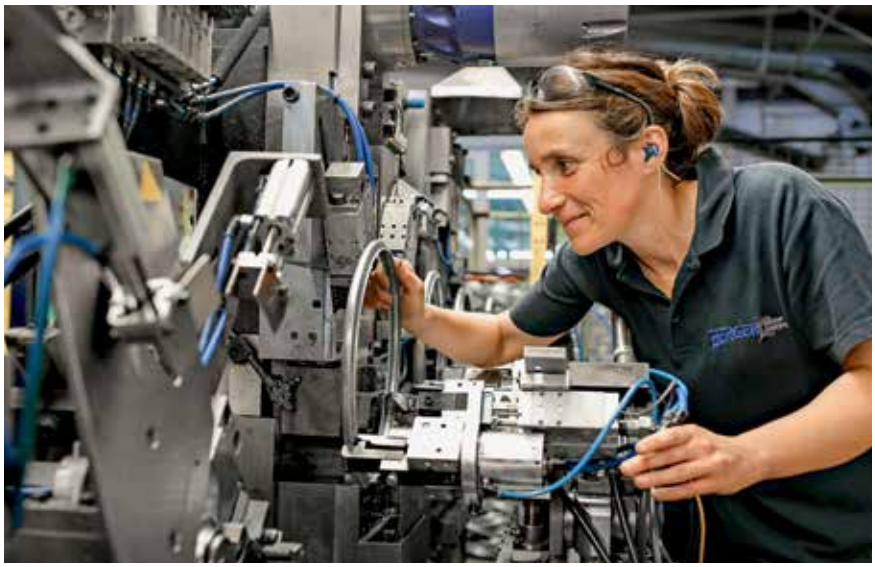
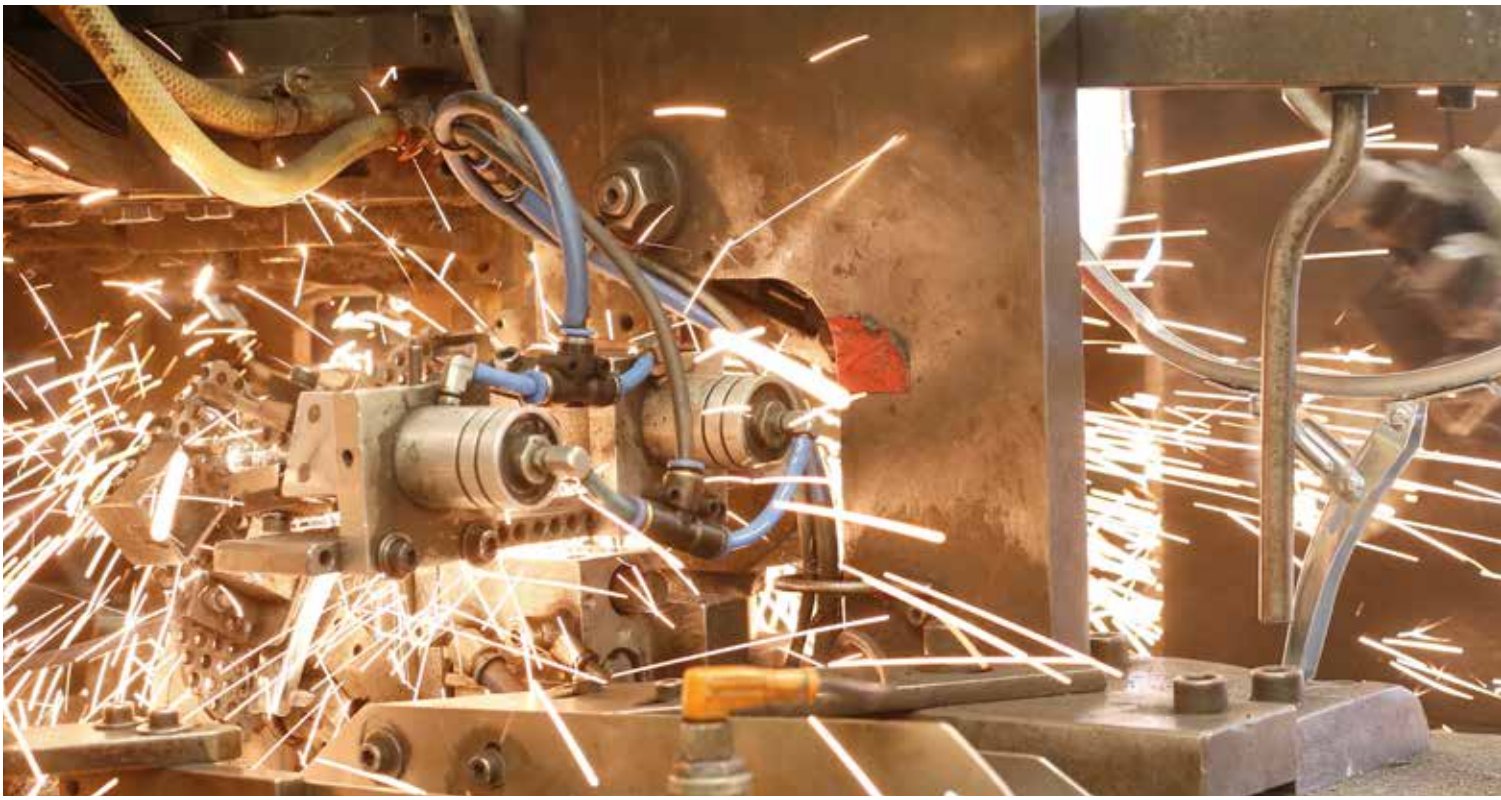


# RINGMETALL 2016 ANNUAL REPORT

# 2016
# ANNUAL REPORT

RINGMETALL



## TO THE SHAREHOLDER



## THE RINGMETALL GROUP



## MANAGEMENT REPORT

## THE RINGMETALL AG



## THE RINGMETALL GROUP



## OTHER INFORMATIONS

# TO THE SHAREHOLDER

RINGMETALL

## KEY FIGURES OF THE GROUP WITH 5 YEAR COMPARISON
(IN € K)

| **Profit and loss statement** | **2016** | **2015** | **2014** | **2013** | **2012** |
|---|---|---|---|---|---|
| Sales revenues | 94,345 | 66,678 | 65,828 | 46,498 | 48,304 |
| Total output | 94,747 | 67,703 | 66,129 | 46,816 | 47,574 |
| Gross profit | 41,780 | 31,209 | 31,841 | 21,893 | 20,805 |
| EBITA (Earnings before interest, taxes, depriation and amortization) | 11,360 | 5,438 | 6,965 | 3,035 | 1,775 |
| EBIT (Earnings before interest, taxes, amortization) | 6,389 | 1,372 | 2,946 | 315 | -156 |
| Consolidated net income / net loss | 2,673 | -169 | 1,784 | -662 | -1,190 |

| **Consolidated key figures** | **2016** | **2015** | **2014** | **2013** | **2012** |
|---|---|---|---|---|---|
| Capital assets | 34 ,027 | 36,970 | 24,942 | 26,986 | 15,362 |
| Current assets | 29,831 | 26,006 | 18,718 | 19,247 | 11,696 |
| Equity | 25,195 | 19,717 | 18,377 | 17,888 | 12,928 |
| Shareholders' equity in % | 38.9% | 30.9% | 41.4% | 38.4% | 47.5% |
| Liabilities | 36,454 | 42,076 | 24,222 | 27,035 | 13,585 |
| Total assets | 64,731 | 63,909 | 44,557 | 46,606 | 27,235 |

| **Other notes** | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Average employees** | 441 | 432 | 391 | 311 | 318 |

## THE MANAGEMENT BOARD

### Christoph Petri

- Since 2011 on the board
- Strategic investment management
- Finance, controlling
- Investor Relation
- Sales and marketing

### Konstantin Winterstein

- Since 2014 on the board
- Operational investment management
- Technology and production
- Business Improvement

### Jörg Rafael

- From 2003-2017 on the board
- Scheduled for retirement in April 2017

# LETTER FROM THE MANAGEMENT BOARD

Dear shareholders,

In 2016 we successfully concluded a special fiscal year in the development of our company. In the first few years after its founding, the Ringmetall AG you know today was still a network of extremely diverse industrial companies. We are now an international corporate group, optimally positioned with its established brands as one of the world's leading specialist providers in the packaging industry.

In the past fiscal year, our sales rose sharply to €94.4 million. Our earnings before interest, taxes, depreciation and amortization (EBITDA) has more than doubled to €11.4 million. And with the consolidated result at €2.3 million, we have achieved the highest net profit in our company's history. More than ever, Ringmetall is a reliable partner for our business partners, a sound employer for our staff members, a dependable partner for our customers and an attractive long-term investment opportunity for our investors. In our core business unit Industrial Packaging, we are the international leader with our highly specialized industrial drum locking systems and the drum clamping ring as their main component. With a global market share of more than 70 percent and a market share in the western industrial nations of over 80 percent, millions of our products are in daily use and indispensable to international trade around the world.

At the same time, our Industrial Handling division supplies industry with special attachments for industrial trucks, tractors and agricultural machinery, making the logistics of packaging units even simpler and safer. In 2016 we also continued to invest in this area and enjoyed success in the market with our intelligent product innovations. All this has improved the business unit's profitability on a sustained basis and prepared it for solid growth again.

As you know, we successfully concluded our largest acquisition up to this point with the takeover of Self Industries in the United States at the end of 2015. Thus, 2016

was heavily influenced by the consolidation of our diverse areas of expertise and the integration of our corporate brands under the umbrella of the Ringmetall Group. More than ever, we can benefit today from our global network of production sites and extensive internal corporate synergies.

Ringmetall will continue to pursue profitable growth in the future as well. In addition to our sustained organic growth, inorganic growth will continue to play an important role in the form of intelligent acquisitions. In this regard, we are able to benefit from our many years of experience gained with numerous M&A transactions, which we are able to secure with the necessary financial backing from our investor base thanks to our positive track record.

In the past fiscal year, we successfully completed another 10% capital increase, which we were able to place with institutional investors at the level of the then current stock market price outside the stock exchange trading hours to minimize any impact on the share price. We have already used part of the proceeds from the issue, which amounted to five million euros, to acquire minority interests in existing subsidiaries. We will use the remaining liquidity for acquisition opportunities. The market conditions for this are currently good, and we are already in advanced negotiations with several promising target companies.

Against the background of sustained dynamic growth, we expect an increase in sales based on organic growth to a figure in the range from 98.0 to 103.0 million euros for the current fiscal year 2017. At the same time, we expect EBITDA to rise, with the figure in the range from 11.5 to 13 million euros. This is our conservative estimate in view of the current economic and political trends in our core and growth markets. Simultaneously, we assume that we will successfully conclude one to two small acquisitions and generate additional growth from these.

Finally, we would like to express our thanks to our former management board member Jörg Rafael, who stepped down from the management board of the Ringmetall Group as planned on April 30, 2017. We thank him explicitly for his many years of support and provision of his expertise to the Ringmetall Group. The company wishes him continued success and all the best for his future and his retirement.

Likewise, we wish to thank the many employees of the Ringmetall Group. Their daily commitment is the most important foundation on which we build our sustained success and the basis for the Ringmetall Group's continued growth.

Best regards,
The Management Board

Christoph Petri Konstantin Winterstein Jörg Rafael

## THE SUPERVISORY BOARD

**Thilo von Selchow**
Chairman

**Markus Wenner**
Deputy Chairman

**Ralph Heuwing**
Member of the Supervisory Board

| | | | |
|---|---|---|---|
| **Thilo von Selchow** | Chairman<br>Deputy Chairman | since<br>until | 30.06.2016<br>29.06.2016 |
| **Markus Wenner** | Deputy Chairman<br>Member of the Supervisory Board | since<br>until | 30.06.2016<br>29.06.2016 |
| **Ralph Heuwing** | Member of the Supervisory Board | since | 30.08.2016 |
| **Hubertus Reincke** | Chairman<br>Member of the Supervisory Board | until<br>until | 30.06.2016<br>30.08.2016 |

# REPORT OF THE SUPERVISORY BOARD

Dear business partners,
Dear shareholders,

In the past fiscal year, the Ringmetall Group enjoyed particularly successful development. Its American subsidiary, Self Industries, was integrated very smoothly, and optimization measures implemented in the divisions further increased the economic strength of the Group.

In fiscal year 2016 as well, the supervisory board continuously monitored the activities of the management board, regularly advising the latter on the management of the company. The supervisory board was able at all times to ensure the legitimacy, adequacy of purpose and correctness of the management board's work. It was involved in all fundamental decisions and was informed comprehensively and in a timely manner in written and verbal form about all key aspects of strategy, planning, business development, risk exposure and compliance.

The supervisory board held five regular meetings and several teleconferences during the year under review. All supervisory board members were present at all the meetings.

During the meeting on January 20, 2016, the 2016 budget was retroactively revised and approved to fully reflect the integration of Self Industries Inc. The responsibilities of the management board were reallocated, and the contract of management board spokesman Christoph Petri was extended until the end of 2018. To stem the sustained losses from operations in China as quickly as possible, the supervisory board and management board jointly decided to prepare an analysis as well as a suitable action plan to include a range of options. Moreover, the supervisory board approved the plans of the management board to increase the interest in the Turkish subsidiary by 40 percent after the departure of the managing director.

In the meeting on April 12, 2016, the results of an external review of the appropriateness of the remuneration of the management board members were discussed and confirmed in conjunction with the corporate governance code. The supervisory board approved expanding the long-term share of the management board members' remuneration. Finally, uniform rules on travel expenses for the management board and a further standardization of the contracts for management board members were discussed.

During the meeting on June 10, 2016, the management board and the auditors present presented the year-end financial statement for 2015 to the supervisory board. After review, it was confirmed without objections and the consolidated financial statement, as well as the management report with the combined management report of the Group for fiscal year 2015, was approved. The supervisory board consented to the management board's proposal on the appropriation of earnings in the amount of EUR 0.05 per share after its own review and consideration. Subsequently, the progress made in improving the controlling and reporting system to increase the transparency and quality of the quarterly reports was discussed. In addition, the positive development of the Berger Group was also discussed in relation to the rapid reduction of

the level of indebtedness, as was the potential of the Chinese market. In this regard, the supervisory board proposed the preparation of a business and investment plan for further growth in China to facilitate an accurate assessment of the market potential. To improve development in the Industrial Handling division on a sustained basis, the management board and supervisory board established a concept to assist the subsidiary HSM to regain its former strength by means of better utilization of internal human resources. Finally, the management board and supervisory board decided to sell the vacant property in Loebnitz and to increase the Group's interest in SGT by 29 percent to a total of 80 percent in the future.

On July 14, 2016, with the approval of the supervisory board, the management board decided to execute a capital increase in the amount of EUR 2,288,000.00 by issuing 2,288,000 ordinary shares at EUR 1.00 per share plus a premium in the amount of EUR 1.20 per share. The capital increase was intended to provide the company with funds in the amount of five million euros, which were to be used to finance the increase in the shares of SGT, among other things.

Based on the decision of June 29, 2016, the membership of the supervisory board was changed on June 30, 2016. Mr. von Selchow was appointed as the chairman and Mr. Wenner assumed the deputy chairmanship. Mr. Reincke became an ordinary member of the supervisory board.

Ralph Heuwing was newly appointed at the annual shareholders' meeting on August 30, 2016, when Mr. Reincke stepped down. The newly formed supervisory board met immediately on August 30, 2016 for its constituent meeting. Mr. Heuwing was elected as an ordinary member, Mr. Wenner as the deputy chairman and Mr. von Selchow as the chairman of the supervisory board.

In a teleconference on September 22, 2016 between the chairman of the supervisory board and the management board, important items were discussed concerning the distribution of responsibilities among management board members, the formalization of the work of the management board, organizational development to increase overall efficiency and securing business operations.

During the supervisory board meeting in Berg on November 29, 2016, the supervisory board observed further improvement of the situation in the Industrial Packaging division and the corresponding concepts during a factory tour. The supervisory board noted the successful expansion of quality assurance concepts and the implementation of best-practice benchmarking systems. In addition, the budget for 2017, along with an investment and financing plan, was presented to and discussed with the supervisory board. With regard to the Chinese market, the necessity of an extensive collection of data to ensure the success of further expansion in Asia was discussed with the management board. Due to the current political situation in Turkey, the management board and the supervisory board agreed to refrain indefinitely from further new investment in the region.

