Dr. August Oetker KG

Oetker-Gruppe

2018

Annual Report 2018

The Oetker Group
Key Indicators

	2016	in %	2017	in %	**2018**	**in %**	%[2]
NET SALES BY DIVISION[1] (IN EUR MILLION)	**11,704**	**100.0**	**11,601**	**100.0**	**7,140**	**100.0**	**−38.4**
Food	3,071	26.2	3,135	27.0	3,460	48.5	10.3
Beer and Nonalcoholic Beverages	1,901	16.2	1,908	16.4	2,181	30.5	14.3
Sparkling Wine, Wine and Spirits	502	4.3	523	4.5	816	11.4	56.1
Shipping	5,624	48.1	5,398	46.5	–	–	−100.0
Other Interests	606	5.2	637	5.5	684	9.6	7.4
NET SALES BY REGION[1] (IN EUR MILLION)	**11,704**	**100.0**	**11,601**	**100.0**	**7,140**	**100.0**	**−38.4**
Germany	3,894	33.3	3,874	33.4	3,757	52.6	−3.0
Rest of the EU	2,663	22.8	2,799	24.1	2,169	30.4	−22.5
Rest of Europe	580	5.0	573	4.9	276	3.9	−51.8
Rest of the world	4,567	39.0	4,356	37.5	938	13.1	−78.5
INVESTMENTS[1] (IN EUR MILLION) (WITHOUT FIRST-TIME CONSOLIDATIONS)	**405**	**100.0**	**558**	**100.0**	**350**	**100.0**	**−37.1**
Food	182	45.1	198	35.5	191	54.5	−3.6
Beer and Nonalcoholic Beverages	84	20.8	99	17.8	90	25.7	−9.2
Sparkling Wine, Wine and Spirits	14	3.4	15	2.7	33	9.5	120.5
Shipping	77	18.9	217	38.9	–	–	−100.0
Other Interests	48	11.9	29	5.1	36	10.4	27.2
EMPLOYEES[1] (BY HEADCOUNT)	**32,078**	**100.0**	**32,204**	**100.0**	**30,937**	**100.0**	**−3.9**
Food	15,368	47.9	15,733	48.9	17,394	56.2	10.6
Beer and Nonalcoholic Beverages	5,986	18.7	6,066	18.8	7,989	25.8	31.7
Sparkling Wine, Wine and Spirits	1,922	6.0	1,934	6.0	2,701	8.7	39.7
Shipping	6,300	19.6	5,874	18.2	–	–	−100.0
Other Interests	2,503	7.8	2,597	8.1	2,853	9.2	9.9

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

[2] Percentage change 2017/2018.

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

01 *Group Management Report*

02 *Consolidated Financial Statements*

Ladies and Gentlemen,

We live in a time when traditions are being questioned and human coexistence faces new challenges. A time in which Western democracies and their liberal economic and social systems are increasingly being attacked and sometimes shaken by populist, autocratic ideas and systems. Uncertainty continues to increase and the geopolitical framework in which the companies of the Oetker Group operated in 2018 is confronted with an increasingly unstable basis.

The dispute that initially began as a trade conflict between the USA and China has recently escalated to a standoff between two superpowers, which may well turn into a business risk with a new dimension for the global economy. The levels of escalation are hard to predict; media sources even speak of a Cold War 2.0. The domestic political situation in France, Italy's high public debt and, above all, months of fruitless negotiations on Britain's exit from the EU are further exacerbating political and economic uncertainty in our core markets. The various issues are also accompanied by the fear of alienation and terrorism.

The aforementioned framework conditions – in particular the still-increasing dynamism and speed – again strongly influenced the market environment of the companies belonging to the Oetker Group in the past financial year. The group has adjusted to this and continues to undergo a fundamental process of change, not resting on the achievements of the past. It is important to anticipate the disruptive developments in our markets through our own entrepreneurial activities and to consistently focus on the wishes of consumers and customers. Ideally, this will be done while taking into account and utilizing all available modern technical developments. Above all, access to newly established ecosystems and the correct handling and evaluation of data will be a key for tomorrow's success. Because data is already the most important raw material for all our business models today.

This Annual Report 2018 explains how diversely the companies of the Oetker Group dealt with the challenges facing them. In this context, it is particularly pleasing that 2018 has been quite successful for both the group and the majority of individual companies. We have done well to start optimizing our internal structures and processes some years ago, while at the same time pushing ahead with building and expanding our digital capabilities.

In addition, the past financial year was fortunately a very strong one in respect to acquisitions. The Oetker Group was able to take over companies in line with the strategy and to participate in a number of attractive companies. The takeovers and participations contribute to the further consolidation of the markets, to increasing internationalization and to the increasing digitalization and verticalization of our value chains. Through the development of new business models, we are trying to become a pure product provider as well as a branded goods manufacturer and solution provider for existing and new customers.

The achievements of last year were only possible because many people worked with and for us. I therefore cordially thank our customers and business partners for their excellent cooperation throughout the reporting year as well as our employees for their dedication and commitment in their daily work as well as in many additional projects. In this context, we also welcome all new

employees who joined the Oetker Group in the past financial year as a result of various acquisitions. We look forward to their energetic support and are excited to see what new impulses and creative ideas they will bring.

I would also like to thank – including on behalf of my colleagues from the group management – the shareholder committees and the advisory board of Dr. August Oetker KG, who, in addition to their supervisory role, always supported the group management with advice and assistance.

This year, a special thanks in the name of all employees of the Oetker Group as well as of the group management goes to Dr. h. c. August Oetker for his 38 years of active work for the Oetker Group. We all owe so much to his commitment, creativity and entrepreneurial drive. He was a constant catalyst for the development of the group; as an adviser he was critical, sometimes uncomfortable but always goal-oriented and, above all, responsible. Thank you so very much!

The entire group of companies has made a lot of plans for the coming year. In the age of digital globalization, we will continue to pursue the group's growth course with courage, confidence and a consistent focus on customer needs. In doing so, we always remain true to our corporate value compass and align our actions with our ethical standards.

On that note, and with best regards,

Dr. Albert Christmann

01 *Group Management Report*

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

Group Management Report

01

Corporate Structure
Overview

The Oetker Group is one of Germany's major family businesses. A broad diversification in four fields of business characterizes the internationally active group of companies, which is represented with production, sales and service centers in more than 50 countries worldwide. In the consolidated financial statements as of December 31, 2018, a total of 394 companies (previous year: 327) are accounted for in accordance with the rules of full consolidation, of which 190 are in Germany (previous year: 191) and 204 abroad (previous year: 136). The head office is located in Bielefeld (Germany).

The group of companies is committed to risk balancing and consists of the following four consolidated divisions:

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

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

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

Business Divisions

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

Food

The Food Division consists of the group of companies *Dr. Oetker*, *Conditorei Coppenrath & Wiese* and *Martin Braun*. All three group companies are headquartered in Germany and produce food for end consumers and bulk consumers worldwide.

