RINGMETALL

2017
ANNUAL REPORT

2017
ANNUAL REPORT

English translation
of the German original report

RINGMETALL

TO THE SHAREHOLDER

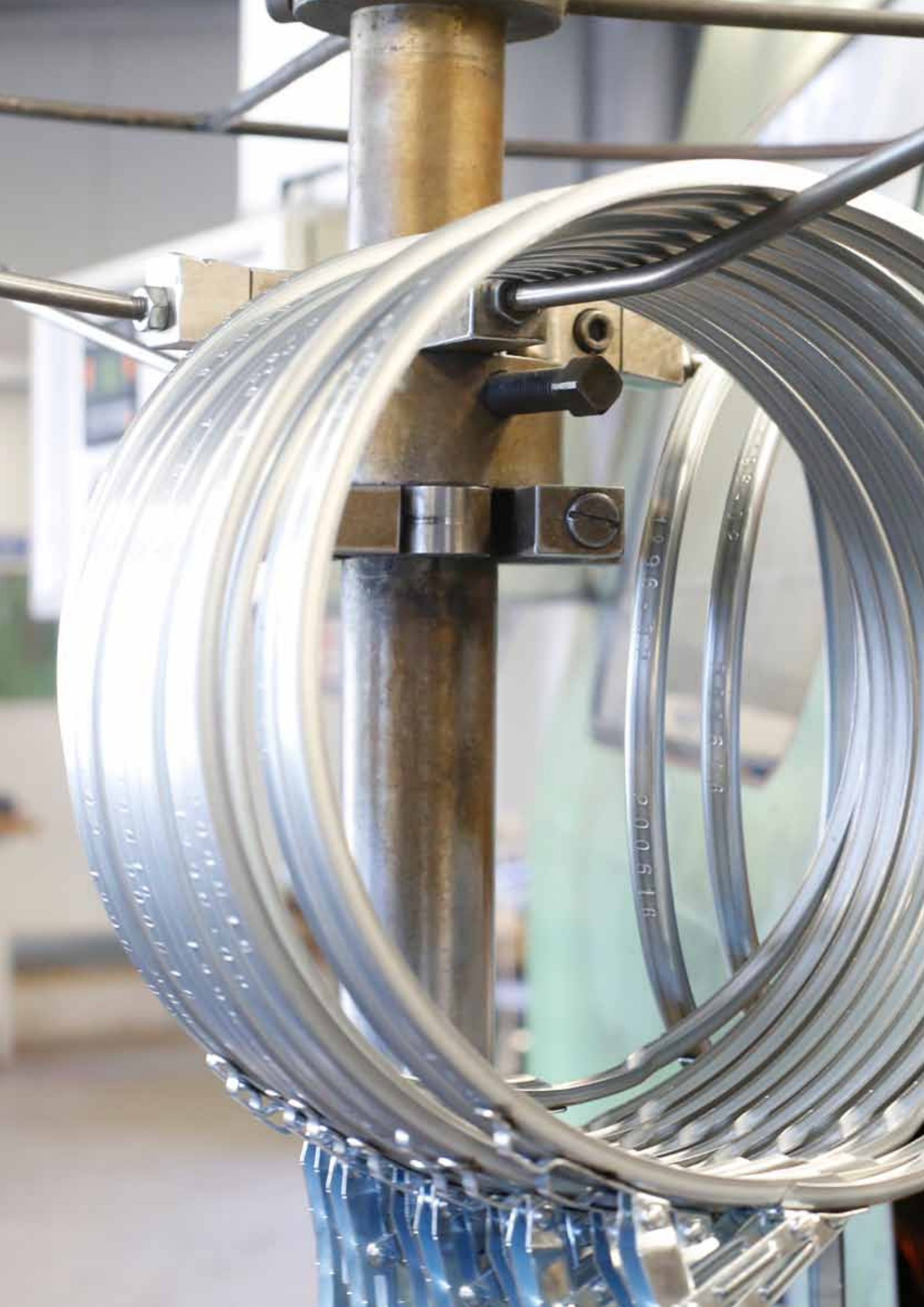
THE RINGMETALL GROUP

COMBINED MANAGEMENT REPORT FOR FISCAL YEAR 2017

THE RINGMETALL GROUP

THE RINGMETALL AG

OTHER INFORMATIONS



TO THE SHAREHOLDER

Key figures of the Group with 5 Year comparison

* in HGB

Profit and loss statement	2017 in TEUR	2016 in TEUR	2015* in TEUR	2014* in TEUR	2013* in TEUR
Sales revenues	102.348	94.294	66.678	65.828	46.498
Total output	102.388	94.645	67.703	66.129	46.816
Gross profit	45.356	41.678	31.209	31.841	21.893
EBITDA (Earnings before interest, taxes, depriciation and amortization)	12.041	11.194	5.438	6.965	3.035
EBIT (Earnings before interest and taxes)	10.035	9.267	1.372	2.946	315
Consolidated net income / net loss	**7.135**	**5.701**	**-169**	**1.784**	**-662**

Consolidated key figures	2017 in TEUR	2016 in TEUR	2015* in TEUR	2014* in TEUR	2013* in TEUR
Capital assets	34.867	35.001	36.970	24.942	26.986
Current assets	39.986	30.384	26.006	18.718	19.247
Equity	39.102	26.306	19.717	18.377	17.888
Shareholders' equity in %	51,6%	39,7%	30,9%	41,4%	38,4%
Liabilities	33.291	37.310	42.076	24.222	27.035
Total assets	**75.796**	**66.239**	**63.909**	**44.557**	**46.606**

Other notes	2017	2016	2015	2014	2013
Average employees	504	441	432	391	311

The Board of Management

Christoph Petri

Christoph Petri studied business administration at the University of Nuremberg and at the University of Sydney, and graduated with an MBA in 2006. Following this, he joined a consulting and investment company focused on medium-sized companies in Munich. In 2011, he was appointed to the Executive Board of Ringmetall AG in Munich, where he serves as spokesperson and is responsible for strategic investment management as well as finances, investor relations, sales, and marketing.

Konstantin Winterstein

Konstantin Winterstein studied at the TU Darmstadt and at the TU Berlin, where he graduated in mechanical engineering in 1996. In 2004 he received an MBA at INSEAD in Fontainebleau and Singapore. From 1997 to 2014 he held various positions with the BMW Group. He has been a member of the Executive Board of Ringmetall AG in Munich since 2014 and is responsible for operational investment management as well as human resources, IT, engineering, and production.

Letter from the Management Board

Dear Business Partners,
Dear Shareholders,

Fiscal year 2017 was another very successful year for Ringmetall. Once again we grew significantly and continued to consolidate and expand our regional, national, and international market positions with our group of companies. We are established in our markets as a internationally leading specialist in the packaging industry and are known to our customers for our high-quality and reliable products.

The robust development of the global economy in 2017 contributed to an above-average increase in both sales and earnings. At EUR 102.4 million, our revenue was in the triple-digit million range for the first time. The earnings before interest, taxes, depreciation, and amortization (EBITDA) grew by 6.5 percent to EUR 12.4 million. Accordingly, our EBITDA margin was 12.1 percent.

As we expected, our two business units, Industrial Packaging and Industrial Handling, developed very successfully. But the Industrial Handling division is especially noteworthy; after successful refocusing and increased investments in internally developed products, we were able to increase our annual net profit significantly in 2017 over previous years. Based on this successful turnaround, we will also continue to advance the profitability of this business segment in 2018.

On the one hand, our growth during the past fiscal year was supported by the extremely positive organic development of the Ringmetall Group. On the other hand, we also continued to grow through acquisitions in the Industrial Packaging area as announced, for example by the acquisition of Hong Ren (Changzhou, China) and Latza (Attendorn, Germany). Both companies were integrated into our group of companies after the acquisition and today are successful components of our global network.

Ringmetall will continue to pursue this successful approach of profitable organic and inorganic growth in the future. We developed and formulated our medium-term growth strategy in 2017 with this in mind. Accordingly, Ringmetall will grow in sales to a level of more than EUR 200 million by 2021. At the same time, we intend to increase the EBITDA margin to at least 15 percent. This growth prospect includes growth from organic increases in sales of four to five percent per year as well as from additional acquisitions on a significant scale. Our acquisitions primarily target companies that complement our Industrial Packaging business unit. However, after the successful restructuring of the Industrial Handling division, we are also considering acquisitions in this area, which should further strengthen our competitive position.

But we know that wherever there is light, there are always shadows as well. The very positive development in 2017 came along with several mar-

ket developments that prevented us from growing even more strongly, which we will have to watch closely. On the one hand, there is the trend of the exchange rates of the US dollar and the Turkish lira. Changes in the political systems led to a significant weakening of the two currencies against the euro in 2017. For this reason, we had a lower percentage of growth in euros than in the respective national currencies, especially in the United States, but also to a lesser degree in Turkey.

On the other hand, since the second quarter of 2017, there has been a contrary, unfavorable trend in the predicted steel prices compared to the prices that we have to pay on the purchasing side. Because of this fluctuation, we are not able to pass on the currently high steel prices to our customers to the same extent, and as a result, our current gross profit margin is lower.

But according to our estimates, which are based on current market studies, the two factors mentioned above will not continue to develop to our detriment in the current fiscal year. At best, the situation will ease and return to normal at some point this year.

For the full fiscal year 2018, we are assuming an increase in sales to between EUR 107.0 and 112.0 million. The EBITDA is expected to increase slightly compared to the previous year. This already includes special expenditures anticipated in connection with the change of the stock market segment to the Regulated Market (General Standard) of the Deutsche Börse planned for 2018 and the associated creation of the prospectus. Furthermore, the Executive Board expects to successfully conclude at least one acquisition. The company is currently in advanced discussions with several interesting takeover candidates.

Finally, our thanks go to the employees of the Ringmetall Group. Our company would not be where it is today without their constant dedication and loyalty. We are proud to have such a dedicated team and look forward to a successful year in 2018.

Best regards,
The Management Board of Ringmetall AG

Christoph Petri Konstantin Winterstein

The Supervisory Board

Thilo von Selchow

Chairman of the Supervisory Board

Thilo von Selchow studied mechanical engineering and business administration at the University of Munich before starting his professional career as an investment manager in Munich. He worked as an assistant to management at Thomas Steel Strip and Truelove & McLean, served as spokesperson for the management of Gemi Metallwarenfabrik and HuT Metallverarbeitung, and from 1997 was Managing Director of Heitkamp and Thumann. From 1999 until the beginning of 2016, he was Chairman of the Executive Board of ZMD AG. Currently, Mr. von Selchow is a member of the Advisory Board of two companies and is Managing Director of Thilo von Selchow GmbH.

Markus Wenner

Vice Chairman

Markus Wenner is the managing partner of GCI Management Consulting GmbH, a consulting and investment company for the medium-sized business sector. Previously, he was Investment Manager for GSM Industries. After studying law in Germany and in the USA, Markus Wenner began his career as a lawyer for the international corporate law firm, Clifford Chance, in the areas of mergers & acquisitions and corporate finance. Markus Wenner is the founder and co-owner of various companies and is a member of various supervisory boards and advisory boards.

Ralph Heuwing

Member of the Supervisory Board

After studying mechanical engineering at the RWTH in Aachen and MIT in Cambridge (USA) and studying for an MBA at INSEAD in France, Ralph Heuwing started his career as a consultant with the Boston Consulting Group (BCG). In 2001 he was appointed Managing Director and partner. From May 2007 to May 2017, Ralph Heuwing was Chief Financial Officer for the technology company Dürr AG, where he was responsible for the commercial functions of the group in addition to IT and global sourcing, as well as two of Dürr's five business divisions. He is CFO of Knorr-Bremse AG in Munich since November 2017.

Report of the Supervisory Board

Dear Business Partners,
Dear Shareholders,

Once again, Ringmetall Group performed very well during the past fiscal year. Via additional acquisitions in the core business and the return to the usual profitability at HSM, the Group continued to expand and reinforce its market position and earnings situation. At the same time, the reduction in the debt-to-equity ratio exceeded expectations. A capital increase created the conditions for further implementation of the buy & build strategy.

During fiscal year 2017, the Supervisory Board monitored the management of the Executive Board continuously and advised it regularly on the management of the company. The Supervisory Board assured itself of the lawfulness, expediency, and regularity of the work of the Executive Board at all times. It was involved in all fundamental decisions and was promptly and comprehensively informed in writing and verbally of all essential aspects of strategy, planning, business development, the risk situation, and compliance.

Four ordinary meetings of the Supervisory Board and a total of 14 phone calls and conference calls took place between the Executive Board and the Supervisory Board during the reporting year. All the members attended all the ordinary meetings of the Supervisory Board.

The meeting on February 21, 2017 was held at Berger Italia in Valmadrera, Lecco. A thorough tour of the Berger and SGT plants provided the Supervisory Board with a positive impression of Berger Italia, which is also reflected in the significant increase in earnings in Italy.

At the meeting, the Supervisory Board assured itself of the effectiveness of the system. This included the controlling and reporting systems used to increase the transparency and quality of the quarterly reporting as well as the status of the implementation of the cost reduction program.

The meeting on May 22, 2017 was held at the subsidiary HSM in Ernsgaden near Ingolstadt. There was a complete tour of the operations facilities. Subsequently, ways to reduce risks arising from the further devaluation of the Turkish lira were discussed. The sale of the property of the subsidiary CEMSAN Metal Parca Imalat Sirketi in Turkey was also discussed.

Afterwards, the Executive Board and the auditors in attendance presented the annual financial statements for 2016 to the Supervisory Board. After a thorough examination, it was determined that there were no objections and the consolidated financial statements and the business report including the group management report were approved unanimously for the 2016 fiscal year.

The Supervisory Board approved the proposed appropriation of earnings of EUR 0.05 per share following its own review and consideration.

For 2017, the Supervisory Board decided to select a new auditor and put it to a vote at the annual general meeting.

In addition, the Supervisory Board approved the new allocation of responsibilities within the Executive Board following the departure of Mr. Rafael. The Executive Board and Supervisory Board discussed the premises for a China acquisition again. It was decided to proceed with the acquisition of Hong Ren without taking over the location, but to relocate the assets to Berger China.

After detailed discussion in a conference call between the Supervisory Board and the Executive Board Board held on July 21, 2016, a decision was made to acquire the company Latza in order to increase the market share of the Berger Group and to leverage synergy potential to improve profitability. At the Supervisory Board meeting on August 29, 2017, the Supervisory Board approved the sale of the property in Turkey and in Niederlauterbach, France, and endorsed the integration plan for Latza presented by the Executive Board.

On November 13, 2017, the Executive Board, with the approval of the Supervisory Board, resolved a capital increase in the amount of EUR 2,516,800.00 against cash contributions, excluding the subscription rights of existing shareholders by issuing 2,516,800 ordinary shares at EUR 1.00 per share plus a premium of EUR 2.80. The addition of capital of approximately EUR 9.5 million is intended to finance the further internal and external growth of the Ringmetall Group.

The Supervisory Board approved the budget for 2018 at the meeting on December 5, 2017.

During the past fiscal year, the Supervisory Board also dealt with questions of company management and corporate governance at Ringmetall. The concepts already adopted in the last fiscal year continued to be implemented effectively. On the IT side, a data protection officer was appointed. In addition, the Ringmetall Code of Conduct, which defines binding principles for behavior in business and social environments, was implemented during the past fiscal year.

Since the departure of board member Jörg Rafael on April 30, 2017, there has been no change in the composition of the Executive Board. With a written circular resolution of the Supervisory Board dated August 11, 2017, Mr. Konstantin Winterstein, whose management contract expired on September 30, 2017, was re-elected to the Executive Board for the period from October 1, 2017 to September 30, 2020. The composition of the Supervisory Board remained unchanged during the reporting period.

Finally, on behalf of the entire Supervisory Board, I would like to take this opportunity to thank all Group employees and the members of the Executive Board for their commitment and achievements in fiscal year 2017.

On behalf of the Supervisory Board

Thilo von Selchow
Chairman

Ringmetall in the capital market

Europe's stock markets can look back on another good trading year. The German stock index DAX rose to a high of 13,525 points and closed the year with an increase of 12.5 percent at a level of 12,917.64 points. Below the line, stocks developed even better in 2017 than in the previous year, when the index was able to gain 6.9 percent.

Thus, the DAX outperformed the European reference index Euro Stoxx 50, which gained about 6 percent. But it could not keep up with the rapid development of the leading US indices, the Dow Jones Industrial Average and the Nasdaq Composite. They increased by about 25 percent and 28 percent, respectively.

The strong increase last year – primarily the global high of the technology sector – was fueled by the enormous flood of liquidity of the international central banks, as in 2016. European stock markets benefited from the extremely relaxed monetary policy of the European Central Bank (ECB), which continued its bond buyback program in 2017. These purchases continued to drive down the yields of the bonds concerned, driving investors to invest more and more in stocks.

With the election of Emmanuel Macron as the new president of France, the concerns of the markets over a possible disintegration of the EU and an end of the euro dissipated. At the same time, the macro indicators surprisingly pointed to significantly accelerated growth in the eurozone, which made European stocks even more attractive. Last but not least, many companies revised their earnings forecasts upward during the year, further boosting confidence in the bull market.

But the positive development of the euro area throughout the year produced increasing concern about the sharp rise in the euro, especially against the US dollar. While the US markets continued to boom, the DAX was only able to gain traction towards the end of the euro appreciation after a consolidation phase in the summer.

Ringmetall AG stock also performed very satisfactorily in 2017. Based on the XETRA closing price, it climbed from its January low of EUR 2.86 to EUR 4.25 in September, and ended the year at a closing level of EUR 4.03. In terms of percentage, the share price rose by 30.3 percent in 2017 (2016 closing price: EUR 3.09). The SDAX small cap index gained 24.9 percent over the same period.

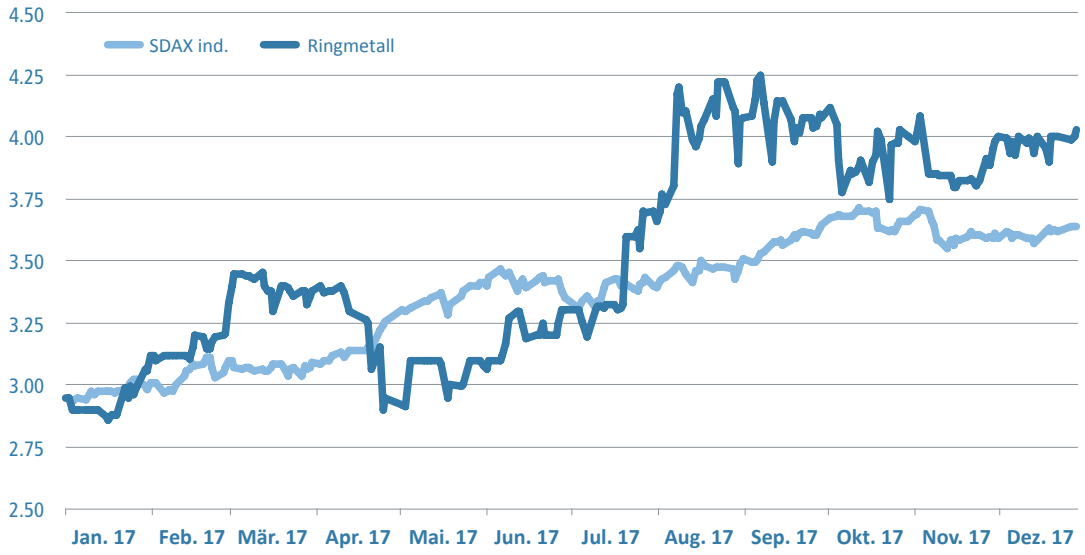
In 2017, Ringmetall also continued the path of transparent and proactive communication with interested investors. The Executive Board and Investor Relations presented the company again at investor conferences such as the German Equity Forum and roadshows in Frankfurt, Hamburg, and Munich as well as in individual discussions and conference calls.

At the annual general meeting on August 29, 2017, there was strong consensus concerning the present course of the company among the shareholders in attendance. The shareholders present at the annual general meeting represented 65.67 percent of the company's current share capital of EUR 25,168,000.00. All agenda items that were voted on were adopted with a minimum approval of 99.99 percent. The company paid an unchanged dividend of EUR 0.05 per share for the past fiscal year 2016.

On November 14, 2017, Ringmetall placed a capital increase against cash contributions, partially using the authorized capital 2016. The placement price was set at EUR 3.80 per new share. As part of the transaction, the share capital of Ringmetall AG was increased by EUR 2,516,800.00 from EUR 25,168,000.00 to EUR 27,684,800.00 against cash contributions, excluding the subscription rights of existing shareholders. The transaction was monitored by Lang & Schwarz Broker GmbH, Düsseldorf. In total, the company received gross issue proceeds of EUR 9,563,840.00 from the capital increase. The proceeds are intended to finance the further internal and external growth of the Ringmetall Group and lay the foundation for further corporate acquisitions. The new shares are entitled to dividends from January 1, 2017.

Ringmetall AG stock is being analyzed and valued actively by Montega Research AG in Hamburg as part of a paid research mandate. At the end of 2017, analyst Patrick Speck considered the company to be fairly valued at a target price of EUR 4.20 per share and advised the company to hold the stock.

Chart of the Ringmetall share (Xetra) in 2017



THE RINGMETALL GROUP

The Ringmetall Group

Business Model and Structure

Ringmetall is a globally leading specialist in the packaging industry. In 2015, it was renamed and the business model of its predecessor, H.P.I. Holding was adjusted. H.P.I. Holding was founded as a holding company in 1997.

With the renaming of the company and the adjustment of the business model, Ringmetall operates as a specialized industrial holding company in its two business units, Industrial Packaging and Industrial Handling. It develops, produces, and markets product solutions for use in the chemical, petrochemical, pharmaceutical and food industries as well as in logistics and agriculture.

In the Industrial Packaging business unit, Ringmetall develops, produces, and distributes packaging elements for the industrial drum industry. The product range in the Industrial Packaging division mainly includes drum locking rings, covers, gaskets, handles, complete closure units, and special customized components in the most diverse dimensions and quality levels. The clamping rings product group represents the most important source of revenue for the Ringmetall Group. Overall, Ringmetall manufactures over 2,000 different types of clamping rings. Within the industrial drum industry, the company focuses on the specific requirements of industrial drums and manufactures parts for "open top drums", especially steel drums, plastic drums, fiber drums, and pails.

In the Industrial Handling division, Ringmetall develops, produces, and distributes application-oriented vehicle attachments for special vehicles in freight and warehouse logistics, as well as in the agricultural sector. In addition to attachments for tractors, agricultural machinery, and trucks, the division produces attachments especially for forklifts and industrial trucks. The product range of the Industrial Handling division mainly includes restraint systems, lift mast parts, and clutch and brake pedals with special requirement profiles, but complex welded assemblies, trailer coupling systems, and hydraulic components also form part of the product portfolio.

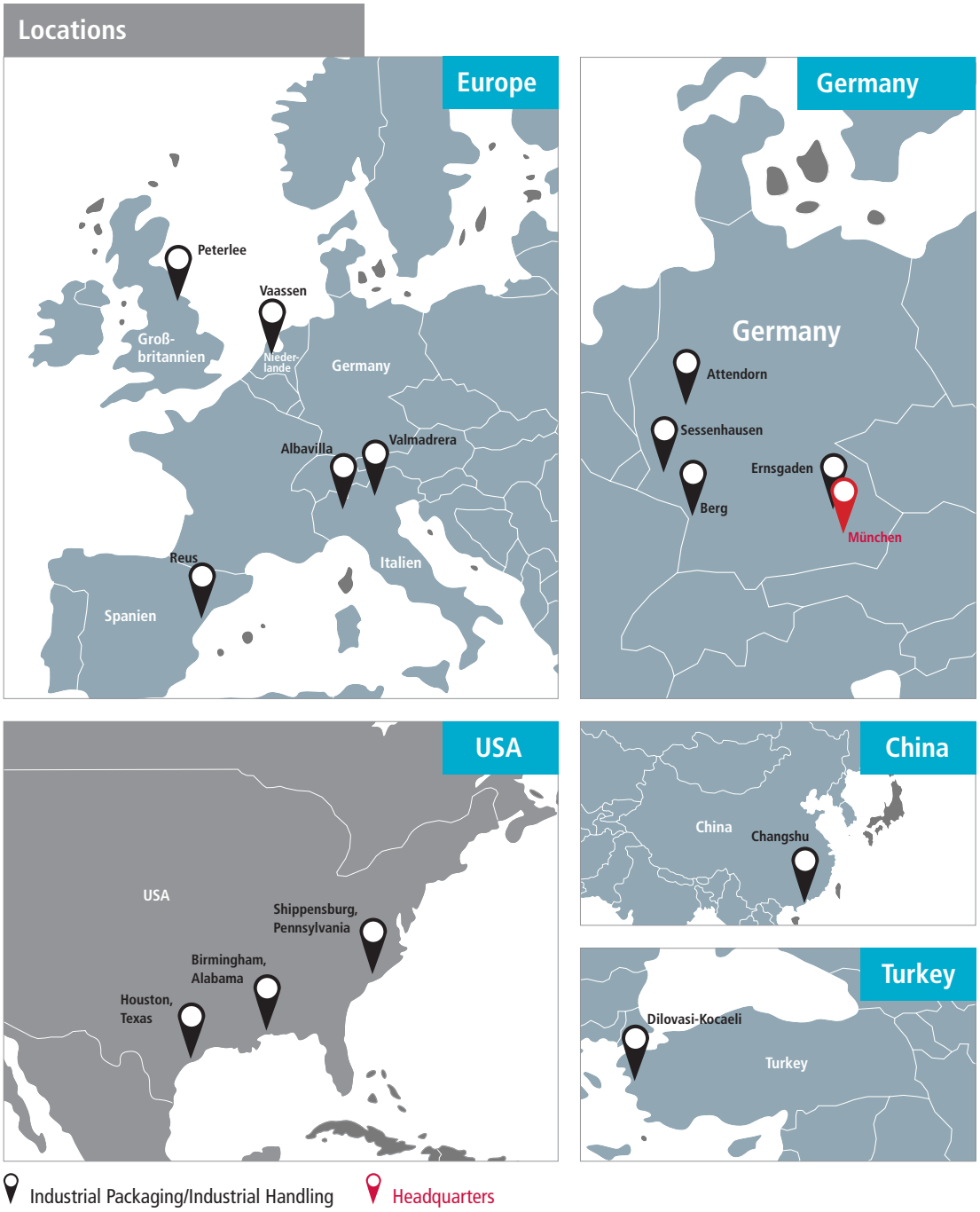
Ringmetall and the subsidiaries that are assigned to its two business units are linked by a holding structure. Ringmetall AG, the Munich-based parent company of the holding company, combines the central Group functions that handle Group financing, investor relations, strategy, and corporate development, as well as the preparation and execution of corporate acquisitions for the Group. In addition to the holding company, a total of 19 companies belong to Ringmetall. Two of these companies are purely intermediate holding companies, five are administrative units, and another eleven are operating companies. One company, Berger Verwaltungs GmbH, is currently dormant.

Subsidiaries and group brands

The individual subsidiaries operate largely independently of each other in the market. Members of the Executive Board meet regularly with the managing directors of the Group's largest subsidiaries to discuss possible strategic avenues for the continuing development of the Ringmetall Group. The resulting measures are then tested in select subdivisions to assess their practicability. Following the successful implementation of proven practices, these are then implemented in the individual country subsidiaries.

The products are developed and produced at a total of thirteen production sites around the world. The locations in Germany include Attendorn (North Rhine-Westphalia), Berg (Rhineland-Palatinate), Ernsgaden (Bavaria), and Sessenhausen (Rhineland-Palatinate). There are locations abroad in Valmadrera and Albavilla (Italy), Peterlee (United Kingdom), Reus (Spain), Dilovasi-Kocaeli (Turkey), Changshu (China), and US locations in Birmingham (Alabama), Houston (Texas), and Shippensburg (Pennsylvania). There are also of-

Locations



fice locations. The international headquarters of the company and of the holding company is Munich, Germany.

As an international group, all the subsidiaries are united under the umbrella brand Ringmetall. In turn, the subsidiaries are economically active as regional and national brands under their own company names. These companies include Berger Group Europe (August Berger Metallwarenfabrik), Self Industries, Hollandring, S.G.T., Cemsan, and HSM Hans Sauermann. Some of the subsidiaries are broken down into national companies from which they operate internationally.

Company History

Ringmetall was founded in 1997 under the name of the predecessor company "H.P.I. Holding". Now operating in the market as a holding company, it has been acquiring, founding, and selling numerous companies since 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 name was changed to Ringmetall 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
- Entry into the special packaging business
- 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
- Acquisition of S.G.T. S.r.l., leading manufacturer of clamping rings in Italy
- Acquisition of Cemsan MPI Limited Sirketi (majority stake), Turkey's leading manufacturer of clamping rings
- Change to the Entry Standard on the Frankfurt Stock Exchange
- 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
- Acquisition of HSM Sauermann GmbH & C o. KG, German metalworking specialist
- 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 in the company's history so far.
- Positioning as a leading special packaging company and change of company name to Ringmetall AG
- Acquisition of Metallwarenfabrik Berger GmbH, Germany
- Expansion of the product range to include drum covers
- Sale of shares in Techberg S.r.o., Slovakia
- Acquisition of the remaining 40% share of the minority shareholder of CEMSAN MPI Limited Sirketi, Turkey

2016
- Acquisition of an additional 29% of the Italian subsidiary S.G.T.
- Acquisition of a small clamping ring manufacturer in the United States

2017
- Acquisition of Latza GmbH, Attendorn, clamping ring and closure manufacturer from Germany
- Founding of Berger Hong Kong Limited, China, as the intermediate holding company for the subsidiary in China

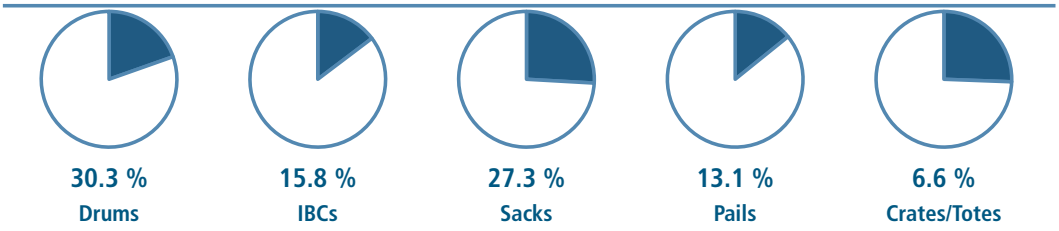
2018
- February 2018: Acquisition of the facilities and operations of Changzhou Hong-Ren Packaging Equipment Co. Ltd. and incorporation in the existing subsidiary in China

Markets and customers

The global industrial packaging market was valued at a total volume of USD 53.743 billion for 2016 by market research firm Allied Market Research. The market is expected to grow to USD 69.787 billion by 2023, representing a compound annual growth rate (CAGR) of 3.9 percent from 2017 to 2023.

