BERENTZEN-GRUPPE

Thirst for life

Annual Report 2019

Berentzen vivaris CITROCASA PERFORMING FRESHNESS PABST & RICHARZ

Key Figures

Key figures of the Berentzen-Gruppe

		2019 or 12/31/2019	2018 or 12/31/2018	Change 2019/2018
Consolidated revenues excl. spirits tax	EURm	167.4	162.2	+ 3.2%
Spirits segment	EURm	86.7	84.2	+ 3.0%
Non-alcoholic Beverages segment	EURm	51.4	49.7	+ 3.3%
Fresh Juice Systems segment	EURm	20.0	18.8	+ 6.4%
Other segments	EURm	9.3	9.5	- 1.4%
Total operating performance	EURm	167.4	163.6	+ 2.3%
Contribution margin after marketing budgets	EURm	63.4	60.0	+ 5.7%
Consolidated EBITDA	EURm	18.4	17.3	+ 6.0%
Consolidated EBITDA margin	%	11.0	10.7	+ 0.3 PP[1]
Consolidated EBIT	EURm	9.8	9.8	+ 0.1%
Consolidated EBIT margin	%	5.9	6.0	- 0.1 PP[1]
Consolidated profit	EURm	4.9	5.2	- 4.6%
Operating cash flow	EURm	12.0	14.6[2]	- 15.1%
Cash flow from investing activities	EURm	- 6.9	- 6.5	- 6.0%
Free cash flow [3]	EURm	9.7	- 0.9	> + 100,0%
Consolidated equity ratio	%	32.4	32.7	- 0.3 PP[1]
Employees	Total	498	487	+ 2.3%

1) PP = percentage points.

2) Previous-year value was adjusted owing to a change in the definition of the indicator.

3) Cash flow from operating activities plus cash flow from investing activities.

Key figures for the Berentzen common share

		2019 or 12/31/2019	2018 or 12/31/2018	Change 2019/2018
Berentzen common share (ISIN DE0005201602, WKN 520160) share price / XETRA	EUR / share	6.84	6.22	+ 10.0%
Market capitalisation	EURm	64.3	58.4	+ 10.0%
Dividend / Berentzen common share	EUR / share	0.28[1]	0.28	0.0%
Dividend yield	%	4.1	4.5	- 0.4 PP[2]
Payout Ratio	%	53	51	+ 2 PP[2]

1) Proposal for the 2019 financial year.

2) PP = percentage points.

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BERENTZEN-GRUPPE
Thirst for life

A. To our shareholders

(1) Letter to shareholders

Ladies and Gentlemen, dear Shareholders,

"We keep our promises" – something that may sound like just another advertising slogan nevertheless summarises what has characterised the Berentzen Group's last two financial years: all in all, developments were in line with our predictions. For this reason we are pleased to look back, together with you, on a positive 2019 financial year and one that fully came up to expectations.

Our three performance indicators, consolidated revenues, consolidated EBIT and consolidated EBITDA, were within the ranges we forecast – and the EBIT of EUR 9.8 million and EBITDA of EUR 18.4 million were at the upper end of those ranges. We succeeded in greatly increasing our revenues by EUR 5.2 million to EUR 167.4 million. At the same time, we implemented a planned increase in expenditures for marketing, human resources and technology, to safeguard substantial and sustainable growth for our corporate group. Alongside other influencing factors, the effect on earnings exerted by this extra expenditure, in conjunction with consolidated gross profit increasing by around EUR 3.0 million, led to the consolidated EBIT remaining at the previous-year level of EUR 9.8 million. This means that the EBIT generated stands at the upper end of the EUR 9.0 million to EUR 10.0 million range forecast for the 2019 financial year.

Overall, our performance indicators underline the fact that our business activities were successful and profitable once again in the past financial year, and that we are in a fundamentally sound position as a corporate group. In particular, the path of strategic value creation we have taken in all our segments, i.e. a consistent focus on products with greater value add, bore first fruits in the past year. This is reflected primarily in the higher gross profit margin, which is attributable to the faster increase in gross profit in comparison to the relative revenue development.

Of the various highlights in each of our segments, we would once again like to particularly emphasise the ongoing impressive success of the products marketed under our *Mio Mio* brand. Even though we had already achieved a considerable level of sales beforehand, we once again achieved an increase in excess of 33 percent. The biggest contribution to this development came from the two new flavours introduced in 2019.

We would also like to mention some of the challenges we have successfully addressed. The Berentzen Group operates in highly competitive markets that, seen as a whole, are not growing or are even in decline. We nevertheless succeeded in generating a rise in sales for the 2019 financial year in all segments. That means we are growing against the market trend. Of course, we hope to continue this development.

In stagnating markets with an intensifying level of predatory competition, the effectiveness of sales activities is one of the most critical factors in generating growth. Given this, one of the central tasks facing our corporate group this financial year will be to significantly boost our own sales and distribution capacity. We have decided to insource the field service activities previously outsourced to a great extent, by building up an in-house central field organisation. This unit will distribute both our spirits products and our non-alcoholic beverages in the food retail sector. We anticipate that this step will also bring about significant progress in building up further distribution structures and achieving further listings for the new products introduced under our 2019 innovation campaign.

Even though we are now putting a special focus on sales in the current year in order to further increase our effectiveness on the market, we have no intention of resting on our laurels with regard to product development. Following the launch of a variety of new products in 2019, we continue to work with commitment and passion on new product concepts. Our objective is to establish an outright culture of innovation.

With regard to the further development of our earnings figures, we expect the strategic decisions made, and the measures already taken or planned, to generate new sales growth and an even clearer impact on earnings than in the previous year. Specifically, we expect consolidated revenues of between EUR 167.9 million and EUR 176.7 million, consolidated EBIT of between EUR 9.8 million and EUR 10.8 million and consolidated EBITDA of between EUR 18.5 million and EUR 20.5 million. This forecast presumes that the pandemic spread of the coronavirus will not have an excessively material impact on our procurement and sales markets, or on the operating performance of our corporate group. Nevertheless, we understand that such assumptions could change at any moment, given the continuously developing situation and its unique nature.

Despite the difficult circumstances caused by this situation, this year once again, we and the entire workforce will dedicate all our energy to the further development of our corporate group. We would be pleased for you to further accompany us with your confidence and support.

Yours sincerely,

(2) Our share

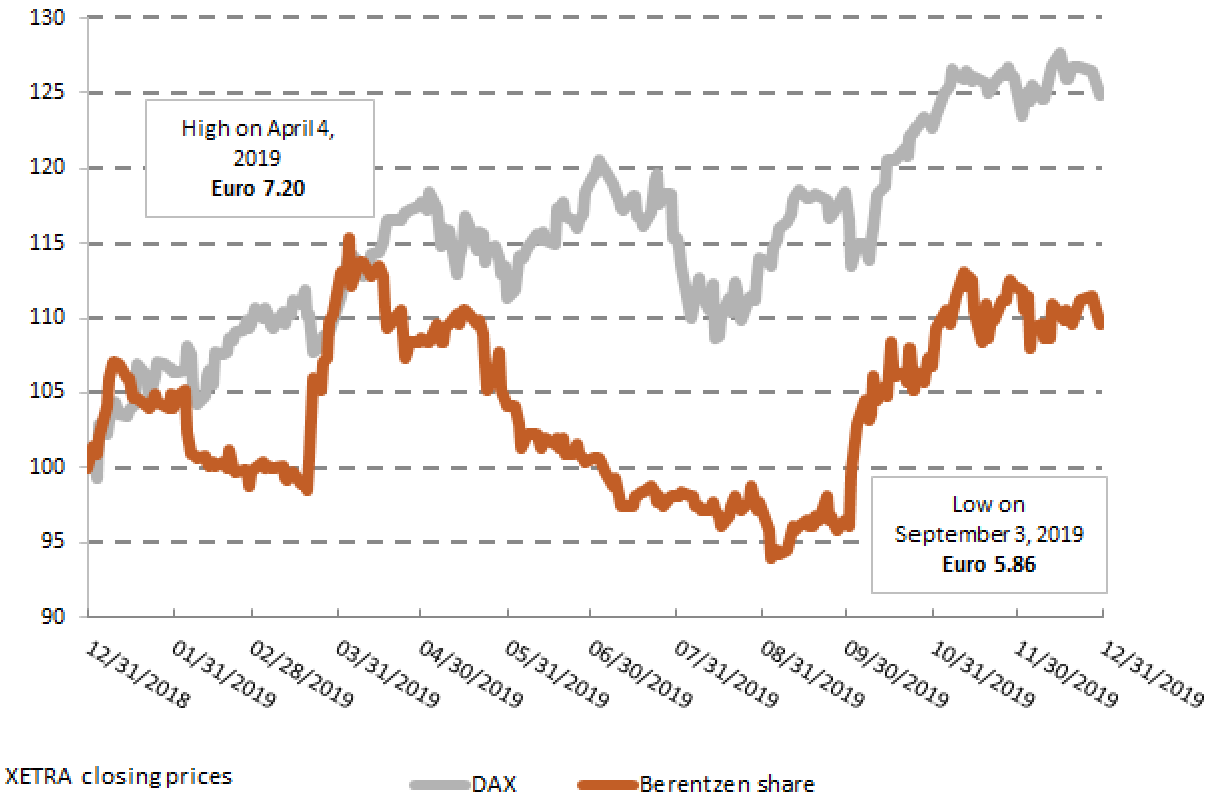
Key figures on the Berentzen-Gruppe Aktiengesellschaft share

		2019	2018
Number of listed shares (common stock)	Total	9,600,000	9,600,000
Number of treasury shares	Total	206,309	206,309
High for the year / XETRA	Euro / share	7.20	8.55
Low for the year / XETRA	Euro / share	5.86	6.10
Average for the year / XETRA	Euro / share	6.48	7.36
Average trading volume per trading day / XETRA	Total	9,900	10,628
Price at year-end / XETRA	Euro / share	6.84	6.22
Price-earnings ratio	Ratio	13.1	11.3
Dividend / share	Euro / share	0.28 [1)]	0.28
Dividend yield	%	4.1	4.5
Basic / diluted earnings per share	Euro / share	0.52	0.55
Payout ratio	%	53	51

[1)] Proposal for the 2019 financial year.

The Berentzen-Gruppe Aktiengesellschaft share is listed on the regulated market (General Standard) of the Frankfurt Stock Exchange and is traded on all German stock exchanges. Trading sales (XETRA) amounted to 2.5 million in 2019, thus remaining down slightly on the previous-year volume (2.6 million). Average trading volume per trading day (XETRA) of 9.9 thousand shares was likewise down on the previous-year figure (10.6 thousand shares).

Price of the Berentzen-Gruppe Aktiengesellschaft share

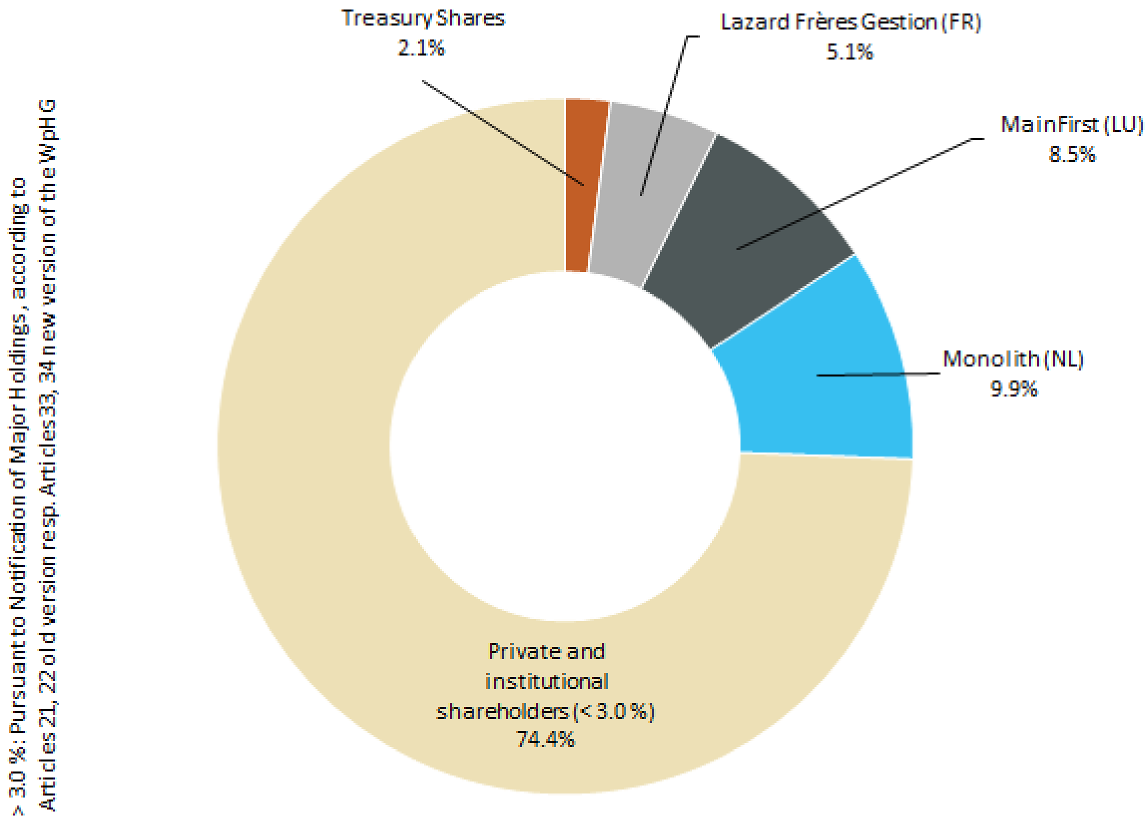


2019 was a very pleasing year for the German equity market. The DAX started positively, reaching a record level of 13,411 points in December. Overall, it closed the year with an increase of 25%. One of the reasons for this significant positive development is the ongoing expansionary monetary policy pursued by central banks, which continues to highlight shares as an attractive form of investment. The other key German equity indices likewise developed positively in 2019, with the MDAX and the SDAX both up by more than 30% and the TecDAX 23%.

In this environment, the Berentzen-Gruppe Aktiengesellschaft share also developed positively, with its value increasing by around 10%. After starting trading at EUR 6.24 on the stock exchange on January 2, 2019, the share price briefly edged up at the beginning of the year, before falling back down to its initial level in February and March. Following the publication of the annual and consolidated financial statements at the end of March, however, the price gathered considerable momentum again to culminate in an annual high of EUR 7.20 on April 4, 2019. However, the share price dropped dramatically over the course of the year, falling to an annual low of EUR 5.86 on September 3, 2019. The shares closed the year at a price of EUR 6.84 on December 30, 2019. Market capitalisation also increased from EUR 58.4 million (at the end of 2018) to EUR 64.3 million (at the end of 2019) accordingly.

Shareholder structure

(at February 29, 2020)



Dividend proposal

The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft will propose to the general meeting that the distributable profit presented in the separate commercial-law financial statements of Berentzen-Gruppe Aktiengesellschaft in the amount of EUR 13.2 million for the 2019 financial year be utilised to pay a dividend of EUR 0.28 per qualifying common share for the 2019 financial year and the rest be carried forward to new account.

Basic information on the Berentzen-Gruppe Aktiengesellschaft share

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

(3) Our products

The Berentzen Group: a modern, innovative beverages group with a broad base in its three segments: *Spirits*, *Non-alcoholic Beverages* and *Fresh Juice Systems*. The corporate group develops, produces and markets beverage ideas for the widest range of consumer needs – from spirits, mineral waters and lemonades through to fruit presses for freshly squeezed orange juice.

Spirits

The Company's roots in the grain alcohol distillery and the *Berentzen* brand date back more than 250 years. The year 1976, when the Company launched the *Berentzen Fruchtigen* line of products around the core *Apfelkorn* product, was an important milestone in the Company's history. The subsequent success paved the way for the further corporate expansion. Since 1990, consumers can also find products from the *Puschkin* brand in the portfolio of the Berentzen Group. This was then expanded in the 1990s to include traditional spirits like *Strothmann, Bommerlunder* and *Doornkaat*. The strategic focus in developing the spirits portfolio is on the *Berentzen* and *Puschkin* umbrella brands. They are continuously reinforced by means of innovation and renewal, together with communication programmes for the retail trade.

Since 2018, new products and brands have entered spirits categories such as rum and gin that cannot be served by the umbrella brands. In this respect, premium concepts in particular are being implemented that take up the market trend towards higher-quality products and make a contribution to the corporate group's value creation. As an example, a premium rum was launched on the market under the *Tres Países* brand at the beginning of 2019. Secondly, *Norden Dry Gi*n was introduced under the *Doornkaat* brand as a product that responds to the current popularity of gin and sets itself apart from other gins thanks to its northern German heritage.

With a view to realising these new concepts as well as evolving the umbrella brands, a new integrated innovation process was put in place at the corporate group in 2018. This laid the foundations for transforming the Berentzen Group into an effective beverages incubator. A variety of product ideas have been generated on the basis of trend analyses and various events scenarios that integrate consumer feedback. Alongside the products already mentioned, *Tres Países* and *Norden Dry Gin* the *Berentzen Signature* premium fruit liqueur launched in April 2019 was one of the first results of the novel innovation process.

The portfolio of fruity spirits under the *Berentzen* brand has been supplemented by the *Mango Vanilla* variety since spring 2019. Already at the close of 2018, the Berentzen Group put the *Berentzen Winter Editions* on sale with the *White Chocolate Macadamia*, *Coffee Cream* and *Caramel Cream* varieties for a limited promotion period until the end of that winter. According to market research data from Nielsen, the *Berentzen Winter Editions* achieved the third largest sales volume of all cream liqueurs in Germany. On the back of this positive development, the three flavours were successfully put back on the market at the end of 2019. The new *Berentzen Summer Editions* in the *Raspberry Cream*, *Passion Fruit Cream* and *Coco Pineapple Cream* tastes were developed with a view to participating in the success of the growing cream liqueur segment not only in the winter season but also in the spring and summer months; they entered the market mid-March.

The various flavours of *Berentzen Minis* remain at the focus of marketing activities. Targeted specifically at the wide range of outdoor activities that take place primarily in the spring and summer, *Berentzen* has a unique selling point on the market with its indestructible PET-Minis. Consequently, there will two special editions of the *Berentzen Partybecher* beakers with their 27 miniature bottles for the summer highlights of 2020 – festivals and the European Football Championship.

The successful performance of the *Puschkin* brand continued once again in 2019. In this context, very dynamic developments were seen in particular by products known as the Dessert Range that also include the variety *Puschkin White Choco Coco* introduced in spring 2019 alongside P*uschkin Nuts & Nougat* and *Coffee & Caramel*. The successful business with miniature bottles was expanded at the end of 2019 to include the *Puschkin* flavours: with the *Puschkin Party Shooter* beaker, which contains the three established varieties of *Watermelon, Nuts & Nougat* and *White Choco Coco* and the new *Blueberry* flavour. The latter has also been available in a 0.7-litre bottle since 2020 in order to supplement the segment of *Puschkin* flavours. *Puschkin Vodka*, which is one of the top 5 vodkas in Germany by sales volume, was put on the market as an attractive limited edition with an effect label once again towards year-end 2019.

Weizenkorn Cola, a liqueur with a cola flavour, was introduced for the *Strothmann* brand in 2019; this brand has a very strong regional orientation, something that is also extremely fashionable among the young target groups.

Once again in 2019, the *Berentzen* brand was managed using targeted communication measures involving an optimised multimedia mix and adaptation to target groups. At the core of these measures was the “Freude bekennen” campaign, which was continued via a variety of channels with a focus on social media and by means of billboard advertising in the core sales area. The existing expertise in the field of digital advertising is also benefiting the *Puschkin* brand, with the target group of “young adults” also reached effectively through communication via social media.

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

Berentzen Apfel is the strongest-selling flavour of the *Berentzen Fruchtige* line of products internationally. For years, the Netherlands has held the best market position, with a clear and continuous gearing to young adults. The *Puschkin* product family has likewise been distributed in high numbers in the Benelux countries and in many countries of central and eastern Europe for many years. Other high-volume products include *Berentzen Doppelkorn, Rasputin* and *Fjodor* in the border-shop business at the eastern border of the EU.

The Group’s branded dealer and private-label products, which are marketed by the subsidiary Pabst & Richarz Vertriebs GmbH, are popular with the retail trade not only because of their excellent quality and strong customer focus, but also for their new, customised product and marketing concepts. Among others, these also include international spirits specialities such as gin, bourbon, Cuban rum and tequila. Alongside the important entry-level business, the development, manufacture and sale of “value added dealer brand concepts” has expanded significantly in virtually all spirits categories as part of an extended strategy in place since 2018. Several premium concepts were launched on the market over the first quarter of 2020, concepts that were developed over the course of 2019 and were convincing to trade partners.

Pabst & Richarz Vertriebs GmbH attended the Private Label Manufacturers Association (PLMA) in Amsterdam, one of the most important trade shows for dealer brands worldwide for the first time in 2019. This was an important step along the path towards intensifying and promoting strategic partnerships also with international catering trade customers.

The importance of the international market for the Berentzen Group's branded dealer and private-label product business is also underlined by a structural change within the Group. In order to develop and implement a uniform strategy for the working of the international markets and to pool existing resources, the international business with branded spirits and Pabst & Richarz were merged to form a new organisational unit. The new Export and Dealer Brands organisation, which is intended to better exploit the Berentzen Group's potential at an international level was launched in January 2020.

Non-alcoholic Beverages

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

The most successful product line in the *Non-alcoholic Beverages* segment remains *Mio Mio*. More than 33 million *Mio Mio* bottles were sold over the past year, constituting a substantial rise in unit sales. *Mio Mio* is currently available in Poland and the Netherlands in addition to Germany. For *Mio Mio*, the focus continues to be placed on the expansion of distribution. Alongside geographical expansion, widening the product range provides great growth potential for the brand. Consequently, two new product platforms were launched on the market in spring 2019, *Guarana Pomegranate* and *Lapacho Lemon Grass*, that have already won themselves a permanent place in the *Mio Mio* portfolio. Together with the mate and cola products, the *Mio Mio* portfolio now spans a total of seven invigorating flavours. Retailers are still very willing to stock innovative new varieties of the *Mio Mio* brand. The expansion of distribution was assisted by media measures tailored to the target group (particularly via social media and authentic out-of-home campaigns as well as the use of railway station media). These measures will be continued in a similar form throughout 2020. In order to make a positive contribution to climate protection, unavoidable emissions caused by *Mio Mio* products will be offset from 2020 onwards. This means that consumers will be able to purchase all *Mio Mio* products retailed in Germany as a climate neutral product.

The features of *Emsland Quelle*, redesigned in 2018 with references to the region, sustainability and quality, reflect the high-volume brand's strong position with consumers. The *Emsland Quelle* and *Märkisch Kristall* mineral water brands will be climate neutral products with immediate effect, just like *Mio Mio*. The carbon offset is achieved through certified climate protection projects – in particular the "clean drinking water" project is being supported. The offsetting of the respective emissions can be tracked by means of a unique ID number, providing transparency in the published quantity of carbon offset and the associated climate protection project. This means that *Emsland Quelle* and *Märkisch Kristall* provide an active and valuable contribution to climate protection.

Still mineral is becoming increasingly popular in Germany. For this reason, *Emsland Quelle naturelle* in environmentally friendly 0.7-litre glass bottles was added to vivaris's product portfolio in February 2020. A further important stimulus came from the 2019 launch of the new *Pink Grapefruit* taste as part of the *vivaris Sport* brand. This was confirmed by an international quality test in which the traditional *vivaris Sport Grapefruit Lemon* and the new *vivaris Sport Pink Grapefruit* each received a gold medal for their outstanding quality.

Building on the success of the *Mio Mio* product range, the *Non-alcoholic Beverages* segment was extended to include the *Kräuterbraut* brand from May 2019. *Kräuterbraut* is a lemonade made from 7 herbs. It is low in sugar, suitable for a vegan diet and geared to consumers looking for authentic and natural enjoyment. Available in the varieties *Mint & Nettle*, *Sage & Tonka Bean* as well as *Coca & Cardamom*, *Kräuterbraut* is synonymous with natural herbal-based refreshment. Following initial successes in 2019, the build-up of distribution of *Kräuterbraut* will continue over 2020. At the same time, support will be provided by the deployment of target-group relevant media measures and POS activities.

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

Fresh Juice Systems

Since the end of 2014, the Berentzen Group's portfolio has been rounded off with the *Fresh Juice Systems* segment. The associated subsidiary that was acquired as Technic-Marketing-Products GmbH was renamed Citrocasa GmbH in July 2019. It offers a system combining high-quality fruit juicers distributed under the *Citrocasa* brand with juice oranges untreated after harvesting with the brand name *frutas naturales* and special bottling systems in some local markets. The fruit juicers are marketed worldwide.

2019 was a year full of innovation for Citrocasa GmbH. In the area of fruit presses, the company introduced as many as three models of machines: the *Fantastic eXpress*, the *Fantastic Connect* and the *Fantastic ECO+*. With its unique OneStep Pressing Kit, the *Fantastic eXpress* is breaking new ground in terms of cleaning and efficiency. The *Fantastic Connect* is the first orange press worldwide that is able to communicate interactively with the end customer and is, at the same time, ringing in the digital age in the field of *fresh juice systems* with a 7-inch touch display. Furthermore, the *Fantastic ECO+* extends the *ECO* product line with a version offering automated fruit infeed.

A focus was also placed on pomegranates in 2019 and the associated technical requirements to extend the range of products available in the area of fruit. With regard to containers, Citrocasa introduced a bottle made of 100% recycled PET material.

Berentzen Hof

The Group company Der Berentzen Hof GmbH is also located in the Company's headquarters in Haselünne. Berentzen Hof includes numerous historical buildings which are used for an extensive programme of tours and events, among other things. Over the years, Berentzen Hof has become a popular location for events and experiences. The Berentzen Hof Distillery, opened in 2017, also plays a key role as the heart of the site. A conference room redesigned in 2018 forms part of the facility. This also positions Berentzen Hof as an attractive setting for conferences. A further attraction is the "Gaudium", which was added to Berentzen Hof in July 2018. In smaller groups, guests can compete with each other here in a total of seven entertaining games.

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

(4) Sustainability in the Berentzen Group

As a broad-based beverages group with a company history going back over 250 years, the Berentzen Group has firmly embedded long-term thinking into its corporate culture. The corporate group considers itself to be a responsible employer and an integral part of society. As a manufacturing company, the Berentzen Group bears responsibility for its products and consumers and is therefore increasingly focused on ensuring that its value added chain is sustainable and its range of products are enjoyed responsibly and/or are especially natural and healthy. At a time when environmental protection has become a key global challenge, the Berentzen Group believes that safeguarding the natural foundations of life for future generations is part and parcel of its responsibility as a company.

It is these convictions that underline Berentzen Group's understanding of sustainability: achieving commercial success in the long term whilst taking responsibility for society and the environment.

All information on the sustainability activities carried out by the Berentzen Group can be found in the Sustainability Report. The third Sustainability Report of Berentzen-Gruppe Aktiengesellschaft and its affiliated subsidiaries was published at the same time as this Annual Report and presents the outcome of the sustainability activities over the 2019 financial year. The German Sustainability Code (Deutsche Nachhaltigkeitskodex, DNK) with the set of indicators for the GRI standards was used again as a framework for the preparation of the Sustainability Report.

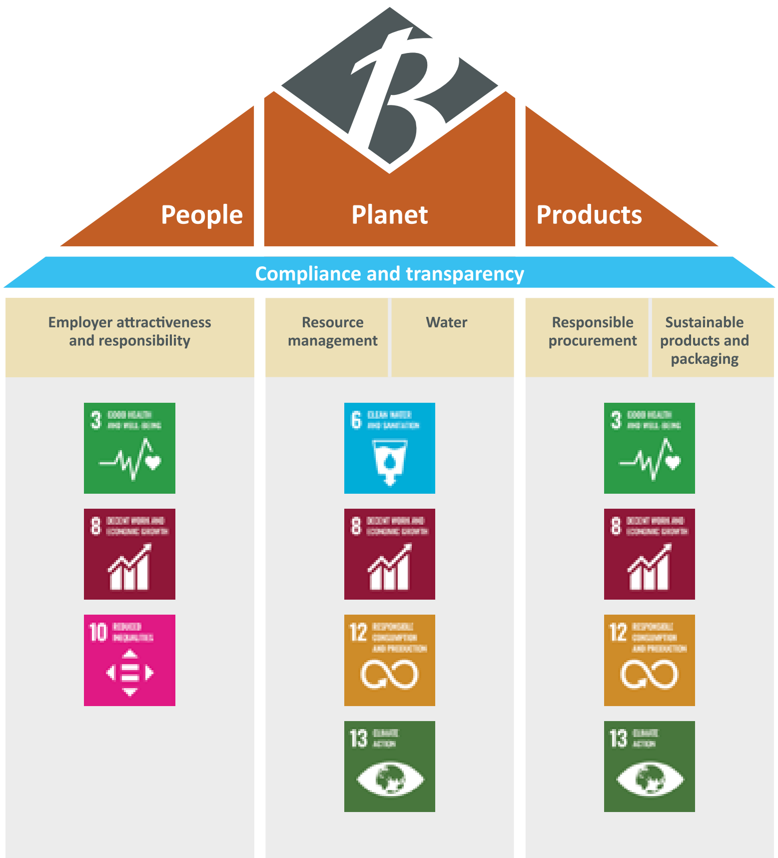
A summary of the Berentzen Group's sustainability activities can be found on the following pages. To obtain a comprehensive insight into the Berentzen Group's sustainability accomplishments, please refer to the Sustainability Report. This can be found on the corporate website of Berentzen-Gruppe Aktiengesellschaft at https://berentzen-gruppe.de/en/responsibility/csr-publications.

(4.1) Sustainability management

In the 2019 financial year, the Berentzen Group reached an important sustainability management milestone, with the performance of a new materiality analysis leading to a new focus for its sustainability activities. To provide an overarching framework for the new material topics of employer attractiveness and responsibility, compliance and transparency, water, use of resources, sustainable products and packaging as well as responsible sourcing, three areas of activity were defined: PEOPLE – PLANET – PRODUCTS. The material topic of compliance and transparency is central to every corporate activity. As such, it has not been assigned to an individual area of activity. Instead, the Berentzen Group sees it as an indispensable foundation for all of its sustainability activities.

As part of the materiality analysis process, the Berentzen Group paid very close attention to the Sustainable Development Goals (SDGs). The 17 goals were developed and adopted by the United Nations as part of the 2030 Agenda for Sustainable Development. The aim of the SDGs is to ensure sustainable development at the economic, social and ecological level. For companies, they therefore provide a sound basis for gearing their business activities towards sustainable development.

Six SDGs relevant to the Group were identified as part of a systematic process, before being assigned to the new material topics and areas of activity. The interplay between the areas of activity, material topics and SDGs is shown below.



Our areas of activity, material topics and Sustainable Development Goals relevant to the Group

The Berentzen Codes serve as a guide for integrating the Berentzen Group's understanding of sustainability into everyday business. They are based on applicable laws and other established standards and describe the corporate group's expectations of its employees, suppliers, marketing and communication partners as well as third parties involved in the Berentzen Group's value added chain.

The Code of Conduct provides all employees throughout the Group with guidelines setting out appropriate behaviour in the interests of responsible management, whilst ensuring the careful use of resources. In the light of the Berentzen Group's social responsibility, the Marketing Code of Conduct contains specific guidelines for product-related communications and for the responsible consumption of alcoholic and sugary products. The Supplier Code of Conduct serves to forge a common understanding of appropriate living and working conditions for employees and forms the basis for sustainable business relationships within the Berentzen Group.

The most important sustainability management tasks include anchoring the Berentzen Group's understanding of sustainability and sustainability strategy in the minds of employees and external stakeholders as well as in its everyday operating processes.

(4.2) People

A competent, capable and committed workforce forms the basis of the Berentzen Group's business success and further development. With a view to positioning itself as an attractive employer, Berentzen Group constantly scrutinises its offerings and responds to changing requirements in the labour market.

To address personnel-related challenges, a strategy derived from the corporate group's central strategy as well as its corporate values and skills has been established.

With a view to achieving SDG 8 "Decent work and economic growth", the corporate group offers secure jobs and good working conditions and consistently praises its employees.

As part of the Berentzen Group's perception of itself as an attractive and responsible employer, the corporate group finds it especially important to concern itself with its employee's varying needs and interests. It also offers interesting work environments and attaches importance to a good work/life balance, competitive remuneration, equal pay for equal work irrespective of gender as well as a good company atmosphere.

To ensure mutual success and a shared drive to succeed, employees are trained and their continuous development promoted. This includes high-quality training for entry-level workers and active supporting further training and skills development for employees.

To promote appreciation and good collaboration between employees and company management, the principle of codetermination is supported. All employees are regularly informed about current developments. The interests of employees are represented through works councils, their individual committees and employee representatives in the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft. At the management level of the corporate group, the Executive Board and the Supervisory Board work closely together as the highest-level decision-making bodies.

Combined, these efforts are intended to put the Berentzen Group in a position to recruit the best people for the job in sufficient numbers, and retain them.

Employee-related ratios at December 31, 2019

		2019	2018
Average headcount	Total	497	487
Headcount at December 31, 2019	Total	498	487
Illness ratio	%	4.3	4.4
Part-time ratio	%	15.9	14.8
Ratio of women	%	35.9	35.1
Trainee ratio	%	5.8	4.7
Takeover rate	%	80.0	72.7
Turnover rate	%	12.1	13.9
Average term of employment	Years	13.8	13.5

Areas of focus of personnel work in the 2019 financial year

The introduction of new web-based software for the handling of personnel processes marked another step towards digitalisation. The aim of the application is to render personnel processes more transparent and efficient thanks to increased automation and greater employee involvement and additionally lower general process costs. It also reduces the amount of paperwork involved in various processes across locations. In particular, the new self-service management approach offers employees numerous advantages.

The area of applicant management was another focus of personnel work in 2019. Here, too, the introduction of new software helped to optimise processes, with communication with applicants as well as with the specialist departments involved in the process rendered more structured and understandable. In addition, the corporate group's presence on Xing was reworked with a view to strengthening its ability to recruit via this channel and directly contact potential applicants.

The "employer branding" project was also launched in the reporting year, one of the aims of which is to create stronger ties between current employees and the corporate group. Intensifying employee identification with corporate values is of key importance here. It results in employees feeling more emotionally connected to the corporate group, thus increasing their level of satisfaction, improving their commitment and boosting motivation.

The Berentzen Group also wishes to enhance its position as an attractive employer on the labour market in order to get new professional talent excited about the company and ultimately recruit them.

Underlying this process was an employee survey carried out throughout the Group. The results of this survey were fed directly into the development of the new employer branding strategy. This will be implemented further in the 2020 financial year.

(4.3) Planet

Preserving the natural foundations of life for future generations is one of the Berentzen Group's first and foremost priorities. The entire corporate group assumes responsibility for environmentally friendly production and each unit makes its own contribution to sustainable development. This is brought into being by a continual improvement process and a high degree of willingness to learn. It therefore makes sense to work on keeping the impact of its business activities on the environment and people as minimal as possible.

In terms of resource efficiency, the focus is not only on absolute consumption, but above all also on relative consumption – in relation to the production volume in question. This information provides a more reliable assessment of the efficiency of individual processes than would be obtained by only using the absolute values.

Specific environmental indicators

		2019	2018
Water consumption per litre of finished product	l/l	2.17	2.25
Waste water produced per litre of finished product	l/l	1.04	1.08
Waste produced per litre of finished product	g/l	16.66	14.21
Specific fuel consumption	kWh/m³	82.57	90.58
Specific electricity consumption	kWh/m³	43.07	43.30
Specific energy consumption	kWh/m³	138.21	145.80

The material provisions with regard to production are laid down in official authorisations, with national policies on water, waste, emissions and incidents, for example, forming the basis. Furthermore, the Berentzen Group places emphasis on the requirements set out in the International Featured Standard Food (IFS Food) quality standard and the Sedex Members Ethical Trade Audit (SMETA).

Careful use of resources

As an operator of mineral springs, ensuring the precious resource of water is used sustainably is essential for the Berentzen Group. While there is no lack of water at the production locations, careful treatment of the springs and other sources of water owned by the Group does minimise the impact on the environment and secures the basis for the production of beverages in the long term.

To protect and preserve the Group's mineral springs, extensive measurements and calculations are performed. For example, the overall spring water level and the water level of the mineral springs themselves are checked continuously.

The corporate group contributes to meeting SDG 6 "Clean water and sanitation" and SDG 12 "Responsible consumption and production" by using resources carefully and sparingly and through sustainable water management. Furthermore, the Berentzen Group is striving to decouple economic growth from increasing environmental pollution by using resources efficiently and constantly scrutinising its own production conditions and procedures.

In the *Non-alcoholic Beverages* segment, the Berentzen Group for the most part uses environmentally friendly reusable containers. Ecological benefits aside, however, this does result in a higher level of water consumption, as all bottles have to be intensively cleaned before being refilled.

One significant ecological impact from the Berentzen Group's business activities is the emission of climate-damaging greenhouse gases through the use of energy. For this purpose, the primary energy sources of heating oil, natural gas and electricity are used to generate the forms of energy needed in each case, such as steam, heat and compressed air. An energy management system pursuant to ISO 50001 has already been introduced and a switch to green electricity made with a view to optimising energy consumption within the corporate group and reducing the occurrence of greenhouse gases.

The corporate group contributes to meeting SDG 12 "Responsible consumption and production" and SDG 13 "Climate action" by rethinking its use of resources and using green electricity. In the 2019 financial year, 97.30% of the electricity consumed by the Berentzen Group stemmed from renewable sources.

(4.4) Products

The Berentzen Group is convinced that economic success and ecological progress are intertwined over the long term. With this in mind, the corporate group actively addresses the impacts of its products on the environment and society, with the avoidance of negative impacts and the promotion of positive impacts at the centre of its efforts.

In the 2019 financial year, a new climate protection pilot project was launched in the *Non-alcoholic Beverages* segment that saw the carbon footprint of different brands calculated. This serves as a basis for introducing the first climate-neutral products in the 2020 financial year. In future, consumers will be able to purchase mineral waters *Emsland Quelle* and *Märkisch Kristall* as well as all *Mio Mio* products available on the German market climate neutrally.

The corporate group is working to achieve SDG 13 "Climate action" by introducing climate-neutral products. These products actively promote climate protection, take a stand against climate change and make consumers not only think but also rethink previous convictions.

The environmentally friendly glass bottle has been the primary means of packaging in the *Spirits* segment for many decades already. Limitations on the use of glass containers – at public events, for example – make it necessary to make a small portion of the Berentzen Group's product portfolio available in cans or in completely recyclable miniature PET bottles. If disposed of properly, they can be returned to the material cycle.

Owing to the very heterogeneous customer and consumer wishes, the Berentzen Group offers its products in the *Non-alcoholic Beverages* segment in a variety of packaging types. More than half of the non-alcoholic products are sold in environmentally friendly glass bottles and around one quarter in returnable PET bottles. Over and above this, various single-use and reusable containers are used as packaging, including what are known as PET CYCLE bottles that have a recycled material content of more than 50%.

In the *Fresh Juice Systems*, sustainability means developing long-lasting and efficient machines, further implementing the extensive concept for responsible use already in place for the oranges sold under the *frutas naturales* brand and establishing on the market the offering of new rPET bottles – consisting completely of recycled material.

Responsible sourcing

The corporate group's suppliers have the greatest influence on sustainability issues in the value added chain. It is therefore the Berentzen Group's duty to focus on responsible sourcing and look beyond the usual aspects of costs, quality and delivery deadlines. For this reason, work is undergoing to take greater account of ethical, social, ecological and labour law issues in the supply chain over the long term.

The corporate group's contribution to achieving SDG 3 "Good health and well-being" and SDG 8 "Decent work and economic growth" can be seen in its level of commitment. It actively focuses on health and well-being as well as on decent working conditions in its supply chain and wants to ensure transparency and security together with its suppliers.

The corporate group maintains long-term business relationships with its suppliers based on mutual trust. Furthermore, there are supply and quality assurance agreements in place with key suppliers, including with regard to sustainability aspects. In addition, great importance is attached to the careful selection of suppliers in Germany and abroad.

The Berentzen Group's Supplier Code of Conduct is another instrument for ensuring responsible sourcing. All suppliers are required to acknowledge and comply with the Supplier Code of Conduct. If a supplier has its own Code of Conduct with the same standards, this is also accepted. The aim of the Supplier Code of Conduct is to create a common understanding of decent living and working conditions for employees (including temporary staff and day labourers) among all suppliers of the Berentzen Group and its own employees.

(5) Report of the Supervisory Board

Ladies and gentlemen,

The following report provides information on the activities of the Supervisory Board in the 2019 financial year pursuant to Section 171 (2) of the German Stock Corporation Act (AktG).

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

Cooperation between the Executive Board and Supervisory Board

The Executive Board continued to keep the Supervisory Board informed promptly and comprehensively about all issues relevant to the Berentzen Group on a regular basis over the course of the 2019 financial year. In particular, this covered reporting on the strategy, the planning, the business performance as well as on the risk position, risk management, financial reporting and the financial reporting process, the effectiveness of the internal control system, as well as the risk management system and the internal audit system, the audit of the financial statements, the compliance function and numerous current topics of significance for the Berentzen Group. Deviations in the Company's performance from the business plan were explained case by case to the Supervisory Board. Furthermore, the Supervisory Board discussed material transactions with the Executive Board and provided advice on significant individual measures on the basis of relevant regular reports by the Executive Board and during individual meetings.

The Chairman of the Supervisory Board was in regular contact with the Executive Board outside of meetings and likewise discussed with them issues of business performance, the risk position, risk management and compliance. Strategy discussions with the Chairman of the Supervisory Board focused on the prospects and future orientation of the Company and the corporate group.

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

Meetings and main topics of deliberation of the Supervisory Board

A total of five meetings of the full assembly of the Supervisory Board were held in the 2019 financial year, of which one was an inaugural meeting and one other was an extraordinary meeting. Five further resolutions were adopted by written circular.

The business development including financial performance, cash flows and financial position of the corporate group were the subject of the four ordinary meetings of the Supervisory Board.

At these four meetings, the Supervisory Board further addressed the development, the respective status and the outcomes of the legal disputes finally brought to a conclusion in October and November 2019 with the US distributor acting on behalf of the Austrian subsidiary Citrocasa GmbH (formerly: T M P Technic-Marketing-Products GMBH).

On January 31, 2019, the Supervisory Board adopted a resolution by written circular on the reappointment of an Executive Board member and the associated prolongation of the service agreement in place with him for duration of the reappointment. The Personnel Committee had already addressed these topics at its meeting on December 13, 2018 and made the corresponding recommendations to the Supervisory Board in this context.

On February 19, 2019, the Supervisory Board passed a resolution – likewise by written circular – on the Corporate Governance reporting at the Berentzen Group in the 2018 financial year.

At its meeting on March 19, 2019, the Supervisory Board discussed the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as at December 31, 2018 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year. In line with the final result of its own review, the Supervisory Board did not raise any objections and concurred with the audit findings of the independent auditor. Following the recommendations of the Finance and Audit Committee in each case, the Supervisory Board subsequently approved the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft; the financial statements were thus adopted. The separate Sustainability Report of the Berentzen Group for the year 2018, prepared on a voluntary basis, was likewise discussed by the full assembly. Furthermore, the Supervisory Board passed the agenda for the annual general meeting to be held on May 22, 2019 together with proposed resolutions. These included among other things the proposal by the Supervisory Board based in each case on a recommendation of the Finance and Audit Committee for the appointment of the independent auditor of the separate and consolidated financial statements for the 2019 financial year and its proposal to the annual general meeting concerning the utilisation of the distributable profit for the 2018 financial year of Berentzen-Gruppe Aktiengesellschaft, with which the Supervisory Board in turn concurred with the proposal by the Executive Board to the annual general meeting on the utilisation of profit following its review of the same. Other proposals passed by the Supervisory Board for submission to the annual general meeting related to proposals based on recommendations made in this respect by the Nomination Committee concerning the elections of the shareholder representatives on the supervisory Board and furthermore a proposal on the creation of new authorised capital. The Supervisory Board further dealt with a recommendation by the Executive Board to establish a dividend policy for Berentzen-Gruppe Aktiengesellschaft.

