business segments as shown in Table 4.

TABLE 4: BREAKDOWN OF SALES REVENUE
In EUR million

	2016	**2017**
Distributed by region:		
Germany	3,894	3,874
Rest of the EU	2,663	2,799
Rest of Europe	580	573
Rest of the world	4,567	4,356
Thereof shipping sales in international waters	3,868	3,618
Distributed by division:		
Food	3,071	3,135
Beer and Nonalcoholic Beverages	1,901	1,908
Sparkling Wine, Wine and Spirits	502	523
Shipping	5,624	5,398
Other Interests	606	637

Adjusted for changes in the scope of consolidation, total sales revenue for 2017 was EUR 11,583 million, versus EUR 11,239 million for 2016.

Subsequent events

With the signing of the contract on March 16, 2018, 50.67% of the shares in Freixenet S.A. were acquired. The purchase of the shares is subject to approval by the competition authorities.

In addition, under the terms of the contract dated December 6, 2017, the shares in the Belgian food company Diversi Foods were acquired following approval by the relevant competition authorities, the transaction was completed in February 2018.

In addition, an agreement was signed in February 2018 to acquire the French baked goods and dessert brand Alsa, subject to approval by the relevant competition authorities.

Finally, on February 23, 2018, a joint venture with the Gropper dairy was founded for the joint operation of the production facilities in Moers. This contract is also subject to approval by the competition authorities.

In the Beer and Nonalcoholic Beverages Division, Dursty Getränkemärkte GmbH & Co. KG, Hagen, was acquired on January 1, 2018, and Bionade GmbH was sold.

Bielefeld, April 18, 2018
Dr. August Oetker KG
The General Partners

Dr. Albert Christmann

Dr. Ottmar Gast
(until December 31, 2017)

Presentation of the Auditors' Report on the Complete Consolidated Financial Statements

To Dr. August Oetker KG, Bielefeld

Audit opinions

We have audited the consolidated financial statements of Dr. August Oetker KG, Bielefeld, and its subsidiaries (the group), consisting of the consolidated balance sheet as of December 31, 2017, and the consolidated income statement for the financial year from January 1 to December 31, 2017, as well as the notes including the presentation of accounting methods. In addition, we audited the group management report of Dr. August Oetker KG for the financial year from January 1 to December 31, 2017.

In our opinion, based on the findings of the audit

- The attached consolidated financial statements comply with all applicable German commercial law requirements in accordance with Section 13 of the Disclosure Act and convey a true and fair view of the group's net assets and financial position as of December 31, 2017, and its results of operations for the financial year in accordance with generally accepted accounting principles from January 1 to December 31, 2017, and

- overall, the attached group management report gives a true picture of the situation of the group. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the Commercial Code, we declare that our audit has not led to any objections regarding the regularity of the consolidated financial statements and the group management report.

Basis for the assessment

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 14 of the Disclosure Act and the generally accepted standards for the audit of financial statements laid down by the Institute of Public Auditors in Germany. Our responsibilities under these rules and policies are further described in the section entitled "Auditors' responsibility for auditing the consolidated financial statements and the group management report". We are independent of the group companies in accordance with German commercial and professional regulations and have fulfilled our other professional duties in accordance with these requirements. We believe that the audit evidence we obtain is sufficient and appropriate to serve as a basis for our assessment of the consolidated financial statements and the group management report.

Responsibility of the legal representatives for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law applicable under Section 13 of the Disclosure Act in all material respects, and declare that the consolidated financial statements, in accordance with the accounting principles generally accepted in Germany, give a true and fair view of the assets, financial and earnings position of the group. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in order to facilitate the preparation of consolidated financial statements that are free from material, contingent or unintentional misstatement.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's ability to continue its activities. They also have responsibility for disclosing matters relating to the continuation of business, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of generally accepted accounting principles, unless contrary to factual or legal circumstances.

In addition, the legal representatives are responsible for the preparation of the group management report, which gives an overall picture of the group's position, is in all material respects consistent with the consolidated financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient suitable evidence for the statements in the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the group management report gives a true picture of the group's position that is consistent in all material respects with the consolidated financial statements, as well as to obtain reasonable assurance that the findings of the audit are in accordance with German legal requirements and that the assessment of opportunities and risks of future development is accurate, and to issue an audit opinion, which includes our opinion of the audit of the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with Section 14 of the Disclosure Act in compliance with the generally accepted standards for the audit of financial statements as laid down by the Institute of Public Auditors in Germany will always reveal a material misstatement. Misstatements can result from breaches or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of (intentional or unintentional) material, misstatement in the consolidated financial statements and the group management report, plan and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk that material misrepresentations will not be detected is higher for violations than for inaccuracies, as violations may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or the overriding of internal controls.

- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not with the aim of providing an opinion on the effectiveness of these systems.

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives.

- we draw conclusions about the appropriateness of the accounting policy used by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that create significant doubts about the group's ability to continue its business activities. If we conclude that there is material uncertainty, in the auditor's report we are required to draw attention to the related disclosures in the consolidated financial statements and the group management report or, if these disclosures are inadequate, to modify our respective audit assessment. We draw our conclusions on the basis of the audit evidence obtained up to the date of our assessment. However, future events or circumstances may lead to the group being unable to continue its business activities.

- we assess 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 way that gives a true and fair view of the financial position, in accordance with generally accepted accounting principles and the earnings position of the group.

- we obtain sufficient appropriate audit evidence regarding the accounting information of the companies or business activities within the group in order to provide audit assessments on the consolidated financial statements and the group management report. We are responsible for the guidance, supervision and execution of the consolidated financial statements audit. We bear the sole responsibility for our audit assessments.