Under the umbrella of *Dr. Oetker*, with its head office in Bielefeld, 43 national companies operate across the globe. The various products the company manufactures and markets are distributed worldwide in all key distribution channels. The Dr. Oetker sales activities are decentralized and country-specific. Thus, sales are always aligned to the local needs of customers. They are separated into end consumers and professional customers by its parent trading target groups. In the German end-consumer business, Dr. Oetker concentrates on the categories cakes/desserts and pizza. In addition, Dr. Oetker offers a special range for bulk consumers, which under the brand name Dr. Oetker Professional provides appropriate container sizes for large kitchens and canteens, hospitals and other institutions. The end-consumer products sold in Germany are mainly produced at the locations in Bielefeld, Oerlinghausen, Moers (production joint venture), Wittenburg and Wittlich. The bulk consumer product range for Dr. Oetker Professional is mostly produced at the Ettlingen location. In addition to the production sites in Germany, Dr. Oetker has plants in the core markets of Europe, in North and South America and in Africa, Asia and Australia.

In addition to the Dr. Oetker brand, the company has other strong brands in several countries that are firmly established in the market. These brands include, for example, cameo and Paneangeli in Italy, D'Gari and Rexal in Mexico, Koopmans in the Netherlands and Chicago Town in the UK. Through acquisitions in financial year 2018, the brand portfolio has expanded to include Wilton in the USA, Tag El Melouk and Cook's in Egypt, Château Gâteaux in South Africa and natura in the Czech Republic. The national companies offer both international Dr. Oetker products as well as national products, adapted to national tastes.

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

For Dr. Oetker, innovative new products and services guarantee growth and success. Consumer acceptance and trust in the quality of the products are the benchmark for new products and the continuous improvement of the existing product range. International teams work with products throughout their entire life cycle. Trends are thus identified and evaluated in a timely fashion, and possibly turned into new products.

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

At Coppenrath & Wiese the high quality requirements for the baked products and the needs of customers set the standard for raw materials and the service quality of the suppliers. Procurement operates close to the market and provides efficient solutions, especially for new raw materials, packaging and indirect goods, through short-term, close supplier relationships.

The *Martin Braun Group,* with headquarters in Hanover, develops, produces and sells a full range of convenience products for the baking, confectionery and catering industries. It supplies its products worldwide to wholesalers, retailers, bakeries, pastry shops and industrial companies. The internationally active Martin Braun Group is represented through its diverse products in all relevant sales channels in many exporting countries. Focusing on the "bulk consumer baking" sector, the portfolio of the Martin Braun Group includes flavorings, fillings, cream stabilizers, glazes, pastes, decorating supplies, ready-made mixes and pre-mixes for baked products, gelling and binding agents, ice-cream products, toppings, beverage concentrates and fruit purees. The comprehensive product range includes ingredients for sweet products under the Braun brand, ingredients for bread and rolls under the Agrano brand and ice cream ingredients under the Cresco Italia brand. In addition, the group produces premium frozen bakery products under the brands Wolf ButterBack and Diversi Foods, offering a full range of bread and rolls, croissants and sweet and savory snack products.

With the acquisition of Diversi Foods in February 2018, the Martin Braun Group has grown to include a well-established supplier from Belgium specializing in premium frozen bakery products for foodservice and in-store bakeries. The Diversi Foods group of companies has production capacities in Belgium, the Netherlands, the United Kingdom and Poland.

The purchasing guidelines of Martin Braun ensure a high degree of transparency in the purchasing process within the group. Thus, the suppliers are selected according to defined criteria and all incoming materials are subject to a thorough receipt inspection. Through its holistic approach to products, the Martin Braun Group ensures a customer-oriented range of success-assured baking ingredients throughout the entire value creation chain, and in accordance with statutory food safety regulations.

↗ radeberger-gruppe.de

Beer and Nonalcoholic Beverages

The *Radeberger Group,* with headquarters in Frankfurt, is Germany's largest private brewing group and forms the Beer and Nonalcoholic Beverages Division of the Oetker Group. It offers a broad brand portfolio of strong international, national and regional brands: In addition to the eponymous Radeberger Pilsner the portfolio includes well-known and popular beer brands such as Jever, Clausthaler nonalcoholic, Schöfferhofer Weizen, Allgäuer Büble Bier, Ur-Krostitzer, Stuttgarter Hofbräu, Berliner Pilsner and Freiberger. Added to this is the mineral water brand Original Selters. The core sales market of the Radeberger Group is Germany. In addition, its products are marketed in more than 60 countries. The company is also the exclusive distribution partner for the Guinness and Kilkenny brands from Diageo and for the Mexican beer brand Sol from the Heineken Group. As part of a long-term partnership with PepsiCo, the Radeberger Group in Germany produces and distributes the Pepsi, Mirinda, 7Up, Schwip Schwap and Punica Apfelschorle brands for the out-of-home market and in selected beverage markets.

With its brand portfolio, the Radeberger Group cultivates German beer and beverage diversity and, with partners, actively develops new platform models in the area of the supply chains and the out-of-home market. At the same time, the product range is regularly expanded and updated with new products and assortment supplements in order to always be able to serve the consumers' wishes. In addition to its own production and sales locations, the Radeberger Group also includes companies in the wholesale beverage trade (GFGH) and beverage outlets (GAM) under the umbrella of Getränke Hoffmann. With the majority stake in an empties manager in Germany, H. Leiter GmbH, and the joint venture of Deutsche Getränke Logistik with the brewery C.&A. Veltins, which brings the logistics specialists Getränke Essmann (Radeberger Group) and WGH/WGL (C.&A. Veltins) under one roof, important steps have been put in place for a future-oriented positioning in the German logistics market. As a result, holistic solutions in terms of full and empties logistics can be offered to meet customer needs, but also to ensure the continued existence of the reusable system in Germany. The joint venture with the brewery C.&A. Veltins was concluded in 2018 and approved by the relevant antitrust authorities in March 2019.

In addition, as one of the key factors for future market success, digitization will create new business opportunities. With the start of "Durstexpress", the brick-and-mortar of Getränke Hoffmann was expanded in the past year to include a group-owned online ordering system for delivering beverages to end consumers. The most up-to-date systems from the fields of artificial intelligence and machine learning are used. Following the successful launch in Berlin and Leipzig, the goal is to expand the delivery service into other metropolitan regions and become the leading online ordering platform for beverages in Germany. In 2018, the Radeberger Group also acquired a stake in the platform Team Beverage through a joint venture with food supplier Transgourmet, gaining access to the Gastivo online portal, by means of which caterers can order beverages, food and services via a central platform, thus contributing to successful management of their businesses.