The supervisory board also reviewed the principles of corporate management and corporate government during the past fiscal year. Based on the concept established in the supervisory board meeting on November 29, 2016, the supervisory board and the management board jointly passed a package of measures to introduce standardized procedures and rules in the areas of risk management, internal auditing, compliance, signatory powers and IT security in the coming years. In the area of compliance, a company-wide code of conduct was established and quickly implemented.

The auditing and tax consultancy firm WPH Hofbauer & Maier GmbH, Schwa Bach, who were elected as the company's auditors for fiscal year 2016 at the annual shareholders' meeting on August 30, 2016, was commissioned to prepare the year-end financial statement for 2016. It audited the year-end financial statement, the consolidated financial statement for the fiscal year from January 1, 2016 to December 31, 2016 and the management report of the company and the group that had been prepared by the management board in accordance with the provisions of the German Commercial Code, and issued an unqualified audit certificate.

In fiscal year 2016 there were significant changes in the composition of the management board prior to the date of writing of this report. In January 2016 Mr. Christoph Petri was appointed as spokesman of the management board. At the same time, he was appointed chief executive officer of Ringmetall AG until December 31, 2018. In addition, Mr. Jörg Rafael resigned from the management board of the company as planned with effect from April 30, 2017. He will provide consulting services to the company for another two years. The supervisory board expressly thanks Mr. Rafael for his many years of successful work for the Ringmetall Group and wishes him all the best for the future.

Finally, I would like to take this opportunity on behalf of the entire supervisory board to thank all employees of the Ringmetall Group as well as the members of the management board for their commitment and their achievements in fiscal year 2016.

For the Supervisory Board

Thilo von Selchow
Chairman

# THE RINGMETALL GROUP

RINGMETALL

## THE RINGMETALL GROUP

Ringmetall is a leading global specialist in the packaging industry. The company's focus is centered on the production of high-quality and customized packaging elements designed to meet the specific needs and demands of its customers. Ringmetall also develops and manufactures mounting systems for special purpose vehicles in the areas of logistics and warehouse logistics.

As an internationally positioned group, Ringmetall unites locally and nationally recognized brands under a single, international brand entity. The individual brands of the Ringmetall Group are, in turn, divided into individual country subsidiaries according to size. As operational business units, these are responsible for their own project development and product innovation. They structure their production processes according to current market conditions and are responsible for establishing optimal personnel structures in their respective subsidiaries. This structural level also encompasses sales and maintaining relationships with the primary clients of the country subsidiaries.

The company's **Industrial Packaging** division specializes in the development, production and marketing of packaging components for the drum industry. The companies of the Ringmetall Group focus exclusively on the manufacture of technologically sophisticated subcomponents for industrial drums, including clamping rings, covers and seals, as well as handles, closures and special tailored components. With the most extensive product pipeline in the world and twelve production facilities in seven countries on three different continents, the Ringmetall Group has been the global market leader in drum clamping rings for years, with a global market share of over 70 percent.

The division's main client base includes the world's largest producers of industrial drums. In some cases, the company also supplies smaller quantities directly to end consumers. These include a number of mid-sized companies and, in particular, global production groups in the chemical, petrochemical and pharmaceutical industries, as well as those in the food industry. With the industrial drum representing one of the most important means of transportation for liquid and granular goods in the globalized world, Ringmetall has established itself as a highly specialized niche provider of drum components and an essential supplier in the international transportation of goods.

The Ringmetall Group capitalizes on this close proximity to the international logistics sector with its second division, Industrial Handling, which supplies application-based vehicle components for special vehicles in the freight and warehouse logistics sectors. In addition to tractors and heavy goods vehicles, these include primarily industrial trucks. For these vehicles, Ringmetall develops restraint systems, lifting mast parts and clutch and brake pedals with custom specifications, as well as complex welding assemblies, trailer coupling systems and hydraulic components.

Clients of the **Industrial Handling** division include well-known manufacturers of industrial trucks and utility vehicles for agriculture and forestry, as well as numerous small and mid-sized businesses in supplier industries to the automotive and specialized industry.

Apart from optimally orienting the Group towards organic, profitable growth, Ringmetall AG's business model also includes as one of its central approaches the acquisition of companies and their integration into the Ringmetall Group. These activities are focused exclusively on profitable companies that are among the leading suppliers in their industries thanks to their technological expertise and long-standing client relationships.

The Ringmetall Group's individual brands are subordinated to the Industrial Packaging and Industrial Handling divisions. The Industrial Packaging division is assigned those brands which produce and sell special packaging components. These include the brands Berger Group Europe, Self Industries, Hollandring, S.G.T. and Cemsan. The Industrial Handling division is assigned brands which market components for special purpose vehicles in the logistics and warehouse logistics sectors. This field includes the brand HSM.

**Sales revenues per segment 2016**
(in percent)

## THE RINGMETALL SHARE

In the international stock markets, 2016 turned out to be a turbulent year characterized by large fluctuations in stock exchanges around the globe. Once again, political issues heavily influenced the mood of investors.
At the beginning of the year, the markets were cautious and moving sideways for the most part. This was due to the US Federal Reserve's first increase in the base interest rate in more than 9 years, which initially created uncertainty in the stock markets. As of February, the global indexes recovered and posted share price increases across the board well into the second quarter.

In April and May, the uncertainty regarding the pending referendum on the United Kingdom's exit from the European Union paralyzed the markets. The unexpected vote in favor of Brexit subsequently caused significant uncertainty among investors, resulting in high volatility on the stock exchanges.

However, a few days later the vast majority of investors appeared to be coping well with the unpredictability of the situation. Markets around the world were soaring, further increasing share prices, only to enter an extended phase of sideways movement in the run-up to the American general election. The election of Donald Trump as the 45th president of the United States on November 8th resulted in irritation primarily in the media. However, on the stock exchanges this produced a strong year-end rally and an increasingly positive environment in the stock markets around the globe.

The American Dow Jones Index posted the highest increase after the election, closing at 19,780 points at the end of 2016, corresponding to a rise of 12.3 percent over the previous year (December 30, 2015: 17,610 points).

At 11,481 points, the leading German index DAX ended the fifth consecutive year with an increase, closing 6.9% higher than in the previous year (December 30, 2015: 10,743 points). From the standpoint of the year's low in mid-February at 8,699 points, the maximum fluctuation margin was 32.0 percent in 2016.

The share price of Ringmetall AG benefited even more from the positive market environment. Overall, the share finished the year with a price increase of 89.6 percent and a closing price of € 3.09 per share certificate (December 31, 2015: € 1.63, XETRA). Particularly during the period from May to August, numerous institutional and private investors honored the company's positive development and built up positions with the share prices rising significantly.

This development was supported by transparent and proactive communication on the part of Ringmetall AG. The management board and investor relations representative of the company presented its successful development at investor conferences and road shows in Frankfurt, Hamburg and Paris, as well as in numerous telephone conferences and individual discussions with interested private and institutional investors.

On July 15, Ringmetall successfully took advantage of the positive stock market environment to carry out a capital increase subject to exclusion of the purchase right with a volume of 5.0 million euros. The total of 2.3 million new shares were placed with institutional investors at the level of the then current market price at a price of 2.20 euros per share. As the issue was oversubscribed multiple times, the shares were re-allotted. The additional liquidity resulting from the capital increase is to be used to finance the further growth of the company.

Since the end of June, the company's development has also been monitored and evaluated by the analysts of the independent research provider Montega Research. In their initial assessment of Ringmetall AG on June 30, they advised buying the share with a target price of 3.30 euros. Since then, the studies concerning Ringmetall AG have been available for download on the corporate website in the „Investor Relations" area. Moreover, in this newly created area, Montega Research is making various indicators of the company's performance and a compilation of current financial publications and company presentations available to interested investors.

**CHART OF THE RINGMETALL SHARE (XETRA) IN 2016**

## Milestones in the Company's History

Founded in 1997, the Ringmetall Group can look back on 20 years of company history. Established as a mid-sized holding company, the enterprise increasingly focused in the following years on its core competence in highly secure, specialized packaging solutions for the international movement of goods. Ringmetall has always represented innovative engineering performance in the German SME sector.

### 2016

- Consolidation of the corporate brands under the umbrella of the Ringmetall Group
- Expansion of capital market communication and completion of a 10% capital increase
- Investment in product development in the Industrial Handling division
- Increase in the stake in S.G.T. S.r.l., Italy, to 80 percent

### 2015

- Positioning as the leading specialist packaging company and change of the company name to Ringmetall AG
- Acquisition of Self Industries Inc., United States, with three production sites in Alabama, Texas and Pennsylvania and market entry in the United States
- Acquisition of the remaining 40 percent of the Turkish subsidiary Cemsan Metal Parca Imalat
- Acquisition of Metallwarenfabrik Berger GmbH, Germany, a leading manufacturer of drum closures
- Sale of the interest in Techberg s.r.o., Slovakia

### 2013

- Acquisition of the Italian company Rieke Italia S.r.l. and integration in the newly founded Berger Italia S.r.l.
- Acquisition of HSM Sauermann GmbH & Co. KG, Germany, a metal processing specialist in the area of vehicle attachments
- Expansion of the Industrial Handling division

## 2012

- Purchase of an interest in S.G.T. S.r.l., the leading producer of clamping rings in Italy
- Acquisition of 60 percent of the company shares of Cemsan Metal Parca Imalat, the leading clamping ring manufacturer in Turkey
- Switch to the Entry Standard segment of the Frankfurt Stock Exchange
- Founding of Berger Closing Rings, Changshu (China)
- Sale of 94% to Zimmer & Kreim GmbH & Co. KG, Germany

## 2007

- IPO on the unofficial regulated market of the German Stock Exchange

## 2003

- Sale of Kuhn & Möhrlein GmbH & Co. KG, Germany, to the original shareholders

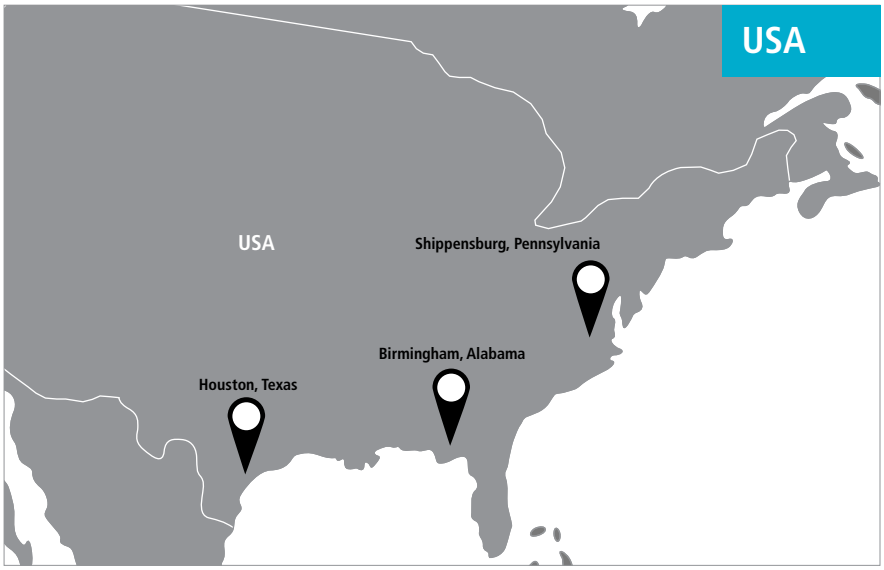
## 1998

- Acquisition of August Berger Metallwarenfabrik, Germany, and entry into the specialized packaging industry
- Acquisition of Zimmer & Kreim GmbH & Co. KG, Germany
- Acquisition of Kuhn & Möhrlein GmbH & Co. KG, Germany

## 1997

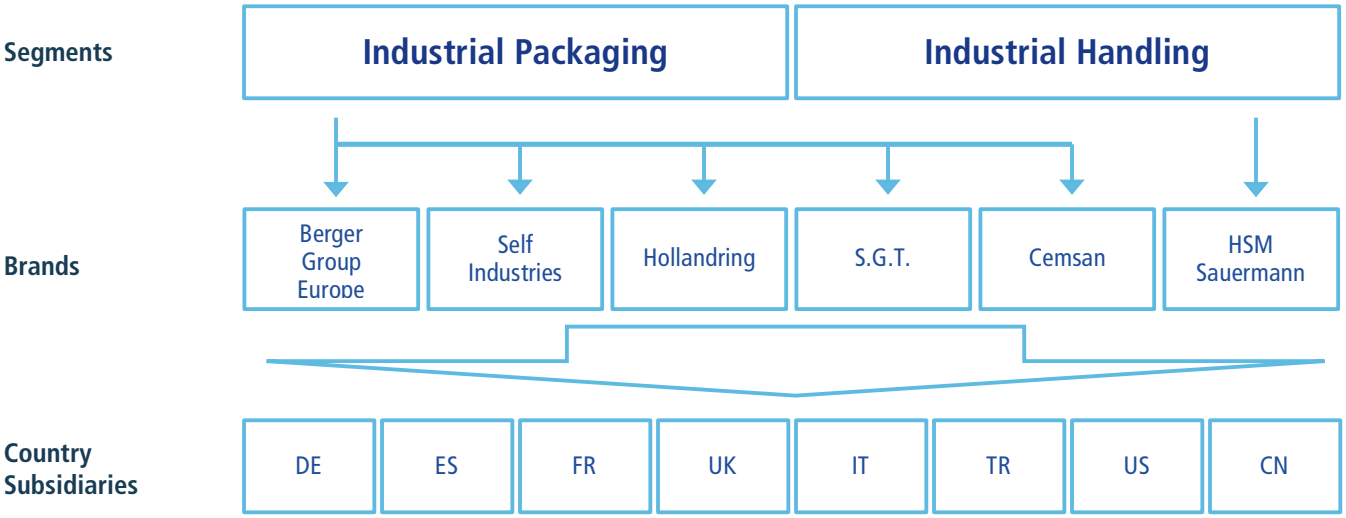
- Founding of the company under the former business name H.P.I. Holding AG as a holding company in the SME sector

## Locations



Industrial Packaging  Industrial Handling  Headquarters


Segments
Industrial Packaging
Industrial Handling
Brands
Berger Group Europe
Self Industries
Hollandring
S.G.T.
Cemsan
HSM Sauermann
Country Subsidiaries
DE
ES
FR
UK
IT
TR
US
CN


ZEPPELIN

# THE MANAGEMENT REPORT

RINGMETALL

# MANAGEMENT REPORT FOR FISCAL YEAR 2016

## 1 Basic Fundamentals of the Group

### 1.1 Business Model

Ringmetall is a leading global specialist in the packaging industry. The company's focus is centered on the production of high-quality and customized packaging elements designed to meet the specific needs and demands of its customers. Ringmetall also develops and manufactures mounting systems for special purpose vehicles in the areas of logistics and warehouse logistics.

The company's Industrial Packaging division specializes in the development, production and marketing of packaging components for the drum industry. The Ringmetall Group's companies are focused exclusively on the manufacture of technologically sophisticated subcomponents for industrial drums, including clamping rings, covers and seals, as well as handles, closures and special tailored components. With its extensive product pipeline – the largest in the world – and twelve production facilities in seven countries on three different continents, the Ringmetall Group has occupied the position of global market leader in drum clamping rings for years, with a global market share of over 70 percent.

The Group's main client base includes the world's largest producers of industrial drums. In some cases, it also supplies smaller quantities directly to end consumers. These include a number of mid-sized companies and, in particular, global production groups in the chemical, petrochemical and pharmaceutical industries, as well as those in the food industry. With the industrial drum representing one of the most important means of transportation for liquid and granular goods in the globalized world, Ringmetall has established itself as a highly specialized niche provider of drum components and an essential supplier in the international transportation of goods.

The Ringmetall Group capitalizes on this close proximity to the international logistics sector by means of a second division, Industrial Handling, through which it supplies the freight and warehouse logistics sectors with application-oriented components for special purpose vehicles such as tractors, heavy goods vehicles and, in particular, industrial trucks. For these vehicles, Ringmetall develops restraint systems, lifting mast parts and clutch and brake pedals with custom specifications, as well as complex welding assemblies, trailer coupling systems and hydraulic components.

Clients of the Industrial Handling division include well-known manufacturers of industrial trucks and utility vehicles for agricultural and forestry, as well as numerous small and mid-sized businesses in supplier industries to the automotive and specialized industry.

Apart from optimally orienting the Group towards organic, profitable growth, Ringmetall AG's business model also includes as one of its central approaches the acquisition of companies and their integration into the Ringmetall Group. These activities are focused exclusively on profitable companies which can be counted among the leading suppliers in their industries on account of their technological expertise and long-standing client relationships. At the same time, these companies must present significant synergistic opportunities through their integration into the Ringmetall Group, as well as the opportunity to strengthen the positions of the Group's individual brands.