The market is segmented internationally by product type, usually divided into drums, intermediate bulk containers (IBCs), sacks, pails, and crates/totes. The market is further segmented according to the type of material used for the products, and here usually according to the main material groups paperboard, plastic, metal, wood, and fiber (source: Allied Market Research, Global Industrial Packaging Market 2015-2023). Apart from this, the market is broken down further according to the main user industries in which industrial packaging is used. It is usually broken down into chemical & pharmaceutical, building & construction, food & beverage, oil & lubricant, agriculture & horticulture, and others.

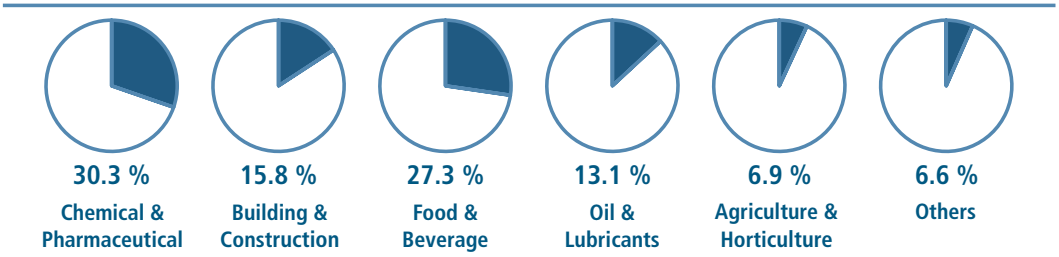
Worldwide market for industrial packaging by type of packaging



Source: Allied Market Research

In 2016, the industrial packaging market was divided into product groups as follows: drums 19.6%, IBCs 14.7%, sacks 25.9%, pails 14.2%, crates/totes 25.6%. The products of the Industrial Packaging division of the Ringmetall Group are currently used in these product groups in the areas of drums and pails. By 2023, market researchers expect a CAGR of 6.1% in the drums segment and 4.3% in the pails segment in terms of the number of pieces sold.

Worldwide market for industrial packaging by application



Source: Allied Market Research

When the market is broken down by application in 2016, chemical & pharmaceuticals account for 30.3%, building & construction 15.8 %, food & beverage 27.3%, oil & lubricants 13.1%, agriculture & horticulture 6.9 %, and others 6.6%. Industrial packaging products are currently used in these applications mainly in the chemical & pharmaceutical and food & beverage industries. The remaining industrial sectors play only a very subordinate role. In terms of sales volume, industrial packaging is expected to grow 4.0% for the chemical & pharmaceutical industry and 4.4% for the food & beverage by 2023.

Increasing globalization and global population growth are among the main growth drivers in the industrial packaging market. Both drivers promote the worldwide increase in exports and imports, which usually involve shipments over long distances, increasing the need for high-quality, durable, and safe industrial packaging. Furthermore, in the case of chemical and pharmaceutical applications, the shipped goods generally react sensitively to atmospheric influences and pose a threat to their environment. For this reason, a large number of drums and IBCs are always required for the shipment and storage of chemicals. Similar factors are crucial for the food industry, except in this case, it is less about the need to protect the environment from the packaged goods, and much more often a matter of protecting the packaged goods from the environment. Oxygen, light, and moisture often produce decomposition processes that make food unsuitable for consumption and should therefore be prevented by appropriate industrial packaging.

On a global level, one of the most important growth markets is the Asia-Pacific Region, with an expected CAGR of 4.3% by 2023, LAMEA (Latin America, Middle East and Africa) with an expected CAGR of 3.4% by 2023, followed by North America with an expected 2.6%, and Europe with an expected CAGR of 1.8%. Ringmetall is currently active primarily in the markets of Europe and North America, and is increasingly expanding its business in the growth markets Asia-Pacific and LAMEA.

In 2017, Ringmetall made around 40.0 percent of the division's sales with the two largest customers of the Industrial Packaging division, which are international drum producers. The remainder of the division's business was spread over more than 50 customers. The substantial concentration of a significant share of sales on two customers is also seen as an advantage by the issuer, since both the supplier and the customer, as globally active companies, are mutually dependent due to their large share of sales in their respective industries.

Ringmetall has consistently strengthened its position in the industrial packaging market with a focus on the drum clamping ring as a safety-relevant part of industrial drums through organic growth and acquisitions in recent years. With a total of 13 production sites in North America, Europe, and Asia, the Ringmetall Group considers itself to be the only supplier in the world that can provide globally available drum clamping rings with practically consistent product quality and at market prices. According to Ringmetall's own estimates, its annual share of worldwide sales of drum clamping rings is well above 50 percent. Because of a lack of global suppliers, competitors in the field of industrial packaging are mainly regional suppliers. This is especially the case for considering the drum clamp as the main product of the business unit. Based on the significantly lower output volume, the lower global market coverage, and the overall lower technical know-how – measured by the variety of machines used in the production – the Ringmetall Group considers itself to be in an altogether favorable competitive situation, which does not entail the risk of continuously putting pressure on Ringmetall's position in the market.

In the markets that are of importance to the Industrial Handling business unit, the Ringmetall Group considers itself to be positioned rather as a specialized niche provider. As capital goods, material

handling vehicles such as forklifts and warehouse equipment – referred to as "industrial trucks" – are in greater demand in economically good times than in periods of economic weakness. The market for such vehicles tends to follow the general business cycle with a delay of six to nine months.

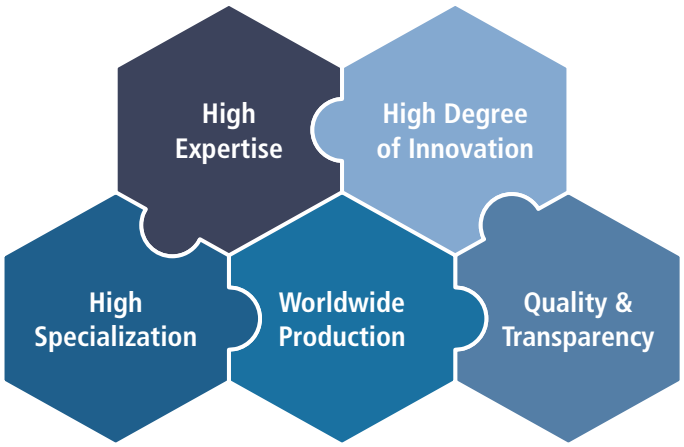
Based on the number of new orders, the European forklift market has grown at a compound annual growth rate (CAGR) of 10.9% since 2009. The main drivers are particularly the strong growth in e-commerce, which requires greater investments in storage and logistics capacities, as well as a persistently high investment backlog on the customer side. In 2016, deliveries of industrial trucks in Europe totaled approximately 414,000 units. For the current year, leading manufacturers such as Kion and Jungheinrich expect the growth trend to continue.

In the second market, which is important for the development of the Industrial Handling business unit – the agricultural machinery sector – demand tends to follow the evolution of prices for the world's most important food products. Thus, the development of the market volume for agricultural machinery in the EU is closely correlated to the development of the price index of the United Nation Food & Agriculture Organization (FAO).

Ringmetall has a niche position in its Industrial Handling division in the product range of restraint systems for forklifts, brake and clutch pedals, trailer hitches for trucks, electric carts and for tractors in agriculture and forestry, holders for hydraulic components, lift mast parts for industrial trucks, cast iron housings, and complex welded assemblies. However, in recent years the company has increasingly invested in the development of its own products and considers itself well-positioned in the competitive environment due to steady growth in customer demand. Competitors include numerous medium-sized companies and groups that basically sell similar products on the market.

Competitive strengths

Ringmetall has well developed, internal structures, reliable industry networks, and customer relationships that have grown over many years. This has given the management of the Ringmetall Group valuable experience in discerning the expectations and needs of their customers. The many strengths of the Ringmetall product range can be summarized as follows.



Many years of experience in the industry

The subsidiaries of the Group have many years of experience in all areas of their business. Therefore, they are well aware of all the problems that can arise during the development, production, and marketing of all their products. The experience of the employees in the handling of production machinery and processes is ultimately demonstrated in consistently high product quality with only low production output and associated costs.

Highly specialized machinery

Because of the high degree of specialization that is required to provide such a comprehensive product portfolio of drum clamping rings, high demands are also placed on the machinery of Ringmetall. The production machines are designed specifically for the needs of mass production of high-tech products, and are not readily available on the market in this form. They are tailored to specific product requirements and are mostly assembled by the subsidiaries themselves from individual components and adapted to their intended use. This way, it is always possible for Ringmetall to offer its customers a product optimized for a specific application from a range of more than 2,000 different clamping rings. The Ringmetall Group also develops new products regularly in close cooperation with its customers in order to better meet the demands of everyday use.

Worldwide network of production sites

Ringmetall customers include major international corporations that expect a high degree of product quality and optimum product availability from their suppliers. With thirteen production sites in eight countries on three continents, Ringmetall is the only manufacturer of clamping rings that can meet industry demands for clamping rings at a consistently high standard of quality, at market prices, at short notice, and on a global scale because its international network of locations.

Because of the large inventory and international allocation of its own machinery, Ringmetall can react to short-term fluctuations in customer demand at any time, thus ensuring that the exact quantity of products is delivered to satisfy the customer's current requirements.

High degree of quality and price transparency

The quality and reliability of Ringmetall's products has resulted in the development of solid customer relationships over the years. Cooperation between both parties has established a basic understanding of mutual economic dependency. Clear rules have been established for product pricing, providing both sides a high degree of transparency and predictability. The costs of the components supplied by Ringmetall for an industrial drum make up only a very small part of the total price of a complete industrial drum. Furthermore, most of the price of the end product supplied is based on the cost of the material (usually steel). Therefore, the margin applicable to a single product is in proportion to the quality and reliability provided by Ringmetall, and understood and accepted by the customer.

So for new competitors, it would be an extraordinary challenge to step into these mature customer relationships and establish themselves as a competitor to Ringmetall in the market. Due to the apparent low price sensitivity on the part of the customer, a competitive position in the market would have to be based mainly on the areas of product quality, innovation, and availability. But, at the same time Ringmetall finds itself ideally positioned in all three areas and therefore well equipped in the event of a change in the competitive situation.

Investment in product innovations

Since 2016, Ringmetall has invested heavily in the development of its own products, especially in the Industrial Handling division. In the past, the company had positioned itself in the market primarily as a contract manufacturer and so-called "extended workbench". However, due to the low degree of specialization, the company found it increasingly difficult to position its products in the market in a way that could cover the costs. By investing in self-developed product solutions that are closely aligned with customer demand, the company has been able to generate new demand in the market and help the business unit regain its earning power.

Marketing

Ringmetall products in the Industrial Packaging division are highly specialized niche products that are used solely as a supplier product by a manageable number of customers, namely manufacturers and users of industrial drums. For this reason, Ringmetall relies on a close and longstanding personal relationship with its customers to market its products.

A classic marketing approach for manufacturers of consumer goods that relies on investments in comprehensive product information material, advertisements, mailing campaigns, or trade show appearances is not pursued. Nevertheless, the Ringmetall sales team does maintain close contact with the most important decision makers in the industrial packaging industry by attending trade fairs where customers of the Group are represented.

The Ringmetall Group uses the same approach to market the products of its Industrial Handling division. Here, the products are marketed exclusively by direct contact with the customers by the development engineers of the subsidiary HSM GmbH & Co. KG. The company markets its own development expertise in personal discussions, and then develops suitable product solutions based on the respective requirements of vehicle manufacturers.

Employees

In 2017, Ringmetall employed an average of 504 employees (full-time equivalent / FTE) of which 98 were in administrative positions and 406 in production. Due to low sales visibility, i.e. the lead time after orders are received until delivery, usually a maximum of four weeks, Ringmetall routinely resorts to temporary workers in production. This provides a cushion for demand peaks and maximizes the capacity utilization figures economically.

But because of the continuing high demand, Ringmetall has increasingly offered permanent employment to well trained temporary workers in recent months in order to offer more employees a predictable work schedule.

Ringmetall has developed and implemented modern approaches to employee recruitment and to improving the work environment. For example, employees receive special bonuses in the form of fuel vouchers for regular work and low sick leave. In addition, employees can accumulate overtime and vacation days in a separate temporary work account and use it to take a leave of absence with pay for up to three months.

As part of our in-house training, individual production employees are trained regularly in special quality assurance programs for a period of two to three months, to keep them constantly aware of the special significance of consistently high production quality. For example, employees are also assigned to constantly changing production areas, allowing them to acquire new skills on a regular basis. This increases the employee's versatility and reduces the risks that can arise from the monotony that is possible in a daily work routine.

Knowledge is also shared regularly between the Ringmetall sites. Employees are regularly sent to other locations for work assignments lasting several months in order to gain new impressions of the Group and to standardize best practice approaches to individual production steps on an international level. This approach has proven to be particularly successful for sharing knowledge with newly acquired subsidiaries as quickly as possible. In some cases, employees are also assigned intentionally to companies in other industries that are part of our Group in order to give them the opportunity to gain new

impressions and to generate suggestions for improvements for the company suggestion system on their own.

In addition, middle management is specifically supported by regular internal and external seminars. External psychologists teach modern approaches to staff management in coaching sessions to ensure a work environment at Ringmetall that is both productive and pleasant in equal measure.

In order to create a group-wide corporate identity, Ringmetall relies on a uniform corporate image and produces image films to promote an improved sense of solidarity among the workforce. Strategic and financial corporate goals are communicated openly and regularly at all levels of the company hierarchy. The Code of Conduct, which was introduced throughout the Group in 2017, ensures that Ringmetall provides its employees with a uniform mission statement and that they pursue uniform values and goals regardless of their national origin and possible cultural differences.

COMBINED MANAGEMENT REPORT FOR FISCAL YEAR 2017

Combined Management Report for Fiscal Year 2017

1 Basic fundamentals of the Group

1.1 Business modell

Ringmetall AG, Munich, is a globally leading specialist in the packaging industry. In 2015, it was renamed and the business model of its predecessor, H.P.I. Holding AG, was adjusted. H.P.I. Holding AG was founded as a holding company in 1997.

With the renaming of the company and the adjustment of the business model, Ringmetall operates as a specialized industrial holding company in its two business units, Industrial Packaging and Industrial Handling. Here, Ringmetall develops, produces, and markets product solutions for use in the chemical, petrochemical, pharmaceutical and food industries as well as in logistics and agriculture.

1.2 Business units and structure

In the Industrial Packaging business unit, Ringmetall develops, produces, and distributes packaging elements for the industrial drum industry. The product range in the Industrial Packaging division mainly includes clamping rings, lids, gaskets, handles, complete closure units, and special customized components in the most diverse dimensions and quality levels. The clamping rings product group represents the most important source of revenue for the Ringmetall Group. Overall, Ringmetall manufactures over 2,000 different types of clamping rings. Within the industrial drum industry, the company focuses on the specific requirements of industrial drums and manufactures parts for "open top drums", especially steel drums, plastic drums, fiber drums, and pails.

In the Industrial Handling division, Ringmetall develops, produces, and distributes application-oriented vehicle attachments for special vehicles in freight and warehouse logistics, as well as in the agricultural sector. In addition to attachments for tractors, agricultural machinery, and trucks, the division produces attachments especially for forklifts and industrial trucks. The product range of the Industrial Handling division mainly includes restraint systems, lift mast parts, and clutch and brake pedals with special requirement profiles, but complex welded assemblies, trailer coupling systems, and hydraulic components also form part of the product portfolio.

Ringmetall and the subsidiaries that are assigned to its two business units are linked by a holding structure. The Munich-based parent company combines the central Group functions that concentrate on Group financing, Investor Relations, strategy, and corporate development, as well as the preparation and execution of corporate acquisitions. In addition to the holding company, a total of 19 companies belong to Ringmetall. Two of these companies are purely intermediate holding companies, five are administrative units, and another eleven are operating companies. One company (Berger Verwaltungs GmbH) is currently dormant.

1.3 Subsidiaries

The individual subsidiaries operate largely independently of each other in the market. Members of the Executive Board meet regularly with the managing directors of the Group's largest subsidiaries to discuss pos-

sible strategic avenues for the continuing development of the Ringmetall Group. The resulting measures are then tested in select subdivisions to assess their practicability. Following the successful implementation of proven practices, these are then implemented in the individual country subsidiaries.

The products are developed and produced at a total of thirteen production sites around the world. The locations in Germany include Attendorn (North Rhine-Westphalia), Berg (Rhineland-Palatinate), Ernsgaden (Bavaria), and Sessenhausen (Rhineland-Palatinate). There are locations abroad in Valmadrera and Albavilla (Italy), Peterlee (United Kingdom), Reus (Spain), Dilovasi-Kocaeli (Turkey), Changshu (China), and US locations in Birmingham (Alabama), Houston (Texas), and Shippensburg (Pennsylvania). There are also office locations. The international headquarters of the company and of the holding company is Munich, Germany.

As an international group, all the subsidiaries are united under the umbrella brand Ringmetall. In turn, the subsidiaries are economically active as regional and national brands under their own company names. These companies include Berger Group Europe (August Berger Metallwarenfabrik), Self Industries, Hollandring, S.G.T., Cemsan, and HSM Hans Sauermann. Some of the subsidiaries are broken down into national companies from which they operate internationally.

1.4 Employees

In 2017, Ringmetall employed an average of 504 (previous year: 441) employees of which 98 (previous year: 94) were in administrative positions and 406 (previous year: 347) in production.

Due to low sales visibility, i.e. the lead time after orders are received until delivery, usually a maximum of four weeks, Ringmetall routinely resorts to temporary workers in production. This provides a cushion for demand peaks and maximizes the capacity utilization figures economically.

But because of the continuing high demand, Ringmetall has increasingly been able to offer permanent employment to well trained temporary workers in recent months in order to offer more employees a predictable work schedule.

Ringmetall has developed and implemented modern approaches to employee recruitment and to improving the work environment. For example, employees receive special bonuses in the form of fuel vouchers for regular work and low sick leave. In addition, employees can accumulate overtime and vacation days in a separate temporary work account and use it to take a leave of absence with pay for up to three months.

As part of our in-house training, individual production employees are trained regularly in special quality assurance programs for a period of two to three months, to keep them constantly aware of the special significance of consistently high production quality. For example, employees are also assigned to constantly changing production areas, allowing them to acquire new skills on a regular basis. This increases the employee's ver-

satility and reduces the risks that can arise from the monotony that is possible in a daily work routine.

Knowledge is also shared regularly between the Ringmetall sites. Employees are regularly sent to other locations for work assignments lasting several months in order to gain new impressions of the Group and to standardize best practice approaches to individual production steps on an international level. This approach has proven to be particularly successful for sharing knowledge with newly acquired subsidiaries as quickly as possible. In some cases, employees are also assigned intentionally to companies in other industries that are part of our Group in order to give them the opportunity to gain new impressions and to generate suggestions for improvements for the company suggestion system on their own.

In addition, middle management is specifically supported by regular internal and external seminars. External psychologists teach modern approaches to staff management in coaching sessions to ensure a work environment at Ringmetall that is both productive and pleasant in equal measure.

In order to create a group-wide corporate identity, Ringmetall relies on a uniform corporate image and produces image films to promote an improved sense of solidarity among the workforce. Strategic and financial corporate goals are communicated openly and regularly at all levels of the company hierarchy. The Code of Conduct, which was introduced throughout the Group in 2017, ensures that Ringmetall provides its employees with a uniform mission statement and that they pursue uniform values and goals regardless of their national origin and possible cultural differences.

1.5 Group structure

Ringmetall AG is the parent company of a total of 19 companies belonging to Ringmetall. The main shareholders are the Berger Group with its subsidiaries as well as HSM GmbH & Co. KG. The group structure as of December 31, 2017 is explained in the following illustration.

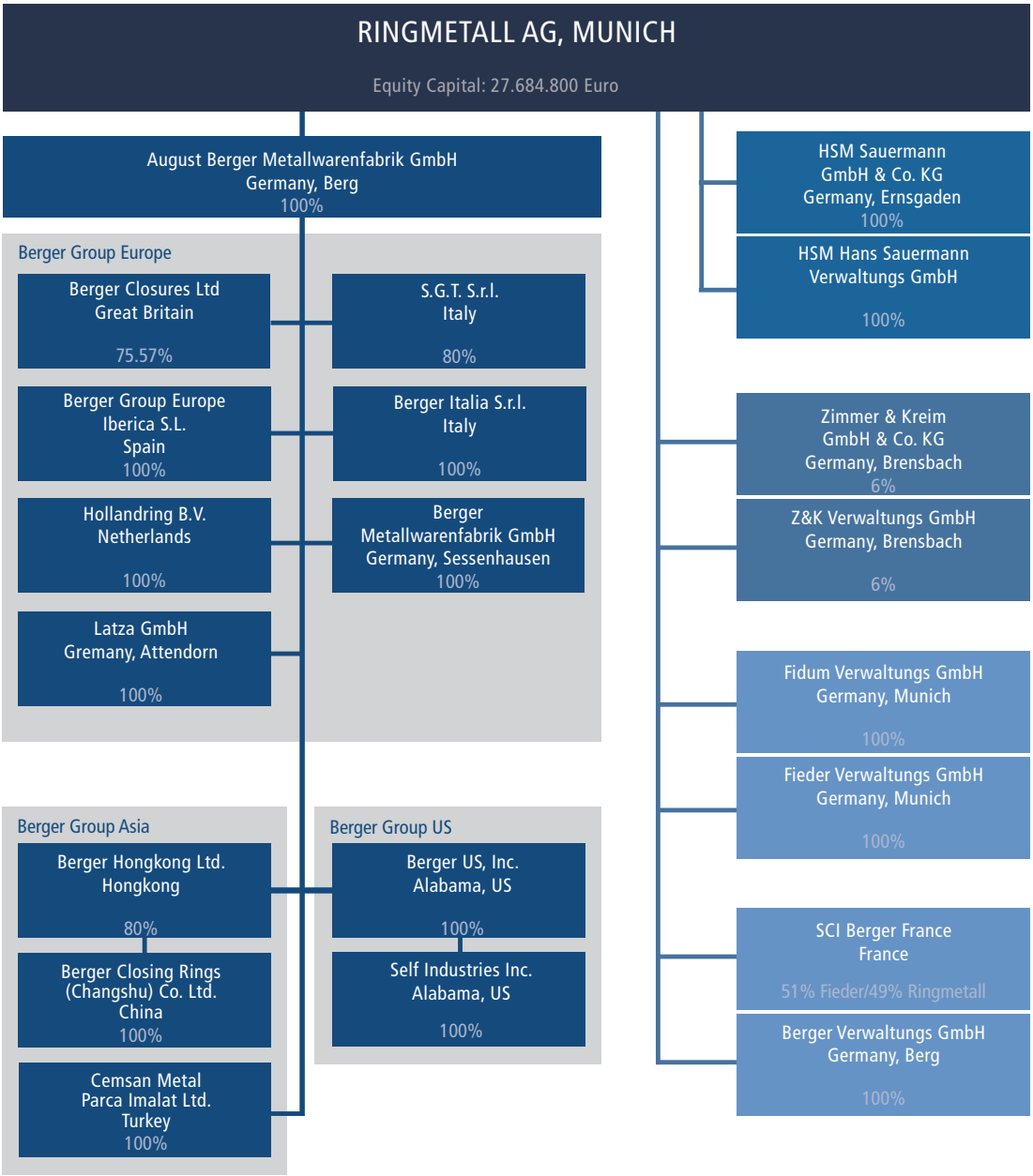
1.6 Goals and strategies

The central holding structure of the Group as well as the management functions bundled at the parent company level constitute the core of the Group. Ringmetall AG plans and coordinates the worldwide growth of its direct and indirect subsidiaries, which are managed as independently as possible but are interlinked by synergies, and functions as the driving force behind the business operations.

1.7 Organic growth with the market

According to a sector study by Allied Market Research, the most important drivers of growth in industrial packaging are the trend towards globalization, the general growth of the world's population, and the increasing international trade in goods on the part of customers (source: Allied Market Research, Global Industrial Packaging Market 2015-2023). The chemical, pharmaceutical, and food industries are among the most important users of open top drums and thus also of drum clamping rings. Based on these growth drivers and the growth potential of the most important user industries, Ringmetall expects average organic growth of three to five percent per year in the medium term.

In the medium term, the Executive Board expects organic and inorganic growth po-


RINGMETALL AG, MUNICH
Equity Capital: 27.684.800 Euro
August Berger Metallwarenfabrik GmbH
Germany, Berg
100%
Berger Group Europe
Berger Closures Ltd
Great Britain
75.57%
S.G.T. S.r.l.
Italy
80%
Berger Group Europe
Iberica S.L.
Spain
100%
Berger Italia S.r.l.
Italy
100%
Hollandring B.V.
Netherlands
100%
Berger
Metallwarenfabrik GmbH
Germany, Sessenhausen
100%
Latza GmbH
Gremany, Attendorn
100%
Berger Group Asia
Berger Hongkong Ltd.
Hongkong
80%
Berger Closing Rings
(Changshu) Co. Ltd.
China
100%
Cemsan Metal
Parca Imalat Ltd.
Turkey
100%
Berger Group US
Berger US, Inc.
Alabama, US
100%
Self Industries Inc.
Alabama, US
100%
HSM Sauermann
GmbH & Co. KG
Germany, Ernsgaden
100%
HSM Hans Sauermann
Verwaltungs GmbH
100%
Zimmer & Kreim
GmbH & Co. KG
Germany, Brensbach
6%
Z&K Verwaltungs GmbH
Germany, Brensbach
6%
Fidum Verwaltungs GmbH
Germany, Munich
100%
Fieder Verwaltungs GmbH
Germany, Munich
100%
SCI Berger France
France
51% Fieder/49% Ringmetall
Berger Verwaltungs GmbH
Germany, Berg
100%

tential for Ringmetall of over EUR 200 million by 2021. At the same time, the Executive Board expects the EBITDA margin to expand to a level between 12.5% and 15.0%. Further automation of production steps and the leveraging of synergies within the corporate network will be the key drivers behind the group-wide earnings expansion.

1.8 Acquisitions as additional growth drivers

Ringmetall also plans to continue its inorganic growth in the Industrial Packaging division. Targeted acquisitions will further consolidate and expand our own global market leadership. On the one hand, acquisition targets are companies with a product portfolio that complements that of Ringmetall. On the other hand, Ringmetall also intends to acquire companies that appear to be particularly attractive based on their regional sales activities or special conditions for faster market penetration of focused growth regions.

1.9 Creation of synergies within the Group

In parallel with the opportunities that can arise from external growth, the Ringmetall Group is also continuously analyzing whether additional opportunities exist internally to create synergies within the Group, and to what extent. Potentials that are identified are discussed further at the subsidiary level in company-wide working groups, and suitable measures are introduced. For example, since the acquisition of the US subsidiary Self Industries at the end of 2015, extensive synergy potential has already been identified with regard to international marketing alliances, which should strengthen the position of Ringmetall in the coming months and years.

1.10 Control system

The central control parameters of the Ringmetall Group, which allow all Group companies to be assessed on an international level, essentially include the standardized financial ratios in accordance with the applicable accounting standards, such as sales, EBITDA (earnings before interest, taxes, depreciation, and amortization) and EBIT (earnings before interest and taxes) as well as key performance indicators for schedules, quality, and productivity. In addition, the company takes into account the interests of international financial analysts and continuously works on optimizing the most important financial ratios (KPIs) used in the capital market environment.

The central control parameters and key performance figures (KPIs) of the Ringmetall Group form the basis for reporting to management, the Executive Board, the Supervisory Board, and shareholders. Furthermore, they are an integral part of reporting to the capital market. They are broken down into "significant performance indicators" and "other key performance indicators".

Significant financial performance indicators include:

- Sales
- EBITDA (earnings before interest, taxes, depreciation, and amortization)
- EBITDA margin

Significant non-financial performance indicators include:

- Number of units that were the subject of complaints in relation to the number of units sold (Industrial Packaging)
- Number of complaints (Industrial Packaging)
- Number of employees, represented as full-time equivalent (FTE).

Other key performance indicators include:

- EBIT (earnings before interest and taxes)
- Financial status

- Orders received and orders on hand (only Industrial Handling)
- The quantity of individual product groups sold

Because Ringmetall only exercises a management and holding function for the Ringmetall Group, Ringmetall AG does not have any financial and non-financial performance indicators of its own, but controls its business activities according to the performance indicators of the Group.

1.11 Research and development

The development of closure systems for a wide variety of applications is at the forefront of research and development in the Industrial Packaging division. Over the many years of the company's history, to date Ringmetall has designed over 2,000 clamping ring variants with different diameters, material properties, closure pressures, and a large number of other properties to meet the specific 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. But sometimes the Group does use 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.

In the Industrial Handling business unit, Ringmetall has been investing more and more in self-developed products since 2016/2017. While in the past the company mainly manufactured products for external providers, the development of our own product solutions is more focused on positioning the business unit better in the market and ensuring its long-term competitiveness. The self-developed products include patented safety restraint systems for forklifts, patented drop links for tractors, patented lower link hooks for tractors, as well as holders for hydraulic components for agricultural use. In fiscal year 2017, it had already become apparent that the new product range was received by the market with great interest and resulted in improved earnings margins for the business unit.

2 Economic report

2.1 Economic environment / overall economic situation

According to the annual economic report of the German Ministry for Economic Affairs and Energy (source: https://www.bmwi.de/Redaktion/DE/Publikationen/Wirtschaft/jahreswirtschaftsbericht-2018.pdf?__blob=publicationFile&v=12, p. 7) the German economy is in a strong economic upturn. The gross domestic product (GDP) rose 2.2 percent in 2017 after adjustment for prices. For the current year 2018, the German government expects additional growth of 2.4 percent. The favorable effect of better global economic conditions has invigorated foreign trade and contributed to the willingness to invest more strongly. The positive macroeconomic environment is also reflected in the labor market in particular. According to provisional figures from the German Statistical Office, the number of people employed was 44.3 million in 2017, a new record high. Employment will continue to grow in 2018 and the number of people employed is expected to increase to 44.8 million. The inflation rate was 1.8 percent in 2017, close to the European Central Bank (ECB) target inflation rate for the euro area as a whole.

Overall, the economic situation in Europe has continued to improve. All 28 EU member states recorded economic growth in 2017. In its January 2018 global economic outlook for 2017, the International Monetary Fund (IMF) assumes that the GDP in the European Union (EU) will grow from 1.8 percent to 2.4 percent. Unemployment in the EU is currently at its lowest level in nine years.