↗ henkell-freixenet.com

Sparkling Wine, Wine and Spirits

Henkell Freixenet forms the Sparkling Wine, Wine and Spirits Division within the Oetker Group. With the majority takeover of voting rights in Freixenet in July 2018, the new Spanish-German alliance will create the world's leading sparkling wine group. The group operates in 30 countries with its own production and distribution sites and exports sparkling wine, wine and spirits brands to some 150 countries worldwide. Products are distributed through retail and wholesale outlets as well as the restaurant industry. The merging of the two groups of companies was underpinned in January 2019 with the new company name *Henkell Freixenet*. Henkell Freixenet offers all the well-known sparkling wines that it produces itself, including Freixenet as the world's leading cava, Mionetto as the world's best-selling prosecco and Henkell Sekt as the most-exported German sparkling wine brand. Added to this are established champagne, cava, crémant and sparkling wine brands from France, Spain, Germany, Hungary, the Czech Republic, Romania, Slovakia and Ukraine.

In addition to sparkling wines, Henkell Freixenet also offers renowned still wines. The German winery Fürst von Metternich-Winneburg'sche Domäne Schloss Johannisberg stands for exquisite, world-famous Riesling wines. With wineries in the Czech Republic, Slovakia and Hungary, the group is one of the leading quality wine suppliers in Central Europe, with world-renowned wineries in California and Mexico and the i heart WINES wine brand, one of the fastest-growing wine brands in England.

Henkell Freixenet is also renowned for a broad portfolio of spirits that includes almost all relevant types, including vodka, "Korn" schnapps, gin, brandy, cream and bitter liqueurs and aperitifs. In the spirits market, the group is the market leader for vodka in Germany, gin in Poland and brandy in Slovakia.

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

Other Interests

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

Budenheim, as a medium-sized enterprise, has developed on the world markets into a leading international provider of customized, high-quality specialty chemicals. The products are marketed through direct sales and through distributors in more than 100 countries. The chemical specialist summarizes its activities in three different business units: Food Ingredients, Performance Materials and Material Ingredients. The various clusters that open up across these three business areas focus on, among other things, innovations in the pharmaceutical and medical fields, new approaches in the fields of nutrition and health, sustainable customer solutions and the safeguarding of natural resources. Budenheim is one of the leading specialty chemicals companies in many of these market-oriented areas. It has its origin in the eponymous municipality in Rheinhessen. The company has an international presence and produces at its German location as well as in the USA, Mexico, Spain and China. With its network of numerous trading partners and distribution facilities, in countries such as Singapore, India and South America, the company is present in its customers' markets.

The *Oetker Collection,* ranked by TravelandLeisure.com as one of the top three hotel companies in the world, represents a unique collection of international grand hotels. It includes four group-owned luxury-class hotels in Germany and France. In addition, the Oetker Collection manages five unique, externally owned grand hotels at various locations across the globe. The hotels of the Oetker Collection, including their marketing activities and sales processes, are coordinated by the Oetker Hotel Management Company (OHMC). This enables coordinated and efficient marketing. The cooperation with the leading travel agencies in the core markets, the intensive support for the hotels from an international network of PR agencies and the close cooperation of the hotels in the mutual promotion of the individual companies of the Oetker Collection remain essential for the sales success.

OEDIV Oetker Daten- und Informationsverarbeitung not only operates its data centers for the group's IT systems, but also offers its services to a growing number of external companies every year. The focus is on SAP and Microsoft applications as well as related solutions for the representation of holistic process chains for mid-sized companies. In addition to the core applications mentioned above, OEDIV offers a wide range of complementary services. These include hybrid cloud scenarios, human resources services as well as web and security solutions.

Due to the growing demand, OEDIV is continuously expanding its range of services. Since 2018, this has also been done via company acquisitions and strategic investments. OEDIV services meet the highest quality standards. Due to the high process criticality of the systems operated by OEDIV, the concepts and architectures used must withstand the highest availability requirements of the customers. To secure its services, OEDIV operates two data centers, so that in the event of an accident the critical systems will still be available or can be put back into service as soon as possible. In addition, up-to-date security systems and infrastructures ensure the necessary data protection.

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

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

Since its founding in 2016, *Oetker Digital* has been actively supporting the companies of the Oetker Group on their way towards the digital future. As a partner, it strengthens the established brands of the group and identifies and develops new, sustainable business models that expand the portfolio of the group companies and enhance the digital profile of the Oetker Group.

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

↗ bankhaus-lampe.de

Bank

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

Management Structure

The Oetker Group is one of Germany's major family businesses. The values, which are solidified in more than 128 years of corporate history and place the human being at the center of all action, are still embodied by the members of the highest executive body, the group management, are being upheld by group companies and are being actively transferred into the increasingly digitalized future.

The management structure ensures that market-oriented decisions that are geared to the needs of the respective sectors are made locally and resources are pooled centrally at the same time.

The advisory board oversees the implementation of the strategy adopted jointly with the stockholders and the group management. Operations are managed by the group management and the management teams of the individual companies.

The advisory board of Dr. August Oetker KG, which according to the articles of incorporation consists of stockholders and a majority of persons not belonging to the stockholder families, was led by Dr. h. c. August Oetker.

Group management members are Dr. Albert Christmann, Dr. Niels Lorenz and Dr. Heino Schmidt.

Stockholders

Advisory Board

Group Management

Dr. Albert Christmann

General Partner of Dr. August Oetker KG and responsible for the Food and Sparkling Wine, Wine and Spirits divisions and Oetker Digital. In addition, chairman of the executive board of Dr. August Oetker Nahrungsmittel KG.

Dr. Niels Lorenz

Chief Representative of Dr. August Oetker KG and Spokesman for the Management of Radeberger Gruppe KG and responsible for the Beer and Nonalcoholic Beverages Division.

Dr. Heino Schmidt

Chief Representative of Dr. August Oetker KG and responsible for the Other Interests and Bank divisions as well as for Finance, Controlling, Legal and Taxes.

Executive Boards of the Group Companies

Group Management

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

Dr. Niels Lorenz
Beer and Nonalcoholic Beverages

Dr. Heino Schmidt
Other Interests, Bank, Finance, Controlling, Legal and Taxes

Economic Framework

Macroeconomic conditions

The global economy grew by 3.2% in 2018. The differences in economic dynamics between the individual countries have increased. Especially in the emerging markets, the upturn has clouded over and growth was slowed down by politically motivated trade conflicts and a restrictive monetary policy in the USA. The worsening trade environment also had a dampening effect on world trade. Compared to the previous year, world trade volume only increased by 3.3%. The lower momentum is partly due to the change in cyclical factors, which were responsible for the strong growth in 2017.

After the economic expansion in the European Union (EU) had gained in breadth and strength in the previous year, the pace of expansion in 2018 could not be maintained. Gross domestic product increased by 2.1% compared to the previous year. On the one hand, the weaker development in the export business was responsible for the somewhat lower growth rate. On the other hand, in individual countries, including Germany, high macroeconomic capacity utilization, which was accompanied by a marked shortage of labor and delays in supply chains, prevented a more vigorous expansion of production. On top of that, individual EU countries, especially France and Italy, are struggling with structural problems. Measures to solve these problems were only taken hesitantly. In the UK, uncertainty about the economic and political future after the expected exit from the EU has dampened production growth in 2018. Gross domestic product therefore grew less strongly than in the previous year and only increased by 1.4%. This insecurity was also reflected in declining investment spending by companies and households, as well as in the exchange rate of the British pound. The upswing in Germany has slowed down, where gross domestic product has grown by 1.5%. In addition to problems in the automotive industry, foreign markets, which are exposed to considerable economic risks, have lost their momentum.