## 1.2 Group Structure

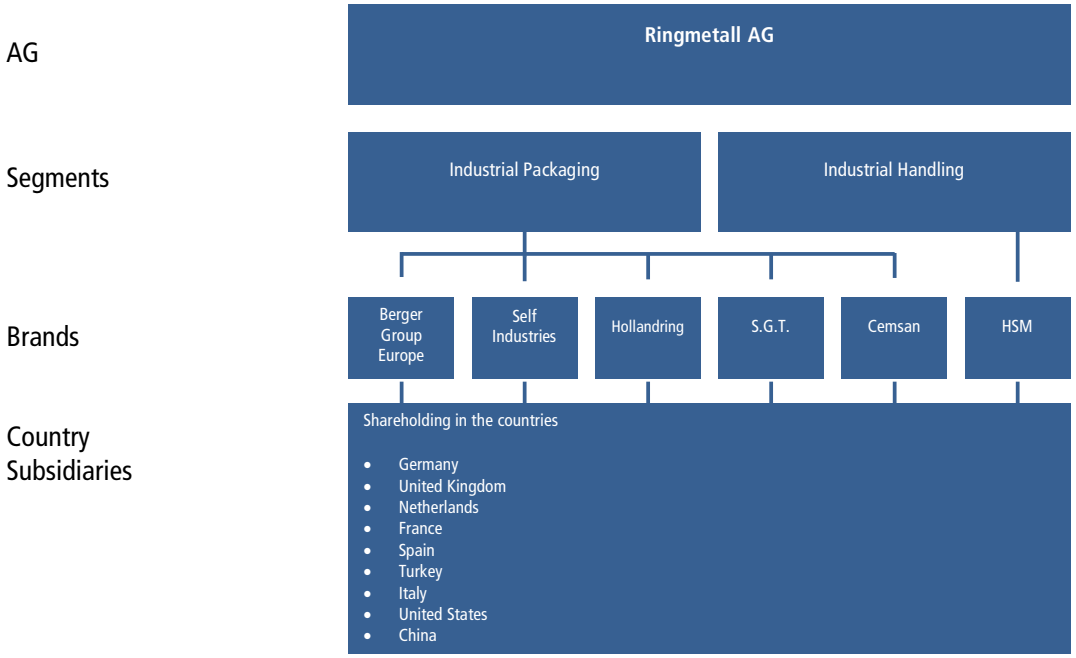
As an internationally positioned group, Ringmetall unites locally and nationally recognized brands under a single, international brand entity. The individual brands of the Ringmetall Group are, in turn, divided into individual country subsidiaries according to size. As operational business units, these are responsible for their own project development and product innovation. They structure their production processes according to current market conditions and are responsible for establishing optimal personnel structures in their respective subsidiaries. This structural level also encompasses sales and maintaining relationships with the primary clients of the country subsidiaries.

The Ringmetall Group's individual brands are subordinated to the Industrial Packaging and Industrial Handling divisions. The Industrial Packaging division is assigned those brands which produce and sell special packaging components. These include the brands Berger Group Europe, Self Industries, Hollandring, S.G.T. and Cemsan. The Industrial Handling division is assigned brands which market components for special purpose vehicles in the logistics and warehouse logistics sectors. This field includes the brand HSM.

The Ringmetall holding company serves a superordinate function within this organizational structure. In line with the model of a conventional management holding company, it is responsible for central functions of the group. These include corporate financing, investor relations, strategy and business development, as well as the preparation and implementation of company acquisitions.

Members of the Executive Board meet with the managing directors of the Group's largest subsidiaries to discuss possible strategic avenues for the continued development of the Ringmetall Group. The resulting measures are then tested in select subdivisions of the Group to assess their practicability. Following the successful implementation of proven practices at the overall Group level, these are then implemented in the individual country subsidiaries.

### Group Structure Organizational Chart



## 1.3 Company History

Ringmetall AG was founded in 1997. Operating as a holding company, Ringmetall AG began acquiring, founding and selling companies in 1998. Starting in 2011, the company's new management began shifting the focus of business operations towards industrial packaging and the handling of industrial goods.

In 2015 the group changed its name to Ringmetall AG, signifying the completion of the company's efforts to reposition itself as a specialist in the packaging industry.

The major stages in the development of the Ringmetall Group from its founding to its current position are as follows:

| | |
|---|---|
| **1997** | • Founding of Ringmetall AG under the former company name "H.P.I. Holding" |
| **1998** | • Acquisition of August Berger Metallwarenfabrik GmbH & Co.KG (Germany)<br>• Entry into the special packaging business<br>• Acquisition of Zimmer & Kreim GmbH & Co.KG (Germany) |
| **2007** | • Initial public offering on the open market of the German stock exchange |
| **2012** | • Expansion into China in the area of industrial packaging<br>• Acquisition of S.G.T. S.r.l., Italy's leading manufacturer of clamping rings<br>• Acquisition of Cemsan MPI Limited Sirketi (majority stake), Turkey's leading manufacturer of clamping rings<br>• Switch to the Entry Standard on the Frankfurt Stock Exchange<br>• Sale of Zimmer & Kreim GmbH & Co. KG |
| **2013** | • Founding of Berger Italia S.r.l. and acquisition of the clamping ring division of an Italian company<br>• Acquisition of HSM Sauermann GmbH & Co. KG, a German metalworking specialist<br>• Expansion of the Industrial Handling division |
| **2015** | • Acquisition of Self Industries (United States), the leading manufacturer of clamping rings in the US market; acquisition of all three production facilities. This is the largest acquisition to date in the company's history.<br>• Positioning as a leading packaging specialist and renaming to Ringmetall AG<br>• Acquisition of Metallwarenfabrik Berger GmbH (Germany)<br>• Drum covers added to product range<br>• Sale of stake in Techberg S.r.o. (Slovakia)<br>• Acquisition of the remaining 40% of the minority shareholder's stake in CEMSAN Metal Parca Imalat Limited Sirketi (Turkey) |
| **2016** | • Acquisition of an additional 29% of the Italian subsidiary S.G.T.<br>• Acquisition of a small clamping ring manufacturer in the United States |

## 1.4 Strategy and Growth Perspectives

Ringmetall AG has positioned itself as a profitable niche supplier in the packaging industry. As the world's leading producer of drum clamping rings, the company has established itself among the most important suppliers in the international transportation of goods. Ringmetall's Industrial Packaging division boasts a product range of over 2,000 clamping ring variants. In cooperation with its clients, the company is continuously developing new clamping ring variants to meet a wide range of custom specification demands in terms of material properties, reusability and clamping pressures.

The Group's production machines and lines are designed, tested and built almost exclusively by its own engineers. This makes it possible for the company to establish an unparalleled international standard in production expertise, which in turn enables it to maintain its leading position in the market and guarantee sustainable and profitable growth.

Organic growth in special packaging components is remaining stable in the lower single-digit percentage range. This growth is impacted by developments in the chemical industry. Because of the special properties of materials produced in the chemical industry, companies in this sector are among the main consumers of the Ringmetall Group's products. In the current economic environment, the Group's organic growth potential amounts correspondingly to four to five percent annually.

In addition to optimally orienting the Group towards organic, profitable growth, Ringmetall AG's growth strategy is also heavily focused on the acquisition of companies and their integration into the Ringmetall Group. These activities are focused exclusively on profitable companies which can be counted among the leading suppliers in their industries on account of their technological expertise and long-standing client relationships. During the acquisition process, these companies must also present significant synergistic opportunities through their integration into the Ringmetall Group, as well as the opportunity to strengthen the positions of the Group's brands.

In its financing of acquisitions, the company is able to rely on a high free cash flow generated by its business operations. The conditions on these acquisitions are typically in line with the market, which enables the company to repay corporate loans quickly. This, in turn, has a positive effect on the Group's rates of return. Beyond this, Ringmetall AG maintains constant and transparent communication with capital markets, allowing it to shoulder the costs of large, attractive acquisitions and operate flexibly at all times. To this end, Ringmetall AG transferred to the "Scale" segment of the German Stock Exchange in March of 2017 and plans furthermore to transfer to a regulated segment of the market in the future.

## 1.5 Corporate Control System

The Ringmetall group manages its entities at the international level by means of two central control parameters which enable relatively full comparability of subsidiaries regardless of their regional differences: sales and earnings before interest, taxes, depreciation, and amortization (EBITDA). Each year, the company releases an annual performance forecast based on these two key figures. The forecasts are released in conjunction with the publishing of the previous fiscal year's preliminary results.

In addition to these two control parameters, the company also utilizes secondary financial figures to manage the Group's entities. These include earnings before taxes and interest (EBIT) and specific key figures for target dates, quality and productivity which are geared towards the demands of individual country subsidiaries. No forecasts are released for these figures.

Ringmetall works continuously to optimize the most important KPIs being used in the capital market environment and aligns itself according to the figures released by the largest comparable international companies (peer group). More detailed information about the current fiscal years expected developments in terms of sales and EBITDA are provided in Section 5, "Forecast and Opportunity Report."

### 1.6 Research and Development

Research and development enjoys a position of high priority at the Ringmetall Group. At the forefront of the company's R&D activities is the development of closure systems for a wide range of applications. To date, Ringmetall has developed over 2,000 clamping ring variants with different diameters, material properties, closure pressures and a large number of other properties to meet the specification demands of its customers. These are accompanied by closure systems, seals and covers specifically designed in accordance with their intended use.

In addition to packaging solutions, Ringmetall also develops most its own clamping ring production machines. For the development of new machine models, the company can rely on its many years of experience and highly skilled internal engineers. It does, however, in some cases resort to the use of external specialists. This allows the Ringmetall Group to generate unparalleled group-wide expertise in the field of clamping ring production and ensure its position as world market leader in the long term.

Attributable expenses for development work and the assembly of production machines are recorded directly and cost-efficiently. Expenses for machine parts acquired from external sources are normally reported in the balance sheet and amortized over their useful lives.

## 2 Economic Report

### 2.1 Economic Environment / Overall Economic Situation

According to the International Monetary Fund (IMF), the overall global economic situation experienced slightly weaker growth in 2016 as compared to the previous year. At 3.1 percent, the real worldwide gross domestic product (GDP) proved less dynamic overall compared to the 3.4 percent growth experienced in 2015. The lower GDP dynamics were caused to a significant degree by industrialized nations, which experienced a much weaker growth rate of 1.6 percent (2015 rate: 2.1 percent). Developing and emerging countries, by contrast, were able to maintain their growth momentum from the previous year with a growth rate of 4.1 percent.

Among the industrialized nations, the United States in particular experienced significantly weaker growth as compared to the previous year (2016 rate: 1.6 percent), as did the United Kingdom (2.0 percent) and the Eurozone (1.7 percent). Growth in France (1.3 percent), Italy (0.9 percent) and Spain (3.2 percent) remained on par – or nearly so – with the previous year, while growth in Germany accelerated (1.7 percent). Among developing and emerging countries, Russia (-0.6 percent) and Brazil (-3.5 percent) showed recessionary tendencies similar to the previous year, while Asia once again experienced substantial growth in some instances. China (6.7 percent) and India (6.6 percent) once

again grew significantly. Growth in Mexico (2.2 percent) decreased slightly. The Middle East, North Africa, Afghanistan and Pakistan (3.8 percent), by contrast, experienced significantly more dynamic growth, while growth in Saudi Arabia (1.4 percent) decreased more than average.

Worldwide inflation showed contrasting tendencies in many areas, rising in industrialized nations to an average of 0.7 percent in 2016 (2015 rate: 0.3 percent). In developing and emerging nations, inflation decreased slightly compared to the previous year figure to 4.5 percent (2015 rate: 4.7 percent). The rise in inflation in the industrialized nations was due primarily to the first moderate increase in the price of oil in months, while generally more stable exchange rates in the emerging nations (apart from Turkey) against those countries' respective currencies had positive impacts.

Interest rates were once again an ever-present topic in 2016. The US Federal Reserve hiked the key rate again as early as the end of 2015. Due to political uncertainties resulting from the Brexit referendum and the election in the United States, an additional hike in interest rates did not come until the rise to 0.50 to 0.75 percent in December of 2016. In March, the European Central bank lowered the key rate in Europe to 0.00 percent for the first time ever; the deposit rate was lowered to -0.4 percent. The existing bond purchase program was increased to a volume of Euro 80 billion and additionally expanded to include corporate bonds. Moreover, it was announced at the end of the year that the purchase program would be extended by an additional year.

The decline in the euro against the US dollar continued in 2016. At the end of the year, the exchange rate fell by 3.1 percent compared to the previous year to 1.0523 US dollars per euro (December 31, 2015: 1.0865). This development was driven largely by the United States' positive economic data, as well as the election of Trump as US president and interest rate hikes in the United States, which contrasted with the expansion of the bond purchase program and the lowering of interest rates by the ECB.

Also of particular importance to the development of the Ringmetall Group is the development of global commodity prices, especially the price of steel. Overall, 2016 showed a general increase in the price of commodities. The price of steel (hot rolled steel coils) in US dollars increased throughout the course of the year by some 62 percent. However, Ringmetall takes measures to reduce the risk of steel price fluctuations to the greatest extent possible by limiting production stocks and aligning its demand for steel with the current order situation of each subsidiary. In the Industrial Packaging division in particular, the company is also normally able to adjust sales conditions according to fluctuations in the price of steel.

## 2.2 Business Developments and Position of Ringmetall AG

The acquisition of Self Industries in the United States at the end of 2015 represents the most significant corporate transaction undertaken in the history of the Ringmetall Group. Moreover, the reorganization of the company's business units into the newly created Industrial Packaging and Industrial Handling divisions set the necessary structural foundation for the Group's continued development towards establishing itself as a global specialist in the packaging industry. Consequently, 2016 was the first fiscal year in which the Group's new global sales strength as a leading supplier of special packaging solutions materialized in the form of a clear increase in sales and earnings.

Against this backdrop, the company significantly expanded its capital market communication in the second quarter and firmly established proactive and transparent communication with existing and potential investors as a central component of corporate management. In the further course of the year, interest in the Ringmetall Group on the part of capital market participants rose considerably. In one-on-one meetings and at roadshows and capital markets conferences, the company's Executive Board and Investor Relations department introduced the Group's new direction to numerous investors and engaged in active exchange with shareholders.

In July of 2016, the company's Executive Board used the clear increase in investor interest to raise the share capital under exclusion of subscription rights. As part of the significantly oversubscribed transaction, the company issued 2,288,000 new shares at a price of Euro 2.20 per share. First, in the course of the issue, Ringmetall AG's free float increased by ten percent, which should make the shares fundamentally more attractive to investors. Second, the roughly 5 million euros in issue proceeds are able to finance the Group's continued internal and external growth, which opens the door to possible future acquisitions.

At the end of July, Ringmetall announced its first small acquisition as part of an asset deal: a takeover of the clamping ring production of a major client in the United States. The production was integrated into the US subsidiary Self Industries. Annual sales from the acquisition amount to nearly one million euros.

In the Industrial Packaging division, focus was centered heavily not only on the integration of Self Industries into the Ringmetall Group – this involved key steps such as the optimization of procurement processes and the introduction of automation in the subsidiary's production –, but in particular on the optimization of production and costs at the Group's subsidiaries in China and Turkey. From the middle of the year onwards, personnel changes brought new expertise into the production in China, resulting in clear process improvements and higher levels of quality in a short period of time. In Turkey, improved process sequences also resulted in an increase in sales and earnings. However, the Executive Board of the Ringmetall Group is viewing the political situation in Turkey with ever more caution and will be keeping close watch on future developments.

Overall, the Group's global activities developed positively last year as expected. The upward trend in Germany remained stable. In steel purchasing, improved conditions resulted in a slightly disproportionate uptick in earnings. The US market showed similar improvements, although the optimization achievements were significantly higher due to the first-time introduction of numerous proven measurement packages. In the Italian market, projected business performance figures were greatly exceeded in terms of both sales and earnings. Here again, procurement optimizations resulted in a disproportionate margin increase, which was, at times, offset by higher costs for purchased services. Double-digit growth rates were achieved in Turkey, which resulted in a significant improvement in earnings for the subsidiary. In China, especially towards the end of the year, sales figures increased considerably, with sales and earnings hitting record levels in December.