Indications are that worldwide growth will also continue. For 2017, the IMF (source: https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018, section 1 ff) assumed global economic growth of 3.7 percent following 3.2 percent growth in 2016. According to the IMF, especially Europe and Asia performed better than previously expected. Above all, the changed US tax policy is seen as an important growth driver for the coming years. Due to the significant drop in tax burdens on companies, the IMF expects growth to accelerate to 3.9 percent per year for 2018 and 2019.

According to recent publications of the German Engineering Federation (VDMA), global industrial growth in 2017 is also showing a surprisingly strong upswing. At approximately six percent, it was well above the growth in the previous-year period. The German Chemical Industry Association (VCI), which represents a major sentiment indicator for a large proportion of customers in the field of industrial packaging, assumes production in the chemical and pharmaceutical industry will increase 3.8 percent in 2017 compared to the previous year (source: https://www.vci.de/vci/downloads-vci/media-weitere-downloads/2018-03-07-aktualisierte-chemie-kennzahlen-chemie-2017-prognose-2018.pdf, p. 1). For the year 2018 and beyond, it is assumed that this trend will continue from a growth-friendly environment.

2.2 Business development for the Ringmetall Group

Ringmetall continued to grow in the 2017 fiscal year and at the same time implemented important structural measures in order to secure and expand future competitiveness of the Group in the long term and thus to secure further growth in the medium and long term.

The present consolidated financial statements on December 31, 2017 were first prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the European Union. Thus the previous year's figures are also available in accordance with IFRS, so that comparability is ensured. The conversion of the Group reporting is also being implemented especially in consideration of the planned change to the Regulated Market segment in 2018 with additional post-admission obligations (General Standard) on the Frankfurt Stock Exchange and the securities prospectus to be prepared in this context.

The **Industrial Packaging business** unit posted above-average sales growth in 2017. On the one hand, this was aided by positive overall economic development and the extremely dynamic development of the user industries, especially the chemical industry. In addition, rising commodity prices resulted in overall rising sales prices, and thus additional sales growth.

Furthermore, additional company acquisitions were completed successfully. In June 2017, the acquisition of the Chinese manufacturer of clamping rings and drum closure systems Hong-Ren was announced as part of an asset deal. The transaction was completed in the first quarter of 2018. Headquartered in Changshu, China, Hong-Ren generated sales of approximately EUR 1.2 million in fiscal year 2016, with a significant positive contribution to earnings. In addition to drum clamping rings for different applications, Hong-Ren products also include lever locks for industrial drums. The company has an above-average position in the Chinese market and has many years of business relations with important customers in the packaging industry. To leverage synergies, the relocation of Hong-Ren's production to the Chinese site of the Ringmetall Group in Changshu was initiated. The aim is to continue and expand business relationships with customers, to further optimize the company's high-quality products, and to establish a steadily increasing quality awareness in the Chinese market for hazardous goods packaging.

At the end of July 2017, Ringmetall announced the acquisition of 100 percent of the shares in Latza GmbH, based in Attendorn, Germany. As part of the acquisition, Ringmetall acquired the entire production facility, including property with production areas of approximately 3,000 square meters and all production machines. The workforce of 45 employees at the time of the acquisition was also taken over completely. The expected annual sales contribution of Latza GmbH is EUR 4 to 5 million. The EBITDA margin is at a level comparable to that of Ringmetall. Latza has a high-quality product portfolio of clamping rings of a wide variety of dimensions, material widths, and surface coatings, including the associated sealing plugs. Most of the products are designed to meet the specific requirements of tinplate drums. The company expects additional synergies from the takeover from innovative, newly developed spring clamping ring technology.

In the **Industrial Handling business** unit, investments in products developed in-house revealed their first successes in 2017. Demand increased especially in the area of restraint systems for forklifts. But sales of supplier products for the agricultural machinery industry also increased, with a particular demand for stabilizers and coupling systems.

In order to finance further internal and external growth of Ringmetall, the cash capital was successfully increased in November 2017, excluding subscription rights, in the amount of approximately ten percent of the share capital. A total of 2,516,800 new shares were placed privately with qualified investors and the members of the Executive Board of Ringmetall AG. The placement price was set at EUR 3.80 per new share. As part of the transaction, the share capital of Ringmetall AG was increased by EUR 2,516,800.00 from EUR 25,168,000.00 to EUR 27,684,800.00 against cash contributions excluding the subscription rights of existing shareholders. In total, gross issue proceeds of EUR 9,563,840.00 were achieved from the capital increase.

2.3 Group earnings situation

Group sales in 2017 amounted to EUR 102.3 million (previous year: EUR 94.2 million) including Industrial Handling (14.1 million; previous year: EUR 15.3 million). This placed Group sales at the upper end of the forecast for the reporting year (EUR 98.0 to 103.0 million). The portion of total sales attributed to Industrial Packaging at EUR 88.3 million (previous year: EUR 79.0 million) was approximately 86% (previous year: 84 %). Of the group sales revenue, EUR 34.3 million was generated in Germany (previous year: EUR 34.1 million) and approximately EUR 68.0 million abroad (previous year: EUR 60.3 million). The increase resulted to a small extent from acquisition effects (approximately EUR 2.0 million) and for the most part from organic growth in the Industrial Packaging segment. This development is due both to higher raw material prices (steel), that could partially be passed on to customers, and to an increase in the quantity of products sold.

The cost of materials increased to EUR 57.0 million (previous year: EUR 53.0 million), and at 55.7 percent of the overall performance, was slighter better than the previous year (previous year: 55.9%). The fact that the increased raw material prices could not be fully passed on to the customers is reflected in the higher cost/income ratio (45.5%; previous year: 43.1%). This applies in the same way to both segments. On the other hand, the decline in the ratio of services purchased to revenue largely results from the Industrial Handling segment.

The increase in the other operating expenses (EUR 14.4 million; previous year: EUR 12.5 million) essentially results from higher transport costs due to the significant increase in sold items, the inclusion of Latza GmbH for the first time, and higher costs for external service providers. These effects were evident in the Industrial Packaging segment. The other operating expenses decreased slightly in Industrial Handling.

This item includes non-recurring expenses of approximately EUR 0.3 million in connection with the conversion of the consolidated accounting to IFRS.

At EUR 12.0 million, the earnings before interest, taxes, depreciation, and amortization (EBITDA), were EUR 0.8 million or 7.6 percent above the previous year. In the management report for the 2016 financial year, a forecast of EUR 11.5 to 13.0 million was indicated for 2017, based on HGB. The conversion from HGB to IFRS did not result in any significant changes for the EBITDA for 2017.

Depreciation arising from the Group's business operations amounted to EUR 2.0 million (previous year: EUR 1.9 million).

Earnings before taxes could be increased significantly in the fiscal year to EUR 8.9 million and are therefore significantly higher than in the previous year (EUR 7.6 million). This increase was generated by both segments.

Group Profit & Loss Statement

	2017		2016		Change	
	TEUR	%	TEUR	%	TEUR	%
Revenue	**102.348**	**100,0**	**94.294**	**99,6**	**8.054**	**8,5**
Change in inventories of finished goods and work in progress	40	0,0	351	0,4	-311	-88,6
Total output	**102.388**	**100,0**	**94.645**	**100,0**	**7.743**	**8,2**
Other income	1.199	1,2	645	0,7	554	85,9
Raw materials and consumables and goods ordered	46.603	45,5	40.811	43,1	5.792	14,2
Cost of purchased services	10.429	10,2	12.156	12,8	-1.727	-14,2
Personnel expenses	20.101	19,6	18.633	19,7	1.468	7,9
Depreciations	2.006	2,0	1.927	2,0	79	4,1
Other operating expenses	14.413	14,1	12.496	13,2	1.917	15,3
Operating expenses	**93.552**	**91,4**	**86.023**	**90,9**	**7.529**	**8,8**
EBITDA (Earnings before interests, taxes, depriciation and amortization)	**12.041**	**11,8**	**11.194**	**11,8**	**847**	**7,6**
EBT (Earnings before taxes)	**10.035**	**9,8**	**9.267**	**9,8**	**768**	**8,3**
Finance income	19	0,0	17	0,0	2	11,8
Finance costs	1.119	1,1	1.635	1,7	-516	-31,6
Financial result	**-1.100**	**-1,1**	**-1.618**	**-1,7**	**518**	**-32,0**
Net income for the year from continuing operations before taxes	8.935	8,7	7.649	8,1	1.286	16,8
Income tax expenses	1.800	1,8	1.948	2,1	-148	-7,6
Consolidated net income for the year	**7.135**	**7,0**	**5.701**	**6,0**	**1.434**	**25,2**

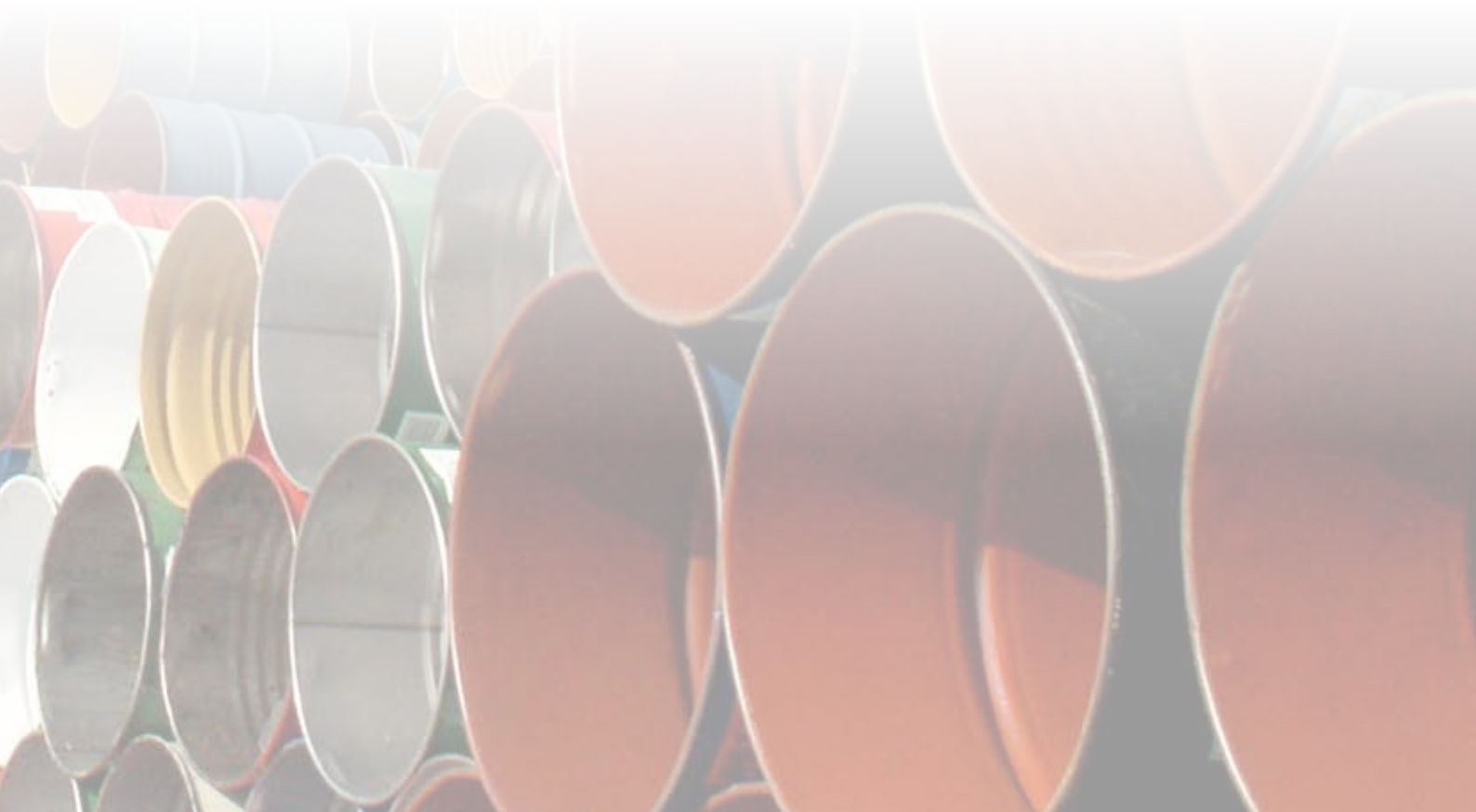
The financial result was EUR -1.1 million (previous year: EUR -1.6 million). This includes an insignificant amount of interest income. Except for an interest expense of approximately EUR 10,000, the financial result is produced by the Industrial Packaging segment and Ringmetall AG. To a significant extent, the cash flow generated allowed for the acquisition of Latza GmbH, in addition to the scheduled repayment of loans.

Together with income taxes, this results in an annual net profit of EUR 7.1 million (previous year: EUR 5.7 million).

2.4 Group Balance Sheets

	31.12.2017		31.12.2016		Change	
	TEUR	in %	TEUR	in %	TEUR	in %
Intangible assets	321	0,4	169	0,3	152	89,9
Goodwill	22.211	29,3	22.397	33,8	-186	-0,8
Property, plant and equipment	12.189	16,1	12.288	18,6	-99	-0,8
Other non-current assets	146	0,2	147	0,2	-1	-0,7
Deffered tax assets	943	1,2	854	1,3	89	10,4
Total non-current assets	**35.810**	**47,2**	**35.855**	**54,1**	**-45**	**-0,1**
Inventories	10.950	14,4	10.189	15,4	760	7,5
Trade and other receivables	12.460	16,4	13.078	19,7	-619	-4,7
Other current assets	918	1,2	934	1,4	-16	-1,7
Current tax receivables	322	0,4	472	0,7	-150	-31,6
Cash and bank balances	14.936	19,7	5.311	8,0	9.625	>100
Non-current assets held for sale	400	0,5	400	0,6	0	-
Total current assets	**39.986**	**52,8**	**30.384**	**45,9**	**9.601**	**31,6**
Total assets	**75.796**	**100,0**	**66.239**	**100,0**	**9.556**	**14,4**
Share capital	27.685	36,5	25.168	38,0	2.517	10,0
Capital reserves	12.532	16,5	5.573	8,4	6.960	> 100,0
Currency translation differences recognized outside profit or loss	-2.131	-2,8	-231	-0,3	-1.899	> 100,0
Consolidated loss carryforward	-56	-0,1	-5.365	-8,1	5.309	-99,0
Non-controlling interests	1.072	1,4	1.161	1,8	-88	-7,7
total equity	**39.102**	**51,6**	**26.306**	**39,7**	**12.796**	**48,6**

	31.12.2017		31.12.2016		Change	
	TEUR	in %	TEUR	in %	TEUR	in %
Provisions for post-employment benefits	806	1,1	762	1,2	44	5,8
Financial liabilities	12.809	16,9	17.000	25,7	-4.191	-24,7
Deferred tax liabilities	462	0,6	75	0,1	387	> 100,0
Liabilities directly related to non-current assets held for sale	188	0,2	228	0,3	-39	-17,5
Total non-current liabilities	**14.265**	**18,8**	**18.065**	**27,3**	**-3.800**	**-21,0**
Other provisions	2.135	2,8	1.786	2,7	349	19,6
Current tax liabilities	349	0,5	578	0,9	-230	-39,6
Financial liabilities	7.301	9,6	8.396	12,7	-1.096	-13,0
Trade payables	9.684	12,8	9.356	14,1	329	3,5
Other liabilities	2.920	3,9	1.712	2,6	1.208	70,6
Liabilities directly related to non-current assets held for sale	40	0,1	39	0,1	1	2,6
Total current liabilities	**22.429**	**29,6**	**21.868**	**33,0**	**561**	**2,6**
Total liabilities	**36.694**	**48,4**	**39.933**	**60,3**	**-3.239**	**-8,1**
	75.796	**100,0**	**66.239**	**100,0**	**9.557**	**14,4**



The Group balance sheet total as of December 31, 2017 increased significantly to EUR 75.8 million (previous year: EUR 66.2 million). The main change on the asset side resulted from cash and bank balances, which increased by approximately EUR 9.6 million. On the liabilities side, equity increased by EUR 12.8 million, while non-current financial liabilities decreased by EUR 4.2 million.

At EUR 35.8 million, non-current assets in the Group are only slightly lower than in the previous year (EUR 35.9 million). Investments in tangible and intangible assets as well as goodwill amounted to EUR 2.9 million (previous year: EUR 2.1 million). The expansion of the consolidation companies resulted in an increase of EUR 3.7 million in goodwill and tangible assets.

Total current assets amount to EUR 40.0 million (previous year: EUR 30.4 million). Of this amount, inventories accounted for EUR 11.0 million (previous year: EUR 10.2 million), and trade receivable and other assets accounted for EUR 12.5 million (previous year: EUR 13.1 million). Liquid assets amounted to EUR 14.9 million on the balance sheet date (previous year: EUR 5.3 million). In addition to the operating cash flow generated from ongoing business activities, the increase in capital had a special impact here. Owing to the existing liquid assets, the company was able to meet its financial obligations at all times.

Group equity grew to EUR 39.1 million (previous year: EUR 26.3 million). The equity ratio is 51.6% up to the end of the reporting year (previous year: 39.7 %). In order to strengthen the equity, the capital was increased during the fiscal year (increase in subscribed capital of EUR 2.5 million and of reserves by EUR 7.0 million). Even without this capital increase, the equity ratio would have increased.

Financial liabilities decreased significantly to EUR 20.1 million (previous year: EUR 25.4 million). This includes current financial liabilities amounting to EUR 7.3 million (previous year: EUR 8.4 million).

Current liabilities (excluding financial liabilities) / provisions in the Group (EUR 15.9 million) increased by EUR 1.7 million compared to the previous year. This is due mainly to other liabilities and other provisions.

2.5 Earnings situation of Ringmetall AG

In fiscal year 2017 the company generated an annual net income of EUR 3.1 million. This is EUR 0.6 million greater than the annual net income of the previous year. The following circumstances have influenced the annual result significantly:

Ringmetall achieved revenues of EUR 0.2 million from internal services within the Group (2017: EUR 0.9 million). Personnel costs decreased by EUR 0.2 million to EUR 0.9 million. The primary reason for this is the departure of a managing director and the resulting reduction in remuneration for the Executive Board during the reporting year. On the other hand, the other operating expenses increased by EUR 0.5 million to EUR 1.3 million, mainly as a result of additional third-party services used. Income from investments increased by EUR 0.5 million to EUR 0.9 million. The increase results from shares in HSM Sauermann GmbH & Co. KG. On the other hand, income from results transfers decreased by EUR 0.7 million to EUR 3.2 million, because the intermediate holding company August Berger Metallwarenfabrik GmbH wrote off EUR 2.4 million of its shares in Cemsan Metal Parca Imalat Ltd, Turkey. Together with earnings from income taxes of EUR 0.2 million, mainly from deferred tax assets on trade and corporate tax losses carried forward, the annual result is EUR 3.1 million.

Income Statement of Ringmetall AG

	2017	2016	Change	
	TEUR	TEUR	TEUR	%
Sales	940	700	240	34,3
Other operating income	79	101	-22	-21,4
Personnel expenses	-889	-1.059	170	-16,0
Amortization and write-downs of intangible fixed assets and depreation and write-downs of tangible fixed assets	-4	-3	-1	33,9
Other operating expenses	-1.304	-1.056	-248	23,5
Income from investments	878	345	533	>100,0
Profits received under profit-pooling, profit transfer or partial profit transfer agreements	3.253	3.968	-715	-18,0
Income from other securities and longterm loans	0	8	-8	-100,0
Other interest and similar income	19	3	16	>100,0
Write-downs of financial assets and investments classified as current assets	0	-250	250	-100,0
Interest and similar expenses	-50	-110	60	-54,5
Earnings before taxes	**2.922**	**2.648**	**275**	**10,4**
Taxes on income	231	-48	279	>-100,0
Earnings after taxes	**3.153**	**2.600**	**554**	**21,3**
Other taxes	-7	-2	-5	>100,0
Net income for the year	3.146	2.597	549	21,1
Retained profits brought forward from the previous year	4.543	3.205	1.338	41,8
Retained Earnings	**7.689**	**5.802**	**1.887**	**32,5**

2.6 Asset situation of Ringmetall AG

The balance sheet total of EUR 52.3 million is significantly higher than the previous year of EUR 41.8 million. Assets increased especially in cash and bank balances (EUR 7.8 million; previous year: EUR 1.9 million) and receivables from affiliated companies (EUR 11.1 million; previous year: EUR 6.7 million). This is mainly due to the capital increases made in 2017 that produced an increase in subscribed capital of EUR 2.5 million on the liabilities side and of EUR 7.1 million in the capital reserve. In addition, the holding result increased equity by EUR 1.9 million to a total of EUR 51.0 million. The equity ratio is 97.5% (previous year: 94.6 %). Liabilities to banks decreased from EUR 1.4 million to EUR 0.6 million as a result of repayments.

Balance Sheets of Ringmetall AG

	31.12.2017		31.12.2016		Change	
	TEUR	%	**TEUR**	%	**TEUR**	%
Assets					0	
Property, plant and equipment	7	0,0	7	0,0	0	-0,0
Financial assets	32.775	62,6	32.775	78,4	0	0,0
Fixed assets	**32.782**	**62,6**	**32.782**	**78,4**	**0**	**0,0**
Receivables from affiliated companies	11.078	21,2	6.737	16,1	4.341	64,4
Other fixed assets	75	0,1	115	0,3	-40	-34,8
Cash on hand, Bank balances	7.813	15,0	1.943	4,6	5.870	>100,0
Current Assets	**18.966**	**36,3**	**8.795**	**21,0**	**10.171**	**>100,0**
Deferred income	15	0,0	32	0,1	-17	-53,1
Deferred tax assets	566	1,1	220	0,5	346	>100,0
Other assets	581	1,1	252	0,6	329	>100,0
	52.329	**100,0**	**41.829**	**100,0**	**10.500**	**25,1**
Equity						
Share capital	27.685	52,9	25.168	60,2	2.517	10,0
Capital reserves	12.751	24,4	5.704	13,6	7.047	>100,0
Revenue reserves						
- legal reserves	1.155	2,2	1.155	2,8	0	0,0
- Other revenue reserves	1.728	3,3	1.728	4,1	0	0,0
Net profit of the year	7.689	14,7	5.802	13,9	1.887	32,5
Equity capital	**51.007**	**97,5**	**39.556**	**94,6**	**11.451**	**28,9**
Provisions						
Provisions for taxes	44	0,1	15	0,0	29	>100,0
Other provisions	515	1,0	360	0,9	155	43,1
Total Provisions	**559**	**1,1**	**375**	**0,9**	**184**	**49,0**
Liabilities						
Liabilities to banks	600	1,0	1.400	3,3	-800	-57,1
Trade payables	133	0,3	43	0,1	90	>100,0
Liabilities to affiliated companies	3	0,0	426	1,0	-423	-99,3
Other liabilities	28	0,1	29	0,1	-2	-3,5
Total liabilities	**763**	**1,4**	**1.898**	**4,5**	**-1.135**	**-59,8**
Debt capital	1.322	2,5	2.273	5,4	-951	-41,9
	52.329	**100,0**	**41.829**	**100,0**	**10.500**	**25,1**

2.7 Financial situation

As shown in the presentation of the asset situation in section 2.6, the capital structure of the Group as well as of Ringmetall AG has improved significantly again in favor of the equity ratio in the reporting year by issuing new shares.

While the equity ratio in the Group increased from 39.7 percent to 51.6 percent, the equity ratio of Ringmetall AG rose again in the reporting year to approximately 97.5 percent compared to 94.6 percent in the previous year. The financial situation of Ringmetall AG was characterized by the indicated capital increase and the issue of new shares. The cash inflows were partially compensated by cash outflows for ongoing business activities and financing activities, but altogether resulted in a significant increase in cash and cash equivalents of EUR 9.6 million.

Consolidated Cash Flow Statement

	2017 TEUR	2016 TEUR
Cash flow from operating activities	**9.922**	**7.936**
Cash flow from investment activities		
Inflows from the disposal of property, plant and equipment, of non-current assets held for sale, of financial assets and of intangible assets	1.692	337
Outflows for investments in property, plant and equipment and investments in intangible assets	-1.328	-2.057
Outflows for additions to the scope of consolidation in the previous year and in the current financial year	-5.472	-1.518
	-5.108	**-3.238**
Cash flow from financing activities		
Inflows from capital contributions	9.432	4.892
Inflows from borrowing financial loans and Outflows for the redemption of financial loans/leases	-2.756	-4.920
Outflows to owners (dividend payment)	-1.770	-1.581
	4.906	**-1.609**
Cash change in cash and cash equivalents	9.720	3.089
Effect of exchange rates on cash	-141	-143
Cash and cash equivalents at beginning of period	5.265	2.319
Cash and cash equivalents at end of period	**14.844**	**5.265**
Composition of cash and cash equivalents		
Cash and cash equivalents	14.936	5.311
Current liabilities to bank	-92	-46
	14.844	**5.265**

In the reporting year 2017, the cash flow from operating activities increased by 25.0 percent to EUR 9.9 million after EUR 7.9 million in the previous year.

At EUR -5.1 million, cash flow from investing activities was 58.3 percent higher than the previous year's figure of EUR -3.2 million. The proceeds from the disposal of fixed assets in the amount of EUR 1.7 million are especially noteworthy. These are mainly due to the sale of the property in Turkey consisting of a production facility. Of the disbursements of EUR 5.5 million for additions to the consolidation group , EUR 2.2 million related to the contractually agreed repayment of liabilities to the former owner of the US subsidiary Self Industries, which was agreed as part of the acquisition in previous years. The remaining EUR 3.3 million relates to purchase price payments in connection with the acquisition of Latza and the establishment of the subsidiary in Hong Kong.

The cash flow from financing activities amounted to EUR 4.9 million in 2017 after EUR -1.6 million in the previous year. The significant increase is essentially related to the capital increase of approximately ten percent of the share capital made in the fourth quarter of 2017. The proceeds from obtaining loans in the amount of EUR -2.8 million can essentially be allocated to the debt ratio from the acquisition of Latza.

Cash and cash equivalents as of December 31, 2017 amounted to EUR 14.8 million, which reflects an increase of 181.9 percent compared to EUR 5.3 million at the end of the previous year.

2.7.2 Investments

The most important investments during the fiscal year included:

- The acquisition of Latza GmbH based in Attendorn (Germany). Including all transaction costs incurred, the investments amounted to EUR 2.7 million.
- The investment in a new ERP system for Self Industries Inc. of approximately EUR 0.2 million.
- Investments in two processing centers, a gas metal arc welding plant, and a profiling plant. The investments amounted to EUR 0.6 million.

The investments were financed from the current cash flow, apart from the acquisition of Latza GmbH. An existing credit line was used for this purpose.

Ringmetall AG did not make any significant investments in the reporting year. The group expansions described above were carried out exclusively by the direct subsidiary August Berger Metallwarenfabrik GmbH, in Berg.

2.8. Financial and non-financial performance indicators

Regarding the comparison of the forecast with the actual figures for the financial performance indicators, sales and EBITDA, reference is made to the explanations in the asset and earnings situations and within the forecast report.

Customer satisfaction, both in terms of quality and service, is of paramount importance to Ringmetall. The global quality management system ensures a high quality standard. Each national company is responsible for the quality of their products and services. The companies are supported by the overarching corporate quality management division, which establishes corporate requirements for the systems, performs internal quality audits, and monitors training activities. All but one of the national companies have achieved their internal targets both in terms of the absolute number of complaints (number of units sold to the number of complaints). The actions required for each national company have been initiated and

are already showing the expected results. The complaint rate for the Industrial Packaging division in the reporting year was below 0.2%. This includes complaints that were caused by intermediate goods and/or external services.

In the Industrial Handling division, the planning of raw materials required for production is even more significant than in Industrial Packaging. As a result, the continuous monitoring of orders received and orders on hand in the Industrial Handling business unit are fundamental.

Special attention is also given to the development of the number of employees (FTE) over defined periods of time, in addition to its effect on the reporting date. The degree of employee turnover is assessed in the context of external influencing factors, such as local macroeconomic trends. Overall, Ringmetall has a very low employee turnover throughout the Group compared to the rest of the industry. As of December 31, 2017, there were just under 460 FTE in the Industrial Packaging segment and approximately 80 FTE in the Industrial Handling segment.

2.9 General statement

Overall, Ringmetall continued to grow dynamically during the past fiscal year, increasing sales and earnings within the range published in the forecast. At EUR 102.3 million, Group sales revenues were 8.5 percent above the previous year and at the upper end of the forecast range. At EUR 12.4 million (taking into account other non-income-related taxes), the EBITDA was 6.5 percent higher than in the previous year and thus in the middle of the forecast range. The Executive Board regards the business development of Ringmetall as fundamentally very positive. Only a few external effects, such as the development of steel prices, the US dollar, and the Turkish lira against the euro, had an unfavorable impact on the company. Overall, the dynamic organic development of sales and the additional positive effects from company acquisitions were able to compensate satisfactorily for these negative developments.

The Executive Board also considers the economic performance of the business units to be very satisfactory. In the Industrial Packaging division, the stable market positioning of Ringmetall and the well targeted sales structures are having a particularly positive impact on the increase in sales and earnings. In the Industrial Handling division, the Executive Board considers the steps taken in the course of the turnaround to be very successful, and considers the current developments to be sustainable.

Overall, the Executive Board considers the performance of Ringmetall AG and its success as a holding and management parent company to be very good. The targeted investments and management of the operating divisions within the Group made it possible for the results described above to be achieved during the reporting year. The earnings, asset, and financial positions of Ringmetall AG have performed well and constitute a good starting point for further expansions in the investment portfolio and thus in the economic development of the Group.

2.10 Supplementary report

In February 2018, the facilities and operations of Changzhou Hong-Ren Packaging Equipment Co. Ltd. were acquired and incorporated in the existing subsidiary in China. During the fiscal year, Hong-Ren Packaging Equipment Co. Ltd. generated annual sales of approximately EUR 1.2 million.

Ringmetall is planning to change the stock market segment to the Regulated Market (General Standard) of the Deutsche Börse for 2018. The necessary steps and measures have been taken and the essential parts have already been implemented.

3 Risks and opportunities report

3.1 Structure and processes of the risk and opportunities management systems

The Group's business units are subject to economic fluctuations and market cycles in their respective regions and industries. Group-wide identification and analysis of risks and opportunities are therefore basic components of sustainable and responsible Group management. In order to achieve the strategic goals, it is essential to identify, assess, and manage risks and opportunities. Therefore, the management system implemented at Ringmetall actively involves the management staff of the individual business units and subsidiaries in the corporate management. The principles and requirements of the opportunity and risk management system are specified at Group level. Responsibility for the implementation of the individual requirements is borne by the management and middle management of the individual subsidiaries, in addition to the Executive Board.