The regular elections of the shareholder representatives on the Supervisory Board were held at Berentzen-Gruppe Aktiengesellschaft’s annual general meeting on May 22, 2019. Similarly, the employee representatives on the Supervisory Board had already been elected by the staff on May 6, 2019 as scheduled. The inaugural meeting of the Supervisory Board was held the same day immediately after the annual general meeting; at this meeting the Supervisory Board elected from its members the Committee of the Supervisory Board and his Deputy as well as the Chairman of the Personnel and Nomination Committee and of the Finance and Audit Committee of the Supervisory Board along with their other members as far as these offices are not held by specific persons by virtue of the provisions of the Supervisory Board’s rules of procedure.

At an extraordinary meeting held on June 19, 2019, the Supervisory Board addressed the results of a project performed previously by the Executive Board relating to the strategic and operational reorientation of the *Non-alcoholic Beverages* segment.

On the basis of the corresponding recommendation made by the Personnel Committee beforehand, the Supervisory Board adopted, by written circular, a resolution on August 25, 2019 on the reappointment of the other member of the Executive Board which was at the same time associated with a revised version and extension of the existing service agreement in place with that member for the duration of the reappointment.

The deliberations of the Supervisory Board at its meeting held on September 19, 2019, focused on the future corporate strategy and – following on from the meeting on June 19, 2019 – implementation of measures for the strategic and operational reorientation of the *Non-alcoholic Beverages* segment. The discussions also addressed corporate governance topics, primarily in connection with the drafts of the German legislation implementing the Second Shareholder Rights Directive (SRD II) and reforming the German Corporate Governance Code.

Two further Supervisory Board resolutions were adopted by written circular in November 2019.

The resolution initially passed on November 8, 2019 related to the Supervisory Board's consent to bringing to a conclusion the two lawsuits brought in the USA by the distributor acting on the local market there on behalf of the subsidiary Citrocasa GmbH (formerly: T M P Technic-Marketing-Products GMBH).

With further resolutions adopted on November 29, 2019, the Supervisory Board approved a revision of the diversity plans for the composition of the Executive Board and the Supervisory Board and the annual declaration of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG limited in each case to the specification of new time periods and time frames for achieving the aspects and objectives set out in the same.

At its meeting held on December 11, 2019, the Supervisory Board's discussions centred on the business plan submitted by the Executive Board for the 2020 financial year, the medium-term plan for the 2021 and 2022 financial years, which were then approved. Furthermore, implementation of measures relating to the strategic and operational reorientation of the *Non-alcoholic Beverages* segment and other corporate governance topics were once again on the agenda of the meeting, as an update to the deliberations at the meeting on September 19, 2019.

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

As in the previous year, the Supervisory Board had two committees in the 2019 financial year to help it carry out its tasks efficiently and to increase their effectiveness. In order to prepare and supplement its tasks, the Supervisory Board set up a Personnel/Nomination Committee and a Finance and Audit Committee, which act as standing committees. Certain decision-making powers of the Supervisory Board have been delegated to the committees within the legally permitted framework. The chairmen of the committees reported to the full assembly of the Supervisory Board on the work in the committees.

Personnel Committee

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

The Personnel Committee met twice in the 2019 financial year. Further resolutions were adopted by written circular.

The deliberations of the Personnel Committee meetings on May 22, 2019 and June 19, 2019 related to the reappointment of one of the Executive Board members and the associated revision and extension of the service agreement in place with that member for the duration of the reappointment. Based on its deliberations, the Personnel Committee then passed on to the Supervisory Board its recommendations in this context by resolutions adopted by written circular on August 15, 2019.

Nomination Committee

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

The Nomination Committee did not hold any meetings in the 2019 financial year.

In the context of the regular elections of the shareholder representatives held at the annual general meeting on May 22, 2019, the Nomination Committee had addressed the selection of candidates already at its meeting on September 20, 2018, and made the corresponding recommendations for the Supervisory Board’s proposals to the annual general meeting.

Finance and Audit Committee

The Finance and Audit Committee similarly continued its work and held two meetings in the 2019 financial year. In particular, it has been tasked with reviewing the financial reporting process, monitoring the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, and the compliance function.

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

At its meeting held on March 19, 2019, the Finance and Audit Committee addressed, in the presence of the responsible audit partner from the independent auditor of the financial statements and the Executive Board, the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2018, the combined management report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year and the financial statements of three material operating companies within the Group at December 31 ,2018. The Finance and Audit Committee also considered the issues of overseeing the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and the compliance function. The Supervisory Board also handled the topics of overseeing the independence of the independent auditor and the additional services rendered by the independent auditor and the performance of the audit of the financial statements. The Executive Board and the responsible auditor from the independent auditor had previously reported extensively while answering the questions posed by the members of the committee present. The Finance and Audit Committee subsequently made a recommendation to the Supervisory Board for the approval of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft. A further resolution related to the Supervisory Board proposal to the annual general meeting on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year. Following deliberations on the related proposal submitted by the Executive Board, the Finance and Audit Committee made a recommendation to the Supervisory Board to follow this proposal in its own proposal. Furthermore, the Sustainability Report of the Berentzen Group for the year 2018, prepared on a voluntary basis, was furthermore the subject matter of preparatory discussion in the Committee; this report is not subject to any external review regarding its content.

With regard to the audit of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year, the discussions related to the shortlisting of the independent auditor, the independence and the additional services rendered by the same as well as the issuing of the audit engagement and the agreement with the independent auditor on the fees payable. The deliberations by the Finance and Audit Committee came to a conclusion with a resolution to make a recommendation to the Supervisory Board as to its proposal to the annual general meeting regarding the election of the independent auditor for the separate and consolidated financial statements for the 2019 financial year, the independent auditor for any possible audit review of the condensed financial statements and the interim management report in the 2019 financial year (Group Half-yearly Financial Report) and the independent auditor for any possible audit review of additional financial information over the course of the 2019 financial year and the 2020 financial year up to the annual general meeting of Berentzen-Gruppe Aktiengesellschaft in 2020. In this context, the Finance and Audit Committee gave a declaration to the Supervisory Board pursuant to Regulation (EU) No. 537/2014, stating that its recommendation was free of any unreasonable influence exerted by third parties and that no unacceptable contractual terms had been imposed on it by third parties under which the options of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft with regard to the selection of a certain independent auditor or a certain audit firm for the performance of the audit of the financial statements were limited to certain categories or lists of independent auditors or audit firms.

Furthermore, the Finance and Audit Committee passed a resolution on determining the focal points for the audit of the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2019 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year.

The discussions and resolutions at the meeting of the Finance and Audit Committee held on December 11, 2019 likewise related to issues of relevance to the financial statements and the audit in the context of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2019 and the management reporting for the 2019 financial year, specifically overseeing the independence of the independent auditor and the performance of the audit of the financial statements, as well as once again the issue of determining the focal points and furthermore the (to date provisional) especially important key audit matters determined by the independent auditor. Furthermore, the regular annual adoption of guidelines for the (preliminary) approval and a case-by-case (preliminary) approval of non-prohibited non-audit services provided by the independent auditor of Berentzen-Gruppe Aktiengesellschaft as required by Regulation (EU) No.

537/2014 in conjunction with Section 319a (1) No. 2 and No. 3 of the German Commercial Code (HGB). At this meeting the Finance and Audit Committee further addressed the focus of activities and audit areas of the Berentzen Group's internal audit function in the 2019 and 2020 financial years.

Dialogue with investors

Over the course of the 2019 financial year, the Chairman of the Supervisory Board held talks to an appropriate extent with investors on topics specific to the Supervisory Board and informed the Supervisory Board of the subject matter involved in each case.

Corporate governance

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

Not only in light of this, the Executive Board and Supervisory Board regularly deals with issues relating to corporate governance, which is understood as the legal and practical framework for responsible, transparent corporate management and supervision aimed at sustainable value creation.

More information on this can be found in the separate reporting on corporate governance by Berentzen-Gruppe Aktiengesellschaft and the Berentzen Group in the Group declaration on corporate governance and the declaration on corporate governance, respectively, which can be retrieved from Berentzen-Gruppe Aktiengesellschaft's website at www.berentzen-gruppe.de/en/.

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

The Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft issued their most recent joint annual Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (AktG) in November 2019, which has been made permanently available to the public on the Company's corporate website at www.berentzen-gruppe.de/en/.

Further aspects and topics relating to corporate governance

The Supervisory Board and the Finance and Audit Committee further dealt with a number of other aspects and topics relating to Corporate Governance in the 2019 financial year.

This included but was not limited to a review of the diversity plans for the composition of the Executive Board and Supervisory Board and the Supervisory Board, both with regard to their content and with regard to the results achieved in this respect in the 2019 financial year. As part of this process, new time periods and time frames were specified for achieving the aspects and targets set out in the same. The diversity plans remain unchanged in terms of content. In this context, the Boards also addressed matters relating to compliance, risk management and the internal audit function.

Report on attendance at meetings by members of the Supervisory Board

The following overview contains details of attendance by each individual member of the Supervisory Board at the meeting of the Supervisory Board and its committees over the 2019 financial year. For the calculation of this figure, only those meetings are included that took place during the membership of the respective member in the Supervisory Board or of its committees.

Name	Duration of membership of the Supervisory Board [1] / Committee [2] [3] [4]	Supervisory Board [1]			Personnel Committee [2]			Nomination Committee [3]			Finance and Audit Committee [4]		
		Meetings	Attendance		Meetings	Attendance		Meetings	Attendance		Meetings	Attendance	
		Number	Number	%	Number	Number	%	Number	Number	%	Number	Number	%
Uwe Bergheim Chairman of the Supervisory Board		5	5	100	2	2	100	-	-	-	2	2	100
Frank Schübel Deputy chairman of the Super-visory Board	[4] since 22 May 2019	5	5	100	2	2	100	-	-	-	1	1	100
Johannes C.G. Boot	[1] [4] until 22 May 2019	1	1	100							1	1	100
Heike Brandt		5	5	100	2	2	100						
Bernhard Düing		5	5	100							2	2	100
Adolf Fischer	[1] untill 22 May 2019	1	1	100									
Prof. Dr. Roland Klose	[1] until 22 May 2019	1	1	100									
Hendrik H. van der Lof		5	5	100							2	2	100
Daniël M.G. van Vlaardingen		5	4	80	2	2	100	-	-	-			
Percentage of meetings attended Supervisory Board/ Committees				**97**			**100**			**-**			**100**
Percentage of meetings attended Supervisory Board and Committees, in total				**98**									
Percentage of meetings attended Committees, in total				**100**									

[1] [2] [3] [4] Where no dates are stated: member for the duration of the entire financial year.

Report on the performance of measures upon inauguration of members of the Supervisory Board and their training and development

The members of the Supervisory Board are individually responsible for any training and development they may need for the performance of their duties. Berentzen-Gruppe Aktiengesellschaft provides reasonable support to the members of the Supervisory Board upon inauguration and with their training and development.

In addition to the initial provision of basic information and documents on the corporate group, the Company offers new members of the Supervisory Board the possibility of using the measures taken in the context of their inauguration as an opportunity to exchange ideas and information with the individual members of the Executive Board and executives responsible for specialist areas on fundamental and current topics and thus to gain a first deeper insight into the topics relevant to the Berentzen Group (“onboarding”).

The members of the Supervisory Board currently holding office after been elected by the scheduled annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 22, 2019 within the scope the regular Supervisory Board elections belonged to the Supervisory Board in at least one previous term of office. For this reason, the Company did not need to perform any onboarding measures in the 2019 financial year.

With regard to the training and development necessary for fulfilling their supervisory and advisory tasks, the members of the Supervisory Board obtain information on a regular basis from sources within and outside the Company on significant developments, such as the strategic alignment and the business activities of the corporate group, relevant changes in the legal framework or accounting and auditing principles. The Company supports them in these activities not only by providing the relevant information in the form of reports and other documents or the possibility of exchanging ideas and information with the executives responsible for specialist areas but also by assuming the costs of external training and development measures relating to the Company’s activities and the Supervisory Board’s duties within the scope of the reimbursement of expenses in accordance with the Articles of Association.

Topics from the area of law and corporate governance formed one of the focal points of the internal training and development measures undertaken by the members of the Supervisory Board in the 2019 financial year specifically in light of planned changes arising from the SRD II and the fundamental revision of the German Corporate Governance Code.

Report on any conflicts of interest arising on the part of members of the Supervisory Board

No conflicts of interest on the part of the Supervisory Board members in connection with their activities as members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft as defined in the German Corporate Governance Code occurred in the 2019 financial year.

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

On the basis of a corresponding recommendation of the Finance and Audit Committee, the Supervisory Board had proposed to the annual general meeting of Berentzen-Gruppe Aktiengesellschaft held on May 22, 2019 to elect Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the independent auditor of the separate and consolidated financial statements for the 2019 financial year. The audit firm had previously submitted a declaration of independence pursuant to Article 7.2.1 of the German Corporate Governance Code and Article 6 (2) (a) of Regulation (EU) No. 537/2014. Following their appointment by the annual general meeting, the Finance and Audit Committee engaged Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft with the audit of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as at December 31, 2019 and the combined Management Report of the Berentzen Group (corporate group) and of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year.

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

The Finance and Audit Committee and/or its Chairman have, as part of the selection process, convinced themselves of the appropriateness of the proposed fees for the independent audit and, prior to and during the independent audit, of the independence and objectivity of the independent auditor and performed – on the basis of the regular reports by the independent auditor – an assessment of the effectiveness and quality of the independent audit. Furthermore, the Finance and Audit Committee specified audit priorities and discussed them along with the key audit matter and adoption of the same by the independent auditor within the full Supervisory Board and with the independent auditor.

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

The separate financial statements and the management report, which is combined with the Group Management Report, prepared in accordance with the provisions of German commercial law applicable to corporations and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) as well as the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and the Group Management Report of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year combined with the management report were audited together with the books of account by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft in accordance with Section 317 HGB and Regulation (EU) No. 537/2014; an unqualified audit opinion was issued in each case. In the opinion of the independent auditor, there were no material weaknesses in the internal control system and risk management system with regard to the financial reporting process. As part of the audit, the independent auditor also examined the risk early warning system and declared that the Executive Board had taken the measures required pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) including but not limited to setting up a suitable monitoring system and that such monitoring system is suitable to identify developments likely to jeopardise the continued existence of the Company at an early stage. The independent auditor furthermore confirmed being independent of Berentzen-Gruppe Aktiengesellschaft and the companies within the group in accordance with the provisions of European law and German commercial and professional law. The independent auditor furthermore declared that it had not rendered any prohibited non-audit services pursuant to Article 5 (1) of Regulation (EU) No. 537/2014. Accordingly, there were no grounds for exclusion or bias relating to the auditor during the audits.

At its meeting on March 23, 2020 held in the presence of the Executive Board and the responsible audit partner from the independent auditor of the financial statements, the Finance and Audit Committee discussed in detail the following documents and matters pertaining to the financial statements on the basis of the in-depth explanations by the Executive Board: the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as at December 31, 2019 and the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year prepared by the Executive Board and in addition the written reports submitted by the independent auditor on its audit, material issues relating to the financial statements and the audit including the key audit matter and the Executive Board proposal on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year. At this meeting, the auditors also reported on the services rendered by the independent auditor in addition to the audit of the financial statements. The Finance and Audit Committee subsequently submitted a recommendation to the Supervisory Board to approve the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as at December 31, 2019 and to follow the Executive Board proposal for the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year

in its own proposal to the annual general meeting. In addition, the Sustainability Report of the Berentzen Group for the year 2019, prepared on a voluntary basis, was furthermore the subject matter of preparatory discussion in the Committee; this report is not subject to any external review regarding its content. Furthermore, the Finance and Audit Committee passed a decision on a recommendation to the Supervisory Board for its proposal to the annual general meeting regarding the election of the independent auditor for the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2020 financial year after having previously addressed issues such as the selection and independence of the independent auditor and any additional services rendered by it.

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

Following the final result of its reviews, the Supervisory Board does not raise any objections to the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2019, the combined Management Report of the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year and the audit of the same by the independent auditor.

The Supervisory Board believes that the combined Management Report meets the statutory requirements; the Supervisory Board agrees with the Executive Board in its assessment of the situation of Berentzen-Gruppe Aktiengesellschaft and the corporate group and the statements on the further development of the corporate group and the Company made in the combined Management Report.

At this meeting held on March 23, 2020, the Supervisory Board approved the separate financial statements and the consolidated financial statements of as of December 31, 2019 in accordance with the recommendation of the Finance and Audit Committee. This means that the financial statements of Berentzen-Gruppe Aktiengesellschaft have thereby been adopted. The Supervisory Board proposal to the annual general meeting on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year was reviewed taking account of shareholder interests and the business objectives and was subsequently given the approval of the Supervisory Board; the Supervisory Board further concurred with this proposal in its own proposal to the annual general meeting in this respect, thus likewise following a recommendation by the Finance and Audit Committee.

In response to a further recommendation by the Finance and Audit Committee, the Supervisory Board passed at the same meeting its proposal for resolution by the annual general meeting on the election of the independent auditor of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2020 financial year. This proposal was based on the declaration by the Finance and Audit Committee that its recommendation was free of any unreasonable influence by third parties and that no contractual terms as defined in Article 16 (6) of Regulation (EU) No. 537/2014 had been imposed on it restricting the options of the annual general meeting.

Executive Board and Supervisory Board – Personnel matters

Unless indicated otherwise below, there were the following changes in the composition of the Executive Board and the Supervisory Board of in the 2019 financial year:

Executive Board

The composition of the Executive Board was unchanged in the 2019 financial year.

Supervisory Board

Personnel changes affecting the Supervisory Board arose solely from the resolution to amend the Articles of Association adopted by the scheduled annual general meeting held on May 3, 2018 involving a reduction in the size of the Supervisory Board from a total of nine to six members; this change came into effect at the close of the scheduled annual general meeting on May 22, 2019.

In this regular election of the shareholder representatives on the Supervisory Board held at the annual general meeting, the following persons, who had already been members of the Supervisory Board, were confirmed in office by re-election: Mr. Uwe Bergheim, Mr. Frank Schübel, Mr. Hendrik H. van der Lof and Mr. Daniël M.G. van Vlaardingen. The Nomination Committee had previously expressed its recommendation to the Supervisory Board in this context for the latter's proposals to the annual general meeting. Within the scope of the reduction in the number of seats held by shareholder representatives in accordance with the Articles of Association to the current four, Mr. Johannes C.G. Boot and Prof. Dr. Roland Klose who correspondingly no longer stood as candidates, left the Supervisory Board.

The employees who, in accordance with the German One-third Participation Act (Drittelbeteiligungsgesetz) and the Articles of Association now determine two Supervisory Board members from their ranks, similarly confirmed two of the representatives with the election of Ms. Heike Brandt and Mr. Bernhard Düing on May 6, 2019. The other former employee representative, Mr. Adolf Fischer, likewise left the Supervisory Board as part of the reduction in the number of seats held by employee representatives from three to two.

At the meeting of the Supervisory Board held directly after the annual general meeting on May 22, 2019, the full assembly once again elected Mr. Uwe Bergheim as Chairman and Mr. Frank Schübel as Deputy chairman of the Supervisory Board.

The Supervisory Board wishes to take this opportunity to thank once more the departed members of the Supervisory Board, Mr. Johannes C.G. Boot, Mr. Adolf Fischer and Prof. Dr. Roland Klose for their, in most cases, long years of always dedicated service to the benefit of the Company and the corporate group.

Thanks

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

Haselünne, March 23, 2020

Berentzen-Gruppe Aktiengesellschaft

For the Supervisory Board

Uwe Bergheim

Chairman of the Supervisory Board

Corporate governance

(1) Corporate governance at the Berentzen Group

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

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

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

The German Corporate Governance Code aims at making Germany’s dual system of corporate governance involving the institutional separation of management and supervision of a stock corporation (Aktiengesellschaft) organised under German law clear and transparent. The Code contains principles, recommendations and suggestions on the management and supervision of German exchange-listed companies that are acknowledged nationally and internationally as standards for good and responsible corporate governance. The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft issue a joint declaration on the German Corporate Governance Code every year; this statement is additionally updated during the year when necessary.

The following Group Declaration on Corporate Governance and the Declaration on Corporate Governance pursuant to Section 315d and Section 289f of the German Commercial Code (HGB) and in accordance with Article 3.10 of the German Corporate Governance Code in the version of February 7, 2017 contains the Executive Board’s report – at the same time to the Supervisory Board – on corporate governance at the Berentzen Group. The Group Declaration on Corporate Governance and the Declaration on Corporate Governance are an integral part of the combined management report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft. Unless indicated otherwise, the following statements apply both for the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft. According to Section 317 (2) sentence 6 HGB, the independent auditor’s review of the statements pursuant to Sections 315d, 289f HGB is limited to verifying whether the statements were made.

(2) (Group) Declaration on Corporate Governance and Corporate Governance Report

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

The Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft also addressed the recommendations set out in the German Corporate Governance Code in the 2019 financial year. Previously in December 2018, the Executive Board and the Supervisory Board had jointly issued the annual declaration of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG on the basis of the Code version of February 7, 2017. The annual declaration of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG jointly issued by the Executive Board in November 2019 and the Supervisory Board, likewise on the basis of the Code version of February 7, 2017 is reprinted in the following.

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

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

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

I.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II.

The Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft declare that, since the issuance of their last annual declaration on the German Corporate Governance Code pursuant to Section 161 AktG in December 2018, the recommendations of the "Government Commission on the German Corporate Governance Code" (Code version of February 7, 2017) published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette on April 24, 2017 are followed, with the following exceptions:

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

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

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

4. Contrary to No. 4.2.3 (2) sentence 6 of the Code version of February 7, 2017, the compensation agreed in the Executive Board contracts was not capped at maximum levels for the aggregate compensation, for the reasons described in No. I. 4.

5. Contrary to No. 4.2.3 (3) of the Code version of February 7, 2017, no consideration was given to the target level of pension benefits and the resulting annual and long-term expense for the Company in granting pension commitments to the Executive Board members, for the reasons described in No. I. 5.

6. Contrary to No. 4.2.5 (3) and (4) of the Code version of February 7, 2017, the compensation granted to the Executive Board was not disclosed individually for each Executive Board member in the Compensation Report and broken down by components – particularly including the benefits granted, benefits received and pension expense – using the model tables provided as appendices to the Code, in line with the resolution adopted in accordance with Section 286 (5) HGB by the Company's annual general meeting on May 12, 2016 not to disclose the Executive Board compensation individually and to only state the aggregate Executive Board compensation in the notes to the financial statements and management report of the Company and the Group, for the reasons described in No. I. 6.

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

Haselünne, November 2019

Berentzen-Gruppe Aktiengesellschaft

For the Executive Board

Oliver Schwegmann
Member of the Executive Board

Ralf Brühöfner
Member of the Executive Board

For the Supervisory Board

Uwe Bergheim
Chairman of the Supervisory Board

The joint declaration of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG have been made permanently accessible to the public on Berentzen-Gruppe Aktiengesellschaft's corporate website at www.berentzen-gruppe.de/en.

(2.2) Relevant disclosures on corporate governance practices

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

In order to implement good corporate governance, Berentzen-Gruppe Aktiengesellschaft has adopted a Code of Conduct binding on all employees of the Berentzen Group, which sets out binding rules for lawful and ethical behaviour. Furthermore, another two Codes were established, namely the Berentzen Group Marketing Code and the Berentzen Group Supplier Code. These three Codes contain the guidelines for responsible conduct at Berentzen-Gruppe Aktiengesellschaft and its subsidiaries. They are based on applicable laws and established standards and express the expectations that the corporate group has for its employees, suppliers, marketing and communication partners, and third parties who are involved in the value chain of Berentzen Group's products. The principles described in these Codes are all minimum standards.

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

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

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

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

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

(2.3) Compliance and risk management

(2.3.1) Compliance

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

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

The responsibility for all topics and concerns related to compliance is organizationally assigned to the Corporate Legal Department of Berentzen-Gruppe Aktiengesellschaft. The Compliance Committee composed of individual members of this department is supervised by the Executive Board member in charge of the Legal Department and reports to the full Executive Board of

Berentzen-Gruppe Aktiengesellschaft through the Chief Compliance Officer. For its part, the full Executive Board reports on compliance in the Berentzen Group to the Supervisory Board's Finance and Audit Committee at regular intervals and whenever warranted.

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

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

(2.3.2) Risk management

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

Information on risk management, the risk management system, and the risks and opportunities arising in the course of the Berentzen Group's business activities can be found in the "Report on risks and opportunities" section of the Annual Report 2019 of Berentzen-Gruppe Aktiengesellschaft, which is available at the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en and is an integral part of the combined management report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft.

(2.3.3) Internal Audit

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

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

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

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

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

(2.4.1) Dual governance system

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

(2.4.2) Executive Board

Work of the Executive Board

As the management body of Berentzen-Gruppe Aktiengesellschaft, the Executive Board manages the Berentzen Group under its own responsibility and in the Company's interest, thus with due regard to the interests of the shareholders, its employees and other stakeholder groups, with the obligation of ensuring the corporate group continued existence and its sustainable value creation.

The management function of the Executive Board includes a responsible approach to the risks inherent in the corporate group's business activities within the scope of suitable and effective control and risk management system. The Executive Board further ensures compliance with the provisions of law and internal guidelines and works towards compliance with the same within the corporate group. Correspondingly, the Executive Board makes sure that there is a compliance management system commensurate with the Company's risk situation.

The Executive Board informs the Supervisory Board regularly, promptly, and extensively on all issues relevant to the Berentzen Group, specifically relating to strategy, planning, business developments, cash flows and profits, level of risk, risk management, and compliance.

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

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

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

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

Composition of the Executive Board

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

Notwithstanding their overall responsibility for the management of Berentzen-Gruppe Aktiengesellschaft and the corporate group, the individual members of the Executive Board manage the divisions assigned to them independently and under their own responsibility. The Executive Board members work together as a team and keep each other informed of important measures and operations in their divisions.

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

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

Over the period from January 1 to December 31, 2019 the following persons were members of the Executive Board of Berentzen-Gruppe Aktiengesellschaft:

Name	Term of Board membership	Position held Responsibilities	Supervisory Board mandates
Ralf Brühöfner Lingen, Germany	since June 18, 2007	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Finance, Controlling, Human Resources, Information Technology, Legal Affairs, Corporate Communications, Investor Relations, Corporate Social Responsibility	Doornkaat Aktiengesellschaft, Norden, Germany (Deputy Chairman of the Supervisory Board)
Oliver Schwegmann Timmendorfer Strand, Germany	since June 1, 2017	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Marketing, Sales, Production and Logistics, Purchasing, Research and Development	Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board)

(2.4.3) Supervisory Board

Work of the Supervisory Board

The Supervisory Board supervises and advises the Executive Board, whose members it appoints, on the management of the Company and the corporate group. It is involved in decisions of fundamental importance for the Berentzen Group; details are set out in the rules of procedure for the Supervisory Board and Executive Board.

Supplementary to the duties incumbent upon the Executive Board to inform and report to the Supervisory Board, the latter in turn ensures that it is provided with information in an appropriate manner; for this purpose, the Executive Board's rules of procedure contains more detailed rules to this end.

The Supervisory Board reviews the separate financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, the combined management report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft as well as the proposal on the utilisation of the distributable profit of Berentzen-Gruppe Aktiengesellschaft. Furthermore, it basically approves the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft. It performs this task on the basis of and taking account of the audit reports of the independent auditor and the findings of the prior discussions held for this purpose by the Finance and Audit Committee and its recommendations in this regard.

Details concerning the duties of the Supervisory Board and its committees, as well as its composition, are set out in the law, the Articles of Association of Berentzen-Gruppe Aktiengesellschaft, and the rules of procedure of the Supervisory Board. This document and the rules of procedure for the Executive Board also stipulate that the Supervisory Board's approval is required for transactions and measures of fundamental importance, among other things. In addition, the German Corporate Governance Code provides further recommendations on the work of the Supervisory Board and its committees.

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

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

Composition of the Supervisory Board

In accordance with the resolution to change the Articles of Association passed by the scheduled annual general meeting on May 3, 2018, the Supervisory Board has generally consisted of six members since the close of the scheduled annual general meeting on May 22, 2019 and thereafter; of these six members, four are elected individually at an annual general meeting (Supervisory Board members of the shareholders or shareholder representatives). Two members are elected by the employees (Supervisory Board members of the employees or employee representatives) in accordance with the German One-third Participation Act (Drittelbeteiligungsgesetz).

Until the close of the scheduled annual general meeting on May 22, 2019, the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft generally consisted of nine members, of whom six members are elected individually as Supervisory Board members of the shareholders and three members are elected by the employees of the Company as Supervisory Board members of the employees in accordance with the German One-third Participation Act.

The Chairman is elected from the ranks of the Supervisory Board members. The term of office of Supervisory Board members is five years; the term of office of currently serving Supervisory Board members ends upon the close of the annual general meeting of Berentzen-Gruppe Aktiengesellschaft that will vote on ratification of the actions of the Supervisory Board members for the 2023 financial year.

According to the provisions of the Stock Corporations Act, the members of the Supervisory Board must be familiar as a group with the sector in which the Company operates; furthermore, at least one member of the Supervisory Board must possess expertise in the fields of financial reporting or auditing. In its current composition, which has been in place since December 31, 2019, the Supervisory Board meets these legal requirements.

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

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

The following persons were members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft over the period from January 1 to December 31, 2019 – unless indicated otherwise:

Name	Term of Supervisory Board membership	Position held	Other Supervisory Board mandates
Uwe Bergheim Dusseldorf, Germany Chairman of the Supervisory Board	since May 3, 2018	Self-employed corporate consultant, Dusseldorf, Germany	
Frank Schübel Gräfelfing, Germany Deputy Chairman of the Supervisory Board	since May 19, 2017	Managing Director of TEEKANNE Holding GmbH, Dusseldorf, Germany, as general partner of TEEKANNE GmbH & Co. KG, Dusseldorf, Germany	

Name	Term of Supervisory Board membership	Position held	Other Supervisory Board mandates
Johannes C.G. Boot London, United Kingdom	from June 3, 2009 to May 22, 2019	Chief Investment Officer of Lotus Aktiengesellschaft, Grünwald, Germany	Deutsche Konsum REIT-AG, Broderstorf, Germany (Member of the Supervisory Board) Gerlin NV, Maarsbergen, The Netherlands (Member of the Supervisory Board, since February 14, 2019)
Heike Brandt Minden, Germany	since May 22, 2014	Commercial employee at Berentzen-Gruppe Aktiengesellschaft, Haselünne, Germany	
Bernhard Düing Herzlake, Germany	since June 24, 1999	Production Shift Manager at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Adolf Fischer Lähden, Germany	from June 3, 2009 to May 22, 2019	Production employee at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Prof Dr Roland Klose Würzburg, Germany	from May 19, 2017 to May 22, 2019	Professor of Business Administration at FOM University of Economics & Management, Essen / Nuremberg, Germany	
Hendrik H. van der Lof Almelo, The Netherlands	since May 19, 2017	Managing Director of Via Finis Invest B.V., Almelo, The Netherlands	Monolith N.V., Amsterdam, The Netherlands (Member of the Supervisory Board) TIIN Buy Out and Growth fund B.V., Naarden, The Netherlands (Chairman of the Supervisory Board)
Daniël M.G. van Vlaardingen Hilversum, The Netherlands	since September 1, 2016	Managing Director of Monolith Investment Management B.V., Amsterdam, The Netherlands	

(2.4.4) Committees of the Supervisory Board

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

Personnel and Nomination Committee of the Supervisory Board

Work of the Personnel and Nomination Committee

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

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

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

Composition of the Personnel and Nomination Committee

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

The Personnel and Nomination Committee was composed of the following members in the period from January 1 to December 31, 2019:

Name	Term of Supervisory Board Committee membership	Committee function
Uwe Bergheim Chairman of the Supervisory Board	since May 3, 2018	Chairman of the Personnel and Nomination Committee
Heike Brandt	since May 19, 2017	Member of the Personnel Committee
Frank Schübel Deputy Chairman of the Supervisory Board	since May 19, 2017	Member of the Personnel and Nomination Committee
Daniël M.G. van Vlaardingen	since May 19, 2017	Member of the Personnel and Nomination Committee

Finance and Audit Committee of the Supervisory Board

Work of the Finance and Audit Committee

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

In this context, the tasks of the Finance and Audit Committee include the preparation of the Supervisory Board meeting called to adopt the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, which it does particularly through a prior discussion of the separate and consolidated financial statements including the management reporting and the reports on the audits thereof with the independent auditor. The preparatory discussions also include the Sustainability Report of the Berentzen Group prepared separately on a voluntary basis. Over and above this, the Finance and Audit Committee deals with the auditing of interim financial information.

With regard to the audit of the financial statements, it is additionally the duty of the Finance and Audit Committee to issue a proposal to the Supervisory Board for its recommendation for election of the auditor to the annual general meeting, taking into account the relevant provisions of Regulation (EU) No. 537/2014 dated April 16, 2014 on specific requirements regarding statutory audits of public-interest entities (Regulation (EU No. 537/2014). Moreover, the Finance and Audit Committee monitors the independence of the financial statements auditor and further deals with the additional services rendered by such auditor, the granting of the audit engagement to the auditor, the establishment of audit priorities, and the agreement of fees. This also includes the requirement of the Finance and Audit Committee's approval for the rendering of other than prohibited non-auditing services within the meaning of the aforementioned Regulation in conjunction with the German Commercial Code by the financial statements auditor.

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

Composition of the Finance and Audit Committee

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

In accordance with the Stock Corporations Act, the members of the Finance and Audit Committee must be familiar as a group with the sector in which the Company operates; at least one member of the Finance and Audit Committee must possess expertise in the fields of financial reporting or auditing (financial expert). According to the recommendations of the German Corporate Governance Code, the Chairman of the Finance and Audit Committee should possess particular knowledge and experience in the application of financial reporting principles and internal control procedures, as well as being familiar with the audit of financial statements and being independent. Furthermore, the Chairman of the Supervisory Board should not be the Chairman of the Finance and Audit Committee.

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

Unless indicated otherwise, the following persons belonged to the Finance and Audit Committee over the period from January 1 to December 31, 2019:

Name	Term of Supervisory Board Committee membership	Committee function
Hendrik H. van der Lof	since May 19, 2017	Chairman of the Finance and Audit Committee
Johannes C.G. Boot	from June 3, 2009 to May 22, 2019	Deputy Chairman of the Finance and Audit Committee
Uwe Bergheim Chairman of the Supervisory Board	since May 3, 2018	Member of the Finance and Audit Committee
Bernhard Düing	since June 3, 2009	Member of the Finance and Audit Committee
Frank Schübel Deputy Chairman of the Supervisory Board	since May 22, 2019	Member of the Finance and Audit Committee

(2.4.5) Self-assessment of the Supervisory Board and its committees

The Supervisory Board makes a regular assessment of how effective the Supervisory Board as a whole and its committees fulfil their duties.

This self-assessment is made in the form of an internal ongoing self-evaluation and serves to measure the effectiveness and efficacy of the work of these bodies and their cooperation with the Executive Board with the objective of ensuring that duties are fulfilled in an efficient and proper manner and optimising the same. Relevant aspects, findings and any expedient measures required are discussed in the Supervisory Board, which passes and implements any necessary resolutions.

(2.4.6) Cooperation between the Executive Board and Supervisory Board

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

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

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

The Chairman of the Supervisory Board maintains regular contact with the Executive Board outside of meetings and discusses with them issues of the Company's strategy, business developments, the risk situation, risk management and compliance.

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

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

The members of the Executive Board and the Supervisory Board must immediately report any conflicts of interest in connection with their activities for Berentzen-Gruppe Aktiengesellschaft to the Chairman of the Supervisory Board and the members of the Executive Board must additionally report them to the Chairman of the Executive Board or the respective other member of the Executive Board.

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

Once again in the 2019 financial year, the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft intensively addressed the goals for the composition of Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft, which are described in the diversity concepts passed by the Supervisory Board and presented in the following. In accordance with the voluntarily commitment stated therein, the Supervisory Board has reviewed them in depth once again in the 2019 financial year again both in terms of content and with regard to the results achieved.

The diversity plans encompass the diversity aspects pursuant to Sections 315d, 289f HGB, as well as – generally on the basis of the Code version of February 7, 2017 as applicable in the 2019 financial year – the corresponding or supplementary recommendations of the German Corporate Governance Code, particularly those pertaining to the adoption of concrete targets for the composition of the Supervisory Board. Therefore, the following report serves equally to fulfil the statutory reporting obligation and the implementation of the corresponding recommendations of the German Corporate Governance Code.

(2.5.1) Executive Board

Description of the diversity plan

The diversity plan for the composition of the Executive Board covers the following aspects and targets, for the attainment of which a time period or time frame of up to December 31, 2019 was established.

As part of the Supervisory Board's further deliberations in the 2019 financial year on the targets for the composition of the Executive Board, another time period or time frame for this was set until December 31, 2020. In terms of content, the diversity plan for the composition of the Executive Board remained unchanged in this context.

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

Age

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

Gender

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

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

Educational background

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

Professional background

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

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

Internationality

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

Other aspects

Another specification pertains to the aspect of potential conflicts of interest for Executive Board members. They are obligated to serve the Company's interests, they may not pursue personal interests in their decisions nor exploit for themselves business opportunities to which the Berentzen Group is entitled and are subject to a comprehensive competition ban during their employment with the Company. Every member of the Executive Board is obligated to observe the code of conduct relative to conflicts of interest that is recommended in the German Corporate Governance Code, which is also completely incorporated into the rules of procedure for the Executive Board. In consideration of the foregoing, the diversity plan states that the Executive Board shall have no member in whom material and not only temporary conflicts of interest could arise as a result of their activities and functions outside of Berentzen-Gruppe Aktiengesellschaft and its affiliated companies, particularly by reason of exercising consulting or governing body functions with customers, suppliers, lenders, or other third parties.

Goals of the diversity plan

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

Manner of implementing the diversity plan

The diversity plan is to be implemented primarily by means of the involvement of the Supervisory Board in staffing the Executive Board, as required by the German Stock Corporations Act, the Articles of Association of Berentzen-Gruppe Aktiengesellschaft, and the rules of procedure for the Supervisory Board, as well as in the process of the long-term succession planning for the Executive Board to be organised by the Supervisory Board. The decision on the composition of the Executive Board is made by the Supervisory Board in the Company's interest and after giving due consideration to all the circumstances of each case.

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

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

Results achieved in the financial year

In the judgment of the Supervisory Board, the composition of the Executive Board of Berentzen-Gruppe Aktiengesellschaft at December 31, 2019 fulfils all aspects of the diversity plan described above. With regard to the aspect of gender, please refer in this context to the comments made in the following section (2.6). This section also contains separate information on achievement of the targets for the percentage of women on the Executive Board to the extent that reporting is required within the scope of the specifications made in this (Group) Declaration on Corporate Governance.

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

Long-term succession planning for the Executive Board

With the involvement of its Personnel Committee and acting together with the Executive Board, the Supervisory Board brings about a long-term Executive Board succession planning.

The aspects and objectives set out in the diversity plan for the composition of the Executive Board described above are taken into consideration within the scope of the long-term succession planning, alongside the requirements of the German Stock Corporation Act, the Articles of Association of Berentzen-Gruppe Aktiengesellschaft and the recommendations of the German Corporate Governance Code as well as the rules of procedure of the Supervisory Board and the Executive Board.

Using the specific qualifications demanded as a basis and taking account of the aforementioned requirements, aspects and objectives, the Personnel Committee of the Supervisory Board – on occasion working together and exchanging ideas and information with the Executive Board – develops a qualification profile for Executive Board positions to be filled. This is the starting point for making a selection of those available candidates coming into question with regard to their professional and personal suitability for the position as part of a structured selection process. As part of this process, the Personnel Committee presents a corresponding recommendation to the Supervisory Board, which makes the final decision and passes the necessary resolution. Where necessary, external advisers are brought into the selection process to support the bodies involved in developing qualification profiles and in candidate selection and – where necessary – to provide advice in the decision-making process with regard to appointments to Executive Board positions.

(2.5.2) Supervisory Board

Description of the diversity plan

The diversity plan for the composition of the Supervisory Board covers the following aspects and targets.

The diversity plan for the composition of the Supervisory Board was updated in the 2018 financial year not least in light of the reduction in the number of Supervisory Board members that came into effect from the close of the scheduled annual general meeting held on May 22, 2019 from nine up to that date to six thereafter. For additional information, please refer to the comments contained in section (2.4.3). A time period or time frame until December 31, 2019 was stipulated for achievement of the aspects and objectives, some of the content of which had been amended to allow for the reduction since then in the number of Supervisory Board members to six.

As part of the Supervisory Board's further deliberations in the 2019 financial year on the targets for its composition, another time period or time frame was set until December 31, 2020. In terms of content, the diversity plan for the composition of the Supervisory Board remained unchanged in this context.

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

Age

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

Gender

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

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

Educational background

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

Professional background

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

Internationality

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

Other aspects

Other aspects of the diversity plan include specifications relating to potential conflicts of interest and independence and a standard limit on the duration of service on the Supervisory Board as well as on the number of its members that must be familiar with the sector in which the Company operates.

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

According to the recommendations of the German Corporate Governance Code, the Supervisory Board should have an appropriate number of independent members (on the shareholder side) according to its judgment, in consideration of the ownership structure. Therefore, according to the recommendations contained in the German Corporate Governance Code in the version of February 7, 2017 on which the diversity plan is based, a Supervisory Board member is to be regarded as not independent particularly when he/she maintains a personal or business relationship with the Company, its governing bodies, a controlling shareholder, or affiliated company related to a controlling shareholder, which could give rise to a material and not only temporary conflict of interest. On this basis, the Supervisory Board has specified in relation to the aspect of independence of its members that the Supervisory Board should have at least five independent members within the meaning of the aforementioned recommendations of the German Corporate Governance Code in total and at the same time have at least three independent members, within the same meaning, representing the shareholders, subject to otherwise unchanged conditions.

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

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

Goals of the diversity plan

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

Manner of implementing the diversity plan

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

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

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

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

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

Results achieved in the financial year

In its own judgment, the composition of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft at December 31, 2019 fulfils all the aspects of the diversity plan described above, with the sole qualification that one Supervisory Board member representing the employees has exceeded the standard limit of 15 years for the duration of service on the Supervisory Board, by way of exception.

Accordingly, the specifications set out in the diversity plan regarding the independence of Supervisory Board members are also fulfilled in the meaning of the recommendations of the German Corporate Governance Code in the version of February 7, 2017 on which the diversity plan is based. In the judgment of the Supervisory Board, all its current members are independent in the meaning of the aforementioned recommendations, i.e. the body has a total of six independent members in this meaning and thus, at the same time, four members representing the shareholders who are independent in the same meaning. The members referred to in this context are named in Section (2.4.3) above.

With regard to the aspect of gender, including separate information on achievement of the targets for the percentage of women on the Shares – to the extent that reporting is required within the scope of the specifications made in this (Group) Declaration on Corporate Governance, please refer to the following section (2.6).

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

Profile of required skills and expertise

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

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

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

(2.6) Disclosures on the adoption of targets for the percentage of women pursuant to Section 111 (5) AktG and Section 76 (4) AktG and the deadlines set for the attainment of these targets

(2.6.1) Overview

For companies that are exchange-listed or not subject to the parity codetermination requirement, Section 111 (5) AktG prescribes that the Supervisory Board adopt targets for the percentage of women on the Supervisory Board and Executive Board and concurrently also set time periods for the attainment of these targets. For companies that are exchange-listed or subject to the codetermination requirement, Section 76 (4) AktG also prescribes that the Executive Board of such companies adopt targets for the percentage of women holding positions in the two management levels beneath the Executive Board and concurrently also set time periods for the attainment of these targets. The time periods for the achievement of the targets may not be longer than five years.