In addition to positive growth in the Industrial Packaging division, Q3 also showed signs of earnings improvements in Industrial Handling. However, the company is not anticipating sustained improvements in earnings until 2017 when product innovation investments made in 2016 are expected to begin steadily improving the company's prospects of success.

## 2.3 Profit Situation

During the reporting period, Ringmetall AG achieved profits amounting to € 700,000 from sales revenue (prior-year figure: € 455,000), € 3,968,000 from profit and loss transfer agreements (prior-year figure: € 2,372,000) and € 345,000 from shareholdings (prior-year figure: € 417,000). These are broken down as follows:

**Ringmetall AG Condensed Profit and Loss Statement**

| Key Figures from Profit and Loss Statement | 2016 in € k | 2015 in € k |
|---|---|---|
| Profit from sales revenue | 700 | 455 |
| Profit from profit and loss transfer agreements | 3,968 | 2,372 |
| Profit from shareholdings | 345 | 417 |
| Other operating profit | 101 | 54 |

| Key Figures from Profit and Loss Statement | 2016 in € k | 2015 in € k |
|---|---|---|
| Profit from sales revenue | 700 | 455 |
| Profit from shareholdings, including transfer of profits | 4,313 | 2,789 |
| Other operating profit | 101 | 54 |
| Personnel expenses | -1,059 | -675 |
| Other operating expenses | -1,056 | -533 |
| Depreciation | -3 | -3 |
| Earnings before taxes / earnings from normal business activities | 2,648 | 2,013 |

Employees

The incorporated company employs three board members and two full-time employees.

Personnel expenses in 2016 amounted to € 1,059,000 (prior-year figure: € 675,000). Approx. € 1,026,000 was spent on salaries and wages (prior-year figure: € 655,000) and € 33,000 on social contributions (prior-year figure: € 20,000).

## 2.4 Group Profit Situation

Group sales in 2016 amounted to € 94.4 million (prior-year figure: € 66.7 million) including Industrial Handling (€ 15.3 million; prior-year figure: € 15.4 million). The portion of total sales attributed to Industrial Packaging at € 79.9 million (prior-year figure: € 51.3 million) is 84% (prior-year figure: 77%). Of the group sales revenue, € 34.1 million was generated in Germany (prior-year figure: € 31.9 million) and roughly € 60.3 million was generated abroad (prior-year figure: € 34.8 million).

Material expenses amounting to € 52,967,000 (prior-year figure: € 35,494,000) were 55.9% (prior-year figure: 53.2%) of total performance.

In the prior year, other operating expenses (€ 12,543,000; prior-year figure: € 11,129,000) comprised one-off expenses amounting to some € 1,186,000 for the restructuring of loan liabilities, the acquisition of Self Industries Inc., the acquisition of an additional stake in the Group's Turkish subsidiary, as well as costs resulting from the merger of Löbnitzer Verformungstechnik GmbH and August Berger Metallwarenfabrik GmbH. In the reporting year, only small expenses were incurred with regard to capital measures taken at subsidiaries. The rise in expenses in 2016 as compared to 2015 is primarily due to the acquisition of Self Industries Inc. in the prior year.

Depreciation arising from the Group's business operations amounted to € 4,971,000 (prior-year figure: € 4,066,000). The primary cause of this is Self Industries Inc.

Earnings before taxes (earnings from normal business activities in the prior year) rose considerably in the fiscal year (€ 5,001,000) compared to the prior year (€ 718,000). This increase was generated exclusively by the Berger Group. In addition to the absence of the one-off expenses relating to the year-round consolidation of Self Industries Inc. described above, earnings also benefited significantly from other companies in the Berger Group.

Net interest income amounted to € -1,145,000 (prior-year figure: € -667,000) and is comprised of interest expenses amounting to € -1,154,000 (prior-year figure: € -673,000) and interest income to the amount of € 9,000 (prior-year figure: € 6,000). The increase in interest expenses is primarily due to the financing of the Self Industries Inc. acquisition.

**Ringmetall AG Group Condensed Profit and Loss Statement**

| | 2016<br>in € k | 2015<br>in € k |
|---|---|---|
| Sales | 94,345 | 66,678 |
| Operating performance | 94,747 | 67,703 |
| Other operating profit | 756 | 838 |
| Gross profit | 41,780 | 31,209 |
| Net interest income | -1,145 | -667 |
| Earnings before taxes (earnings from normal business activities in the prior year) | 5,001 | 718 |

**Non-Financial Performance Indicators**

Employees
In the 2016 fiscal year, the Group employed on average 441 employees (prior-year figure: 432).

The professional and social expertise and high level of qualification of Ringmetall's employees, who represent the foundation of the company, is an essential performance indicator. Key positions are awarded only to experienced and qualified persons.

Group personnel expenses amounted to € 18.6 million in 2016 (prior-year figure: € 15.4 million). Of this, approximately € 15.3 million (prior-year figure: € 12.8 million) was allocated to salaries and wages and

€ 3.3 million to social contributions (prior-year figure: € 2.6 million). The personnel expenses ratio dropped considerably to 19.7% as compared to the prior-year ratio of 23.1%. The rise in personnel expenses is primarily due to the year-round inclusion of new acquisitions.

## 2.5 Financial and Asset Situation, Investments

**Ringmetall AG Condensed Financial and Asset Situation**

| Assets | 2016 in € k | 2015 in € k | Liabilities | 2016 in € k | 2015 in € k |
|---|---|---|---|---|---|
| Fixed assets | 32,782 | 33,021 | Equity | 39,556 | 33,183 |
| Current assets | 8,795 | 3,438 | Accruals | 375 | 135 |
| Deferred income | 252 | 225 | Accounts payable | 1,898 | 3,366 |
| Balance sheet total | 41,829 | 36,684 | Balance sheet total | 41,829 | 36,684 |

**Ringmetall AG Group Condensed Profit and Loss Statement**

| Assets | 2016 in € k | 2015 in € k | Liabilities | 2016 in € k | 2015 in € k |
|---|---|---|---|---|---|
| Fixed assets | 34,027 | 36,971 | Equity | 25,195 | 19,717 |
| Of which financial assets | 147 | 389 | Of which shares held by third parties | 1,161 | 1,925 |
| Current assets | 29,831 | 26,006 | Accruals | 3,082 | 2,116 |
| Deferred income | 873 | 932 | Accounts payable | 36,454 | 42,076 |
| | | | Of which Trade payables | 9,778 | 9,056 |
| | | | Financial liabilities | 21,923 | 27,108 |
| | | | Payments received | 163 | 121 |
| | | | From affiliated companies | 83 | 84 |
| | | | Other | 4,507 | 5,707 |
| Balance sheet total | 64,731 | 63,909 | Balance sheet total | 64,731 | 63,909 |

The Group balance sheet total as of December 31, 2016 increased slightly to € 64.7 million (prior-year figure: € 63.9 million).

The Group's total fixed assets dropped from € 36.9 million to € 34.0 million. The cause of this was investments which were lower than the depreciation. These amounted to € 4.9 million (prior-year figure: € 4.1 million). This comprises depreciation on goodwill to the amount of € 2.7 million. Investments in tangible assets amounted to € 2.1 million.

The Group's current assets amount to € 29.8 million (prior-year figure: € 26.0 million). Of this, € 10.3 million is allocated to inventories (prior-year figure: € 9.1 million) and € 14.2 million to trade receivables and other assets (prior-year figure: € 13.9 million). Liquid assets amounted to € 5.3 million as of the balance sheet date (prior-year figure: € 2.9 million). Owing to the existing liquid assets, the company was able to meet its financial obligations at all times.

Group equity grew to € 25.2 million (prior-year figure: € 19.7 million). The equity quota was 38.9% during the fiscal year (prior-year figure: 30.9 %). The share capital was increased (€ 5.0 million) during the fiscal year in order to strengthen the equity. The equity quota would have risen slightly even without the capital increase.

Group payables to credit institutions deceased considerably to € 21.9 million (prior-year figure: € 27.1 million).

The Group's current liabilities / accruals (current outside capital) remained nearly constant at € 22,187,000 (prior-year figure: € 20,726,000).

Operating cash flow – earnings before taxes (earnings from normal business activities in the prior year) plus depreciation – increased considerably in 2016 over the prior year, amounting to € 10.0 million (prior-year figure: € 4.8 million).

Investments

Investments amounting to € 2,656,000 were made in total fixed assets (prior-year figure: € 16,140,000). These are offset by depreciation amounting to € 5,221,000 (prior-year figure: € 4,066,000). Investments in the prior year were marked by the acquisition of Self Industries.

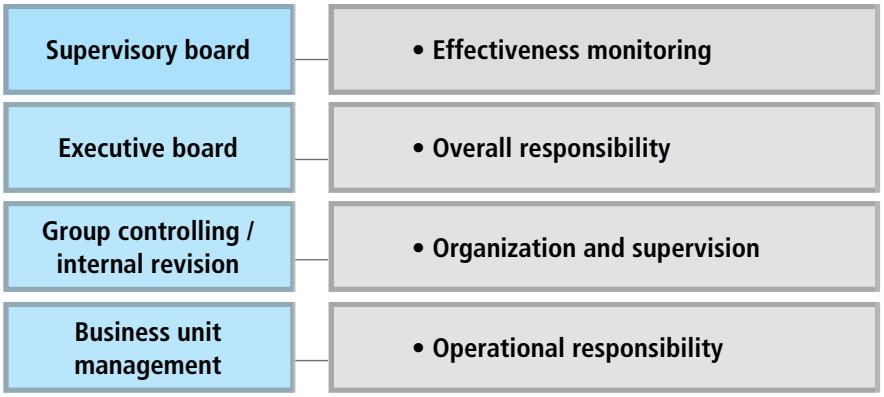
## 3 Risk and Opportunity Report

### 3.1 Structure and Processes of the Risk and Opportunities Management System

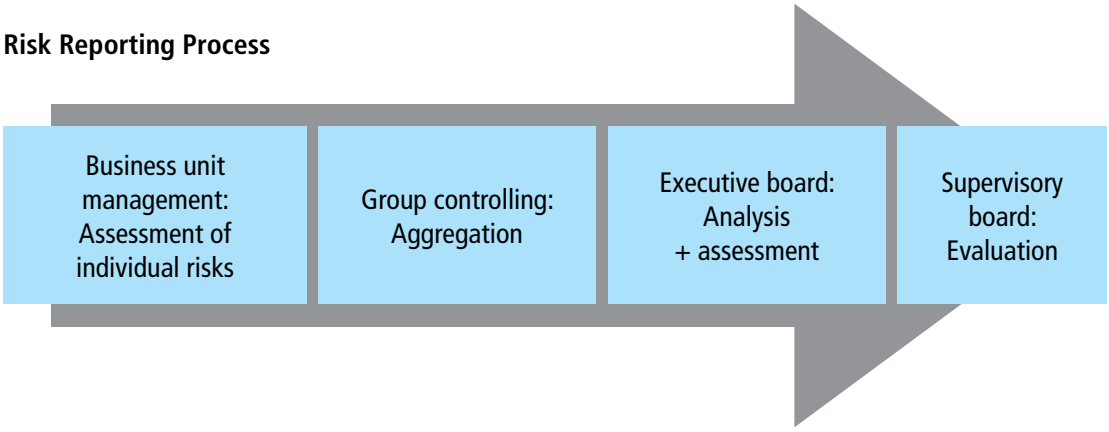
The Group's business units are subject to economic fluctuations and market cycles in their respective regions and industries. As core components of sustainable and responsible group management, the identification and analysis of risks and opportunities for the Ringmetall Group are necessary. In order for the Group to reach its strategic goals, it is crucial that it be able to identify, assess and manage risks and opportunities in a timely manner. The management system used by the Ringmetall Group actively involves the members of management from the Group's individual business units and is headed by its Executive Board. The members of management are responsible for the implementation of the risk and opportunities management system in their respective business units.

The system, adopted and integrated in previous years, was systematically expanded in 2016. For this reason, internal revisions were made during the reporting year.

**Organization of Risk Management**




**Risk Reporting Process**




The continued development of the risk and opportunities management system is carried out in close collaboration between the Executive Board and Supervisory Board. Part and parcel of this is the assessment of risks and opportunities. For this, a corresponding classification system was developed which uses a bottom-up process to identify risks and opportunities in as comprehensive a manner as possible.

The members of management from the Group's business units conduct analysis on risks, prepare initial evaluations and report these to the next step in the management system. The Executive Board then conducts more in-depth analysis and assesses the risks in terms of time, the likelihood of occurrence and potential value impact.

The risk management instruments employed is comprised of integrated planning, reporting and control systems. These enable the company management to identify risks early and to take necessary counteractive measures. Risk reports are drafted on a monthly basis to inform the respective managing directors and the Executive Board of the companies' situation.

## 3.2 Individual Risks and Risk Prevention

In the metals trade, risks are reduced through medium-term agreements with suppliers. This makes it possible to absorb short-term fluctuations in the price of steel. Clients are also aware of these fluctuations, and so they serve as the basis for pricing. For this reason, the risk is considered minimal.

Liquidity risks resulting from fluctuations in cash flows are identified early on during liquidity planning. Provisions for current uncertainties are made by means of additional risk scenarios and short-term changes in liquidity planning, which enable us to quickly introduce corresponding measures if necessary. Risk is minimized through continuous monitoring and planned debt service.

Financial instruments are used exclusively for hedging activities. The resulting risks are classified as minimal. More information about the financial instruments used is attached to this report.

Default risks are limited through internal country ratings which are constantly updated as conditions change. Default risks for accounts receivable are reduced by constantly monitoring the credit standings of our clients and setting corresponding credit limits. As long as no large clients enter insolvency, the risk is considered low.

Sustainability serves to unite economic success with environmental protection and socially responsible business practices. Violations against our voluntary commitment to sustainability, or against the law, represent a risk to our reputation and may lead to operational or strategic risks. In order to identify risks and opportunities in terms of sustainability in good time, we have established a dedicated global management system. The results of this system are used to initiate transition processes in the company in order to prepare for possible risks and take advantage of potential opportunities. In order to review safety, health, and labor and social standards, we have put global monitoring systems in place. These systems operate beyond our corporate boundaries and also comprise our suppliers. We maintain open lines of communication with the representatives of relevant interest groups in order to ensure the societal acceptance of our business practices.

We employ information technology to reduce potential risks. These are comprised of integrated, standardized group-wide IT infrastructure and applications, backup systems, mirror databases, virus and access protection, as well as encryption systems.

## 4 Key Features of the Internal Control and Risk Management System with Regard to The Group Accounting Process

The Internal Control System (ICS) is a core component of the Ringmetall Group's group-wide control system with regard to financial accounting. The primary objective of the ICS is to ensure that regulations (internal and external) and directives that are relevant to the Ringmetall Group are adhered to. All entities of the Group are expected to adhere to these regulations and directives. New regulations and their possible impact on the Ringmetall Group are analyzed in collaboration with external consultants. These are then implemented and monitored internally.

Existing IT control processes and systems are also optimized through efforts to achieve progressively higher levels of centralization. The central Group ERP System, already in use by most companies in the Group, is implemented further on an ongoing basis. Access permissions are clearly regulated and are monitored centrally. The Group also makes use of select external specialists in the area of IT.

Individual financial reports are typically prepared and reported to the central financial department by the accounting departments of each country subsidiary. In some cases, this process is supported by local, external specialists. Corresponding regulations and directives are issued by the Ringmetall Group's central financial department.

The consolidated financial statements are prepared by importing the data reported by each entity into a consolidation tool. The company headquarters then conducts a review of the reported financial statements. If necessary, adjustments are made in accordance with the Ringmetall Group's accounting guidelines. With the aid of these systems and controls, Ringmetall is able to ensure with reasonable certainty that its group accounting processes are legally compliant.

The Ringmetall Group's liquidity, interest and currency risks are monitored by the central financial department. It is also the responsibility of the company headquarters to ensure liquidity. In order to minimize interest risk resulting from variable interest rate loans, corresponding hedging transactions are concluded as required. Forward currency transactions are only concluded if, according to the company headquarters, significant cash flows in foreign currencies are to be expected and risks due to high fluctuations in exchange rates are present. In accordance with the Group's internal directives, trading with financial instruments is not used for speculation purposes.

## 5 Forecast and Opportunity Report

Ringmetall AG occupies a global leading position in its core business, Industrial Packaging. For the current fiscal year (2017) and coming years, the company expects to grow more profitable and expand its already-dominant position in the market.

As the largest sector by far in terms of sales, the chemical industry represents the most important driver for the Group's global growth. Based on current market data, Ringmetall AG's Executive Board expects the chemical industry to continue growing solidly. Hence, the company is anticipating an organic growth potential of three to five percent in sales per annum in the coming years.