The Group-wide risk management system was developed further in 2017 as well. In addition to the continuation of internal audits, a software-based solution for risk assessment was developed and introduced. This software specifies clearly defined categories to best support the targeted evaluation and addressing of risks. This ensures the most complete identification possible of risks and increases the Group-wide comparability of individual risk scenarios. A central goal is to identify all potentially negative strategic, operational, legal, and financial deviations (risks) at an early stage in order to control and monitor them accordingly. Potentially positive deviations (opportunities) are identified and analyzed by further processes.

Organization of risk management

The risk management system of the Ringmetall Group consists of a holistic system of various supervisory authorities based on the involvement of the Supervisory Board, the Executive Board, Group Controlling / Internal Auditing and the management of the business units and subsidiaries. The central core tasks of the individual authorities are assigned as follows:

Supervisory Board

- Monitoring Effectiveness

Executive board

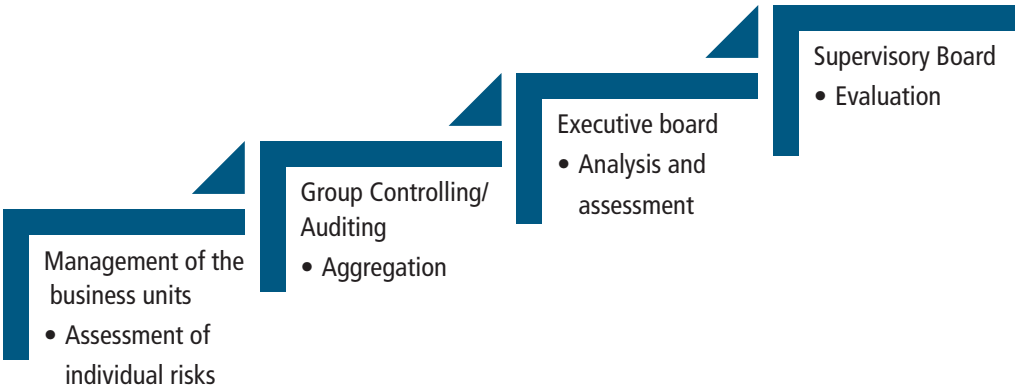
- Overall responsibility

Group Controlling/Audition

- Organization and monitoring

Management of the business units

- Monitoring Effectiveness



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. A core element is the assessment of risks and opportunities.

The management of the business units uses the software-based risk management system to determine and identify the risks of the operational units. As part of the identification, an initial evaluation is made by assigning the risks to predefined categories. The aggregation, further evaluation, and description of the risks are done centrally at the Group level. Risk assessment is the product of the probability of occurrence and of the assessed potential extent of damage. Mitigating measures are identified, evaluated, and assigned to persons responsible in meetings of corporate management with the Executive Board. Building on this, the final evaluation is made by the Executive Board, and then submitted to the Supervisory Board.

In addition, acute risks arising from day-to-day operations that have a high potential for losses with a high probability of occurrence are communicated immediately to Group Controlling and the Executive Board. Similarly to the procedure described above, measures are subsequently adopted to limit and mitigate the risks that have been identified.

The risk management system is broken down into integrated planning, reporting, and monitoring systems. This breakdown allows significant risks to be detected and evaluated at an early stage, followed by appropriate measures to counter them. Risk reports are produced on a monthly basis to inform the respective managing directors and the Executive Board of the companies' situations.

Internal guidelines for the approval of investments by the Executive Board or the Supervisory Board as of a certain order volume constitute an additional risk prevention measure. Also, contracts to be concluded or commitments that deviate from the normal

situation (for example, a particularly high order value, comparatively long contract term) must be coordinated in advance with Group Controlling, the Executive Board, and if necessary, with a lawyer.

Regular reviews are performed on site at the individual companies as part of internal audits. Key components include the review of the recoverability, valuation, and completeness of balance sheet items as well as compliance with internal guidelines. Reports are submitted directly to the Executive Board.

Assessment of the risks

For a clear assessment of the extent to which identified potential risks must be classified as significant, the risks are classified according to their estimated probability of occurrence and its impact. At this stage, an assessment is made in gross terms, i.e. without including any possible or already initiated countermeasures in the assessment. The scales for measuring the evaluation criteria are illustrated below.

Overview of risk categorization:

Degree of potential impact						
5.0	low	medium	medium	medium high	high	high
2.0	low	low	medium	medium high	medium high	high
1.0	low	low	medium	medium	medium high	high
0.5	low	low	low	medium	medium	medium high
0.2	low	low	low	low	medium	medium high
0.1	low	low	low	low	low	medium
	0.1	**0.2**	**0.5**	**1**	**2**	**12**
	1	**2**	**3**	**4**	**5**	**6**

Probability of occurrence

Probability of occurrence of the risk			**Quantification**
1	Unlikely	Once every 10 years	< EUR 100.000
2	Seldom	Once every 5 years	> EUR 200.000
3	Occasionally	Once every 2 years	> EUR 500.000
4	Regularly	Once a year	> EUR 1.000.000
5	Frequently	Twice a year	> EUR 2.000.000
6	Very frequently	Monthly	> EUR 5.000.000

Handling and monitoring of risks

Responsibilities are assigned to the risks as part of the risk assessment. At the same time, the effectiveness of possible countermeasures and the general acceptability of a risk are analyzed, taking all the given circumstances into consideration. The analysis always considers the interests of all the target groups involved, such as customers, employees, or investors.

The assessment of the effectiveness, and thus the monitoring of the respective countermeasures, is the duty of those responsible. In addition to the documentation as part of the next risk assessment, information is also provided in management meetings,

if there has been a significant negative change in the previous assessment.

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 compliance with requirements – both internal and external – and directives that are relevant to the Ringmetall Group. All subsidiaries of the Group are expected to comply with these requirements and directives. New requirements 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, which has already been introduced in most of the Group subsidiaries, continues to be implemented 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 requirements 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 speculative purposes.

3.2 Significant individual risks

Individual risks that could have a lasting effect on the consolidated results over a period of 12 months, as things stand at present, are described below. These risks have been rated "high", "medium high", or "medium" in the analysis. Unless otherwise mentioned, the assessment of a potential impact on the financial and earnings positions has not changed significantly compared to the previous year.

Risks from renewed financial and political crises

The financial crisis that began in the summer of 2007 as a US real estate crisis (also referred to as a "sub-prime crisis") is a global banking, financial, and economic crisis. After the financial markets calmed down somewhat, the sovereign debt crisis in the eurozone became visible in October 2009. It expanded during the period covered by the historical financial information. The effects of the crisis extended to individual business activities of the Ringmetall Group as well as to operating activities in the relevant markets.

Even though the financial situation in the European countries has calmed down in the view of the Executive Board, new

scenarios of financial crisis cannot be ruled out.

Ringmetall is also active with a plant in Turkey. Although this plant also generates sales abroad, the current focus is on the local Turkish market. The long-standing political crises in Turkey and between Turkey and other countries are putting pressure on the Turkish currency as well as the Turkish economy. Consequently, the Turkish subsidiary suffered a sustained loss of revenue.

The risk relative to Turkey is currently rated as "medium high".

Risks associated with digitalization / „Industry 4.0" – competitiveness

The subjects of "digitization" and "Industry 4.0" present a number of new challenges to industrial companies worldwide. From Ringmetall's point of view, according to the knowledge available at this time, it is not possible to adequately estimate the extent to which this could lead to disruptive changes for Ringmetall's business model. For some time now, Ringmetall has been investing in the digitalization and automation of in-house processes and production steps, and will continue its commitment to this matter along with the associated challenges in the future as well. But the Executive Board cannot yet determine conclusively whether current investments are adequate to meet future requirements to be able to defend or expand its current competitive position. Because it is impossible to foresee the full extent of the effects of possible economic changes that could result from "Digitization" and "Industry 4.0", Ringmetall basically uses a conservative approach and classifies the associated risks as "medium high".

The significance of large customers

In the 2017 fiscal year, Ringmetall generated approximately 47 percent of its revenues from its three largest customers – all groups of companies with international operations. The company generated the remaining revenue from considerably more than 50 customers.

However, in the Industrial Packaging segment, the considerable concentration of a significant share of revenue on two customers (approximately 40% of the 2017 segment sales) is also seen as an advantage. As global companies, both the supplier and the customer are dependent on each other because the large share of sales in their respective industries. Nevertheless, the loss of one or more main customers or a significant decline in the orders of these customers could lead to a significant reduction in sales.

Considering all the relevant factors, the risk of dependency on large customers is classified as "medium high".

Risks from raw materials and intermediate goods

In its business activities, Ringmetall has a high demand for different raw materials, which are sourced from different suppliers and then processed further. This applies mainly to steel and different components such as closures for the finished products. To this end Ringmetall negotiates with different suppliers in order to obtain what the former consider the best offers. In order to ensure continuous supply and a certain level of price stability on the purchasing side, framework agreements have been concluded with some suppliers, usually with a maximum duration of three months. In this regard, the customers monitor the developments in commodity prices on the various markets from their side, and thus constitute the basis for pricing.

For the reasons presented, the risk is considered to be "medium".

Risks related to liquidity, interest rate movements, and currency exchange rates

As a global corporation, the Ringmetall Group is exposed to a number of market risks. They especially include credit risks, counterparty default risks, liquidity risks, and risks resulting from changes in interest rates and exchange rates. The interest rate risk is produced by market-related interest rate fluctuations. These fluctuations affect

both the interest expense and the fair value of financial instruments. Exchange rate risks include operational transaction risks as well as translation risks that result from the currency translation of the financial statements of affiliated companies whose functional currency is not the reporting currency of Ringmetall. Counterparty default risks arise when one or more counterparties (for example, customers) are unable to meet their contractual obligations, i.e. are not able to pay the amounts owed in full on time. Whenever counterparty default risks occur, this can result in receivables remaining unpaid and not being collected.

Because of the constant monitoring of the existing receivables, a continuous updating of the liquidity planning, and the targeted use of derivatives solely for hedging purposes, among other things, the risk is classified as "medium".

Warranty risks

As part of its internal quality management system, Ringmetall inspects its products prior to sale. But in principle, it cannot be ruled out that defective products will have to be replaced or repaired, or that purchase price reductions will have to be accepted according to legal warranty obligations. The quality management system is constantly being developed further and reviewed regularly by internal and external parties.

Considering the existing measures, the risk of material warranty cases is assessed as "medium".

Patent risks

Especially in the Industrial Handling segment, either patents are used or there is a contractual right to use patents. Furthermore, individual products are protected by patents. These rights are usually secured for the long term. Even in the case of existing patents and licenses, it cannot be guaranteed that competitors will comply with them. If patents are violated, the infringements would first have to be detected by Ringmetall before any legal action can be taken to address them. Until such time, there could be adverse effects. In addition, the expiration of rights of use together with the failure to reach an agreement for further use could also be detrimental.

Overall, the possible negative effects that exist in this context are classified as "medium".

Supplier risks due to damage to operating facilities

In the Industrial Packaging segment, Ringmetall has several production sites in Germany and in other countries. On the other hand, in the Industrial Handling segment, only one location in Germany is used for production. Critical points were identified based on an analysis of the facilities and means of production, and if technically or economically feasible, corresponding alternatives were created. But in the worst case, damage or destruction could result in delays in delivery. In the Industrial Packaging segment, Ringmetall has a large number of fully automated systems for the production of heavy-duty clamping rings and very large quantities of clamping ring types, as well as additional automatic production systems for closures and other applications. Even if each of these clamping rings can also be manufactured on conventional systems in several locations, the failure of a fully automated system could result in delivery delays.

Ringmetall uses quality management and its defined processes, including systematic maintenance, to counteract these production risks. Therefore, the risk is classified as "medium".

Risks due to the failure of information technology systems

Ringmetall relies on information technology ("IT") systems and networks or electronic data processing systems for its business and operational activities. These systems and networks also store and process sensitive business information and other proprietary information. These systems are vulnerable to failure by fire, flood, power outages, telecommunication failures, vi-

ruses, theft, and similar events or security breaches.

Ringmetall has taken action on these risks by implementing advanced security technologies, internal controls, resilient networks and data centers, and a recovery process. Thus, this risk is classified as "medium" in the overall assessment.

Personnel risks

Motivated and qualified technical and executive staff are also crucial to Ringmetall for sustainable business success. To mitigate the risks of a shortage of such staff, Ringmetall has improved its recruitment process over the past two years and has implemented a number of measures to increase its attractiveness as an employer. Both internal and external training and continuing education opportunities have been optimized for long-term sustainability. In addition, opportunities for international assignments have been expanded and significant internal career prospects have been established.

The classification of this risk depends very much on the location. Altogether, this risk is classified as "medium" in the view of the Group.

Overall assessment

The Executive Board assesses the risk situation of Ringmetall as essentially unchanged. No individual risks were identified that could jeopardize the continued existence of the Ringmetall Group. This also applies to an overall view of all risks. The countermeasures determined for essential risks and internal controls are analyzed regularly by the Executive Board.

3.3 Opportunities

As a rule, the opportunities for Ringmetall are determined or assessed in connection with the strategy process and workshops. Opportunities are considered to be developments that can result in a positive deviation from the strategic planning and thus to an additional improvement in the asset, financial, and earnings situation. The order in which the opportunities are listed does not necessarily correlate with the current assessment of their importance to the group.

Global economic development / globalization – industrial packaging

The global industrial packaging market was valued at a total volume of USD 53.743 billion for 2016 by market research firm Allied Market Research. The market is expected to grow to USD 69.787 billion by 2023, representing a compound annual growth rate (CAGR) of 3.9 percent from 2017 to 2023.

Currently, industrial packaging products are used primarily in the chemical & pharmaceutical and food & beverage industries. In terms of sales volume, industrial packaging is expected to grow 4.0% for the chemical & pharmaceutical industry and 4.4% for the food & beverage by 2023.

Increasing globalization and global population growth are among the main growth drivers in the industrial packaging market (source: Allied Market Research, Global Industrial Packaging Market 2015-2023). Both drivers promote the worldwide increase in exports and imports, which usually involve shipments over long distances, increasing the need for high-quality, durable, and safe industrial packaging. Furthermore, in the case of applications in the chemical and pharmaceutical industries, the shipped goods generally react sensitively to atmospheric influences and pose a threat to their environment. For this reason, a large number of drums and IBCs are always required for the shipment and storage of chemicals. Similar factors are crucial for the food industry, except in this case, it is less about the need to protect the environment from the packaged goods, and much more often a matter of protecting the packaged goods from the environment. Oxygen, light, and moisture often produce decomposition processes that make food unsuitable for

consumption and should therefore be prevented by appropriate industrial packaging.

Global growth markets – industrial packaging

On a global level, one of the most important growth markets is the Asia-Pacific region, with an expected CAGR of 4.3% by 2023, the LAMEA (Latin America, Middle East and Africa) region with an expected CAGR of 3.4% by 2023, followed by North America with an expected 2.6%, and Europe with an expected CAGR of 1.8% (source: Allied Market Research, Global Industrial Packaging Market 2015-2023). Ringmetall is currently active primarily in the markets of Europe and North America, and is increasingly expanding its business in the growth markets Asia-Pacific and LAMEA.

Global economic development – logistics / international trade in goods

In the markets that are of importance to the Industrial Handling business unit, Ringmetall considers itself to be positioned rather as a specialized niche provider. As capital goods, material handling vehicles such as forklifts and warehouse equipment – referred to as "industrial trucks" – are in greater demand in economically good times than in periods of economic weakness. The market for such vehicles tends to follow the general business cycle with a delay of six to nine months.

Based on the number of new orders, the European forklift market has grown at a compound annual growth rate (CAGR) of 10.9% since 2009. The main drivers are particularly the strong growth in e-commerce, which requires greater investments in storage and logistics capacities, as well as a persistently high investment backlog on the customer side. The growth trend is also expected to continue for 2018 and beyond.

Global economic development – increase in the world population

In the second market, which is important for the development of the Industrial Handling business unit – the agricultural machinery sector – demand tends to follow the evolution of prices for the world's most important food products. Thus, the development of the market volume for agricultural machinery in the EU is closely correlated to the development of the price index of the United Nation Food & Agriculture Organization (FAO). The steady increase in the world's population is leading to continued growth in demand for food. As a consequence, this will also result in rising food prices in many areas. As mentioned, this can lead to an increase in demand for agricultural machinery.

Development of our own products – Industrial Handling

Ringmetall has a niche position in its Industrial Handling division in the product range of restraint systems for forklifts, brake and clutch pedals, trailer hitches for trucks, electric carts and for tractors in agriculture and forestry, holders for hydraulic components, lift mast parts for industrial trucks, cast iron housings, and complex welded assemblies. However, in recent years the company has increasingly invested in the development of its own products and considers itself well-positioned in the competitive environment due to steady growth in customer demand. In 2018, we will continue to focus on investments in systems and equipment and the further development of our own products.

Synergies and efficiency

Ringmetall is constantly examining its internal and external processes for potential ways to leverage synergies or to increase efficiency within the Group. For example, production processes are analyzed regularly in order to increase the utilization of machines, to reduce changeover times, or to optimize employee qualifications. We also continue to press forward with the ongoing development of production plants or the relocation of production parts to locations optimized according to regional factors.

4 Forecast

Based on current forecasts published by leading institutions such as the German Ministry for Economic Affairs and Energy (BMWi), the European Central Bank (ECB), and the International Monetary Fund (IMF), on the overall economic development in conjunction with the forecasts of leading trade associations such as the German Engineering Federation (VDMA) and the German Chemical Industry Association (VCI), the Ringmetall Group assumes sustained positive development for the relevant individual markets. For the current year 2018 and beyond, the company plans to further consolidate and expand its market and competitive position. For the coming years, Ringmetall expects unchanged organic sales growth of three to five percent on average.

For further inorganic growth through the acquisition of relevant companies or business units, Ringmetall still considers the current market situation to be very attractive for acquisitions, despite higher valuation levels, and is at an advanced stage of acquisition negotiations with several companies. The Executive Board of Ringmetall continues to pursue a very conservative attitude in its fundamental approach to corporate acquisitions. Based on many years of experience in such transactions and the dominant position from a buyer's perspective in individual crucial market segments, the company considers its chances of concluding transactions at valuation levels that are more favorable than expected to be very good under current market conditions. In the past, Ringmetall has repeatedly proven that the company continues to invest sustainably in purchased business units and secures jobs in the long term. Thus, Ringmetall usually enjoys a significant degree of trust from potential sellers in negotiations, especially in the acquisition of medium-sized companies

Acquisitions serving both the company's international expansion and the vertical growth of its product range will provide attractive growth potential for Ringmetall. 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. Based on this, the Executive Board also views acquisitions in the Industrial Packaging business unit as an attractive option in addition to further acquisitions in the Industrial Handling business unit.

The Executive Board of Ringmetall expects the growth trend to continue throughout 2018. So on a purely organic basis, Group sales are expected to grow to between EUR 107.0 million and 112.0 million. The EBITDA margin is expected to increase slightly compared to the previous year. This figure already includes special expenditures anticipated in connection with the change of the stock market segment to the Regulated Market (General Standard) of the Deutsche Börse planned for 2018 and the associated creation of the prospectus.

In addition, Ringmetall is investing continuously in higher quality standards, improving product quality, and reducing

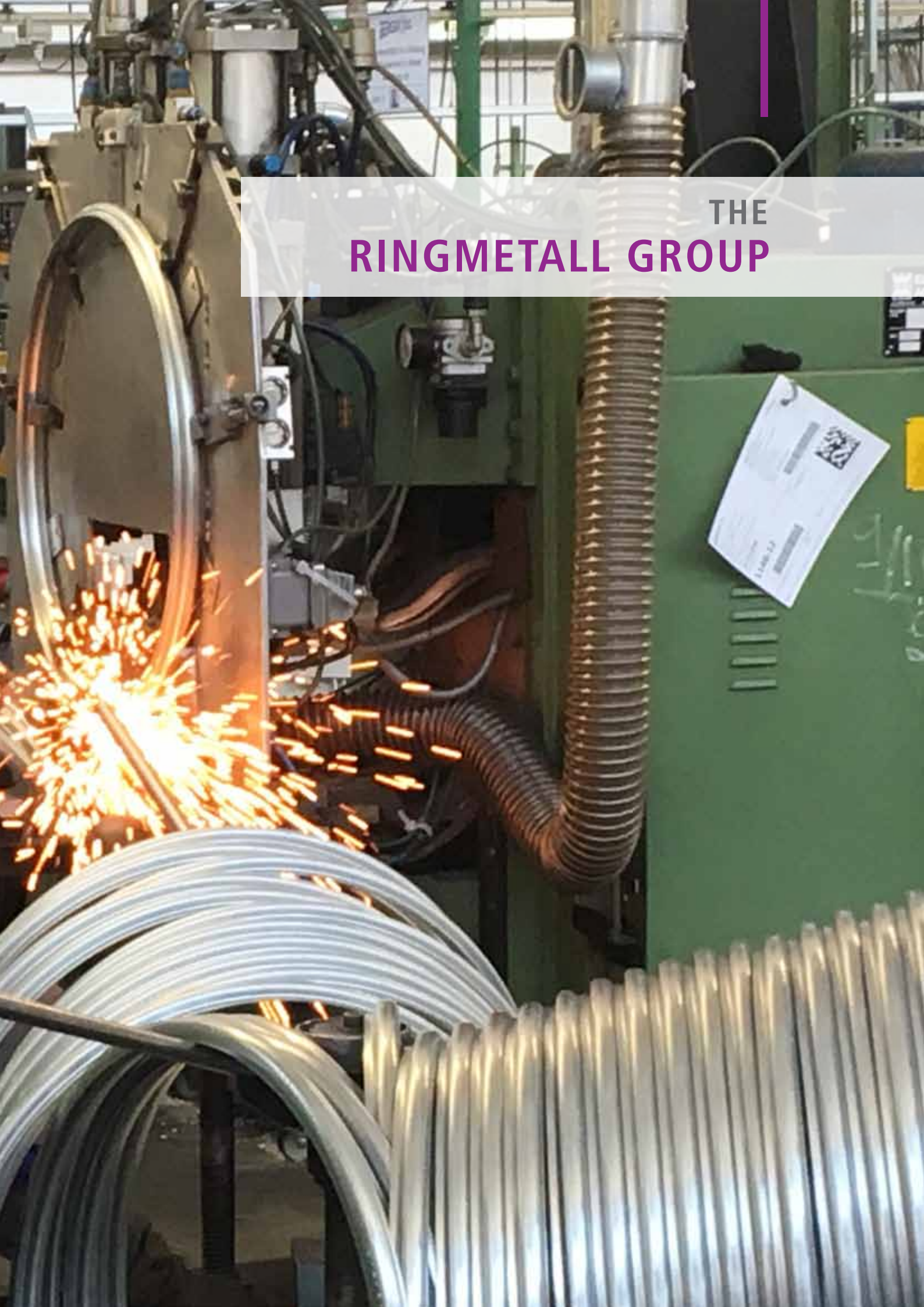
production reject rates. For this reason, in 2018, the company also plans to further reduce the number of complaints in the core Industrial Packaging business unit in relation to the total number of orders filled as well as the ratio of the number of complaints in relation to the total number of units sold.

On the acquisition side, the Executive Board expects to acquire at least one company for the current fiscal year. Basically, the company also sees itself well positioned for larger acquisitions, both financially and in terms of management capacity. Therefore, the possible increase in inorganic sales from acquisition activities is predicted to be in a range between EUR 5.0 million and EUR 40.0 million. Against the background of conservative sales and earnings planning, related effects resulting from company acquisitions are not included in the business development forecast for 2018.

Munich, May 4, 2018

Christoph Petri
Spokesman of the Executive Board

Konstantin Winterstein
Member of the Executive board



THE RINGMETALL GROUP

Consolidated Balance Sheets

Assets

TEUR	Note	31.12. 2017	31.12.2016	1.1.2016
Non-current assets				
Intangible assets	**16**	321	169	232
Goodwill	**15,16**	22,211	22,397	21,437
Property, plant and equipment	**17**	12,189	12,288	12,544
Other non-current assets		146	147	389
Deferred tax assets	**13**	943	854	878
Total non-current assets		**35,810**	**35,855**	**35,480**
Current assets				
Inventories	**19**	10,950	10,189	9,001
Trade and other receivables	**20**	12,460	13,078	12,781
Other current assets	**21**	918	934	1,225
Current tax receivables	**21**	322	472	273
Cash and bank balances	**22**	14,936	5,311	2,950
Non-current assets held for sale	**18**	400	400	725
Total current assets		**39,986**	**30,384**	**26,955**
Total assets		**75,796**	**66,239**	**62,435**

Liabilities

TEUR	Note	31.12. 2017	31.12. 2016	1.1.2016
Equity				
Share capital	**23**	27,685	25,168	22,880
Capital reserves	**23,24**	12,532	5,573	2,947
Currency translation differences recognized outside profit or loss		-2,131	-231	-540
Consolidated loss carryforward		-56	-5,366	-9,283
Non-controlling interests	**23**	1,072	1,161	1,915
Total equity		**39,102**	**26,306**	**17,919**
Non-current liabilities				
Provisions for post-employment benefits	**24**	806	762	663
Financial liabilities	**26**	12,809	17,000	23,913
Deferred tax liabilities	**13**	462	75	100
Liabilities directly related to non-current assets held for sale	**18,26**	188	228	267
Total non-current liabilities		**14,265**	**18,065**	**24,944**
Current liabilities				
Other provisions	**25**	2,135	1,786	1,327
Current tax liabilities		349	578	258
Financial liabilities	**26**	7,301	8,396	6,698
Trade payables	**27**	9,684	9,356	8,842
Other liabilities	**27**	2,920	1,713	2,398
Liabilities directly related to non-current assets held for sale	**18,26**	40	39	49
Total current liabilities		**22,429**	**21,868**	**19,572**
Total liabilities		**36,694**	**39,933**	**44,515**
Total assets		**75,796**	**66,239**	**62,435**

Consolidated Income Statement

TEUR	Note	2017	2016
Revenue	**10**	102,348	94,294
Other income	**10**	1,199	645
Change in inventories of finished goods and work in progress		40	351
		103,587	95,290
Cost of materials	**11**	-57,032	-52,967
Staff costs	**11**	-20,101	-18,633
Depreciation, amortization and write-downs	**16,17**	-2,006	-1,927
Other expenses	**11**	-14,060	-12,052
Other taxes	**11**	-353	-445
Earnings before interest and taxes (EBIT)		**10,035**	**9,267**
Finance income	**12**	19	17
Finance costs	**12**	-1,119	-1,635
Net income for the year from continuing operations before taxes		**8,935**	**7,649**
Income tax expense	**13**	-1,800	-1,948
Consolidated net income for the year		**7,135**	**5,701**
Consolidated net income for the year attributable to:			
Shareholders of Ringmetall AG		6,766	5,348
Non-controlling interests		369	353
Earnings per share			
Basic earnings per share (EUR)	**14**	0.28	0.24
Diluted earnings per share (EUR)	**14**	0.28	0.24

TEUR	Note	2017	2016
Consolidated net income for the year		7,135	5,701
Items that can be reclassified to profit or loss:			
Foreign business currency translation differences		-1,897	255
Other comprehensive income		**-1,897**	**255**
Group comprehensive income		**5,238**	**5,956**
Total comprehensive income attributable to:			
Shareholders of Ringmetall AG		4,866	5,657
Non-controlling interests		372	299

Consolidated Cash Flow Statement

TEUR	Note	2017	2016
1. Cash flow from operating activities			
Consolidated net income	**14**	7,135	5,701
Write-downs on non-current assets		2,006	1,927
Tax expense and deferred taxes	**13**	1,800	1,948
Gain (-)/loss (+) on asset disposals	**10**	-521	0
Net interest income		1,100	1,618
		11.520	**11.194**
Cash flow before interest, taxes and refinancing			
Increase (-)/decrease (+) in inventories and trade and other receivables		-77	-627
Increase (+)/decrease (-) in provisions		394	558
Increase (-)/decrease (+) in trade payables, other liabilities and accruals		1,705	-172
Increase (+)/decrease (-) in the statement of financial position – non-cash		-852	0
		12.690	**10.953**
Cash flow before interest and taxes			
Interest received		19	17
Interest paid		-1,081	-1,610
Income taxes paid		-1,706	1,424
Cash flow from operating activities		**9,922**	**7,936**
2. Cash flow from investment activities			
Inflows from the disposal of property, plant and equipment		1,677	6
Inflows from the disposal of non-current assets held for sale		0	325
Inflows from the disposal of financial assets		0	6

Consolidated Cash Flow Statement

TEUR	Note	2017	2016
Inflows from the disposal of intangible assets		15	0
Outflows for investments in property, plant and equipment		-1,096	-2,057
Outflows for investments in intangible assets		-232	0
Outflows for additions to the scope of consolidation in the previous year		-2,170	0
Outflows for additions to the scope of consolidation in the current financial year		-3,302	-1,518
Cash flow from investment activities		**-5,108**	**-3,238**
3. Cash flow from financing activities			
Inflows from capital contributions		9,432	4,892
Inflows from borrowing financial loans		2,831	410
Outflows for the redemption of financial loans/leases		-5,587	-5,330
Outflows to owners (dividend payment)		-1,770	-1,581
Cash flow from financing activities		**4,906**	**-1,609**
4. Cash and cash equivalents at end of period			
Cash change in cash and cash equivalents (sub-totals 1-3)		9,720	3,089
Effect of exchange rates on cash		-141	-143
Cash and cash equivalents at beginning of period		**5,265**	**2,319**
Cash and cash equivalents at end of period	**1**	**14.844**	**5,265**
5. Composition of cash and cash equivalents			
Cash and cash equivalents	**22**	14,936	5,311
Current liabilities to banks		-92	-46
Cash and cash equivalents at end of period		**14,844**	**5,265**

Consolidated Statement of Changes in Equity

TEUR	Note	Share capital	Capital reserves	Currency translation reserve	Consolidated loss carry-forward	Total	Non-controlling interests	Total equity
As of Jan. 1, 2016 (HGB)		22,880	2,958	-540	-7,506	17,792	1,925	19,717
Changes in accounting policies	**7**		-11		-1,777	-1,788	-10	-1,798
As of Jan. 1, 2016 (IFRS)		**22,880**	**2,947**	**-540**	**-9,283**	**16,004**	**1,915**	**17,919**
Consolidated net profit for 2016	**14**				5,348	5,348	353	5,701
Capital increase	**23**	2,288	2,626			4,914		4,914
Dividend payments/distributions					-1,258	-1,258	-323	-1,581
Other comprehensive income				309		309	-54	255
Other changes					33	33		33
Change in scope of consolidation					-205	-205	-730	-935
Owners of the company		**2,288**	**2,626**	**309**	**3,918**	**9,141**	**-754**	**8,387**
As of Dec. 31, 2016 (IFRS)		**25,168**	**5,573**	**-231**	**-5,365**	**25,145**	**1,161**	**26,306**

TEUR	Note	Share capital	Capital reserves	Currency translation reserve	Consolidated loss carry-forward	Total	Non-controlling interests	Total equity
As of Jan. 1, 2017 (IFRS)		**25,168**	**5,573**	**-231**	**-5,365**	**25,145**	**1,161**	**26,306**
Consolidated net profit for 2017	**14**				6,766	6,766	369	7,135
Capital increase	**23**	2,517	6,959			9,476		9,476
Dividend payments/distributions					-1,258	-1,258	-512	-1,770
Other comprehensive income				-1,900		-1,900	3	-1,897
Change in scope of consolidation					-199	-199	51	-148
Owners of the company		**2,517**	**6,959**	**-1,900**	**5,309**	**12,885**	**-89**	**12,796**
As of Dec. 31, 2017 (IFRS)		**27,685**	**12,532**	**-2,131**	**-56**	**38,030**	**1,072**	**39,102**

Notes to the Consolidated Financial Statements

1. General disclosures

Ringmetall Aktiengesellschaft (hereinafter: "Ringmetall") is a stock corporation based in Germany. The company's registered office and headquarters are in Munich. The main activities of Ringmetall and its subsidiaries are allocated to the Industrial Packaging and Industrial Handling divisions. The Ringmetall holding company has a superordinate function in the organizational structure. It is responsible for central Group functions.