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

Within their respective areas of responsibility, the Supervisory Board and Executive Board of Berentzen-Gruppe Aktiengesellschaft correspondingly adopted targets for the percentage of women. The targets were set in observance of the legal requirements that the targets may not be less than the percentage already achieved in each case if the percentage of women was less than 30 percent at the time the target was set.

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

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

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

(2.6.2) Supervisory Board

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

(2.6.3) Executive Board

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

First and second management levels beneath the Executive Board

The Executive Board has adopted targets for the percentage of women holding positions on the two management levels beneath the Executive Board. In determining the management levels and values for the targets to be adopted in this context, the Executive Board considered the circumstances of Berentzen-Gruppe Aktiengesellschaft as the only company affected by the relevant statutory provisions. The definition of the two management levels was based on the exercise of managerial duties in the sense of personnel and budget responsibility, as well as the hierarchical classification.

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

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

Information on the compensation of Executive Board and Supervisory Board members in the 2019 financial year is provided in the "Compensation Report" section of the combined management report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft, which is part of the Annual Report 2019 of Berentzen-Gruppe Aktiengesellschaft. The Annual Report 2019 is also available at the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en.

(2.8) Reportable securities trades (managers' transactions)

Members of the Executive Board and Supervisory Board, as persons exercising management duties, are obligated pursuant to Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014, on Market Abuse (Market Abuse Regulation - MAR) to disclose their own trades (e.g. purchases or sales) of shares of Berentzen-Gruppe Aktiengesellschaft or debt instruments or related financial instruments of Berentzen-Gruppe Aktiengesellschaft. This disclosure obligation also applies to persons closely associated with persons exercising management duties. A disclosure obligation only exists insofar as the total volume of the transactions within a calendar year reaches or exceeds an amount of EUR 20,000 (until December 31, 2019: 5,000). Until the beginning of July 2016, such a disclosure obligation existed on the basis of national provisions.

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

(2.9) Shareholders and annual general meeting

The shareholders of Berentzen-Gruppe Aktiengesellschaft regularly exercise their membership rights at the annual general meeting. The annual general meeting is the main forum for shareholders, particularly for exercising their voting rights, obtaining information, and conducting a dialogue with the Executive Board and Supervisory Board.

In accordance with the Articles of Association, the annual general meeting must be held in the first eight months, but is usually held in practice in the first five months of the financial year.

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

The annual general meeting of Berentzen-Gruppe Aktiengesellschaft is organized and conducted with the goal of providing prompt, extensive, and effective information about the Company's situation to all shareholders before and during the annual general meeting. The notice of meeting and meeting agenda are published in the Federal Gazette and are available to the shareholders and all other interested parties, along with further documentation, including but not limited to the reports, documents and other information which the law requires for the annual general meeting, on Berentzen-Gruppe Aktiengesellschaft's corporate website at www.berentzen-gruppe.de/en. The attendance at and the voting results of the annual general meeting can also be found on that website immediately after the annual general meeting.

To make it easier for shareholders to personally exercise their rights and have their voting rights represented, they are entitled at their own choice to authorize, for example, the custodial bank, a shareholders association or another person of their choice, or a Company-appointed proxy bound by the shareholder's instructions.

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

(2.10) Financial reporting and audit of the financial statements

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

The annual general meeting elected Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor of the consolidated and separate financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2019, after the auditor of the financial statements had previously declared in writing his independence according to No. 7.2.1 of the German Corporate Governance Code and Article 6 (2) letter a) of Regulation (EU) No. 537/2014, and after the Finance and Audit Committee of the Supervisory Board assured itself of the financial statements auditor's independence. Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft has been the auditor of the financial statements and the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft since the 2016 financial year. The undersigning auditors responsible for the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2019 are Dr. Thomas Senger (since the 2016 financial year) and Mr. Ronald Rulfs (since the 2016 financial year). The legal requirements and rotation obligations pursuant to Sections 319 and 319a HGB in conjunction with Regulation (EU) No. 537/2014 have been satisfied.

It was further agreed with the auditor of the financial statements for the audit for the 2019 financial year that the Chairman of the of the Finance and Audit Committee of the Supervisory Board is to be informed immediately during the audit of any potential grounds for exclusion or conflicts of interest, unless they are rectified immediately. The auditor is also required to report immediately all findings and events of importance to the tasks of the Supervisory Board that arise during the audit of the financial statements to the Chairman of the Supervisory Board. Furthermore, the auditor is required to inform the Supervisory Board or document in the audit report all facts noted in the course of the audit that are not compatible with the declaration on the German Corporate Governance Code issued by the Executive Board and Supervisory Board in accordance with Section 161 AktG.

(2.11) Transparent management

The Company informs shareholders, investors, analysts, and the public equally and promptly. The corporate website of Berentzen-Gruppe Aktiengesellschaft, www.berentzen-gruppe.de/en, is an important communication and publication platform. Information about the Berentzen Group's business activities and corporate governance, including Declarations on Corporate Governance and Corporate Governance Reports, as well as declarations of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 AktG, and particularly financial reports, sustainability reports, reports and documents for the annual general meeting, capital market-relevant announcements, are made permanently available on this medium within the scope of the relevant provisions applicable to publication deadlines and periods. A financial calendar made available there provides information on the Company's corresponding publication and event dates.

Haselünne, March 10, 2020

Berentzen-Gruppe Aktiengesellschaft

For the Executive Board

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

B. Combined management report

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

(1) Underlying principles of the corporate group

(1.1) Corporate business model

Organisation and underlying principles

The Berentzen Group is one of the leading beverage groups in Germany and simultaneously one of the country's oldest producers of spirits with a history going back over 250 years. Berentzen-Gruppe Aktiengesellschaft based in Haselünne, Germany, is the ultimate parent of the Berentzen Group, which consists of more than 20 domestic and international subsidiaries as well as the parent company. The corporate group generated revenues of EUR 167.4 million in the 2019 financial year (EUR 162.2 million) and had 498 (487) employees at seven locations in three countries as of the reporting date of December 31, 2019.

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

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

Business activities

The business activities of the Berentzen Group essentially comprise the production and distribution of spirits and non-alcoholic beverages and the development and distribution of fresh juice systems. The business activities are divided into the following segments accordingly: *Spirits*, *Non-alcoholic Beverages* and *Fresh Juice Systems.* The marketing, distribution and sale of spirits are grouped together in the Branded Products and the Private Label Products sales units within the *Spirits* segment. The marketing, distribution and sale of non-alcoholic beverages are combined in the *Non-alcoholic Beverages* segment. Depending on the system component, the development, marketing, distribution and sale of fruit presses, oranges and filling containers are grouped together in the *Fresh Juice Systems* segment. The *Other Segments* essentially cover the international business involving branded spirits together with the tourist and event activities of the Berentzen Group. This structure forms the basis for the financial reporting in the 2018 and 2019 financial years. The structure depicted above will change from the 2020 financial year onwards with regard to the *Spirits* and the *Other segments*. The international business with branded spirits will be no longer part of the *Other segments* but, on the basis of a new organisational structure, will be grouped together with branded dealer and private-label products as the Export and Dealer Brands sales unit and included in the *Spirits* segment. More information on this can be found in section (5).

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

Brands, products and markets

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

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

Through its subsidiary Citrocasa GmbH (formerly: T M P Technic-Marketing-Products GMBH), based in Linz, Austria, the corporate group is active as a system provider for fresh fruit juice systems, particularly orange presses. Alongside orange presses, the full range marketed under the *Citrocasa* brand encompasses juicy oranges under the *frutas naturales* brand that are not treated after harvesting and special bottles for freshly squeezed orange juice. The Company's core competencies are in the ongoing development and optimisation of the system, technical services and the delivery of fruit and bottles.

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

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

With its *Mio Mio* branded products, the *Non-alcoholic Beverages* segment has in the meantime reached a national level in its distribution. Alongside this, the core sales area for the regionally important brands extends to the federal states of northern and eastern Germany, including Berlin together with parts of Hesse and North Rhine-Westphalia. The most important sales channels include the food retailing sector, beverage warehouses and the hospitality trades (via beverage wholesalers).

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

Industry-specific legal framework

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

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

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

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

Finally, special tax regimes relating to the alcohol tax and similar foreign consumption taxes levied at high rates on alcohol and alcohol-based beverages in almost all countries need to be observed for the production and in particular the distribution of spirits. Moreover, high and in some cases prohibitive customs duties and import tariffs are regularly levied on imported spirits, especially outside of Europe.

(1.2) Management system

Principles of internal management

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

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

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

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

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

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

Financial performance indicators

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

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

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

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

Cash flow indicators

The key performance indicator for the cash flows and financial position of the corporate group is the operating cash flow. The operating cash flow shown in the Cash Flow Statement documents the impact of operating profitability on the change in the cash position. Since the 2019 financial year, it has been defined as consolidated profit adjusted for amortisation, depreciation and impairment as well as for the balance of expenses and payments (a) for non-recurring items, (b) in connection with income taxes and (c) relating to the interest result. Movements in the volatile working capital that is often subject to reporting-date effects are thus excluded to a great extent to allow for a better assessment and presentation of cash inflows and outflows from operating activities.

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

Financial position indicators

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

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

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

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

(1.3) Research and development

In order to keep the product range attractive for consumers and exploit potential consumption levels, the Group's in-house Research and Development department worked on enhancing the quality and flavour of existing spirits products and developing innovative new products in 2019. A total of 421 (406) recipes were developed and assessed for spirits in the Branded and Private Label Products sales units in the last financial year 2019.

After two further flavours were introduced to the product line marketed under the *Mio Mio* proprietary brand and a product line for herb-based soft drinks was launched under the *Kräuterbraut* brand, all within the *Non-alcoholic Beverages* segment, in the 2019 financial year, extensive development activities continued with regard to further potential variants of these product lines. Another focus was placed on the development of sugar-free and reduced-sugar soft drinks.

The research and development activities in the *Fresh Juice Systems* segment concentrated on the system technology and related accessories in financial year 2019. Alongside the development of new fruit press product lines (the *Fantastic Connect*, *eXpress* and *ECO+* in the 2019 financial year), the continuous improvement of the current series also plays a major role. The various developments constitute significant progress in the fields of handling, cleaning and digitalisation. The Group company Citrocasa GmbH (formerly: T M P Technic-Marketing-Products GMBH) is responsible for all aspects of managing and controlling the product development process, including the engineering carried out in conjunction with external partners and the producer of the machinery.

The direct expenses for research and development and for quality assurance totalled EUR 1.8 million in the 2019 financial year (EUR 1.7 million).

(2) Economic report

(2.1) General economic and industry-specific framework conditions

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

General economic conditions

In its World Economic Outlook Update from January 2020, the International Monetary Fund (IMF) estimated global economic growth in 2019 of 2.9%, thus below that of the previous year (3.6%). At the beginning of the year, the IMF had expected global economic growth of 3.5% for 2019, but lowered its forecast multiple times over the course of the year. The German Institute for Economic Research (DIW Berlin) also predicts a decline in global economic growth and, according to its assessment from December 2019, expects gross domestic product (GDP) to have expanded by 3.6% (4.2%) in real terms worldwide. According to the data from the IMF, there are indications of the decline in economic growth both in the emerging markets and in the industrialised nations. For example, the emerging markets noted growth of 3.7% in 2019 (4.5%), while the industrialised nations recorded growth of 1.7% (2.2%). The IMF considers the weaker growth to be attributable to political conditions, such as trade uncertainties, as well as weather-related disasters, such as the bush fires in Australia. For the eurozone, the IMF and the DIW both expect a growth rate of 1.2% (1.9%).

Growth also slowed down in the German economy in 2019. According to figures from the Federal Statistical Office from January 2020, the German economy grew by 0.6% (1.5%). This growth was driven in particular by consumption, with both consumer and government spending up compared with the previous year, as well as by investments in buildings.

Developments on the drinks market

According to figures from the Federal Statistical Office, consumer prices rose by an annual average of 1.4% in 2019 compared with 2018 (1.8%), thus at a lower rate than in the previous year. The annual inflation rate in “food and non-alcoholic beverages”, which is an important category for the Berentzen Group, was 1.1% (2.4%). In the “alcoholic beverages and tobacco” category, prices rose by an annual average of 2.5% (3.4%) in 2019, with tobacco products in particular becoming more expensive. According to the Federal Statistical Office, sales in the German retail trade increased by 2.7% in 2019 (1.2%) compared with 2018 on an inflation-adjusted basis. Retail sales in the “food, beverages and tobacco” category, an important category for the Berentzen Group, grew by 1.2% (1.3%) and thus at a lower rate compared with the overall retail sales. According to figures released by Eurostat, the statistical office of the European Union (EU), retail sales volumes in the “food, beverages and tobacco” category declined by 0.7% in the eurozone in December 2019 compared with December 2018 (+0.7%) and by 0.3% (+0.6%) across the EU.

Figures published by independent market researcher The Nielsen Company (Nielsen) show that total domestic unit sales of spirits amounted to 545.2 million 0.7-litre bottles in 2019 (565.0 million 0.7-litre bottles) in Germany, which remains the most important regional sales market for spirits for the Berentzen Group. At EUR 4.55 billion, total revenues also fell slightly compared with the previous year (EUR 4.61 billion). In the German food retail trade and drugstores, the sales volume of spirits fell by 3.7% year on year to 508.1 million 0.7-litre bottles (527.5 million 0.7-litre bottles). At EUR 4.15 billion (EUR 4.21 billion), revenues were also slightly down compared with the previous-year level. The share of private-label brands in total German sales declined from 45.6% to 43.8% in 2019, with the share of total revenues falling from 33.1% to 31.5% in parallel. According to an announcement by the Federal Statistical Office in February 2020, revenues of the domestic hospitality industry in the 2019 financial year were 0.6% higher in real terms than in the previous-year comparison period (1.0%). Unit sales in this second important distribution channel for the spirits and non-alcoholic beverages of the Berentzen Group thus increased once again. The spirits-friendly sub-category of “restaurants” displayed corresponding revenues growth of 0.6% (0.7%). According to figures from Nielsen, unit sales of spirits in German cash-and-carry markets fell by 0.8% in 2019 from 37.5 million 0.7-litre bottles to 37.2 million 0.7-litre bottles, with revenues declining by 0.6% compared with 2018.

According to a projection published at the beginning of January 2020 by Verband Deutscher Mineralbrunnen (VDM), a German mineral water industry association, sales of mineral and medicinal waters and non-alcoholic mineral spring beverages from German springs decreased by 3.9% to 14.4 billion litres in 2019 (14.9 billion litres). Within this total, 11.1 billion litres (11.4 billion litres) related to unit sales of mineral and medicinal waters, while mineral spring beverages accounted for 3.3 billion litres (3.5 billion litres). The main reason for this drop in sales was the weather, with the long heat wave experienced in summer 2018 followed by fluctuating weather conditions in the summer of 2019. Figures published by market research company Information Resources GmbH (IRi) confirm the sales performance of waters, estimating a 6.1% drop in sales. According to the same figures, the opposite development is seen in sales volumes in the area of sports and energy drinks as well as the area of iced tea, to which mate beverages marketed under the *Mio Mio* brand are allocated. These areas recorded growth in sales of 1.9% and 0.4%, respectively, in 2019. Sales in soft drinks, however, declined by 2.6% compared with the previous year.

As far as the Berentzen Group is aware, to all intents and purposes there are no all-round, reliable market data available for the *Fresh Juice Systems* segment. The corporate group estimates that existing and future consumer demand for fresh foodstuffs, especially fresh drinks like not-from-concentrate juices, freshly squeezed juices and smoothies, is a key indicator for the development of this segment. The trend ongoing for several years now of increased dietary awareness and the impact on health and well-being are further influencing consumer behaviour. Values and product characteristics like freshness, biological and regional provenance as well as traceability in the production process are increasingly important factors for end customers. A market study by the Association of the Industry of Juices and Nectars from Fruits and Vegetables of the European Union (AIJN) from 2019 shows that the market development of smoothies, which are most readily comparable with the system solution offered by the *Fresh Juice Systems* segment (production of freshly squeezed fruit juices), was overall positive in the European markets most important for the segment. According to the study, sales volumes expanded in 2018 by 3.8% in Germany and by 12.0% in Austria, while sales in France declined by 0.6%.

(2.2) Business performance and economic position

(2.2.1) Overview of business performance and operating results

In a competitive environment that continues to be very intense, the Berentzen Group increased its consolidated revenues to EUR 167.4 million in the 2019 financial year (EUR 162.2 million); its adjusted consolidated operating profit was stable at EUR 9.8 million (EUR 9.8 million) and the adjusted consolidated operating profit before depreciation and amortisation increased to EUR 18.4 million (EUR 17.3 million). Taking into account an exceptional effect of EUR 1.1 million (EUR 0.8 million), an expense of EUR 1.5 million (EUR 1.6 million) from the financial result and result from participating interests as well as an income tax expense of EUR 2.3 million (EUR 2.3 million), the Berentzen Group generated a consolidated profit of EUR 4.9 million overall (EUR 5.2 million).

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

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

The following analysis covers the key financial performance indicators of the Berentzen Group that were used for the internal management of the corporate group in the 2019 financial year. In order to compare actual performance against the forecast performance, the forecasts provided in the past financial year are set against the actual performance. Symbols are used to demonstrate the extent to which the most recent forecast in each case was met, with ✓✓ indicating the forecast was surpassed, ✓ indicating the forecast was met and × indicating the forecast was not met.

Financial performance

Realisation of the earnings targets for the 2019 financial year was challenging, with an uneven business performance across the individual segments.

Performance of the segments

	Forecast for the 2019 financial year in the 2018 Forecast Report EURm	Adjustments made during the 2019 financial year EURm	Actual business performance 12/31/2019 EURm	
Contribution margin after marketing budgets				
Segment				
Spirits	27.4 to 30.3		27.8	✓
Non-alcoholic Beverages	21.4 to 23.6		23.5	✓
Fresh Juice Systems	7.1 to 7.9		6.9	×
Other segments	5.3 to 5.8		5.2	×

In the 2019 financial year, the original forecasts provided in the Management Report for the 2018 financial year for segment earnings (contribution margin after marketing budgets) were met in the case of two segments but were not met in the other two segments.

In the *Spirits* segment, segment earnings came to EUR 27.8 million, meeting the initial forecast ranging between EUR 27.4 million and EUR 30.3 million. The contribution margin fell considerably short of expectations; the funds used for marketing and trade advertising were well short of the original budgeting level, however, and thus helped to compensate for the development of the segment earnings indicator. The development of the contribution margin mentioned above was mainly attributable to the contribution margins from the domestic branded spirits business, in particular products from the *Berentzen Fruchtige* line, being lower than originally expected. Developments in branded dealer and private-label products were more satisfactory, however, even though expectations concerning the development of the contribution margin volume were also slightly fallen short of. The significant increase in the contribution margins from the premium product concept business compared with the previous year should nonetheless be emphasised here.

Segment earnings in *Other segments* – notably including international sales of branded spirits in the 2019 financial year – amounted to EUR 5.2 million, which just failed to reach the lower end of the original forecast ranging between EUR 5.3 million and EUR 5.8 million. Contribution margins from the business in the Benelux countries and the USA developed positively, while performance in other markets and through the duty-free distribution channel declined. The contribution margins from tourism and event-related activities, which are also included in *Other Segments*, developed as planned. As the actual use of funds for marketing and trade advertising was only slightly lower than expected, this only had a marginal impact on the overall development of segment earnings.

With segment earnings of EUR 23.5 million, the profit expectation stated in the 2018 Management Report for the *Non-alcoholic Beverages* segment ranging between EUR 21.4 million and EUR 23.6 million reached the upper end of the range. The key factor for this was the increase in the contribution margin volume, which was in line with expectations and attributable to positive developments in the business with products marketed under the proprietary *Mio Mio* brand as well as proprietary mineral water brands, despite both categories failing to fully achieve the planned contribution margin increase. This was countered by considerably lower contributions from the franchise business with branded beverages from the Sinalco corporate group. The associated contribution margin targets, which were already reduced compared with the previous year, were not met. Performance in the contract bottling business with lemonades and other non-alcoholic beverages was uneven, but on the whole better than expected. The use of marketing budgets was slightly lower than the scope originally budgeted for in the 2019 financial year, thus having a positive impact on segment earnings.

The target in the *Fresh Juice Systems* segment was not met. At EUR 6.9 million, segment earnings fell below the forecast of between EUR 7.1 million and EUR 7.9 million. In particular, this is attributable to the drop in sales in the business involving system component fruit juicers in the markets in France, the USA and India, which, furthermore, was greater than expected. By contrast, there was a positive development in the business with fruit juicers in the GSA region (Germany, Switzerland and Austria). Developments in the fruit trade (oranges) were very pleasing. On the basis of a drop in purchase costs, expectations concerning the development of contribution margins were exceeded. The business with bottling systems – in particular in the German sales market – also developed better than originally expected. The use of funds for marketing and trade advertising in the past financial year was adjusted to the development of revenues, with a corresponding positive effect on segment earnings.

Development of consolidated revenues and consolidated operating profit

	Forecast for the 2019 financial year in the 2018 Forecast Report EURm	Adjustments made during the 2019 financial year EURm	Actual business performance 2019 EURm	
Consolidated revenues	164.7 to 173.4		167.4	✓
Consolidated operating profit (consolidated EBIT)	9.0 to 10.0		9.8	✓
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	17.0 to 18.8		18.4	✓

With consolidated revenues of EUR 167.4 million in the 2019 financial year, this figure was in line with the range forecast in the 2018 business report of between EUR 164.7 million and EUR 173.4 million. The growth in revenue is attributable to the positive developments seen in the three segments of *Spirits*, *Fresh Juice Systems* and *Non-alcoholic Beverages*.

The changes outlined above in respect of the individual segment earnings and consolidated revenues had an impact on the development of the adjusted consolidated operating profit (consolidated EBIT) and the adjusted consolidated operating profit before depreciation and amortisation (consolidated EBITDA), which met expectations. With a consolidated EBIT of EUR 9.8 million and a consolidated EBITDA of EUR 18.4 million, the forecast for the 2019 financial year was met in both cases. The disproportionate increase in the consolidated EBITDA was mainly caused by the increased depreciation of right-of-use leased assets linked to the first-time application of IFRS 16.

Cash flows and financial position

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

Development of cash flows

	Forecast for the 2019 financial year in the 2018 Forecast Report EURm	Adjustments made during the 2019 financial year EURm	Actual business performance 2019 EURm	
Operating cash flow	14.1 to 16.4	Q2: 11.3 to 13.2	12.0	✓

Operating cash flow, which essentially excludes changes in working capital and therefore documents the effects of operating profitability on the change in liquidity, was forecast to lie in a range, adjusted in the second quarter, of between EUR 11.3 million and EUR 13.2 million. With an achieved value of EUR 12.0 million, the adjusted target was met. The overall decline in this indicator was primarily due to outgoing payments from other periods in connection with income tax.

Development of financial position

	Forecast for the 2019 financial year in the 2018 Forecast Report	Adjustments made during the 2019 financial year	Actual business performance 12/31/2019	
Equity ratio	34.2% to 39.2%		32.4%	×
Dynamic gearing ratio	0.19 to 0.24	Q2: - 0.50 to - 0.45	- 0.68	✓✓

At 32.4%, the equity ratio at December 31, 2019 was slightly below the previous-year level. This therefore fell short of the forecast range of between 34.2% and 39.2%. The prime factor in this development was the rise in total assets of EUR 6.7 million, or 4.6%, contrary to expectations.

The dynamic gearing ratio amounted to -0.68 as at December 31, 2019 and thus exceeded both the original forecast and the range adjusted in the second quarter of between -0.50 and -0.45. The negative figure means that cash and cash equivalents exceed non-current and current financial liabilities and that there is no net formal overindebtedness. It thus illustrates the strong ability of the Berentzen Group to service its debts going forward.

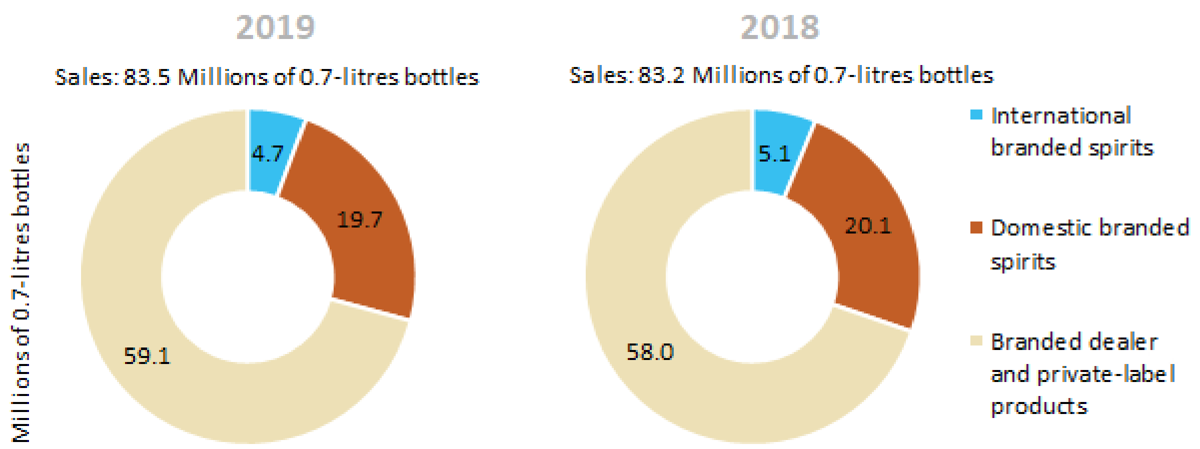
(2.2.3) Business performance – Material developments and events

Sales volumes

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

Spirits

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



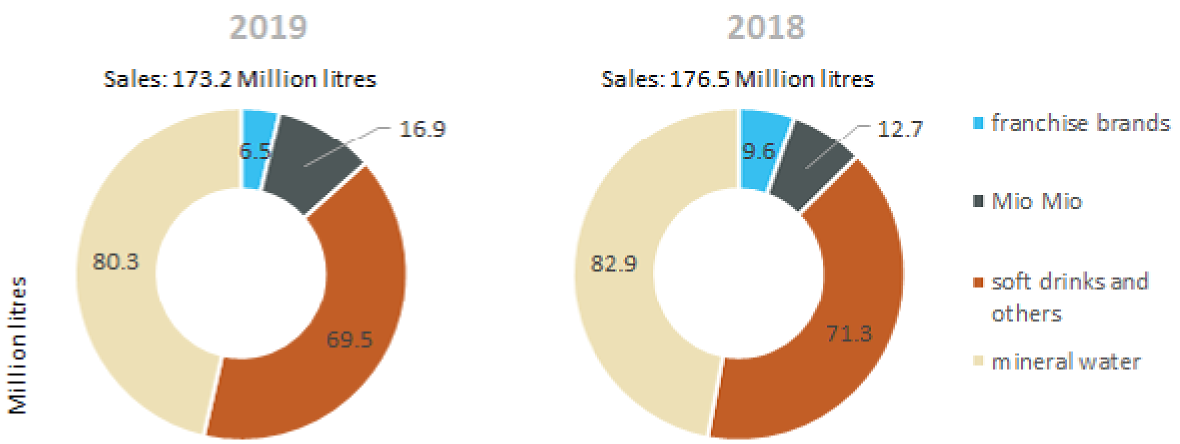
In the 2019 financial year, sales of spirits in the Berentzen Group increased by 0.4% to 83.5 million 0.7-litre bottles (83.2 million 0.7-litre bottles). The Berentzen Group recorded sales of 24.4 million 0.7-litre bottles (25.2 million 0.7-litre bottles) with branded spirits in Germany and abroad in the past year.

The sales volume for the domestic branded business was down by a total of 1.6% as at December 31, 2019. Sales volumes for the core brands *Berentzen* and *Puschkin* were 3.6% below the level of the previous-year period, but these two umbrella brands developed differently: While sales of the products sold under the umbrella brand *Berentzen* suffered a decline of 5.9% in the 2019 financial year, sales of spirits under the umbrella brand *Puschkin* remained virtually constant compared with the previous year. There was a 1.5% fall in sales in the business with other brands, particularly with traditional spirits.

The sales volume of the international branded spirits business decreased by 8.1% overall compared with the previous reporting period to 4.7 million 0.7-litre bottles (5.1 million 0.7-litre bottles). Buoyed by the core brands *Berentzen* and *Puschkin*, sales volumes in the Benelux countries rose by 3.0%. Drops in sales were recorded in other foreign markets and through the duty-free distribution channel, however – to differing extents. Given the improved product mix and optimised use of funds for advertising activities targeting direct customers – known as the customer sales budget – turnover in the business involving branded spirits both domestically and abroad was unchanged from the previous-year comparison period despite the drops in sales described above.

With a sales volume of 59.1 million 0.7-litre bottles, performance in the spirits business involving branded dealer and private-label products was up 1.9% on the previous-year level (58.0 million 0.7-litre bottles). The share of traditionally lower-priced standard products was reduced further in favour of higher-quality concepts for promotional and listed products. Sales rose sharply in the business involving premium and medium product concepts, with increases of 39.4% and 11.9%, respectively. In particular, the resulting positive product mix effect led – together with a lower customer sales budget – to an above-average growth in revenues in the business involving branded spirits and private-label products of 4.2% compared with the previous year.

Non-alcoholic Beverages



The sales volume of mineral water products and non-alcoholic beverages in the *Non-alcoholic Beverages* segment decreased by 1.9% to 173.2 million litres in the 2019 financial year (176.5 million litres). As a result of positive product mix developments, revenues in this segment still grew by 3.3% despite higher customer sales budgets.

After growth in the previous years that was already substantial, sales of beverages marketed under the proprietary brand *Mio Mio* grew once again by 33.3%. This again constituted the strongest absolute increase to date year on year. In particular, the two new varieties introduced in the 2019 financial year, *Lapacho Lemongrass* and *Guarana Pomegranate*, contributed to this increase in sales.

In the franchise business with branded beverages from the Sinalco corporate group, sales performance declined considerably compared with the previous year, due mainly to the change in the settlement of sales with the franchise partner, which does not impact the development of financial performance to the same extent.

Sales of mineral waters fell by a total of 3.1% compared with the previous year, with the performance of proprietary brands in particular showing considerable regional differences: While mineral water sales in Eastern Germany fell by 8.4% with the *Märkisch Kristall* brand, the North-West of the Germany recorded increases of 3.4% and 8.0% with mineral water brands *Emsland Quelle* and *St. Ansgari,* respectively. The contract bottling business for mineral waters declined by 2.3%.

Year-on-year sales levels in the business with lemonades and other non-alcoholic beverages slipped by 2.5%. Reductions were recorded both in proprietary brands and in the contract bottling business in this product category.

Fresh Juice Systems

				Change	
		2019	**2018**		**%**
Fruit Juicers	Items	2,265	2,209	+ 56	+ 2.5
Bottling systems	In thous. items	20,164	16,378	+ 3,786	+ 23.1
Fruit	In thous. kilos	7,702	7,239	+ 463	+ 6.4

In the *Fresh Juice Systems* segment, sales performance of all main system components was positive in the 2019 financial year. Sales of fruit juicers increased by 2.5%, primarily thanks to considerably higher sales volumes in the GSA region, Eastern Europe and the United Kingdom, while volumes declined in the sales markets in France, India and the USA. Sales of bottling systems grew significantly by 23.1% to 20,164 thousand units (16,378 thousand units) and the fruit trade (oranges) also recorded growth of 6.4% to 7,702 thousand kg (7,239 thousand kg). It is also important to note the positive effects from the procurement side in this regard.

With positive sales performances across the individual system components, revenues in the *Fresh Juice Systems* segment increased by 6.4%.

General statement on the sales volume performance

In consideration of the aforementioned business developments in the individual operating segments, especially the continued optimisation of the product and customer mix contributed to an increase in consolidated revenues.

Sourcing

For the production of spirits and non-alcoholic beverages, the raw materials and goods purchased by the Berentzen Group relate mainly to the material groups alcohol (including grain and rectified spirit, whiskeys and rum), aromatisation (inputs and aromas) and sugar as well as packaging (mainly glass and cardboard). In the *Fresh Juice Systems* segment, purchasing costs arise for the individual system components of fruit juicers, fruit (oranges) and bottling equipment.

A large part of the raw materials needed for the production of spirits and non-alcoholic beverages as well as the fruits (oranges) traded in the F*resh Juice Systems* segment are agrarian products, which means that their availability and pricing largely hinge on the given harvests. Regulatory measures (e.g. duties) can also have a considerable impact on prices and availability. Overall, the markets were more or less stable, despite a large number of below-average harvests owing to another year, after 2018, of large-scale drought, causing prices for items like grain alcohols, sugar and fruit juice concentrates to increase further and/or again. The glass market also ran short due to the trend to replace plastic (PET) with glass again, causing prices to increase here, too. The average purchase prices of bourbon whiskey rose significantly, albeit this is primarily due to import duties in place since the end of June 2018. The purchasing costs for the system component fruit (oranges) in the *Fresh Juice Systems* segment dropped in comparison to the previous year.

Legal disputes with a US distributor for Citrocasa GmbH

In October and November 2019, two proceedings were concluded between Berentzen Group companies and the US distributor for Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH). In connection with these legal disputes, the Berentzen Group incurred recorded expenses amounting to a total of EUR 1.1 million (EUR 0.8 million) as exceptional effects. The comments on the exceptional effects in section (2.2.4) Financial performance include further details regarding this.

Change of the financing structure

In November 2019, the total volume of funding of the syndicated loan agreement concluded with a bank syndicate in December 2016 increased from EUR 25.5 million to EUR 33.0 million. The loan maturity date continues to be December 21, 2022. Furthermore, the total volume of funding available on the basis of two factoring agreements increased from EUR 50.0 million to EUR 55.0 million in December 2019. These agreements have a term until March 31, 2021. The purpose of both measures is to facilitate investment in growth.

(2.2.4) Financial performance

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

Since the beginning of the 2019 financial year, the Berentzen Group has applied the financial reporting standard IFRS 16 (Leases). Comparative information for the 2018 financial year has not been adjusted pursuant to the modified retrospective approach. Further details are included in the notes to the consolidated financial statements (Note (1.3)).

	2019		2018		Change	
	EUR'000	%	EUR'000	%	EUR'000	%
Consolidated revenues	**167,400**	**100.0**	**162,167**	**99.1**	**+ 5,233**	**+ 3.2**
Change in inventories	14	0.0	1,412	0.9	- 1,398	- 99.0
Total operating performance	**167,414**	**100.0**	**163,579**	**100.0**	**+ 3,835**	**+ 2.3**
Purchased goods and services	92,717	55.4	91,903	56.2	+ 814	+ 0.9
Consolidated gross profit	**74,697**	**44.6**	**71,676**	**43.8**	**+ 3,021**	**+ 4.2**
Other operating income	4,124	2.5	4,712	2.9	- 588	- 12.5
Operating expenses	69,009	41.2	66,586	40.7	+ 2,423	+ 3.6
Consolidated operating profit (EBIT)	**9,812**	**5.9**	**9,802**	**6.0**	**+ 10**	**+ 0.1**
Exceptional effects	- 1,065	- 0.6	- 808	- 0.5	- 257	+ 31.8
Financial result and result from participating interests	- 1,546	- 0.9	- 1,565	- 1.0	+ 19	- 1.2
Consolidated profit before taxes	**7,201**	**4.3**	**7,429**	**4.5**	**- 228**	**- 3.1**
Income tax expenses	2,276	1.4	2,264	1.4	+ 12	+ 0.5
Consolidated profit	**4,925**	**2.9**	**5,165**	**3.2**	**- 240**	**- 4.6**

Consolidated revenues and total operating performance

The consolidated revenues of the Berentzen Group excluding alcohol tax amounted to EUR 167.4 million in the 2019 financial year (EUR 162.2 million), while consolidated revenues including alcohol tax totalled EUR 375.3 million (EUR 376.2 million). Including the changes in inventory of less than EUR 0.1 million (EUR 1.4 million), the total operating performance came to EUR 167.4 million (EUR 163.6 million).

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

	2019	2018
	EUR'000	EUR'000
Revenues excluding alcohol tax		
Spirits segment	86,700	84,193
Non-alcoholic Beverages segment	51,357	49,703
Fresh Juice Systems segment	19,966	18,760
Other segments	9,377	9,511
Consolidated revenues excluding alcohol tax [1)]	**167,400**	**162,167**
Alcohol tax	207,884	214,001
Consolidated revenues including alcohol tax	**375,284**	**376,168**

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

Purchased goods and services

Against the background of an increased total operating performance, purchased goods and services increased at a below-average rate to EUR 92.7 million (EUR 91.9 million). The ratio of purchased goods and services to total operating performance fell accordingly to 55.4% (56.2%). For further information, please refer to the comments on sourcing in section (2.2.3).

Other operating income

At EUR 4.1 million in total, other operating income in the 2019 financial year was slightly lower than that of the previous year (EUR 4.7 million). In addition to income from offsetting deposits and sales of empties of EUR 1.0 million (EUR 1.0 million), this item mostly includes reversals of liabilities and provisions of EUR 0.9 million (EUR 1.2 million) as well as cost refunds and other reimbursements of EUR 0.8 million (EUR 0.8 million) from business partners in connection with licence and sales agreements.

Operating expenses

As a result of the developments described below, consolidated operating expenses rose by 3.6% to EUR 69.0 million (EUR 66.6 million). Total operating performance only increased by 2.3% to EUR 167.4 million at the same time (EUR 163.6 million), leading to a slightly higher ratio of operating expenses to total operating performance of 41.2% (40.7%).

Personnel expenses climbed to EUR 25.6 million (EUR 24.6 million), and the personnel expenses ratio was marginally above the previous-year level at 15.3% (15.0%). This development is linked primarily to the creation of additional positions in the functional areas of sales and marketing, to additional expenses due to separation as well as to the use of own new employees in positions previously occupied by agency staff in the areas of production and logistics. Consequently, the Group's headcount as at December 31, 2019 increased slightly compared with the previous year. There were also more full-time employees on average during the 2019 financial year. The corporate group had 498 employees on December 31, 2019 (487), 208 (204) of whom worked in production activities and 261 (260) in commercial and administrative activities; 29 (32) apprentices were in vocational training. The Berentzen Group had an average of 413 full-time employees in the past financial year (412).

With investment volume having increased to a total of EUR 7.2 million compared with the previous year (EUR 6.8 million), depreciation and amortisation of assets increased to a total of EUR 8.5 million in the 2019 financial year (EUR 7.5 million). This is attributable on the one hand to the sharp increase in the share of investment in assets with useful lives of no more than five years, especially empty bottle containers and crates, in the past three financial years, and on the other to the first-time application of the new IFRS 16 financial reporting standard, as a result of which depreciation of right-of-use assets of EUR 0.7 million was incurred for the first time. The amortisation charged on intangible assets allocated in connection with the acquisition of Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH) and therefore assigned to the *Fresh Juice Systems* segment amounted to EUR 0.9 million (EUR 0.9 million).

Other operating expenses nudged up to EUR 34.9 million (EUR 34.5 million). There was a EUR 0.2 million increase in the marketing and trade advertising expenses to EUR 5.2 million (EUR 5.0 million). The positive sales performance observed again for products marketed under the *Mio Mio* brand led to higher shipping and logistics costs in the *Non-alcoholic Beverages* segment, resulting in higher transport

and selling expenses of EUR 17.4 million in total (EUR 16.8 million). Maintenance expenses totalling EUR 3.3 million (EUR 2.8 million) were higherthan the previous-year figure. Miscellaneous other operating expenses fell to EUR 9.0 million overall (EUR 9.8 million), mainly due to a reduction in lease expenses amounting to EUR 0.8 million in connection with the first-time application of IFRS 16.

Exceptional effects

The US distributor acting on behalf of the subsidiary Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH), Linz, Austria, asserted claims as part of pending arbitration proceedings instigated by the distributor at the beginning of August 2018; the claims include but are not limited to damages in connection with alleged breaches of the distribution contract between the parties. The same distributor asserted a claim for damages against Berentzen-Gruppe Aktiengesellschaft in February 2019 in connection with alleged business-damaging and anti-competitive behaviour as part of a lawsuit brought under the jurisdiction of civilian courts in the USA. The proceedings ended in October and November 2019. In connection with these legal disputes, the Berentzen Group incurred recorded expenses amounting to a total of EUR 1.1 million (EUR 0.8 million) as exceptional effects.

Financial result and result from participating interests

The financial result and result from participating interests remained roughly at the same level as in the previous year. It resulted in net expenses of EUR 1.5 million (EUR 1.6 million). In the 2019 financial year, most interest expenses related to the debt instruments with variable interest components of EUR 1.5 million used by the Berentzen Group (EUR 1.5 million). As presented, the financial expenses barely changed, while financial income reached only EUR 0.1 million (EUR 0.1 million) due to continued low market interest rates.

Income tax expenses

The income tax expenses of EUR 2.3 million (EUR 2.3 million) included EUR 2.2 million (EUR 2.5 million) for German trade tax and corporate income tax together with comparable foreign income taxes in the 2019 financial year as well as EUR 0.1 million for out-of-period income taxes. In the 2018 financial year, trade tax and corporate income tax refunds for previous years were incurred in the amount of EUR 0.2 million. The measurement of deferred taxes in accordance with IAS 12 gave rise to income of less than EUR 0.1 million, as in the previous year.

Consolidated profit

At EUR 9.8 million, the adjusted consolidated operating result or EBIT recorded in the 2019 financial year remained stable compared with the previous year (EUR 9.8 million). This can be attributed mainly to the improvement in consolidated gross profit by EUR 3.0 million to EUR 74.7 million (EUR 71.7 million), accompanied by a EUR 2.4 million jump in operating expenses and a EUR 0.6 million reduction in other operating income. While the financial result and result from participating interests as well as the tax expenses remained largely stable compared with the previous year, exceptional effects impacting earnings increased by EUR 0.3 million. Accordingly, the consolidated profit amounted to EUR 4.9 million (EUR 5.2 million), slightly below the previous-year level.

Income-related financial performance indicators (reconciliation)

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

	2019					
	Revenues EUR'000	Inter-segment revenues EUR'000	Purchased goods and services EUR'000	Other direct costs EUR'000	Marketing including advertising EUR'000	Contri-bution margin after marketing budgets EUR'000
Contribution margin after marketing budgets						
Segment						
Spirits	86,700	281	51,365	4,625	3,173	27,818
Non-alcoholic Beverages	51,357	31	21,261	5,057	1,564	23,506
Fresh Juice Systems	19,966	31	11,505	1,305	328	6,859
Other segments	9,377	45	3,866	192	147	5,217
Total	**167,400**	**388**	**87,997**	**11,179**	**5,212**	**63,400**

	2018					
	Revenues EUR'000	Inter-segment revenues EUR'000	Purchased goods and services EUR'000	Other direct costs EUR'000	Marketing including advertising EUR'000	Contri-bution margin after marketing budgets EUR'000
Contribution margin after marketing budgets						
Segment						
Spirits	84,193	289	49,667	4,569	2,768	27,478
Non-alcoholic Beverages	49,703	34	21,905	4,694	1,744	21,394
Fresh Juice Systems	18,760	11	11,058	1,317	283	6,113
Other segments	9,511	19	4,103	246	182	4,999
Total	**162,167**	**353**	**86,733**	**10,826**	**4,977**	**59,984**

	2019 EUR'000	2018 EUR'000
Consolidated revenues	**167,400**	**162,167**
Consolidated EBIT / consolidated EBITDA		
Consolidated profit	4,925	5,165
Income tax expenses	2,276	2,264
Financial result and income from participating interests	- 1,546	- 1,565
Exceptional effects	- 1,065	- 808
Consolidated EBIT	**9,812**	**9,802**
Depreciation and amortisation	8,549	7,526
Consolidated EBITDA	**18,361**	**17,328**

(2.2.5) *Cash flows*

Financing structure

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

Based on consolidated comprehensive income of EUR 4.4 million (EUR 4.9 million), shareholders' equity climbed to EUR 49.2 million (EUR 47.4 million), including the dividend payment of EUR 2.6 million (EUR 2.1 million) passed by resolution of the annual general meeting in May 2019. As a result of considerably higher total assets than in the previous year, the consolidated equity ratio decreased slightly from 32.7% as at the end of the 2018 financial year to 32.4% as at December 31, 2019.