The Board furthermore sees the current market situation as attractive for continued inorganic growth. According to a comprehensive analysis of the special packaging industry, there are opportunities for additional small acquisitions in the company's core business, Industrial Packaging. Acquisitions serving both the company's international expansion and the vertical growth of its product range will provide additional growth potential for the Ringmetall Group. Expansion of the company's business model into neighboring industries also presents itself as a fundamentally feasible growth option, provided the risk/opportunity ratio for this is found to be attractive.

The 2015 consolidated financial statements forecasted a sales level for the fiscal year of over 90 million euros with an EBITDA of some 11 to 12 million euros. Based on the figures reported in the 2016 consolidated financial statements, the Ringmetall Group reached the expected level on schedule.

For the 2017 fiscal year, Ringmetall AG's Executive Board is expecting an organic growth potential in sales of 98.0 to 103.0 million euros, as well as an increase in EBITDA between 11.5 and 13.0 million euros. These predictions are reflected in a conservative, modest forecast of possible growth scenarios in Turkey, where one of Ringmetall's production facilities is located.

The Executive Board also expects at least one company acquisition to take place during the current fiscal year. Inorganic growth in sales resulting from acquisition activities is forecasted to possibly reach levels ranging from 3.0 to 20.0 million euros. Against the background of conservative sales and earnings planning, related effects resulting from company acquisitions are not included in the business development forecast for 2017.

In the medium term, the Executive Board expects an organic and inorganic growth potential for the Ringmetall Group of over 200 million euros by 2021. The EBITDA margin is also expected to expand to a level ranging from 12.5 to 15.0 percent. The group-wide expansion in earnings is expected to be driven primarily by increased process automation and improved synergies within the group.

Munich, April 27, 2017

| | | |
|---|---|---|
| Christoph Petri | Konstantin Winterstein | Jörg Rafael |
| Spokesman of the Executive Board | Member of the Executive Board | Member of the Executive Board |

# THE
# RINGMETALL AG

RINGMETALL

# RINGMETALL AG – BALANCE SHEETS AS OF DECEMBER 31, 2016

## ASSETS

| | Financial year Euro | Prior year Euro |
|---|---|---|
| **A. FIXED ASSETS** | | |
| I. Intangible assets | | |
| 1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | **1.00** | **1.00** |
| II. Tangible assets | | |
| 1. Other fixed assets, factory and office equipment | **7,488.00** | **4,391.00** |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 32,713,388.64 | 32,713,388.64 |
| 2. Other shareholdings | 61,533.87 | 61,533.87 |
| 3. Other assets | 0,00 | 242,113.32 |
| | **32,774,922.51** | **33,017,035.83** |
| **B. CURRENT ASSETS** | | |
| I. Accounts receivable and other assets | | |
| 1. Receivables from affiliated companies | 6,737,297.00 | 3,018,001.76 |
| 2. Other assets | 114,611.72 | 60,958.56 |
| | **6,851,908.72** | **3,078,960.32** |
| II. Cash on hand, Bundesbank balances, Bank balances and checks | **1,943,137.42** | **359,439.02** |
| **C. DEFERRED INCOME** | **31,896.54** | **46,836.10** |
| **D. DEFERRED TAX ASSETS** | **219,842.64** | **177,432.69** |
| | **41,829,196.83** | **36,684,095.96** |

**LIABILITIES**

| | Financial year Euro | Prior year Euro |
|---|---|---|
| **A. EQUITY** | | |
| I. Subscribed capital | **25,168,000.00** | **22,880,000.00** |
| II. Capital reserves | **5,703,727.50** | **2,958,127.50** |
| III. Revenue reserves | | |
| 1. Legal reserves | 1,154,800.00 | 1,154,800.00 |
| 2. Other revenue reserves | 1,727,585.77 | 1,727,585.77 |
| | **2,882,385.77** | **2,882,385.77** |
| IV. Retained profit | **5,801,874.30** | **4,463,010.95** |
| **B. PROVISIONS** | | |
| 1. Provisions for taxes | 15,044.30 | 15,044.30 |
| 2. Other provisions | 359,832.37 | 119,800.01 |
| | **374,876.67** | **134,844.31** |
| **C. ACCOUNTS PAYABLE** | | |
| 1. Payables to credit institutions | 1,400,000.00 | 2,466,590.91 |
| 2. Trade payables | 43,169.62 | 293,751.91 |
| 3. Payables to affiliated companies | 425,991.44 | 487,309.39 |
| 4. Other accounts payable | 29,171.53 | 118,075.22 |
| | **1,898,332.59** | **3,365,727.43** |
| | **41.829.196.83** | **36.684.095.96** |

# RINGMETALL AG – PROFIT AND LOSS STATEMENT FOR THE FISCAL YEAR 2016

| | Financial year Euro | Prior year Euro |
|---|---|---|
| 1. Sales revenues | 700,000.00 | 454,718.29 |
| 2. Other operating income | 101,177.78 | 54,115.13 |
| 3. Personnel expenses | | |
| a) Wages and salaries | -1,026,113.38 | -654,530.35 |
| b) Social security contributions and expenses for retirement and related employee benefits | -32,986.39 | -20,035.95 |
| | **-1,059,099.77** | **-674,566.30** |
| 4. Depreciation | -2,844.59 | -2,699.52 |
| 5. Other operating expenses | -1,056,050.39 | -533,182.78 |
| 6. Income from shareholdings | 345,237.13 | 416,894.15 |
| 7. Profits earned from profit pooling, profit Transfer agreements or partial transfer agreements | 3,967,974.51 | 2,371,757.84 |
| 8. Income from other securities and loans of financial assets | 7,886.68 | 11,993.66 |
| 9. Other interest and similar income | 2,999.42 | 69,132.71 |
| 10. Depreciation on financial assets and on Securities held as current assets | -250,000.00 | 0.00 |
| 11. Interest and similar expenses | -109,619.71 | -155,052.19 |
| 12. Taxes on income and profit | -48,094.87 | -89,586.78 |
| **13. Earnings after taxes** | **2,599,566.19** | **1,923,524.21** |
| 14. Other taxes | -2,302.84 | -413.00 |
| **15. Net income** | **2,597,263.35** | **1,923,111.21** |
| 16. Profit carried forward from previous year | 3,204,610.95 | 2,539,899.74 |
| **17. Retained earnings** | **5,801,874.30** | **4,463,010.95** |

# NOTES TO THE RINGMETALL AG FOR THE FISCAL YEAR 2016

## I. Preliminary note

The annual financial statement of the Ringmetall Aktiengesellschaft for the year ending January 31, 2016 was prepared in accordance with the German Commercial Code and the German Stock Corporation Act. The company is registered with the Munich Municipal Court under the commercial register number HRB 118683.

As of the date of the financial statement, the company is classified as a small corporation in accordance with section 267, subsection 1 of the German Commercial Code (HGB). Exemptions relating to the size of the company in accordance with section 288 of the German Commercial Code (HGB) were applied in part.

In the reporting year, the provisions set out in the Accounting Directive Implementation Act (BilRUG) of July 10, 2015 were applied for the first time. The prior-year figures in the profit and loss statement have been adjusted. Prior-year sales earnings have increased by EUR 455,000; other operating income has decreased accordingly.

## II. Accounting policies

Intangible assets acquired against payment were valued at acquisition cost, less use-related depreciation.

Tangible assets are valued at acquisition or production cost, less use-related depreciation.

Financial assets comprise shares in affiliated companies, other shareholdings and other lendings. These are valued at their respective acquisition costs or – due to likely long-term impairment – the lower attributable value. Provided the requirements for long-term impairment are met, impairment charges are recognized. Other lendings recognized at their cash value were written off in full during the fiscal year.

Accounts receivable and other assets are valued at their nominal value. Accounts receivable were valued taking all recognizable risks into account.

Liquid assets are recognized at their nominal value.

Deferred expenses and accrued income relate to expenditures prior to the date of the financial statements which represent an expense for a certain time after that date. These are liquidated chronologically on a straight-line basis.

Deferred taxes
Deferred taxes arise from temporary valuation differences between the commercial balance and the tax balance. Capitalization also takes into account existing corporate tax losses carried forward that are expected to be realized within the next five years.

Deferred tax assets representing future tax relief's result from losses carried forward.

Deferred tax liabilities representing future tax burdens result from the balance sheet item fixed assets.

Deferred tax assets and liabilities are netted. Deferred tax assets amount to EUR 263,000; deferred tax liabilities amount to EUR 43,000.

The tax rate applied to deferred taxes amounts to 15.83%.

The provisions take into account all recognizable risks and contingent liabilities based on a prudent commercial assessment at the required settlement amount.

Accounts payable are reported at their settlement amounts.

Concerning foreign currency translation, it should be noted that the relevant assets and liabilities at the time of valuation are translated using their respective average spot exchange rates. The subsequent valuation of assets and liabilities in foreign currencies with a remaining term of more than one year is based on the financial statements with due regard to the imparity principle, according to which losses are realized and gains are not taken into account.

## III. Notes on specific balance sheet items and the profit and loss statement

Fixed assets
The structure of and movement in assets, as well as the depreciation of the fiscal year, are presented in the asset movement schedule. The list of shareholdings is attached.

Inclusion in other items
Receivables due from affiliated companies constitute, as in the previous year, other assets in full. Payables due to affiliated companies constitute, as in the previous year, other accounts payable in full.

Equity
The share capital amounts to EUR 25,168,000.00 and is divided into 25,168,000.00 no-par values bearer shares (one share is therefore equal to a calculated investment value of EUR 1.00). In fiscal year 2016, the share capital increased by EUR 2,288,000.00 from EUR 22,880,000.00 to EUR 25,168,000.00.

During the general meeting of shareholders on April 10, 2013, the management board was authorized until December 31, 2017 with approval of the supervisory board to increase the share capital once or several times by up to a total amount of EUR 2,900,000.00 in exchange for cash contributions or contributions in kind, whereby the subscription right of shareholders can be partially excluded (Authorized Capital 2013/I). The authorized capital of April 10, 2013 (Authorized Capital 2013/I) amounts, after partial utilization, to EUR 200,000.00.

During the general meeting of shareholders on August 29, 2014, the management board was authorized until July 31, 2019 with approval of the supervisory board to increase the share capital by up to a total amount of EUR 10,200,000.00 through the one-time or repeated issue of new bearer shares (ordinary shares) in exchange for cash contributions and/or contributions in kind, whereby the subscription right of shareholders can be excluded in certain cases (Authorized Capital 2014/I). The authorized capital of August 29, 2014 (Authorized Capital 2014/I) amounts, after partial utilization, to EUR 8,120,000.00.

During the general meeting of shareholders on August 31, 2015, the management board was authorized until August 30, 2020 with approval of the supervisory board to increase the share capital by up to a total amount of EUR 3,120,000.00 through the one-time or repeated issue of new bearer shares (ordinary shares) in exchange for cash contributions and/or contributions in kind, whereby the subscription right of shareholders can be excluded (Authorized Capital 2015/I). The authorized capital of August 31, 2015 (Authorized Capital 2015/I) amounts, after partial utilization, to EUR 832,000.00.

During the general meeting of shareholders on August 30, 2016, the management board was authorized until July 31, 2021 with approval of the supervisory board to increase the share capital once or several times by up to a total amount of EUR 3,432,000.00 in exchange for cash contributions and/or contributions in kind, whereby the subscription right of shareholders can be excluded (Authorized Capital 2016/I).

Capital reserves result from gains on disposals of treasury shares and the premium from capital increases. From the capital increase in fiscal year 2016, EUR 2,745,600.00 was put into the capital reserves.

**Retained earnings in 2016 developed as follows:**

| | December 31, 2016<br>Euro |
|---|---|
| Profit carried forward | 3,204,610.95 |
| Annual net profit | 2,597,263.35 |
| **Retained profit** | **5,801,874.30** |

The general meeting of shareholders decided on August 30, 2016 to use the retained profit for the year 2015 amounting to EUR 4,463,000 for a dividend payout of 5 cents per share, with total payout amounting to EUR 1,258,000. The remaining retained profit amounting to EUR 3,205,000 was carried forward.

As of the balance sheet date, there are sums that must not be paid out amounting to EUR 220,000 which are apportionable exclusively to deferred tax assets.

Provisions
Other provisions primarily comprise expenses for auditing and year-end costs, costs for remuneration of the supervisory board and personnel costs.

Accounts payable
The terms of accounts payable are presented in the following payable aging report (prior-year figures in parenthesis).

| Type of payable | Total amount in € k | | Up to 1 year in € k | | 1 to 5 years in € k | | More than 5 years in € k | |
|---|---|---|---|---|---|---|---|---|
| Payables to credit instituts | 1,400 | (2,467) | 800 | (1,067) | 600 | (1,400) | 0 | (0) |
| Trade payables | 43 | (294) | 43 | (294) | 0 | (0) | 0 | (0) |
| Payables to affiliated companies | 426 | (487) | 426 | (487) | 0 | (0) | 0 | (0) |
| Other accounts payable | 29 | (118) | 29 | (117) | 0 | (1) | 0 | (0) |
| **Total** | **1,898** | **(3,366)** | **1,298** | **(1,965)** | **600** | **(1,401)** | **0** | **(0)** |

Other accounts payable include payables from taxes in the amount of EUR 28,000 (prior-year figure: EUR 117,000).

Payables to credit institutions amounting to EUR 1,400,000 are collateralized by company shares.

Income from profit and loss transfer agreements
A profit and loss transfer agreement exists between Ringmetall Aktiengesellschaft and wholly owned subsidiaries. Profit from profit and loss transfer agreements relates to the transfer of profits of August Berger Metallwarenfabrik GmbH, Berg.

Income from other securities and loans of financial assets
Profit from other securities and loans of financial assets include profits from the compounding of other lendings in the amount of EUR 8,000 (prior-year figure: EUR 12,000).

Depreciation on financial assets and on securities held as current assets (EUR 250,000) relates to other lendings.

Interest income
Interest income includes interest from affiliated companies in the amount of EUR 3,000 (prior-year figure: EUR 68,000).

Interest expenses
Interest expenses include interest payments to affiliated companies in the amount of EUR 14,000 (prior-year figure: EUR 17,000).

Currency translation
Other operating income includes income from currency translation in the amount of EUR 69,000 (prior-year figure: EUR 20,000); other operating income also includes income from currency translation to the amount of EUR 2,000 (prior-year figure: EUR 52,000).

Taxes on income and profit
Taxes on income and profit include income from deferred taxes amounting to EUR 42,000 (prior-year figure: EUR 90,000).

## IV. Other notes

Contingent liabilities
Contingent liabilities in accordance with section 251 of the German Commercial Code (HGB) exist for payables arising from guarantee agreements with credit institutions for affiliated companies in the amount of EUR 18,551,000. On the basis of current assets, the financial position and profit or loss, as well as future plans, the utilization of these contingent liabilities is not considered likely.

Other financial obligations
Other financial obligations result from continuing obligations (rental and leasing operations) to the amount of EUR 66,000 p.a. The total obligations amount to EUR 74,000 until the end of the term.

The average number of persons employed during the fiscal year is 4.

| | | |
|---|---|---|
| Corporate bodies | Executive board: | Christoph Petri, Commercial Manager<br>Konstantin Winterstein, Engineer<br>Jörg Rafael, Commercial Manager, holds sole power of representation |
| | Supervisory board: | Thilo von Selchow, (Chairman), Managing Director of Thilo von Selchow GmbH<br>Markus Wenner, (Deputy Chairman), Attorney<br>Ralph Heuwing (as of August 30, 2016),<br>Member of the Executive Board of Dürr Aktiengesellschaft<br>Hubertus Reincke (until August 30, 2016), Commercial Manager |

The total remuneration of the parent company's executive board for the fiscal year 2016 amounts to EUR 809,000. The supervisory board shall receive EUR 66,000 for its services in 2016.

Consolidated financial statements
Ringmetall Aktiengesellschaft of Munich prepares consolidated financial statements. These are submitted to the operator of the electronic version of the German Federal Gazette and published in the electronic German Federal Gazette.

Supplementary report
There were no events of particular importance after the reporting date.