The US saw economic growth of 2.9%, rising more strongly than in the previous year. Continued strong employment growth and rising incomes continued to underpin the economic expansion in the United States this year. In addition, the economy was supported by the impetus of the tax reform and the strong investment activities of companies. However, economic momentum has continued to decline over the course of the year due to less expansionary monetary policy and trade conflicts.

Growth in Asia remained strong. Compared to the previous year, the gross domestic product of the region increased by 4.9%. The main driving force behind this increase was China and India. Despite the gloomy mood regarding China's economic development due to imminent punitive tariffs from the USA, the positive trend of recent years has been maintained.

The price of oil, an important parameter of the macroeconomic environment, rose sharply at times in 2018. Speculation about insufficient production capacity had caused the price to rise to its highest level in four years in early October 2018. Towards the end of the year, however, the price fell again as a result of increased production, overcapacity in the USA and Iranian crude oil imports to the USA.

Consumer prices in the eurozone rose by 1.8% compared to the previous year, in line with the European Central Bank's inflation target of close to 2%. The development of the inflation rate this year is mainly driven by energy prices.

The international business of the Oetker Group is influenced by the exchange rate of the euro to numerous currencies.

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

CLOSING AND AVERAGE RATE AGAINST THE EURO	Closing rate December 31, 2017	**Closing rate December 31, 2018**	Average rate 2017	**Average rate 2018**
Australian dollar	1.5346	1.6220	1.4795	1.5832
Brazilian real	3.9729	4.4440	3.6434	4.3294
British pound	0.8872	0.8945	0.8757	0.8860
Canadian dollar	1.5039	1.5605	1.4725	1.5329
Mexican peso	23.6612	22.4921	21.4285	22.6526
Polish zloty	4.1770	4.3014	4.2427	4.2684
Turkish lira	4.5464	6.0588	4.1429	5.6835
US dollar	1.1993	1.1450	1.1370	1.1793

Division-related conditions

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

The global fast-moving consumer goods (FMCG) market also grew in 2018 compared to the same period of the previous year and was positively impacted by developments in Asian markets and a recovery in Europe. The structural changes in distribution channels continued in 2018 as well. Large hypermarkets and superstores in developed markets continue to show the largest share of sales, but at the same time the lowest growth. Growth continued to shift towards online food retailers, discounters and convenience stores within the reporting year. This represents something of a departure from so-called big-box formats, which are accelerated by consumer demand for proximity, convenience and direct availability. With the majority of leading food retailers still heavily dependent on the slow-growing hypermarket and superstore channels, traders are developing new multichannel strategies to reach out to all consumers. The necessary investments increase the cost pressure in the retail sector and thus indirectly also among the manufacturers. Driven by retailers that have to compete in a highly competitive market, some supranational purchasing consortiums have expanded so as to achieve better cost prices through bundling effects. Consumer goods manufacturers have also reacted to the change in consumer behavior by vigorously promoting the digital transformation. Last year, companies invested in strategic areas of growth and new, disruptive business models. In addition, in 2018, other start-ups tried to overcome the high entry barriers into the food industry and challenge competitors with new, digital business models.

After no structural changes within the German beer market for a long time, 2018 marked a turning point in this development. Well-known brands of both national beers and regional beers were available for sale. There have been numerous takeovers, especially of beverage wholesalers, which means that consolidation in this area has gained momentum. While established market players were rather cautious in this market environment, even nonmarket players were increasingly interested in entering the German beer market. Sales developed comparatively positively in 2018: Despite price increases at many breweries at the beginning of the year, the German beer market grew by 0.6% within the reporting year compared with the weak sales volume of the previous year, thanks to the long-lasting period of good weather in the summer. In relation to 2016, with a rather average summer, industry sales fell by 1.9 million hl. While the brewers were happy in the summer about this temporary recovery, the supply chain reached its capacity limit due to years of cost reductions and a serious shortage of drivers. The GFGH in particular could no longer satisfactorily handle sales peaks of this sort that were limited to a few weeks. New platform models such as the joint venture with Transgourmet Deutschland and online ordering services such as Durstexpress and Flaschenpost have also increased the pressure on other competitors to force all market players (manufacturers, GFGH, GAM and food retailers) to critically assess and adapt their own business models and their strategic positioning.

Germany was also the highest-volume market for sparkling wine in 2018. However, the high variety of products resulted in a low price level in international comparison as well as intense predatory competition between the established sparkling wine companies. While the sparkling wine market in Germany declined slightly, on a global level sparkling wine enjoyed increasing popularity. Prosecco, in particular, continued to perform well, especially in the United States, UK and Northern Europe.

Chemicals
The business situation for the chemical industry in Germany was satisfactory in 2018 due to sustained high demand in the first half of the year. In addition, significant growth in exports was recorded. Production volumes and prices rose in the mid-single-digit range, exceeding expectations again this year. These conditions led to growth in sales revenues of 4.5% across the industry. In addition to cost increases in the second half of the year, challenges also arose in the supply of raw materials via the shipping lanes, which led to high additional costs and production losses, particularly in the chemical industry.

Hotels
The hotel industry continued to develop dynamically worldwide. Despite the globally predominantly negative and sometimes disturbing situation in the news, the number of travelers also increased in 2018. On the demand side, the number of international tourist arrivals in 2018 has increased by more than 5% worldwide. With highly varied economic, political and security-related conditions, regional developments in tourism presented themselves. In the Asian region, the number of arrivals of international tourists increased by 7%. The regions of Europe and the Middle East then followed with 6% each. The Africa region also showed pleasing growth of 5%. Only the Americas developed below average at 3%. This overall positive development on the demand side continued to be accompanied by very dynamic developments on the supply side. The expansion of the luxury segment and comparison and booking sites as well as the increasing degree of personalization of holiday travel continued to be of particular importance.