Non-current debt capital increased to EUR 19.5 million (EUR 19.0 million) and included financial liabilities of EUR 7.9 million as at December 31, 2019 (EUR 7.1 million). Non-current liabilities accounted for 19.0 % (19.5%) of consolidated total liabilities. In addition, the corporate group has various sources of financing with short-term loans, which amounted to EUR 82.9 million as at the end of the reporting period (EUR 78.5 million) or 54.7% (54.2%) of consolidated total assets.

The following table shows the overall financing of the Berentzen Group as at the end of the 2019 financial year:

		Financing line 12/31/2019			Financing line 12/31/2018		
		Long-term EURm	Short-term EURm	Total EURm	Long-term EURm	Short-term EURm	Total EURm
Syndicated loan agreement	Line, limited	7.5	25.5	33.0	7.5	18.0	25.5
Annuity loan [2]		0.1	0.1	0.2	0.0	0.0	0.0
Factoring	Line, limited	0.0	55.0	55.0	0.0	50.0	50.0
Central settlement through factoring	Line, unlimited [1]	0.0	9.2	9.2	0.0	9.2	9.2
Working capital loans	Line, limited [2]	0.0	0.9	0.9	0.0	1.1	1.1
Surety bond for alcohol tax liabilities	Line, limited	0.0	0.8	0.8	0.0	0.8	0.8
Total financing		**7.6**	**91.5**	**99.1**	**7.5**	**79.1**	**86.6**

[1] Average financing volume in the financial year.

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

The syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 with a current total financing volume of EUR 33.0 million basically comprises three facilities: two facilities for the purpose of corporate financing, including one repayable-at-maturity facility in the amount of EUR 7.5 million and one facility in the amount of EUR 25.5 million that can be utilised as a working capital or guarantee line of credit under what is referred to as the branch facility agreements concluded bilaterally with the bank syndicate members. With regard to the latter facility, the volume of funding on November 26, 2019 of EUR 18.0 million increased by EUR 7.5 million to EUR 25.5 million. The parties also agreed on the option of increasing the financing volume through the addition of another repayable-at-maturity facility in the amount of EUR 10.0 million for the financing of acquisitions. The initial term is five years, with an option to extend the term by another year. The Berentzen Group made use of this option in February 2018; the maturity date is therefore now December 21, 2022. Drawdowns bear interest at variable rates based on the EURIBOR reference rate plus an interest margin that is fixed. The syndicated loan agreement is not secured. Three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the syndicated loan agreement as guarantors as part of a cross-guarantee system taking the form of a guarantor concept based on the minimum fulfilment of certain group inventory levels and flow variables stipulated in the agreement, which Berentzen-Gruppe Aktiengesellschaft as the borrower and the guarantors are obliged to maintain. The borrower is obliged to regularly fulfil two contractually defined covenants, the dynamic gearing ratio and the equity ratio, which are to be measured on the basis of its consolidated financial statements. The syndicated loan agreement, which is essentially based on the international contract standard of the British Loan Market Association ("LMA standard"), also stipulates the customary obligations, conditions, assurances and warranties, particularly including debt limits, limitations on the sale of assets, and a change-of-control clause. If the covenants, other obligations, conditions, assurances and warranties are breached, and if a change of control occurs, the lenders are fundamentally entitled to terminate the syndicated loan agreement prematurely and to declare the borrowed funds, outstanding interest, and costs due and payable immediately.

The drawdown of factoring lines represents a further focal point of external funding. The ensuing total volume of funding available to the Berentzen Group on the basis of two factoring agreements running until March 31, 2021 increased by EUR 5.0 million in December 2019 to EUR 55.0 million (EUR 50.0 million). Added to this is a formally unlimited factoring line under three further, open-ended central settlement and factoring agreements. In the 2019 financial year, this gave rise to an average gross funding volume of EUR 9.2 million (EUR 9.2 million). The factoring agreements are free of covenants on the whole.

The total volume of financing from credit agreements with providers of working capital to the Berentzen Group outside of the syndicated loan agreement amounts to EUR 0.9 million (EUR 1.1 million). These credit lines are available to two foreign group companies and each have an open-ended term. Collateral must be provided for this by a foreign Group company in the translated amount of EUR 0.7 million (EUR 0.9 million), fundamentally in the form of cash received before the due date or other securities. Furthermore, surety bonds for alcohol tax in the amount of EUR 0.8 million in total (EUR 0.8 million) provided by two of the surety bond insurers are included in the overall financing of the corporate group. Both the working capital credit agreements and one of the surety bond agreements contain change-of-control clauses that allow the financing agreements concerned to be terminated prematurely in the event of a change of control. The latter also includes covenants that give the insurer a special right of termination if they are breached. Furthermore, the Turkish subsidiary took out an annuity loan in May 2019 in the translated amount of EUR 0.3 million. The loan maturity date is April 9, 2021, with the outstanding debt at the end of the 2019 financial year amounting to the translated amount of EUR 0.2 million.

Including the factoring agreements with a central settlement agency that have no formal limit on their amount, the gross financing volume from factoring and working capital lines not granted in connection with the syndicated loan agreement totalled EUR 65.1 million as at December 31, 2019 (EUR 60.3 million). These short-term outside and credit-financing lines essentially feature interest agreements based on the EURIBOR and EONIA reference rates, to which a fixed interest margin is added, or otherwise variable rates based on local market levels or fixed rates.

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

The ongoing repayment of financing instruments was carried out as planned in the 2019 financial year. All in all, this means that the Berentzen Group has sufficient credit agreements, mainly with a fixed maturity until 2021 or 2022, both for its volatile short- to medium-term and its long-term financing requirements for purposes of general corporate financing. Consequently, the corporate group's anticipated requirement for external financing and payment sureties can be covered using the various forms of debt described above.

As in the previous years, the financing of the vehicle fleet, a few other items of plant and office equipment and individual offices and business premises was ensured by leases. Since January 1, 2019, these leases have been recognised pursuant to IFRS 16, leading to lease liabilities in the amount of EUR 1.4 million as at December 31, 2019. In the 2018 financial year, leases were recognised in accordance with IAS 17. Under this financial reporting standard, leases were to be classified as operating leases, which meant they were not to be recognised by the lessee. The obligations from operating leases amounted to EUR 2.4 million as at December 31, 2018.

The Berentzen Group also acts as a lessor in lease agreements classified as finance leases. These agreements essentially relate to the leasing business involving fruit presses in the *Fresh Juice Systems* segment. For finance leases, receivables amounting to EUR 0.7 million (EUR 0.9 million) were recognised as at the end of the reporting period.

Consolidated Cash Flow Statement for the period from January 1 to December 31, 2019

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

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

	2019 EUR'000	2018 EUR'000	Change EUR'000
Operating cash flow	12,029	14,640[1)]	- 2,611
Cash flow from operating activities	16,611	5,592	+ 11,019
Cash flow from investing activities	- 6,890	- 6,500	- 390
Cash flow from financing activities	- 3,170	- 2,067	- 1,103
Change in cash and cash equivalents	**6,551**	**- 2,975**	**+ 9,526**
Cash and cash equivalents at the end of the period	**22,010**	**15,459**	**+ 6,551**

1) Previous-year value was adjusted owing to a change in the definition of the indicator.

Operating cash flow and cash flow from operating activities

Operating cash flow decreased by EUR 2.6 million to EUR 12.0 million (EUR 14.6 million) in the 2019 financial year.

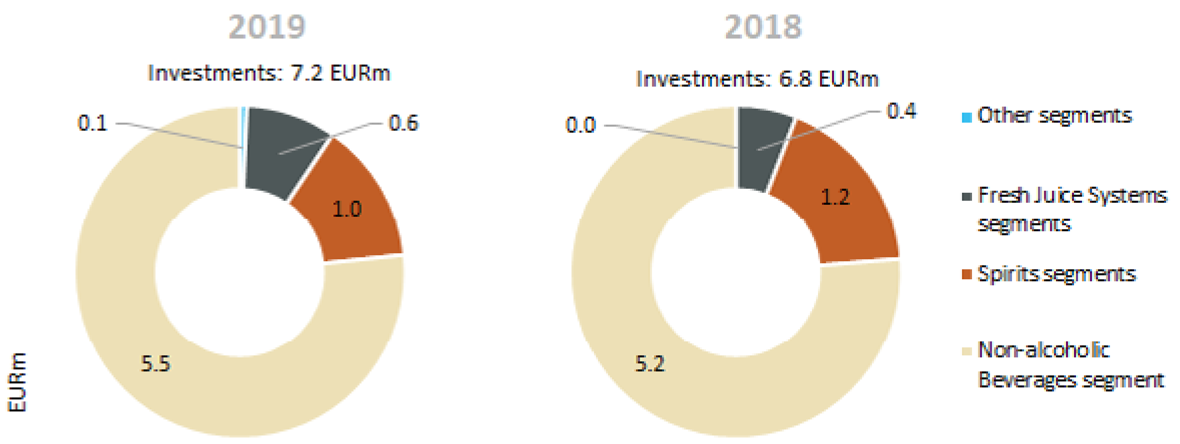
While earned depreciation and amortisation totalling EUR 8.5 million (EUR 7.5million) in the consolidated profit considerably exceeded the previous-year level, reductions compared with the previous year of EUR 2.2 million and EUR 1.2 million in payment balances in connection with income tax and exceptional effects, respectively, played a key role in this development.

The cash flow from operating activities of EUR 16.6 million (EUR 5.6 million) also encompasses changes in working capital, which led to a cash inflow of EUR 5.4 million in the 2019 financial year. In the previous year, there was still a cash outflow of EUR 8.6 million in this context. The material factors influencing this development are presented below:

The change in what is referred to as trade working capital – i.e. the portion of working capital comprising the cash movements exclusively in inventories, receivables including factoring, alcohol tax liabilities and trade payables – gave rise to a net cash inflow of EUR 3.2 million, compared with a cash outflow of EUR 7.1 million in the previous year. In addition, a cash outflow stemmed from the increase in other assets of EUR 0.5 million (EUR 0.9 million). The debt financing from provisions decreased by EUR 0.6 million (EUR 0.4 million), while the change in other liabilities brought about a cash inflow of EUR 2.8 million (EUR 0.5 million).

Cash flow from investment activities

The investing activities of the corporate group led to a net cash outflow of EUR 6.9 million (EUR 6.5 million). Investments in property, plant and equipment and intangible assets totalled EUR 7.2 million (EUR 6.8 million), accompanied by cash flows from the disposal of assets amounting to EUR 0.3 million (EUR 0.3 million).



The higher cash outflow from investments in property, plant and equipment and intangible assets year on year was caused mainly by developments in the *Non-alcoholic Beverages* segment. Owing to the present and future sales success of products bottled and delivered in reusable containers – in particular from the *Mio Mio* brand – extensive investments were made in containers and crates for empties amounting to EUR 2.9 million (EUR 2.6 million). No individual investments with material acquisition costs were incurred in the *Spirits* or *Fresh Juice Systems* segments in the 2019 financial year.

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 3.2 million (EUR 2.1 million), which essentially resulted from the dividend payment of EUR 2.6 million (EUR 2.1 million). In the 2019 financial year, cash inflows from loans taken out by a foreign Group company amounting to EUR 0.3 million were accompanied by cash outflows for loan repayments amounting to EUR 0.1 million. Furthermore, cash flow from financing activities was affected by lease liability repayments amounting to EUR 0.7 million (previous year: EUR 0.0 million).

Cash and cash equivalents

All in all, cash and cash equivalents totalled EUR 22.0 million (EUR 15.5 million) as at the end of the financial year, of which EUR 18.1 million (EUR 13.4 million) were receivables from the customer settlement accounts held with banks that are used for settlement under two factoring agreements. As at the end of the 2019 reporting period, drawdowns of short-term credit lines and financing instruments classified as such were utilised in the amount of EUR 0.7 million (previous year: EUR 0.3 million).

Cash flow indicators (reconciliation)

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

	2019 EUR'000	2018 EUR'000	Change EUR'000
Consolidated profit	4,925	5,165	- 240
Income taxes	- 1,167	1,040	- 2,207
Balance of net interest income/expenses and interest payments/ receipts	217	259	- 42
Depreciation and amortisation of assets	8,549	7,526	+ 1,023
Other non-cash components of the exceptional effects	- 495	650	- 1,145
Operating cash flow	**12,029**	**14,640[1)]**	**- 2,611**

[1)] Previous-year value was adjusted owing to a change in the definition of the indicator.

(2.2.6) Financial position

	12/31/2019		12/31/2018		Change
	EUR'000	%	EUR'000	%	EUR'000
Assets					
Non-current assets	59,720	39.4	59,442	41.0	+ 278
Current assets	91,910	60.6	85,537	59.0	+ 6,373
	151,630	**100.0**	**144,979**	**100.0**	**+ 6,651**
Shareholders' equity and liabilities					
Shareholders' equity	49,200	32.4	47,409	32.7	+ 1,791
Non-current liabilities	19,489	12.9	19,047	13.1	+ 442
Current liabilities	82,941	54.7	78,523	54.2	+ 4,418
	151,630	**100.0**	**144,979**	**100.0**	**+ 6,651**

Assets

Compared with December 31, 2018, total assets increased by 4.6% from EUR 145.0 million to EUR 151.6 million.

Non-current assets

EUR 59.7 million (EUR 59.4 million) of the assets of the corporate group are non-current assets. This corresponds to 39.4% of total assets (41.0%). The tangible fixed assets included in this figure decreased by EUR 0.4 million owing to amortisation amounting to EUR 6.5 million (EUR 6.2 million) and an investment volume amounting to EUR 6.2 million (EUR 6.0 million). Intangible assets fell by EUR 0.5 million (EUR 0.6 million). This was primarily attributable to amortisation of EUR 0.9 million (EUR 0.9 million) on assets allocated in connection with the acquisition of Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH).

At EUR 2.7 million (EUR 1.6 million), other non-current assets were considerably higher than the previous-year figure, due in particular to the first-time application of IFRS 16 and, in this connection, to the capitalisation of right-of-use assets.

The coverage of non-current assets by shareholders' equity and non-current debt capital rose to 115.0% (111.8%), due in the main to the EUR 1.8 million increase in equity.

Current assets

Current assets increased to EUR 91.9 million (EUR 85.5 million). This development stemmed chiefly from the EUR 6.9 million rise in cash and cash equivalents. Inventories also increased by EUR 0.6 million, while current trade receivables were down by EUR 1.6 million.

The aforementioned increase in inventories to EUR 40.6 million (EUR 39.9 million) includes increased stocks of processed whiskey and – in line with the ready-to-drink trend – pre-mix drinks.

Gross receivables of roughly EUR 65.2 million had been sold within the scope of factoring agreements as at December 31, 2019 (EUR 55.7 million). The amount of receivables still recognised decreased by EUR 1.6 million compared with December 31, 2018, with the security retainers from factoring transactions included in other current assets climbing slightly to EUR 10.6 million (EUR 10.4 million).

Shareholders' equity and liabilities

Shareholders' equity

Shareholders' equity rose by EUR 1.8 million to EUR 49.2 million (EUR 47.4 million) as a result of the consolidated comprehensive income of EUR 4.4 million (EUR 4.9 million) on the one hand and the dividend payment of EUR 2.6 million (EUR 2.1 million) passed by resolution of the annual general meeting in May 2019 on the other. The equity ratio had fallen slightly to 32.4% (32.7%) as at December 31, 2019.

Non-current liabilities

The corporate group had non-current debt capital totalling EUR 19.5 million as at the end of the financial year (EUR 19.0 million). The reason for this slight increase is the rise in non-current financial liabilities to EUR 7.9 million (EUR 7.1 million), in particular arising from the first-time application of IFRS 16 and the associated recognition of lease liabilities. Provisions for pension obligations, on the other hand, decreased slightly to EUR 9.3 million (EUR 9.5 million).

Current liabilities

Current debt capital increased to EUR 82.9 million (EUR 78.5 million). There was a year-on-year increase in current financial liabilities totalling EUR 2.3 million (EUR 1.1 million), liabilities from alcohol tax amounting to EUR 43.6 million (EUR 42.3 million) as well as trade payables of EUR 10.2 million (EUR 9.4 million) and other current liabilities including current provisions totalling EUR 26.8 million (EUR 25.8 million).

The appropriate use of funding linked to interest rates in relation to internal financing strength for operations is reflected in the stability of the dynamic gearing ratio with a value of -0.68 (-0.44) (see the calculation in the following table).

Financial position indicators (reconciliation)

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

		12/31/2019	12/31/2018
Equity ratio			
Consolidated shareholders' equity	EUR'000	49,200	47,409
Adjusted shareholders' equity	**EUR'000**	**49,200**	**47,409**
Total capital	EUR'000	151,630	144,979
Adjusted total capital	**EUR'000**	**151,630**	**144,979**
Equity ratio		**32.4%**	**32.7%**
Dynamic gearing ratio			
Non-current financial liabilities	EUR'000	7,858	7,134
Current financial liabilities	EUR'000	2,340	1,086
Cash and cash equivalents	EUR'000	22,698	15,793
Total Net Debt	**EUR'000**	**- 12,500**	**- 7,573**
EBITDA	**EUR'000**	**18,361**	**17,328**
Dynamic gearing ratio	**ratio**	**- 0.68**	**- 0.44**

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

The Berentzen Group can look back at a 2019 financial year characterised by growth in revenues and gross profit. This was primarily thanks to major investments in personnel and technology, the further development of processes and structures in the Group and, lastly, the introduction of new product concepts. In the content of continued dynamic developments in the volume of business, a positive financial performance, solid capital resources and further increased debt financing strength, the Group's economic position can be considered good.

The Berentzen Group closed the 2019 financial year with consolidated revenues amounting to EUR 167.4 million (EUR 162.2 million), an adjusted consolidated operating result (consolidated EBIT) of EUR 9.8 million (EUR 9.8 million) and an adjusted consolidated operating profit before depreciation and amortisation (consolidated EBITDA) of EUR 18.4 million (EUR 17.3 million). This positive development matched the expectations for the 2019 financial year outlined in the 2018 Management Report. Against the background of a more or less stable burden from the financial result and result from participating interests, as well as income tax, increased expenses from exceptional effects led to a consolidated profit of EUR 4.9 million (EUR 5.2 million).

Underlying this development in earnings are increases in the contribution margin in all segments, albeit business performance was uneven across the individual segments. Segment earnings were up slightly in the *Spirits* segment from the previous year compared with forecast, thanks in particular to a positive development of contribution margins in the business with branded dealer and private-label products. The same did not apply to the *Fresh Juice Systems* segment, which did not fully meet expectations despite recording a considerable increase compared with the previous year. The fruit trade (oranges) played a key role in increasing this contribution margin: On the basis of a drop in purchasing costs, expectations in this regard were exceeded. The business with bottling systems performed better than originally expected, while the business with fruit juicers failed to meet the associated planned forecasts owing to a drop in sales in the French and US markets that was greater than expected. The *Non-alcoholic Beverages* segment noted an improvement in segment earnings to the upper end of the forecast range, on the basis of an optimised product mix. The main driver for this was the continued positive development in the business involving *Mio Mio* brand products. Segment earnings in *Other segments* were up from the previous year, but still fell short of expectations. While the business with branded spirits in the Benelux countries and in the USA developed satisfactorily, segment earnings were burdened by disadvantageous developments in the other markets and through the duty-free distribution channel.

The cash flows and financial position of the Berentzen Group remained sturdy. The basis for this is the financing structure, which structurally did not change materially compared with the end of the 2018 financial year, together with an increased financing volume. Accordingly, the funds available under the syndicated loan agreement as well as various factoring agreements continue to form the backbone of the external financing for the Berentzen Group. Two measures taken in November and December of the 2019 financial year – namely increasing the financing volume from the syndicated loan agreement by EUR 7.5 million and increasing the financing volume available from two factoring agreements by EUR 5.0 million – have led to a level of external financing on the basis of which potential growth prospects can be adequately presented in the short term. The internal financing strength of the Berentzen Group, which is shown as operating cash flow, amounted to roughly EUR 12.0 million in the 2019 financial year (EUR 14.6 million) and was therefore sufficient to cover the payments in connection with the investing activities of EUR 6.9 million (EUR 6.5 million). The corporate group thus continues to operate on a basis of good and balanced liquidity, equity and external financing. Taking into account an increase of EUR 6.7 million in consolidated total assets to EUR 151.6

million, the equity ratio of the Berentzen Group at 32.4% (32.7%) was slightly below the previous-year figure as at the end of the 2019 financial year. The dynamic gearing ratio of -0.68 as at December 31, 2019 (-0.44) reflects the appropriate use of funding linked to interest rates in relation to internal financing strength for operations.

(3) Compensation report

The following Compensation Report forms part of the combined Management Report. It explains the compensation paid to the Executive Board in the 2019 financial year. It furthermore presents the structure and aggregate amounts granted to the members of the Executive Board for the 2019 financial year. Furthermore, the present Compensation Report contains disclosures regarding the structure and amount of compensation paid to the members of the Supervisory Board in the 2019 financial year.

(3.1) Compensation of the Executive Board

System and principles for setting compensation

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

Mr. Ralf Brühöfner and Mr. Oliver Schwegmann were members of the Berentzen-Gruppe Aktiengesellschaft's Executive Board over the period from January 1, 2019 until December 31, 2019. The Supervisory Board has concluded employment contracts containing individual agreements on the respective compensation with both members of the Executive Board.

Components of the compensation system for the Executive Board

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

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

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

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

In order to ensure that the Executive Board compensation is oriented towards sustainable company development, more than half of the amount of the variable Executive Board compensation determined in this way is not disbursed until two years later. Furthermore, such compensation is reduced or may lapse completely if the consolidated EBIT generated in the following two financial years does not meet previously set qualitative objectives for its development.

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

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

Total compensation of the Executive Board in the 2019 financial year

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

Type of compensation	2019 EUR'000	2018 EUR'000
Non-performance-based components	729	719
Performance-based components	262	218
Total compensation	**991**	**937**
Committed performance-based components with a long-term incentive effect	**227**	**129**

Total compensation of EUR 1.0 million (EUR 0.9 million) was granted to the members of the Executive Board in the 2019 financial year, allocated in differing amounts to the members of the Executive Board. The non-performance-based, fixed compensation accounted for EUR 0.7 million (EUR 0.7 million) of total Executive Board compensation, while the performance-based, variable portion accounted for EUR 0.3 million (EUR 0.2 million) of the total. The total amount of the commitments made additionally to the members of the Executive Board for the variable compensation components with a multi-year assessment base as described above amounts to EUR 0.2 million (EUR 0.1 million).

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

At the present time, Berentzen-Gruppe Aktiengesellschaft refrains from disclosing the compensation of the Executive Board on an individualised basis, meaning separately for each member of the Executive Board, as the annual general meeting of the Company on May 12, 2016 voted to adopt a resolution to the effect that, in accordance with Section 314 (3) sentence 1 HGB in conjunction with Section 286 (5) sentence 1 HGB (in the version in effect until December 31, 2019), the information required by Section 314 (1) No. 6 letter a) sentences 5–8 HGB and Section 285 No. 9 letter a) sentences 5–8 HGB and will not be disclosed.

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Executive Board subscription rights or any other share-based compensation in the 2019 financial year, nor do they hold any such compensation instruments. Furthermore, the members of the Executive Board were not granted any compensation in the 2019 financial year for positions held with subsidiaries. Furthermore, the total compensation of the Executive Board in the 2019 financial year does not include any benefits payable to former members of the Executive Board in connection with the cessation of their activity.

Other disclosures

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Executive Board any loans or advances during the 2019 financial year and no contingent liabilities were assumed in their favour.

No compensation was paid to former members of the Executive Board or their surviving dependants in the 2019 financial year. Pension payments totalling EUR 0.1 million (EUR 0.1 million) were made to former directors of Group companies for which Berentzen-Gruppe Aktiengesellschaft is the legal successor. The present value of the pension obligations for this group of people at December 31, 2019 amounts to EUR 0.7 million (EUR 0.8 million) when determined in accordance with IAS 19 or EUR 0.7 million (EUR 0.7 million) when determined in accordance with Section 253 HGB.

(3.2) Compensation of the Supervisory Board

System and principles for setting compensation

The compensation paid to the members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft is determined by the annual general meeting as documented in the Articles of Association of Berentzen-Gruppe Aktiengesellschaft. According to Article 14 of the currently valid Articles of Association, the members of the Supervisory Board each receive fixed compensation totalling EUR 17,000.00 for each full financial year, in addition to the reimbursement of their expenses. The Chairman of the Supervisory Board receives twice and the Vice Chairman one and a half times the amount of this fixed compensation. Members of one of the committees set up by the Supervisory Board each additionally receive one quarter compensation and the Chairmen of the committees each receive half of the fixed annual compensation for these activities for each full financial year. No performance-based compensation component is granted.

Total compensation of the Supervisory Board in financial year 2019

The total compensation granted to the members of the Supervisory Board for the 2019 financial year within the meaning of Section 314 (1) No. 6 letter a) sentences 1–4 HGB and Section 285 No. 9 letter a) sentences 1–4 HGB amounted to EUR 0.2 million (EUR 0.2 million); in addition, their expenses were reimbursed in a total amount of EUR 8 thousand (EUR 9 thousand). Moreover, the members of the Supervisory Board were included in a Directors & Officers liability insurance policy (D&O policy); in consultation with the Supervisory Board, no deductible was agreed with regard to this policy.

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Supervisory Board subscription rights or other share-based compensation in the 2019 financial year, neither do they hold any such compensation instruments. Furthermore, the members of the Supervisory Board were not granted any compensation in the 2019 financial year for positions held with subsidiaries. Finally, the total compensation of the Supervisory Board in the 2019 financial year does not include any benefits payable to former members of the Supervisory Board in connection with the cessation of their activity.

With the exception of the work performed by the employee representatives under the terms of their employment contracts, moreover, no compensation or benefits were paid or granted to the members of the Supervisory Board for work performed personally, such as consulting and brokerage services.

Other disclosures

Neither Berentzen-Gruppe Aktiengesellschaft nor any subsidiary granted the members of the Supervisory Board any loans or advances during the 2019 financial year and no contingent liabilities were assumed in their favour.

No compensation was paid to former members of the Supervisory Board or their surviving dependants in the 2019 financial year.

(4) Report on risks and opportunities

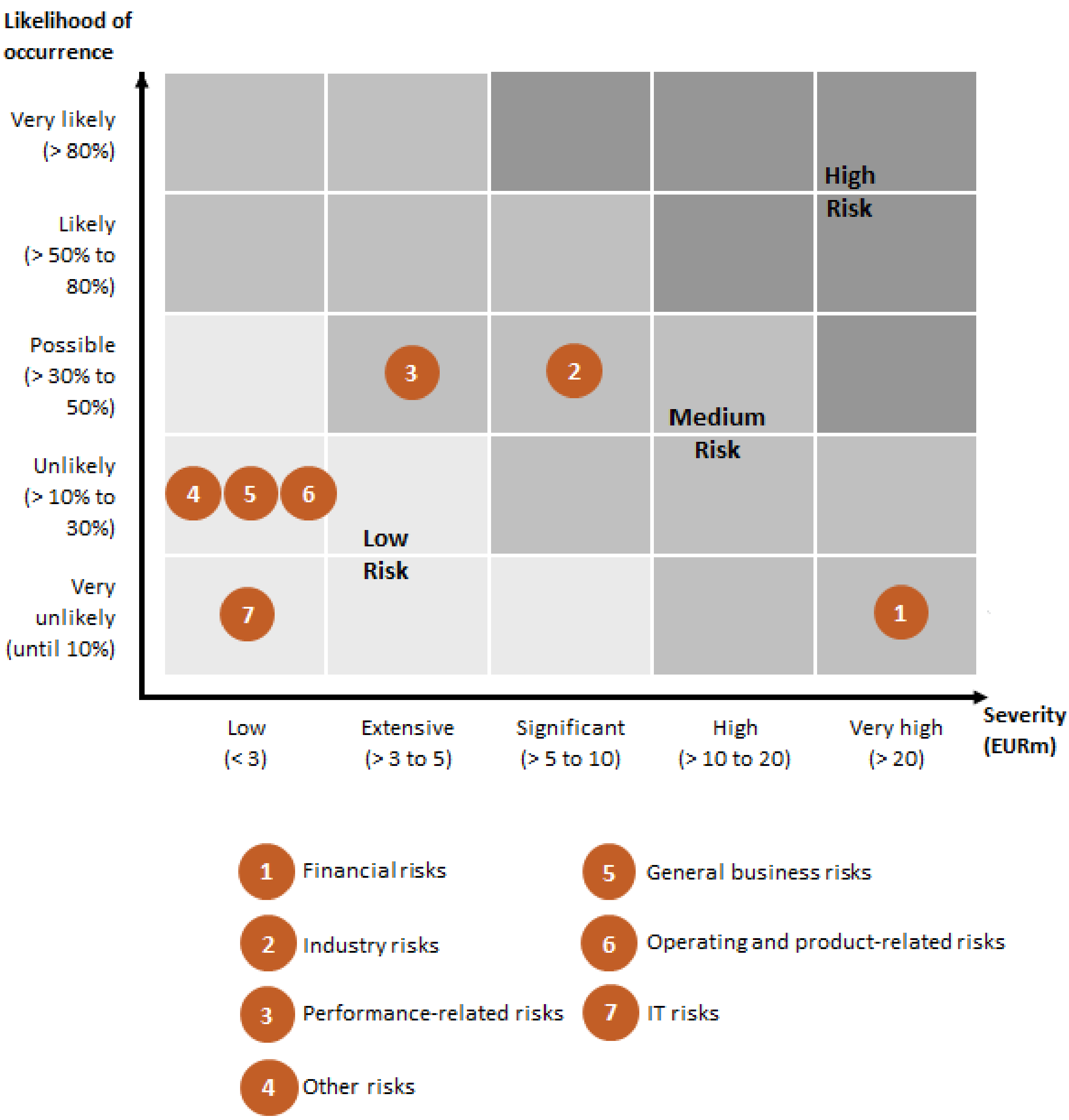
On the one hand, the Group's business activities open up numerous opportunities, while on the other hand, the corporate group is exposed to numerous risks. Risks are understood to be internal or external events based on uncertainty regarding future developments that prevent the Company from achieving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

(4.1) Risk management system

The Berentzen Group's risk management is geared towards promptly identifying risks, assessing them and countering them by means of appropriate security measures. The possible scope of risk is identified, probabilities of occurrence are determined and measures are planned and implemented in order to ensure the achievement of corporate objectives. Thanks to group-wide reporting, the Executive Board can identify and control risks to the Company as a going concern as well as risks that can materially impact the financial position, cash flows and financial performance. The risk management system thus meets the requirements set forth under Section 91(2) of the German Stock Corporation Act (AktG) and the pertinent regulations of the German Corporate Governance Code.

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

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



(4.2) Risks

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

Financial risks

Qualitative disclosures regarding risks related to financial instruments

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

The Central Financial Management Department manages the Berentzen Group's financial risk. It monitors liquidity risk, credit risk and market risk. The strategies and methods employed to manage the individual financial risks are presented below.

Liquidity risk

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

In this context it follows that, among other things, the syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 contains an obligation to comply with the covenants of "dynamic debt ratio" and "equity ratio", specified in the agreement, calculated on the basis of the consolidated financial statements. Furthermore, the agreement contains the customary obligations, conditions, assurances and warranties that include, in particular, limits on leverage, limits relating to the sale of assets and a change-of-control clause. In the event of failure to comply with the covenants, other obligations, assurances and warranties or the occurrence of a change of control, the lenders under the syndicated loan agreement will be entitled to prematurely terminate the syndicated loan agreement and demand immediate repayment of the funds utilised and any outstanding interest and costs. The covenants must be met at the end of every month.

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

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

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

Credit risk/Risk of default

Credit risk or risk of default is defined as the risk of a financial loss that arises if a contracting party fails to meet its payment obligations. The management of credit risk or risk of default in the Berentzen Group is substantially geared towards entering into transactions with creditworthy third parties.

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

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

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

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

Market risk

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

Currency risk arises from the translation of foreign currencies into the Group‘s functional currency (euros) as a consequence of changes in the exchange rate and generally results as defined by the Berentzen Group from financial items in the statement of financial position as well as any executory contracts or transactions planned in foreign currencies. The foreign currencies relevant for the corporate group include in particular the U.S. dollar and the Turkish lira. In addition to the exchange rate trend, the resulting risk potential also depends on changes in the volume of transactions effected or to be entered into in foreign currencies. So far, the business activities with respect to procurement and sales have been largely settled in euros and US dollars. No material transactions are entered into with suppliers or customers in hyperinflationary economies. Furthermore, some currency risk is balanced out in that both procurement as well as sales are carried out in the same foreign currency; as a result, incoming payments offset outgoing payments in the same foreign currency – albeit as a rule not in the same amount or in matching maturities. Without taking consolidation effects into account, liabilities and receivables denominated in foreign currencies amounted respectively to approximately EUR 1.3 million (EUR 0.7 million) and EUR 3.0 million (EUR 2.5 million) as of December 31, 2019. Rate-hedging measures are carried out regularly for the most important foreign currency, the U.S. dollar, insofar as an assessment of the foreign currency environment makes this appear to be useful. In order to hedge foreign currency risk arising from future purchases of merchandise, there were no forward exchange contracts as of December 31, 2019 (December 31, 2018: no forward exchange contracts). Given the prerequisite of an unchanged scope of consolidation, currency risk is to be regarded insofar as relatively low overall. However, this assessment can change with an increasing volume of corresponding transactions as well as due to the effects of financial policy and corporate policy decisions or future trends on the foreign exchange market.

From a Group perspective, the recoverability of assets and/or the nominal value of the Berentzen Group's liabilities outside of Germany are also subject to exchange rate fluctuations. Foreign currency effects are recognised directly in consolidated equity when translating the net carrying amount of assets from the financial statements of foreign Group companies; however, risks arising from foreign currencies recognized in profit or loss – even though they are not cash items from a Group perspective – can insofar also result from intra-Group transactions effected in foreign currencies, such as in particular the financing of foreign companies using the Group's own funds. In the case of deconsolidations of foreign subsidiaries, currency risks from consolidation differences due to currency translation previously recognised directly in equity can be recognised in profit or loss. No foreign subsidiaries were deconsolidated in the 2019 financial year. For this reason, as of December 31, 2019 negative currency effects remain in the Berentzen Group's retained earnings from the translation of Group-internal financing to a Group company in Turkey in the amount of EUR 3.0 million (EUR 2.8 million).

The actual average credit period across the entire corporate group is currently around 35 (35) days. This does not result in elevated liquidity or interest rate risk, because sufficient factoring lines or – in particular outside of Germany – financing instruments with a comparable effect are available for the financing of receivables. The need for classic short-term credit lines is thereby significantly reduced.

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

Furthermore, the procurement of raw materials and materials as well as the purchase costs of merchandise and system components are subject to market and/or price risk. The cost prices of the raw materials and packaging materials and/or merchandise and system components used by the Berentzen Group are influenced in all segments in particular by their availability on the market; accordingly, purchases carried out in foreign currencies are influenced by the exchange rate trend of the respective currency against the euro. A large part of the raw materials needed for the production of spirits and non-alcoholic beverages as well as the fruits (oranges) traded in the F*resh Juice Systems* segment are agrarian products, the availability of which depends on the respective crop yields. This means that their availability depends on the crop yield in each case. In addition, regulatory measures such as customs duties can have a significant influence on cost prices.

For glass purchases, there are annual supply agreements in place with fixed quantities and prices. Contracts for raw materials dependent on crop yields such as grain alcohols, sugar or fruit juice concentrates are usually entered into from harvest to harvest. The prices of other raw material and packaging material groups are based on market price indexes and are generally fixed on a quarterly or six-monthly basis depending on the market situation. In the *Fresh Juice Systems* segment, purchases of the individual system components are predominantly managed on the basis of single contracts; in particular, the procurement of fruits (oranges) is dependent on harvest seasons in the global cultivation areas.

Quantitative disclosures regarding risks related to financial instruments

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

Risk assessment

With respect to financial risks as a whole, the estimate with respect to the likelihood of occurrence remained unchanged compared to the previous year, as did the assessment of the severity of the risk. All in all, these risks remain classified as “medium risk“, the same as in the risk report for the 2018 financial year.

Industry risk

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

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

As a result of the continuing increasing concentration in the German food retailing sector, the top key accounts – and therefore the dependency of individual suppliers on these major customers – are becoming more and more important. Comparable trends can also be observed abroad with corresponding effects on the subsidiaries. In some cases, substantial dependencies develop in the business relationships with individual major customers. All of the Group‘s segments are affected by this – each individually to a different extent – with the exception of the *Other segments*. In total, the Berentzen Group realised around 50% (48%) of its consolidated revenues in the 2019 financial year with its three largest customers, each of whom belong to the food retailing sector. In this context, there are various aspects that can have a negative impact on the success of the Berentzen Group‘s business. For example, the supplier agreements – as is typical in the industry – have a relatively short term and normally do not include any purchase commitments. Furthermore, there is the risk that important customers abruptly end their business relationships with the Berentzen Group or do not extend them and that the corporate group will not be able to quickly adjust its cost and production structure fully or sufficiently and/or cannot find another customer, leading insofar to excess capacities. The pressure on the individual supplier and price terms as well as conditions rises together with a customer‘s increasing importance; as a result, the Berentzen Group’s net selling prices can decrease. It is accordingly possible that the Company may not at all be able to pass on price increases with respect to raw materials or rising personnel expenses and overheads, or that they can only be passed on in part or with a delay. If these risks are realised, this could prove to be a drag in particular on earnings and on the whole have a significant negative impact on the financial position, cash flows and financial performance of the Berentzen Group. The Berentzen Group is countering this risk by strengthening key account management together with further systematic efforts to increase sales and distribution. Advertising activities to promote the brand are intended to improve the corporate group‘s position vis-à-vis its business partners. All measures are accompanied by efforts to further expand the distribution channels in order to achieve a balanced customer portfolio as well as to continuously and diligently foster relationships with the customers‘ most important decision-makers and contact persons.

According to the estimate performed within the risk management system relating to the industry risks observed in this context, there were no changes in the estimation of the likelihood of occurrence and the severity of the risk in comparison to the previous year. All in all, the classification remained “medium risk”.

Performance-related risk in connection with the business model

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

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

In addition, as with all contractual relationships, there is the risk – both with respect to the franchise agreements as well as the service agreements – that when the contractual term expires they will not be continued or can only be continued under terms and conditions that are unfavourable for the Berentzen Group. The loss of the franchise business or a significant portion of the business involving the bottling of franchise or other third-party brands and private-label products can have a significant impact on the development of the business as well as the financial performance, cash flows and financial position as a result of major declines in revenue and earnings as well as structurally necessary follow-up measures and effects that must be reflected in the accounting, to the extent that such a loss cannot be replaced through the business with the Company‘s proprietary brands and products, another franchise business, or other corresponding contracts. For example, various measures are being taken to counteract the impact on income from the termination as of December 31, 2019 of a service agreement on the bottling of third-party branded products; such measures are aimed at strengthening our own brands and achieving cost savings.

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

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

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

With respect to performance-related risks monitored as part of the risk management system as a whole, the estimate with respect to the likelihood of occurrence remained unchanged compared to the previous year, as did the assessment of the severity of the risk. All in all, the risks remain classified as "medium risk", the same as in the risk report for the 2018 financial year.

Other risks

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

Legal and tax-related risks

As a concern operating in the international food industry, the Berentzen Group is exposed to various legal and regulatory risks. These include contractual and third-party risks in connection with the respective national or international provisions governing express warranties and product liability, food laws, consumer protection laws, competition and antitrust laws, trademark and patent laws, environmental, construction and planning laws, labour laws and occupational health and safety laws, foreign trade and customs laws, tax laws – in particular excise tax laws related to the taxation of alcoholic beverages – as well as provisions related to purchasing activities and procurement; for example the observation of sanctions lists. In addition, Berentzen-Gruppe Aktiengesellschaft is subject to obligations resulting from its listing on the stock exchange, in particular

the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation - MAR) and the German Securities Trading Act (WpHG).

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

The aforementioned measures also serve not least to prevent and minimise legal risks that can ultimately manifest themselves in legal disputes or judicial, administrative, or other proceedings. The Group is represented in legal disputes by the corporate group's Central Legal Department or by the engagement of external legal advisers with the goal of preventing losses or keeping them as small as possible. However, any legal disputes and proceedings could, nevertheless, have a significant adverse effect on the financial performance, cash flows and financial position of the Group or one of the companies included in the consolidated financial statements not only in the event that the associated expenses are not or cannot be covered by insurance but also in those cases where the expenses arising exceed the risk provisions made in the form of insurance cover or accounting provisions. More details on specific legal disputes pending as of the date of approval for publication of the consolidated financial statements and the annual financial statements of Berentzen-Gruppe Aktiengesellschaft as well as of the combined management report for the Berentzen Group (corporate group) and Berentzen-Gruppe Aktiengesellschaft, can be found in Note (4.4) Legal disputes in the notes to the financial statements.

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

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

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

Risk assessment

According to the estimate performed within the risk management system of the other risks monitored in this framework, the risk level fell from “material” to “low” while the probability of occurrence continues to be deemed “improbable”. In summary, this means that the classification of the risk category changed from “medium risk” to “low risk”.

General business risk

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

The existing and impending international trade conflicts and the resulting increases in tariff and non-tariff barriers to trade, such as the import duties for Bourbon whiskey imposed since the end of June 2018, should be mentioned in particular in this context. The trade conflict between the USA and China is attracting special attention as it is placing a burden on the investment decisions of a large number of companies. While the two countries did come to a partial agreement ("Phase One" of the trade agreement) in mid-January 2020, there is nevertheless still great uncertainly on how matters will develop – especially after the US presidential elections in November 2020. Furthermore, uncertainties remain about the macroeconomic consequences of "Brexit", i.e. the withdrawal of the United Kingdom from the European Union. The Withdrawal Agreement came into effect on February 1, 2020, but a transition period will apply until December 31, 2020, however. For the duration of this period, the United Kingdom will remain part of the EU single market and the EU customs union. Thereafter, a disorderly exit from the single market remains possible. The potential loss of revenues on the part of Berentzen Group is very small. Less than 1% of the consolidated revenues were generated in the United Kingdom in the 2019 financial year (2018: less than 1%). There is a further risk with regard to the effects on public health of the coronavirus pandemic that broke out in China in December 2019 – the World Health Organisation (WHO) declared a global health emergency on January 30, 2020 – and thus on global demand, on the international supply chains as well as on the Berentzen Group's own supply chain and administrative activities. Short to medium term disruptions to the Berentzen Group's ability to deliver and thus effects on its revenue and earnings situation cannot be ruled out in the event of coronavirus pandemic and governments taking drastic steps at the same time. Furthermore, there are risks to revenue and earnings in connection with a weaker development of the global economy and the international markets for goods in which the Berentzen Group also operates. In addition, the potential cancellation of various major events with the aim of slowing down the further spread of the coronavirus will impact the "on trade" sales channel relevant to the Berentzen Group to an as yet unknown extent. This could give rise to detrimental effects for all Berentzen Group segments. The severity of the consequences will depend on the duration and the extent of the pandemic. As the further course is currently unpredictable, it is presently difficult to make an assessment, however.

In light of the political and economic situation in Turkey, this market, which is served by a local group company, is additionally subject to continued more intense monitoring within the Berentzen Group's risk management system.

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

The discussion regarding restrictions on the freedom of advertising for alcoholic beverages persists. While further legal restrictions are not currently on the horizon at the national level, such restrictions have been implemented in the recent past in individual international markets of relevance for the Berentzen Group, for example in Turkey. The latter point also applies to an increase in excise taxes on alcoholic beverages; specifically for the market in Turkey there were further tax increases in 2019 that are also to be expected in following years.