Munich, April 27, 2017

| | | |
|---|---|---|
| Christoph Petri | Konstantin Winterstein | Jörg Rafael |
| Spokesman of the Executive Board | Member of the Executive Board | Member of the Executive Board |

## SHAREHOLDINGS AS OF DECEMBER 31, 2016

| Name and location of company | Share of capital (%) | Equity in € k | Annual result in € k |
|---|---|---|---|
| August Berger Metallwarenfabrik GmbH, Berg, Germany | 100.00 | 16,000 | 0 |
| Berger Verwaltungs GmbH, Berg, Germany | 100.00 | 24 | -2 |
| Fieder Verwaltungs GmbH, München, Germany | 100.00 | 10 | 236 |
| Fidum Verwaltungs GmbH, München, Germany | 100.00 | 4 | -2 |
| Société Civile Immobilière (SCI) Berger France, Niederlauterbach, France | 49.00 [1] | 208 | 44 |
| Berger Closures Limited, Peterlee, United Kingdom [2] | 75.57 | 2,175 | 835 |
| Hollandring (BV) Besloten Vennootschap, Vaassen, Netherlands [2] | 100.00 | 214 | -9 |
| Berger Group Europe Iberica, S.L., Reus, Spain [2] | 100.00 | 693 | 166 |
| CEMSAN Metal Parca Imalat Limited Sirketi, Dilovasi-Kocaeli, Turkey [2] | 100.00 | 722 | -322 |
| S.G.T. S.r.l., Albavilla, Italy [2] | 80.00 | 3,370 | 851 |
| Berger Closing Rings (Changshu) Co., Ldt., Changshu, China [2] | 90.00 | -445 | -214 |
| Berger Italia S.r.l., Valmadrera, Italy [2] | 100.00 | 4,160 | 1,213 |
| Metallwarenfabrik Berger GmbH, Sessenhausen, Germany | 100.00 | 595 | 148 |
| Berger US Inc., Birmingham, Alabama, United States | 100.00 | 14,711 | 0 |
| Self Industries Inc., Birmingham, Alabama, United States [3] | 100.00 | 15,193 | 1,358 |
| HSM Hans Sauermann GmbH & Co. KG, Ernsgaden, Germany | 100.00 | 964 | 345 |
| HSM Hans Sauermann Verwaltungs GmbH, Ernsgaden, Germany | 100.00 | 47 | 3 |

1) The remaining 51 % is held by Fieder Verwaltungs GmbH
2) Held indirectly through August Berger Metallwarenfabrik GmbH
3) Held indirectly throuth Berger US Inc.

Currency translation for companies was calculated as follows:

| | | |
|---|---|---|
| Berger Closures Limited | • Equity at average exchange rate: | 1 GBP = 1.1675 EUR |
| | • Annual net provit at annual averange exchange rate: | 1 GBP = 1.2245 EUR |
| CEMSAN Metal Parca Imalat Limited | • Equity at average exchange rate: | 1 TL = 0.2694 EUR |
| | • Annual net provit at annual averange exchange rate: | 1 TL = 0.2300 EUR |
| Berger Closing Rings (Changshu)Co. Ltd. | • Equity at average exchange rate: | 1 CNY = 0.1366 EUR |
| | • Annual net provit at annual averange exchange rate: | 1 CNY = 0.1361 EUR |
| Berger US Inc.. und Self Industries Inc. | • Equity at average exchange rate: | 1 USD = 0.9491 EUR |
| | • Annual net provit at annual averange exchange rate: | 1 USD = 0.9039 EUR |

## FIXED ASSETS FOR THE RINGMETALL AG FOR THE FISCAL YEAR 2016

| | | Acquisition / production costs | | | |
|---|---|---|---|---|---|
| **A.** | **Fixed assets** | January 1, 2016<br>Euro | Addition<br>Euro | Disposals<br>Euro | December 31, 2016<br>Euro |
| **I.** | **Intangible assets** | | | | |
| | Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | 10,640.00 | 0.00 | 0.00 | 10,640.00 |
| | **Total intangible assets** | **10,640.00** | **0.00** | **0.00** | **10,640.00** |
| **II.** | **Tangible assets** | | | | |
| | Other fixed assets, factory and office equipment | 16,871.22 | 5,941.59 | 601.36 | 22,211.45 |
| | **Total tangible assets** | **16,871.22** | **5,941.59** | **601.36** | **22,211.45** |
| **III.** | **Financial assets** | | | | |
| | 1. Shares in affiliated companies | 34,915,864.82 | 0.00 | 0.00 | 34,915,864.82 |
| | 2. Other shareholdings | 61,533.87 | 0.00 | 0.00 | 61,533.87 |
| | 3. Other assets | 992,113.32 | 7,886.68 | 0.00 | 1,000,000.00 |
| | **Total** | **35,969,512.01** | **7,886.68** | **0.00** | **35,977,398.69** |
| | **Total financial assets** | **35,997,023.23** | **13,828.27** | **601.36** | **36,010,250.14** |

| | Depreciation | | | | Book value | |
|---|---|---|---|---|---|---|
| | January 1, 2016<br>Euro | Addition<br>Euro | Disposals<br>Euro | December 31, 2016<br>Euro | Stand 31.12.2016<br>EUR | December 31, 2016<br>Euro |
| | 10,639.00 | 0.00 | 0.00 | 10,639.00 | 1.00 | 1.00 |
| | **10,639.00** | **0.00** | **0.00** | **10,639.00** | **1.00** | **1.00** |
| | 12,480.22 | 2,844.59 | 601.36 | 14,723.45 | 7,488.00 | 4,391.00 |
| | **12,480.22** | **2,844.59** | **601.36** | **14,723.45** | **7,488.00** | **4,391.00** |
| | 2,202,476.18 | 0.00 | 0.00 | 2,202,476.18 | 32,713,388.64 | 32,713,388.64 |
| | 0.00 | 0.00 | 0.00 | 0.00 | 61,533.87 | 61,533.87 |
| | 750,000.00 | 250,000.00 | 0.00 | 1,000,000.00 | 0.00 | 242,113.32 |
| | **2,952,476.18** | **250,000.00** | **0.00** | **3,202,476.18** | **32,774,922.51** | **33,017,035.83** |
| | **2,975,595.40** | **252,844.59** | **601.36** | **3,227,838.63** | **32,782,411.51** | **33,021,427.83** |

# AUDITOR'S OPINION

We have audited the annual financial statements—comprising the balance sheet, the profit and loss statement, and notes
—together with the accounting system of Ringmetall Aktiengesellschaft, as well as the consolidated financial statements—comprising the balance sheet, the profit and loss statement, notes, the cash flow statement and the equity statement—and its report concerning the situation of the company and the Group for the fiscal year from January 1 to December 31, 2016. The preparation of these records according to the provisions of the German Commercial Code and the supplementary instructions of the charter are the responsibility of the company's legal representatives. Our responsibility is to provide an assessment, on the basis of our audit, of the annual financial statements, the accounting, and the consolidated financial statements and the report concerning the situation of the company and the Group.

We have made our audit of the annual and consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and observing the German principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). Those principles require that we plan and perform the audit such that misstatements and violations materially impacting the presentation of the assets, financial situation and earnings of the company and the Group in the annual financial statements and consolidated financial statements in accordance with the principles of proper accounting practices and in the report concerning the situation of the company and the Group are identified with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and the Group and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting, in the annual and consolidated financial statements, and in the report concerning the situation of the company and the Group are examined primarily on a spot check basis within the framework of the audit. The audit comprises the evaluation of the annual financial statements of the companies included in the consolidated financial reports, the adjustment of those companies included in consolidation, the accounting and consolidation principles applied and material evaluations of legal representatives, as well as the acknowledgment of the entire presentation of the annual and consolidated financial statements and the report concerning the situation of the company and the Group. We believe that our audit provides a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our opinion, which is based on the results of our audit, the annual financial statements and the consolidated financial statements are in accordance with legal requirements as well as with the articles of association and present in accordance with the principles of proper accounting practices a true representation of the assets, financial situation and earnings of the company and the Group. The report concerning the situation of the company and the Group is consistent with the annual financial statements and the consolidated financial statements, and as a whole provides a suitable view of the situation of the company and the Group, and suitably presents the risks and opportunities of future development.

Schwabach, April 28, 2017

WPH HOFBAUER & MAIER GMBH
Auditing Firm Tax Consultancy Firm

| | |
|---|---|
| Tobias Göstl | Stefan Maier |
| Certified Public Accountant | Certified Public Accountant |

# THE RINGMETALL GROUP

RINGMETALL

# RINGMETALL GROUP – BALANCE SHEETS AS OF DECEMBER 31, 2016

## ASSETS

| | Financial year Euro | Prior year Euro |
|---|---|---|
| **A. FIXED ASSETS** | | |
| I. Intangible assets | | |
| 1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | 169,508.06 | 232,202.78 |
| 2. Company value | 21,307,521.17 | 23,055,352.23 |
| | **21,477,029.23** | **23,287,555.01** |
| II. Tangible assets | | |
| 1. Land, land rights and buildings including buildings on land owned by third parties | 4,894,843.07 | 5,986,906.59 |
| 2. Technical equipment and machinery | 6,404,194.40 | 6,007,391.56 |
| 3. Other equipment, factory and office equipment | 1,030,575.20 | 1,119,139.01 |
| 4. Advance payments and assets under construction | 73,481.03 | 180,706.84 |
| | **12,403,093.70** | **13,294,144.00** |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 75,564.59 | 75,564.59 |
| 2. Other shareholdings | 71,115.07 | 71,115.27 |
| 3. Other assets | 0.00 | 242,113.32 |
| | **146,679.66** | **388,793.18** |
| **B. CURRENT ASSETS** | | |
| I. Reserves | | |
| 1. Raw materials, e, operating materials | 5,215,167.45 | 4,485,308.41 |
| 2. Non-finished products, not finished services | 1,845,941.26 | 1,279,286.70 |
| 3. Finished goods | 3,179,775.75 | 3,324,804.62 |
| 4. Payments made | 39,960.89 | 16,347.00 |
| | **10,280,845.35** | **9,105,746.73** |
| II. Accounts receivable and other assets | | |
| 1. Receivables from affiliated companies | 13,077,491.54 | 12,781,052.71 |
| 2. Other assets | 1,162,275.35 | 1,168,878.14 |
| | **14,239,766.89** | **13,949,930.85** |
| III. Cash on hand, Bundesbank balances Bank balances and checks | **5,310,847.18** | **2,950,445.17** |
| **C. DEFERRED INCOME** | **104,915.31** | **194,956.81** |
| **D. DEFERRED TAX ASSETS** | **768,259.63** | **737,411.51** |
| | **64,731,436.95** | **63,908,983.26** |

**LIABILITIES**

| | | Financial year Euro | Prior year Euro |
|---|---|---|---|
| **A.** | **EQUITY** | | |
| I. | Subscribed capital | 25,168,000.00 | 22,880,000.00 |
| II. | Capital reserves | 5,703,727.50 | 2,958,127.50 |
| III. | Equity difference from currency translation | -231,100.42 | -540,063.41 |
| IV. | loss carry forward | -8,926,629.76 | -6,863,712.22 |
| V. | Net earnings for year | 2,319,979.31 | -642,652.42 |
| VI. | Non-controlling interests | 1,160,819.01 | 1,925,185.34 |
| **B.** | **PROVISIONS FOR LIABILITIES AND CHARGES** | | |
| | 1. Provisions for taxation | 513,832.59 | 131,212.86 |
| | 2. Other provisions | 2,568,373.33 | 1,985,146.14 |
| | | **3,082,205.92** | **2,116,359.00** |
| **C.** | **LIABILITIES** | | |
| | 1. Liabilities to credit institutions | 21,913,175.15 | 27,107,603.05 |
| | 2. Advance payments received on orders | 172,672.12 | 121,286.98 |
| | 3. Trade accounts payable | 9,778,443.92 | 9,056,528.13 |
| | 4. Liabilities to affiliated companies | 83,274.35 | 83,607.22 |
| | 5. Other liabilities | 4,506,869.85 | 5,706,672.09 |
| | | **36,454,435.39** | **42,075,697.47** |
| **D.** | **ACCRUALS AND DEFFERED INCOME** | **0.00** | **42.00** |
| | | **64,731,436.95** | **63,908,983.26** |

# RINGMETALL GROUP – PROFIT AND LOSS STATEMENT FOR FISCAL YEAR 2016

| | 2016<br>Euro | 2015<br>Euro |
|---|---|---|
| 1. Sales revenues | 94,344,825.98 | 66,677,989.81 |
| 2. Increase/decrease of stocks of finished goods and work in progress | 338,141.41 | -73,026.37 |
| 3. Own work capitalized | 64,125.08 | 98,468.12 |
| 4. Other operating income | 755,866.35 | 837,885.63 |
| 5. Material costs | | |
| a) Raw materials and consumables and goods ordered | 40,810,863.81 | 26,064,284.08 |
| b) Expenses or services | 12,156,448.99 | 9,429,899.94 |
| | **52,967,312.80** | **35,494,184.02** |
| 6. Personnel costs | | |
| a) Wages and salaries | 15,309,809.09 | 12,824,169.95 |
| b) Social security and pensions | 3,322,704.90 | 2.616.351.32 |
| | **18,632,513.99** | **15,440,521.27** |
| 7. Depreciations<br>Depreciations on intangible and tangible assets | 4,971,472.35 | 4,065,780.19 |
| 8. Other operating expenses | 12,543,461.95 | 11,167,761.29 |
| 9. Income from other securities and loans of financials fixed assets | 7,886.68 | 11,993.66 |
| 10. Other interest and similar income | 9,166.40 | 6,297.63 |
| 11. Depreciations on financial assets and securities of in current assets | 250,000.00 | 0.00 |
| 12. Interest and similar expenses | 1,154,204.27 | 673.256,96 |
| 13. Taxes on income and returns | 1,883,416.34 | 513,360.05 |
| **14. Result after taxes** | **3,117,630.20** | **204,744.70** |
| 15. Other taxes | 444,838.81 | 373,981.73 |
| **16. Consolidated net income for the year** | **2,672,791.39** | **-169,237.03** |
| 17. Non controlling interests | -352,812.08 | -473,415.39 |
| **18. Net profit** | **2,319,979.31** | **-642,652.42** |

# NOTES TO THE RINGMETALL GROUP FOR THE FISCAL YEAR 2016

## I. GENERAL NOTES

### 1. Preliminary Note

Ringmetall Aktiengesellschaft, headquartered in Munich, is registered with the district court of Munich under commercial register number HRB 118683.

The consolidated financial statements have been prepared by Ringmetall Aktiengesellschaft, the topmost parent company, in accordance with the provisions laid out in sections 290 ff. of the German Commercial Code (HGB). The consolidated financial statements were prepared for the first time as per December 31, 2001. For consolidated subsidiaries which were acquired prior to 2001, capital consolidation was performed in accordance with section 301, sub-section 2, sentence 3 of the German Commercial Code (HGB) at the time of the first inclusion with the ratios prevailing as of January 1, 2001.

All companies included in the consolidated financial statements, like the parent company, have December 31 as their reporting date.

### 2. Consolidated Companies

The following changes were made to the consolidated group during the fiscal year:

- The stake in the Italian subsidiary S.G.T. S.r.l, Albavilla was increased from 51% to 80%.

The consolidated group is comprised of the parent company, four domestic subsidiaries and ten foreign subsidiaries. On the basis of a majority stake in accordance with section 290, sub-section 2, no. 1 of the German Commercial Code (HGB), all subsidiaries are fully consolidated.

As of December 31, 2016, three companies of minor importance are not included in the consolidated financial statements. These companies are included in the list of shareholdings and are of minor importance for a true and fair representation of the Group's assets, financial situation and earnings.

## II. Consolidation Principles

The annual financial statements of the companies included in the consolidated financial statements are prepared in accordance with section 308 of the German Commercial Code (HGB) according to the accounting and valuation methods used in the annual financial statement of Ringmetall Aktiengesellschaft.

In the capital consolidation, the book value method was applied to prior acquisitions, and the revaluation method in accordance with section 301 of the German Commercial Code (HGB) has been applied to new acquisitions since fiscal year 2012. The relevant date of the initial consolidation of holdings is in principle the date of acquisition. Investments are offset against the equity share on the basis of the values at the time of acquisition or capital increase. For consolidated subsidiaries which were acquired

prior to 2001, capital consolidation is performed in accordance with section 301, sub-section 2, sentence 3 of the German Commercial Code (HGB) at the time of the first inclusion with the ratios prevailing as of December 1, 2001.

The remaining positive active differences from the capital consolidation between acquisition costs and equity share were reported as goodwill and amortized over the expected useful life of 10 years. For prior acquisitions in the Group, active differences were offset against retained earnings, and the balance was reported as goodwill and amortized over the expected useful life of 10 years.