Business Development
Oetker Group

	2016		2017		2018		%[2]
		in %		in %		in %	
NET SALES BY DIVISION[1] (IN EUR MILLION)	**11,704**	**100.0**	**11,601**	**100.0**	**7,140**	**100.0**	**–38.4**
Food	3,071	26.2	3,135	27.0	3,460	48.5	10.3
Beer and Nonalcoholic Beverages	1,901	16.2	1,908	16.4	2,181	30.5	14.3
Sparkling Wine, Wine and Spirits	502	4.3	523	4.5	816	11.4	56.1
Shipping	5,624	48.1	5,398	46.5	–	–	–100.0
Other Interests	606	5.2	637	5.5	684	9.6	7.4
NET SALES BY REGION[1] (IN EUR MILLION)	**11,704**	**100.0**	**11,601**	**100.0**	**7,140**	**100.0**	**–38.4**
Germany	3,894	33.3	3,874	33.4	3,757	52.6	–3.0
Rest of the EU	2,663	22.8	2,799	24.1	2,169	30.4	–22.5
Rest of Europe	580	5.0	573	4.9	276	3.9	–51.8
Rest of the world	4,567	39.0	4,356	37.5	938	13.1	–78.5
INVESTMENTS[1] (IN EUR MILLION) (WITHOUT FIRST-TIME CONSOLIDATIONS)	**405**	**100.0**	**558**	**100.0**	**350**	**100.0**	**–37.1**
Food	182	45.1	198	35.5	191	54.5	–3.6
Beer and Nonalcoholic Beverages	84	20.8	99	17.8	90	25.7	–9.2
Sparkling Wine, Wine and Spirits	14	3.4	15	2.7	33	9.5	120.5
Shipping	77	18.9	217	38.9	–	–	–100.0
Other Interests	48	11.9	29	5.1	36	10.4	27.2
EMPLOYEES[1] (BY HEADCOUNT)	**32,078**	**100.0**	**32,204**	**100.0**	**30,937**	**100.0**	**–3.9**
Food	15,368	47.9	15,733	48.9	17,394	56.2	10.6
Beer and Nonalcoholic Beverages	5,986	18.7	6,066	18.8	7,989	25.8	31.7
Sparkling Wine, Wine and Spirits	1,922	6.0	1,934	6.0	2,701	8.7	39.7
Shipping	6,300	19.6	5,874	18.2	–	–	–100.0
Other Interests	2,503	7.8	2,597	8.1	2,853	9.2	9.9

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

[2] Percentage change 2017/2018.

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

In view of the difficult global conditions, the Oetker Group has finished the 2018 financial year well, in line with expectations. The deconsolidation of the Shipping Division on November 30, 2017, resulted in significant upheavals in the revenue development for the reporting year. The group achieved sales revenues in the amount of EUR 7,140 million, which is 38.4% below the previous year's figure (EUR 11,601 million). Changes in the scope of consolidation resulted in an overall loss in revenue in the amount of EUR 4,700 million. This was largely due to the sale of Hamburg Süd and could not be offset by the growth of the newly acquired companies in the four remaining divisions of the Oetker Group. The development of exchange rates had a negative impact of EUR 87 million, mainly due to the devaluation of the Turkish lira, the Brazilian real, the US dollar and the Mexican peso against the euro. Excluding the effects of first-time consolidations and deconsolidations, exchange-rate-adjusted sales revenues were EUR 327 million above the comparable prior-year figure. The scope of consolidation is adjusted by adjusting the previous year's figures. The exchange rate effects were determined by applying the annual average rates of the previous year to the sales revenues of the current year. After acquisitions and price adjustments, organic growth in sales revenue was 4.7%. All business divisions of the Oetker Group contributed to this pleasing development.

From a regional perspective, the group-wide domestic sales revenue fell by 3.0%, to EUR 3,757 million. Although all business divisions were able to increase their sales revenues in Germany, especially Beer and Nonalcoholic Beverages, the loss of shipping sales revenues in the region of Germany could not be fully compensated. Internationally, the effects were even more pronounced. The share of sales revenues generated outside of Germany fell to just under half of total sales revenues, from 66.6% in the previous year. Compared with the previous year, the individual regions abroad therefore declined. For the rest of the world, the decline was particularly high, with a minus of 78.5%. Only part of the revenue contributions of the first-time consolidated companies in 2018, most notably Wilton in the US food division, offset lower sales revenues in the rest of the world segment. The acquisition of Freixenet in the Sparkling Wine, Wine and Spirits Division also had a positive impact on the rest of the world and in particular on the rest of the EU.

The investment volume (without first-time consolidations) of EUR 350 million in the Oetker Group was below the high level of the previous year (EUR 558 million), which included Hamburg Süd with EUR 217 million. At 61.4% (previous year: 73.3%), the investment share of domestic companies remained very high. The majority of the investment was in the Food Division. The main reasons for this were investments in the areas of production and logistics. Accordingly, the use of funds was reflected in an increase in the asset classes machinery and equipment as well as assets under construction and advance payments.In addition, investments in the Sparkling Wine, Wine and Spirits Division have increased significantly.

In 2018, the Oetker Group had a total of 18,102 employees in Germany and 12,835 employees abroad. The number of employees fell by 3.9% to 30,937 worldwide for the reporting year. Approximately half of these can be attributed to the Food Division, which counted an average of 10.6% more employees compared to the previous year. This increase in the number of employees by 1,661 to 17,394 was, in particular, a result of acquisition-related changes. In addition to the acquisitions at Dr. Oetker, Martin Braun acquired shares in Diversi Foods in February 2018, thus recording an average annual increase of over 800 employees. Furthermore, the acquisitions in the beer and sparkling wine sectors led to a significant increase in the number of employees within the group. Excluding the changes in the scope of consolidation of the Oetker Group, among which were the employees of Hamburg Süd, which were included for eleven months in the previous year, the number of employees rose by 5.0%.

Food

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

Business processes

Dr. Oetker has expanded the plant and warehouse capacities in the pizza sector, in particular at the locations in the UK, Canada and Poland. The construction of a new administration and social building at the location in Wittlich began in 2018. Completion is expected in 2019. Similarly, in South Africa, the company is preparing to move into a larger location by 2020 due to capacity constraints.

Capacity expansions in the plants

Within the cakes and desserts sector, the construction of a new social building in the decorations plant in Płock (Poland) and the construction of a new production hall at the location in Belgorod (Russia) were completed in 2018. At the Romanian production location, work has begun on a new warehouse and a new social building. At further production sites in Germany, Brazil and Mexico, major investments were made in new production lines and process technology.

On the sales side, Dr. Oetker has implemented international projects aimed at continuously improving the sales organization's skills and competencies, both at the point of sale and in key account management. In the past year, employees in the international in-house academy, the Dr. Oetker Sales Academy, received training in various modules.

In the field of innovation management, the "Idea to Market" process was optimized, and is now being successively implemented in all national companies by means of a system-based project management solution. Digital baking platforms such as backen.de and bakken.nl were used to implement projects dealing with digitalization, new forms of distribution and alternative business models.

The Dr. Oetker Café Gugelhupf in Switzerland enjoyed growing popularity a year after its opening and in 2018 took third place in the "Best of Swiss Gastro Award".

Numerous new products were launched in the 2018 financial year. In the cakes and desserts category, Dr. Oetker was able to win over consumers with many successful innovations such as the pudding in a cup "Seelenwärmer" and also with products for baking ingredients and baking mixes based on natural ingredients. New concepts such as "Piaceri di Natura" and "Torta Natura" in Italy and "Ze Świata Natury" in Poland were successfully introduced. In the pizza category, the new launch of "La Mia Grande" in Germany is worthy of particular note. The pizza range, with a thinner larger base that is shaped by hand, convinces with its high quality and individual character. Since 2018, Dr. Oetker has been testing the market acceptance in Belgium of the "Pizza Fresca" product within the chilled or "fresh" pizza sector. Snacking and eating out are also popular and are becoming more and more important due to the increasingly changing daily routines of consumers. With Vitalis Kraftfutter, Dr. Oetker offers a variety of snacks in a handy, 45-gram portion pack for "on the go".