According to the estimate performed within the risk management system of the monitored general business risks, the risk exposure remains "low" whereas the probability of occurrence was reduced from "possible" to "improbable". In summary, the classification remained in the "low risk" category.

Operating and product-related risk

Operating risks

In the *Spirits*, *Non-Alcoholic Beverages* and *Other segments*, there are operating risks primarily with respect to the breakdown of production plants or sites as well as, if applicable, with respect to the outsourcing of production capacities to another plant location that could lead to supply bottlenecks or delivery disruptions. The risk of production losses is minimised by means of ongoing maintenance and capital expenditures, the constant availability of technical service and emergency staffing plans. In addition, production capacities are available at other beverage manufacturers for emergencies and there is a business interruption insurance policy. In order to limit this risk, suppliers are carefully selected with a view towards maintaining long-term relationships as part of a sustainable relationship management process. In addition, the entire production process is also closely accompanied and monitored in collaboration with the suppliers. In the *Fresh Juice Systems* segment, there is a concentration on one supplier of machinery and one supplier of bottles and therefore risks of production stoppages, capacity bottlenecks and justified or unjustified unilateral termination of the supply relationship by the respective supplier. The availability of alternative production capacities is currently very limited and it is expected that it could only be realised with a considerable delay. This risk is countered by means of particularly close support and management of the long-term cooperation arrangements that includes, in the case of the machinery supplier, the implementation of an effective local quality assurance system.

Furthermore, in the *Spirits* and *Non-Alcoholic Beverages* segments, whose manufacturing facilities and property have been utilised for decades, operating risks could arise from environmental damage. This is understood to be a directly or indirectly occurring identifiable, detrimental change (impairment) in protected species and natural habitats (biodiversity) as well as in waters or in the ground as a result of which the Group must bear environmental

liability risks and risks arising from existing or changing general regulatory conditions. In addition to rules related to the environment that are included in the quality assurance system, risk provisions for environmental damage serve to cover insured losses.

Product-related risks

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

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

The Berentzen Group responds to rising requirements from statutory provisions in the area of technology and product safety, for example for accident prevention and environmental protection or under the relevant food regulations, by using internal plant inspections, by selecting reputable suppliers, with the use of qualified personnel and by engaging reliable service providers that demonstrate a proficiency in the use of Berentzen Group products. In addition, product safety is served by ongoing quality controls and the established quality assurance and crisis management system, which is subject to regular internal audits and corresponding external certifications according to recognised quality standards, namely according to the IFS Version 6.1 (International Featured Standards) Food and also – in the *Non-Alcoholic Beverages* segment – in accordance with the Consolidated Standards for Beverage Facilities issued by AIB International. Furthermore, in particular in the *Fresh Juice Systems* segment there are the certifications issued with respect to technical safety by the relevant testing organisations such as the Technical Inspection Association (TÜV). For the procurement of capital goods and raw materials, quality standards are defined and safeguarded by long-term cooperation with corresponding suppliers; new suppliers must undergo a qualification process. An additional building block for the reduction of product-related risks consists in the covering of corresponding insured losses.

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

In the *Fresh Juice Systems* segment, the highest standards of quality are maintained for the oranges marketed in the *frutas naturales* variety. Depending on the time of the year and the harvest cycle, the fruits are procured from Southern Europe, but also from cultivation areas outside of Europe and put on the market without any post-harvest treatment. Insofar, there are risks with respect to the availability and quality of the oranges for a wide range of reasons. These include, among other things, a general market shortage, poor harvests, bad weather, interruptions, or delays – considering the easy perishability – in the particularly important logistics processes or also a deterioration in the relationship with suppliers or producers. Furthermore, quality defects can lead to severe reputational damage. Measures to minimise the risk include an anticipatory procurement policy executed on the broadest possible supplier basis and with a view towards sustainable relationship management as well as the appropriate management and monitoring of the logistics processes. The quality of the purchasing process for oranges has been confirmed by an external body through IFS Broker certification. In addition, internal analyses of quality and sensory evaluations are performed. Furthermore, analyses to detect pesticides are commissioned in cooperation with laboratories.

Risk assessment

According to the estimate performed within the risk management system relating to the operating and product-related risks observed in this context, there were no changes in the estimation of the likelihood of occurrence and the severity of the risk in comparison to the previous year. Overall, the classification thus remained in the "low risk" category.

IT risks

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

This risk is countered, among other things, through the redundant configuration of server systems, hardware support contracts with short reaction times, a direct availability of replacement parts and data lines as well as an uninterruptible power supply. An even higher level of security and availability of the ERP system is ensured by means of a high availability environment (virtualisation) in connection with a storage solution involving redundant capacities at two computer centres and deploying a synchronous mirroring system. In the event of a failure, a shadow database makes it possible to make data available again at extreme short notice; in addition, all data inventories are backed up on a daily basis. Firewall systems, a VPN solution with 2 factor authentication, virus scanners, spam and content filters, the Windows domain and authorisation concepts guarantee a high level of security in access authorisations and external access.

The IT risks monitored within the scope of the risk management system remain overall in the "low risk" category as was the case at the end of the 2018 financial year.

(4.3) Opportunities

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

Opportunities from the change in general economic conditions

Opportunities open up for the Group from the development of general economic conditions at a national and international level if economic growth in the important industrial nations – in particular in Germany and the USA – proves to be stronger than in 2019. From the perspective of the Berentzen Group, the resulting potential for opportunities must insofar be regarded subject to a significant reservation in light of the uncertain development of ongoing geopolitical crises and conflicts and the potential extension of restrictions in global trade.

With regard to money market trends in the 2019 financial year, there was a slight devaluation in the euro against the US dollar, whereas a recovery in the euro is assumed by the majority of analysts for the 2020 financial year. A potential strengthening of the exchange rate could, on the one hand, provide opportunities with regard to procurement, in this context primarily in the *Spirits* and *Fresh Juice Systems* segments and, on the other hand, impact sales, in particular in the *Fresh Juice Systems* and *Other segments.*

Further positive potential influences stem from the reduction in bureaucratic hurdles, easing the entry into new markets and reducing the costs for access to existing markets. In this context, opportunities may arise, among other things, from further free trade agreements between the European Union and other countries. Furthermore, an orderly withdrawal from the EU on the part of the United Kingdom following the transition period currently in place could send out positive signals – for companies' willingness to invest, for example.

Additionally, an improvement in the general political and economic conditions prevailing in Turkey can have a beneficial effect on the business with spirits assigned to the *Other segments*. The Group company operating in that country provides the foundation on which the Group can build to benefit directly from any recovery; currently the market environment continues to be challenging.

Opportunities in connection with strategic decisions

As a nationally and internationally active beverage concern, the Berentzen Group has set itself the strategic goal of being a provider of drinks for every occasion by means of a balanced position in the *Spirits, Non-Alcoholic Beverages*, and *Fresh Juice Systems* segments. Further expansion of the product portfolio and more intensive concentration on trends and customer benefit or expectations can open up new growth opportunities, especially on the back of innovation, and the Berentzen Group intends to continue focusing on select areas promising strong growth. Furthermore, revenue opportunities are arising in particular in connection with the implementation of an efficiency programme in the *Non-alcoholic Beverages* segment.

The Berentzen Group's spirits umbrella brands *Berentzen* and *Puschkin* are widely recognised on the German market. With a market share of 19%, the *Berentzen* brand remains the clear market leader among "fruity spirits" with a significant lead on the competition. One essential success factor arises from the continuous support for marketing and sales, especially from the continuation and establishment of the *Berentzen* campaigns. The focus in this context is placed on the digital media relevant to the target groups and visual “out-of-home” media in order to significantly increase brand visibility and the effectiveness of communication. In order to better leverage existing market potential, a multifunctional innovation process was implemented over the past two financial years; further optimisation of this innovation process will be at the centre of attention in the 2020 financial year. Further product concepts and product line extensions will follow under the brand umbrellas of the core brands *Berentzen* and *Puschkin*. With a view to following on from the success of the *Berentzen Winter Editions*, the new *Berentzen Summer Editions*, for example, will be introduced to the market in three flavours at the end of the first quarter of 2020 to serve the growing market for cream liqueurs. Alongside this, the plans are for existing concepts in the dynamically growing segment for premium spirits – especially the gin and rum segments in this regard – to continue to contribute to the successful development of the segment. In addition, optimisation of the domestic sales structure may give rise to an opportunity to utilise synergies with the *Non-alcoholic Beverages* segment.

In order to develop and implement a uniform strategy for the working of the international markets and to pool existing resources, the international business with branded spirits was merged with the area of branded dealer and private-label products to form the new organisation unit Export and Dealer Brands. This new structure and the related focus on an internationally viable core portfolio give rise to opportunities for boosting international competitiveness. In the area of branded dealer and private-label products, the trend towards promotional and premium products continues, which means that developing convincing innovations offers potential.

In the *Non-alcoholic Beverages* segment, the *Mio Mio* branded beverages provide significant growth potential in Germany on the basis of building up further distribution structures and acquisition of further new customers. Alongside this, initial successes in two neighbouring countries indicate that further opportunities will arise in the future for the *Mio Mio* products. This listing situation additionally facilitates the establishment at a national level of the *Kräuterbraut* brand launched in 2019. In this respect, ongoing streamlining of the product portfolio constitutes a fundamental basis to safeguard the ability to supply the market with the core products on a larger scale. In addition, there are opportunities in Germany especially in the mineral water market resulting from the increased focus on topics such as regionality, ecology, and sustainability. For example, the *Emsland Quelle* and *Märkisch Kristall* branded mineral waters and all *Mio Mio* products retailed in Germany will be available for sale as climate-neutral products in future.

In the *Fresh Juice Systems* segment, the competitive advantage of the *Citrocasa* brand provided by its positioning as a premium system vendor offers opportunities to tap into international growth potential. Optimisation of international fruit logistics as well the development and market launch of technical innovations of the fruit juices component afford additional opportunities. With regard to the latter, developments focus on a higher degree of automation, improved machine handling and simplified care and maintenance as well as the topics of digitalisation and connectivity. Furthermore, the potential for opportunities is supported by the continuing tendency to consume fresh and natural products observed with consumers and in the food trade.

Opportunities from the implementation of operating measures

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

With respect to procurement, the Berentzen Group is dependent on the commodity and producer markets. Insofar, cost advantages can be realised if there is a general decrease in commodity prices or if medium to long-term supplier contracts can be formed for the procurement of such commodities at favourable points in time. Specifically, bountiful harvests of commodities and traded goods of agrarian origin with respect to individual raw materials needed for the production of spirits and non-alcoholic beverages as well as the oranges sold in the *Fresh Juice Systems* segment, in particular, can lead to favourable price trends. On the whole, however, the risks predominate in the outlook for the 2020 financial year and beyond, as in addition to the increasing volatility in commodity prices (due to extreme weather conditions, among other factors), topics such as sustainability, shortages of skilled labour and energy price hikes are gaining in significance and could lead to further rises in procurement prices over time.

Opportunities from strategic acquisitions

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

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

(4.4) Overall assessment of risks and opportunities

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

On the basis and in the sense of the assessment matrix presented in Section (4.1), there are no risk categories assessed as high risks. Performance-related risk, financial risk and industry risk continue to be assessed as medium risks. In the meantime, other risks constitute a low risk and even with regard to the other risks presented, the assessment remained as low risk in each case.

In particular supported by the good financial position, cash flows and financial performance of the corporate group, no separate or cumulative risks are expected by the Management with respect to the risks described above and their possible likelihood of occurrence that could jeopardize the company as a going concern with a period of at least one year. The Executive Board sees potential for the Group in the consistent pursuit of the opportunities discussed above that should not be passed up. The organisational and structural measures to be carried out in the 2020 financial year in particular form an important basis for this.

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

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

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

Internal control system

The internal control system in the Berentzen Group includes all principles, methods and measures to ensure the effectiveness, efficiency and compliance of the accounting as well as to ensure the compliance with the relevant legal provisions. The internal control system comprises the internal control and internal monitoring system. Below the level of the Executive Board, the responsibility for the internal control system lies in particular with the areas of Controlling and Reporting, Accounting, Finance and Taxes as well as Legal and Personnel, which are managed centrally at Berentzen-Gruppe Aktiengesellschaft.

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

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

Accounting process

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

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

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

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

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

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

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

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

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

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

(5) Forecast report

The Forecast Report of the Berentzen Group takes account of the relevant facts and events known at the time of preparing the consolidated financial statements that could have an impact on the corporate group’s future business performance. The forecasts made herein on the basis of the current version of the integrated corporate plan of the Berentzen Group for the 2020 financial year are built around the organic development of the corporate group excluding significant non-recurring exceptional effects and changes arising from possible company acquisitions; where such events need to be incorporated at the time of preparing the present Forecast Report, this is stated accordingly. The following change in connection with the composition of the segments in the 2020 financial year was taken into consideration in this context: The international business with branded spirits is no longer part of the *Other segments* but, on the basis of a new organisational structure, is grouped together with branded dealer and private-label products as the Export and Dealer Brands sales unit and included in the *Spirits* segment. With regard to this Forecast Report, the change will affect the anticipated development of the segments and therefore the forecast for the contribution margin after marketing budgets ratio.

(5.1) General economic and industry-specific framework conditions

General economic conditions

According to statements made in the “World Economic Outlook Update” from January 2020, the International Monetary Fund (IMF) anticipates global economic growth of 3.3% for the year 2020, but amended this assessment in February 2020 to take account of the so-called coronavirus and now expects growth of 3.2%. The German Institute for Economic Research (DIW Berlin), in contrast, anticipates stronger growth in the global economy and in its weekly “DIW Wochenbericht” published in December 2019 forecasts growth of 3.7% in the real gross domestic product in 2020. For the industrialised countries, the IMF and DIW Berlin both expect weaker growth compared to the global economy of 1.6% and 1.5%, respectively. Comparatively lower expectations are placed on growth within the Eurozone both by the IMF with a forecast of 1.3% and by the DIW with a forecast of 1.1%. In the emerging markets, growth is expected to reach 4.4% and 5.0%, respectively.

The IMF and the DIW both justify their forecast of modest future growth in the global economy with the explanation that, while business sentiment improved recently, there are nevertheless still great downside risk. For example, the trade agreement between the USA and Japan and easing of the trade disputes between the USA and China are both exerting a positive influence on growth. In addition, concerns relating to Brexit have abated. At the same time, existing trade disputes with the USA, most recently on account of an increase in the customs duties on aluminium and steel and impending customs duties on European products, continue to hamper global economic growth. As a consequence, a low level of future investing activities is still expected in most economies and that global economic growth will be primarily supported by consumption.

The modest global economic growth has also negatively impacted German exports and led to a period of economic weakness in Germany. The DIW nevertheless assumes a slow recovery in the German economy and expect gross domestic product to grow by 1.2% in 2020. This development is being driven in particular by moderate growth in foreign demand and increasing consumption. The rise in private consumption has its origins in financial policy, in particular, which has brought about a rise in pensions and a decrease in the solidarity surcharge. The IMF also expects growth in the German economy and makes a forecast of 1.1% for 2020.

Developments on the drinks market

In light of the rather reserved development of the domestic economy expected, the Berentzen Group believes that the “food, beverages and tobacco” category determined by the Federal Statistical Office will at best see solid performance. In this context, overall sales of spirits in the German retail sector is expected to merely remain stable or be in slight decline. Accordingly, the general market trend in the domestic spirits business will presumably not provide a boost to growth. Alongside this development, potential further consolidation of trade partners and measures relating to backward integration and cooperation arrangements play a material role in the domestic spirits business. The Berentzen Group also assumes that a lasting trend in favour of premium brands and customised concepts will continue to have a major influence on how the market develops. In contrast, traditional spirits such as brandy or korn will, according to the assumptions made, increasingly come under sales and revenue pressure. A persistently dynamic environment is expected within the “spirits with added ingredients” product category.

Although the aforementioned forecasts on global economic growth are positive, the assessments are associated with significant risks. In particular in view of the uncertain course of ongoing geopolitical crises and conflicts, the pandemic outbreak of the so-called coronavirus and the possibility of escalating restrictions on global trade, the Berentzen Group does not assume that developments in the global economy will provide significant stimuli for the performance of the international spirits business. At this point, please also refer to the comments on the coronavirus made in section (4.2) “General business risks” of the risk report.

Furthermore, a large number of the international markets are unlikely to display any impetus for growth, and competition with international beverages corporations goes hand in hand with high advertising and price pressure.

The market for non-alcoholic beverages is to a great extent dependent on weather conditions, a factor that was underscored in particular by developments over the past two years. Assuming weather conditions comparable to the 2019 financial year, Berentzen Group presumes that the overall market for non-alcoholic beverages will remain stable. In this context, innovations in the field of high-end carbonated soft drinks are expected to provide positive stimuli. While trends such as healthy eating, sustainability, regionality as well as the shift towards fresh and premium products are the driving force behind some product segments, they are at the same more of a disadvantage for others – in particular traditional sweet beverages and products sold in PET bottles. The political discussions relating to tap water and the significant market growth of carbonator systems are exerting a negative influence on the development of the mineral water market.

With reference to the presentation of the developments on the drinks market in the Economic Report (section 2.1), as far as the Berentzen Group is aware, for all intents and purposes there are no all-round, reliable market data available for the *Fresh Juice Systems* segment, meaning that it makes use of the market development of fresh drinks like not-from-concentrate juices, freshly squeezed fruit juices and smoothies as a leading indicator. Based on its internal assessment, the Berentzen Group is working on the assumption that the long-standing trend in favour of sensible, healthy diets will persist. Consequently, it is expected that the positive sales and revenue development confirmed by the market study published in 2019 by the Association of the Industry of Juices and Nectars from Fruits and Vegetables of the European Union (AIJN) will continue, especially on the main markets in Europe.

(5.2) Anticipated development of financial performance

Anticipated development of the segments

	2019 EURm	Forecast for the 2020 financial year EURm
Contribution margin after marketing budgets		
Segment		
Spirits [1]	31.6	30.6 to 33.9
Non-alcoholic Beverages	23.5	22.9 to 25.3
Fresh Juice Systems	6.9	7.0 to 7.7
Other Segments [1]	1.4	1.7 to 1.9

[1] On the basis of a new organisational structure, the composition of the *Spirits* segment and the *Other segments* will change in the 2020 financial year. For further explanations, see section (1.1) Corporate business model and the introductory statements of the Forecast Report.

Spirits segment

On the basis of the change in the organisation structure presented in the introductory explanations to this Forecast Report (Section (5.1)) and therefore in the future segment reporting of the Berentzen Group, the value of the contribution margin after marketing budgets ratio for the 2019 financial year was adjusted for the purposes of the Forecast Report. This figure now amounts to EUR 31.6 million. For the coming financial year, the objective for the *Spirits* segment is to achieve segment earnings in a range of between EUR 30.6 million and EUR 33.9 million. The authoritative factor in the planned development is to raise the contribution margin volume but this is likely to be partially cancelled out by a significantly higher use of funds for marketing and trade advertising.

In the domestic business for brand spirits, which is marked by a highly competitive and dynamic market environment, the plan is to further expand the market position of the *Berentzen* and *Puschkin* umbrella brands over the course of 2020. In this context, the sales activities and processes are to be optimised and restructured at an organisational level. The idea is to use targeted “point of sale” campaigns and consumer information more closely aligned to peaks in consumption to further boost the effectiveness of the marketing budget deployed. In addition, the intention is to further establish on the market the product concepts arising from the innovation process launched in 2018 and to introduce new product initiatives in a targeted manner. Alongside this, optimisation of the product and customer mix, for instance through constant premiumisation of the product portfolio, plays a significant role in further boosting the profitability of the segment.

The strategic focus in the export and dealer brands business in the 2020 financial year will be placed on building up the new organisational structure and implementing a new sales strategy. Activities in this context will centre on intensifying existing and establishing new strategic partnerships at home and abroad. Driven by the international trend towards premium products among brands and dealer brands, innovations in this product segment are planned to be actively marketed both at a national and international level.

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

Other segments

The *Other segments* are likewise affected by the aforementioned change to the organisational structure in the 2020 financial year. As the international business with branded spirits is no longer part of the *Other segments,* these now essentially comprise the Berentzen Group's tourism and events business and the business with spirits in Turkey that is served by a local group company. The segment earnings of EUR 1.4 million in the 2019 financial year, a figure that has been adjusted for the purposes of this Forecast Report in connection with this changed organisational structure, is planned to improve to an amount in the range from EUR 1.7 million to EUR 1.9 million. This is based on the assumption of contribution margin growth with a slight rise in marketing expenses.

Non-alcoholic Beverages segment

For the *Non-alcoholic beverages* segment, the corporate group is expecting segment earnings in a range of between EUR 22.9 million and EUR 25.3 million. The assumption in this context is for the contribution margin volume to show growth while the use of funds for marketing and trade advertising will be adjusted to the anticipated revenue development over the 2020 financial year, and therefore increase in scope.

Significant positive drivers of the markets for non-alcoholic beverages include current trends such as sustainability regionality and increased dietary awareness, in particular with regard to reducing sugar and calories. In this generally attractive consumer environment, a number of established and new market participants are nevertheless bringing about a challenging competitive situation. The corporate group has prepared the *Non-alcoholic Beverages* segment for dynamic business performance with the assistance of various growth measures, with implementation specifically concentrating on the *Mio Mio* and *Kräuterbraut* brands. In the coming financial year, price rises for certain product categories are intended to offset cost increases and by doing so safeguard contribution margin performance. An extensive segment analysis in the 2019 financial year identified measures to improve the structure of overheads and efficiency in all areas of the value added chain. These will develop their effect on earnings from the 2020 financial year onwards.

Finally, it should be noted that the development of the product and customer mix is, in general, very much dependent on external factors such as the developments in consumer behaviour and the weather situation over the summer months.

Fresh Juice Systems segment

In relation to the *Fresh Juice Systems* segment, the Berentzen Group expects segment earnings to climb to a range of between EUR 7.0 million and EUR 7.7 million in the 2020 financial year. While strong contribution margin growth is assumed, the increased utilisation of marketing budgets is expected to partially balance out this effect, however.

Especially in what is known as the „GSA region" and France, the business with fresh juice systems is characterised by an increasingly more intense competitive situation. In the business with fruit presses as system components, this challenge is being countered with the rapid development and market launch of relevant technical innovations. In addition, new distributorships are being built up and provided with more intense support. As a consequence, the corporate group is expecting considerable growth in the sales of fruit presses, driven mainly by significant volume increases in eastern Europe, France and the UK. Furthermore, work is being carried out on optimising the sales structure in Germany, a strategic core market and currently the largest.

A significant decline in the contribution margin performance is anticipated in the business with fruit (oranges) despite a perceptible increase in the sales volume. These assumptions are made on the basis of the difficult harvest situation, in line with expectations, and the associated higher purchasing prices and costs for safeguarding supplies and quality assurance. The sales volume of bottling systems as system components is likely to increase slightly on the high level of the past financial year, whereas the associated contribution margin is forecast to be stable or decline slightly. Here once again, higher purchasing prices are expected.

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

Anticipated development of consolidated revenues and consolidated operating profit

	2019 EURm	Forecast for the 2020 financial year EURm
Consolidated revenues	167.4	167.9 to 176.7
Consolidated operating profit (consolidated EBIT)	9.8	9.8 to 10.8
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	18.4	18.5 to 20.5

Against the backdrop of the expected positive development of the individual segments described above, the Berentzen Group expects consolidated revenues in the 2020 financial year to lie within a range of EUR 167.9 million to EUR 176.7 million, with the *Spirits* and *Fresh Juice Systems* segments being the main growth drivers.

The Berentzen Group expects the consolidated operating result (consolidated EBIT) to be within a range between EUR 9.8 million and EUR 10.8 million. In this context, a significantly improved gross profit is forecast; it is assumed that this increase will outweigh higher operating expenses, in particular for human resources and marketing. As the investment volume of assets with comparatively short useful lives – in particular empty bottle containers and crates in the *Non-alcoholic Beverages* segment – has increased significantly in recent years and very extensive investments in this context are expected once again in the 2020 financial year, the Berentzen Group anticipates a higher level of amortisation and depreciation of assets and consequently with a consolidated operating result before amortisation and depreciation (consolidated EBITDA) in a range between EUR 18.5 million and EUR 20.5 million.

(5.3) Anticipated development of cash flows and financial position

Based on the anticipated development of operating activities as described above, it is assumed that cash flows and financial position of the corporate group will remain sound further in the 2020 financial year.

Anticipated development of cash flows

	2019 EURm	Forecast for the 2020 financial year EURm
Operating cash flow	12.0	14.1 to 16.3

With a forecast range of between EUR 14.1 million and EUR 16.3 million, the corporate group assumes a clearly positive operating cash flow performance in comparison to the 2019 financial year. The decisive factor in this development is the forecast increase in consolidated operating result before amortisation and depreciation (consolidated EBITDA).

Anticipated development of financial position

	2019	Forecast for the 2020 financial year
Equity ratio	32.4%	32.9% to 37.9%
Dynamic gearing ratio	- 0.68	- 0.51 to- 0.41

As a result of the positive profit forecast and assuming an appropriate dividend policy, the Berentzen Group expects consolidated shareholders' equity to rise in absolute terms by the end of the 2020 financial year. Taking account of a stable or slightly lower level of total consolidated assets, an improvement in the equity ratio to a figure in a range of between 32.9% and 37.9% is consequently expected.

In view of the fact that key parameters are set to change – in particular working capital cash flows and the expected positive development of consolidated EBITDA –

the dynamic gearing ratio is expected to range between -0.51 and -0.41 at the end of the 2020 financial year. The ability on the part of the Berentzen Group to service its debt expressed in this ratio will remain sound in this respect.

Based on the corporate plan for the 2020 financial year, the financial position and cash flows of the corporate group will remain balanced overall. Nevertheless, the indicators used to manage the corporate group are also subject to reporting-date effects to a large extent, in particular if they are only subject to short commitment periods.

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

Based on the above forecasts, the Berentzen Group expects its financial position, cash flows and financial performance to develop soundly in the 2020 financial year. This will be founded on the viability of the corporate group's proprietary products and brands, the innovation strength of all operating segments and the successful implementation of key strategic and operational topics in all of the individual segments. Both the secured financing headroom and appropriate corporate structures for the relevant risks and rewards are crucial to the attainment of the corporate group's goals.

The 2020 financial year will once again bring a number of challenges:

From an organisational perspective, the corporate group is continuing its move towards a matrix structure already seen over the last two financial years. The experience gained on an ongoing basis is used to refine the procedures deployed within the company group. The build-up in human and technical resources required for corporate growth is being maintained. In the *Non-alcoholic Beverages*, it is important to implement the findings made within the scope of a segment analysis and use them to improve the structure of overheads and efficiency at all stages of the value added chain. Implementation of the structural changes with regard to the new Export and Dealer Brands organisational unit will be at the strategic focus of the *Spirits* segment. The more difficult situation regarding harvests means that the *Fresh Juice Systems* segment will need to attach great importance to safeguarding international fruit logistics.

With regard to sales activities, optimising the customer and product mix as well as the customer service processes will play a vital role in the *Spirits* segment. The task for the Export and Dealer Brands business will be to implement the recently launched sales strategy while convincing customers and cooperation partners of the new offering of premium product concepts. In the *Non-alcoholic Beverages* segment, extensive marketing campaigns and sales activities will be performed for the *Mio Mio* and *Kräuterbraut* brands, as well as for the regional mineral water brands, albeit to a lesser extent. Sales in the *Fresh Juice Systems* segment will be placed on building up new distributorships and providing support to existing ones, as well as modifying the sales structure in Germany as a strategic core market.

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

The forecasts presented here are based on an unchanged corporate structure compared with the end of the 2019 financial year. Accordingly, significant deviations may arise from the realisation of the possible opportunities to make further company acquisitions. Furthermore, the actual business performance is dependent not least upon the general economic and industry-specific environment and may be negatively affected by more strongly adverse changes in the underlying conditions described. Both positive and negative deviations from the forecast may also result from not only the opportunities and risks described in the Report on Opportunities and Risks but also such opportunities and risks that were either not identifiable or impossible to assess at the time of preparing this Group Management Report. In this context, particular mention should be given to the potential consequences of the global coronavirus pandemic that could negatively impact the expected development of the financial performance, cash flows and financial position of the Berentzen Group. More detailed statements on this can be found in section (4.2) “General business risks” of the risk report.

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

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

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

(6.1) Composition of subscribed capital

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

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

With respect to the disclosures about the shares of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 (1) no. 3 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.12), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2019, Note (2.5).

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

Each share confers one vote in the general meeting and is definitive for the share of the Company’s profit attributable to the shareholders. Excluded from this are the treasury shares held by Berentzen-Gruppe Aktiengesellschaft, which do not confer any rights to the Company pursuant to Section 71b AktG. Berentzen-Gruppe Aktiengesellschaft held 206,309 treasury shares as of December 31, 2019.

In the instances set forth in Section 136 AktG, the voting right is excluded by law from the shares concerned. Violations of notification obligations relating to changes in the proportion of voting rights arising from shares in Berentzen-Gruppe Aktiengesellschaft or certain instruments relating to its shares as defined in the pertinent provisions of the German Securities Trading Act (WpHG), i.e. violations of notification obligations relating to holdings that have reached, exceeded or fallen below the statutory reporting thresholds stipulated therein, may lead to the at least temporary abrogation of rights conferred by shares and also the voting right pursuant to the German Securities Trading Act.

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

(6.3) Equity holdings exceeding 10% of voting rights

To the Company's knowledge, there are currently no direct holdings or indirect holdings attributable pursuant to the German Securities Trading Act in the capital of Berentzen-Gruppe Aktiengesellschaft that exceed 10% of the voting rights.

The above disclosure is based notably, but not exclusively, notifications pursuant to Section 33 (1) and (2), Section 38 (1) and Section 39 (1) of the German Securities Trading Act in the version in effect since January 3, 2018 and, as applicable, Section 21 (1) and 1a, Section 25 (1) and Section 25a (1) in the version of the German Securities Trading Act in effect until January 2, 2018 received and published by Berentzen-Gruppe Aktiengesellschaft.

With respect to the notification on holdings communicated to Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 (1) no. 8 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (4.8), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2019, Note (4.3).

(6.4) Shares with special rights that confer control powers

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

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

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

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

Appointment and dismissal of members of the Executive Board

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

Amendments to the Articles of Association

Amendments to the Articles of Association of Berentzen-Gruppe Aktiengesellschaft are fundamentally governed by Section 119 (1) No. 6 and Sections 179, 181 and 133 AktG and require a resolution adopted by the annual general meeting. At the same time, there are numerous further provisions in the German Stock Corporation Act that may become applicable in the event of provisions in the Articles of Association and modify the regulations mentioned above.

According to Article 19 (3) of the Articles of Association, resolutions are adopted by the general meeting with a simple majority of the votes cast and, where the law prescribes a capital majority as well as a vote majority, with a simple majority of the share capital eligible to vote represented when the resolution is put to the vote, provided that compulsory statutory provisions do not require a larger majority. According to Article 15 of the Articles of Association, amendments only affecting the wording of the Articles of Association may be adopted by the Supervisory Board without a resolution of the annual general meeting. Furthermore, the Supervisory Board has been authorised by resolution of the annual general meeting to correspondingly amend the wording of Article 4 (4) of the Articles of Association following every exercise of the Authorised Capital 2019 or every expiry of the deadline for utilisation of the Authorised Capital 2019.

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

Authorised Capital (not issued)

The Executive Board of Berentzen-Gruppe Aktiengesellschaft is authorised, with the consent of the Supervisory Board, to increase the share capital by issuing new bearer shares of common stock in exchange for cash or in-kind contributions on one or more occasions, but for a maximum total of up to EUR 9,984 thousand, in the time until May 21, 2024 (Authorised Capital 2019). In this context, a subscription right is normally granted to the shareholders. The new shares can also be acquired by one or more banks, or equivalent companies as defined in Section 186 (5) sentence 1 AktG with the undertaking to offer them to the shareholders for subscription.

The Executive Board is, however, authorised, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders:

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

– If a capital increase in return for cash contributions does not exceed ten percent of the share capital and the issue amount of the new shares is not significantly below the quoted price (Section 186 (3) sentence 4 AktG; when exercising this authorisation subject to exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG, the exclusion of subscription rights on the basis of other authorisations pursuant to Section 186 (3) sentence 4 AktG must be taken into account.

The above authorisation to exclude subscription rights in a capital increase in exchange for cash and/or in-kind contributions is limited to a total amount of ten percent of the share capital, which amount may not be exceeded either on the effective date of this authorisation or on the date on which use is made of this authorisation. In addition, treasury shares issued or sold during the term of this authorisation in direct application or application mutatis mutandis of Section 186 (3) sentence 4 AktG and those shares issued to service convertible bonds and/or warrant bonds (hereinafter referred to as "bonds") to the extent that the bonds were issued subsequent to the effective date of this authorisation subject to application mutatis mutandis of Section 186 (3) sentence 4 AktG subject to exclusion of shareholders' subscription rights.

The Executive Board is authorised, with the consent of the Supervisory Board, to specify the further details of the authorised capital increase and its implementation.

Treasury shares (own shares)

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

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

– Where the purchase is made on the stock exchange, the purchase price for each share of common or preferred stock (excluding transaction costs) may not be 10 percent more or less than the quoted price for the common or preferred shares in XETRA trading of Deutsche Börse AG (or a comparable successor system) determined in the opening auction on the day of purchase date. The last closing price is definitive instead if a quoted price is not determined for the shares of common or preferred stock in the opening auction on that day.

– Where the purchase is made by way of a public tender offer, the tender price (excluding transaction costs) may not be 10 percent more or less than the average quoted price for the common or preferred shares on the last three trading days prior to the tender publication date, determined on the basis of the arithmetic mean of the closing auction prices for the common or preferred shares in XETRA trading of Deutsche Börse AG (or a comparable successor system). The volume of the tender may be limited.

Where the total number of shares tendered in response to a public tender offer exceeds its volume, the purchase may be made in proportion to the shares tendered (tender rate); in addition, the preferential acceptance of small packages of shares (up to 50 shares per shareholder) may be permitted as well as rounding in accordance with commercial principles in order to avoid any imputed fractional amounts of shares. Any further shareholder tendering right is excluded accordingly. The closing price is definitive instead if no quoted price is determined for the common or preferred shares in the closing auction on the last three trading days.

The Executive Board is authorised to use the shares acquired on the basis of the above authorisation for all purposes permitted by law, including but not limited to the following:

– Selling treasury shares again in accordance with the principle of equal treatment (Section 53a AktG) through the stock exchange or offering them to the shareholders for acquisition on account of an offer addressed to all shareholders while maintaining the subscription right;

– Offering treasury shares to third parties within the framework of company mergers or the acquisition of companies, company divisions or participating interests in companies as consideration, in each case under exclusion of the purchase or subscription right of the shareholders;

– Using treasury shares to settle exchange or subscription rights conferred by convertible bonds and convertible profit-sharing rights and by warrant bonds and warrant profit-sharing rights or conversion obligations conferred by convertible bonds, under exclusion of the shareholders' purchase or subscription right in each case. All in all, a proportionate share of at most 10% of the share capital may be attributable to the shares transferred on account of this authorisation, provided that the shares are used to settle exchange or subscription rights or conversion obligations issued or conferred by application mutatis mutandis of Section 186 (3) sentence 4 AktG. This percentage threshold is reduced by the proportionate share of the share capital attributable to shares issued or sold during the term of this authorisation or on account of other authorisations at the time of use pursuant to or in accordance with Section 186 (3) sentence 4 AktG, under exclusion of the subscription right;

- Selling treasury shares in exchange for cash payment that is not significantly less than the quoted price for Company shares of the same class at the time of sale, under exclusion of the shareholders' purchase or subscription right in each case. This authorisation is, however, only valid on the condition that the imputed share of the share capital of the shares sold under exclusion of the subscription right in accordance with Section 186 (3) sentence 4 AktG may not exceed 10% of the share capital in total; this percentage threshold is reduced by the proportionate amount of share capital attributable to shares issued during the term of this authorisation on account of other authorisations pursuant to or in accordance mutatis mutandis with Section 186 (3) sentence 4 AktG, under exclusion of the subscription right;

- Retiring treasury shares, without the retirement or the performance of the retirement requiring a further resolution from the general meeting. The retirement is carried out by way of a capital decrease in such a way that the share capital remains unchanged and the imputed share of other shares in capital stock increases in accordance with Section 8 (3) AktG.

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

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

With respect to the disclosures about the treasury shares of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 (1) no. 2 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.12), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2019, Note (2.7).

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

Financing agreements

Berentzen-Gruppe Aktiengesellschaft is a party, as borrower, to a syndicated loan agreement with a bank syndicate concluded in December 2016 and amended in November 2019 currently with a total volume of funding of EUR 33.0 million. Three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the syndicated loan agreement as guarantors with respect to the payment obligations under this agreement as part of a cross-guarantee system taking the form of a guarantor concept. According to the provisions of this financing agreement, the lending syndicate members are authorised – individually or collectively – and obligated if so directed by the majority of lenders to cancel the loan commitments under the syndicated loan agreement with immediate effect and to call in the borrowed funds and outstanding interest and costs for payment in the event of a change of control at Berentzen-Gruppe Aktiengesellschaft or one of the subsidiaries included as borrowers in the syndicated loan agreement upon such change of control and at any time thereafter. The syndicated loan agreement defines a change of control as a situation in which a total of more than 50% of capital shares or voting rights in Berentzen-Gruppe Aktiengesellschaft is held directly or indirectly by one or more persons acting collectively (i.e. persons who coordinate their behaviour with respect to their purchase of capital shares or voting rights or their exercise of voting rights with the purchaser by virtue of an agreement or by other means), unless such persons already held such a majority at the time when the syndicated loan agreement was concluded. The same applies mutatis mutandis to the subsidiaries of Berentzen-Gruppe Aktiengesellschaft that are included in the syndicated loan agreement as guarantors.

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

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

Distribution agreements

Furthermore, Berentzen-Gruppe Aktiengesellschaft has concluded contractual agreements with a number of domestic and international distributors regarding the distribution of branded spirits outside of Germany. These distribution agreements similarly include mutual agreements that permit the other contracting party in each case to invoke the extraordinary termination of the distribution agreement in question in the event of a change of control (change-of-control clauses). The basic form of the agreements defines change of control as a change in the ownership or control structure at the respective other party or at any contracting party holding a direct or indirect participating interest in such other contracting party or controls the same. In this context, "control" refers to the power, on the basis of an agreement, a participating interest or on any other basis, to assume management at another party. Internal restructuring measures do not qualify as change of control. As this basic form can be the subject matter of individual negotiations between the contracting parties, the details agreed may vary in individual cases.

Furthermore, a corresponding contractual agreement entitles Berentzen-Gruppe Aktiengesellschaft to distribute a foreign branded spirit in Germany. This sales agreement contains a clause referring to a change in the ownership of the corporate assets of Berentzen-Gruppe Aktiengesellschaft that entitle both contracting parties to invoke extraordinary termination of the said agreement in the event of such occurrence. Acquisition of more than 50% of the shares in Berentzen-Gruppe Aktiengesellschaft is also deemed to be such a change as defined in this sales agreement.

In the event of these termination rights being exercised, the sales of Berentzen Group's own branded spirits in other countries could be negatively impacted at least temporarily and/or Berentzen-Gruppe Aktiengesellschaft could lose the entitlement to distribute the foreign branded spirit in question within Germany. This, in turn, could have a detrimental effect on the financial performance, cash flows and financial position.

Agreements with members of the Executive Board

According to the service agreements in place between Berentzen-Gruppe Aktiengesellschaft and the members of the Executive Board, the members of the Executive Board have a special right to terminate their employment relationships under conditions defined in greater detail in the respective service relationship in the event of conversion or restructuring measures. The current members of the Executive have additionally been granted the option of special termination of the service relationship in the event of a change of control at Berentzen-Gruppe Aktiengesellschaft.

In the event that the special termination right is exercised, the affected member of the Executive Board will be entitled to a severance payment; again, please refer to the comments regarding the components of the compensation system for the Executive Board in the Compensation Report under section (3.1) for further details. In addition, any exercise of these special termination rights could compromise the business performance of the Berentzen Group at least temporarily.

Other agreements

Some subsidiaries of Berentzen-Gruppe Aktiengesellschaft have likewise entered into material agreements, including but not limited to financing and sales agreements, a franchise agreement and a service agreement on the bottling of franchised branded products that are subject to change-of-control provisions and – with differing arrangements in each individual case – generally grant an extraordinary termination right to the respective other contracting party in the event of such a change of control. A change of control as defined in some of these agreements is deemed to not only be a direct change in the ownership or control structure of the subsidiary that is party to the agreement but also an indirect change in the ownership or control structure of Berentzen-Gruppe Aktiengesellschaft.

(6.9) Compensation agreements in place between the parent company or the Company and the members of the Executive Board or employees in the event of a takeover bid

Members of the Executive Board

The service agreements concluded with the current members of the Executive Board contain provisions on a special termination right that may be exercised by the members of the Executive Board in the event, among other things, of a takeover bid or a change of control at Berentzen-Gruppe Aktiengesellschaft. In the event that the special termination right is exercised, the member of the Executive Board concerned will be entitled to compensation; for further details in this respect, please refer to the comments regarding the components of the compensation system for the Executive Board in the Compensation Report under section (3.1).

Employees

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

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

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

(7.1) Basic facts about the Company

The business activities of Berentzen-Gruppe Aktiengesellschaft essentially comprise the production of spirits, which from the corporate point of view are managed in the *Spirits* and *Other segments.* In addition, the Company performs management and central functions for the Berentzen Group by carrying out significant overarching activities for the domestic subsidiaries and the corporate group and – to a significantly lesser extent – for the subsidiary Citrocasa GmbH (formerly: T M P Technic-Marketing-Products GMBH), Linz, Austria. The centrally pooled and managed functions notably include the strategy of the corporate group, corporate communications including capital market reporting, financial management, finance and accounting, human resources, IT, internal support for legal and tax affairs, and corporate compliance.

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

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

At December 31, 2019, Berentzen-Gruppe Aktiengesellschaft employed at three locations 224 (216) employees (including trainees), thereof 112 (107) at the Minden location, 107 (104) at the Haselünne location and 5 (5) at the Stadthagen location.

The share capital of Berentzen-Gruppe Aktiengesellschaft in the amount of EUR 24,960 thousand (previous year: EUR 24,960 thousand) is divided into 9,600,000 shares of common stock (previous year: 9,600,000 shares of common stock), which are no-par bearer shares and are fully paid-in. The imputed nominal value per share is EUR 2.60. All common shares of Berentzen-Gruppe Aktiengesellschaft are listed on the regulated market (General Standard) of the Frankfurt Stock Exchange) and the international securities number (ISIN) DE0005201602. At December 31, 2019, the number of shares outstanding was 9,393,691 (previous year: 9,393,691) shares of common stock, Berentzen-Gruppe Aktiengesellschaft having purchased a total of 206,309 treasury shares in the financial years 2015 and 2016.