Furthermore, hidden reserves in buildings of August Berger Metallwarenfabrik GmbH (Berg) were uncovered during capital consolidation that will be depreciated at 2% during the reporting year using the straight-line method. As of December 31, 2016, the carrying value of the uncovered hidden reserves amounts to EUR 1,339,000. Additional hidden reserves were uncovered in the fixed assets of HSM Hans Sauermann GmbH & Co. KG in the amount of EUR 765,000. The estimated remaining useful life of the hidden reserves was 7 years. As of December 31, 2016, the carrying value amounts to EUR 410,000.

Receivables and payables between consolidated companies are netted in accordance with section 303 of the German Commercial Code (HGB). Interim results on asset sales and inventory levels within the Group are eliminated.
Group-internal sales earnings, as well as other Group-internal profits, are offset against the corresponding expenses in accordance with section 305 of the German Commercial Code (HGB).

## III. ACCOUNTING POLICIES

The annual consolidated financial statements contain changes made to the Accounting Directive Implementation Act. The structure of the profit and loss statement was adjusted accordingly.

Assets
Intangible assets acquired against payment are valued at acquisition cost, less scheduled amortization.

Goodwill is amortized over a useful life of 10 years using the straight-line method and is subject to unscheduled amortization in the event of long-term impairment. The estimated useful life is based on long-term client and supplier relationships and the life cycle of the acquired company's products.

Tangible assets are capitalized at acquisition or production cost, less use-related scheduled depreciation. Unscheduled depreciation was made where necessary. Additions to movable fixed assets are depreciated on a straight-line basis.

Financial assets are valued at acquisition cost or the lower attributable value. Other lendings recognized at their cash value were written off in full during the fiscal year.

Inventories are primarily capitalized at the average price on the reporting date on the basis of acquisition costs or capitalized production costs, or at lower replacement costs or net realizable value. The lower of cost or market principle is observed.

Accounts receivable and other assets are included at their nominal value, less specific and general value adjustments to cover discernible risks.

Cash on hand, bank balances and checks are reported at their nominal value.
Deferred expenses and accrued income relate to expenditures prior to the date of the financial statements which represent an expense for a certain time after that date.

Liabilities
Tax accruals and other accruals take into account all recognizable risks and contingent liabilities based on a prudent commercial assessment at the required settlement amount.

Accounts payable are reported at their settlement amounts.

Currency translation
Foreign currency items are valued at the exchange rate effective on the date of entry into the individual financial statements. A review of the current average spot exchange rates was conducted and necessary adjustments were made on the balance sheet date. The subsequent valuation of assets and liabilities in foreign currencies with a remaining term of more than one year is based on the financial statements with due regard to the imparity principle, according to which losses are realized and gains are not taken into account.

The financial statements of the subsidiaries in the United Kingdom, China, the United States and Turkey were translated during the reporting year in accordance with section 308a of the German Commercial Code (HGB) as follows: The balance sheet was translated using the current rate method, i.e. annual financial statement items were valued at the average spot exchange rate effective on the reporting date, with the exception of equity, which was reported using its historical value. The profit and loss statement was translated at the annual average rate. The resulting translation differences are contained in the equity reported under the "Equity Capital Difference from Currency Translation" item in the Group balance sheet.

The following translation rates were used:

| Average exchange rate as of 21/31/2016: | |
|---|---|
| Berger Closures Limited | 1 GBP = 1.1675 EUR |
| CEMSAN Metal Parca Imalat Limited | 1 TL = 0.2694 EUR |
| Berger Closing Rings (Changshu) Co. Limited | 1 CNY = 0.1366 EUR |
| Self Industries Inc. und Berger US Inc. | 1 USD = 0.9491 EUR |

| Average annual exchange rate from 1 January – 31 December 2016: | |
|---|---|
| Berger Closures Limited | 1 GBP = 1.2245 EUR |
| CEMSAN Metal Parca Imalat Limited | 1 TL = 0.2300 EUR |
| Berger Closing Rings (Changshu) Co. Limited | 1 CNY = 0.1361 EUR |
| Self Industries Inc. und Berger US Inc. | 1 USD = 0.9039 EUR |

Valuation units
Economic hedge relationships are reflected in the balance sheet through the formation of valuation units. In those cases in which both the Net hedge presentation method (for which value changes resulting from the hedged risk are not reported in the balance sheet if they balance out) and the Gross hedge presentation method (according to which value changes resulting from the hedged risk of both the underlying transaction and the hedging instrument are reported in the balance sheet) can be used, the net hedge presentation method is used. Positive and negative value changes that balance out are reported without effect on the profit and loss statement.

## IV. NOTES ON SPECIFIC ITEMS IN THE GROUP BALANCE SHEET AND GROUP PROFIT AND LOSS STATEMENT

Assets

Fixed assets
The structure of and movement in assets, as well as the depreciation of the fiscal year, are presented in the asset movement schedule. The list of Group shareholdings is attached.

Accounts receivable and other assets
All accounts receivable and other assets have a remaining term of less than one year.

Deferred taxes
Deferred taxes arise from temporary valuation differences between the commercial balance and the tax balance. Capitalization also takes into account existing corporate tax losses carried forward that are expected to be realized within the next five years. Deferred tax assets representing future tax reliefs result from the balance sheet items for fixed assets, inventories, accounts receivable and other accruals, as well as from losses carried forward.

Deferred tax liabilities representing future tax burdens result from the balance sheet items fixed assets and deferred expenses and accrued income.

Deferred taxes are additionally reported for temporary differences between the annual financial statements prepared according to local regulations and the trade balances II, as well as for the elimination of unrealized profit and the consolidation of debts.

Deferred tax assets and liabilities are netted. Deferred tax assets amount to EUR 995,000; deferred tax liabilities amount to EUR 227,000.

The individual company tax rates expected to be valid for the income and profit of the respective country subsidiaries are applied:

- Ringmetall AG, München, Germany: 15,825 %
- August Berger Metallwarenfabrik GmbH, Berg, Germany: 15,825 %
- HSM Hans Sauermann GmbH & Co. KG, Ernsgaden, Germany: 10,5 %
- Self Industries Inc., Birmingham, United States: 39,44 %
- CEMSAN Metal Parca Imalat Limited Sirketi, Dilovasi-Kocaeli, Turkey: 20,0 %
- S.G.T. S.r.l., Albavilla, Italy: 24,0 %
- Berger Italia S.r.l., Valmadrera, Italy: 31,4 %
- Berger Group Europe Iberica, S.L., Reus, Spain: 25,0 %

For Group-internal supplies and services (elimination of unrealized profit), the tax rate of the company that received the supplies was applied.

Liabilities

Equity
Subscribed capital
The share capital amounts to EUR 25,168,000.00 and is divided into 25,168,000.00 no-par value bearer shares (one share is therefore equal to a calculated investment value of EUR 1.00). In fiscal year 2016, the share capital increased by EUR 2,288,000.00 from EUR 22,880,000.00 to EUR 25,168,000.00.

During the general meeting of shareholders on April 10, 2013, the management board was authorized until December 31, 2017 with approval of the supervisory board to increase the share capital once or several times by up to a total amount of EUR 2,900,000.00 in exchange for cash contributions or contributions in kind, whereby the subscription right of shareholders can be partially excluded (Authorized Capital 2013/I). The authorized capital of April 10, 2013 (Authorized Capital 2013/I) amounts, after partial utilization, to EUR 200,000.00.

During the general meeting of shareholders on August 29, 2014, the management board was authorized until July 31, 2019 with approval of the supervisory board to increase the share capital by up to a total amount of EUR 10,200,000.00 through the one-time or repeated issue of new bearer shares (ordinary shares) in exchange for cash contributions and/or contributions in kind, whereby the subscription right of shareholders can be excluded in certain cases (Authorized Capital 2014/I). The authorized capital of Friday, August 29, 2014 (Authorized Capital 2014/I) amounts, after partial utilization, to EUR 8,120,000.00.

During the general meeting of shareholders on August 31, 2015, the management board was authorized until August 30, 2020 with approval of the supervisory board to increase the share capital by up to a total amount of EUR 3,120,000.00 through the one-time or repeated issue of new bearer shares (ordinary shares) in exchange for cash contributions and/or contributions in kind, whereby the subscription right of shareholders can be excluded (Authorized Capital 2015/I). The authorized capital of August 31, 2015 (Authorized Capital 2015/I) amounts, after partial utilization, to EUR 832,000.00.

During the general meeting of shareholders on August 30, 2016, the management board was authorized until July 31, 2021 with approval of the supervisory board to increase the share capital once or several times by up to a total amount of EUR 3,432,000.00 in exchange for cash contributions and/or contributions in kind, whereby the subscription right of shareholders can be excluded (Authorized Capital 2016/I).

Capital reserves result from gains on disposals of treasury shares and the premium from capital increases. From the capital increase in fiscal year 2016, EUR 2,745,600.00 was put into the capital reserves.

The payout of earnings of the Ringmetall Group is based on the retained profit reported in the Ringmetall Aktiengesellschaft annual financial statements prepared in accordance with commercial law. Ringmetall Aktiengesellschaft's retained profit amounts to EUR 5,801,874.30 as of December 31, 2016.

| | December 31, 2016<br>Euro |
|---|---|
| Profit carried forward | 3,204,610.95 |
| Annual net profit | 2,597,263.35 |
| **Retained profit** | **5,801,874.30** |

As of the balance sheet date, there are sums that must not be paid out amounting to EUR 219,842.64 which are allocable exclusively to deferred tax assets.

The general meeting of shareholders decided on August 30, 2016 to use the retained profit from 2015 for a dividend payout of 5 cents per share. The total payout amounted to EUR 1,258,400.00.

Other provisions primarily comprise provisions for outstanding vacation and overtime, ensuring availability of staff, bonuses, outstanding invoices, annual financial statement costs and warranties.

Accounts payable
Payables to affiliated companies are exclusively other accounts payable.

Other accounts payable include payables from taxes amounting to EUR 292,000 (prior-year figure: EUR 389,000) and payables relating to social security in the amount of EUR 240,000 (prior-year figure: EUR 99,000).

The terms of accounts payable are presented in the following payable aging report (prior-year figures for the period ending 12/31/2015 in parenthesis).

| Type of payable | Total amount Up to 1 year | | Up to 1 year in € k | | 1 to 5 years in € k | | more than 5 years in € k | |
|---|---|---|---|---|---|---|---|---|
| Payables to credit institutions | 21,913 | (27,108) | 5,253 | (6,326) | 16,544 | (20,568) | 116 | (214) |
| Advance payments on orders | 173 | (121) | 173 | (121) | 0 | (0) | 0 | (0) |
| Trade payables | 9,778 | (9,056) | 9.475 | (8,832) | 285 | (224) | 18 | (0) |
| Notes payable | 0 | (0) | 0 | (0) | 0 | (0) | 0 | (0) |
| Payables to affiliated companies | 83 | (84) | 83 | (84) | 0 | (0) | 0 | (0) |
| Other accounts payable | 4,507 | (5,707) | 4.121 | (3,247) | 386 | (2,460) | 0 | (0) |
| **Total** | **36,454** | **(42,076)** | **19,105** | **(18,610)** | **17,215** | **(23,252)** | **134** | **(214)** |

Payables to credit institutions are assured in full by mortgages, guarantees, the assignment of outstanding debts, and the transfer of machines by way of security.

Profit and loss statement

Sales earnings during the period of January 1, 2016 to December 31, 2016 are divided according to business area as follows:

| | December 31, 2016 € million | December 31, 2015 € million |
|---|---|---|
| Industrial Packaging | 79.1 | 51.3 |
| Industrial Handling | 15.3 | 15.4 |
| **Consolidated sales** | **94.4** | **66.7** |

Of Group sales revenues, EUR 34.1 million was generated in Germany (prior-year figure: EUR 31.9 million) and EUR 60.3 million was generated abroad (prior-year figure: EUR 34.8 million).

The definition of sales revenues was modified in the Accounting Directive Implementation Act, making a comparison with the prior year only possible to a limited extent. The disclosure of sales revenues from the prior year was not changed. Upon observance of the new definition, sales revenues increased by EUR 131,000. Other operating profit was reduced by this amount. Expenses for purchased services increased by EUR 652,000. Other operating expenses were reduced by this amount.

Other operating profit is comprised of profit from other accounting periods in the amount of EUR 56,000 (prior-year figure: EUR 100,000), which is primarily attributable to insurance indemnifications as well as to the dissolution of provisions. Other operating profit contains profit from currency translation in the amount of EUR 226,000 (prior-year figure: EUR 393,000).

Other operating expenses are comprised of expenses from other accounting periods in the amount of EUR 117,000 (prior-year figure: EUR 194,000), which are primarily attributable to allocations to the general allowance for receivables. Other operating expenses contain expenses from currency translation in the amount of EUR 503,000 (prior-year figure: EUR 210,000). The prior year disclosure was also adjusted on the basis of the Accounting Directive Implementation Act. Extraordinary expenses (EUR 38,552) from the previous year are, in contrast to the previous year, disclosed within the other operating expenses. Extraordinary expenses from the previous year are comprised of the income resulting from the final consolidation of a subsidiary.

Interest income contains interest income from affiliated companies in the amount of EUR 3,000 (prior-year figure: EUR 3,000); interest expenses include interest from affiliated companies in the amount of EUR 1,000 (prior-year figure: EUR 1,000).

Profit from other securities and loans of financial assets result from profits from the compounding of other lendings to the amount of EUR 8,000 (prior-year figure: EUR 12,000).

Taxes on income and profit include income from the change in deferred taxes amounting to EUR 32,000 (prior-year figure: EUR 133,000).

## V. OTHER NOTES

Notes on financial instruments

The company reports derivative financial instruments as follows:

| | Nominalvalue (€ k) | Market value (€ k) | Final maturity | Method of determination |
|---|---|---|---|---|
| Swap | 3,900 | -27.5 | 30.11.2020 | mark-to-market |
| Swap | 1,500 | -19.3 | 20.11.2020 | mark-to-market |
| CAP | 700 | 0 | 28.09.2018 | mark-to-market |
| CAP | 1,250 | 0 | 31.12.2017 | mark-to-market |
| Floor | 2,600 | 14 | 30.11.2020 | mark-to-market |
| Floor | 1,000 | 9 | 30.11.2020 | mark-to-market |
| Swap | -1,000 | -12 | 30.11.2020 | mark-to-market |
| Swap | -2,600 | -18 | 30.11.2020 | mark-to-market |

The market value corresponds to the amount at which all contracts could be settled on the balance sheet date. For negative fair values resulting from interest rate swaps, no provision for contingent losses was formed, as these in their entirety are components of valuation units. Loan agreements and credit line agreements establish hedging relationships with the respective interest rate swaps, floors and caps. Incoming and outgoing cash flows from loans and corresponding financial instruments balance out over their respective terms. Since the key parameters and conditions of the underlying transaction and the hedging transaction match, the hedging transactions are deemed suitable to hedge the underlying transaction. The hedging transaction is capable of covering the interest-change risk (cash flow risk), which can impact the development of the underlying transaction. The effectiveness of the hedging relationship is classified as highly effective for the beginning, future and duration of the hedging relationship. Since the key parameters and conditions of the underlying transaction and the hedging transaction match (critical term match), and since this is a perfect micro-hedge, the conditions for classification as "highly effective" are met in full.

Other financial obligations

Other significant financial obligations that are not evident from the balance sheet include continuing obligations (primarily from rental and leasing operations) with a per annum cost of EUR 1,939,000. The total obligations amount to EUR 9,920,000 until the end of the term. Rental and leasing operations were concluded in order to reduce tied-up capital. In return, multi-year payment obligations are generated for the company. As of December 31, 2016, the commitments amount to EUR 5,308,000.

Notes on events of particular importance after December 31, 2016

Following the conclusion of the fiscal year, there have been no matters which have a significant impact on the Group's assets, financial situation or profits.

Exemption from preparation/disclosure obligations in accordance with sections 264 and 264b of the German Commercial Code (HGB).

The subsidiaries August Berger Metallwarenfabrik GmbH in Berg (district court of Landau; commercial register number: HRB 21795) and HSM Hans Sauermann GmbH & Co. KG in Ernsgaden (district court of Ingolstadt; commercial register number: HRA 170365) are included in the parent company's consolidated financial statements. The conditions for exemption in accordance with sections 264 and 264b of the German Commercial Code (HGB) are met. The exemption was applied only with regard to the disclosure of the annual financial statements.

Due to its inclusion in the consolidated financial statements of Ringmetall Aktiengesellschaft, August Berger Metallwarenfabrik GmbH is exempt from having to prepare its own consolidated financial statements.