In the 2018 financial year, *Conditorei Coppenrath & Wiese* focused on further improving production processes. In addition to the construction of another production hall in Mettingen, this also included the continuation of projects aimed at faster set-up of production changes, dosing optimization and so-called low-cost automation. The company was also able to expand and strengthen existing customer relationships and establish new business relationships. As customer relationships in the e-commerce sector will increasingly play a role for the company, Conditorei Coppenrath & Wiese and Oetker Digital have initiated a strategy project on digitalization. The development of this strategy will be completed by spring 2019.

Successful acquisition of the company Diversi Foods

Following the inclusion of Diversi Foods in the *Martin Braun Group,* the 2018 integration measures not only focused on the introduction of group standards, but also on leveraging synergies. At the same time, the company structure of Diversi Foods was significantly streamlined. In the meantime, the Frozen Foods Division of the Martin Braun Group is being run as the Frozen Bakery Division, which includes the companies Wolf ButterBack and Diversi Foods.

Martin Braun revised their supplier evaluation process in 2018. In addition, the company digitized and simplified the processing of order confirmations with the help of enterprise resource planning software. Complaints rates and reasons are taken into account in the evaluation of suppliers and contribute to the transparency of the process. Based on this, measures can be defined to make supplier relations more positive. Martin Braun can, for example, talk individually with individual suppliers about measures, thus avoiding complaints. This ensures the company can meet its exacting quality standards.

With regard to the production and logistics processes, the Martin Braun location in Hanover was characterized by modernization and replacement investments in 2018. For example, a new controller was installed in the powder production area and new labelers were purchased. Following the groundbreaking ceremony in the fall of 2016, the first line of the new Plant 3 at Wolf ButterBack in Fürth was successfully put into operation in the spring of 2018.

During the course of the year, Martin Braun was able to determine, through the areas of marketing and sales, that the demand for natural and low-declaration products is steadily growing. Both industrial customers and craft businesses large and small are part of this market movement. This increased demand is due, on the one hand, to the growing interest in sustainability and, on the other hand, to the desire to be able to offer products with natural ingredients. In addition, there are other trends that are increasingly playing an important role in the industry. Above all, these relate to gluten-free products and products with reduced sugar content.

Adaptation of sales structures

As a structural change in the industry is to be expected within Germany, Martin Braun already began to adapt its sales structures to the new requirements in 2018. As the importance of the large-scale retailers in the bakery trade has increased, a shift in personnel has been initiated between the stagnating traditional craft market and the large customer segment. In addition, with the implementation of the Braun online shop, the company has taken an important step towards optimally preparing the company's business model for the future.

Changes have also already been made in the area of research and development due to the structural change. Thus, the internal structure of this functional area has been adapted so that individual customer requirements can be processed quickly and efficiently. Along with this, there were numerous projects and developments in the area of raw material management, which enable the company to cater to current trends in customer requests. In this context, Martin Braun has pushed ahead with the established innovation management approach in order to better take account of the market and customer needs in product development.

Business development

KEY FIGURES	2017	2018
Sales revenue (in EUR million)	3,135	3,460
Adjusted sales revenue (in EUR million)[1]	3,383	3,534
Investments (in EUR million)	198	191
Employees	15,733	17,394

[1] Sales revenues adjusted for consolidation and exchange rate effects.

The Food Division generated total sales revenues of EUR 3,460 million and thus grew by 10.3% in the reporting year. Adjusted for acquisition and exchange rate effects, sales revenue growth was 4.5%. Investments amounted to EUR 191 million (previous year: EUR 198 million). The number of employees rose in the reporting period by 10.6% to 17,394, mainly due to the acquisitions at Dr. Oetker and Martin Braun. Without changes in the scope of consolidation, the number of employees increased by 2.0% to 16,049.

Organic growth of 4.2%

Dr. Oetker achieved sales revenues of EUR 2,570 million in 2018 and grew by 6.7% in the reporting year compared to the previous year. Adjusted for acquisition and exchange rate effects, organic growth amounted to 4.2%. Thanks to this positive development, the planned figures for 2018 were exceeded. The development of exchange rates had a negative impact on growth in sales revenue, in particular as a result of the devaluation of the Turkish lira, the Mexican peso and the Brazilian real against the euro.

In 2018, organic growth was complemented by several acquisitions in line with the strategy. In February 2018, Dr. Oetker acquired the natura brand in the Czech market, where it gained market leadership in the subsector for starch within the cakes and desserts category. In March 2018 Dr. Oetker acquired the majority stake (75%) in the South African frozen gateaux manufacturer Château Gâteaux. The company sells its products both directly to B2B customers and through its own cafes. In July 2018, Dr. Oetker entered the market in Egypt by means of the acquisition of Tag El Melouk. Tag El Melouk is the market leader in the market for baked goods in the retail sector and is now opening up opportunities for Dr. Oetker to grow in the third-largest country in Africa and at the same time the largest country in the Arab world. In October 2018, with the acquisition of Wilton, Dr. Oetker took over the US-leading brand for decoration, baking molds and baking equipment in order to strengthen its position in the large and promising US market. For almost 90 years, the Wilton brand has been synonymous with American consumers for home baking and creative decorating of cakes, gateaux and pastries.

Market entry in Egypt

The shares in Dr. Oetker Frischeprodukte Moers KG were utilized for a joint venture with Molkerei Gropper GmbH & Co. KG. The production joint venture, in which Dr. Oetker holds 50% of the shares, was founded on July 1, 2018. Due to the application of the equity method, which is applied from that date, no sales contributions from this joint venture are consolidated.

Production joint venture with Molkerei Gropper GmbH & Co. KG

When comparing the regions, net sales revenue growth in Germany has been positive. On the one hand, this successful development is attributable to the good preserving season. On the other hand, the successful launch of innovations such as the pizza La Mia Grande, the “Seelenwärmer” dessert and Vitalis Kraftfutter, as well as the relisting of fresh products in a key account, contributed in particular to the growth. A necessary streamlining of the product range in the professional sector counteracted this development.

Overall, the regions of Western and Eastern Europe reflect development according to plan. This corresponds to net sales revenues slightly above the previous year’s level. While significant growth was achieved in the pizza category in Western Europe, and especially in the UK, Norway, Finland and Spain, this positive development was counteracted by challenges in saturated and sometimes declining markets. In particular, the negative development of the baked goods market in Italy prevented both the achievement of planned sales revenue targets and the previous year’s sales revenues for cameo. Furthermore, rising sales deductions as well as differing views on the marketing of Dr. Oetker products among some customers had a negative impact on sales revenue development in this region.

In the Eastern Europe region, developments were adversely affected in particular by the devaluation of the Turkish lira, meaning that the positive effects of product development and the volume-driven growth, especially in Poland, were overshadowed.