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

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

(7.2) Economic report

(7.2.1) Economic conditions and business performance

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

(7.2.2) Financial performance

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

	2019		2018		Change	
	EUR'000	%	EUR'000	%	EUR'000	%
Revenues	**99,259**	**99.8**	**101,659**	**98.6**	**- 2,400**	**- 2.4**
Change in inventories	238	0.2	1,476	1.4	- 1,238	- 83.9
Total operating performance	**99,497**	**100.0**	**103,135**	**100.0**	**- 3,638**	**- 3.5**
Purchased goods and services	56,042	56.3	55,455	53.8	+ 587	+ 1.1
Gross profit	**43,455**	**43.7**	**47,680**	**46.2**	**- 4,225**	**- 8.9**
Other operating income	1,304	1.3	1,404	1.4	- 100	- 7.1
Operating expenses	36,022	36.2	39,078	37.9	- 3,056	- 7.8
Operating profit (EBIT)	**8,737**	**8.8**	**10,006**	**9.7**	**- 1,269**	**- 12.7**
Other taxes	52	0.1	51	0.0	+ 1	+ 2.0
Financial result and result from participating interests	- 554	- 0.6	- 1,323	- 1.3	+ 769	+ 58.1
Exceptional effects	- 864	- 0.9	0	0.0	- 864	>- 100,0
Profit before income taxes	**7,267**	**7.3**	**8,632**	**8.4**	**- 1,365**	**- 15.8**
Income tax expenses	1,888	1.9	2,321	2.3	- 433	- 18.7
Net profit for the year	**5,379**	**5.4**	**6,311**	**6.1**	**- 932**	**- 14.8**

Revenues and total operating performance

In the 2019 financial year, the consolidated revenues of Berentzen-Gruppe Aktiengesellschaft excluding spirits tax amounted to EUR 99.3 million (EUR 101.7 million), while the consolidated revenues including spirits tax amounted to EUR 302.4 million (EUR 311.0 million). Including the change in inventories of EUR 0.2 million (EUR 1.5 million), total operating performance amounted to EUR 99.5 million (EUR 103.1 million).

Purchased goods and services

The goods and services purchased by Berentzen-Gruppe Aktiengesellschaft relate mainly to the material groups Alcohol (including grain and agricultural alcohol, whiskeys, and rum), flavourings (raw materials and aromas) and sugar as well as packaging (primarily glass and cardboard) and other materials for product features. Although the total operating performance fell slightly on the previous year, purchased goods and services increased to EUR 56.0 million (EUR 55.5 million) in absolute terms in the 2019 financial year and the ratio of purchased goods and services to total operating performance increased slightly to 56.3% (53.8%). Within this overall picture, the sourcing markets for the raw materials relevant to Berentzen-Gruppe Aktiengesellschaft developed unevenly again in the 2019 financial year, but remained largely stable.

Other operating income

At EUR 1.3 million (EUR 1.4 million), other operating income in the 2019 financial year was considerably lower than the previous-year figure and mainly consisted of income from the reversal of provisions in the amount of EUR 0.6 million (EUR 0.5 million).

Operating expenses

The total operating expenses including depreciation, amortisation and impairments came to EUR 36.0 million (EUR 39.1 million) and were therefore 7.8% less than the previous-year figure.

Personnel expenses increased by EUR 1.1 million to EUR 13.2 million (EUR 12.1 million) and the personnel expenses ratio increased to 13.3% (11.7%), mainly due to additional jobs created in the areas of marketing and sales, higher expenses in connection with severance payments and the deployment of new own employees in positions previously held by temporary staff in the areas of production and logistics. As of December 31, 2019, Berentzen-Gruppe Aktiengesellschaft had 224 (216) employees, of whom 73 (70) worked in production activities and 133 (132) in commercial and administrative activities; 18 (14) apprentices were in vocational training. The Company had an average of 181 (180) full-time equivalents in the 2019 financial year.

Depreciation and amortisation amounted to EUR 1.9 million in the 2019 financial year (EUR 1.9 million); both depreciation of property, plant and equipment and amortisation of intangible assets were at the same level as the respective previous-year figures.

Other operating expenses decreased to EUR 20.9 million (EUR 25.1 million). The marketing and trade advertising expenses decreased to EUR 6.6 million (EUR 10.8 million), while the transport and selling expenses of EUR 9.1 million (EUR 8.9 million) remained largely unchanged. Specific other overhead costs exhibited a mixed development but the total amount was, however, EUR 5.2 million (EUR 5.4 million) below the previous-year level.

Financial result and result from participating interests

The net balance of the financial result and the result from participating interests was an expense of EUR 0.6 million (EUR 1.3 million).

The result from participating interests and income under profit-and-loss transfer agreements with affiliated companies amounted to EUR 1.3 million (EUR 1.0 million). This relates almost exclusively to a dividend payment by the Austria-based subsidiary Citrocasa GmbH (formerly: T M P Technic-Marketing-Products GMBH).

Impairments of non-current financial assets totalled EUR 0.4 million in the previous year, consisting of impairments of the book value of an affiliated company. The expenses from losses assumed rose to EUR 0.6 million (EUR 0.8 million) and resulted from losses assumed from subsidiaries with which profit-and-loss transfer agreements are in place. Income from lending of non-current assets earned from affiliated companies remained constant at EUR 0.1 million (EUR 0.1 million).

In the 2019 financial year, interest and similar expenses increased on the previous year to EUR 1.4 million (EUR 1.3 million). In the past financial year, this figure includes interest expenses and fees of EUR 0.9 million (EUR 0.8 million) in connection with factoring as well as an interest expense of EUR 0.1 million (EUR 0.1 million) for a long-term loan. In addition, expenses in the amount of EUR 0.1 million (EUR 0.1 million) from compounding of pension provisions and other provisions are included.

Special effects (non-recurring items)

The US distributor acting on behalf of the subsidiary Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH), Linz, Austria, asserted in legal action filed claims for damages before the ordinary courts in the USA in February 2019 in connection with conduct allegedly harmful to business and anti-competitive practices against Berentzen-Gruppe Aktiengesellschaft. The proceedings were brought to a conclusion in November 2019. The expenses incurred by Berentzen-Gruppe Aktiengesellschaft in connection with this legal dispute totalled EUR 0.9 million in the 2019 financial year.

Income tax expenses

Current income tax expenses totalled EUR 1.8 million (EUR 2.2 million) in the 2019 financial year, notably on account of the profit recorded for the year. This essentially results from trade tax and corporate income tax for the 2019 financial year and tax arrears payments for previous years following a tax audit. Effects arising from the recognition of deferred tax assets and liabilities arising from temporary differences between the commercial and tax balance sheets amounted to less than EUR 0.1 million (less than EUR 0.1 million).

Operating result and net profit for the year

At EUR 8.7 million, the operating result generated in the 2019 financial year was 12.7% lower than the previous-year figure. The main factor contributing to this development was a significantly lower gross profit than in the previous year. In contrast, operating expenses fell by 7.8%. With a financial result and result from participating interests that was still negative, but significantly improved on the previous year of EUR 0.6 million (EUR 1.3 million) and income taxes of EUR 1.9 million (EUR 2.3 million), Berentzen-Gruppe Aktiengesellschaft generated overall a lower net profit for the year in comparison to the previous year of EUR 5.4 million (EUR 6.3 million).

Executive Board's proposal for the utilisation of profit

The distributable profit of Berentzen-Gruppe Aktiengesellschaft in the 2019 financial year amounts to EUR 13.2 million (EUR 10.4 million). This total includes the remaining profit carry-forward from the previous year in the amount of EUR 7.8 million (EUR 4.1 million).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft will propose to the annual general meeting that the distributable profit for the 2019 financial year of EUR 13.2 million be used to pay a dividend of EUR 0.28 per common share eligible for dividends for the 2019 financial year, with any remaining amount carried forward to new account. Taking into account the treasury shares not eligible for dividends held by the Company on the day of the annual general meeting in accordance with Section 71b AktG, this corresponds to an anticipated pay-out totalling around EUR 2.6 million and an amount of EUR 10.5 million carried forward to new account. The payment of this dividend is dependent upon the approval of the annual general meeting on May 13, 2020. The number of shares eligible for dividends may change in the time leading up to the annual general meeting. In this case, the dividend will remain unchanged at EUR 0.28 per eligible common share and an adjusted draft resolution for the utilisation of profit will be presented to the annual general meeting.

(7.2.3) Cash flows

Funding structure

In its role as parent company of the Berentzen Group, Berentzen-Gruppe Aktiengesellschaft acts as the central source of funding for the affiliated companies. The overall funding of the Berentzen Group at the end of the 2019 financial year is described in detail in section (2.2.5), Cash flows, of the Economic Report for the corporate group.

Cash Flow Statement for the period from January 1 to December 31, 2019

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

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

	2019 EUR'000	2018 EUR'000
Operating cash flow	7,250	8,604
Cash flow from operating activities	8,171	- 544
Cash flow from investing activities	- 986	- 1,790
Cash flow from financing activities	- 2,630	- 2,067
Change in cash and cash equivalents	4,555	- 4,401
Cash and cash equivalents at the end of the period	9,132	4,577

Operating cash flow and cash flow from operating activities

The operating cash flow remained positive at EUR 7.3 million (EUR 8.6 million) in the 2019 financial year, on the back of a profit for the year of EUR 5.4 million (EUR 6.3 million).

The cash flow from operating activities also includes cash movements in working capital. All in all, this gave rise to a net cash inflow of EUR 8.2 million in the 2019 financial year, while in the previous year a net cash outflow of EUR 0.5 million was earned. Cash movements in current assets, some of which relate to the reporting date and revenues, as well as notably a cash- and scheduling-related increase in the amounts receivable from affiliated companies, led to a net cash outflow of EUR 1.8 million (EUR 9.5 million). The alcohol tax liability increased by EUR 1.3 million (decrease of EUR 1.0 million) to EUR 43.6 million (EUR 42.3 million) compared to the reporting date of the previous year. All in all, the change in provisions and other liabilities gave rise on balance to a cash inflow of EUR 2.7 million (EUR 0.4 million) was generated in the previous year.

Cash flow from investing activities

Investing activities led to a net cash outflow of EUR 1.0 million (EUR 1.8 million). The investments in property, plant and equipment totalled EUR 0.7 million (EUR 1.0 million), and were offset by proceeds from the disposal of items of property, plant and equipment of less than EUR 0.1 million in the 2018 and 2019 financial years. The investments in non-current financial assets amounted to EUR 0.6 million in the previous year. In the 2018 financial year, these investments related primarily to the funding of additional paid-in capital for a domestic subsidiary.

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 2.6 million (EUR 2.1 million), which resulted entirely from the dividend payment of EUR 2.6 million (EUR 2.1 million).

Cash and cash equivalents

Cash and cash equivalents totalled EUR 9.1 million (EUR 4.6 million), at year-end, of which EUR 6.0 million (EUR 3.3 million) related to receivables from the customer settlement account maintained with a bank that is used for settlement under a factoring agreement.

(7.2.4) Financial position

	12/31/2019 EUR'000	%	12/31/2018 EUR'000	%	Change EUR'000
Assets					
Non-current assets	53,525	38.3	54,409	40.6	- 884
Current assets	85,945	61.6	79,566	59.3	+ 6,379
Other assets	147	0.1	153	0.1	- 6
	139,617	**100.0**	**134,128**	**100.0**	**+ 5,489**
Shareholders' equity and liabilities					
Shareholders' equity	53,660	38.4	50,911	38.0	+ 2,749
Non-current liabilities	10,576	7.6	10,376	7.7	+ 200
Current liabilities	75,381	54.0	72,841	54.3	+ 2,540
	139,617	**100.0**	**134,128**	**100.0**	**+ 5,489**

Assets

Total assets increased to EUR 139.6 million compared with December 31, 2018 (EUR 134.1 million). Non-current assets amounted to EUR 53.5 million (EUR 54.4 million), accounting for around 38.3% (40.6%) of total assets.

Non-current assets

Alongside property, plant and equipment such as property, technical equipment and machinery, plant and office equipment, which accounts for EUR 19.0 million (EUR 20.1 million) of non-current assets, a further EUR 33.9 million (EUR 33.9 million) related to non-current financial assets, primarily including shares in affiliated companies in the amount of EUR 28.5 million (EUR 28.5 million) and loans of EUR 5.4 million (EUR 5.4 million) used to ensure the long-term funding of affiliated companies. Intangible assets make up a further EUR 0.6 million (EUR 0.4 million) of non-current assets. These are primarily software licences. In the past financial year, Berentzen-Gruppe Aktiengesellschaft invested EUR 1.0 million (EUR 1.8 million) in non-current assets.

Current assets

Within current assets totalling EUR 85.9 million (EUR 79.6 million), a portion of 50.2% (53.5%) is attributable to receivables and other assets, which increased by EUR 0.6 million from EUR 42.6 million to EUR 43.2 million on account of cash and liquidity management effects. The stock of inventories likewise increased to EUR 33.6 million (EUR 32.4 million); it should be noted however that this is mainly attributable to an increased in the stock of processed whiskey and, consistent with the “ready-to-drink” trend, of premixed beverages.

The cash and cash equivalents of EUR 9.1 million (EUR 4.6 million) increased as a result of the positive cash flow totalling EUR 4.6 million, as shown in the Cash Flow Statement.

Shareholders’ equity and liabilities

Shareholders’ equity

Shareholders’ equity rose to EUR 5.4 million (EUR 6.3 million). This figure is based on the net profit for the year of around EUR 2.6 million (EUR 2.1 million) and includes the dividend payment of EUR 53.7 million (EUR 50.9 million) resolved by the annual general meeting in May 2019.

Non-current liabilities and provisions

An amount of EUR 10.6 million (EUR 10.4 million) was available to the Company in the form of non-current liabilities and provisions, which mainly consisted of liabilities under the syndicated loan agreement in the amount of EUR 7.5 million (EUR 7.5 million) and pension provisions in the amount of EUR 2.4 million (EUR 2.4 million).

Current liabilities and provisions

Current liabilities and provisions increased to EUR 75.4 million (EUR 72.8 million) and accounted for 54.0% (54.3%) of total assets in relative terms.

Alcohol tax liabilities amounted to EUR 43.6 million (EUR 42.3 million). This figure represents the alcohol tax liabilities for the last two months of the financial year.

Other liabilities and other current provisions together increased to EUR 30.7 million (EUR 29.6 million).

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

Business performance

The business performance of Berentzen-Gruppe Aktiengesellschaft was satisfactory as a whole over the 2019 financial year.

With developments that varied individually, it was possible all in all to achieve a sales volume at the previous-year level in the business with spirits. Due to, among other factors, a sales volume of the two core brands *Berentzen* and *Puschkin*, which declined slightly overall, modest unit sales declines were registered for domestic branded spirits. The international business with branded spirits saw a decline in comparison to the previous year. The branded dealer and private-label products returned a positive sales performance.

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

Economic situation

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

Based on stable unit sales and revenue levels, Berentzen-Gruppe Aktiengesellschaft completed the 2019 financial year with an operating profit of EUR 8.7 million (EUR 10.0 million). This negative development was mainly caused by the lower gross profit, which fell by EUR 4.2 million in comparison to the previous year.

The financial result and result from participating interests showed clearly positive development. This is attributable in particular to a higher result from participating interests and to lower expenses for losses assumed. At the same time, no impairments of the book values of affiliated companies were need in the 2019 financial year, unlike the previous year. After these effects, the net profit for the year totalled EUR 5.4 million (EUR 6.3 million).

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

(7.3) Report on risks and opportunities

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

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

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

(7.4) Forecast report

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

Based on the forecast development of the corporate group in the 2020 financial year, it is expected that Berentzen-Gruppe Aktiengesellschaft will generate a profit of a sufficient amount to pay a dividend of an appropriate amount from the corresponding distributable profit also in the 2020 financial year.

Please refer to the Forecast Report in section (5) of the Combined Management Report for further explanations of the key operating topics in the 2020 financial year and for the general statement about the anticipated performance of the corporate group.

(8) (Group) declaration on corporate governance

The Group declaration on corporate governance pursuant to Section 315d of the German Commercial Code (HGB) and the declaration of corporate governance pursuant to Section 289f HGB are a constituent part of this combined management report. These documents have been made publicly accessible on the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en/.

C. Consolidated Financial Statements

Statement of Financial Position at December 31, 2019

	Note	12/31/2019 EUR'000	12/31/2018 EUR'000
ASSETS			
Non-current assets	(2.1)		
Intangible assets	(2.2)	11,631	12,083
Property, plant and equipment	(2.3)	45,352	45,796
Investment property	(2.4)	730	744
Right-of-use assets	(2.5)	1,299	0
Other financial assets	(2.6)	708	819
Total non-current assets		**59,720**	**59,442**
Current assets			
Inventories	(2.7)	40,556	39,920
Current trade receivables	(2.8)	14,799	16,434
Current income tax assets	(2.9)	83	306
Cash and cash equivalents	(2.10)	22,698	15,793
Other current financial and non-financial assets	(2.11)	13,774	13,084
Total current assets		**91,910**	**85,537**
TOTAL ASSETS		**151,630**	**144,979**

	Note	12/31/2019 EUR'000	12/31/2018 EUR'000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(2.12)		
Subscribed capital		24,424	24,424
Additional paid-in capital		6,821	6,821
Retained earnings		17,955	16,164
Total shareholders' equity		**49,200**	**47,409**
Non-current liabilities			
Non-current provisions	(2.13)	9,853	9,945
Non-current financial liabilities	(2.14)	7,858	7,134
Deferred tax liabilities	(2.15)	1,778	1,968
Total non-current liabilities		**19,489**	**19,047**
Current liabilities			
Alcohol tax liabilities	(2.16)	43,601	42,277
Current provisions	(2.17)	257	730
Current income tax liabilities	(2.18)	1,467	2,802
Current financial liabilities	(2.19)	2,340	1,086
Trade payables and other liabilities	(2.20)	35,276	31,628
Total current liabilities		**82,941**	**78,523**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**151,630**	**144,979**

Consolidated Statement of Comprehensive Income for the period from January 1 to December 31, 2019

	Note	2019 EUR'000	2018 EUR'000
Revenues	(3.1)	167,400	162,167
Change in inventories	(3.2)	14	1,412
Other operating income	(3.3)	4,124	4,712
Purchased goods and services	(3.4)	92,717	91,903
Personnel expenses	(3.5)	25,601	24,569
Amortisation and depreciation of assets	(3.6)	8,549	7,526
Other operating expenses	(3.7)	35,924	35,299
Financial income	(3.8)	104	70
Financial expenses	(3.8)	1,650	1,635
Earnings before income taxes		**7,201**	**7,429**
Income tax expenses	(2.15)	2,276	2,264
Consolidated profit		**4,925**	**5,165**
Currency translation differences		- 197	- 426
Items to be reclassified to the income statement at a later date		**- 197**	**- 426**
Revaluation of defined benefit obligations		- 436	211
Deferred taxes on revaluation of defined benefit obligations		129	- 63
Items not to be reclassified to the income statement at a later date		**- 307**	**148**
Other comprehensive income	(2.12)	**- 504**	**- 278**
Consolidated comprehensive income		**4,421**	**4,887**
Earnings per share based on profit, attributable to shareholders (in euros per share)			
Basic/ diluted earnings per common share	(3.10)	0.524	0.550

Consolidated Statement of Changes in Shareholders' Equity for the period from January 1 to December 31, 2019

	Subscribed capital EUR'000	Additional paid-in capital EUR'000	Retained earnings EUR'000	Total equity EUR'000
Balance at 01/01/2018	**24,424**	**6,821**	**13,344**	**44,589**
Consolidated profit			5,165	5,165
Other comprehensive income			- 278	- 278
Consolidated comprehensive income			4,887	4,887
Dividends paid			- 2,067	- 2,067
Balance at 12/31/2018	**24,424**	**6,821**	**16,164**	**47,409**
Balance at 01/01/2019	**24,424**	**6,821**	**16,164**	**47,409**
Consolidated profit			4,925	4,925
Other comprehensive income			- 504	- 504
Consolidated comprehensive income			4,421	4,421
Dividends paid			- 2,630	- 2,630
Balance at 12/31/2019	**24,424**	**6,821**	**17,955**	**49,200**

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

Consolidated Cash Flow Statement for the period from January 1 to December 31, 2019

	2019 EUR'000	2018 EUR'000
Consolidated profit	4,925	5,165
Income tax expenses	2,276	2,264
Interest income	- 97	- 70
Interest expenses	1,645	1,635
Amortisation and depreciation of assets	8,549	7,526
Other non-cash effects	- 850	- 476
Increase (+) / decrease (-) in provisions	- 566	- 397
Gains (-) / losses (+) on disposals of property, plant and equipment	- 16	- 10
Increase (+) / decrease (-) in receivables assigned under factoring agreements	8,642	- 1,026
Decrease (+) / increase (-) in other assets	- 8,147	- 5,460
Increase (+) / decrease (-) in alcohol tax liabilities	1,324	- 1,035
Increase (+) / decrease (-) in other liabilities	3,700	6
Cash and cash equivalents generated from operating activities	**21,385**	**8,122**
Income taxes paid	- 3,443	- 1,224
Interest received	98	73
Interest paid	- 1,429	- 1,379
Cash flow from operating activities	**16,611**	**5,592**
Proceeds from disposals of intangible assets	142	85
Payments for investments in intangible assets	- 959	- 753
Proceeds from disposals of property, plant and equipment	139	189
Payments for investments in property, plant and equipment	- 6,212	- 6,023
Proceeds from disposals of financial assets	0	2
Cash flow from investing activities	**- 6,890**	**- 6,500**
Cash inflows from the utilization of loan agreements	299	0
Repayment of Bonds	- 104	0
Dividend payments	- 2,630	- 2,067
Lease liability repayments	- 735	0
Cash flow from financing activities	**- 3,170**	**- 2,067**
Change in cash and cash equivalents	**6,551**	**- 2,975**
Cash and cash equivalents at the start of the period	15,459	18,434
Cash and cash equivalents at the end of the period	**22,010**	**15,459**

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

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

Notes to the Consolidated Financial Statements of Berentzen-Gruppe Aktiengesellschaft for the 2019 financial year

(1) Policies and methods

(1.1) Information about the Company

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

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

The consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft at December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee as applicable in the European Union (EU). All pronouncements of the International Accounting Standards Board (IASB) that are subject to mandatory application have been taken into account, leading to a true and fair view of the financial position, cash flows and financial performance of Berentzen-Gruppe Aktiengesellschaft. The consolidated financial statements comply with the European Union directive regarding consolidated accounts (Directive 83/349/EEC). As a publicly traded company governed by the law of a member state of the European Union (EU), Berentzen-Gruppe Aktiengesellschaft is required by Article 4 of Regulation (EC) No. 1606/2002 to prepare and publish its consolidated financial statements in accordance with IFRS and the applicable further provisions of commercial law specified in Section 315e (1) of the German Commercial Code (HGB).

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

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

The Executive Board approved the present consolidated financial statements at December 31, 2019, and the combined Group management report for the 2019 financial year for publication and submission to the Supervisory Board on March 16, 2020.

(1.3) New and amended IFRS standards

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

Standards, interpretations and amendments to published Standards that are material to the Berentzen Group and are subject to mandatory initial application in the 2019 financial year

Standard	Mandatory application
IFRS 16 Leases	01/01/2019

IFRS 16 Leases changes the accounting treatment to be applied by the lessee particularly in that leases are no longer classified as operating or finance leases; instead, both a right-of-use asset and a lease liability must be recognised in most cases. The lease liability comprises the present value of the lease payments payable over the lease term. Whereas the right-of-use asset is usually depreciated on a straight-line basis, the lease liability must be compounded in subsequent periods.

The Berentzen Group first applied IFRS 16 as of January 1, 2019 under the modified retrospective approach. Accordingly, the figures from the previous-year period were not adjusted. For short-term leases and leases of low-value assets, the option to exempt the inclusion thereof in the balance sheet is elected. Furthermore, the option was made use of to account for service payments from an agreement together with the lease components.

For the initial application, right-of-use assets were calculated using the value of the lease liability, applying the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate was 3.3%. Leases with a term that ends by no later than December 31, 2019 were treated in the same way as short-term leases. Current knowledge was taken into account in determining the term of leases with extension and termination options.

As part of the first-time application, right-of-use assets were recognised in the balance sheet in the amount of EUR 1,349 thousand and lease liabilities in the amount of EUR 1,453 thousand at January 1, 2019. The difference of EUR 104 thousand pertains to lease liabilities from subleases, for which receivables under finance leases were shown on the assets side of the balance sheet in the appropriate amount.

The obligations from operating leases at December 31, 2018 can be reconciled with the lease liabilities recognised at January 1, 2019 as follows:

	EUR'000
Obligations from operating leases at 12/31/2018	2,433
Accounting conveniences	
Short-term leases	- 871
Leases relating to low-value assets	- 16
Other	- 32
Gross lease liabilities at 01/01/2019	**1,514**
Discounting effect	- 61
Net lease liabilities at 01/01/2019	**1,453**

The first-time application of IFRS 16 leads to an increase in the consolidated EBITDA of EUR 783 thousand in the 2019 financial year, as, instead of recognising the lease expense, as was the case under IAS 17, depreciation of right-of-use assets and interest expenses on liabilities are now recognised. Furthermore, the consolidated EBIT increased by EUR 46 thousand.

In the Cash Flow Statement, the first-time application of IFRS 16 leads to an increase in cash flow from operating activities of EUR 735 thousand and a decrease in cash flow from financing activities by a corresponding amount in the 2019 financial year, as the principal portion of the lease payments is now reported under cash flow from financing activities.

(1.4) Consolidation principles

Principles of consolidation

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

Shares in non-fully consolidated companies are normally presented at amortised acquisition cost, as this represents the best estimate of the fair value.

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

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

Business combinations

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

(1.5) Consolidated group

Essentially all domestic and foreign companies controlled by Berentzen-Gruppe Aktiengesellschaft within the meaning of IFRS 10 are included in the consolidated financial statements at December 31, 2019, alongside Berentzen-Gruppe Aktiengesellschaft. Including Berentzen-Gruppe Aktiengesellschaft, the group of companies included in the consolidated financial statements comprises ten (previous year: ten) domestic and two (previous year: two) foreign Group companies.

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

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

The basis of consolidation has not been changed compared to the consolidated financial statements as of December 31, 2018.

(1.6) List of corporate shareholdings

Berentzen-Gruppe Aktiengesellschaft, Haselünne, prepares the consolidated financial statements for the largest and simultaneously smallest group of companies. The following list shows the shareholdings of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 313 (2) No. 1-4 HGB. The respective shareholdings have not changed in comparison to the previous year.

Direct subsidiaries

Name, registered office	Shareholding in %
Berentzen Distillers International GmbH, Haselünne	100.0
Berentzen Start-ups Investment GmbH, Haselünne	100.0
Der Berentzen Hof GmbH, Haselünne [1)]	100.0
DLS Spirituosen GmbH, Flensburg [1)]	100.0
Doornkaat Aktiengesellschaft, Norden [1)]	100.0
Kornbrennerei Berentzen GmbH, Haselünne	100.0
LANDWIRTH´S GmbH, Minden	100.0
Medley´s Whiskey International GmbH, Haselünne	100.0
Pabst & Richarz Vertriebs GmbH, Minden [1)]	100.0
Puschkin International GmbH, Haselünne	100.0
Strothmann Spirituosen Verwaltung GmbH, Haselünne	100.0
Citrocasa GmbH (formerly: T M P Technic- Marketing-Products GMBH), Linz, Republic of Austria	100.0
Vivaris Getränke GmbH & Co. KG, Haselünne [1)]	100.0
Winterapfel Getränke GmbH, Haselünne	100.0

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

Indirect subsidiaries

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

(1.7) Accounting policies

Foreign currency translation

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

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

Intangible assets

Intangible assets are recognised at amortised cost. All intangible assets except for goodwill have definite useful lives. Amortisation of our own brands is taken on proprietary brands on a straight-line basis over the individually estimated useful life of 15 years. Acquired technologies, customer lists and software licences are amortised on a straight-line basis over an estimated economic useful life of no more than 8 years. Purchase commitments are amortised during the agreed term across the annual quantity purchased using a charge rate for each period; their operational useful life usually totals 5 years.

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Investment property

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

Leases

Since the 2019 financial year, the Berentzen Group has been recognising leases in accordance with IFRS 16. Under this standard, a lease is defined as an agreement that entitles the lessee to control the use of an identified asset for a specified period of time in return for payment of a fee.

Where Berentzen Group companies act as lessees, a right-of-use asset is to be entered on the asset side of the balance sheet and a lease liability on the liability side for every lease as a matter of principle. In the preliminary assessment, the lease liability is calculated using the present value of lease payments that have not yet been made. Payments pertaining to service are recognised together with the lease components of the agreement. The payments are discounted using the incremental borrowing rate of the lessee. In the balance sheet, lease liabilities are shown under financial liabilities. The right-of-use asset is usually initially calculated using the lease liability amount. Right-of-use assets are reported under a separate item: "Right-of-use assets". In subsequent periods, the lease payment is to be divided into an interest and a principal portion so as to produce a constant periodic rate of interest on the lease liability via the interest portion. The principal portion reduces the lease liability. The right-of-use asset is depreciated on a straight-line basis.

Short-term leases and leases of low-value assets are not shown in the balance sheet. Instead, the lease instalments are recorded as an expense.

In the Cash Flow Statement, the portion of the lease payments that pertains to the repayment of the lease liability is recorded under cash flow from financing activities. The interest portion of the lease payments is reported under cash flow from operating activities.

The accounting treatment of leases for which the Berentzen Group acts as lessor corresponds to the approach followed until December 31, 2018.

In the 2018 financial year, the Berentzen Group recognised leases pursuant to the provisions of IAS 17. In accordance with this standard, the economic ownership of a leased asset was attributable to the lessee if it bore all material risks and rewards associated with the asset (finance lease). Where the economic ownership of the leased item of property, plant and equipment is attributable to Berentzen Group companies, the leased asset was capitalised at the inception of the lease at cost or, if lower, at the present value of the minimum lease payments. Depreciation was taken – in line with comparable acquired items of property, plant and equipment – on a straight-line basis over the useful life or the term of the lease, if this was shorter.

Where Berentzen Group companies acted as the lessor of a finance lease, receivables were recognised in the amount of the net investment value arising from the leases and the interest income was recognised in profit or loss.

Leases under which a substantial portion of the risks and rewards incidental to ownership of the leased asset remained with the lessor were classified as operating leases. Both expenses and income in connection with these contracts were recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Inventories

Inventories are valued at the lower of acquisition or production costs or net realisable values. Alongside the direct costs which are generally measured at the moving average, the cost of inventories comprises appropriate portions of the required indirect materials and production overheads, as well as production-related depreciation that can be attributed directly to the production process. The cost of administration and social facilities is included insofar as it can be attributed to production. Write-ups are recognised if the reasons that led to a write-down of the inventories no longer apply.

Income taxes, and deferred tax assets and liabilities

Income taxes comprise the taxes on income to be paid immediately, essentially comprising the current corporate income tax and trade tax, along with deferred taxes.

Effects arising from the measurement of deferred taxes compliant with IAS 12 on account of temporary differences between the carrying amounts under IFRS and the carrying amounts used in the tax balance sheet or as a result of the recognition and measurement of tax loss carry-forwards that have not already been utilised are similarly included.

Probable tax savings and charges arising in the future are recognised for temporary differences between the carrying amounts stated in the consolidated financial statements and the values of assets and liabilities stated for tax purposes. Anticipated tax savings arising from the utilisation of loss carry-forwards deemed to be realisable in the future are capitalised.

In accordance with the criteria set out in IAS 12.74, deferred tax assets and liabilities broken down by current/non-current are offset within the individual company and within a group of companies for income tax purposes.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards exceeding the deferred tax liabilities arising from taxable temporary differences are only recognised to the extent that it is probable that enough taxable income will be generated to realise the corresponding benefits. Various factors such as the loss history and operating plans are applied to assess the probability.

The tax charges on planned dividend pay-outs by domestic and international subsidiaries are insignificant and hence not normally recognised. These tax charges arising from German corporate-income and trade tax of approximately 1.5% on all dividends would exist for subsidiaries with the legal form of an incorporated company.

Financial instruments

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

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash, sight deposits and other current, highly liquid financial assets with an original maturity of less than three months.

Treasury shares

Treasury shares purchased and held are measured at cost, including directly allocable transaction costs, and are deducted directly from equity instead of being recognised in profit or loss. The imputed share of nominal capital attributable to treasury shares is set off against subscribed capital, and the difference between the imputed nominal value and the acquisition cost of purchased treasury shares is offset against retained earnings.

Provisions

Provisions take account of present legal or constructive obligations towards third parties that arise from past events, the settlement of which is expected to result in an outflow of resources, provided that a reliable estimate can be made of the amount of the obligation. They are recognised at the necessary amount expected to settle the obligation. Non-current provisions are recognised at the discounted settlement amount at the reporting date. Increases resulting from compounding are recognised within Financial expenses. Provisions are not offset against rights of recourse.

Employee benefits

The actuarial measurement of the pension provisions for the Company pension plan is carried out using the projected unit credit method prescribed by IAS 19. The defined benefit obligation (DBO) is measured annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the anticipated future cash outflows with the market yields on high quality corporate bonds with equivalent terms to the pension obligations. This was 0.7% during the reporting period (previous year: 1.1%). Actuarial gains and losses based on experience adjustments and the effects of changes to the actuarial assumptions are recognised directly in Other comprehensive income and not in profit or loss.

Post-employment benefits are granted where an employee is terminated before reaching ordinary retirement age or an employee leaves employment voluntarily against payment of a termination indemnity. Termination payments are recognised when the obligation demonstrably exists to terminate the employment of current employees in accordance with a detailed formal plan without a realistic possibility of withdrawal from that plan.

Liabilities

Liabilities comprise financial liabilities, trade payables and other liabilities. Upon initial recognition, they are measured at the fair value of the consideration received less the transaction costs associated with the borrowing.

Financial liabilities are subsequently measured at amortised costs, applying the effective interest method. Gains and losses are recognised directly in profit or loss when the liabilities are derecognised and within the framework of amortisation. The transaction costs are recognised under Financial expenses.

Non-current liabilities are subsequently measured at amortised cost. Differences between historical cost and the redemption amount are measured in accordance with the effective interest method.

Current liabilities are recognised at their redemption or settlement amount.

Liabilities classified as “held for trading” are measured at fair value through profit or loss.

The alcohol tax and import duties are recognised in the amount payable to the main customs offices and are shown in a separate line item in order to improve the informative value of the consolidated financial statements.

Contingent liabilities are not recognised in the Statement of Financial Position. They are shown in Note (4.3) in the notes to the consolidated financial statements.

Government grants

Government grants for investments in assets are presented as deferred income within liabilities and reversed in profit or loss on a straight-line basis over the expected useful life of the assets concerned.

Impairments of financial assets

The financial assets of the category “measured at amortised cost” are subject to the impairment rules of IFRS 9. Therefore, the future expected credit loss is assessed for these assets on every reporting date so as to enable a presentation of the risk of default. The applicable impairment method depends on whether the risk of default has significantly increased.

When determining whether a financial asset’s risk of default has increased significantly, information and analyses based on both past experience as well as information regarding the future are taken into account. The risk of default is presumed to have increased significantly if the contractual cash flows are more than 30 days past due. If an asset’s risk of default has increased significantly, the impairment is measured in the amount of the expected lifetime credit loss. In contrast, if the risk of default has not increased significantly, the impairment is recognised in the amount of the 12-month expected credit loss. The two impairment methods differ insofar as all expected losses from potential default events occurring over the entire remaining term flow into the lifetime expected credit loss, whereas only losses expected from default events in the following twelve months flow into the 12-month expected credit loss.

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

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

Derecognition of financial assets and liabilities

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

If substantially all of the opportunities and risks associated with the ownership of the financial asset are neither transferred nor retained, the asset is derecognised if the Group does not retain control over the financial asset. In contrast, if the Group continues to retain control over the transferred financial asset, the Group recognises its remaining share of the assets and a corresponding liability in the amount that must possibly be paid. When the continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original amount of the asset and the maximum amount of the consideration received that the Group could be required to repay.

A financial liability is derecognised when the obligation underlying this liability is discharged or cancelled or expires.

If an existing financial liability is exchanged for another liability of the same lender with substantially different contractual terms, or the conditions of an existing liability are changed significantly, such an exchange or change leads to the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Recognition of income and expenses

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

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

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

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

Financial expenses and income are recognised through profit or loss.

Assumptions and estimates

When preparing the consolidated financial statements, assumptions have been made and estimates applied that have an impact on the presentation and measurement of the recognised assets, liabilities, income, expenses and contingent liabilities.

They essentially relate to the assessment of the impairment of intangible assets, the definition of uniform economic useful lives, the collectability of receivables, the recognition and measurement of provisions, and the realisation of future tax savings.

In the course of business combinations, assumptions are made for the purpose of purchase price allocation regarding the valuation of liabilities assumed, and particularly of acquired assets, as the fair value is used as the measure. This is generally measured as the present value of the future cash flows, taking into account the present value of the depreciation-related tax benefit.

In connection with leases entered into as a lessee, assumptions need to be made when determining the term of contracts with extension or termination options. The periods of time resulting from extension or termination options only need to be taken into account in the term of a lease if it is reasonably certain that the option will be exercised or not exercised. When determining whether there is reasonable certainty, discretionary decisions are necessary.

Extension and termination options exist in particular for building and fleet leases. On the provision date, the periods of time resulting from extension or termination options are not taken into account as it is not reasonably certain that they will be exercised or not exercised. After the provision date, the term of a lease is reassessed if an extension option is actually exercised and/or a termination option is not exercised.

The present value of pension obligations depends upon a number of factors that are based on actuarial assumptions. The assumptions applied when determining the net expenses (income) for pensions include the anticipated discount rate. Berentzen-Gruppe Aktiengesellschaft determines the appropriate discount rate at the end of each year. Due to Company-specific factors, the rate of increase in the pension obligation is 1.5% (previous year: 1.5%). Further significant assumptions for pension obligations are based on existing market conditions. These actuarial assumptions may differ from actual developments due to changed market and economic conditions, thus leading to a significant change in the pension and similar obligations.

The measurement of provisions for legal disputes depends on estimates to a considerable degree. Legal disputes often involve complex legal questions and are fraught with considerable uncertainties. It may be necessary to recognise a new provision for an ongoing legal dispute as a result of new developments or to adjust the amount of an existing provision. In addition, the outcome of a legal dispute could give rise to expenditures that exceed the provision recognised for the respective proceeding. Legal disputes can have significant effects on the financial position, cash flows and financial performance of the Berentzen Group. Required information about legal disputes according to IAS 37 is not disclosed if the Berentzen Group concludes that such information could seriously endanger the outcome of the given proceeding.

The repayment obligations (liabilities) arising from deposits received are measured using the turnover rate of the returnable containers determined in accordance with the respective container type and the underlying deposit system.

Income taxes must be estimated for each tax jurisdiction in which the Group operates. This involves calculating the anticipated current income tax payable and assessing the temporary differences arising from the differing treatment of certain items in the Statement of Financial Position between the consolidated financial statements prepared in accordance with IFRS and the financial statements prepared under tax law. Where there are temporary differences, they normally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. The management must make assessments when calculating actual and deferred taxes. Where the actual results differ from these estimates, or these estimates need to be adjusted in future periods, this may have a negative impact on the Company’s financial position, cash flows and financial performance. Where there is a change in the assessment of the value of deferred tax assets, write-downs are taken on the deferred tax assets and recognised in profit or loss.

Fluctuating business cycles give rise to risks for the further development of the market and economic situation. These fluctuations may cause underlying assumptions to differ from actual developments and have an impact on commodity prices, interest rates and patterns of consumer behaviour.

The assumptions and estimates are underpinned by premises that are based on the currently available information. The actual values may in some cases differ from the assumptions and estimates made. Changes are recognised in profit or loss at the date when a better understanding is gained.

(2) Explanatory notes to the Consolidated Statement of Financial Position

(2.1) Non-current assets

Development of intangible assets, property, plant and equipment, and investment property in the 2018 and 2019 financial years

	Intangible assets EUR'000	Property, plant and equipment EUR'000	Investment property EUR'000	Total non-current assets EUR'000
Acquisition/production cost				
Balance at 01/01/2018	71,184	153,514	1,203	225,901
Additions	753	6,023	0	6,776
Disposals	- 312	- 5,941	0	- 6,253
Currency effects	- 3	- 13	0	- 16
Balance at 12/31/2018	71,622	153,583	1,203	226,408
Additions	959	6,212	0	7,171
Disposals	- 350	- 4,584	0	- 4,934
Currency effects	- 1	- 4	0	- 5
Balance at 12/31/2019	72,230	155,207	1,203	228,640
Depreciation				
Balance at 01/01/2018	58,502	107,315	443	166,260
Additions	1,297	6,213	16	7,526
Disposals	- 260	- 5,731	0	- 5,991
Currency effects	0	- 10	0	- 10
Balance at 12/31/2018	59,539	107,787	459	167,785
Additions	1,309	6,489	14	7,812
Disposals	- 250	- 4,416	0	- 4,666
Currency effects	1	- 5	0	- 4
Balance at 12/31/2019	60,599	109,855	473	170,927
Net carrying amounts 12/31/2019	**11,631**	**45,352**	**730**	**57,713**
Net carrying amounts 12/31/2018	**12,083**	**45,796**	**744**	**58,623**

The syndicated loan agreement concluded in December 2016 stipulates that material sales of non-current assets exceeding the normal course of business may require the consent of the lender.

(2.2) Intangible assets

Development of intangible assets in the 2018 and 2019 financial years

	Goodwill EUR'000	Trademarks, customer lists, and technical knowledge EUR'000	Licences and other intangible assets EUR'000	Advance payments made EUR'000	Total intangible assets EUR'000
Acquisition/production cost					
Balance at 01/01/2018	6,056	62,523	2,547	58	71,184
Additions	0	296	417	40	753
Disposals	0	- 308	- 4	0	- 312
Reclassifications	0	0	58	- 58	0
Currency effects	0	0	- 3	0	- 3
Balance at 12/31/2018	6,056	62,511	3,015	40	71,622
Additions	0	257	609	93	959
Disposals	0	- 327	- 23	0	- 350
Reclassifications	0	0	40	- 40	0
Currency effects	0	0	- 1	0	- 1
Balance at 12/31/2019	6,056	62,441	3,640	93	72,230
Amortization					
Balance at 01/01/2018	0	56,409	2,093	0	58,502
Additions	0	1,070	227	0	1,297
Disposals	0	- 256	- 4	0	- 260
Currency effects	0	0	0	0	0
Balance at 12/31/2018	0	57,223	2,316	0	59,539
Additions	0	1,073	236	0	1,309
Disposals	0	- 227	- 23	0	- 250
Currency effects	0	0	1	0	1
Balance at 12/31/2019	0	58,069	2,530	0	60,599
Net carrying amounts 12/31/2019	**6,056**	**4,372**	**1,110**	**93**	**11,631**
Net carrying amounts 12/31/2018	**6,056**	**5,288**	**699**	**40**	**12,083**

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

	12/31/2019 EUR'000	12/31/2018 EUR'000
Trademarks	2,615	2,879
Customer lists	588	924
Technical knowledge	705	961
Purchase commitments	464	524
Trademarks, customer lists, and technical knowledge	4,372	5,288
Goodwill	6,056	6,056
Licences and other intangible assets	1,110	699
Advance payments made	93	40
	11,631	**12,083**

Pursuant to IAS 36.10, the goodwill capitalised in financial year 2014 within the framework of the acquisition of Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH) in the amount of EUR 6,056 thousand (previous year: EUR 6,056 thousand) is subject to annual impairment testing. The impairment test performed in the 2019 financial year did not give rise to any impairment (as was the case in the previous year). The recoverable amount is determined using the fair value less costs to sell. The fair value less costs to sell was calculated by determining the present value of the future anticipated cash flows (discounted cash flow method), using a planning period of three years.

The weighted average cost of capital (WACC) of an appropriate peer group was applied as the discount rate. This discount rate determined for the CGU was 4.2% (previous year: 4.8%). The parameters for the weighted average cost of capital were determined on the basis of values derived from external market conditions. The applied growth rate was 1.0% (previous year: 1.0%).

The principal assumptions applied in the calculation of the fair value less costs to sell pertained to the weighted average cost of capital, the forecast development of revenues, the EBITDA growth rate and the sustainable growth rate of the terminal value. The fair value less costs to sell is mainly based on non-observable input data (fair value hierarchy Level 3).

As in the prior year, no intangible assets were encumbered with security interests at December 31, 2019. As in the prior year, there were no contractual commitments to purchase intangible assets as at December 31, 2019.

Costs for research and development in the amount of EUR 1,799 thousand (previous year: EUR 1,716 thousand) were recognised as an expense in the reporting period.