Related parties

During the fiscal year, no transactions requiring disclosure in accordance with section 314 I, no. 13 of the German Commercial Code (HGB) were concluded with related parties under conditions not available on the market.

The companies of the Ringmetall AG Group made use of the following services provided by annual auditors:

| | in Euro 1000 |
|---|---|
| Auditing services | 81 |
| Other services | 12 |

During the fiscal year, the Group employed on average:

| | 2016 | 2015 |
|---|---|---|
| Employees | 94 | 103 |
| Commercial workers | 347 | 329 |
| | **441** | **432** |

Corporate bodies

Executive Board: Christoph Petri, (Spokesman), Commercial Manager
Konstantin Winterstein, Engineer
Jörg Rafael, Commercial Manager

Supervisory Board: Thilo von Selchow, (Chairman), Managing Director of Thilo von Selchow GmbH
Markus Wenner (Deputy Chairman), Attorney
Ralph Heuwing (as of August 30, 2016), Member of the Executive Board of Dürr Aktiengesellschaft
Hubertus Reincke (as of August 30, 2016), Commercial Manager

The total remuneration of the parent company's executive board for the fiscal year 2016 amounts to EUR 809,000. The supervisory board's remuneration for its services in 2016 amounts to EUR 66,000.

Munich, April 27, 2017

| Christoph Petri | Konstantin Winterstein | Jörg Rafael |
|---|---|---|
| Spokesman of the Executive Board | Member of the Executive Board | Member of the Executive Board |

# CONSOLIDATED FIXED ASSETS FOR THE RINGMETALL GROUP FOR THE FISCAL YEAR 2016

| | Acquisition / production costs | | | | | |
|---|---|---|---|---|---|---|
| | January 01, 2016 | Additions | Book transfers | Disposals | Currency differences | December 31, 2016 |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| **I. Intangible assets** | | | | | | |
| 1. Purchased concessions, industrial property rights and licenses to such rights and assets | 731,170.53 | 26,518.51 | - | 15,330.00 | -3,379.17 | 738,979.87 |
| 2. Business value | 26,823,734.81 | 564,100.11 | - | - | 461,694.26 | 27,849,529.18 |
| | **27,554,905.34** | **590,618.62** | **-** | **15,330.00** | **458,315.09** | **28,588,509.05** |
| **II. Tangible and fixed assets** | | | | | | |
| 1. Land and property, including property onnon-owned sites | 9,822,318.05 | 67,049.85 | 274,991.82 | 730,488.51 | -501,574.13 | 8,932,297.08 |
| 2. Tecnical plants, systems and machinery | 33,080,715.12 | 1,222,662.93 | 398,211.98 | 16,737.18 | -347,721.17 | 34,337,131.68 |
| 3. Other assets, fittings and furnishings and office equipment | 6,000,600.50 | 280,879.83 | -85,642.97 | 72,813.06 | -57,940.15 | 6,065,084.15 |
| 4. Payments on account and construction in progress | 180,706.84 | 486,485.02 | -587,560.83 | 6,150.00 | - | 73,481.03 |
| | **49,084,340.51** | **2,057,077.63** | **-** | **826,188.75** | **-907,235.45** | **49,407,993.94** |
| **III. Financial assets** | | | | | | |
| 1. Shares in affiliated companies | 75,564.59 | - | - | - | - | 75,564.59 |
| 2. Other assets | 606,541.56 | - | - | 0.20 | - | 606,541.36 |
| 3. Other loans | 992,113.32 | 7,886.68 | - | - | - | 1,000,000.00 |
| | **1,674,219.47** | **7,886.68** | **-** | **0.20** | **-** | **1,682,105.95** |
| | **78,313,465.32** | **2,655,582.93** | **-** | **841,518.95** | **-448,920.36** | **79,678,608.94** |

| Depreciation | | | | | | Book value | |
|---|---|---|---|---|---|---|---|
| January 01, 2016 | Additions | Book transfers | Disposals | Currency diffe-rences | December 31, 2016 | December 31, 2016 | December 31, 2015 |
| EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| 498,967.75 | 88,755.73 | - | 15,328.00 | -2,923.67 | 569,471.81 | 169,508.06 | 232,202.78 |
| 3,768,382.58 | 2,708,111.02 | - | - | 65,514.41 | 6,542,008.01 | 21,307,521.17 | 23,055,352.23 |
| **4,267,350.33** | **2,796,866.75** | - | 15,328.00 | **62,590.74** | **7,111,479.82** | **21,477,029.23** | **23,287,555.01** |
| 3,835,411.46 | 620,618.96 | 45,962.31 | 405,486.49 | -59,052.23 | 4,037,454.01 | 4,894,843.07 | 5,986,906.59 |
| 27,073,323.56 | 1,197,405.98 | -45,962.31 | 16,736.11 | -275,093.84 | 27,932,937.28 | 6,404,194.40 | 6,007,391.56 |
| 4,881,461.49 | 356,580.66 | - | 49,719.83 | -153,813.37 | 5,034,508.95 | 1,030,575.20 | 1,119,139.01 |
| - | - | - | - | - | - | 73,481.03 | 180,706.84 |
| **35,790,196.51** | **2,174,605.60** | **-** | **471,942.43** | **-487,959.44** | **37,004,900.24** | **12,403,093.70** | **13,294,144.00** |
| - | - | - | - | - | - | 75,564.59 | 75,564.59 |
| 535,426.29 | - | - | - | - | 535,426.29 | 71,115.07 | 71,115.27 |
| 750,000.00 | 250,000.00 | - | - | - | 1,000,000.00 | - | 242,113.32 |
| **1,285,426.29** | **250,000.00** | **-** | **-** | **-** | **1,535,426.29** | **146,679.66** | **388,793.18** |
| **41,342,973.13** | **5,221,472.35** | **-** | **487,270.43** | **-425,368.70** | **45,651,806.35** | **34,026,802.59** | **36,970,492.19** |

## RINGMETALL GROUP – SHAREHOLDINGS AS OF DECEMBER 31, 2016

| Name and location of company | Share of capital (%) |
|---|---|
| **Companies included in the consolidated financial statement** | |
| **Subsidiary companies from Ringmetall AG** | |
| August Berger Metallwarenfabrik GmbH, Berg, Germany | 100.00 |
| HSM Hans Sauermann GmbH & Co. KG, Ernsgaden, Germany | 100.00 |
| Fieder Verwaltungs GmbH, München, Germany | 100.00 |
| Société Civile Immobilière (SCI) Berger France, Niederlauterbach, France * | 100.00 * |
| **Subsidiary companies from August Berger Metallwarenfabrik GmbH,Berg, Germany** | |
| Metallwarenfabrik Berger GmbH, Sessenhausen, Germany | 100.00 |
| Berger Closures Limited, Peterlee, United Kingdom | 75.57 |
| Hollandring (BV) Besloten Vennootschap, Vaasen, Netherland | 100.00 |
| CEMSAN Metal Parca Imalat Limited Sirketi, Dilovasi-Kocaeli, Turkey | 100.00 |
| S.G.T. S.r.l., Albavilla, Italy | 80.00 |
| Berger Italia S.r.l., Valmadrera, Italy | 100.00 |
| Berger Closing Rings (Changshu) Co., Ltd., Changshu, China | 90.00 |
| Berger Group Europe Iberica, S.L., Reus, Spain | 100.00 |
| Self Industries Inc., Birmingham, United States ** | 100.00 |
| Berger US Inc., Birmingham, United States | 100.00 |

*The remaining 51 % is held by Fieder Verwaltungs GmbH
**Held indirectly throuth Berger US Inc.

**Not included companies in the consolidated financial statement**

| Tochterunternehmen der Ringmetall AG | Equity in € k | Annual result in € k | Share of capital in % |
|---|---|---|---|
| Berger Verwaltungs GmbH, Berg, Germany | 24 | -2 | 100.00 |
| Fidum Verwaltungs GmbH, München, Germany | 4 | -2 | 100.00 |
| HSM Hans Sauermann Verwaltungs GmbH, Ernsgaden, Germany | 47 | 3 | 100.00 |

| | CONSOLIDATED CASH FLOW STATEMENT ACCORDING TO DRS-21 | 2016 in € k | 2015 in € k |
|---|---|---|---|
| | Period result (including profit shares of other partners) | 2,673 | -170 |
| +/- | Depreciation / write-ups of fixed assets | 5,221 | 4,066 |
| +/- | Increase / decrease in provisions | 583 | 152 |
| +/- | Other non-cash expenses / income | 20 | 130 |
| -/+ | Increase / decrease in inventories, trade receivables and other assets that are not attributable to investment or financing activities | -1,510 | -7,133 |
| +/- | Increase / decrease in trade payables and other liabilities that are not attributable to investment or financing activities | 321 | 8,087 |
| -/+ | Increase / decrease in trade payables and other liabilities | 23 | -5 |
| +/- | that are not attributable to investment or financing activities | 1,145 | 655 |
| +/- | Gain/loss on disposal of fixed assets | 1,883 | 513 |
| -/+ | Interest expenses / interest income | -1,424 | -366 |
| = | **Cash flow from current operations** | **8,935** | **5,929** |
| - | Outpayments for investments in intangible assets | -27 | -86 |
| + | Inpayments from disposal of tangible fixed assets | 331 | 45 |
| - | Outpayments for investments in tangible assets | -2,057 | -1,290 |
| + | Inpayments from disposals from the consolidation group | 0 | 300 |
| - | Outpayments for additions to the consolidation group | -1,518 | -17,757 |
| + | Interest received | 40 | 119 |
| = | **Cash flow from investment activities** | **-3,231** | **-18,669** |
| + | Inpayments from equity contributions by partners of the parent company | 5,034 | 3,182 |
| + | Inpayments from the issuance of bonds and borrowings | 410 | 22,090 |
| - | Outpayments from the repayment of bonds and borrowings | -5,330 | -8,233 |
| - | Interest paid out | -1,148 | -765 |
| - | Dividends paid out to partners of the parent company | -1,258 | -1,144 |
| - | Dividends paid out to other partners | -323 | -227 |
| = | **Cash flow from financing activity** | **-2,615** | **14,903** |
| | Net change in cash funds | 3,089 | 2,163 |
| +/- | Change in cash funds related to exchange rates and valuation | -143 | 2 |
| + | Cash funds at the start of the period | 2,319 | 154 |
| = | **Cash funds at the end of the period** | **5,265** | **2,319** |
| | Cash funds consist of the following components: | | |
| | - cash on hand, cash in bank accounts, checks | 5,311 | 2,950 |
| | - borrowing on current account | -46 | -631 |
| | | **5,265** | **2,319** |

Other non-cash income/expenses comprise primarily value adjustments on receivables.
Cash and cash equivalents comprise short-term current account liabilities to credit institutions and liquid assets.

# GROUP EQUITY AS AT DECEMBER 31, 2016

| | Parent company | | | | | |
|---|---|---|---|---|---|---|
| | Subscribed capital | Capital reserve | Earned consolidated equity | Accumulated other Group result | | **Equity** |
| | | | | Equity difference from currency translation | Other neutral transactions | |
| | EUR | | EUR | EUR | EUR | EUR |
| Status January 01, 2015 | 20,800,000.00 | 1,855,727.50 | -6,251,653.33 | -233.247,66 | 0.00 | 16,170,826.51 |
| Issue of shares | 2,080,000.00 | 1,102,400.00 | | | | 3,182,400.00 |
| Paid dividends | | | -1,144,000.00 | | | -1,144,000.00 |
| Changes to the scope of consolidation | | | 576,360.75 | -335,033.62 | | 241,327.13 |
| Consolidated net profit | | | -642,652.42 | | | -642,652.42 |
| Other net income | | | -44,419.64 | 28,217.87 | | -16,201.77 |
| **Status December 31, 2015** | **22,880,000.00** | **2,958,127.50** | **-7,506,364.64** | **-540,063.41** | **0.00** | **17,791,699.45** |
| Status January 01, 2015 | 22,880,000.00 | 2,958,127.50 | -7,506,364.64 | -540,063.41 | | 17,791,699.45 |
| Issue of shares | 2,288,000.00 | 2,745,600.00 | | | | 5,033,600.00 |
| Paid dividends | | | -1,258,400.00 | | | -1,258,400.00 |
| Changes to the scope of consolidation | | | -205,312.35 | | | -205,312.35 |
| Consolidated net profit | | | 2,319,979.31 | 70,244.68 | | 2,390,223.99 |
| Other net income | | | 43,447.23 | 238,718.31 | | 282,165.54 |
| **Status December 31, 2016** | **25,168,000.00** | **5,703,727.50** | **-6,606,650.45** | **-231,100.42** | **0,00** | **24,033,976.63** |

| | Non-controlling shares | | | | Group equity |
|---|---|---|---|---|---|
| | Minority capital | Accumulated other Group result | | **Equity** | |
| | | Equity difference from currency translation | Other neutral transactions | | |
| | EUR | EUR | EUR | EUR | EUR |
| | 2,245,745.12 | -39,591.03 | 0.00 | 2,206,154.09 | 18,376,980.60 |
| | | | | | 3,182,400.00 |
| | -226,792.86 | | | -226,792.86 | -1,370,792.86 |
| | -525,144.62 | -21,433.91 | | -546,578.53 | -305,251.40 |
| | 473,415.39 | -2,079.17 | | 471,336.22 | -171,316.20 |
| | | 21,066.42 | | 21,066.42 | 4,864.65 |
| | **1,967,223.03** | **-42,037.69** | **0.00** | **1,925,185.34** | **19,716,884.79** |
| | 1,967,223.03 | -42,037.69 | | 1,925,185.34 | 19,716,884.79 |
| | | | | | 5,033,600.00 |
| | -323,091.60 | | | -323,091.60 | -1,581,491.60 |
| | -730,587.54 | | | -730,587.54 | -935,899.89 |
| | 352,812.08 | -9,584.32 | | 343,227.76 | 2,733,451.75 |
| | | -53,914.95 | | -53,914.95 | 228,250.59 |
| | **1,266,355.97** | **-105,536.96** | **0,00** | **1,160,819.01** | **25,194,795.64** |

# AUDITOR'S OPINION

We have audited the annual financial statements – comprising the balance sheet, the profit and loss statement, and notes – together with the accounting system of Ringmetall Aktiengesellschaft, as well as the consolidated financial statements – comprising the balance sheet, the profit and loss statement, notes, the cash flow statement and the equity statement – and its report concerning the situation of the company and the Group for the fiscal year from January 1 to December 31, 2016. The preparation of these records according to the provisions of the German Commercial Code and the supplementary instructions of the charter are the responsibility of the company's legal representatives. Our responsibility is to provide an assessment, on the basis of our audit, of the annual financial statements, the accounting, and the consolidated financial statements and the report concerning the situation of the company and the Group.

We have made our audit of the annual and consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and observing the German principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). Those principles require that we plan and perform the audit such that misstatements and violations materially impacting the presentation of the assets, financial situation and earnings of the company and the Group in the annual financial statements and consolidated financial statements in accordance with the principles of proper accounting practices and in the report concerning the situation of the company and the Group are identified with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and the Group and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting, in the annual and consolidated financial statements, and in the report concerning the situation of the company and the Group are examined primarily on a spot check basis within the framework of the audit. The audit comprises the evaluation of the annual financial statements of the companies included in the consolidated financial reports, the adjustment of those companies included in consolidation, the accounting and consolidation principles applied and material evaluations of legal representatives, as well as the acknowledgment of the entire presentation of the annual and consolidated financial statements and the report concerning the situation of the company and the Group. We believe that our audit provides a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our opinion, which is based on the results of our audit, the annual financial statements and the consolidated financial statements are in accordance with legal requirements as well as with the articles of association and present in accordance with the principles of proper accounting practices a true representation of the assets, financial situation and earnings of the company and the Group. The report concerning the situation of the company and the Group is consistent with the annual financial statements and the consolidated financial statements, and as a whole provides a suitable view of the situation of the company and the Group, and suitably presents the risks and opportunities of future development.

Schwabach, April 28, 2017

WPH HOFBAUER & MAIER GMBH
Auditing Firm Tax Consultancy Firm

| | |
|---|---|
| Tobias Göstl | Stefan Maier |
| Certified Public Accountant | Certified Public Accountant |

## NOTES

## SOURCES OF INFORMATION:

Berger-Group
Bundesministerium für Wirtschaft und Technologie
Deutsche Börse
HSM Hans Sauermann GmbH & Co. KG
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