A large proportion of Dr. Oetker's growth in 2018 was attributable to the Americas region. This is primarily due to the acquisition of baking and decorating specialist Wilton. Positive sales revenue developments in the national companies in Mexico and Brazil were offset by opposing foreign currency translation effects.

Significant growth in sales revenue in Asia, Africa and Australia

The significant growth in sales revenues in the Asia, Africa and Australia region is attributable on the one hand to the acquisitions in South Africa and Egypt and on the other hand to positive sales developments in Australia and South Korea.

Investments remained high at EUR 96 million in 2018, laying the foundations for additional growth over the coming years and ensuring the use of state of the art technology, high quality and efficient processes throughout the supply chain. In this context, the investments involved relevant projects in all regions.

Commissioning of a third production hall

Conditorei Coppenrath & Wiese increased its sales revenues by 7.5% in 2018. The increase in sales revenues, which went according to plan, was primarily driven by the development of the strategic segments gateaux/cakes, rolls and sheet cakes in the German brand business. In business with the UK, the burden of the British pound exchange rate could not be fully absorbed. In addition, market conditions were hampered by crop failures and the resulting rise in raw material prices. This year, the company also made investments for the construction of a third production hall, which was commissioned in August 2018 after a few months of construction.

The *Martin Braun Group* achieved an increase in sales of 38.9% for the 2018 financial year. As planned, much of this growth was acquisition-related. At the end of February 2018, Martin Braun acquired shares in Diversi Foods, which were consolidated with effect from March 1, 2018. As a result, the group was able to significantly increase sales revenues. The organic sales increase was 3.4%. In many national regions, including Germany, pleasing growth was achieved. Despite increasingly difficult market conditions, the Martin Braun Group is consistently continuing its growth process, which has now been going on for many years. The exchange rate developments in Switzerland and, in particular, in Turkey reduced the sales revenues of the locally successful business divisions quite considerably in some cases. Butter prices and other raw material price increases also put significant pressure on margins. As in the past, the frozen bakery products segment was able to expand its success throughout Europe. Other drivers included specialty bread mixes, organic yeast and various sweet product innovations for both small and large bakeries.

Forecast

Dr. Oetker is also expecting significant growth in 2019. The sales development is stimulated by operational measure initiatives – in particular innovations, relaunches and market investments – throughout all regions and also by the further expansion of distribution in the growth regions of America, Asia, Africa and Australia. In addition, revenues will increase as a result of the full-year inclusion of the acquisitions completed in 2018 and further acquisitions in 2019. An agreement was signed for the takeover of the French baked goods and dessert brand Alsa back in 2018; approval by the relevant competition authorities was given in January 2019. Compensatory effects are expected due to further negative developments of individual exchange rates.

Expansion of production capacities and continuation of the course of internationalization

Conditorei Coppenrath & Wiese expects a moderate increase in sales revenues for the coming year despite persistently challenging conditions, which include the uncertainties of Brexit. Coppenrath & Wiese will invest in the substantial expansion of production capacities in 2019 and continue the course of internationalization. In addition, the company is planning a new product concept in the field of prefrozen baked goods in Germany.

The *Martin Braun Group* expects significantly positive sales development in all regions for the 2019 financial year. The foreign regions in particular will further increase their share of sales. The revenue share of the German business will therefore decline and account for less than half of total sales revenues. The increasing consolidation in the European bakery market as well as discontinuation of larger customers and higher pressure on margins present risk factors for the Martin Braun Group. In addition to the increased business activities abroad, country-specific risks are added, which are particularly significant in the non-European region, but also for the UK.

Beer and Nonalcoholic Beverages

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

Business processes

The *Radeberger Group* has benefited in the area of procurement from the implementation of EcoVadis. This tool contributes significantly to measuring the sustainability performance and standards of existing and potential suppliers. As an integral part of the procurement process, EcoVadis is used for supplier management and supplier evaluation. In addition, in 2018 the company focused on implementing a digital roadmap in indirect purchasing.

In the area of logistics, the new GFGH warehouse management system was introduced on the basis of development work in the previous year. Through the majority stake in the company H. Leiter GmbH, the Radeberger Group can develop a holistic concept for the disposal of empties. In addition, as part of the conceptual further development of production and logistics structures, the conveyor technology at the Dortmund location was improved. This optimization led to a significant increase in the provisioning power and quantity while at the same time reducing space requirements. In the area of the supply chain, the group has set up a pilot project for digital control of the entire value creation chain. By connecting the scanners and inventory data in the food retailing, beverage wholesalers and breweries with external data, such as weather forecasts, trend forecasts and event happenings, more accurate forecasts can be generated with regard to item requirements.

Portfolio expansion through the products Jever Fun Zitrone, Schöfferhofer Weizenmix Maracuja and the cloudy Clausthaler Naturtrüb

The marketing department developed new campaigns for the national brands Schöfferhofer and Clausthaler, which have been successfully launched. In addition, the Radeberger Group was again able to launch several promising new products this year. At the national level, the portfolio was expanded by the products Jever Fun Zitrone, Schöfferhofer Weizenmix Maracuja and Clausthaler Naturtrüb. In addition, the portfolio of regional brands was supplemented by attractive new products and types of packaging. In the craft beer segment, the Radeberger Group has adapted its packaging strategy to market requirements and thus converted the range of bottled products to the returnable system and likewise expanded the range in the price range below EUR 1.50/bottle.

In 2018, the group's sales activities focused primarily on the implementation of price increases, the exploration of a cross-divisional customer relationship management (CRM) solution, the listing of new brands and the restaurant trade. The introduction of the CRM system marked an elementary step on the way to a more targeted control of sales and marketing activities, which put the customer even more at the center of business activity. National listings, such as those of Allgäuer Büble Bier, not only led to a stronger brand presence in retail, but also to positive sales impulses. The participation in Team Beverage enabled the catering sector to gain access to a powerful platform for rolling out food, beverage and service packages. In addition, the entire distribution structure for the catering segment was even more closely aligned with the market and customer requirements.

Participation in Team Beverage

Takeover of Dursty beverage markets

At the beginning of the previous financial year for the beverage outlets sector (GAM), Getränke Hoffmann took over the Dursty beverage markets that formerly belonged to the Veltins Group. As a result of the takeover, the GAM network of the Radeberger Group has now grown to over 450 beverage markets. These Dursty outlets will gradually be converted to the Getränke Hoffmann brand. As part of its strategy-oriented focus on its core beer business, the Radeberger Group sold the brands Bionade and Ti to the Hassia Group on January 1, 2018.

Business development

KEY FIGURES	2017	2018
Sales revenue (in EUR million)	1,908	2,181
Adjusted sales revenue (in EUR million)[1]	2,100	2,181
Investments (in EUR million)	99	90
Employees	6,066	7,989

[1] Sales revenues adjusted for consolidation and exchange rate effects.