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards as applicable in the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB).

2. Principles of accounting

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the requirements of German commercial law pursuant to Section 315a (1) in conjunction with (3) HGB. The principles of recognition, measurement and disclosure are applied uniformly by all companies in the scope of consolidation.

The statement of comprehensive income is presented according to the nature of expense method.

The Management Board assumes that the company is a going concern. The financial statements give a true and fair view of the net assets, financial position and results of operations.

The Management Board of Ringmetall AG cleared the 2017 consolidated financial statements for submission to the Supervisory Board on May 4, 2018.

They were approved for publication by the Management Board and Supervisory Board on May 7, 2018.

Details on significant accounting policies including changes in accounting policies are included in note 6.

3. Functional and presentation currency

These consolidated financial statements were prepared in euros, the functional currency of Ringmetall AG (parent company) and presented in thousands of euros (EUR thousand), which may result in rounding differences.

4. Use of judgments and estimates

Compiling the consolidated financial statements requires the Management Board to make judgments, estimates and assumptions that affect the application or accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual events can deviate from these estimates.

Estimates and underlying assumptions are reviewed on a continuous basis. Revisions of estimates are applied prospectively.

4.1 Judgments, assumptions and estimates

The following notes include information on judgments in the application of accounting policies and on assumptions and estimation uncertainty that can significantly influence the amounts recognized in the consolidated financial statements or constitute a substantial risk:

- Note 7 – acquisition of subsidiaries: in cases of provisional calculation of fair value due to incomplete information

- Note 13.4 – recognition of deferred tax assets: uncertainty regarding future taxable income

- Notes 25 and 28 – recognition and measurement of provisions and contingent assets and liabilities: material assumptions about the probability and degree of inflow or outflow of benefit and with regard to discounting

- Note 30 – events after the reporting period.

Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of the fair value of financial and non-financial assets and liabilities.

The Group has defined a control concept with regard to determining fair value. This includes internal monitoring of all material measurements of fair value.

The Management Board regularly reviews the material, unobservable inputs and the measurement adjustments. If information from third parties, e.g. prices quoted by brokers or price information services, are used to determine fair values, the company reviews the evidence obtained from the third parties for the conclusion that such measurements meet IFRS requirements, including the level of the fair value hierarchy to which these measurements are to be allocated.

As far as possible, the Group used data observable on the market to determine the fair value of an asset or liability. Based on the inputs used in the measurements, the fair values are allocated to different levels of the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilities.

- Level 2: Inputs that are not quoted prices included in Level 1 but that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for assets or liabilities not based on observable market data.

If the inputs used to determine the fair value of an asset or liability can be allocated to different levels of the fair value hierarchy, the measurement at fair value as a whole is allocated to the level of the lowest input that is significant for the measurement as a whole.

The Group recognizes transfers between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

The following notes include information on the assumptions made in the determination of fair value:

- Note 7 – acquisition of subsidiaries

- Note 26 – financial instruments.

5. List of subsidiaries

See note 6.1 B for accounting policies.

The Group's main subsidiaries are listed below.

The consolidated financial statements as of December 31, 2017, include all entities over whose financial and business policies Ringmetall AG can exercise direct or indirect control. Subsidiaries are fully consolidated in the consolidated financial statements from the date control is transferred to the Group. They are deconsolidated as of the date control ends.

Ringmetall AG fully consolidates the following subsidiaries in the consolidated financial statements as of December 31, 2017:

Name and registered office of the company	Domicile	Share of capital (%)
August Berger Metallwarenfabrik GmbH, Berg	Germany	100
Fieder Verwaltungs GmbH, Munich	Germany	100
Berger Closures Limited, Peterlee	UK	75.57
Hollandring (BV) Besloten Vennootschap, Vaassen	Netherlands	100
Berger Group Europe Iberica, S.L., Reus	Spain	100
CEMSAN Metal Parca Imalat Limited Sirketi, Dilovasi-Kocaeli	Turkey	100
S.G.T. S.r.l., Albavilla	Italy	80
Berger Closing Rings (Changshu) Co., Ltd., Changshu*	China	100
Berger Italia S.r.l., Valmadrera	Italy	100
Metallwarenfabrik Berger GmbH, Sessenhausen	Germany	100
Berger US Inc., Birmingham	USA	100
Self Industries Inc., Birmingham**	USA	100
HSM Hans Sauermann GmbH & Co. KG, Ernsgaden	Germany	100
Latza GmbH, Attendorn	Germany	100
Berger Hong Kong Limited	China	80
Societé Civile Immobiliére (SCI) Berger France, Niederlauterbach***	France	100

* The shares are held via Berger Hong Kong Limited, Hong Kong.

** The shares are held via Berger US Inc., Birmingham.

*** 51% is held via Fieder Verwaltungs GmbH, Munich.

Ringmetall AG does not include the following subsidiaries in the consolidated financial statements as of December 31, 2017:

Name and registered office of the company	Domicile	Share of capital (%)
Berger Verwaltungs GmbH, Berg	Germany	100
Fidum Verwaltungs GmbH, Munich	Germany	100
HSM Hans Sauermann Verwaltungs GmbH, Ernsgaden	Germany	100

6. Key accounting policies

6.1 Principles of consolidation

Besides Ringmetall AG, the consolidated financial statements include all material subsidiaries over which Ringmetall AG can exercise control by way of full consolidation. Control exists when the company:

- can exercise power over the investee,
- is exposed to variable returns from its investment, and
- can use its power to affect the amount of the returns.

A subsidiary is included in the consolidated financial statements from the date Ringmetall gains control of the subsidiary until the date control by Ringmetall ceases. The results of subsidiaries acquired during the course of the year are accordingly recognized in the consolidated income statement and consolidated other comprehensive income from the actual acquisition date.

Profit or loss and each component of other comprehensive income are attributable to the shareholders of the parent and to the non-controlling interests.

If necessary, the subsidiaries' annual financial statements are adjusted in order to align the accounting policies with those used in the Group.

All intra-Group assets, liabilities, equity, income, expenses and cash flows in connection with transactions between Group entities are fully eliminated on consolidation.

Increasing the Group's interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control over these subsidiaries are accounted for as equity transactions. The carrying amounts of interests held by the Group and of non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and allocated to the shareholders of the parent.

Acquisition of subsidiaries

The acquisition of businesses is accounted for according to the acquisition method. The consideration transferred in a business

combination is measured at fair value. The fair value is the sum of the fair values, as of the acquisition date, of assets transferred, liabilities assumed from the former owners of the acquiree, and equity instruments issued by the Group in exchange for control of the acquiree. Transaction costs associated with the business combination are are recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed are measured at fair value.

Goodwill is the amount by which the sum of the consideration transferred, the amount of all non-controlling interests in the acquiree and the fair value of the equity interest in the acquiree previously held by the acquirer (if any) exceeds the net fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date. If – after repeated assessment – there is a negative difference, this is immediately recognized in profit or loss as income.

Non-controlling interests that currently convey rights of ownership and grant the holder, in the event of liquidation, to receive a proportional share in the entity's net assets, are measured on acquisition at the appropriate share of identifiable net assets.

If the initial accounting for a business combination is not yet complete by the end of a financial year, Ringmetall reports provisional amounts for the items for which the accounting is incomplete.

If new information is obtained during the measurement period that sheds light on the situation at the acquisition date, the provisional amounts are corrected or additional assets or liabilities are recognized as necessary.

6.2 Foreign currency

In the preparation of financial statements for each individual Group entity, transactions in currencies other than the Group entity's functional currency (foreign currencies) are translated at the exchange rates applicable on the date of the transaction. At the end of every reporting period, monetary items in foreign currencies are translated at the applicable closing rate. Non-monetary items measured at cost are translated at the exchange rate as of the date of initial recognition.

Translation differences from monetary items are recognized in profit or loss in the period in which they arise.

To prepare the consolidated financial statements, the assets and liabilities of the Group's foreign businesses are translated into Euro (€) using the exchange rates applicable at the end of the reporting period. Income and expenses are translated at the average rate for the period. Translation differences from the translation of foreign businesses into Group currency are recognized in other comprehensive income and accumulated in equity.

Goodwill arising from the acquisition of a foreign business and adjustments to the fair values of the identifiable assets and liabilities are treated as assets and liabilities of the foreign business and translated at the closing rate. Resulting translation differences are recognized in the currency translation reserve.

The table below shows the exchange rates used to translate significant currencies in the Group:

Before January 1, 2016, the date of the opening IFRS statement of financial posi-

		Closing rate		Average rate	
		31. December			
		2017	**2016**	**2017**	**2016**
	1 EUR =				
Großbritannien	GBP	0,8879	0,8565	0,8755	0,8166
China	CNY	7,7997	7,3212	7,6564	7,3498
Türkei	TRY	4,5339	3,7120	4,1319	3,3377
USA	USD	1,1979	1,0536	1,1345	1,1064

tion, the Group sometimes treated goodwill and all hidden liabilities and reserves uncovered by acquisitions as assets and liabilities of Ringmetall Aktiengesellschaft. As these items are therefore already stated in the functional currency of the parent, there are no translation differences.

6.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received less expected customer returns, discounts and other similar deductions.

Revenue from the sale of goods is recognized when the following conditions are met:

- The Group has transferred the significant risks and rewards of ownership of the goods to the buyer,
- the Group retains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

6.4 Finance income and finance costs

Interest income is recognized if it is probable that the economic benefit will flow to the Group and the amount of the income can be measured reliably. Interest income is recognized on an accrual basis according to the outstanding nominal amount using the applicable effective interest rate. The effective interest rate is the rate that exactly discounts the expected future inflows over the term of the financial assets to the net carrying amount of this asset on initial recognition.

Dividend income from investments is recognized if the company's right to receive payment has been established.

Finance costs are recognized in profit or loss in the period in which they are incurred.

6.5 Income taxes

Income tax expense is the sum of the current tax expense and deferred taxes.

Current or deferred taxes are recognized in the consolidated income statement. If current or deferred taxes result from the initial

recognition of a business combination, the tax effects are included in the recognition of the business combination.

A. Current taxes

The current tax expense is calculated on the basis of the taxable income for the year. The taxable income differs from the net income for the year from the consolidated income statement with regard to expenses and income that will never be taxable or tax deductible or only in subsequent years. The Group's liability for current taxes is calculated on the basis of the applicable or soon-to-be applicable tax rates.

B. Deferred taxes

Deferred taxes are recognized for the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases in the calculation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences; deferred tax assets are recognized if it is probable that taxable profits will be available for which the deductible temporary differences can be used. Such deferred tax assets and deferred tax liabilities are not reported if the temporary differences arise from goodwill or the initial recognition (apart from in the case of business combination) of other assets and liabilities that result from transactions that affect neither taxable income nor the net income for the year.

Deferred taxes on loss carryforwards are recognized if the losses can be used for tax purposes within the next five years.

Deferred tax liabilities are recognized for taxable temporary differences arising from interests in subsidiaries unless the Group can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from temporary differences in connection with interests in subsidiaries are only recognized to the extent that it is probable that there will be sufficient taxable income with which the assets from the temporary differences can be used. In addition, it must be assumed that these temporary differences will reverse in the foreseeable future.

The carrying amount of the deferred tax assets is reviewed annually at the end of the reporting period and reduced if it is no longer probable that sufficient taxable income will be available to fully or partially realize the asset.

Deferred tax liabilities and tax assets are calculated on the basis of expected tax rates and tax laws that are expected to be in force when the liability is settled or the asset is realized. The measurement of deferred tax assets and tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the liability or realize the asset.

6.6 Earnings per share

Basic earnings per share are determined by dividing the earnings after taxes attributable to the shareholders of the parent by the weighted average number of shares outstanding during the financial year. Diluted earnings per share are calculated assuming that all potentially dilutive securities and share-based payment plans are converted or exercised.

6.7 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is measured according to the weighted average cost method. Costs include directly attributable direct costs and overheads.

The net realizable value is the estimated sale price of the inventories less all estimated expenses necessary for completion and sale.

6.8 Property, plant and equipment

A. Land and buildings

Land and buildings held for use in the production or supply of goods or services or for administrative purposes are measured at cost less cumulative depreciation and impairment. Depreciation on buildings is recognized in profit or loss. A useful life of 5-50 years is assumed for buildings. Land is not depreciated.

B. Other property, plant and equipment

Technical equipment and machinery as well as office and operating equipment are carried at cost less cumulative depreciation and impairment.

The depreciation is recognized such that the costs of assets less their residual values are depreciated on a straight-line basis over their useful lives. The expected useful lives, residual values and methods of depreciation are reviewed at the end of each reporting period. All necessary changes in estimates are recognized prospectively.

The following useful lives were assumed for the calculation of depreciation on property, plant and equipment:

Other property, plant and equipment
3-10 years
Operating equipment 3-15 years

Assets held under finance leases are depreciated over their expected useful lives in the same way as assets owned by the Group. However, if there is no reasonable assurance that ownership will transfer to the lessee at the end of the lease, the assets are depreciated over the shorter of the lease term or expected useful life.

6.9 Intangible assets

A. Acquired intangible assets

Acquired intangible assets with a finite useful life are recognized at cost less cumulative amortization and impairment. The amortization is expensed on a straight-line basis over the expected useful life. The expected useful life and the method of amortization are reviewed at the end of each reporting period, and all changes in estimates are recognized prospectively.

The useful lives of licenses on which the calculation of amortization is based range between three and five years.

B. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and measured at fair value on the acquisition date.

In subsequent periods, intangible assets acquired in a business combination are measured at cost less cumulative amortization and any cumulative impairment just like individually acquired intangible assets.

In connection with the first-time adoption of IFRS, the goodwill calculated according to HGB principles in previous years was retained as of January 1, 2016, in line with the rules for simplification. Please see Note 7 for information on the first-time adoption of IFRS.

C. Goodwill

The goodwill resulting from a business combination is recognized at cost less any necessary impairment and is reported sepa-

rately in the consolidated statement of financial position.

For the purposes of impairment testing, the goodwill is allocated on acquisition to the cash-generating units (or groups thereof) that are expected to benefit from synergies resulting from the combination.

Cash-generating units to which a portion of the goodwill was allocated must be tested for impairment at least once a year. If there are indications that a unit is impaired, it can be necessary to perform impairment tests more frequently. If the recoverable amount of a cash-generating unit is smaller than the carrying amount of the unit, the impairment loss must first be allocated to the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets on the basis of the carrying amount of each asset in relation to the total carrying amount of the assets in the unit. The recoverable amount is the higher of value in use and fair value less costs to sell.

Any impairment loss on goodwill is recognized directly in the income statement. An impairment loss recognized for the goodwill may not be reversed in future periods.

On the disposal of a cash-generating unit, the attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

6.10 Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position if Ringmetall is a contracting party of the financial instrument.

Trade receivables

Trade receivables are carried at nominal value, and less appropriate impairment in the event of discernible individual risks.

Equity investments

Equity investments are generally recognized at fair value. If a fair value cannot reliably be determined, the equity investment is carried at cost.

Other financial assets

Other financial assets are recognized according to the trade date method and on initial recognition stated at fair value, which usually corresponds to cost. For measurement at the end of the following reporting periods, they are allocated to the "financial assets held to maturity," "financial assets held for trading" or "financial assets available for sale" category. This categorization is based on the purpose of acquisition and is made on initial recognition.

In the case of financial assets available for sale, unrealized gains and losses are recognized in other comprehensive income until the financial asset is disposed of or impairment is identified. At this point, the net gains or losses are included in net profit or loss for the period.

Unrealized gains and losses arising from financial instruments held for trading are included in net profit or loss for the period. In the case of financial assets available for sale, unrealized gains and losses are recognized in other comprehensive income until the financial asset is disposed of or impairment is identified. At this point, the net gains or losses are included in net profit or loss for the period.

Loans

Interest-bearing bank loans, promissory note loans and overdraft facilities are recognized at the disbursement amount received less directly attributable issuing costs. Finance costs including premiums payable on repayment or redemption are

amortized over the term using the effective interest method.

Trade payables

Trade payables are carried at the amount repayable.

Derivative financial instruments

Derivative financial instruments are recognized at cost as an asset or liability when the transaction is concluded and subsequently measured at fair value. Measurement effects are recognized in profit or loss. The measurement is based on generally accepted measurement models such as the Black-Scholes model and the Heath-Jarrow-Morton framework.

6.11 Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Debt and equity instruments issued by a Group entity are classified as financial liabilities or equity according to the substance of the contract and the definitions.

6.12 Impairment of property, plant and equipment and intangible assets with the exception of goodwill

At the end of each reporting period, the Group examines the carrying amounts of property, plant and equipment and intangible assets in order to identify indications of impairment for these assets. If such indicators are identified, the recoverable amount of the asset is estimated to determine the amount of any impairment loss. If the recoverable amount of the individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In the calculation of value in use, the estimated future cash flows are discounted at a pre-tax rate.

If the estimated recoverable amount of an asset or cash-generating unit is lower than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment loss is immediately recognized in profit or loss.

If impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the most recent estimate of the recoverable amount. However, the increase in the carrying amount is limited to the value that would have resulted if no impairment loss been recognized for the asset or cash-generating unit in previous years. A reversal of impairment is recognized immediately in profit or loss.

6.13 Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, bank balances with a static remaining term of less than three months and checks, bills of exchange and payments in transit. Liquid funds are measured at nominal value.

6.14 Assets held for sale

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be realized principally through a sale transaction rather than through continuing use. This is assumed if the sale will be completed within a year of the classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of their original carrying amount and fair value less costs to sell.

6.15 Provisions

Provisions are recognized if the Group has a present obligation (legal or constructive) from a past event, it is probable that the settlement of the obligation will be associated with the outflow of resources and the amount of the

provision can be reliably estimated.

The recognized provision amount is the best estimate at the end of the reporting period of the expenditure required to settle the present obligation. If a provision is measured on the basis of the cash flows estimated for the settlement of the obligation, these cash flows must be discounted where the time value of money is material.

6.16 Provisions for post-employment benefits

Provisions for termination obligations are measured according to IAS 19, taking into account the mortality tables of the respective country, the age and gender-specific employee turnover rate and other demographic inputs.

6.17 Leases

Leases are classified as finance leases if the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under a finance lease are recognized as assets at the inception of the lease at fair value or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is recognized in the consolidated statement of financial position as a finance lease liability. The lease payments are divided into interest expenses and repayment of the lease liability so that the rate of interest on the remaining liability is constant. Interest expenses are recognized directly in the consolidated income statement. Lease payments under operating leases are expensed on a straight-line basis over the term of the lease.

Leases entered into before January 1, 2016, are deemed to have commenced on January 1, 2016.

6.18 Research and development costs

Internally generated intangible assets are initially measured at cost. Research costs are not part of this cost and are expensed in the period in which they are incurred.

Own work capitalized has a finite useful life and is amortized over its expected useful life.

In the current financial year, there were no material research and development costs included separately in expenses.

7. First-time adoption of IFRS

The consolidated financial statements as of December 31, 2017, are the first consolidated financial statements prepared by Ringmetall in compliance with IFRS. The consolidated financial statements for the financial years up to and including the financial year ending December 31, 2016, were prepared according to German commercial law.

Reconciliation of Consolidated Statement of Financial Position as of January 1, 2016

ASSETS in TEUR	Note	HGB 1.1.2016	Reconciliation to IFRS	IFRS 1.1.2016
Non-current assets		23,056	(1,619)	21,437
Intangible assets		232	-	232
Property, plant and equipment				
Land and buildings		5,987	(1,074)	4,913
Technical equipment and machinery		6,007	324	6,331
Other equipment, operating and office equipment		1,119	-	1,119
Property, plant and equipment under construction		181	-	181
Other non-current assets		389	-	389
Deferred tax assets		737	141	878
Total non-current assets		**37,708**	**(2,228)**	**35,480**
Current assets				
Inventories		9,106	(105)	9,001
Trade and other receivables		12,781	-	12,781
Current tax receivables		-	273	273
Other current assets		1,364	(139)	1,225
Cash and bank balances		2,950	-	2,950
		26,201	**29**	**26,230**
Non-current assets held for sale		-	725	725
Total current assets		**26,201**	**754**	**26,955**
Total assets		**63,909**	**(1,474)**	**62,435**

EQUITY AND LIABILITIES in TEUR	Note	HGB 1.1.2016	Reconciliation to IFRS	IFRS 1.1.2016
Equity				
Share capital		22,880	-	22,880
Reserves		2,958	(11)	2,947
Currency translation differences recognized outside profit or loss		(540)	-	(540)
Consolidated loss carryforward		(7,506)	(1,777)	(9,283)
Non-controlling interests		1,925	(10)	1,915
Total equity		**19,717**	**(1,798)**	**17,919**
Non-current liabilities				
Provisions for post-employment benefits		-	663	663
Financial liabilities				
Liabilities to banks		-	20,326	20,326
Lease liabilities		-	425	425
Other loans		-	3,163	3,163
Deferred tax liabilities		-	100	100
		-	**24,677**	**24,677**
Liabilities directly related to non-current assets held for sale		-	267	267
Total non-current liabilities		**-**	**24,944**	**24,944**
Current liabilities				
Other provisions		1,985	(658)	1,327
Current tax liabilities		132	126	258
Financial liabilities				
Liabilities to banks		27,108	(20,916)	6,192
Lease liabilities		-	116	116
Other loans		-	390	390
Trade payables		9,056	(214)	8,842
Other liabilities		5,911	(3,513)	2,398
		44,912	**(24,669)**	**19,523**
Liabilities directly related to non-current assets held for sale		-	49	49
Total current liabilities		**44,192**	**(24,620)**	**19,572**
Total assets		**63,909**	**(1,474)**	**62,435**

Reconciliation of Consolidated Statement of Financial Position and Consolidated Income Statement as of December 31, 2016

ASSETS In TEUR	Note	HGB 31.12.2016	Reconcilia-tion to IFRS	IFRS 31.12.2016
Non-current assets				
Goodwill		21,308	1,089	22,397
Intangible assets		169	-	169
Property, plant and equipment				
Land and buildings		4,895	(381)	4,514
Technical equipment and machinery		6,404	266	6,670
Other equipment, operating and office equipment		1,031	-	1,031
Property, plant and equipment under construction		73	-	73
Other non-current assets		147	-	147
Deferred tax assets		768	86	854
Total non-current assets		**34,795**	**1,060**	**35,855**
Current assets				
Inventories		10,281	(92)	10,189
Trade and other receivables		13,078	-	13,078
Current tax receivables		-	472	472
Other current assets		1,267	(333)	934
Cash and bank balances		5,311	-	5,311
		29,937	**47**	**29,984**
Non-current assets held for sale		-	400	400
Total current assets		**29,937**	**447**	**30,384**
Total assets		**64,731**	**1,507**	**66,239**

EQUITY AND LIABILITIES in TEUR	Note	HGB 31.12.2016	Reconciliation to IFRS	IFRS 31.12.2016
Equity				
Share capital		25,168	-	25,168
Reserves		5,703	(130)	5,573
Currency translation differences recognized outside profit or loss		(231)	-	(231)
Consolidated loss carryforward		(6,607)	(1,242)	(5,365)
Non-controlling interests		1,161	-	1,161
Total equity		**25,194**	**1,112**	**26,306**
Non-current liabilities				
Provisions for pensions		-	762	762
Financial liabilities				
Liabilities to banks		-	16,103	16,103
Lease liabilities		-	511	511
Other loans		-	386	386
Deferred tax liabilities			75	75
		-	**17,837**	**17,837**
Liabilities directly related to non-current assets held for sale		-	228	228
Total non-current liabilities		**-**	**18,065**	**18,065**
Current liabilities				
Other provisions		2,568	(782)	1,786
Current tax liabilities		514	64	578
Financial liabilities				
Liabilities to banks		21,913	(16,559)	5,354
Lease liabilities		-	181	181
Other loans		-	2,861	2,861
Trade payables		9,779	(423)	9,356
Other liabilities		4,763	(3,050)	1,713
		39,537	**(17,708)**	**21,829**
Liabilities directly related to non-current assets held for sale		-	39	39
Total current liabilities		**39,537**	**(17,669)**	**21,868**
Total assets		**64,731**	**1,507**	**66,239**

Income statement in TEUR	Note	HGB 31.12.2016	Reconciliation to IFRS	IFRS 31.12.2016
Revenue		94,345	(51)	94,294
Other income		820	(175)	645
Change in finished goods and work in progress		338	14	352
		95,503	**(212)**	**95,291**
Cost of materials		(52,967)	-	(52,967)
Staff costs		(18,633)	-	(18,633)
Depreciation, amortization and write-downs		(4,971)	3,044	(1,927)
Other expenses		(12,544)	492	(12,052)
Other taxes		(445)	-	(445)
Results of operating activities		**5,943**	**3,324**	**9,267**
Finance income		17	-	17
Finance costs		(1,404)	(231)	(1,635)
Net income for the year from continuing operations before taxes		**4,556**	**3,093**	**7,649**
Income tax expense		(1,884)	(64)	(1,948)
Consolidated net income for the year		**2,672**	**3,029**	**5,701**

Statement of comprehensive income in TEUR	Note	HGB 31.12.2016	Reconciliation to IFRS	IFRS 31.12.2016
Consolidated net income for the year		2,672	3,029	5,701
Items that can be reclassified to profit or loss:				
Foreign business currency translation differences		255	-	255
Other comprehensive income		**255**	**-**	**255**
Group comprehensive income		**2,927**	**3,029**	**5,956**

Explanatory information of the reconciliation of equity as of January 1, 2016, and December 31, 2016, and of other comprehensive income for the financial year ending December 31, 2016

The following notes pertain to the reconciliation of the opening statement of financial position as of January 1, 2016, from HGB to IFRS and as of the end of the reporting period on December 31, 2016:

Goodwill

January 1, 2016:
Until December 31, 2015, or January 1, 2016, goodwill was amortized according to German commercial law and transferred with these carrying amounts into the opening statement of financial position as of January 1, 2016, according to IFRS. The corresponding exemptions provided by IFRS were utilized.

The goodwill of the cash-generating units (CGUs) identical to the Group companies Metallwarenfabrik Berger GmbH, Sessenhausen, Germany, and CEMSAN Metal Parca Imalat Limited Sirketi, Dilovasi-Kocaeli, Turkey, was written down or impaired by a total of EUR 1,619 thousand on the basis of impairment tests. The goodwill of CEMSAN Metal Parca Imalat Limited Sirketi was written down in full; the goodwill of CGU Metallwarenfabrik Berger GmbH was partially written down. The corresponding carrying amount of the goodwill according to IFRS totaled EUR 21,437 thousand as of January 1, 2016.

December 31, 2016:
With regard to the goodwill as of December 31, 2016, according to IFRS, the amortization recognized according to German commercial law was reversed. In addition, the amortization and write-downs recognized on the Group companies Metallwarenfabrik Berger GmbH, Sessenhausen, Germany, and CEMSAN Metal Parca Imalat Limited Sirketi, Dilovasi-Kocaeli, Turkey, on the basis of impairment tests as of January 1, 2016, were recognized again. Overall, this resulted in changes compared to the HGB carrying amounts of EUR 1,089 thousand. As of December 31, 2016, the goodwill according to IFRS amounted to EUR 22,397 thousand.

Land and buildings

January 1, 2016:
A total of EUR 725 thousand was reclassified from land and buildings to non-current assets held for sale. Land and buildings of EUR 325 thousand come from August Berger Metallwarenfabrik GmbH, Berg, Germany; land and buildings of EUR 400 thousand come from Société Civile Immobilière (SCI) Berger France, Niederlauterbach, France.

The other land and buildings in property, plant and equipment were impaired or written down by a total of EUR 349 thousand as the fair value was below the respective carrying amount. The value of the land and buildings according to IFRS was EUR 4,913 thousand as of January 1, 2016.

December 31, 2016:
A total of EUR 400 thousand was reclassified from land and buildings to non-current assets held for sale. The land and buildings come from Société Civile Immobilière (SCI) Berger France, Niederlauterbach, France. The land and buildings from August Berger Metallwarenfabrik GmbH, Berg, Germany, of EUR 325 thousand were sold in financial year 2016.

Impairment and write-downs totaled in EUR 381 thousand were recognized as the fair value was below the respective carrying amount. The value of the land and buildings according to IFRS was EUR 4,514 thousand as of December 31, 2016.

Technical equipment and machinery

January 1, **2016**:
With regard to technical equipment and machinery, the transition to IFRS as of January 1, 2016, meant that two leases amounting to EUR 325 thousand that were not reportable according to German commercial law were capitalized at the Group company August Berger Metallwarenfabrik GmbH, Berg, Germany, according to IAS 17. The value of the technical equipment and machinery according to IFRS totaled EUR 6,331 thousand as of January 1, 2016.

December 31, 2016:
The earnings effect of the measurement of technical equipment and machinery according to IFRS was EUR 266 thousand as of December 31, 2016. The carrying amounts of technical equipment according to IFRS recognized as of December 31, 2016, amounted to EUR 6,670 thousand.

Deferred taxes

January 1, 2016:
According to German commercial law, deferred tax assets and liabilities were shown net under deferred tax assets on the assets side. As part of the transition to IFRS as of January 1, 2016, they were initially recognized in deferred tax assets and liabilities in compliance with IFRS. The corresponding reclassification to deferred tax liabilities amounted to EUR 60 thousand. The transition to IFRS as of January 1, 2016, resulted in additions of EUR 135 thousand to deferred tax assets and EUR 95 thousand to deferred tax liabilities. Deferred tax assets according to IFRS amounted to EUR 878 thousand as of January 1, 2016; deferred tax liabilities to EUR 100 thousand.