(2.3) Property, plant and equipment

Development of property, plant and equipment in the 2018 and 2019 financial years

	Land and buildings EUR'000	Technical equipment and machinery EUR'000	Other equipment, operational and office equipment EUR'000	Advances to suppliers and construction in progress EUR'000	Total property, plant and equipment EUR'000
Acquisition/production cost					
Balance at 01/01/2018	45,155	81,093	23,809	3,457	153,514
Additions	246	1,955	3,271	551	6,023
Disposals	0	- 4,494	- 1,447	0	- 5,941
Reclassifications	1,650	1,694	82	- 3,426	0
Currency effects	0	0	- 13	0	- 13
Balance at 12/31/2018	47,051	80,248	25,702	582	153,583
Additions	527	551	3,595	1,539	6,212
Disposals	0	- 2,866	- 1,718	0	- 4,584
Reclassifications	0	522	28	- 550	0
Currency effects	0	0	- 4	0	- 4
Balance at 12/31/2019	47,578	78,455	27,603	1,571	155,207
Depreciation					
Balance at 01/01/2018	26,331	64,413	16,571	0	107,315
Additions	781	2,730	2,702	0	6,213
Disposals	0	- 4,398	- 1,333	0	- 5,731
Currency effects	0	1	- 11	0	- 10
Balance at 12/31/2018	27,112	62,746	17,929	0	107,787
Additions	805	2,643	3,041	0	6,489
Disposals	0	- 2,766	- 1,650	0	- 4,416
Currency effects	0	- 1	- 4	0	- 5
Balance at 12/31/2019	27,917	62,622	19,316	0	109,855
Net carrying amounts 12/31/2019	**19,661**	**15,833**	**8,287**	**1,571**	**45,352**
Net carrying amounts 12/31/2018	**19,939**	**17,502**	**7,773**	**582**	**45,796**

As in the previous year, no items of property, plant and equipment were encumbered with security interests at December 31, 2019. As in the prior year, there were no contractual commitments to purchase items of property, plant and equipment as at December 31, 2019.

Operating leases

The Berentzen Group acts as a lessor under rental and lease agreements that are classified as operating leases. These agreements essentially relate to the leasing business involving fruit presses in the *Fresh Juice Systems* segment as well as to the leasing of building parts and storage facilities. In the financial year rental and lease payments of EUR 497 thousand were received (previous year: EUR 240 thousand).

The maturities of the instalments from operating leases to be received in future break down as follows:

	2019 EUR'000	2018 EUR'000
Up to 1 year	197	246
Longer than 1 year and up to 2 years	22	9
Longer than 2 years and up to 3 years	0	0
Longer than 3 years and up to 4 years	0	0
Longer than 4 years and up to 5 years	0	0
Longer than 5 years	0	0
Total operating lease payments	**219**	**255**

(2.4) Investment property

Development of investment property in the 2018 and 2019 financial years

	Land EUR'000	Buildings EUR'000	Total investment property EUR'000
Acquisition/production cost			
Balance at 01/01/2018	480	723	1,203
Additions	0	0	0
Disposals	0	0	0
Balance at 12/31/2018	480	723	1,203
Additions	0	0	0
Disposals	0	0	0
Balance at 12/31/2019	480	723	1,203
Depreciation			
Balance at 01/01/2018	73	370	443
Additions	0	16	16
Disposals	0	0	0
Balance at 12/31/2018	73	386	459
Additions	0	14	14
Disposals	0	0	0
Balance at 12/31/2019	73	400	473
Net carrying amounts 12/31/2019	**407**	**323**	**730**
Net carrying amounts 12/31/2018	**407**	**337**	**744**

Investment property comprises the land and buildings of the former production facility in Norden, parts of which have been leased to third parties since the closure of this production facility. The fair value of investment property was EUR 1,050 thousand at December 31, 2016. Outside appraisals determined a market value corresponding to the fair value by means of the German income approach (a method based on the present value of future cash flows) on the basis of appropriate rents and the corresponding property rates. No new appraisal was prepared at December 31, 2019, since the Berentzen Group assumes a merely immaterial change in the context of a market environment that has hardly changed.

(2.5) Leases

The Berentzen Group acts as the lessee in various leases. The leases entered into essentially relate to the vehicle fleet, leased offices and business premises, and plant and office equipment. Since January 1, 2019, these leases have been recognised under IFRS 16. In the 2019 financial year, the total cash outflow for leases amounts to EUR 1,224 thousand. The carrying amounts of right-of-use assets and changes thereto in the 2019 financial year are broken down as follows:

	Vehicle fleet EUR'000	Office equipment EUR'000	Other EUR'000	Total EUR'000
Carrying value at January 1, 2019	1,200	108	41	1,349
Additions to right-of-use assets	686	20	17	723
Depreciation and amortisation	- 667	- 34	- 36	- 737
Other changes	- 39	0	3	- 36
Carrying value at December 31, 2019	**1,180**	**94**	**25**	**1,299**

The leases result in the following income and expenses in the Consolidated Statement of Comprehensive Income:

	2019 EUR'000
Depreciation and amortisation	- 737
Interest expense	- 47
Short-term lease expense	- 395
Expense for leases of low-value assets	- 49
Income from the sublease of right-of-use assets	2
Total	**- 1,226**

The following table shows the expected future lease payments from termination options that are not reasonably certain and are not taken into account in determining the lease liability under IFRS 16:

	Expected lease payments from termination options that are not reasonably certain EUR'000
2020	215
2021	251
2022	251
2023	275
2024	281
Total	**1,273**

In the 2018 financial year, leases were recognised pursuant to the provisions of IAS 17. Under this standard, the leases entered into by the Berentzen Group were classified as operating leases. In the 2018 financial year, a sum of EUR 1,170 thousand was paid for these leases. The following table shows the breakdown of financial obligations arising from operating rental and lease agreements by residual maturity:

	2018 EUR'000
Up to 1 year	1,033
Up to 5 years	1,400
More than 5 years	0
Total minimum lease payments under operating leases	**2,433**

(2.6) Other financial assets

	12/31/2019 EUR'000	12/31/2018 EUR'000
Shares in affiliated companies	405	405
Receivables under finance leases	260	371
Shares in cooperatives	32	32
Participating interests	11	11
	708	**819**

Shares in affiliated companies

Shares in affiliated companies include non-consolidated general partner companies and non-operating shell companies.

Receivables under finance leases

There are lease agreements in the *Fresh Juice Systems* segment that are to be classified as finance leases on account of their contractual terms. These agreements essentially relate to the leasing business involving fruit presses. In addition, the Berentzen Group subleased bicycles to employees. These subleases represent financing leases pursuant to IFRS 16. Under IAS 17, these subleases were classified as operating leases. The non-current portion of the receivables under finance leases amounts to EUR 260 thousand (previous year: EUR 371 thousand) and is presented within Other financial assets. The current portion of the receivables amounts to EUR 408 thousand (previous year: EUR 494 thousand) and is capitalised under Other current financial assets (Note (2.11)).

The following table shows the maturity analysis for future undiscounted cash inflows from financing leases pursuant to IFRS 16 for the 2019 financial year and demonstrates their reconciliation with the net investment in financing leases.

	2019	
	Lease payments EUR'000	Non-guaranteed residual values EUR'000
Up to 1 year	366	65
Longer than 1 year and up to 2 years	174	40
Longer than 2 years and up to 3 years	36	20
Longer than 3 years and up to 4 years	0	0
Longer than 4 years and up to 5 years	0	0
Longer than 5 years	0	0
Gross investment in leases	**701**	
Unrealised financial income	- 33	
Net investment in leases	**668**	

In the 2018 financial year, financing leases were recognised in accordance with IAS 17. The following table shows the minimum lease payments that were to be received in the future from these leases and the present value of the minimum lease payments, broken down by due date:

	Gross investment in lease 2018 EUR'000	Present value of minimum lease payments 2018 EUR'000
Up to one year	516	352
One year and up to five years	382	303
More than five years	0	0
	898	**655**

The following table shows the reconciliation of future minimum lease payments and non-guaranteed residual values with the gross and net investment in leases and with the present value of future lease payments for the 2018 financial year:

	2018 EUR'000
Future minimum lease payments	681
Non-guaranteed residual values	217
Gross investment in leases	**898**
Unrealised financial income	- 33
Net investment in leases	**865**
Present value of non-guaranteed residual values	210
Present value of future minimum lease payments	**655**

(2.7) Inventories

	12/31/2019 EUR'000	12/31/2018 EUR'000
Raw materials	4,612	4,317
Packaging and equipment	3,309	3,095
Supplies	51	83
Raw materials and supplies	7,972	7,495
Work in progress	18,139	18,112
Finished products	9,963	9,976
Merchandise for resale	4,482	4,337
Finished products and merchandise for resale	14,445	14,313
Inventories	**40,556**	**39,920**

When measuring inventories at the lower of cost or net realisable value, write-downs totalling EUR 64 thousand (previous year: EUR 119 thousand) were charged on inventories. The carrying amount of the inventories measured at net realisable value totalled EUR 602 thousand (previous year: EUR 496 thousand). The write-downs were recognised in profit or loss and presented within Other operating expenses and Change in inventories.

(2.8) Current trade receivables

The following table shows the breakdown of current trade receivables:

December 31, 2019	Ongoing and less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross receivables portfolio (EUR'000)	14,237	240	178	449	15,104
Loss rate	0.5%	1.3%	9.6%	49.0%	
Impairment loss (EUR'000)	- 65	- 3	- 17	- 220	- 305
Net receivables portfolio (EUR'000)	**14,172**	**237**	**161**	**229**	**14,799**

December 31, 2018	Ongoing and less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross receivables portfolio (EUR'000)	15,980	197	96	518	16,791
Loss rate	0.5%	4.6%	2.1%	51.0%	
Impairment loss (EUR'000)	- 82	- 9	- 2	- 264	- 357
Net receivables portfolio (EUR'000)	**15,897**	**188**	**95**	**254**	**16,434**

Valuation allowances are recognised for receivables when there is objective evidence that the receivable concerned cannot be collected at all or in full, or not within a specific period of time. This is regularly the case in the case of trade receivables and other receivables when the internal collection office is unable to collect the receivables and it becomes necessary to call in external collection firms or lawyers. Valuation adjustments are also recognised for expected credit losses. The following table shows the overall development of the valuation adjustment account:

	2019 EUR'000	2018 EUR'000
Balance at 1/1	**357**	**301**
Additions	48	125
Use	- 36	- 7
Reversals	- 64	- 62
Balance at 12/31	**305**	**357**

Transfers of financial assets

As part of its external financing activities, the Berentzen Group also utilises factoring lines. The total available financing amount on the basis of two factoring agreements is EUR 55,000 thousand (previous year: EUR 50,000 thousand). The Group can also access a formally unlimited factoring line based on three additional centralised settlement and factoring agreements which stipulate no maximum commitment; instead, the possible drawdown is limited only by the available amount of saleable receivables. The factor concerned normally purchases the receivables at face value. The purchase prices are disbursed less retentions and provisions for bonuses and discounts; in this context, the retentions amount to between 10% and 20% of the face value of the receivables and the companies of the Berentzen Group are required to report the provisions for bonuses and discounts on a monthly basis. Furthermore, any charges and interest accruing are retained. At December 31, 2019, trade receivables amounting to EUR 65,228 thousand (previous year: EUR 55,746 thousand) had been sold and assigned to the respective factoring companies.

In some instances, interest payments are payable to the factor for the financial assets transferred to the factor up to the date payment is received by the factor, but no more than 120 days after the due date of the receivables. The interest rate to be applied is derived from the 1-week or 3-month Euribor plus a fixed component. This gives rise to the risk of the Berentzen Group having to make additional interest payments due to payments received late or not at all by the factor (late payment risk). The maximum loss from late payment risk for the amounts already transferred amounts to EUR 143 thousand at the reporting date (previous year: EUR 131 thousand). The fair value of the obligation arising from late payment risk totals EUR 12 thousand (previous year: EUR 8 thousand). Some of the servicing activities for the receivables sold under factoring agreements, notably including the reminder procedures, have remained with the Berentzen Group. The resulting liability has not been recognised due to the immateriality of the amount.

Because almost all of the risks and rewards incident to ownership of the financial assets were transferred to the factor, the trade receivables sold were completely derecognised in accordance with IFRS 9.3.2.6 (a). The remaining late payment risk was recognised as an asset representing a continuing involvement of EUR 221 thousand in the 2019 financial year (previous year: EUR 202 thousand). A liability of the same amount was recognised at the same time. The following table shows the effect of factoring on various items in the Statement of Financial Position:

	Item in the Statement of Financial Position	12/31/2019 EUR'000	12/31/2018 EUR'000
Trade receivables sold and assigned	Current trade receivables	65,228	55,746
Continuing involvement	Other current financial and non-financial assets	221	202
Security retentions and provisions for bonuses and discounts	Other current financial and non-financial assets	10,617	10,377
Cash available	Cash and cash equivalents	18,130	13,413
Cash transferred	Cash and cash equivalents	36,483	31,957
Continuing involvement	Current financial liabilities	221	202
Interest liability from continuing involvement	Current financial liabilities	9	9
Retained interest/ charges/ insurance	Retained earnings/ consolidated comprehensive income	1,039	992

The factor retained collateral amounting to EUR 10,617 thousand (previous year: EUR 10,377 thousand), presented under Other current assets, to secure any deductions from the face value of receivables.

The available cash of EUR 18,130 thousand (previous year: EUR 13,413 thousand) shown in the table above reflects the balance of the cash arising from the sale of trade receivables that has not yet been drawn down by the Berentzen Group from the factor's customer settlement account. Although these amounts in the customer settlement accounts may be drawn down by the Berentzen Group at any time, they had not been utilised or drawn down at the reporting date. The available cash is covered in more detail in Note (2.10) Cash and cash equivalents. At the same time, the transferred cash of EUR 36,483 thousand (previous year: EUR 31,957 thousand) had already been credited to the current accounts maintained by the Berentzen Group with other banks.

At the time of derecognition of the financial assets, losses totalling EUR 1,039 thousand (previous year: EUR 992 thousand) were incurred during the reporting period. The gains are presented in Financial income in the amount of EUR 902 thousand (previous year: EUR 858 thousand) and the losses in Other operating expenses in the amount of EUR 137 thousand (previous year: EUR 134 thousand).

The factoring financing lines (receivables sold) utilised at the reporting date are expected to yield interest payments of EUR 55 thousand (previous year: EUR 49 thousand) for the first quarter of 2020. The interest payments depend among other things on the due dates of the receivables and the different interest rates applicable.

(2.9) Current income tax receivables

	12/31/2019 EUR'000	12/31/2018 EUR'000
Claims to income tax refunds (corporation tax, trade tax)	83	306
	83	**306**

(2.10) Cash and cash equivalents

	12/31/2019 EUR'000	12/31/2018 EUR'000
Cash in banks and cash on hand	22,698	15,793
	22,698	**15,793**

The cash and cash equivalents shown in the Cash Flow Statement consist of the line item Cash and cash equivalents item and part of line item Current financial liabilities in the Statement of Financial Position. Cash and cash equivalents include the current accounts maintained with banks that are used to settle two factoring agreements, containing the cash available at all times from these factoring agreements ("customer settlement accounts"). The receivables from the customer settlement accounts have different characteristics from usual current account balances with banks, notably with regard to interest. Only the shares of outside capital immediately available under working capital lines are presented as current financial liabilities.

Pursuant to IAS 7.45, the cash and cash equivalents shown in the Cash Flow Statement are determined as follows:

	12/31/2019 EUR'000	12/31/2018 EUR'000
Cash and cash equivalents		
Cash on hand	10	13
Current account receivables due from banks	4,558	2,367
Receivables from customer settlement accounts with banks	18,130	13,413
Receivables due from banks	22,688	15,780
	22,698	**15,793**
Current financial liabilities		
Overdraft facilities with banks	688	334
	688	**334**
	22,010	**15,459**

(2.11) Other current financial and non-financial assets

	12/31/2019 EUR'000	12/31/2018 EUR'000
Receivables from factoring haircut	10,617	10,377
Refund claims	1,314	1,043
Receivables under finance leases	408	494
Advance payments on account of inventories	64	140
Other items	1,371	1,030
	13,774	**13,084**

(2.12) Equity

Subscribed capital

The capital stock of Berentzen-Gruppe Aktiengesellschaft in the amount of EUR 24,960 thousand (previous year: EUR 24,960 thousand) is divided into 9,600,000 shares of common stock (previous year: 9,600,000 shares of common stock), which are no-par bearer shares and are fully paid-in. The imputed nominal value per share is EUR 2.60. The development of subscribed capital and the number of shares outstanding are presented in the table below:

	12/31/2019		12/31/2018	
	EUR'000	No.	EUR'000	No.
Common shares (Bearer shares)	24,960	9,600,000	24,960	9,600,000
Capital stock	24,960	9,600,000	24,960	9,600,000
Treasury shares	- 536	- 206,309	- 536	- 206,309
Subscribed (outstanding) capital / shares outstanding	24,424	9,393,691	24,424	9,393,691

In financial years 2015 and 2016, 206,309 no par value shares were acquired by Berentzen-Gruppe Aktiengesellschaft within the scope of a share buy-back program. This corresponds to an imputed share of capital stock equal to EUR 536 thousand and thus 2.15% of the Company's capital stock. The average purchase price per share was EUR 7.2706. The shares were purchased for a total purchase price of EUR 1,500 thousand (excluding transaction costs). The cumulative difference between the imputed nominal value and the acquisition cost of the treasury shares purchased was EUR 971 thousand and was offset against retained earnings.

Authorised Capital (not issued)

The Executive Board of Berentzen-Gruppe Aktiengesellschaft is authorised, with the consent of the Supervisory Board, to increase the share capital by issuing new bearer shares of common stock in exchange for cash or in-kind contributions on one or more occasions, but for a maximum total of up to EUR 9,984 thousand, in the time until May 21, 2024 (Authorised Capital 2019). The Executive Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in certain cases. The conditions under which the Executive Board can exclude, with the consent of the Supervisory Board, the shareholders' subscription right in a capital increase from the Authorised Capital are set out in Article 4 (4) of the Articles of Association of Berentzen-Gruppe Aktiengesellschaft in the version of June 19, 2019. The right to exclude a subscription right is limited to an overall amount of ten percent of the capital stock. This limit is to include both own shares that are issued or sold during the term of this authorisation and shares issued to redeem bearer or registered convertible bonds and/or warrant bonds provided shareholders' subscription rights are excluded. The Executive Board is authorised, with the consent of the Supervisory Board, to establish further details of an authorised capital increase and its execution.

Additional paid-in capital

Additional paid-in capital consists of the share premium on the capital increases of Berentzen-Gruppe Aktiengesellschaft in the years 1994 and 1996. EUR 15,855 thousand and EUR 23,010 thousand were withdrawn from additional paid-in capital and appropriated to retained earnings in 2004 and 2008, respectively, to cover the respective net losses of the Company.

Retained earnings

Retained earnings exhibited the following development:

	12/31/2019 EUR'000	12/31/2018 EUR'000
Retained earnings at 01/01	**16,164**	**13,344**
Consolidated profit	4,925	5,165
Currency translation differences	- 197	- 426
Revaluation of defined benefit obligations	- 436	211
Deferred tax on revaluation of defined benefit obligations	129	- 63
Other comprehensive income	- 504	- 278
Consolidated comprehensive income	4,421	4,887
Dividends paid	- 2,630	- 2,067
Retained earnings at 12/31	**17,955**	**16,164**

Profit utilisation / dividend

In accordance with the German Stock Corporation Act (AktG), the profit utilisation including the dividend distribution to shareholders is determined exclusively on the basis of the distributable profit presented in the separate financial statements of Berentzen-Gruppe Aktiengesellschaft prepared in accordance with commercial-law regulations.

At the annual general meeting of May 22, 2019, it was resolved to use the distributable profit of EUR 10,422 thousand (previous year: EUR 6,178 thousand) presented in the annual financial statements of Berentzen-Gruppe Aktiengesellschaft for the 2018 financial year to pay a dividend of EUR 0.28 per qualifying common (previous year: EUR 0.22) share for the 2018 financial year and to carry forward the remaining amount to new account. In consideration of the treasury shares held by the Company at the date of the annual general meeting, which do not qualify for dividends in accordance with Section 71b AktG, this amount corresponded to a total distribution of approximately EUR 2,630 thousand (previous year: EUR 2,067 thousand) and a carry-forward to new account of approximately EUR 7,791 thousand (previous year: EUR 4,111 thousand).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft proposes to the annual general meeting that the distributable profit for financial year 2019 in the amount of EUR 13,171 thousand presented in the annual financial statements of Berentzen-Gruppe Aktiengesellschaft prepared in accordance with German Commercial Code regulations be utilised to pay a dividend of EUR 0.28 per common share qualifying for dividends for the 2019 financial year and to carry forward the remaining amount to new account. In consideration of the treasury shares held by the Company at the date of the annual general meeting, which do not qualify for dividends in accordance with Section 71b AktG, this amount corresponds to a total expected distribution of approximately EUR 2,630 thousand and a carry-forward to new account of approximately EUR 10,540 thousand. Payment of this dividend is dependent on the approval of the annual general meeting of May 13, 2020. The number of shares qualifying for dividends can change up to the annual general meeting. In this case, given an unchanged dividend of EUR 0.28 per common share qualifying for dividends, a correspondingly adjusted recommended resolution for the utilisation of distributable profit will be proposed to the annual general meeting.

(2.13) Non-current provisions

	12/31/2019 EUR'000	12/31/2018 EUR'000
Pension provisions	9,263	9,542
Other non-current provisions	590	403
	9,853	**9,945**

Pension provisions

	12/31/2019 EUR'000	12/31/2018 EUR'000
Pension provisions	9,263	9,542

Defined benefit plans

The pension provisions based on defined benefit plans pertain to the post-employment benefit obligations (old age, disability, and survivor's pensions) of the companies included in the consolidated financial statements, which are governed by different pension codes. The amount of individual benefits depends on the length of service with the Company and the age and/or salary level of the employee. For the most part, this relates to non-covered pension plans for which the Company itself settles the obligations as soon as they fall due for payment. Some of the obligations are secured by reinsurance policies worth EUR 12 thousand (previous year: EUR 17 thousand) although these are not classified as plan assets within the meaning of IAS 19; these are presented as Other current assets.

The benefit obligations cover a total of 215 (previous year: 226) beneficiaries, of whom 214 (previous year: 223) are pensioners and surviving dependents, 1 (previous year: 3) are former employees receiving benefits. No defined benefit commitments are being made to newly hired employees at this time. Even if no further benefits become vested at all from commitments made in the past, the Company is nonetheless obliged to continue bearing the resulting actuarial risk, like interest rate risk and longevity risk.

Pursuant to IAS 19, the provisions for pension and similar obligations are calculated in accordance with the projected unit credit method for defined benefit plans. The figures are determined on the basis of actuarial reports. The following table shows the development of the defined benefit obligation (DBO) at December 31, 2019:

	12/31/2019 EUR‘000	12/31/2018 EUR‘000
DBO at the start of the financial year	9,542	10,509
Interest expenses on DBO	100	101
Revaluations		
Actuarial gains / losses due to change in demographic assumptions	0	116
Actuarial gains / losses due to change in financial assumptions	285	- 85
Actuarial gains / losses due to change in experience-based adjustments	151	- 243
Pension benefits paid	- 815	- 856
DBO at the end of the financial year	**9,263**	**9,542**

Of the DBO at the end of the 2019 financial year, EUR 9,228 thousand (previous year: EUR 9,404 thousand) relates to pensioners and surviving dependents, and EUR 35 thousand (previous year: EUR 138 thousand) to former employees receiving benefits.

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

	2019 EUR‘000	2018 EUR‘000
Interest expenses on DBO	100	101
Expenses recognised in the consolidated Income Statement	**100**	**101**
Actuarial gains (-) / losses (+)	436	- 212
Expenses/ income recognised in Other comprehensive income	**436**	**- 212**
Total pension expenses	**536**	**- 111**

Actuarial assumptions

The pension obligations are measured on the basis of actuarial reports. The following parameters have been applied: an actuarial interest rate of 0.7% p.a. (previous year: 1.1% p.a.), a rate of increase in future compensation of 0% p.a. (previous year: 0% p.a.) and an imputed rate of increase in pension benefits of 1.5% p.a. (previous year: 1.5% p.a.). The actuarial calculations for the 2018 and 2019 financial years are based on the 2018 G standard tables prepared by Professor Klaus Heubeck.

Sensitivity analysis

The following table shows the impact on the DBO of changes in the relevant actuarial assumptions. The impact on the DBO in the event of changes to an assumption is shown in each case, whereas the other assumptions remain unchanged compared with the original calculation. Correlation effects between the assumptions are not included accordingly. The change in the DBO shown is only valid for the actual extent of the change in the individual assumption. If the assumptions change to a different extent, a straight-line impact on the DBO cannot be assumed.

		DBO 12/31/2019 EUR'000	DBO 12/31/2018 EUR'000
Actuarial interest rate	+ 1.0 PP	8,509	8,756
	- 1.0 PP	10,143	10,462
Rate of increase in pension benefits	+ 0.5 PP	9,678	9,960
	- 0.5 PP	8,875	9,151
Rate of increase in future compensation	+ 0.5 PP	9,263	9,542
	- 0.5 PP	9,263	9,542
Life expectancy	+ 1 year	9,765	10,036
	- 1 year	8,775	9,061

The same calculation method (projected unit credit method) was applied when determining the impact on the DBO as was used when calculating the pension provisions at year-end.

Expected pension payments

The following table shows the expected pension payments for the following ten years:

	Expected pension payments EUR'000
2020	799
2021	757
2022	702
2023	662
2024	625
2025 - 2029	2,563

The average weighted maturity of the benefit obligations at December 31, 2019, is around 9 years (previous year: 9 years).

Defined contribution plans

As a general rule, the Berentzen Group currently grants its employees post-employment benefits in the form of defined contribution plans. Within the framework of deferred compensation and employer allowances, contributions to post-retirement benefits are essentially paid into a pension fund or pension plans for the employees. Employer contributions of EUR 83 thousand (previous year: EUR 83 thousand) to these defined contribution plans were recognised in Personnel expenses in the 2019 financial year.

In the 2019 financial year, employer contributions of EUR 1,492 thousand (previous year: EUR 1,444 thousand) were paid to the statutory state insurance scheme in Germany and employer contributions of EUR 216 thousand (previous year: EUR 210 thousand) were paid to statutory pension insurance schemes in other countries.

Other long-term provisions and accruals

	12/31/2019 EUR'000	12/31/2018 EUR'000
Compensation with performance-based components	378	224
Service anniversary awards	212	179
	590	**403**

Please refer to Note (4.7) Related Party Disclosures for a detailed explanation of the performance-based components of Executive Board compensation.

Provisions for service anniversary awards are accrued taking into account a general employer contribution to social security of 20% in line with the employee's present length of service and discounted using an interest rate of 2.05% (previous year: 2.43%). The provision is formed on the basis of current employee numbers and future claims to the aforementioned payments through the age of 65. The figures calculated are based on reports using a fluctuation rate of 5% and the 2018 G standard tables prepared by Professor Klaus Heubeck as the biometric basis of calculation based on the projected unit credit method in accordance with the generally accepted principles of actuarial mathematics.

Analysis of provisions

	Pension provisions EUR'000	Other non-current provisions EUR'000	Current provisions EUR'000	Total EUR'000
Balance at 01/01/2019	**9,542**	**403**	**730**	**10,675**
Use	815	73	473	1,361
Addition	436	264	0	700
Compounding	100	3	0	103
Reversal	0	7	0	7
Balance at 12/31/2019	**9,263**	**590**	**257**	**10,110**

(2.14) Non-current financial liabilities

	12/31/2019 EUR'000	12/31/2018 EUR'000
Liabilities to banks	7,235	7,134
Lease liabilities	623	0
	7,858	**7,134**

In October 2017, within the framework of the repayment of the Berentzen Loan 2012/2017, the Berentzen-Gruppe Aktiengesellschaft utilised the facility with a fixed maturity date from the syndicated loan agreement concluded in December 2016 in the amount of EUR 7,500 thousand with a term of five years. Interest is payable on the utilisation at a variable rate on the basis of the EURIBOR reference rate plus a fixed interest margin. After deduction of transaction costs in connection with the syndicated loan agreement in the amount of EUR 457 thousand, the net issue value amounted to EUR 7,043 thousand. In 2018, Berentzen-Gruppe Aktiengesellschaft exercised an option to extend the loan, thereby extending the term by one year to six years. The option to extend was associated with EUR 26 thousand in additional transaction costs. Other transaction costs amounting to EUR 50 thousand were attributed to an increase option used in the 2019 financial year. The expected effective interest rate is 3.4% (previous year: 3.4%). The pro-rated transaction costs included in Financial expenses for financial year 2019 amount to EUR 100 thousand (previous year: EUR 97 thousand).

(2.15) Deferred taxes and income tax expenses

	12/31/2019 EUR'000	12/31/2018 EUR'000
Deferred tax liabilities	1,778	1,968

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

	12/31/2019		12/31/2018	
	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000	Deferred tax assets EUR'000	Deferred tax liabilities EUR'000
ASSETS				
Non-current assets				
Intangible assets	0	1,074	0	1,216
Property, plant and equipment	0	1,573	0	1,597
Other financial assets	1	0	1	0
Current assets				
Inventories	91	0	177	3
Current trade receivables	17	14	12	17
Other current assets	0	210	0	329
SHAREHOLDERS' EQUITY AND LIABILITIES				
Non-current liabilities				
Non-current provisions	1,059	0	1,062	0
Current liabilities	146	221	140	198
Subtotal for temporary differences	1,314	3,092	1,392	3,360
Impairments	0		0	
Capitalization of tax loss carry-forwards	0		0	
Netting	- 1,314	- 1,314	- 1,392	- 1,392
Deferred taxes shown in the Statement of Financial Position	**0**	**1,778**	**0**	**1,968**

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

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

	12/31/2019 EUR'000	12/31/2018 EUR'000
For corporation tax	780	1,303
For trade tax	5,155	4,518

No deferred tax assets were recognised in respect of corporate tax loss carry-forwards of EUR 780 thousand (previous year: EUR 1,303 thousand) and trade tax carry-forwards of EUR 5,155 thousand (previous year: EUR 4,518 thousand) despite the positive profit forecasts in specific cases, due to the loss history.

The trade tax loss carry-forwards can all be used without limitation in time. The time periods over which corporation tax loss carry-forwards for which no deferred tax assets were recognised are presented in the table below.

	12/31/2019 EUR'000	12/31/2018 EUR'000
Corporation tax loss carry-forwards	780	1,303
Expiry date within		
1 year	0	238
2 years	108	4
3 years	163	254
4 years	190	180
5 years	95	209
More than 5 years	0	105
Unlimited usability	224	313

Income tax expenses

The taxes on income paid or owed in the individual countries are presented as income tax expenses together with deferred tax accruals.

The following table shows the breakdown of the earnings before income taxes and income tax expenses by geographic origin:

	2019 EUR'000	2018 EUR'000
Earnings before taxes		
Germany	5,001	6,985
Austria	2,022	393
Turkey	178	51
	7,201	**7,429**
Taxes paid or owed		
Germany (of which attributable to other periods: EUR 74 thousand; previous year: EUR -245 thousand)	1,843	2,220
Austria (of which attributable to other periods EUR 0 thousand; previous year: EUR -5 thousand)	484	57
Turkey (of which attributable to other periods: EUR 0 thousand; previous year: EUR 0 thousand)	0	0
	2,327	**2,277**
Deferred taxes	**- 51**	**- 13**
Income tax expenses	**2,276**	**2,264**

Due to the change in deferred tax assets recognised in respect of actual gains and losses in connection with the accounting treatment of pension provisions, deferred tax income of EUR 129 thousand (previous year: deferred tax expense of EUR -63 thousand) was additionally recognised in other comprehensive income.

Tax loss carry-forwards of EUR 133 thousand (previous year: EUR 0 thousand) were utilised to reduce corporation tax expenses in the current financial year. The utilisation of tax loss carry-forwards from previous years led to a reduction in taxes on income paid and/or owed of EUR 29 thousand (previous year: EUR 0 thousand) in 2019.

The income tax expenses for 2019 in the amount of EUR 2,276 thousand (previous year: EUR 2,264 thousand) differed from the expected tax expenses of EUR 2,124 thousand (previous year: EUR 2,192 thousand) that would have resulted from the application of an expected average tax rate of 29.5% to the Group's earnings before income taxes by EUR 152 thousand (previous year: EUR 72 thousand). The following reconciliation shows the causes of the difference between expected and actual tax expenses in the corporate group:

	2019 EUR'000	2018 EUR'000
Profit after taxes	4,925	5,165
Actual income tax expenses	2,327	2,277
Deferred income tax expenses	- 51	- 13
Income tax expenses	2,276	2,264
Earnings before income taxes	**7,201**	**7,429**
Applicable tax rate	29.5%	29.5%
Expected income tax expenses	**2,124**	**2,192**
Tax effect of trade tax additions	54	48
Tax effect of trade tax reductions	- 16	- 17
Tax increases/reductions due to non-deductible expenses	64	62
Permanent differences from items of the Statement of Financial Position	- 5	31
Tax effects of loss carry-forwards and temporary differences	86	61
Current taxes attributable to other periods	74	- 263
Deferred taxes attributable to other periods	- 28	147
Change in deferred taxes due to amended tax rates	0	6
Different domestic/foreign tax rates	- 80	0
Other	3	- 3
Income tax expenses	**2,276**	**2,264**
Effective tax rate in %	**31.6%**	**30.5%**

(2.16) Alcohol tax liabilities

	12/31/2019 EUR'000	12/31/2018 EUR'000
Alcohol tax liabilities	43,601	42,277
	43,601	**42,277**

The stated amount pertains to the reported alcohol tax for the months of November and December 2019, which is payable on January 5 and February 5 of the following year, respectively, pursuant to the German Alcohol Tax Act.

(2.17) Current provisions

	12/31/2019 EUR'000	12/31/2018 EUR'000
Legal disputes	154	650
Costs of annual financial statements	80	80
Other	23	0
	257	**730**

Current provisions for legal disputes pertain to outstanding costs connected with two proceedings which were concluded in October and November 2019. More details on this can be found in Note (4.4).

(2.18) Current income tax liabilities

	12/31/2019 EUR'000	12/31/2018 EUR'000
Current income tax liabilities (corporation tax, trade tax)	1,467	2,802
	1,467	**2,802**

(2.19) Current financial liabilities

	12/31/2019 EUR'000	12/31/2018 EUR'000
Liabilities to banks	839	334
Lease liabilities	750	0
Liabilities to non-consolidated affiliated companies	521	541
Continuing involvement	221	202
Interest liability continuing involvement	9	9
	2,340	**1,086**

(2.20) Trade payables and other liabilities

	12/31/2019 EUR'000	12/31/2018 EUR'000
Marketing and sales commitments, and bonuses	12,434	10,272
Trade payables	10,247	9,368
Liabilities for payroll, sales and other taxes	6,454	5,384
Supplier invoices outstanding	1,172	1,296
Money deposited as security	1,093	1,083
Liabilities for salary components relating to other periods	998	959
Governments grants for investments	939	1,051
Debtors with credit balances	258	561
Other	1,681	1,654
	35,276	**31,628**

The stated values of trade payables are equal to their fair values. They are due within one year.

(2.21) Analysis of contractual residual maturities of financial liabilities

The following table shows the contractually agreed, non-discounted interest payable and principal repayments for the financial liabilities:

	Carrying amount 12/31/2019 EUR'000	up to 1 year		1 to 5 years		more than 5 years	
		Principal repayment EUR'000	Future interest payments EUR'000	Principal repayment EUR'000	Future interest payments EUR'000	Principal repayment EUR'000	Future interest payments EUR'000
Liabilities to banks	8,074	839	150	7,550	316	0	0
Lease liabilities	1,373	747	35	622	23	0	0
Other current financial liabilities	751	751	5	0	0	0	0
Trade payables	10,247	10,247	0	0	0	0	0
Other liabilities	25,029	25,029	0	0	0	0	0
- of which financial liabilities not subject to IFRS 9	9,543	9,543	0	0	0	0	0
Total	**45,474**	**37,613**	**190**	**8,172**	**339**	**0**	**0**

	Carrying amount 12/31/2018 EUR'000	up to 1 year		1 to 5 years		more than 5 years	
		Principal repayment EUR'000	Future interest payments EUR'000	Principal repayment EUR'000	Future interest payments EUR'000	Principal repayment EUR'000	Future interest payments EUR'000
Liabilities to banks	7,468	334	144	7,500	506	0	0
Other current financial liabilities	752	752	5	0	0	0	0
Trade payables	9,368	9,368	0	0	0	0	0
Other liabilities	22,260	22,260	0	0	0	0	0
- of which financial liabilities not subject to IFRS 9	8,749	8,749	0	0	0	0	0
Total	**39,848**	**32,714**	**149**	**7,500**	**506**	**0**	**0**

All financial instruments held at December 31, 2019, and for which payments had already been contractually agreed are included. Budgeted amounts for future new liabilities are not included. The variable interest payments were determined on the basis of the interest rates last fixed before December 31, 2019. The future interest payments include fixed interest payments on long-term loans together with interest on short-term drawings, where relevant. Financial liabilities payable at any time are always allocated to the shortest bucket.

(2.22) Financial instruments

The cash and cash equivalents, trade receivables, and other financial assets are mostly due within a short time. Therefore, the carrying amounts at the reporting date are approximately equal to the fair values. The amortised cost of certain financial instruments in the category of "measured at fair value through profit or loss", such as shares in affiliated companies, other equity investments and shares in a cooperative society constitutes the best estimate of their fair value.

The fair value of the liabilities to banks approximates the recognised value due to its partially variable interest calculation based on benchmark interest rates. The fair values of current financial liabilities such as liabilities to non-consolidated affiliated companies are equal to the respective carrying amounts because they are due within a short time and the effects of discounting to present value would be immaterial. The market values of derivative financial instruments (foreign exchange futures) are determined by application of the present-value method. End-of-day interest rates are applied for this purpose, and ECB reference rates are applied for the last day of the month. The fair value is attributable to Level 2 of the fair value hierarchy of IFRS 13. On balance, measurement at fair value did not give rise to any negative earnings effect, as in the previous year. Trade payables and other liabilities are usually due within a short time. The amounts presented are approximately equal to the fair values.

The different levels of the fair value hierarchy of IFRS 13 are presented below:

- Level 1: The input factors are quoted (not adjusted) prices in active markets for identical assets or liabilities, which the Company can access at the measurement date.

- Level 2: The input factors are inputs other than the quoted market prices applied in Level 1, which are observable for the asset or liability, either directly or indirectly.

- Level 3: The input factors are unobservable inputs for the asset or liability.

Carrying amounts and fair values by category of financial instrument

The carrying amounts and fair values of the financial instruments presented in the consolidated financial statements are presented in the table below:

	Category per IFRS 9	12/31/2019 Carrying amount EUR'000	12/31/2019 Fair value EUR'000	12/31/2018 Carrying amount EUR'000	12/31/2018 Fair value EUR'000
Assets					
Cash and cash equivalents	AC [1]	22,698	22,698	15,793	15,793
Trade receivables	AC	14,799	14,799	16,434	16,434
Other financial assets					
Equity instruments	FVPL [2]	448	448	448	448
Other financial assets	AC	13,162	13,162	12,266	12,266
Liabilities					
Liabilities to banks	AC	8,074	8,074	7,468	7,468
Trade payables	AC	10,247	10,247	9,368	9,368
Other financial liabilities	AC	16,236	16,236	14,263	14,263

[1] Amortised cost.

[2] Fair Value through Profit & Loss.

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

Revenues are generated primarily from the sale of goods in various geographic regions and within various product groups at specific times.

(3.1) Revenues

	2019 EUR'000	2018 EUR'000
Spirits segment	86,700	84,193
Non-alcoholic Beverages segment	51,357	49,703
Fresh Juice Systems segment	19,966	18,760
Other segments	9,377	9,511
Revenues	**167,400**	**162,167**

(3.2) Change in inventories

	2019 EUR'000	2018 EUR'000	Change EUR'000
Work in progress	18,139	18,112	+ 27
Finished products	9,963	9,976	- 13
Change in inventories			**+ 14**

(3.3) Other operating income

	2019 EUR'000	2018 EUR'000
Sales of empty containers and deposit refunds	990	998
Reversal of liabilities (accruals)	895	1,158
Costs allocations/ cost reimbursements	800	818
Waste recycling	423	332
Rental income	233	242
Other income relating to other periods	59	261
Miscellaneous other operating income	724	903
	4,124	**4,712**

(3.4) Purchased goods and services

	2019 EUR'000	2018 EUR'000
Cost of raw materials and supplies, and merchandise for resale	89,377	89,143
Cost of purchased services	3,340	2,760
	92,717	**91,903**

(3.5) Personnel expenses

	2019 EUR'000	2018 EUR'000
Wages and salaries	21,577	20,719
Social security	3,940	3,837
Pension costs	84	13
	25,601	**24,569**

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

	Annual average		Year-end	
	2019	2018	2019	2018
Salaried staff	261	259	261	260
Wage-earning staff	210	206	208	204
	471	**465**	**469**	**464**
Apprentices	26	22	29	23
	497	**487**	**498**	**487**

Based on full-time equivalents, the workforce increased from an annual average of 412 to 413.

(3.6) Depreciation and amortisation of assets

	2019 EUR'000	2018 EUR'000
Depreciation of property, plant and equipment	6,489	6,213
Amortisation of intangible assets	1,309	1,297
Depreciation of right-of-use assets	737	0
Depreciation of investment property	14	16
	8,549	**7,526**

(3.7) Other operating expenses

	2019 EUR'000	2018 EUR'000
Other selling costs	17,439	16,810
Marketing, including advertising	5,199	5,003
Maintenance	3,251	2,835
Legal, consulting, auditing costs	2,195	1,549
Charges, contributions, insurance premiums	1,754	1,683
Other services	1,082	1,183
Temporary staff	842	872
Rents, office costs, money transfer costs	821	1,573
Packaging recycling	797	1,051
Other personnel expenses	466	545
Expenses relating to other periods	447	281
Damage claims	269	602
Miscellaneous other operating expenses	1,362	1,312
	35,924	**35,299**

(3.8) Financial income/financial expenses

	2019 EUR'000	2018 EUR'000
Other interest and similar income	97	70
Income from equity investments	7	0
Financial income	104	70
Interest and similar expenses	1,645	1,630
Loss absorption expenses	5	5
Financial expenses	1,650	1,635
Financial result	**- 1,546**	**- 1,565**

(3.9) Net results by measurement categories

The net results by measurement categories break down as follows in the 2019 financial year:

			from subsequent measurement				
		from interest EUR'000	at fair value EUR'000	currency translation EUR'000	from write-downs EUR'000	from disposal EUR'000	Net results 2019 EUR'000
Financial assets and liabilities measured at fair value through profit or loss	FVPL	- 5	0	0	0	0	- 5
Financial liabilities measured at amortised cost	AC	- 549	0	0	0	0	- 549
Financial assets measured at amortised cost	AC	83	0	0	52	0	135
Total		**- 471**	**0**	**0**	**52**	**0**	**- 419**

In the previous year, the net result by measurement category broke down as follows:

			from subsequent measurement				
		from interest EUR'000	at fair value EUR'000	currency translation EUR'000	from write-downs EUR'000	from disposal EUR'000	Net results 2018 EUR'000
Financial assets and liabilities measured at fair value through profit or loss	FVPL	- 5	0	0	0	0	- 5
Financial liabilities measured at amortised cost	AC	- 644	0	0	0	0	- 644
Financial assets measured at amortised cost	AC	57	0	0	- 56	0	1
Total		**- 592**	**0**	**0**	**- 56**	**0**	**- 648**

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

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

Changes in the market value of financial instruments measured at fair value are disclosed under other operating income or other operating expenses.

(3.10) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated net profit or loss attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial year.