- we assess the consistency of the group management report with the consolidated financial statements, its legal representation and the picture of the position of the group that it conveys.

- we conduct audits of the forward-looking statements presented by the legal representatives in the group management report. On the basis of sufficient suitable audit evidence, we will, in particular, track the significant assumptions on which the forward-looking statements are based, and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent assessment of the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Bielefeld, April 18, 2018

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Wirtschaftsprüfungsgesellschaft

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The Oetker Group
Highlights & important milestones 2017

January

Dr. Oetker opens the new research and development center in Bielefeld. Spread over three floors, a complex of laboratories, experimental kitchens and development areas has been created for the categories pizza and cake/dessert.

February

Hamburg Süd's slot charter agreement with Maersk Line will in the future provide improved service by increasing the number of weekly departures, ports and direct port connections for east-west trade.

Budenheim acquires micro-encapsulation technology from GAT Food Essentials. In addition to the production facilities, the product and user knowledge, existing businesses, all research projects and all trademark and patent rights are also acquired.

March

Henkell & Co. acquires Mangaroca Batida de Coco from the Sassoli de Bianchi family. In Germany, Henkell, together with the previous brand owner, built up the international cult brand since 1978, making it the most successful coconut cream liqueur.

Following the **Radeberger Group's** investment in January 2017 in the Berlin-based start-up "Gastrofix", the leading provider of cloud-based POS systems for the catering industry, the group strengthened its digital know-how with a further investment in the social media agency OnlineDialog.

Dr. Oetker opens the Café Gugelhupf in Lucerne, Switzerland, offering customers a world of experiences. Fresh cakes, gateaux, breads, salads and much more are prepared in the open kitchen in front of the guests.

April

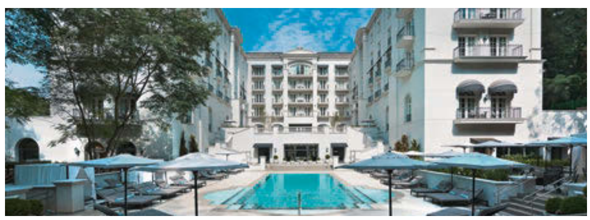
The new chocolate pizza Ristorante Dolce al Cioccolato by **Dr. Oetker** impresses and becomes a media star. The sweet pizza is mentioned on social media channels, on blogs, in online and print media and on radio and TV.

Budenheim has been awarded gold status for sustainable business by the independent CSR rating platform EcoVadis for its German location, putting it in the top four percent of all participating companies worldwide.

May

Henkell & Co. opens the sparkling wine manufactory at the parent company in Wiesbaden. Visitors have the opportunity to experience traditional sparkling wine production up close.

The Palácio Tangará in São Paulo, Brazil, celebrates its opening: The new hotel of the **Oetker Collection** is located in the middle of the Burle Marx Park in the center of São Paulo.



June

Budenheim inaugurates its ExtraPhos® pilot plant. With the innovative and patented ExtraPhos® process, the chemical specialist has found a way to reclaim phosphorus from sewage sludge so that it can be fed back into the economic cycle. Thanks to the environmentally friendly extraction using carbon dioxide, the company uses regional sources and material cycles in a resource-saving manner.

Hamburg Süd is awarded the title Best Green Shipping Line for the fifth time in six years. The Asia Freight, Logistics and Supply Chain (AFLAS) Awards are one of the most important awards in the Asian transport and logistics industry.

July

The Münster branch of Bankhaus Lampe celebrates its 55th anniversary with a ceremony in the town hall. Münster was the second branch after the founding of the bank. In total, **Bankhaus Lampe** has 15 locations in Germany and abroad.

August

Another grand hotel becomes part of the **Oetker Collection**: Just off the main island of Antigua, Jumby Bay Island is the tenth Masterpiece Hotel of the Oetker Collection.

September

The **Dr. Oetker** pizza factory in Wittenburg celebrates its 25th anniversary with a big family party for all employees.

In response to increasing digitization, new opportunities are being utilized in the B2B food sector through the successful launch of the BRAUN online platform. In addition to order processing, the **Martin-Braun Group's** digital platform also offers customer-oriented services for commercial processors.

October

The **Martin-Braun Group** expands at the Wolf ButterBack site in Fürth and builds a third plant with state-of-the-art facilities and a high-bay warehouse with 8,700 pallet spaces. This doubles the capacity for the production of frozen dough pieces.

Conditorei Coppenrath & Wiese invests 80 million euros in production, expanding its capacity, and celebrates the completion of the 25,000-square-meter new hall, which can accommodate up to six production lines.

November

Klemens Breuer is appointed as General Partner of **Bankhaus Lampe KG**. As of April 2018, he will be the spokesman for the General Partners, replacing the retiring Prof. Stephan Schüller. Markus Bolder, who joined as a General Partner in July, will take over the duties of Werner Schuster, who is also retiring, at the beginning of 2018.

The **Radeberger Group** announces the acquisition of the Dursty beverage stores as of January 1, 2018. This move will strengthen the brewery group's position in the beverage retail sector.

On November 30, 2017, following the approval of the competition authorities of numerous countries, the contract for the sale of **Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG** and all its sister and subsidiary companies to the world market leader Maersk Line A/S comes into force. Thus, after more than 80 years, the Oetker Group separates from its largest single activity.

As of October 31, 2017, Richard Oetker leaves the Executive Board of **Dr. August Oetker Nahrungsmittel KG** and becomes Chairman of the Advisory Board from November 1, 2017. Dr. Albert Christmann, General Partner of Dr. August Oetker KG and former Chairman of the Advisory Board of Dr. August Oetker Nahrungsmittel KG, succeeds Richard Oetker as Chairman of the Executive Board.

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