December 31, 2016:
According to German commercial law, deferred taxes were recognized without netting as of December 31, 2016. The transition to IFRS as of January 31, 2016, resulted in additions of EUR 82 thousand to deferred tax assets and EUR 72 thousand to deferred tax liabilities. Deferred tax assets according to IFRS amounted to EUR 854 thousand as of December 31, 2016; deferred tax liabilities to EUR 75 thousand.

Inventories

January 1, 2016:
Inventories were written down by EUR 105 thousand as of January 1, 2016, in line with IAS 2's principle of measurement at the lower of cost and net realizable value. Inventories according to IFRS amounted to EUR 9,001 thousand as of January 1, 2016.

December 31, 2016:
As of December 31, 2016, write-downs of EUR 92 thousand were made in accordance with IAS 2. Inventories according to IFRS amounted to EUR 10,189 thousand as of December 31, 2016.

Current tax receivables/other current assets

January 1, 2016:
The transition to IFRS as of January 1, 2016, resulted in reclassifications from other current assets and other liabilities to current tax receivables of EUR 139 thousand and EUR 134 thousand, respectively. Current tax receivables amounted to EUR 273 thousand as of January 1, 2016.

Including the reclassification of EUR 139 thousand to current tax receivables, other current assets amounted to EUR 1,225 thousand as of January 1, 2016.

December 31, 2016:
After reclassifications from other current assets and other liabilities of EUR 472 thousand to current tax receivables, current tax receivables amounted to EUR 472 thousand and other current assets EUR 934 thousand as of December 31, 2016.

Reserves

January 1, 2016:
The capital reserves were reduced by EUR 11 thousand to EUR 2,947 thousand as of January 1, 2016. The reduction relates to the costs for the capital increase of the Group parent Ringmetall AG, Munich, which were recognized as expenses according to German commercial law.

December 31, 2016:
The costs for the capital increase of the Group parent Ringmetall AG, Munich, in financial year 2016 were accordingly deduced from the capital reserves in the amount of EUR 130 thousand. As of December 31, 2016, the reserves amounted to EUR 5,573 thousand.

Profit/loss carryforward

January 1, 2016:
The loss carryforward of EUR 7,506 thousand according to German commercial law increased by EUR 1,777 thousand to EUR 9,283 thousand as part of the the transition to IFRS as of January 1, 2016.

December 31, 2016:
As of December 31, 2016, the loss carryforward according to IFRS amounted to EUR 10,714 thousand.

Consolidated net income for the year

December 31, 2016:
The IFRS adjustments increased the consolidated net income for 2016 according to German commercial law by a total of EUR 3,028 thousand from EUR 2,320 thousand to EUR 5,348 thousand.

Earnings per share

December 31, 2016
The IFRS adjustments of the consolidated net income for the year also increased earnings per share, Before the transition to IFRS, earnings per share amounted to EUR 0.11. Applying the rules of IFRS, earnings per share amount to EUR 0.24.

Provisions for post-employment benefits

January 1, 2016:
EUR 626 thousand was reclassified from other provisions to provisions for post-employment benefits. This related to statutory pension obligations from a "termination fund" of the two Italian Group subsidiaries S.G.T. S.r.l., Albavilla, Italy and Berger Italia S.r.l., Valmadrera, Italy. An actuarial calculation and measurement were performed according to IAS 19. As of January 1, 2016, this resulted in an increase in the provision for post-employment benefits according to IFRS of EUR 37 thousand to EUR 663 thousand.

December 31, 2016:
The actuarial measurement according to IAS 19 increased the termination obligations as of December 31, 2016, by EUR 102 thousand to EUR 762 thousand.

Liabilities to banks

January 1, 2016:
As part of the transition to IFRS as of January 1, 2016, an amount of EUR 20,782 thousand was reclassified from liabilities to banks to non-current liabilities. The non-current liabilities to banks were discounted and recognized at amortized cost in the amount of EUR 20,593 thousand as of January 1, 2016. Including discounts of EUR 85 thousand, current liabilities to banks amounted to EUR 6,241 thousand as of January 1, 2016.

December 31, 2016:
The non-current liabilities to banks were discounted and recognized at amortized cost in the amount of EUR 16,331 thousand as of December 31, 2016. Current liabilities to banks amounted to EUR 5,393 thousand as of December 31, 2016.

Leases

January 1, 2016:
In financial liabilities, the transition to IFRS as of January 1, 2016, meant that lease liabilities from recognized leases were reclassified from other liabilities to non-current financial liabilities of EUR 159 thousand and current financial liabilities of EUR 55 thousand. In addition, two leases that were not reportable according to German commercial law were capitalized at the Group company August Berger Metallwarenfabrik GmbH, Berg, Germany, according to IAS 17. The carrying amounts of the corresponding non-current and current lease liabilities according to IFRS from the two leases amounted to EUR 266 thousand and EUR 61 thousand, respectively, as of January 1, 2016. In total, the non-current and current lease liabilities amounted to EUR 425 thousand and EUR 116 thousand, respectively, as of January 1, 2016.

December 31, 2016:
The carrying amounts of the non-current and current lease liabilities according to IFRS from the two leases amounted to EUR 208 thousand and EUR 61 thousand, respectively, as of December 31, 2016. In total, the non-current and current lease liabilities amounted to EUR 511 thousand and EUR 181 thousand, respectively, as of December 31, 2016.

Other loans

January 1, 2016:
As part of the transition to IFRS as of January 1, 2016, amounts of EUR 3,163 thousand and EUR 390 thousand were reclassified from other liabilities to non-current other loans and current other loans, respectively.

Other liabilities

January 1, 2016:
Including the reclassifications to non-current and current financial liabilities, other liabilities amounted to EUR 2,398 thousand as of January 1, 2016.

December 31, 2016:
Including the reclassifications to non-current and current financial liabilities, other liabilities amounted to EUR 1,713 thousand as of December 31, 2016.

Material adjustments to the statement of cash flows for financial year 2016

TEUR	German Commercial Code (HGB)	IFRS Adjustments	IFRS
Cash flow from operating activities	8,935	-999	7,936
Cash flow from investment activities	-3,231	-7	-3,238
Cash flow from financing activities	-2,615	1,006	-1,609
Cash change in cash and cash equivalents	3,089	-	3,089
Effect of exchange rates on cash	-143	-	-143
Cash and cash equivalents at beginning of period	2,319	-	2,319
Cash and cash equivalents at end of period	**5,265**	**-**	**5,265**

Composition of cash and cash equivalents			
Cash and cash equivalents	5,311	-	5,311
Current liabilities to banks	-46	-	-46
Cash and cash equivalents at end of period	**5,265**	**-**	**5,265**

December 31, 2016
The transition to IFRS resulted in a reduction in cash flow from operating activities and an improvement in cash flow from financing activities. This was due to the different allocation of interest paid to cash flow from operating activities and cash flow from financing activities under the rules of HGB and IFRS respectively.

Within cash flow from operating activities, the consolidated net income for the year according to IFRS increased considerably, while the amortization of goodwill was correcting in full according to IFRS.

8. Acquisition of subsidiaries

See note 6 for accounting policies.

A. Acquisition of Latza GmbH, Attendorn

Effective August 2, 2017, Ringmetall acquired 100% of the shares in Latza GmbH, Attendorn, and achieved control of the company. The purpose of Latza GmbH is the manufacture, development and sale of clamping rings for the cask and packaging industry. Since Latza GmbH works in the same product segment as the majority of the other Group companies, Ringmetall expects synergies in relation to the design and development of existing closure systems and access to new sales areas.

Since the acquisition, or rather Latza GmbH, is a business operation, the purchase of the company is accounted for in accordance with IFRS 3.

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. All hidden reserves and charges will be disclosed with this purchase price allocation.

In essence, the purchase price allocation comprises the determination of the acquisition-date fair value of all acquired assets and liabilities.

The entire identifiable acquired net assets result from the difference between the identifiable assets and the assumed liabilities.

Any positive or negative goodwill is then the difference between the purchase price and the entire identifiable acquired net assets.

TEUR	Carrying amount before purchase price allocation	Fair value according to purchase price allocation
Property, plant and equipment	426	1,824
Inventories	687	687
Receivables and other assets	478	478
Cash and cash equivalents	254	254
Prepaid expenses	7	7
Other provisions	-204	-204
Financial liabilities	-151	-151
All other liabilities	-960	-960
Deferred taxes	-	-414
Total identifiable net assets	**537**	**1,521**
Purchase price		
Cash outflow		2,661
Goodwill		
Purchase price		2,661
Total identifiable net assets		1,521
Positive difference/ goodwill (+)		**1,140**
Net cash paid (-)		**-2,407**

Land and buildings include hidden reserves of EUR 1,398 thousand compared with the carrying amounts. No hidden reserves or hidden charges were identified with the other balance sheet items. The deferred taxes were calculated on the basis of a tax rate of around 30% hidden reserves recognized and amount to EUR 414 thousand.

The goodwill mainly results from the expected synergies in market development and in production and from the earnings potential acquired from an additional production site.

As of the acquisition date, August 2, 2017, all shares in Latza GmbH were acquired and consequently control of the company was achieved. The date of first-time consolidation is therefore likewise August 2, 2017.

Since the date of first-time consolidation, as of August 2, 2017, revenue of EUR 1,994 thousand and net income for the year of EUR 3 thousand have been achieved in the 2017 reporting year.

Had Ringmetall already had control of the operations of Latza GmbH as of January 1, 2017, revenue of EUR 4,914 thousand and net income for the year of EUR 316 thousand would have been included in the present consolidated financial statements.

B. Increase in the share structure of Berger Closing Rings, which is already controlled by the Group

A capital increase of USD 250 thousand was carried out at Berger Closing Rings in 2017. Through the acquisition of the remaining 7.5% of the shares, August Berger Metallwarenfabrik GmbH, Berg, has been the sole shareholder in Berger Closing Rings, China, since August 14, 2017. The purchase price for these shares was EUR 84 thousand.

In 2017 August Berger Metallwarenfabrik GmbH, Berg, established the subsidiary Berger Hong Kong Ltd, Hong Kong, with a share capital of HKD 10 thousand. In September 2017, 100% of the shares in Berger Closing Rings were contributed to Berger Hong Kong Ltd. as part of a capital contribution in kind of HKD 7,800 thousand. In November 2017, 20% of the shares in Berger Hong Kong Ltd. were transferred to a minority shareholder.

A detailed presentation of the acquisition and the share swap has been waived, since the transaction and its impact is not considered material.

9. Operating segments

The Management Board is the chief operating decision maker in accordance with IFRS 8. For the purposes of corporate management, the Group is subdivided into the Industrial Packaging and Industrial Handling business segments on the basis of the products offered by the segments.

Both segments also constitute reportable segments.

The Industrial Packaging segment specializes in the development, production and marketing of packaging components for the Drum industry. The product range, which concentrates solely on industrial drums, includes handles, valve gate units, and customized specialist components in addition to the clamping ring, the lid and the seal.

The second business segment, Industrial Handling, produces user-oriented vehicle accessories for specialist vehicles used in freight logistics and warehouse logistics. This segment develops and produces restraint systems, lift mast parts and clutch and brake pedals for tractors, trucks and, most notably, forklift trucks. However, complex welded assemblies and trailer hitch systems as well as hydraulic components are also part of the product range.

The Management Board uses EBITDA figures to assess the results of the business segments.

Revenue

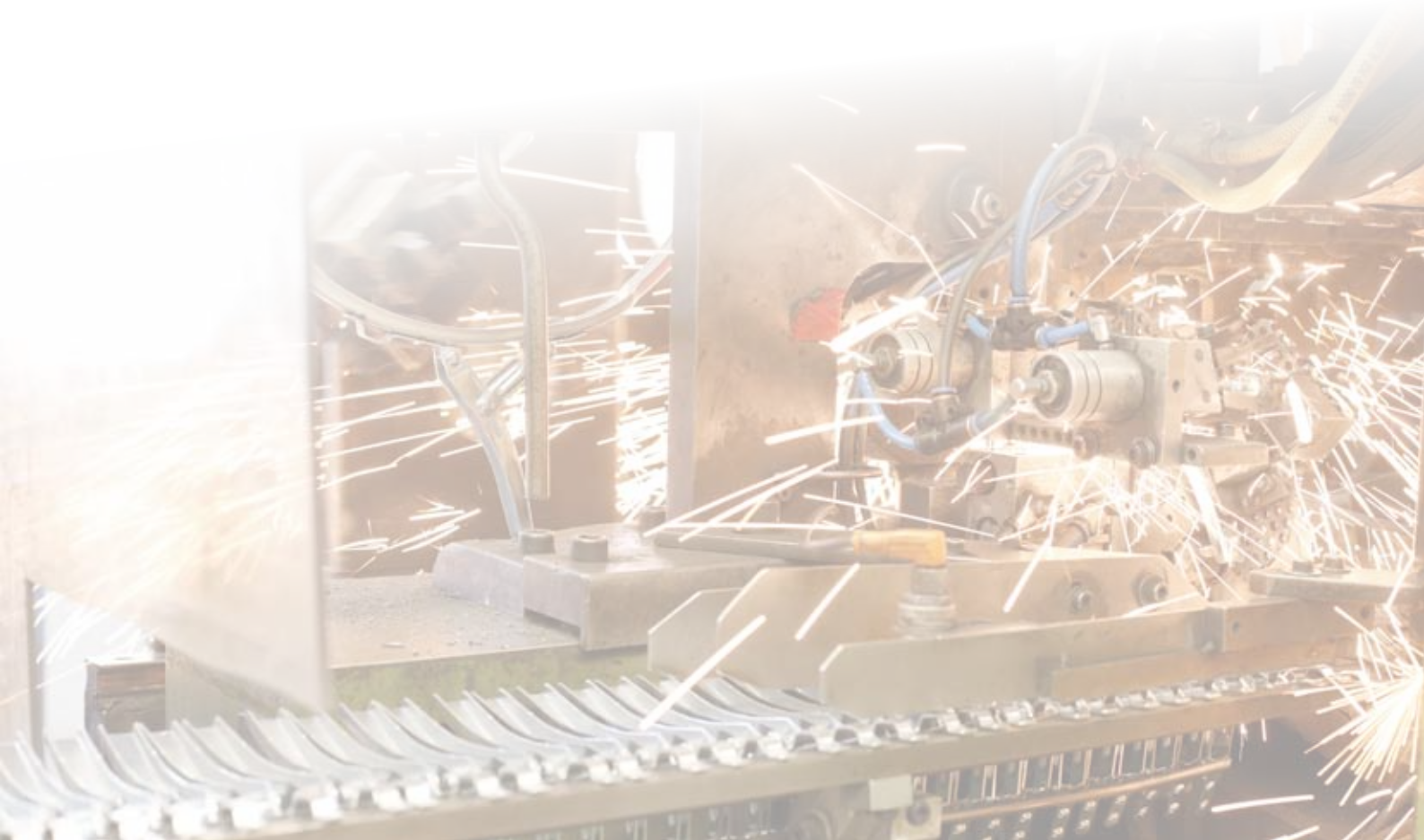
Sales between the segments are conducted at market prices. Revenue from external customers, which is reported to the Management Board, is measured in accordance with the same principles as in the income statement.

	2017			2016		
TEUR	Segment revenue	Inter-segment revenue	Revenue from external customers	Segment revenue	Inter-segment revenue	Revenue from external customers
Industrial Packaging	96,945	8,658	88,287	85,161	6,135	79,026
Industrial Handling	14,077	16	14,061	15,271	3	15,268
Other	1,028	1,028	0	792	792	0
Total	**112,049**	**9,701**	**102,348**	**101,224**	**6,930**	**94,294**

All revenue from outside customers is generated from the sale of goods.

EBITDA

TEUR	2017	2016
Industrial Packaging	12,086	11,468
Industrial Handling	1,161	559
Other	-974	-836
EBITDA prior to consolidation	**12,273**	**11,191**
Impact of consolidation on EBITDA	-232	3
EBITDA	**12,041**	**11,194**
Depreciation property, plant and equipment	-1,907	-1,838
Amortization intangible assets	-99	-89
Impairment goodwill	0	0
EBIT	**10,035**	**9,267**
Net financial income	-1,100	-1,618
Earnings before income taxes	**8,935**	**7,649**
Income tax expense	-1,800	-1,948
Net income for the year	**7,135**	**5,701**



Assets

The amounts of assets, which are reported to the Management Board, are measured in the same way as in the consolidated financial statements. These assets are allocated to the segments according to operating activity and location.

TEUR	31.12.2017	31.12.2016	1.1.2016
Trade receivables:			
Industrial Packaging	18,006	18,526	15,368
Industrial Handling	1,162	1,069	1,947
Other	11,199	6,827	3,081
Trade receivables (unconsolidated)	**30,367**	**26,422**	**20,396**
Reconciliation to consolidated statement of financial position (consolidation)	-17,907	-13,344	-7,615
Trade receivables	**12,460**	**13,078**	**12,781**
Cash and bank balances:			
Industrial Packaging	6,512	3,332	2,567
Industrial Handling	573	7	11
Other	7,850	1,972	372
Cash and bank balances	**14,935**	**5,311**	**2,950**
Not allocated:			
Property, plant and equipment	12,189	12,288	12,544
Intangible assets	321	170	232
Goodwill	22,211	22,397	21,437
Deferred tax assets	943	854	878
Inventories	10,950	10,189	9,001
Current tax receivables	322	472	273
Other current assets	1,065	1,080	1,614
Non-current assets held for sale	400	400	725
Assets according to the consolidated statement of financial position	**75,796**	**66,239**	**62,435**

Liabilities

The segment liabilities are measured in the same way as in the consolidated financial statements. These liabilities are allocated to the segments according to operating activity and location.

TEUR	31.12.2017	31.12.2016	1.1.2016
Trade payables:			
Industrial Packaging	22,768	18,339	12,296
Industrial Handling	960	1,293	1,588
Other	1,370	1,654	2,172
Trade payables (unconsolidated)	**25,098**	**21,286**	**16,056**
Reconciliation to consolidated statement of financial position	-15,414	-11,930	-7,214
Trade payables	**9,684**	**9,356**	**8,842**
Financial liabilities to banks:			
Industrial Packaging	18,355	20,032	23,846
Industrial Handling	0	30	217
Other	827	1,662	2,770
Financial liabilities to banks	**19,182**	**21,724**	**26,833**
Not allocated:			
Financial liabilities from leasing	807	692	541
Financial liabilities - other loans	349	3,247	3,553
Provisions for pensions	806	762	663
Deferred tax liabilities	462	75	100
Other liabilities	2,920	1,713	2,398
Other provisions	2,135	1,786	1,327
Current tax liabilities	349	578	258
Liabilities according to the consolidated statement of financial position	**36,694**	**39,933**	**44,515**

Group-wide information

Non-current assets as a whole, which are not deferred taxes, are allocated to the following countries:

December 31, 2017

Non-current assets as a whole, which are not deferred taxes

TEUR	Total	Germany	USA	Italy	Rest
Property, plant and equipment	**12,189**	7,872	736	2,150	1,431
Intangible assets	**321**	195	0	39	86
Goodwill	**22,211**	6,529	11,447	4,135	99
Other non-current assets	**146**	137	0	10	0
Total non-current assets, excluding deferred taxes	**34,867**	**14,734**	**12,183**	**6,334**	**1,616**

Ringmetall's registered office is in Germany.

Revenue from transactions conducted with customers outside the Group in Germany amounted to EUR 34,304 thousand. Revenue from transactions conducted with customers outside the Group in the USA amounted to EUR 26,168 thousand. Revenue with third-party customers whose registered office is outside Germany and the USA came to EUR 41,876 thousand.

Revenue of EUR 21,682 thousand and EUR 17,276 thousand is based on business with two customers. Revenue is attributable to all segments.

10. Revenue and other operating income

10.1 Revenue

TEUR	2017	2016
Cask clamping rings, covers, etc.	88,287	79,026
Vehicle accessories, etc.	14,061	15,268
Other	-	-
	102,348	**94,294**

The main activity of the Group consists of the manufacture and sale of clamping rings and associated seals as well as the marketing of vehicle accessories for specialist vehicles used in logistics and warehouse logistics as well as in agriculture.

10.2 Other operating income

TEUR	2017	2016
Profit/loss from disposal of property, plant and equipment	521	-
Other own work capitalized	94	64
Income from the reversal of provisions and valuation allowances on receivables	84	16
Income from exchange rate differences	38	69
Income from rental income	27	51
Other income	435	445
	1,199	**645**

11. Operating expenses

11.1 Cost of materials

TEUR	2017	2016
Raw materials and consumables used	46,603	40,811
Cost of purchased services	10,429	12,156
	57,032	**52,967**

Cost of purchased services includes the cost of subcontracted workers in particular.

11.2 Staff costs

TEUR	2017	2016
Wages and salaries	15,997	14,501
Management Board remuneration	564	809
Social security contributions	3,540	3,323
	20,101	**18,633**

The number of employees employed on average rose from 441 in 2016 to 504 in 2017.

11.3 Other operating expenditure

TEUR	2017	2016
Expenses for goods issue	3,645	2,916
Expenses for administration and IT	2,334	2,053
Expenses for machinery and tools	2,277	2,519
Expenses for consultancy and other external services	2,084	1,150
Expenses in connection with buildings	1,952	1,669
Other taxes	353	445
Miscellaneous expenses	1,768	1,745
	14,413	**12,497**

12. Net investment and financial income

12.1 Interest income

TEUR	2017	2016
Interest income	19	17

12.2 Interest expense

TEUR	2017	2016
Interest on current account and bank loans (not of related parties)	1,105	1,316
Interest from obligations under finance leases	2	3
Interest effect from interest accruing on provisions	12	65
Other interest expense	-	251
	1,119	**1,635**

13. Income taxes

Ringmetall Aktiengesellschaft is subject to German corporation tax and trade tax. The corporation tax rate to be applied for financial years 2017 and 2016 amounts to 15%. A solidarity surcharge of 5.5% is also levied. The trade income tax amounts to 17.15% of taxable income.

German subsidiaries are, assuming they are joint stock companies, are also subject to German corporation tax, the solidarity surcharge and trade tax. The German partnership is only subject to trade tax. Depending on the individual assessment rate, the trade income tax amounts to between 10.5% and 17,15% of taxable income.

For foreign subsidiaries, the tax rates applicable on the balance sheet date or already enacted are used to calculate deferred taxes. Depending on the country, the tax rates are between 19.0% and 27.51%.

13.1 Taxes recognized in profit and loss

Taxes on income consisted of the following:

TEUR	2017	2016
Current tax expense		
Current year	-1,796	-1,948
Restatement for previous years	-91	-10
	-1,887	**-1,958**
Deferred tax expense		
of which from the origination and reversal of temporary differences	-87	-125
of which from loss carryforwards	174	135
	87	**10**
Tax expense	**-1,800**	**-1,948**

Deferred tax income many relates to temporary differences in the recognition and measurement of assets and liabilities in accordance with IFRS and from consolidation adjustments recognized in profit or loss and changes in loss carryforwards, which are not the result of changes in the scope of consolidation. They are determined on the basis of tax rates, which apply or are expected on the realization date according to the current legal situation in the individual countries.

13.2 Reconciliation of the effective tax rate

The Group tax rate for financial year 2017 is 32.975%. In the previous year, the Group tax rate amounted to 15.825%. The increase in the Group tax rate is the result of changes in business expectations compared with the previous year, which mean that it is now considered likely that sustained positive trade income will be generated and therefore, unlike previous years, trade tax is expected to be incurred at the level of the Group parent company, i.e. the trade tax loss carryforwards can be utilized.

The reconciliation statement from the expected to the reported tax result is shown below:

TEUR	2017	%	2016	%
Profit before tax	8,935		7,649	
Taxes on the basis of the parent company's domestic tax rate	-2,946	-33.0	-1,210	-15.8
Tax rate differences	189	2.1	-953	-12.5
Changes to tax rates	353	4.0	24	0.3
Non-deductible expenses	-130	-1.5	-47	-0.6
Non-taxable income	63	0.7	13	0.2
Losses and temporary differences, for which no tax assets could be reported	-326	-3.6	68	0.9
Current taxes of prior periods	-91	-1.0	-10	-0.1
Decrease in deferred tax expenditure because of tax losses not previously taken into account	594	6.6	-	-
Tax effect from permanent differences	147	4.3	69	0.9
Decrease in current tax expenditure because of tax losses not previously taken into account	386	0.4	-22	-0.3
Other tax effects	-39	-0.4	120	1.6
Effective tax expense	**-1,800**	**-20.1**	**-1,948**	**-25.5**

The decrease in the effective tax rate in the year under review compared with the previous year is mainly attributable to the decrease in actual tax expense because of tax losses not previously taken into account.

13.3 Unrecognized deferred tax assets

At the end of the reporting period, the Group had unrecognized taxes on loss carryforwards in the amount of EUR 439 thousand (previous year: EUR 964 thousand). Taking account of their usability and recoverability, deferred tax assets were not capitalized on the basis of corporate planning.

Ringmetall Aktiengesellschaft does not take account of deferred tax liabilities for subsidiaries' retained profits, if these profits are viewed as probably permanently invested. In the event that these profits are disbursed or the company sells its investment in the respective subsidiary, an additional tax liability may accrue. The company's distribution policy means that this deferred tax liability is immaterial in value and is therefore not carried as a liability.

13.4 Change in deferred taxes in the statement of financial position during the year

Deferred tax assets and tax liabilities have changed as follows:

Deferred tax assets (TEUR)	2017	2016
Intangible assets	390	401
Property, plant and equipment	95	76
Inventories	18	49
Other current assets	9	27
Property held for sale	-12	-6
Financial lease	41	42
Current other liabilities	1	0
Short-term provisions	24	31
Tax loss carryforwards	612	458
Total	**1,178**	**1,078**
Netting of deferred tax assets and liabilities	-235	-224
Deferred tax assets after netting	**943**	**854**

Deferred tax liabilities (TEUR)	2017	2016
Property, plant and equipment	606	224
Other current assets	38	2
Financial liabilities	20	30
Financial lease	33	43
Total	**697**	**299**
Netting of deferred tax assets and liabilities	-235	-224
Deferred tax liabilities after netting	**462**	**75**

Deferred taxes are to be capitalized in as much as it is likely that future earnings can be generated in line with business expectations.

The Group has suffered losses in several companies in the current period or in the prior period. Deferred tax assets were recognized in the amount of EUR 612 thousand for these companies. The Group assumes that future taxable results will probably be sufficient to be able to realize these deferred tax assets.

13.5 Income taxes recognized directly in equity

TEUR	2017	2016
Current taxes:		
Expenses in connection with share issues	22	43
Total deferred taxes recognized directly in equity	**22**	**43**

14 Explanations regarding the statement of comprehensive income

14.1 Net income for the year from continuing operations

TEUR	2017	2016
Shareholders of the parent	6,766	5,348
Non-controlling interests	369	353
Consolidated net income for the year	**7,135**	**5,701**

14.2 Earnings per Share

	2017	2016
A) Basic earnings per share		
	EUR per share	**EUR per share**
from continuing operations	0.28	0.24
from discontinued operations	-	-
Total basic earnings per share	**0.28**	**0.24**

The results and the average weighted number of ordinary shares, which are included in the calculation of the basic earnings per share, are reproduced below.

TEUR	2017	2016
Share of net income for the year attributable to shareholders of the parent	6,766	5,348
Result per share used in the calculation of basic earnings	7,135	5,701
Weighted average number of ordinary shares to calculate basic earnings per share	25,423	23,939
B) Diluted earnings per share		
	EUR per share	**EUR per share**
from continuing operations	0.28	0.24
from discontinued operations	-	-
Total basic earnings per share	**0.28**	**0.24**

In the year under review, there were neither employee options, convertible bonds nor other matters, which lead to earnings per share being diluted, meaning that basic earnings per share and diluted earnings per share are identical.

15 Goodwill

15.1 Reconciliation of the carrying value

TEUR	2017	2016
Cost	23,830	24,016
Accumulated impairment losses	-1,619	-1,619
	22,211	**22,397**
Cost		
Balance at the beginning of the year	24,016	
Additional amounts recognized from business combinations during the financial year	1,140	
Effects of exchange rate differences	-1,326	
Balance at the end of the year	**23,830**	
Accumulated impairment losses		
Balance at the beginning of the year	1,619	
Impairment losses recognized in the course of the year	-	
Effects of exchange rate differences	-	
Balance at the end of the year	**1,619**	

15.2 Allocating goodwill to cash-generating units

The goodwill resulting from a business combination is recognized at cost less any necessary impairment and is reported separately in the consolidated statement of financial position. As part of the first-time adoption of IFRS, the goodwill calculated according to HGB principles in previous years was retained as of January 1, 2016, in line with the rules for simplification and subject to impairment testing annually and/or more frequently if appropriate. In principle, for the purposes of impairment testing, the goodwill is allocated on acquisition to the Group's cash generating units (CGU) that are expected to benefit from synergies resulting from the combination.

The recoverable amount of each cash generating unit was determined on the basis of the calculation of the value in use using cash flow forecasts, which are based on financial plans established and approved by corporate management, at the respective valuation dates (January 1, 2016, December 31, 2016, and December 31, 2017). In so doing, detailed planning was taken as a basis for one year, which was updated with average potential growth of 1.5% to 2% for a further four years in a simplified extrapolation. Periods not included in the planning figures are depicted by recognizing the terminal value. For cash flows after the period of five years, it is assumed that

they will be subject to a growth rate of 0% (previous year: 0%). Cash flows are discounted at the risk-adjusted interest rate of the respective cash generating units of between 5.6% and 8.3% (previous year: 5.2% to 8.0%), which is based on the weighted average cost of capital (WACC) after corporate taxes. The weighted average cost of capital takes account of a capital cost rate of 7.5% to 11.5% (previous year: 7.0% to 11.0%) and a borrowing cost rate of 3.6% (previous year: 3.5%). In the context of the first-time adoption of IFRS, the calculation takes place on the basis of the capital asset pricing model (CAPM) for all three reporting dates shown, taking account of current market expectations. Specific peer group information for beta factors, capital structure data and borrowing cost rates were used to calculate risk adjusted interest rates for the purposes of impairment testing.

Goodwill broke down as follows at the reporting date:

TEUR	2017	2016
August Berger Metallwarenfabrik GmbH	578	578
Hans Sauermann GmbH & Co. KG	3,973	3,973
Berger Italia S.r.l.	2,658	2,658
S.G.T. S.r.l.	1,477	1,477
Self Industries Inc.	11,447	12,774
Berger Closures Limited	99	99
Metallwarenfabrik Berger GmbH	838	838
Latza GmbH	1,141	-
	22,211	**22,397**

Basic assumptions for the calculation of business units' value in use

The basic assumptions on the basis of which corporate management has prepared their cash flow forecasts for impairment testing of goodwill are explained below.