The capital stock of Berentzen-Gruppe Aktiengesellschaft is divided into 9,600,000 shares of common stock (previous year: 9,600,000 shares of common stock). Taking treasury shares into account, there were 9,393,691 weighted average shares outstanding of Berentzen-Gruppe Aktiengesellschaft in financial year 2019 (previous year: 9,393,691).

Berentzen-Gruppe Aktiengesellschaft has not issued any stock options or convertible bonds; there were no potential diluting instruments that could be exchanged for shares at December 31, 2019. For this reason, only the basic earnings per share of common stock are presented.

		2019	2018
Consolidated profit	EUR'000	4,925	5,165
Number of common shares [1]	in thousands	9,394	9,394
Basic earnings per share of common stock	**EUR**	**0.524**	**0.550**

[1] Weighted average shares outstanding during the financial year.

(4) Other explanatory notes

(4.1) Cash Flow Statement

Cash flow from operating activities

The cash flow from operating activities comprises both the operating cash flow generated from operations as presented in the Group management report (consolidated earnings before interest, taxes, depreciation and amortisation, adjusted for non-cash elements) as the central managerial indicator of liquidity, and cash movements in working capital. In the 2019 financial year, net cash inflow increased to EUR 16,611 thousand (previous year: EUR 5,592 thousand). The material factors influencing this development are presented below.

The change in what is referred to as trade working capital – i.e. the portion of working capital comprising the cash movements exclusively in inventories, receivables including factoring, alcohol tax liabilities and trade payables – gave rise to a net cash inflow of EUR 3,202 thousand, compared with a cash outflow of EUR 7,080 thousand in the previous year. In addition, a cash outflow stemmed from the increase in other assets of EUR 504 thousand (previous year: EUR 908 thousand). The debt financing from provisions decreased by EUR 566 thousand (previous year: EUR 397 thousand), while the change in other liabilities brought about a cash inflow of EUR 2,821 thousand (previous year: EUR 473 thousand).

Cash flow from investment activities

The Group's investing activities led to a cash outflow overall of EUR 6,890 thousand (previous year: EUR 6,500 thousand). Investments in property, plant and equipment and intangible assets totalled EUR 7,171 thousand (previous year: EUR 6,776 thousand), accompanied by cash flows from the disposal of assets amounting to EUR 281 thousand (previous year: EUR 274 thousand).

Cash flow from financing activities

Financing activities gave rise to a net cash outflow of EUR 3,170 thousand (previous year: EUR 2,067 thousand), which essentially resulted from the dividend payment of EUR 2,630 thousand (previous year: EUR 2,067 thousand). In the 2019 financial year, cash inflows from loans taken out by a foreign Group company amounting to EUR 299 thousand were accompanied by cash outflows for loan repayments amounting to EUR 104 thousand. Furthermore, cash flow from financing activities was affected by lease liability repayments amounting to EUR 735 thousand (previous year: EUR 0 thousand).

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

	2019		2018	
	Non-current financial liabilities EUR'000	Current financial liabilities EUR'000	Non-current financial liabilities EUR'000	Current financial liabilities EUR'000
01/01	7,971[1)]	1,702[1)]	7,068	1,669
Cash additions and repayments	50	- 270	0	- 485
Non-cash changes				
Changes in the consolidated group	0	0	0	0
Exchange rate changes	- 4	- 89	0	- 111
Changes in fair value	0	0	0	0
Other effects	- 159	997	66	13
12/31	**7,858**	**2,340**	**7,134**	**1,086**

1) The deviation from the carrying amount of the financial liabilities at December 31, 2018 is the result of the first-time application of IFRS 16 as of January 1, 2019, which led to the recognition of non-current and current liabilities amounting to EUR 837 thousand and EUR 616 thousand, respectively.

Cash and cash equivalents

At year-end, the cash and cash equivalents as defined in Note (2.10) totalled EUR 22,010 thousand (previous year: EUR 15,459 thousand), of which EUR 18,130 thousand (previous year: EUR 13,413 thousand) relates to receivables from the customer settlement accounts maintained with banks that are used for settlement under two factoring agreements. In addition, short-term credit lines or financing instruments classified as such were utilised in the amount of EUR 688 thousand (previous year: EUR 334 thousand) at the reporting date for the 2019 financial year.

(4.2) Segment report

Operating segments

The segment report is prepared in accordance with IFRS 8 Operating Segments. This requires the business segments to be identified on the basis of the internal management reports of the Company's divisions, the operating results of which are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The segment reports accord with the internal reports presented to the chief operating decision maker, the Executive Board of Berentzen-Gruppe Aktiengesellschaft. The Executive Board uses the "contribution margin after marketing budgets" as the key performance indicator.

The corporate group is mainly organised and managed on the basis of product groups and sales units. The internal reporting of Berentzen-Gruppe Aktiengesellschaft is generally based on the same recognition and measurement principles as the consolidated financial statements. The segment report is organised in the same way as the internal reports.

In the segment report, the main operating units of “Domestic Branded Spirits” and “Private Label Products” are grouped together to form one reporting segment due to their similar customer groups, products and long-term margins.

The corporate group operated in the following segments in the 2018 and 2019 financial years:

- *Spirits* (domestic branded spirits and private-label products): The marketing, distribution and sale of spirits in the above-mentioned sales divisions are combined in this segment.

- *Non-alcoholic Beverages:* The marketing, distribution and sale of non-alcoholic beverages combined in this segment.

- *Fresh Juice Systems*: Depending on the system component, the development, manufacture, marketing and distribution as well as the sale of fruit presses, oranges and filling containers are combined in this segment.

- *Other segments*: This segment primarily includes the foreign business with branded spirits (marketing and sales) as well as the tourist and event activities of the Berentzen Group.

Segment data

The revenues of the individual segments consist of the intersegment revenues together with revenues generated with customers outside of the corporate group. The sum total of the external revenues of the individual segments yields the consolidated revenues of the corporate group. The prices and terms for the products and services exchanged between the Group companies and segments are the same as those applied with third parties.

The “contribution margin according to marketing budgets” segment earnings include expenses directly incurred by the areas allocated to the respective segment. For product-related purchased goods as services, other direct costs (shipping, packaging recycling, commissions) and marketing including advertising, it is possible to perform an unambiguous allocation to the individual segments enabling a full presentation of the contribution according to marketing budgets for the segments that can be used as a performance indicator.

The internal reports submitted to the Group’s decision-makers do not include a breakdown of assets and liabilities by segment but only present them at group level. This means that the Executive Board of Berentzen-Gruppe Aktiengesellschaft, in its function as key decision-making body, is not given any details of segment assets.

Segment report for the period from January 1 to December 31, 2019

	2019					
	Spirits EUR'000	Non-alcoholic Beverages EUR'000	Fresh Juice Systems EUR'000	Other segments EUR'000	Elimination of intersegment revenues/ expenses EUR'000	Total EUR'000
Revenues with third parties	**86,700**	**51,357**	**19,966**	**9,377**		**167,400**
Intersegment revenues	281	31	31	45	- 388	
Total revenues	**86,981**	**51,388**	**19,997**	**9,422**	**- 388**	**167,400**
Purchased goods and services (product-related only)	- 51,365	- 21,261	- 11,505	- 3,866	388	**- 87,609**
Other direct costs	- 4,625	- 5,057	- 1,305	- 192		**- 11,179**
Marketing, including advertising	- 3,173	- 1,564	- 328	- 147		**- 5,212**
Contribution margin after marketing budgets	**27,818**	**23,506**	**6,859**	**5,217**		**63,400**
Other operating income						**4,124**
Purchased goods and services/change in inventories (if not included in contribution margin)						**- 5,094**
Personnel expenses						**- 25,601**
Depreciation and amortisation of assets						**- 8,549**
Miscellaneous other operating expenses						**- 18,468**
Consolidated operating profit, EBIT						**9,812**
Exceptional effects			- 1,065			**- 1,065**
Financial income						**104**
Financial expenses						**- 1,650**
Consolidated profit before income taxes						**7,201**
Income tax expenses						**- 2,276**
Consolidated profit						**4,925**

Segment report for the period from January 1 to December 31, 2018

	2018					
	Spirits EUR'000	Non-alcoholic Beverages EUR'000	Fresh Juice Systems EUR'000	Other segments EUR'000	Elimination of intersegment revenues/ expenses EUR'000	Total EUR'000
Revenues with third parties	**84,193**	**49,703**	**18,760**	**9,511**		**162,167**
Intersegment revenues	289	34	11	19	- 353	
Total revenues	**84,482**	**49,737**	**18,771**	**9,530**	**- 353**	**162,167**
Purchased goods and services (product-related only)	- 49,667	- 21,905	- 11,058	- 4,103	353	**- 86,380**
Other direct costs	- 4,569	- 4,694	- 1,317	- 246		**- 10,826**
Marketing, including advertising	- 2,768	- 1,744	- 283	- 182		**- 4,977**
Contribution margin after marketing budgets	**27,478**	**21,394**	**6,113**	**4,999**		**59,984**
Other operating income						**4,712**
Purchased goods and services/change in inventories (if not included in contribution margin)						**- 4,111**
Personnel expenses						**- 24,569**
Depreciation and amortisation of assets						**- 7,526**
Miscellaneous other operating expenses						**- 18,688**
Consolidated operating profit, EBIT						**9,802**
Exceptional effects			- 808			**- 808**
Financial income						**70**
Financial expenses						**- 1,635**
Consolidated profit before income taxes						**7,429**
Income tax expenses						**- 2,264**
Consolidated profit						**5,165**

Geographical breakdown

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

	2019 EUR'000	2018 EUR'000
Germany	127,932	126,898
Rest of European Union	33,409	28,875
Rest of Europe	3,595	3,869
Rest of world	2,464	2,525
	167,400	**162,167**

Breakdown of revenues by product group

	2019 EUR'000	2018 EUR'000
Private-label and dealer brands	57,311	54,946
Non-alcoholic beverages	51,357	49,703
Branded spirits	37,845	37,692
Fresh juice systems	19,966	18,760
Other product groups	921	1,066
	167,400	**162,167**

Dependence on key customers

In both the 2019 financial year and the previous year, more than 10% of consolidated revenues were generated with three (previous year: two) customers in the *Spirits, Non-alcoholic Beverages,* and *Fresh Juice Systems* segments, broken down as follows:

	2019		2018	
Customer	**Revenues EUR'000**	**Proportion of total revenues**	**Revenues EUR'000**	**Proportion of total revenues**
Customer A	31,196	18.6%	29,617	18.3%
Customer B	19,543	11.7%	17,378	10.7%
Customer C	17,546	10.5%	15,744	9.7%

(4.3) Contingent liabilities

The following contingent liabilities existed at year-end:

	2019 EUR'000	2018 EUR'000
Liabilities from guarantees	872	2,193
Other contingent liabilities	335	334
	1,207	**2,527**

Berentzen-Gruppe Aktiengesellschaft has issued an absolute maximum-liability guarantee of EUR 864 thousand (previous year: two absolute maximum-liability guarantees totalling EUR 2,185 thousand) for the branch of a subsidiary in Brandenburg in favour of InvestitionsBank des Landes Brandenburg to secure receivables arising from the subsidy relationship, especially possible future claims to repayment. In both 2007 and 2010, the subsidiary had submitted an ongoing request for the granting of state aid to industry under the regional economic promotion programme over an investment period of three years. The amounts requested by calling down funds were disbursed starting in 2011 or 2012 and secured by the two guarantees and/or a guarantee. Based on our current assessment, there are no indications to suggest that, if amounts payable under the subsidy relationship – especially a request for repayment of state aid – were to be enforced, which is currently not the case, the guarantee could potentially be utilised.

The other contingent liabilities related to the legal disputes of Berentzen Spirit Sales (Shanghai) Co., Ltd., Shanghai, People's Republic of China. More details on this can be found in Note (4.4).

In addition, there are letters of indemnity related to maximum-liability customs bonds in the amount of EUR 776 thousand (previous year: EUR 776 thousand). The current alcohol tax liabilities secured by such guarantees amounted to EUR 43,601 thousand at year-end (previous year: EUR 42,277 thousand).

(4.4) Litigation

In connection with their ordinary business activities, the companies of the Berentzen Group are involved in legal disputes in different jurisdictions; moreover, existing legal disputes may be broadened or additional legal disputes may be initiated. These legal disputes could result in payment obligations for the companies of the Berentzen Group in the form of damages, punitive damages, or obligations to satisfy other claims, as well as penalties, fines, or disgorgements under criminal law or civil law. In isolated cases, moreover, legal disputes could lead to formal or informal exclusions from public tenders or the withdrawal or loss of government permits or approvals. Claims asserted in legal disputes bear interest, as a general rule.

In connection with the cessation of business activities, claims totalling approximately EUR 391 thousand (previous year: EUR 389 thousand) were asserted, titled and enforced to a minor extent against Berentzen Spirit Sales (Shanghai) Co., Ltd. (which ceased operations many years ago), Shanghai, People's Republic of China, by two former local distribution partners in connection with trade dealings and by the other contractual party under the former lease of the Company's business premises. Berentzen Spirit Sales (Shanghai) Co., Ltd. filed for commencement of an insolvency proceeding due to insolvency in November 2015 and again in August 2016; the motions were rejected by the competent courts for incomprehensible reasons. Considering the economic situation of the Company, however, the Berentzen Group believes that a further assertion of the aforementioned claims will not be successful, for which reason no provisions were formed for legal disputes in this matter.

The US distributor acting on behalf of the subsidiary Citrocasa GmbH (formerly T M P Technic-Marketing-Products GMBH), Linz, Austria, asserted claims as part of pending arbitration proceedings instigated by the distributor at the beginning of August 2018; the claims include but are not limited to damages in connection with alleged breaches of the distribution contract between the parties. The same distributor asserted a claim for damages against Berentzen-Gruppe Aktiengesellschaft in February 2019 in connection with alleged business-damaging and anti-competitive behaviour as part of a lawsuit brought before under the jurisdiction of civilian courts in the USA. The proceedings ended in October and November 2019. In connection with these legal disputes, the Berentzen Group companies named accrued expenses totalling EUR 1,065 thousand (previous year: EUR 808 thousand) in the 2019 financial year, of which EUR 154 thousand (previous year: EUR 650 thousand) was still earmarked for litigation costs at December 31, 2019.

At the present time, the Berentzen Group does not expect any material adverse effects on its financial position, cash flows and financial performance to result from legal disputes not described herein. Appropriate risk provisions have been formed for these proceedings insofar as the corresponding obligation is sufficiently concretised. However, because the risks of legal disputes can be estimated only to a limited extent, the occurrence of adverse effects not covered by the respective risk provisions cannot be ruled out, as a general rule.

(4.5) Risk management

Organisation

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

The Central Financial Management Department manages the Berentzen Group's financial risk. It monitors liquidity risk, credit risk and market risk. The strategies and methods employed to manage the individual financial risks are presented below.

Liquidity risk

Liquidity risk is the risk that a company is not in a position to procure the funds needed to settle obligations entered into in connection with financial instruments.

Management of liquidity risk

The Executive Board, the Management and the Central Financial Management Department manage the Group's liquidity risk. The liquidity risk is managed primarily by procuring funds as part of the overall funding of the Berentzen Group, which breaks down as follows for the 2019 financial year:

The syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 with a current total funding volume of EUR 33.0 million in principle contains three facilities: two facilities for the purposes of company financing, of which one facility amounting to EUR 7.5 million has a fixed maturity date and one facility amounting to EUR 25.5 million. Within the scope of what is known as a branch agreement, the latter can be utilised as working capital or bank guarantee lines of credit. With regard to the latter facility, the volume of funding increased by EUR 7.5 million on November 26, 2019 from EUR 18.0 million to EUR 25.5 million. An optional agreement governs an increase in the volume of funding by a further facility with a fixed maturity date for the financing of acquisitions amounting to EUR 10.0 million. The initial term is five years with an option to extend the term by a further year. The Berentzen Group made use of this option in February

2018; the maturity date is therefore now December 21, 2022. Interest is payable on utilisations at a variable rate on the basis of the EURIBOR reference rate plus a fixed interest margin. The syndicated loan agreement is not secured. As part of a cross-guarantee system taking the form of a guarantee concept that consists of a minimum coverage to be granted by Berentzen-Gruppe Aktiengesellschaft as borrower and the guarantors relating to certain group inventory levels and flow variables specified in the agreement, three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the concept as guarantors. The borrower will be obliged to comply, at regular intervals, with contractually specified two covenants based on their financial statements – dynamic net debt ratio and equity ratio. The syndicated loan agreement, that is based in all material respects on the international standard agreements issued by the British Loan Market Association (“LMA standard”), further contains the obligations, conditions, assurances and warranties customary under such agreements that include, in particular, limits on leverage, limits relating to the sale of assets and a change-of-control clause. In the event of failure to comply with the covenants, other obligations, assurances and warranties or the occurrence of a change of control, the lenders under the syndicated loan agreement will be entitled to prematurely terminate the syndicated loan agreement and demand immediate repayment of the funds utilised and any outstanding interest and costs.

The drawdown of factoring lines represents a further focal point of external funding. The ensuing total volume of funding available to the Berentzen Group on the basis of two factoring agreements running until March 31, 2021 increased by EUR 5.0 million in December 2019 to EUR 55.0 million (EUR 50.0 million). Added to this is a formally unlimited factoring line under three further, open-ended central settlement and factoring agreements. In the 2019 financial year, this gave rise to an average gross funding volume of EUR 9.2 million (EUR 9.2 million). In contrast, the factoring agreements are free of covenants.

Apart from the syndicated loan agreement, the volume of funding from credit agreements with the providers of working capital to the Berentzen Group totals EUR 0.9 million (EUR 1.1 million). These lines of credit have been made available to two foreign Group companies, all of which are open-ended. Collateral must be provided for this by a foreign Group company in the translated amount of EUR 0.7 million (EUR 0.9 million), fundamentally in the form of cash received before the due date or other securities. In addition, two sureties for alcohol tax provided by guarantee and bonding insurance companies in a total amount of EUR 0.8 million (EUR 0.8 million). Both the working capital credit agreements as well as one of the surety agreements contain change-of-control clauses that allow the funding agreements concerned to be terminated prematurely in the event of a change of control. The latter also contains covenants that lead to a special termination right of the insurer in case of a violation. Furthermore, the Turkish subsidiary took out an annuity loan in May 2019 in the translated amount of EUR 0.3 million. The loan maturity date is April 9, 2021, with the outstanding debt at the end of the 2019 financial year amounting to the translated amount of EUR 0.2 million.

Including the formally unlimited factoring agreements with a central settlement agent, the gross funding volume from factoring arrangements and not falling under the scope of the working capital credit lines of the syndicated loan agreement thus stood at EUR 65.1 million at

December 31, 2019 (EUR 60.3 million). These short-term external or credit financing arrangements bear interest on the basis of the EURIBOR and EONIA reference interest rates, plus a fixed interest margin, otherwise at interest rates based on local market conditions or at fixed interest rates.

The factoring agreements, the central settlement and factoring agreements, and the agreements regarding working capital lines outside of the syndicated loan agreement have been concluded with both Berentzen-Gruppe Aktiengesellschaft and other Berentzen Group companies.

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

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

Credit risk/default risk

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

Management of credit risk/default risk

The management of credit risk or risk of default in the Berentzen Group is substantially geared towards entering into transactions with creditworthy third parties. Credit references or historical data from the business relationship to date are considered for the purpose of avoiding payment defaults. In the event of discernible risks, appropriate value adjustments are charged against receivables.

Approximately 76% (previous year: 76%) of consolidated revenues are billed via foreign branch offices that also assume the credit risk via del credere agreements. In addition, the risk of default is covered under trade credit insurance. As a general rule, balances in excess of EUR 5 thousand are covered under credit insurance. Trade credit insurance reimburses all defaults on receivables on the part of insured customers up to the agreed deductible of 20% for customers residing in Germany and 10% for customers residing abroad. For domestic customers, the VAT included in the amount of the receivable is also insured. In the event of a default on receivables, the net default risk is only slightly less than 5% of the gross receivable as the VAT is refunded by the tax authorities. The provision or collateral or payment in advance is frequently demanded of the group company domiciled outside of Europe.

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

No trade credit insurance is carried for one of the major trade offices because it has furnished an unconditional absolute guarantee of a major German credit insurer to the company to cover the receivables due from it.

	2019		2018	
	EUR'000	%	EUR'000	%
Trade receivables	**15,104**	**100.00%**	**16,791**	**100.00%**
- of which trade credit-insured	6,967	46.12%	4,900	29.18%
- of which secured by a surety	2,063	13.66%	5,418	32.27%
- of which secured by guarantees	2,403	15.91%	2,145	12.77%
- of which unsecured	3,366	22.29%	3,971	23.65%
- of which written down	305	2.02%	357	2.13%

With regard to the trade receivables for which no value adjustments have been charged and which are not in default, there were no indications at the reporting date to suggest that the debtors will not fulfil their payment obligations. The intrinsic value of receivables is protected by means of assigning limits to all customers on the basis of the assessments of rating agencies or the credit insurer, and by means of regular payment reminders and constant monitoring of all receivables accounts.

Cash and cash equivalents are invested with major banks and state banks.

In the event of counterparty default, the maximum credit risk of the cash and cash equivalents, financial assets measured at fair value through profit or loss, and other financial assets is equal to the carrying amounts of these instruments.

No loans denominated in foreign currencies are granted and no bill transactions are conducted. As a general rule, no deliveries are made to customers not associated with foreign branch offices without first conducting a credit assessment with the help of rating agencies. Receivables are continuously monitored to ensure that the Group's default risk is manageable or not substantial. In addition, payment terms are regularly monitored.

Default risk also comprises country risk or transfer risk. This risk comprises the risk of economic or political instability in connection with investments or cross-border financing transactions of Group companies in so-called high-risk countries, as well as the risk inherent in direct sales to customers in such countries. Country risks related to capital measures or other cross-border financing transactions of Group companies are managed already as part of the decision to enter or increase exposure to a foreign market by a Group company. This decision is made on the basis of a comprehensive assessment of the economic and political parameters with reference to country ratings. No companies are founded in countries deemed to be instable on this basis. Subsequent financing measures for foreign Group companies that have already been founded, which are based solely on the actual capital requirements, are also assessed appropriately on the basis of continuous monitoring and updated knowledge; furthermore, such financing measures are centrally managed and supported. For example, both intragroup financing made to a subsidiary based in Turkey as well as its current assets are subject to more intense monitoring on account of the political events of the past years due to the associated implications of a higher risk of default. In order to minimise the risk of direct sales to customers in so-called high-risk countries, security is obtained or cash in advance is agreed in cases in which there is no trade credit insurance or it is not possible to sell the receivables under factoring agreements. In addition, any past-due foreign receivables are reported to the competent Executive Board member by means of a separate reporting system.

Market risk

Market risk is defined as the risk of changes in the fair value of future cash flows from a financial instrument due to market price fluctuations. Market risk comprises currency risks, interest rate risks and other price risks.

Management of market risk

Market risk is also managed by the Executive Board, the Management and the Group's Central Financial Management Department.

For presenting market risks, IFRS 7 requires an entity to conduct sensitivity analyses to determine the effects of hypothetical changes in relevant risk variables on net profit and shareholders' equity. Besides currency risks, the Berentzen Group is exposed to interest rate risk and other price risks.

The periodic effects are determined by applying the hypothetical changes in risk variables to the holdings of financial instruments held at the reporting date. The holdings at the reporting date are representative of the full year.

Foreign currency risks arise from the translation of foreign currency items into the Group's functional currency (euro) due to exchange rate changes. According to the Berentzen Group's definition, they generally result from financial items, pending transactions where applicable, and planned transactions denominated in foreign currencies. Relevant foreign currencies for the Group particularly include the U.S. dollar and the Turkish lira. The corresponding risk potential depends on the development of exchange rates and the volume of transactions conducted or to be conducted in foreign currencies. To date, the Group's activities in both procurement and sales have been conducted largely in euros and US dollars. No material business is conducted with suppliers or customers in hyperinflationary countries. Currency risk is also partially neutralised in that procurement and sales are always conducted in the same foreign currency and therefore the corresponding cash inflows and cash outflows occur in the same currency – although not usually in the same amounts or maturities. Without taking consolidation effects into account, liabilities and receivables denominated in foreign currencies amounted respectively to approximately EUR 1.3 million (EUR 0.7 million) and EUR 3.0 million (EUR 2.5 million). Rate-hedging measures are carried out regularly for the most important foreign currency, the U.S. dollar, insofar as an assessment of the foreign currency environment makes this appear to be useful. To hedge currency risk arising from future purchases of goods, there were no foreign exchange futures at December 31, 2019 (December 31, 2018: no foreign exchange futures). Provided the scope of consolidation remains unchanged, foreign currency risks are to be regarded as relatively low or low overall. However, this assessment can change with an increasing volume of corresponding transactions as well as due to the effects of financial policy and corporate policy decisions or future trends on the foreign exchange market.

From the Group’s perspective, the value of the Berentzen Group’s assets or the nominal amounts of its liabilities located outside of Germany are likewise subject to foreign currency fluctuations. Foreign currency effects arising on the translation of net asset positions from the separate financial statements of foreign Group companies are recognised directly in equity; nevertheless, foreign currency risks that affect profit or loss – but not cash flows from the Group’s perspective – could result from intragroup transactions denominated in foreign currencies, particularly including the financing of foreign companies with the Group’s own funds. In the event that foreign subsidiaries are deconsolidated, however, the effects of the foreign currency risks inherent in the currency translation differences previously recognised in Group equity would need to be recognised in profit or loss. No foreign subsidiaries were deconsolidated in the 2019 financial year. As a result, negative currency effects from the translation of Group-internal financing for a Group company in Turkey remain in the Berentzen Group’s retained earnings in the amount of EUR 3.0 million (EUR 2.8 million) as of December 31, 2019.

The sensitivity of consolidated profit/loss before income taxes and shareholders’ equity to a fundamentally possible change in exchange rates according to prudent judgment is presented in the table below using a hypothetical appreciation or depreciation of the euro by 5% vis-a-vis all currencies. All other variables remain constant.

	2019		**2018**	
	Exchange rate change + 5% EUR‘000	**Exchange rate change - 5% EUR‘000**	**Exchange rate change + 5% EUR‘000**	**Exchange rate change - 5% EUR‘000**
USD	- 375	415	- 415	458
TRY	111	- 123	123	- 136
Other	- 20	22	- 13	15
Overall effect on equity and earnings before income taxes	**- 284**	**314**	**- 305**	**337**

The Group holds interest-bearing assets. The magnitude of the resulting interest income is not materially important for the consolidated earnings and cash flows. Therefore, changes in market interest rates are also immaterial.

No financial instruments are currently employed as hedging instruments. Changes in market interest rates affect the interest result of non-derivative variable-interest rate financial instruments and are included in the computation of result-oriented sensitivities:

	Interest Rate Risk					
	2019			2018		
	Amount EUR'000	+ 100 BP result EUR'000	- 100 BP result EUR'000	Amount EUR'000	+ 100 BP result EUR'000	- 100 BP result EUR'000
Financial assets						
Cash and cash equivalents	22,698	227	- 227	15,793	158	- 158
Other current assets	1,322	13	- 13	1,361	13	- 13
Effect before income taxes		240	- 240		171	- 171
Financial liabilities						
Liabilities due to banks	8,389	84	- 84	7,834	78	- 78
Factoring (off-balance sheet)	9,201	92	- 92	9,188	92	- 92
Effects before income taxes		176	- 176		170	- 170
Total effect		**64**	**- 64**		**1**	**- 1**

If the level of market interest rates had been 100 basis points higher (lower) in the reporting period, the net profit would have been EUR 64 thousand (previous year: EUR 1 thousand) higher (lower).

The actual average payment term for the entire Group is currently around 35 days (previous year: 35 days). This payment term does not give rise to heightened liquidity or interest rate risk because sufficient factoring lines or (particularly in foreign countries) similar financing instruments are available to finance the Group's receivables. Consequently, the need for conventional short-term credit lines is reduced to a considerable degree.

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

Market and price risks are also inherent in the procurement of raw materials and supplies and in the procurement costs of merchandise and system components. In all segments, the purchase prices of the raw materials and supplies, merchandise and system components used by the Berentzen Group are particularly influenced by their market availability and, in the case of purchases conducted in foreign currencies, the development of the corresponding exchange rates against the euro. A large part of the raw materials needed for the production of spirits and non-alcoholic beverages as well as the fruits (oranges) traded in the *Fresh Juice Systems* segment are agrarian products, the availability of which depends on the respective crop yields. Furthermore, regulatory measures such as duties can have a considerable influence on purchase prices.

Annual supply contracts are in place for the purchase of glass, stipulating fixed prices and fixed quantities. For harvest-dependent raw materials such as sugar, fruit juice concentrates and alcohol made from grains, contracts are usually concluded from harvest to harvest. Other raw material and packaging material groups are based on market price indexes, with prices mostly fixed on a quarterly or half-yearly basis depending on market conditions. In the *Fresh Juice Systems segment,* purchases of the individual system components are predominantly managed on the basis of single contracts; in particular, the procurement of fruits (oranges) is dependent on harvest seasons in the global cultivation areas.

(4.6) Capital management

The objectives of the corporate group with regard to capital management are to secure the continued existence of the Company as a going concern and to support growth targets. In light of these primary objectives, the capital structure needs to be optimised in order to maintain the cost of capital at an appropriate level. The corporate group uses the equity ratio as well as the dynamic debt ratio to monitor its capital.

The equity ratio is calculated as the ratio of adjusted equity to adjusted total consolidated capital (total consolidated assets). Adjusted equity is based on the consolidated capital reported in the Consolidated Statement of Financial Position. If available, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from the figure, while non-current liabilities to shareholders and mezzanine capital are added. Likewise, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from total consolidated capital if available.

The equity ratio is calculated in detail as follows:

	12/31/2019 EUR'000	12/31/2018 EUR'000
Consolidated shareholders' equity	49,200	47,409
Adjusted shareholders' equity	**49,200**	**47,409**
Total capital	151,630	144,979
Adjusted total capital	**151,630**	**144,979**
Equity ratio	**32.4%**	**32.7%**

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

The following table shows the dynamic debt ratio at year-end:

	12/31/2019 EUR'000	12/31/2018 EUR'000
Non-current financial liabilities	7,858	7,134
Current financial liabilities	2,340	1,086
Cash and cash equivalents	22,698	15,793
Total Net Debt	**- 12,500**	**- 7,573**
EBITDA	**18,361**	**17,328**
Dynamic gearing ratio	**- 0.68**	**- 0.44**

Information regarding risk management, particularly the covenants agreed upon, can be found in Note (4.5). As of December 31, 2019, all covenants were met.

(4.7) Related party disclosures

The disclosures prescribed by IAS 24 refer to dealings with related entities and persons, to the extent that they are not included in the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as reporting entities.

Related entities

Berentzen-Gruppe Aktiengesellschaft is the highest-level controlling parent company. Transactions between Berentzen-Gruppe Aktiengesellschaft and those subsidiaries considered to be related entitles were eliminated in the course of consolidation and not explained in the notes to the consolidated financial statements. Transactions with non-consolidated subsidiaries are of minor importance.

Further information about affiliated companies is provided at other points in the present Notes to the Consolidated Financial Statements. The relations between Berentzen-Gruppe Aktiengesellschaft and its subsidiaries in accordance with IAS 24.13 are as shown in the List of Shareholdings for the corporate group (Note (1.6)).

Related persons

Persons related to the reporting entity within the meaning of IAS 24 include persons who either control or have a significant influence over the reporting entity, or who are a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Related persons are the members of the Executive Board and Supervisory Board of Berentzen-Gruppe Aktiengesellschaft.

Executive Board

The compensation granted to members of the Executive Board within the meaning of IAS 24.17 is presented in the table below:

Type of compensation	2019 EUR'000	2018 EUR'000
Short-term benefits	957	902
Other long-term benefits	261	164
	1,218	**1,066**

At the annual general meeting on May 12, 2016, a resolution was adopted with the requisite majority of the capital stock with voting rights in accordance with Section 314 (3) sentence 1 HGB in conjunction with Section 286 (5) sentence 1 HGB to the effect that the individualised disclosure of the compensation paid to the members of the Executive Board required by Section 314 (1) No. 6a) sentences 5 to 8 HGB and Section 285 No. 9a) sentences 5 to 8 HGB would not be included when the Company's annual and consolidated financial statements were prepared.

The following total compensation within the meaning of Section 314 (1) No. 6 letter a) sentences 1 to 4 HGB or compensation commitments were granted to the members of the Executive Board:

Type of compensation	2019 EUR'000	2018 EUR'000
Non-performance-based components	729	719
Performance-based components	262	218
Total compensation	**991**	**937**
Committed performance-based components with a long-term incentive effect	**227**	**129**

In addition to the total compensation granted in the respective financial year, commitments of performance-based, non-share-based compensation components were granted to the members of the Executive Board for the respective financial year. The amounts to be paid depend on the level of consolidated EBIT in the respectively following financial year and in the two respectively following financial years. The total amounts so committed amounted to EUR 227 thousand (previous year: EUR 129 thousand).

Neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted subscription rights or other share-based compensation to members of the Executive Board in financial year 2019, nor do the members of the Executive Board hold any such compensation instruments. Moreover, no compensation was granted to Executive Board members for exercising mandates on the boards of subsidiaries in financial year 2019. Furthermore, the total compensation of the Executive Board in financial year 2019 contained no benefits to former members of the Executive Board in connection with the cessation of their activity.

Furthermore, neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted loans or advances to members of the Executive Board, nor did they assume contingent liabilities in favour of them in financial year 2019.

No compensation was paid to former members of the Executive Board or their surviving dependents in the 2019 financial year. Post-employment benefits or total compensation within the meaning of Section 314 (1) No. 6 letter b) HGB were granted to former managing directors of Group companies to which Berentzen-Gruppe Aktiengesellschaft is the legal successor, and their survivors, in the amount of EUR 104 thousand in financial year 2019 (previous year: EUR 105 thousand).

As calculated in accordance with IAS 19, the present value of accrued pension obligations for this group of persons amounted to EUR 744 thousand at December 31, 2019 (previous year: EUR 763 thousand).

Supervisory Board

Short-term benefits within the meaning of IAS 24.17 or total compensation within the meaning of Section 314 (1) No. 6 letter a) sentence 1-4 HGB in the amount of EUR 208 thousand (previous year: EUR 241 thousand) were granted to the members of the Supervisory Board in their function as members of the Supervisory Board.

The employee representatives on the Supervisory Board received short-term benefits or total compensation in the total amount of EUR 113 thousand (previous year: EUR 156 thousand) for their activity outside their functions as Supervisory Board members. Neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted subscription rights or other share-based compensation to members of the Supervisory Board in financial year 2019, nor do the members of the Supervisory Board hold any such compensation instruments. Moreover, no compensation was granted to Supervisory Board members for exercising mandates on the boards of subsidiaries in financial year 2019. Furthermore, the total compensation of the Supervisory Board in financial year 2019 contained no benefits to former members of the Supervisory Board in connection with the cessation of their activity.

Furthermore, neither Berentzen-Gruppe Aktiengesellschaft nor a subsidiary granted loans or advances to members of the Supervisory Board, nor did they assume contingent liabilities in favour of them in financial year 2019.

No compensation was granted to former members of the Supervisory Board and their survivors in financial year 2019.

Additional related-party disclosures

The outstanding balances due from or to related entities and persons at the end of the financial year at December 31, 2019, are not secured and do not bear interest. No guarantees have been provided for amounts due to or from related parties.

There were no doubtful receivables related to outstanding balances due from related parties at December 31, 2019, and therefore no provisions have been recognised for this purpose. No expenses for uncollectible or doubtful receivables due from related parties were recognised in the 2019 financial year, as in the previous year.

(4.8) Announcements and notifications of changes in voting rights arising from shares in Berentzen-Gruppe Aktiengesellschaft pursuant to the German Securities Trading Act

The following persons have notified Berentzen-Gruppe Aktiengesellschaft pursuant to the relevant provisions of the Securities Trading Act (WpHG) that the share of voting rights of Berentzen-Gruppe Aktiengesellschaft held by the notifying party has fallen below or exceeded certain thresholds stipulated in the Securities Trading Act:

Person subject to notification obligation	Names of shareholders [1]	Date when a reporting threshold was reached, exceeded, or fallen below	Attribution per WpHG	Attribution via	Voting rights %	Voting rights No.
Stichting Administratiekantoor Monolith Amsterdam, The Netherlands		April 5, 2019	Section 34	Monolith N.V.	9.93	952,997
		February 2, 2019 [2]	Section 34	Monolith N.V.	10.04	964,022
MainFirst SICAV Senningerberg, Luxembourg		March 2, 2016			8.50	815,500
Lazard Frères Gestion S.A.S. Paris, France		June 22, 2017			5.07	486,598
Intrepid Capital Management Funds Trust [3] Jacksonville Beach / Florida, United States of America		August 1, 2019	Section 34	Intrepid Capital Management Funds Trust Intrepid Capital Fund	2.91	279,689
Intrepid Capital Corp. [3] Jacksonville Beach / Florida, United States of America		August 13, 2019	Section 34	Intrepid Capital Corp. Intrepid Capital Management, Inc. The Intrepid Capital, LP	2.83	271,347
	Intrepid Capital Fund	July 24, 2019	Section 34	Intrepid Capital Corp. Intrepid Capital Management, Inc. The Intrepid Capital, LP	4.77	458,097

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

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

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

(4.9) Declaration of Conformity with the German Corporate Governance Code

The annual declaration of conformity with the German Corporate Governance Code (DCGK) by the Executive Board and the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 161 AktG was issued in November 2019. The declaration has been made permanently accessible on the corporate website of Berentzen-Gruppe Aktiengesellschaft at www.berentzen-gruppe.de/en.

(4.10) Governing bodies of Berentzen-Gruppe Aktiengesellschaft

Executive Board of Berentzen-Gruppe Aktiengesellschaft

The following persons served as members of the Executive Board of Berentzen-Gruppe Aktiengesellschaft in the 2019 financial year:

Name	Term of Board membership	Position held Responsibilities	Supervisory Board mandates
Ralf Brühöfner Lingen, Germany	since June 18, 2007	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Finance, Controlling, Human Resources, Information Technology, Legal Affairs, Corporate Communications, Investor Relations, Corporate Social Responsibility	Doornkaat Aktiengesellschaft, Norden, Germany (Deputy Chairman of the Supervisory Board)
Oliver Schwegmann Timmendorfer Strand, Germany	since June 1, 2017	Member of the Executive Board of Berentzen-Gruppe Aktiengesellschaft Marketing, Sales, Production and Logistics, Purchasing, Research and Development	Doornkaat Aktiengesellschaft, Norden, Germany (Chairman of the Supervisory Board)

Supervisory Board of Berentzen-Gruppe Aktiengesellschaft

The following persons served as members of the Supervisory Board of Berentzen-Gruppe Aktiengesellschaft in the 2019 financial year:

Name	Term of Supervisory Board membership	Position held	Other Supervisory Board mandates
Uwe Bergheim Dusseldorf, Germany Chairman of the Supervisory Board	since May 3, 2018	Self-employed corporate consultant, Dusseldorf, Germany	
Frank Schübel Gräfelfing, Germany Deputy Chairman of the Supervisory Board	since May 19, 2017	Managing Director of TEEKANNE Holding GmbH, Dusseldorf, Germany, as general partner of TEEKANNE GmbH & Co. KG, Dusseldorf, Germany	

Name	Term of Supervisory Board membership	Position held	Other Supervisory Board mandates
Johannes C.G. Boot London, United Kingdom	from June 3, 2009 to May 22, 2019	Chief Investment Officer of Lotus Aktiengesellschaft, Grünwald, Germany	Deutsche Konsum REIT-AG, Broderstorf, Germany (Member of the Supervisory Board) Gerlin NV, Maarsbergen, The Netherlands (Member of the Supervisory Board, since February 14, 2019)
Heike Brandt Minden, Germany	since May 22, 2014	Commercial employee at Berentzen-Gruppe Aktiengesellschaft, Haselünne, Germany	
Bernhard Düing Herzlake, Germany	since June 24, 1999	Production Shift Manager at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Adolf Fischer Lähden, Germany	from June 3, 2009 to May 22, 2019	Production employee at Vivaris Getränke GmbH & Co. KG, Haselünne, Germany	
Prof Dr Roland Klose Würzburg, Germany	from May 19, 2017 to May 22, 2019	Professor of Business Administration at FOM University of Economics & Management, Essen / Nuremberg, Germany	
Hendrik H. van der Lof Almelo, The Netherlands	since May 19, 2017	Managing Director of Via Finis Invest B.V., Almelo, The Netherlands	Monolith N.V., Amsterdam, The Netherlands (Member of the Supervisory Board) TIIN Buy Out and Growth fund B.V., Naarden, The Netherlands (Chairman of the Supervisory Board)
Daniël M.G. van Vlaardingen Hilversum, The Netherlands	since September 1, 2016	Managing Director of Monolith Investment Management B.V., Amsterdam, The Netherlands	

(4.11) Total fees paid to the independent auditor of the consolidated financial statements

At the annual general meeting of Berentzen-Gruppe Aktiengesellschaft on May 22, 2019, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was elected as the independent auditor of the separate and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft. The independent auditor of the consolidated financial statements in the 2019 financial year charged a total fee which breaks down as shown in the following table:

	2019 EUR'000	2018 EUR'000
Financial statements auditing services	173	165
Other certification services	0	0
Tax advisory services	0	0
Other services	0	0
	173	**165**

The financial statements auditing services relate to the statutory audit of the annual and consolidated financial statements of Berentzen Gruppe Aktiengesellschaft. In addition, the auditor carried out a statutory audit of the annual financial statements as well as auditor's reviews of subsidiaries in the previous year.

(4.12) Events after the reporting date

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

Haselünne, March 16, 2020

Berentzen-Gruppe Aktiengesellschaft

The Executive Board

Oliver Schwegmann

Executive Board member

Ralf Brühöfner

Executive Board member

D. Declarations and other information

Responsibility statement

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

Haselünne, March 16, 2020

Berentzen-Gruppe Aktiengesellschaft

The Executive Board

Oliver Schwegmann

Executive Board member

Ralf Brühöfner

Executive Board member

Independent Auditor’s Report

To Berentzen-Gruppe Aktiengesellschaft, Haselünne

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, Haselünne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders´ equity and consolidated cash flow statement for the financial year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Berentzen-Gruppe Aktiengesellschaft, Haselünne, for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Declaration pursuant to Section 289f and Section 315d HGB [Handelsgesetzbuch: German Commercial Code] and the Corporate Governance Report, referred to in section (8) of the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the above listed Corporate Governance Declaration pursuant to Section 289f and Section 315d HGB and of the Corporate Governance Report.

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Based on our assessment, no key audit matters to be disclosed in the auditor‘s report exist.

Other Information

The executive directors or the supervisory board, as applicable, are responsible for the other information. The other information comprises:

- Corporate Governance Declaration mentioned above and the Corporate Governance Report,
- the affirmation of the legal representatives pursuant to section 297 paragraph 2 clause 4 and section 315 paragraph 1 clause 5 HGB, and
- the remaining parts of the annual report 2019, with the exception of the audited consolidated financial statements and the parts of the management report their content were audited by us and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions.

> We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 22 May 2019. We were engaged by the supervisory board on 2 October 2019. We have been the group auditor of Berentzen-Gruppe Aktiengesellschaft, Haselünne, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ronald Rulfs.

Dusseldorf, 17 March 2020

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

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2020 financial calendar

January 9, 2020	ODDO BHF Forum, Lyon / France
February 4, 2020	Publication of preliminary business figures 2019
March 26, 2020	Publication of consolidated and separate financial statements and 2019 Annual Report
May 6, 2020	Publication of the Q1/2020 Interim Report
May 19/20, 2020	Equity Forum (DVFA) German Spring Conference, Frankfurt am Main / Germany
August 11, 2020	Publication of the 2020 Group Half-Yearly Financial Report
October 22, 2020	Publication of the Q3/2020 Interim Report

At March 26, 2020. The financial calendar is provided for information purposes only and will be regularly updated. It is subject to change.

Disclaimer

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