There is estimation uncertainty for the following assumptions used as a basis for calculating the value in use of cash generating units:

Business plan – the business plan was prepared on the basis of estimates of future business development by corporate management. These estimates were based on historical data.

Planned gross margins – the gross margins are calculated on the basis of average gross margins achieved in the immediately preceding financial year and increased taking expected improvements in efficiency into account.

Price increases for commodities / goods – to take account of price increases, it was largely assumed that the Group will succeed in passing on price increases for commodities/goods purchased via sales prices. The basic assumptions made are consistent with those of external sources of information.

Sensitivity of assumptions made
The calculated values in use have significantly exceeded the carrying amounts of the cash generating units.

The corporate management is of the opinion that no reasonably possible change to one of the basic assumptions made to determine the value in use of the cash generating units could lead to the carrying amount of the cash generating unit exceeding its recoverable value.

16 Other intangible assets

16.1 Reconciliation of the carrying amount

See notes 6.9 A and 6.9 B for accounting policies.

2017

TEUR	Software	Goodwill	Intangible in development	Total
Cost				
As of January 1, 2017	**682**	**24,015**	**-**	**24,697**
Changes to the scope of consolidation	-	1,140	-	1,140
Additions	203	-	47	250
Disposals	-11	-	-	-11
Currency translation	-4	-1,325	-	-1,329
As of December 31, 2017	**870**	**23,830**	**47**	**24,747**
Accumulated amortization and impairment losses				
As of January 1	**-513**	**-1,619**	**-**	**-2,132**
Changes to the scope of consolidation	-	-	-	-
Additions	-98	-	-	-98
Reclassifications	-	-	-	-
Disposals	12	-	-	12
Currency translation	2	-	-	2
As of December 31, 2017	**-597**	**-1,619**	**-**	**-2,216**
Carrying amounts				
As of December 31, 2017	**273**	**22,211**	**47**	**22,531**

2016

TEUR	Software	Goodwill	Intangible in development	Total
Cost				
As of January 1, 2016	**731**	**23,055**	**-**	**23,786**
Changes to the scope of consolidation	-	564	-	564
Additions	26	-	-	26
Disposals	-15	-	-	-15
Currency translation	-3	396	-	393
As of December 31, 2016	**739**	**24,015**	**-**	**24,754**
Accumulated amortization and impairment losses				
As of January 1, 2016	**-499**	**-1,619**	**-**	**-2,118**
Changes to the scope of consolidation	-	-	-	-
Additions	-88	-	-	-88
Reclassifications	-	-	-	-
Disposals	15	-	-	15
Currency translation	3	-	-	3
As of December 31, 2016	**-569**	**-1,619**	**-**	**-2,188**
Carrying amounts				
As of December 31, 2016	**170**	**22,396**	**-**	**22,566**

17 Property, plant and equipment

17.1 Reconciliation of the carrying amount

See note 6.8 for accounting policies.

2017

TEUR	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment*	Property, plant and equipment under construction	Total
Cost					
As of January 1, 2017	**7,930**	**34,734**	**6,065**	**74**	**48,803**
Changes to the scope of consolidation	2,327	1,207	172	-	3,706
Additions	182	838	288	185	1,493
Reclassifications	1	59	21	-81	-
Disposals	-1,100	-613	-323	-	-2,036
Currency translation	-263	-335	-40	-	-638
As of December 31, 2017	**9,077**	**35,890**	**6,183**	**178**	**51,328**
Accumulated amortization and impairment losses					
As of January 1, 2017	**-3,417**	**-28,064**	**-5,034**	**-**	**-36,515**
Changes to the scope of consolidation	-719	-1,008	-159	-	-1,866
Additions	-171	-1,395	-340	-	-1,906
Reclassifications	-	-	-	-	-
Disposals	96	588	290	-	974
Currency translation	20	161	13	-	194
As of December 31, 2017	**-4,191**	**-29,718**	**-5,230**	**-**	**-39,139**
Carrying amounts					
As of December 31, 2017	**4,886**	**6,172**	**953**	**178**	**12,189**

*Operating and office equipment

2016

TEUR	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment*	Property, plant and equipment under construction	Total
Cost					
As of January 1, 2016	**8,117**	**33,477**	**6,001**	**181**	**47,776**
Changes Scope of consolidation	-	-	-	-	-
Additions	40	1,222	281	487	2,030
Reclassifications	275	398	-86	-587	-
Disposals	-	-16	-74	-7	-96
Currency translation	-502	-347	-58	-	-907
As of December 31, 2016	**7,930**	**34,734**	**6,065**	**74**	**48,803**
Accumulated amortization and impairment losses					
As of January 1, 2016	**-3,204**	**-27,145**	**-4,881**	**-**	**-35,230**
Changes to the scope of consolidation	-	-	-	-	-
Additions	-226	-1,256	-357	-	-1,838
Reclassifications	-46	46	-	-	-
Disposals	-	17	50	-	67
Currency translation	59	275	154	-	488
As of December 31, 2016	**-3,417**	**-28,064**	**-5,034**	**-**	**-36,515**
Carrying amounts					
As of December 31, 2016	**4,513**	**6,671**	**1,031**	**74**	**12,288**

*Operating and office equipment

18 Non-current assets held for sale

TEUR	2017	2016
Property held for sale	400	400

Liabilities associated with assets held for sale:

EUR thousand	2017	2016
Deposits by banks	229	267

The fair value of properties held for sale is determined by the price offered by a potential purchaser on the real estate market or rejected by him.

Subjectively, there is neither the intention to use the properties reported commercially nor were they acquired for trading. Consequently, the properties must be reported as an available-for-sale asset. As of the reporting date, the negotiations conducted with a potential purchaser over a longer period materialized in a contract to sell.

There is collateral for reported liabilities to banks with the property reported as held for sale.

19 Inventories

TEUR	2017	2016
Raw materials and supplies	6,115	5,215
Work in progress	1,757	1,846
Finished goods	3,047	3,088
Advance payments	31	40
	10,950	**10,189**

Inventories are subject to retention of title by suppliers in some cases. No inventories were pledged as security.

Write-downs of EUR 171 thousand were included in the total amount for inventories (previous year: EUR 101 thousand). Expenses for impairment recognized in income within the income statement amounted to EUR 161 thousand (previous year: EUR 10 thousand).

20 Trade and other receivables

Trade receivables are not interest-bearing and broke down as follows at the year-end:

TEUR	2017	2016
Trade receivables	12,730	13,400
Impairment	-270	-323
	12,460	**13,077**

The risk of defaults is limited by credit checks and a dunning process. In operating business, outstanding receivables are monitored on an ongoing, location-based, i.e. decentralized basis.

Account is taken of credit risks through specific valuation allowances and global valuation allowances. At the end of the reporting period, there were no material offsetting amounts, which mitigate this risk.

With regard to the trade receivables that were neither impaired nor in default, there were no indications at the end of the reporting period that debtors would not meet their payment obligations. Trade receivables are not interest-bearing and must generally be settled within 30 days to 45 days depending on the region. In financial year 2017 and in the previous year too, losses on trade receivables were insignificant.

Maturity structure of receivables that are past due but not impaired:

TEUR	2017	2016
60 to 90 days	1,709	816
91 to 180 days	889	517
More than 180 days	-	-
Total	**2,598**	**1,333**
Changes in impairments		
Balance at the beginning of the year	323	236
Valuation allowance on receivables	36	87
Amounts received from written-down receivables during the financial year	-27	-
Reversals of impairment	-58	-
Income and expenses from foreign currency translation	-4	-
Balance at the end of the year	**270**	**323**
Maturity structure of impaired receivables (Denominations)		
60 to 90 days	220	261
91 to 180 days	115	143
More than 180 days	47	40
Total	**382**	**444**

21 Other current assets

TEUR	2017	2016
Tax and current tax assets	322	472
Deferred items	262	105
Other receivables	657	829
	1,241	**1,406**
Current	1,241	1,406
Non-current	-	-

22 Cash and cash equivalents

Cash and cash equivalents as of December 31 broke down as follows:

TEUR	2017	2016
Balances at banks and cash in hand	14,936	5,311
Balance at the end of the year	**14,936**	**5,311**

Interest accrues on bank balances at variable interest rates for on-call deposits. Cash equivalents are short-term investments for different periods, which depending on the Group's respective cash requirement amount to between one day and three months. Interest accrues on them at the interest rates for short-term deposits applicable in each case. The fair value of cash and cash equivalents is equal to the nominal value.

23 Equity

23.1 Share capital

TEUR	2017	2016
Share capital	27,685	25,168
The share capital breaks down as follows:		
Shares each EUR 1	27,685,000	25,168,000

a) Fully paid-in ordinary shares

TEUR	Number of shares	Share capital	Premium
As of Jan 1, 2016	22,880,000	22,880	2,947
Capital increase	2,288,000	2,288	2,626
As of December 31, 2016	25,168,000	25,168	5,573
Capital increase	2,516,800	2,517	6,959
As of December 31, 2017	**27,684,800**	**27,685**	**12,532**

The fully paid-in ordinary shares have a nominal value of EUR 1, entitle the shareholder to one voting right per share and to receive dividends.

23.2 Capital reserves

TEUR	2017	2016
Balance at the beginning of the year	5,573	2,947
Additions from premiums	7,047	2,745
Expenses associated with the addition	-88	-119
Balance at the end of the year	**12,532**	**5,573**

Premiums from the issue of shares are shown in the capital reserves.

23.3 Non-controlling interests

TEUR	2017	2016
Balance at the beginning of the year	1,161	1,915
Share in net income for the year	369	353
Distributions	-512	-323
Other changes	54	-784
Balance at the end of the year	**1,072**	**1,161**

24 Provisions for post-employment benefits

Obligations, which are based on a statutory basis in Italy at the Group companies S.G.T. S.r.l. Albavilla, Italy and Berger Italia S.r.l. Valmadrera, Italy, are reported under pensions and similar obligations. The statutory basis in question is the so-called "Trattamento di Fine Rapporto (TFR)" of severance obligations of the Italian companies to their employees. Employees in Italy are entitled in principle to a severance advance payment. It does not depend on the reason for the "severance from the employer" in this context. Each employment relationship gives rise to a claim to payment under TFR. It is an additional claim to pension benefits, which is regulated under public law.

Companies must account for the corresponding funds for TFR as a provision for future corporate liabilities. Payment of TFR does not therefore result primarily in expenses from the consumption of provisions; only a liquidity outflow takes place. Among other factors, the TFR refers to the amount of salary received by the employee. To hedge the obligations, the Group holds matching restricted cash reserves via an insurance company; however, the provisions are not shown net.

24.1 Measurement of the severance obligation

The provision for severance obligations equals the aggregate amount of individual claims accumulated by employees on the respective measurement day less any advance payments already disbursed and corresponds to the amount, which would be due on termination of the respective employment relationship on the measurement date.

Measurement of severance obligations is based on IAS 19. Appropriate actuarial opinions have been obtained for the Group companies S.G.T. S.r.l. Albavilla, Italy and Berger Italia S.r.l. Valmadrera, Italy, at the measurement dates December 31, 2016, and December 31, 2017.

According to the requirements of IAS 19, particular account is taken of the date at which the severance obligations in question accrue and they are quantified, taking a calculation of the average present value into consideration.

Gender and qualification as well as age and length of service are used as the underlying parameters. As part of the measurement process, the future obligations in terms of amount and the date are calculated, taking the economic and demographic conditions and assumptions into consideration. With regard to demographic parameters, a distinction is also made between termination, occupational disability and death in the various situations.

In the calculations required by IAS19, the severance obligations are determined on the basis of the specified remaining term of TFR cash flows and the remaining average anticipated service term in years for the respective measurement days using the premises and assumptions specified or underlying in each case.

The calculation of foreign obligations is based on the mortality tables of the respective country. Age-specific and gender-specific inputs were used in calculating the probability of employee turnover. Estimates of anticipated returns on fund assets were cautious and based on historical data.

	Outside Germany 2017	Outside Germany 2016
Discount factor	1.30%	1.30%
Inflation rate	2.00%	2.00%
Income trend	3.12%	3.00%
Annual payment amounts	12-21 TEUR	13-17 TEUR
Residual term of the TFR cash flow	18 years	18-19 years
Average anticipated residual service term	12.70-17.44 years	13.29-18.23 years

24.2 Changes in the severance obligation

The provision for severance obligations developed as follows:

TEUR	2017	2016
Opening balance 1.1.	762	663
Interest cost	9	9
Appropriation reserves	58	57
Utilization	-32	-30
Other changes	9	63
Closing value on 31.12.	**806**	**762**

The annual expense to appropriations to the severance obligation is allocated to personnel expenses in the consolidated income statement in accordance with the nature of expense method. Interest expense is shown within the financial result.

There would have been the following impact on the provision created for severance obligations on December 31, 2017 and December 31, 2016 if the calculation parameters (discount factor 1.30% - 1.31%) had changed as follows:

Sensitivity analysis of the severance obligations

TEUR	2017	2016
(+) Increase/(-) decrease		
Discount rate 1.05% - 1.06% (-0.25%)	+24	+23
Discount rate 1.55% - 1.56% (+0.25%)	-23	-3

25 Other provisions

See note 6.15 for accounting policies.

2017	Remaining annual leave/ overtime	Other personnel	Consulting	Warranty risks	Other	Total
TEUR						
As of January 1	**603**	**675**	**240**	**72**	**196**	**1,786**
Utilized provisions	(573)	(661)	(240)	(20)	(177)	(1,671)
Increase in provisions	752	759	191	68	302	2,072
Reversed provisions	-	(26)	-	-	-	(26)
Currency adjustment	-	(12)	(5)	(2)	(7)	(26)
As of December 31	**782**	**735**	**186**	**118**	**314**	**2,135**

2016	Remaining annual leave/ overtime	Other personnel	Consulting	Warranty risks	Other	Total
TEUR						
As of January 1	**549**	**494**	**196**	**53**	**36**	**1,327**
Utilized provisions	(521)	(477)	(196)	(8)	(62)	(1,264)
Increase in provisions	-	(16)	-	-	-	(16)
Reversed provisions	575	673	239	27	222	1,737
Currency adjustment	-	1	1	-	-	2
As of December 31	**603**	**675**	**240**	**72**	**196**	**1,786**

A. Overtime/annual leave

Personnel provisions include, in particular, the provision for compensated absences, overtime earned and bonuses as well as provisions for severance payments. The increase is primarily the result of higher compensated absences and overtime as well as the expansion in the scope of consolidation.

B. Consulting

The provision for consulting includes outstanding invoices in connection with services received. A key part contains deferred costs in connection with the switch to accounting in accordance with IFRS.

C. Warranty risks

The provision for warranty risks is based on the Management Board's best estimate of the future outflows and takes account of case-by-case transactions in particular.

26 Financial liabilities

26.1 Schedule of terms and liabilities

TEUR	Note	Dec. 31, 2017	Dec. 31, 2016
Non-current liabilities			
Bank loans	**26.2**	12,391	16,332
thereof: Liabilities directly related to non-current assets held for sale		*188*	*228*
Other loans		-	386
Finance lease liabilities	**26.4**	606	510
Total		**12,997**	**17,228**
Current liabilities			
Bank loans	**26.2**	6,791	5,393
thereof: Liabilities directly related to non-current assets held for sale		*40*	*40*
Other loans		349	2,861
Finance lease liabilities	**26.4**	201	181
Total		**7,341**	**8,435**

Information about the extent to which the Group is exposed to interest rate, currency and liquidity risks is provided in note 29.3.

Liabilities are broken down into current and non-current in line with the repayment schedules on file.

26.2 Secured bank loans

The outstanding loans feature the following terms:

					December 31, 2017		December 31, 2016	
TEUR		**Currency**	**Interest rate**	**Maturity year**	**Nominal amount**	**Carrying amount**	**Nominal amount**	**Carrying amount**
August Berger Metallwarenfabrik GmbH	A	EUR	EURIBOR +2.25%	2018 – 2024	9,500	9,423	12,000	11,870
	B	EUR	EURIBOR +2.25%	2019 – 2024	5,000	4,959	5,000	4,947
	C	EUR	EURIBOR +2.25%	2018	2,500	2,500	1,551	1,551
Ringmetall AG		EUR	EURIBOR 3M 3.5%	2018	600	599	1,400	1,394
SCI Berger France		EUR	3.75%	2018	228	228	268	268
Berger Spain		EUR	2.85%	2018	9	9	26	26
Cemsan		TRY / EUR	18.50%	2018	551	551	758	758
SGT S.r.l.		EUR	2.50%	2018 – 2024	257	257	305	305
Berger China		CNY /EUR	6.09%	2018 – 2024	540	540	575	575
Latza GmbH		EUR	1.12%	2018 – 2024	42	42	-	-
		EUR	1.51%	2018 – 2024	74	74	-	-
HSM		EUR			-	-	30	30
Total					**19,301**	**19,182**	**21,913**	**21,724**

The bank loans are secured with land and buildings, for example (see note 17).

26.3 Breaches of covenants arising from financial liabilities

The Group has concluded a syndicated loan agreement to acquire companies. The documents which it has agreed to submit therein are based on the previously relevant German commercial law (HGB). Agreement with the syndicate banks on the requisite adjustments to the agreements in the syndicate agreement on the documents to be submitted and the deadlines for this purpose has not yet been concluded in full. However, the syndicate banks have already confirmed in writing that the approach adopted by the Group will be accepted as compliant with the agreement.

26.4 Finance lease liabilities

At the end of the reporting period, the liabilities under finance leases related solely to assets in the form of technical equipment and machinery (EUR 807 thousand). The Group leases this equipment and machinery within the framework of a finance lease. The average lease term is five years (previous year: 5 years). The Group has the option of acquiring the equipment at the end of the contractually agreed term at nominal value.

The interest rates on which a finance lease is based are specified on the date the lease is concluded and range between 3.9% and 5.7% (previous year: 3.9% and 5.7%) p.a. The maturities range between 2018 and 2023 (previous year: 2017 and 2023).

Finance lease liabilities are due as follows:

	Future minimum payments		Interest payments		Present value of future minimum payments	
TEUR	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Less than 1 year	211	189	10	8	201	181
Between one and five years	555	439	16	8	540	431
Over five years	68	82	1	3	67	79
Total	**834**	**710**	**27**	**19**	**807**	**691**

As in the previous year, there were no contingent lease payments in the period under review.

27. Trade and other payables

Current:

TEUR	**Dec. 31, 2017**	**Dec. 31, 2016**
Trade payables	9,685	9,356
Other liabilities	2,920	1,713
Total	**12,605**	**11,069**

See note 6.10 for accounting policies.

See note 29.3 for the Group's currency and liquidity risks arising from trade and other payables.

The increase in trade payables is largely attributable to the expansion in the scope of consolidation (EUR 150 thousand). This effect resulted in an increase of EUR 590 thousand in other liabilities.

28. Capital management

The Group aims to retain a strong capital base to maintain the trust of investors, creditors and markets and ensure the company's sustained development.

The Management Board strives to achieve a balance between increasing the return while optimizing the ratio of equity to borrowings and achieving the benefits of a stable capital base.

The Group uses an adjusted net debt-to-adjusted equity ratio to monitor capital. Adjusted net debt basically comprises interest-bearing liabilities to banks less cash and cash equivalents.

The equity ratio broke down as follows:

TEUR	2017	2016
Interest-bearing loans and bonds	19,168	21,724
Less cash and cash equivalents	-14,936	-5,311
Net debt	**4,232**	**16,413**
Equity	**39,102**	**26,306**
Total assets	**75,796**	**66,239**
Equity ratio	0.52	0.40

29. Financial instruments – fair values and risk management

29.1 Designations and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not contain any information on the fair value for financial assets and financial liabilities, which were not measured at fair value, if the carrying amount constitutes a reasonable approximation of the fair value. It is assumed that the fair value of current assets and liabilities equals the carrying amount.

December 31, 2017

TEUR	Note	Carrying amount Fair value hedging instruments	Total	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities at fair value							
Interest rate swaps used for hedging transactions	**29.2**	-38	-38	-	-38	-	-38
Total		**-38**	**-38**	**-**	**-38**	**-**	**-38**

December 31, 2016

TEUR	Note	Carrying amount Fair value hedging instruments	Total	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities at fair value							
Interest rate swaps used for hedging transactions	**29.2**	-54	-54	-	-54	-	-54
Total		**-54**	**-54**	-	**-54**	-	**-54**

Virtually without exception, interest is payable on bank loans at EURIBOR plus a margin. There has been very little change in this margin compared with the date at which the loan was concluded. This is why there is little difference between the fair value and the carrying amount. This also applies to existing finance leases. Existing interest rate swaps are used solely for economic hedging purposes.

29.2 Determining fair values

Measurement techniques and material, unobservable inputs

The following tables show the measurement techniques used in determining the fair values of level 2 and level 3 and the material, unobservable inputs used:

Financial instruments measured at fair value

Type	Measurement technique
Interest rate swaps	Market comparison procedure: The fair values are based on standardized calculations of a renowned German financial bank, in which only inputs observable on the market are used.

Financial liabilities not at fair value

Type	Measurement technique	Material, unobservable inputs
Other financial liabilities*	Discounted cash flows calculated using the DCF method involving market interest rates and the term of the liability	Margin surcharge on interest

* Other financial liabilities include secured and unsecured bank loans, unsecured bonds and liabilities under finance leases. Since the fair value does not equal the carrying amount of financial instruments, no further disclosures are provided.

29.3 Financial risk management

The Group is exposed to the following risks from the use of financial instruments:

- Default risk (see B)
- Liquidity risk (see C)
- Market risk (see D).

A. Principles of risk management

The Management Board is responsible for the components and monitoring of the Group risk management system. The Management Board has established an internal specialist body for this purpose, which is responsible for monitoring and developing the Group's risk management guidelines. This body reports to the Management Board on its work at regular intervals. The principles of the risk management system can be transferred to financial risks; please refer to the risk report in the Group management report regarding this.

The Group's risk management guidelines were developed to identify and analyze the Group's risks, to introduce appropriate risk limits and controls and to monitor the development of risks and compliance with limits. The risk management guidelines and risk management system are regularly reviewed to be able to pick up on changes in market conditions and the Group's activities. The existing training and management standards plus the associated processes aim to ensure an expedient control environment, in which all employees understand their respective tasks and responsibilities.

The Supervisory Board monitors compliance with the guidelines and processes of Group risk management by the Management Board and the effectiveness of the risk management system with regard to the risks to which the Group is exposed.

B. Credit risk

Credit risk is the risk of financial losses if a customer or the counterparty to a financial instrument fails to comply with his contractual obligations. Credit risk mainly arises from trade receivables. In essence, the receivables are trade receivables from the sale of goods. They are solely current receivables, which are settled within two to three months as a rule.

The carrying amounts of financial assets equal the maximum credit risk.

The Group's credit risk is mainly influenced by the individual characteristics of its customers. However, the Management Board also takes account of the characteristics of the entire customer base, including the credit risk of the sector and the countries in which the customers operate, since these factors can also influence the credit risk.

The majority of the Group's customers are globally active groups. An impairment has not so far had to be recognized for any of these customers. In monitoring credit risk, attention is paid predominantly to the time of invoicing, which is usually effected by the customer and the time at which the invoice is paid.

The Management Board estimates on a case-by-case basis whether overdue amounts are still recoverable in full. This estimate is based on past payment conduct, the assessment of creditworthiness based on published financial data, if available, and the amount of existing receivables. In total, the Group only has to report insignificant levels of bad debts.

Cash and cash equivalents

As at December 31, 2017, the Group had cash and cash equivalents of EUR 14,936 thousand (previous year: EUR 5,311 thousand 5.311). This amount therefore constituted the maximum credit risk for these assets. Cash and cash equivalents are held with different banks or financial institutions in the countries in which the Group operates, however, a significant portion is held in Germany.

Derivatives

The Group concludes interest rate swaps to hedge interest rate risk. Derivatives are concluded with the German banks or financial institutions with which variable rate loans were also agreed.

C. Liquidity risk

Liquidity risk describes the risk that the Group will have difficulty in meeting its obligations punctually when they fall due. It is not exposed to liquidity risks from financial liabilities, as the Group had cash and cash equivalents of EUR 14,936 thousand (previous year: EUR 5,311 thousand) at the balance sheet date. Cash flows are also expected with a high degree of certainty, since interest and principal payments and the financial liabilities resulting therefrom can be serviced on a matched basis. Ultimately, responsibility for liquidity risk management lies with the Management Board, which has established an appropriate system for managing short, medium and long term financing and liquidity requirements. The Group manages liquidity risks by holding appropriate reserves and constantly monitoring the forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for both derivative and primary financial liabilities. The following maturity analysis shows the extent to which undiscounted cash flows in connection with liabilities as at December 31, 2017, and December 31, 2016 respectively, affect the Group's future liquidity situation.

Significance of the liquidity risk

The contractual residual terms of financial liabilities at the end of the reporting period including estimated interest payments are shown below. These are undiscounted gross amounts including estimated interest payments but do not show the impact of netting.

2017

TEUR	Carrying amount	Nominal amount	Total	< 1 year	< 5 years	> 5 years
Bank loans incl. interest rate swaps	19,206	19,325	**19,325**	6,993	12,328	4
Finance lease liabilities	807	834	**834**	211	555	68
Total	**20,013**	**20,159**	**20,159**	**7,204**	**12,883**	**72**

2016

TEUR	Carrying amount	Nominal amount	Total	< 1 year	< 5 years	> 5 years
Bank loans incl. interest rate swaps	21,778	21,967	**21,967**	5,827	16,023	117
Finance lease liabilities	692	710	**710**	189	439	82
Total	**22,470**	**22,677**	**22,677**	**6,016**	**16,462**	**199**

As stated in note 26, the Group mainly has bank loans, which include covenants. A future breach of the covenants can lead to the loan having to be repaid at an earlier date than that specified in the above table.

The interest payments for variable-rate loans and bonds in the above table were stated at a fixed interest rate if they are covered by swaps. They reflected the market conditions for forward interest rates at the end of the financial year. These may change in response to changes in market interest rates.

D. Market risk

Market risk is the risk that market prices, such as exchange rates, interest rates or share prices, may change and, as a result, affect the Group's income of the value of financial instruments held. The aim of market risk management is to manage market risk within acceptable ranges, to control it and, at the same time, to optimize the return.

The Group acquires and sells derivatives or incurs financial liabilities to manage market risks. All transactions take place within the guidelines of the Risk Management Committee. At the end of the reporting period, there was no sign of any concentrations of risk for the Group in its companies.

E. Currency risk

Various transactions in the Group are denominated in foreign currency. These expose it to risks from fluctuations in exchange rates. Exchange rate risks are managed through the focused management of cash flows and individual cases through forward foreign exchange contracts. On the reporting date, the carrying amount of the Group's monetary assets and liabilities in foreign currency was:

TEUR	Dec. 31, 2017		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
USD	3,491	1,114	4,255	1,090
GBP	1,600	172	1,288	220
TRY	570	1,047	870	1,382
CNY	404	878	254	803
HKD	501	-	-	-

Interest rate risk

The Group is mainly exposed to interest rate risk from the financing of acquisitions. Bank loans on which a variable interest rate is charged, which are listed in note 26.2, pose an interest-rate related cash flow risk. In principle, these liabilities are hedged with interest rate swaps. The maturity of interest rate swaps is between 1 and 3 years (previous year: 1 – 4 years).

Because of the variable interest rate, the interest rate risk would only have an insignificant impact on the carrying amount of liabilities to banks.

The following table shows the impact of an assumed change in interest rates of +/-100 basis points, assuming all other variables remain constant for derivative financial instruments, on the income statement:

TEUR	Dec. 31, 2017		Dec. 31, 2016	
Interest rate level	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Derivative financial instruments	34	-49	57	-80

30 Operating Leases

See note 6 for accounting policies.

Leases as a lessee

Operating leases mainly relate to properties, technical equipment and machinery plus various items of office furniture and fixtures. In the case of agreements involving properties, the contract contains a clause that ensures the agreed rental is reviewed at regular intervals.

TEUR	2017	2016
Non-terminable leases		
Up to one year	2,235	1,939
Between one and five years	4,859	5,108
More than five years.	2,343	-
	9,437	**9,920**

Application of IFRS 16 Leases is obligatory for the first time from financial years commencing on or after January 1, 2019. Early application is possible in principle, if IFRS 15 Contracts with Customers is already applied in its entirety (early). However, Ringmetall AG does not plan to apply it early.

Ringmetall plans to apply it for the first time as part of the modified retrospective application and assesses the assets as if IFRS 16 had always been applied, however, the assets are capitalized in the amount of the value of the lease liability at net present value of the lease payments outstanding at the date of first-time application.

As a result, the asset corresponds to the lease liability at the date of first-time application. Accordingly, equity is not adjusted at this date.

At the present date of the assessment, the value of the leases to be accounted for would be between EUR 9 thousand and EUR 20 thousand, if the new IFRS 16 standard had been applied at the balance sheet date.

31 Related parties

31.1 Transactions with members of key management personnel

A. Remuneration of members of key management personnel

TEUR	2017	2016
Short-term employee benefits	564	809
Total	**564**	**809**

Remuneration for the current Management Board amounted to EUR 564 thousand for 2017 (previous year: EUR 809 thousand). It relates to the remuneration of the Management Board for its functions in the Group (indirect and direct).

B. Transactions with members of key management personnel

Management Board members had 54.5% (December 31, 2017) of the company's voting rights.

The combined value of transactions and the outstanding balances in connection with members of key management personnel and companies, which they control or over which they exercise significant influence, were as follows:

	Sale of goods / services		Acquisition of goods / services	
TEUR	2017	2016	2017	2016
Ringmetall AG	-	-	58	50
Subsidiaries of Ringmetall AG	1	-	174	59
Total	**1**	**-**	**232**	**109**

	Receivables from related parties		Liabilities to related parties	
TEUR	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Ringmetall AG	-	-	16	2
Subsidiaries of Ringmetall AG	-	-	-	-
Total	**-**	**-**	**16**	**2**

C. Transactions with members of the Supervisory Board

The combined value of transactions and the outstanding balances in connection with members of the Supervisory Board and companies, which they control or over which they exercise significant influence, were as follows:

TEUR	Values of the transactions		Balances outstanding as of December 31	
Transaction	**2017**	**2016**	**2017**	**2016**
Remuneration	112	66	110	54
Reimbursement of expenses	3	7	1	-
Total	**115**	**73**	**111**	**54**

D. Transactions with related parties

	Sale of goods / services		Acquisition of goods / services	
TEUR	**2017**	**2016**	**2017**	**2016**
Ringmetall AG	-	-	-	-
Subsidiaries of Ringmetall AG	1	-	303	303
Total	**1**	**-**	**303**	**303**

	Receivables from related parties		Liabilities to related parties	
TEUR	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
Ringmetall AG	-	-	-	-
Subsidiaries of Ringmetall AG	-	-	60	-
Total	**-**	**-**	**60**	**-**

32. Employees

In 2017, the Group employed 504 employees on average (previous year: 441 employees).

33. Events after the reporting period

In February 2018, the assets and operations of Changzhou Hong-Ren Packaging Equipment Co. Ltd. were acquired and transferred to the existing subsidiary in China. In the financial year, Hong-Ren Packaging Equipment Co. Ltd. generated annual revenue of approximately EUR 1.2 million.

The first-time accounting for the business combination was still not completed by the date on which the financial statements were approved. Disclosures of the purchase price and the allocation of the purchase price are therefore not included.

Ringmetall aims to switch to the regulated market (General Standard) of the German stock exchange in 2018. The requisite steps and measures have been initiated and have already been implemented to a substantial extent.

There were no other events requiring disclosure after the balance sheet date.

34. New standards and interpretations, which have not yet been applied

Ringmetall applies the principles of the framework as well as all other IFRS issued by the International Accounting Standards Board adopted by the EU through endorsement, for which application is mandatory at the balance sheet date, namely December 31, 2017, as well as the interpretation rules of the International Financial Reporting Interpretations Committee of the IASB (IFRIC), application of which is mandatory.

The following new standards and interpretations or amendments to existing standards and interpretations had to be applied for the first time for financial year 2017 without this having a material impact on the presentation of the consolidated financial statements of Ringmetall:

- IAS 7: Amendments to IAS 7: Disclosure Initiative (January 1, 2017);

- IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (January 1, 2017):

- Annual Improvements 2014-2016: Amendments to IFRS 12 (January 1, 2017).

The amendments had no material impact on the presentation of the net assets, financial position and results of operations in the present consolidated financial statements.

Ringmetall did not voluntarily apply the following standards or interpretations newly issued or revised by the IASB, application of which was, however, not yet compulsory; in some cases, endorsement by the EU is still outstanding. The Group is currently examining whether the changes will have an impact on the consolidated financial statements.

Standard (published on)	Applicable to financial years beginning on or after	Content and significance
Final version of IFRS 9 Financial Instruments (July 24, 2014)	January 1, 2018	In future, the standard will replace the rules of IAS 39 with rules on the categorization and measurement of financial assets and liabilities and on hedge accounting. Impairments must now be recognized in accordance with the expected loss model (previously incurred loss model). The Group has started to examine the impact on net assets, the financial position and results of operations. The Group is currently still examining the impact of the introduction of the new standard, however, it does not expect any material impact on the accounting for the Group's financial instruments.
IFRS 15, Revenue from Contracts with Customers (May 28, 2014)	January 1, 2018	The standard replaces a large number of existing regulations governing realization of revenue in various standards and interpretations. The objective of IFRS 15 is to create principles as part of a 5-stage model, which a company must apply when reporting on the type, amount, date of accrual and uncertainty of revenues and resultant cash flows from a contract with a customer. For financial years beginning on or after January 1, 2018, either complete retrospective application or modified retrospective application is prescribed. Early application is permitted. The Group intends to apply the new standard using the modified retrospective method at the prescribed effective date. The Group is currently examining the possible future impact on the consolidated financial statements and does not expect any material impact on revenue with customers.
IFRS 16, Leases (January 13, 2016)	January 1, 2019	IFRS 16 regulates the recognition, measurement, presentation and disclosure obligations applicable to leases. For lessees, the standard envisages accounting in accordance with the right-of-use approach. The new standard supersedes IAS 17 (accounting in accordance with the risk-

Standard (published on)	Applicable to financial years beginning on or after	Content and significance
		and-reward approach) and application is mandatory for financial years from January 1, 2019. Early application is possible in principle, if IFRS 15 is already applied in its entirety early IFRS 16 stipulates the principles for recognition, measurement, presentation and disclosure obligations applicable to leases and obliges lessees to recognize all leases in accordance with a single model similar to the accounting for finance leases in accordance with IAS 17. The new standard contains two exceptions from the obligation to recognize leases in the balance sheet for lessees: Leases for minor value assets (e.g. PCs) and short-term leases (i.e. leases with a term of 12 months or less). At the start of the lease, the lessee recognizes a liability to make lease payments (i.e. the lease liability) and an asset for the right granted to use the leased item during the term of the lease (i.e. the right to use the leased item). Lessees must recognize the interest expense for the lease liability and amortization expense for the right to use the leased item separately. On occurrence of certain events (e.g. an amendment to the term of the lease or an amendment to future lease payments as a consequence of a change to the index or interest rate used to determine lease payments), lessees must remeasure the lease liability. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right to use the leased item. The Group is currently examining the impact on the net assets, financial position and results of operations, which are presented under note 30.

35. Disclosures pursuant to section 315 E of the German Commercial Code (HGB)

The Management Board will propose payment of a dividend of EUR 1,661,088.00 from the unappropriated surplus of Ringmetall AG of EUR 7,689,055.29 to the shareholders of Ringmetall AG, i.e. 6 cents per share. The remaining amount of EUR 6,027,796.29 will be carried forward to new account.

The fee charged by the auditors for the financial year for auditing the consolidated financial statements including auditing German companies as at December 31, 2017 totals EUR 130 thousand (fee for the previous year's auditor EUR 81 thousand). In addition to the above mentioned auditing services, additional expenses of EUR 80 thousand (other services by the previous year's auditor EUR 12 thousand) have been taken into account for other services.

In the previous year, the consolidated financial statements were prepared and audited in accordance with the provisions of HGB.

36. Executive bodies of the company

A. Members of the Management Board

Christoph Petri	
Management Board	Since April 1, 2011
Residence	Hamburg, Germany
Education/training	Businessman

Konstantin Winterstein	
Management Board	Since October 1, 2014
Residence	Munich, Germany
Education/training	Engineer

Jörg Rafael	
Management Board	01.07.2003 - 30.04.2017
Residence	Munich, Germany
Education/training	Businessman

B. Members of the Supervisory Board

Thilo von Selchow	
Member	Since September 1, 2015
Chairman	Since June 30, 2016
Professional activities	Managing Director of Thilo von Selchow GmbH
Supervisory Board mandates and memberships of comparable supervisory bodies in accordance with section 285 no. 10 HGB:	
- Advisory Board member of Steag GmbH	
- Industry Advisory Board of the Fraunhofergesellschaft Microelectronics Association	

Markus Wenner	
Member	Since September 1, 2014
Vice-Chairman	Since June 30, 2016
Professional activities	Lawyer
Supervisory Board mandates and memberships of comparable supervisory bodies in accordance with section 285 no. 10 HGB:	
- Supervisory Board Chairman of L-KONZEPT Holding AG	
- Supervisory Board Chairman of Value Holdings Capital Partners AG	
- Supervisory Board Chairman of Wolftank Adisa Holding AG	
- Deputy Supervisory Board Chairman of TeleService Holding AG	
- Supervisory Board Member of UMT United Mobility Technology AG	
- Supervisory Board Member of eventa AG	
- Supervisory Board Member of vPE WertpapierhandelsBank AG	
- Supervisory Board Member of elbe Finanzgruppe AG	

Ralph Heuwing	
Member	Since August 30, 2016
Professional activities	Member of the Management Board of Knorr-Bremse AG
Supervisory Board mandates and memberships of comparable supervisory bodies in accordance with section 285 no. 10 HGB:	
- Ivoclar Vivadent AG	
- Phoenix Contact GmbH & Co. KG	

Munich, May 4, 2018

Christoph Petri
Spokesman of the Executive Board

Konstantin Winterstein
Member of the Executive Board

Audit opinion of the statutory auditor

We have audited the consolidated annual financial statements of Ringmetall AG, München - comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the annual financial statements - and the combined management report for the financial year from January 1, 2017, to December 31, 2017. The preparation of the financial report in accordance with International Financial Reporting Standards ("IFRS") as stipulated by the European Union and the provisions of Articel 315e para.1 of the German Commercial Code (HGB) is the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated annual financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated annual financial report in accordance with Article 317 HGB and German Generally Accepted Standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements and errors materially affecting the presentation of the financial position and financial performance in

the consolidated annual financial report in accordance with the applicable financial reporting framework and in the Group's combined management report are detected with reasonable assurance. In determining the audit procedures, knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated annual financial report and the combined management report are examined primarily on a sampling basis. The audit includes assessing the annual financial statements of those entities included in the consolidated entity, the determination of entities to be included in the consolidated entity, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial report and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated annual financial report complies with the IFRS as stipulated by the European Union and the provisions of Article 315e para.1 HGB and the supplementary regulations of the constitution and gives a true and fair view of the financial position and financial performance of the consolidated entity in accordance with German principles of adequate and orderly accounting. The combined management report is consistent with the consolidated annual financial statements, complies with the relevant legal provisions, gives a true and fair view of the consolidated entity's position and accurately presents the opportunities and risks of future development.

Nuremberg, May 4, 2018

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Prof. Edenhofer
Public Auditor

Meyer
Public Auditor

THE RINGMETALL AG

ASSETS		31.12.2017		31.12.2016
		EUR	EUR	TEUR
A.	**FIXED ASSETS**			
I.	**Intangible assets**			
	Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		1.00	0
II.	**Tangible assets**			
	Other equipment, operating and office equipment		7,335.00	7
III.	**Financial assets**			
1.	Shares in affiliated companies	32,713,388.64		32,713
2.	Equity investments	61,533.87		62
			32,774,922.51	**32,775**
			32,782,258.51	**32,782**
B.	**Current assets**			
I.	**Receivables and other assets**			
1.	Receivables from affiliated companies	11,077,891.82		6,737
2.	Other assets	74,983.14		115
			11,152,874.96	**6,852**
II.	**Cash-in-hand and bank balances**		7,812,862.39	1,943
			18,965,737.35	**8,795**
C.	**Prepaid expenses**		15,024.54	32
D.	**Deferred tax assets**		565,726.78	220
			52,328,747.18	**41,829**

EQUITY AND LIABILITIES		31.12.2017		31.12.2016
		EUR	EUR	TEUR
A.	**Equity**			
I.	**Subscribed capital**		27,684,800.00	25,168
II.	**Capital reserves**		12,750,767.50	5,704
III.	**Revenue reserves**			
1.	Legal reserves	1,154,800.00		1,155
2.	Other revenue reserves	1,727,585.77		1,728
			2,882,385.77	**2,882**
IV.	**Net retained profits**		7,689,055.29	5,802
			51,007,008.56	**39,556**
B.	**Provisions**			
1.	Tax provisions	43,603.61		15
2.	Other provisions	514,964.00		360
			558,567.61	375
C.	**Liabilities**			
1.	Liabilities to banks	600,000.00		1,400
2.	Trade payables	132,690.41		43
3.	Liabilities to affiliated companies	2,830.79		426
4.	Other liabilities	27,649.81		29
			763,171.01	**1,898**
			52,328,747.18	**41,829**

AG Income Statement

1. Sales		2017 EUR	2016 TEUR
1. Sales		940,000.00	700
2. Other operating income		79,483.90	101
3. Personnel expenses			
a) Wages and salaries	853,373.03		1,026
b) Social security, post-employment and other employee benefit costs	35,859.58		33
		889,232.61	**1,059**
4. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets		4,261.70	3
5. Other operating expenses		1,304,148.91	1,056
6. Income from investments		877,867.26	345
7. Profits received under profit-pooling, profit transfer or partial profit transfer agreements		3,253,506.82	3,968
8. Income from other securities and long-term loans		0.00	8
9. Other interest and similar income		19,431.36	3
10. Write-downs of financial assets and investments classified as current assets		0.00	250
11. Interest and similar expenses		50,370.41	110
12. Taxes on income		-230,583.28	48
13. Earnings after taxes		**3,152,858.99**	**2,600**
14. Other taxes		7,278.00	2
15. Net income for the year		**3,145,580.99**	**2,597**
16. Retained profits brought forward from the previous year		4,543,474.30	3,205
17. Net retained profits		**7,689,055.29**	**5,802**

Ringmetall Aktiengesellschaft, Munich
Notes for Financial Year 2017

I. Preliminary remark

The annual financial statements of Ringmetall Aktiengesellschaft, Munich, as of December 31, 2017, were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The company is listed under commercial register number HRB 118683 at the Local Court of Munich.

As of the balance sheet date, the company met the size criteria for a small corporation in accordance with Section 267 (1) HGB. Partial use was made of the size-related relief according to Section 288 HGB.

II. Accounting policies

Purchased intangible assets and tangible assets were measured at cost less amortization and depreciation.

Financial assets comprise shares in affiliated companies and equity investments. They were measured at cost or – if permanent impairment is expected – at the lower fair value. Write-downs were recognized if the criteria for permanent impairment were met.

Receivables and other assets were measured at nominal amount. Receivables were measured taking all discernible risks into account.

Cash and cash equivalents are carried at nominal amount.

Prepaid expenses relate to expenditures before the balance sheet date representing an expense for a certain period after this date. They are reversed on a straight-line basis over time.

Deferred taxes
Deferred taxes result from temporary differences between the amounts recognized in the financial accounts and the tax accounts. The capitalization accounts for existing trade and corporation tax losses carried forward that are expected to be utilized within the next five years.

Deferred tax liabilities, which represent a future tax expense, result from the fixed assets item in the balance sheet. Deferred tax assets and liabilities are reported net. Deferred tax assets amount to 598 kEUR and deferred tax liabilities to 32 kEUR.

The tax rate applied to deferred taxes totals around 33% for corporation tax, solidarity surcharge and trade tax.

Equity is recognized at nominal amount. It comprises subscribed capital, capital reserves, revenue reserves and net retained profits.

Provisions take account of all discernible risks and uncertain obligations on the basis of cautious business judgment at the necessary settlement amount.

Liabilities are carried at their settlement amount.

Foreign currencies are translated as of the measurement date at the relevant middle spot exchange rate. Assets and liabilities in a foreign currency with a remaining term of more than one year are subsequently remeasured at the balance sheet date in line with the imparity principle, according to which exchange losses are recognized as

expenses and exchange gains are not recognized.

The preparation of the annual financial statements involved making assumptions and estimates that affected the recognition, disclosure and measurement of the reported assets, liabilities and expenses. The underlying assumptions and estimates relate primarily to the calculation of deferred taxes and the measurement of provisions.

III. Disclosures on certain balance sheet items and on the income statement

A. Balance sheet disclosures

Fixed assets
The statement of changes in fixed assets (annex to the notes) shows the structure and development of fixed assets and the depreciation and amortization of the financial year. The list of shareholders in accordance with Section 285 No. 11 HGB in conjunction with Section 16 (4) AktG is as follows:

Shareholdings of Ringmetall AG as of December 31, 2017

All values in TEUR

	Town/city	Country	Share of capital in %		Equity as of Dec. 31, 2017	Net income in 2017
Germany						
August Berger Metallwarenfabrik GmbH	Berg	Germany	100		16,000	0
Berger Verwaltungs GmbH	Berg	Germany	100		22	-2
Fieder Verwaltungs GmbH	Munich	Germany	100		0	-34
Fidum Verwaltungs GmbH	Munich	Germany	100		1	-3
Latza GmbH	Attendorn	Germany	100	2), 4)	190	-31
Metallwarenfabrik Berger GmbH	Sessenhausen	Germany	100		475	21
HSM Hans Sauermann GmbH & Co. KG	Ernsgaden	Germany	100		964	878
HSM Hans Sauermann Verwaltungs GmbH	Ernsgaden	Germany	100		50	3
Outside Germany						
Société Civile Immobilière (SCI) Berger France	Niederlauterbach	France	49	1)	254	46
Berger Closures Limited	Peterlee	UK	75.57	2)	1,603	825
Hollandring (BV) Besloten Vennootschap	Vaassen	Netherlands	100	2)	206	-9
Berger Group Europe Iberica, S.L.	Reus	Spain	100	2)	949	337

	Town/city	Country	Share of capital in %		Equity as of Dec. 31, 2017	Net income in 2017
CEMSAN Metal Parca Imalat Limited Sirkea	Dilovasi-Kocaeli	Turkey	100	2)	127	-534
S.G.T. S.r.l.	Albavilla	Italy	80	2)	3,311	836
Berger Closing Rings (Changshu) Co. Ltd.	Changshu	China	100	2), 5)	-474	-282
Berger Italia S.r.l.	Valmadrera	Italy	100	2)	4,589	1,228
Berger US Inc.	Birmingham	USA	100	2)	12,939	0
Self Industries Inc.	Birmingham	USA	100	2), 3)	14,373	1,498
Berger Hong Kong Limited	Hong Kong	China	80	2)	1,336	0

1) The remaining 51% is held by Fieder Verwaltungs GmbH
2) Held indirectly via August Berger Metallwarenfabrik GmbH
3) Held indirectly via Berger US Inc.
4) Short financial year from August 1, 2017, to December 31, 2017
5) Held indirectly via Berger Hong Kong Limited

Company name (All values in TEUR)	Town/city	Country	Share of capital in %	Equity as of Dec. 31, 2016*	Net income in 2016*
Equity investments				**TEUR**	**TEUR**
Zimmer & Kreim GmbH & Co. KG	Brensbach	Germany	6	1,399	177
	Brensbach	Germany	6	25	**

* Last published annual financial statements
** No information available

The currency translation for the companies was performed as follows:

Berger Closures Limited
- Equity at middle rate: GBP 1 = EUR 1.12631
- Net income for the year at annual middle rate: GBP 1 = EUR 1.14223

CEMSAN Metal Parca Imalat Limited
- Equity at middle rate: TL 1 = EUR 0.22056
- Net income for the year at annual middle rate: TL 1 = EUR 0.24202

Berger Closing Rings (Changshu) Co. Limited
- Equity at middle rate: CNY 1 = EUR 0.12821
- Net income for the year at annual middle rate: CNY 1 = EUR 0.13061

Berger US Inc., Self Industries Inc. and Berger Hong Kong Limited
- Equity at middle rate: USD 1 = EUR 0.83476
- Net income for the year at annual middle rate: USD 1 = EUR 0.88141

Ringmetall Aktiengesellschaft, Munich
Changes in Fixed Assets in Financial Year 2017

	Cost			
	Jan. 1, 2017 EUR	Additions EUR	Disposals EUR	Dec. 31, 2017 EUR
Fixed assets				
I. Intangible assets				
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	**10,640.00**	**0.00**	**0.00**	**10,640.00**
II. Tangible assets				
Other equipment, operating and office equipment	**22,211.45**	**4,108.70**	**2,030.70**	**24,289.45**
III. Financial assets				
1. Shares in affiliated companies	34,915,864.82	0.00	0.00	34,915,864.82
2. Equity investments	61,533.87	0.00	0.00	61,533.87
3. Other loans	1,000,000.00	0.00	1,000,000.00	0.00
	35,977,398.69	**0.00**	**1,000,000.00**	**34,977,398.69**
	36,010,250.14	**4,108.70**	**1,002,030.70**	**35,012,328.14**

Depreciation, amortization and write-downs				Carrying amounts	
Jan. 1, 2017 EUR	Additions EUR	Disposals EUR	Dec. 31, 2017 EUR	Dec. 31, 2017 EUR	Dec. 31, 2016 EUR
10,639.00	**0.00**	**0.00**	**10,639.00**	**1.00**	**1.00**
14,723.45	**4,261.70**	**2,030.70**	**16,954.45**	**7,335.00**	**7,488.00**
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
1,000,000.00	0.00	1,000,000.00	0.00	0.00	0.00
3,202,476.18	**0.00**	**1,000,000.00**	**2,202,476.18**	**32,774,922.51**	**32,774,922.51**
3,227,838.63	**4,261.70**	**1,002,030.70**	**2,230,069.63**	**32,782,258.51**	**32,782,411.51**

Joint allocation
As in the previous year, the receivables from affiliated companies all constitute other assets and have a remaining term of less than one year. As in the previous year, the liabilities to affiliated companies all constitute other liabilities and have a remaining term of less than one year.

Equity
The share capital amounts to EUR 27,684,800.00 and is divided into 27,684,800.00 no-par-value bearer shares (one share therefore equates to a notional investment of EUR 1.00). In financial year 2017, the share capital was increased by EUR 2,516,800.00 from EUR 25,168,000.00 to EUR 27,684,800.00 by resolution of the Supervisory Board dated November 24, 2017, in accordance with Section 5 of the Articles of Association (Share Capital, Authorized Capital).

At the Annual General Meeting on April 10, 2013, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 2,900,000.00 against cash or non-cash contributions on one or more occasions up to December 31, 2017, whereby the shareholders' subscription right could be disapplied in some cases (Authorized Capital 2013/I). The authorized capital of April 10, 2013 (Authorized Capital 2013/I), still amounts to EUR 200,000.00 after partial utilization.

At the Annual General Meeting on August 29, 2014, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 10,200,000.00 by issuing new bearer shares (ordinary shares) against cash and/or non-cash contributions on one or more occasions up to July 31, 2019, whereby the shareholders' subscription right can be disapplied in certain cases (Authorized Capital 2014/I). The authorized capital of August 29, 2014 (Authorized Capital 2014/I), still amounts to EUR 8,120,000.00 after partial utilization.

At the Annual General Meeting on August 31, 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 3,120,000.00 by issuing new bearer shares (ordinary shares) against cash and/or non-cash contributions on one or more occasions up to August 30, 2020, whereby the shareholders' subscription right can be disapplied (Authorized Capital 2015/I). The authorized capital of August 31, 2015 (Authorized Capital 2015/I), still amounts to EUR 832,000.00 after partial utilization.

At the Annual General Meeting on August 30, 2016, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 3,432,000.00 against cash and/or non-cash contributions up to July 31, 2021, whereby the shareholders' subscription right can be disapplied (Authorized Capital 2016/I). By resolution of the Supervisory Board dated November 24, 2017, the share capital was increased by EUR 2,516,800.00 from EUR 25,168,000.00 to EUR 27,684,800.00. The authorized capital of August 30, 2016 (Authorized Capital 2016/I), still amounts to EUR 915,200.00 after partial utilization.

The capital reserves result from gains on disposals of treasury shares and the premium from capital increases. EUR 7,047,040.00 from the capital increase of financial year 2017 was allocated to capital reserves.

On August 29, 2017, the Annual General Meeting resolved to use the 2016 net retained profits of EUR 5,802 thousand to distribute a dividend of 5 cents per share, i.e. EUR 1,258 thousand. The remaining net retained profits of EUR 4,544 thousand were carried forward to new account.

As of the balance sheet date, there were amounts barred from distribution of EUR 566 thousand attributable to deferred tax assets.

Proposal on the appropriation of net profit
The Management Board proposes to distribute a dividend to shareholders of Ringmetall AG of EUR 1,661,088.00, i.e. 6 cents per share, and to carry forward the EUR 1,484,492.99 of the net income for the year of EUR 3,145,580.99 remaining after the distribution to new account.

Provisions
Other provisions mainly include expenses for audit and financial statements costs, Supervisory Board compensation costs and obligations for personnel.

Liabilities
The maturities of the liabilities break down as follows:

Type of liability as of December 31	Amount	Of which with a remaining term of		Of which secured by lien	Type of collateral
		up to 1 year	over 5 years	or similar right	
	EUR	EUR	EUR	EUR	
Liabilities to banks	600,000.00	600,000.00	0.00	600,000.00	1)
Previous year	*1,400,000.00*	*800,000.00*	*0.00*	*1,400,000.00*	
Trade payables	132,690.41	132,690.41	0.00		
Previous year	*43,169.62*	*43,169.62*	*0.00*		
Liabilities to affiliated companies	2,830.79	2,830.79	0.00		
Previous year	*425,991.44*	*425,991.44*	*0.00*		
Other liabilities	27,649.81	27,649.81	0.00		
Previous year	*29,171.53*	*29,171.53*	*0.00*		
Total	**763,171.01**	**763,171.01**	**0.00**	**600,000.00**	
Previous year	***1,898,332.59***	***1,298,332.59***	***0.00***	***1,400,000.00***	

1) Pledging of shares

Other liabilities include tax liabilities of EUR 18 thousand (previous year: EUR 28 thousand).

B. Income statement disclosures

Sales
As in the previous year, sales were generated exclusively in Germany with affiliated companies.

Other operating expenses include prior-period expenses of 7 kEUR (previous year: 0 kEUR).

Income from investments
Income from investments relates to income from the investment in HSM Sauermann GmbH & Co. KG.

Income from profit transfer agreements
Income from profit transfer agreements relates to the profit transfer from August Berger Metallwarenfabrik GmbH, Berg.

Income from other securities and long-term loans
Income from other securities and long-term loans includes income from the interest on other loans of 0 kEUR (previous year: 8 kEUR).

Write-downs of financial assets and investments classified as current assets
Write-downs of financial assets of the previous year relate to other loans.

Interest income
Interest income includes interest from affiliated companies of 14 kEUR (previous year: 3 kEUR).

Interest expenses
Interest expenses include interest paid to affiliated companies of 6 kEUR (previous year: 14 kEUR).

Currency translation
Other operating income includes income from currency translation of 25 kEUR (previous year: 69 kEUR). Other operating expenses also include expenses from currency translation of 0 kEUR (previous year: 2 kEUR).

Taxes on income
Taxes on income include income from deferred taxes of 346 kEUR (previous year: 42 kEUR).

IV. Other disclosures

Contingencies and commitments
There are contingencies and commitments pursuant to Section 251 HGB for liabilities from warranties to banks for affiliated companies of 25,000 kEUR and from guarantees to third parties of 19 kEUR. On the basis of the current net assets, financial position and results of operations and of future planning, these contingencies and commitments are not expected to be utilized.

Other financial commitments
Other financial commitments result from continuing obligations (rents and leases) with an expense of 55 kEUR p.a. The total commitment until the end of the term amounts to 143 kEUR.

Number of employees
The average number of employees in the financial year was 4.

Executive bodies

Management Board: Christoph Petri, businessman (CEO)
Konstantin Winterstein, engineer
Jörg Rafael, businessman (until April 30, 2017)

Supervisory Board: Thilo von Selchow (Chairman),
Managing Director of Thilo von Selchow GmbH
Markus Wenner (Deputy Chairman), lawyer
Ralph Heuwing, member of the Management Board of Knorr-Bremse AG

With regard to the disclosure of management compensation according to Section 285 No. 9a and No. 9b HGB, please refer to the exemption provided by Section 286 (4) HGB.

The Supervisory Board received 110 kEUR for its work in 2017.

Consolidated financial statements
Ringmetall Aktiengesellschaft, Munich, prepares consolidated financial statements according to Section 315e HGB as a parent company. They are submitted to the operator of the electronic German Federal Gazette and published in the electronic German Federal Gazette.

Report on post-balance sheet date events
There were no significant events after the balance sheet date.

Munich, May 4, 2018

Christoph Petri
Spokesman of the Executive Board

Konstantin Winterstein
Member of the Executive Board

Audit opinion of the statutory auditor

To Ringmetall Aktiengesellschaft, Munich

We have audited the annual financial statements-comprising the balance sheet, incomestatement and the notes, with consideration to the accounting record keeping and the combined management report of Ringmetall Aktiengesellschaft, Munich, for the financial year from January 1, 2017 to December 31, 2017. The accounting record keeping and preparation of the annual financial

statements and combined management report in accordance with German Commercial Code (HGB) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the annual financial statements with consideration to the accounting record keeping and on the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and German Generally Accepted Standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position and financial performance in the annual financial statements with consideration to the German principles of adequate and orderly accounting and in the management report are detected with reasonable assurance. In determining the audit procedures, knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated annual financial report and the combined management report are examined primarily on a sampling basis. The audit includes assessing the accounting principles applied and the material estimates by the legal representatives as well as evaluating the overall presentation of the annual financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal provisions and give a true and fair view of the financial position and financial performance of the company in accordance with German principles of adequate and orderly accounting. The combined management report is consistent with the annual financial statements, complies with the relevant legal provisions, gives a true and fair view of the consolidated entity's position and accurately presents the opportunities and risks of future development.

Nuremberg, 4 May 2018

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Edenhofer
Public Auditor

Meyer
Public Auditor

Sources:

- Allied Market Research, Global Industrial Packaging Market - Global Opportunity Analysis and Industry Forecast, 2015 - 2023, Client Report
- Berger Group
- Federal Ministry for Economic Affairs and Energy - 2018 Annual Economic Report
- Federal Ministry of Economics and Technology
- Deutsche Börse
- International Monetary Fund - World Economic Outlook Update, January 2018
- HSM Hans Sauermann GmbH & Co. KG
- Montega AG - equity research on Ringmetall AG by analyst Patrick Speck, initial study dated June 30, 2016, and ongoing updates
- Ringmetall AG
- Statista GmbH - *Weltweiter Absatz von Flurförderfahrzeugen im Jahr 2016*, website extract
- Federal Statistical Office of Germany
- VDMA e.V. - International forecast spectrum, worldwide machinery turnover 2009 - 2018
- Verband der Chemischen Industrie e.V. - press release of March 7, 2018 - economic-indicators for the chemical-pharmaceutical industry in Germany

Photos/graphics/text:
- Berger Group, Ringmetall AG
- HSM Hans Sauermann GmbH & Co. KG
- Fotowerkhaus

Legal Notice

The information published in this report does not constitute a recommendation or an offer or an invitation to purchase or sell investment instruments, to engage in transactions or to conclude any legal transactions. The published information and opinions are made available by Ringmetall AG exclusively for personal use and for informational purposes; they may be changed at any time without prior notice. Ringmetall AG provides no guarantee (explicit or implicit) for the accuracy, completeness or topicality of the information and opinions published in this report. This report also contains statements relating to the future, which reflect the current views of the management of Ringmetall AG regarding future events. Statements pertaining to the future are by nature subject to risks and uncertainties that can lead to actual events differing considerably from the aforementioned forward-looking statements or the results implicitly expressed therein. Ringmetall AG accepts no obligation in this regard. In particular, Ringmetall AG is not obliged to remove information that is no longer current from the report or to explicitly label it as such. The information in this report does not constitute guidance for economic, financial, legal, tax-related or other issues for which advice may be required, nor may investment or other decisions be based solely on this information. Consultation with a qualified expert is recommended.

Publication Details

Publisher:

Ringmetall AG
Innere Wiener Str. 9
81667 Munich, Germany

Phone: +49 89 45 220 980
Fax: +49 89 45 220 98 22

E-mail: info@ringmetall.de
Web: www.ringmetall.de

Concept and realization:

Ringmetall AG
in cooperation with
STUDIOOcrossmedia

STUDIOO GmbH
Carl-Zeiss-Str. 26
73431 Aalen, Germany
E-mail: info@studioo.de
Web: www.studioo.de