Increase in sales revenues by 14.3%

As expected, the Radeberger Group was also able to increase its beverage sales and sales revenues in the positive market environment. In the 2018 financial year, group-wide revenues amounted to EUR 2,181 million, an increase of 14.3%. After elimination of currency and acquisition effects, the group achieved growth in sales revenues at the level of the previous year. The number of employees rose from 6,066 to 7,989, due in particular to the acquisitions made during 2018. With a constant scope of consolidation, the group had an average of 6,868 employees in 2018.

The development within the individual segments and brands was heterogeneous in the reporting year. As regards the national brands in the Radeberger Group's portfolio, Jever and Schöfferhofer benefited from the good weather, while Radeberger Pilsner's price increase combined with a reduction in campaign shares led, as expected, to a fall in sales. In particular, the Schöfferhofer mixed drinks benefited not only from the extraordinary summer weather of 2018, but also from the focused work in sales. In the national specialties segment, Clausthaler was able to stop the declining sales trend of recent years despite further distribution losses, and managed to generate growth again. The Guinness and Kilkenny brands were stable in comparison to the previous year, while Captain Morgan was discontinued at the end of the year due to low consumer acceptance.

The regional premium brands, which were able to increase their sales significantly despite selective price increases, continued to enjoy a particularly high level of acceptance. In addition to Ur-Krostitzer, which was able to continue its success story from the previous financial year, Berliner Kindl and Berliner Pilsner, Freiberger and again Allgäuer Büble Bier also showed pleasing development. As expected, there was a slight decline in 2018 in both the traditional regional brands and the entry-level price beers. Thanks to pleasing business in Eastern Europe, China and Scandinavia, export sales reached about the planned level, thus slightly exceeding the previous year.

The nonalcoholic beverages Selters and Pepsi benefited from the long heat period. Following the sale of the Ti and Bionade brands, sales revenues increased on a comparable basis by 8% compared to the previous year.

EUR 90
million of investment

In 2018, investments by the Radeberger Group of EUR 90 million remained at a high level, among other things due to higher investments in empties and new crates for the Clausthaler, Schöfferhofer and Selters brands.

Forecast

In accordance with the trend of recent years, the Radeberger Group expects a decline in the overall market in 2019. Excluding changes in the scope of consolidation, the group assumes that beverage and retail sales revenues will remain largely stable and overall sales revenues in existing business will reach the level of the previous year.

Sparkling Wine, Wine and Spirits

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

Business processes

In the 2018 financial year, the organization further developed in the area of procurement. Due to the merger of Henkell & Co. and Freixenet, intensive work took place in the summer of 2018 in order to harmonize the now shared supply chain. As a result of the cooperation between the two companies, improved competitiveness and profitability are now expected. In addition, the group has responded to the risk of a possible scarcity of raw materials for wines and sparkling wines. Particularly high-quality raw materials of regional origin were affected by this development. For this reason, Henkell Freixenet has implemented a diversified procurement strategy that includes multiple procurement channels. A cornerstone of this strategy is to assume upstream processes in the value creation chain, for example through the in-house cultivation of raw materials. In order to ensure the successful procurement of additional raw materials, Henkell Freixenet also cooperates with other companies of the Oetker Group, such as the head office. In addition, it was decided to introduce a lead buyer concept in which a central contact person takes over strategic procurement for a specific group of materials.

Projects for digital transformation

In production and logistics, further projects for digital transformation were promoted. The main focus was on the automation of processes, combined with the goal of reducing structural costs within the group. Key steps included measures to improve efficiency through networking and the use of modern machinery and production robots. The control of the production facilities on the basis of operational data acquisition and data analysis with the help of digital cockpits was a key function to ensure that the plants can be used optimally.

Roadmap for digital marketing

In marketing and sales activities, Henkell Freixenet continued to focus on its core brands, supporting them with classic advertising and point-of-sale, digital and PR activities. In addition, the company has given digital marketing a higher priority. For this purpose, together with Oetker Digital, a roadmap for digital marketing at Henkell Freixenet was conceived. The goal is to promote intensive networking of all marketing and PR activities with all relevant touchpoints within the company. Valuable experience has already been gained in several European countries with online shops for group-owned market portfolios. Step by step, the company is thus adjusting to digitalization and harnessing its potential for future corporate success.

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

In order to establish close contact with its current and potential consumers, the company operates active visitor management at several international locations in Europe. Already, more than 500,000 consumers have been impressed by the company and its products, which is why this concept has been further expanded.

Business development

KEY FIGURES	2017	2018
Sales revenue (in EUR million)	523	816
Adjusted sales revenue (in EUR million)[1]	779	820
Investments (in EUR million)	15	33
Employees	1,934	2,701

[1] Sales revenues adjusted for consolidation and exchange rate effects.

EUR 816
million in sales revenue

Henkell Freixenet has established itself as the world's leading sparkling wine supplier. The new Spanish-German alliance has a broad portfolio that includes products from all types of sparkling wines. In accordance with the forecast from the previous year, the company recorded a positive development in sales revenues. Overall, the group achieved sales revenues of EUR 816 million for the reporting year, an increase of 56.1% compared to the previous year. Adjusted for price and acquisition effects, growth in sales revenue increased by 5.3% to EUR 820 million. The average number of employees increased significantly from 1,934 in the previous year to 2,701 as a result of acquisitions.

Much of the sales revenues as generated in international markets. Domestic business, with a share of 25.3%, also developed positively with growth in sales revenue of 40.1%. The continuing trend of premiumization, also called tradin up, in which increasingly higher-value products are favored by customers, has contributed to this development. For this reason, the company's premium brands in particular have developed positively, thus contributing to growth in sales revenues. Among them are Fürst von Metternich, Freixenet, Mionetto prosecco and Menger-Krug.

At Henkell Freixenet, the Germany, Switzerland and Austria region grew slightly. The German market remained the strongest market for the company within the still and sparkling wine segment. The large variety of products in Germany led to intense competition between the established sparkling wine companies.

The driving force behind the double-digit growth of Henkell Freixenet in the Western European market this year was the Italian Mionetto prosecco, the international wine brand i heart WINES and Freixenet prosecco. In the region of Eastern Europe, Henkell Freixenet was able to achieve a significant increase in sales revenues following the decrease in sales revenues last year. Eastern Europe is one of the most important growth markets for sparkling wine for the group. The positive development is mainly due to the national companies Bohemia (Czech Republic) and Hubert (Slovakia). The national company in Ukraine, which was still facing declines in the previous year, was able to bring about a turnaround in 2018 and contributed to a positive development. The takeover of Filipopolis in Lithuania also allowed the distribution network to be extended to the entire Baltic region.

Eastern Europe – one of the most important growth markets for sparkling wine

Henkell Freixenet also sees the Americas as an important growth region. In addition to the already strong business activities of both companies in the USA and Canada, the unification of Henkell & Co. and Freixenet provides access to a strong market presence in South and Central America. The backbone of the positive growth trend in this region is above all the Freixenet and Mionetto prosecco brands.

Strongest brand in the spirits segment: Wodka Gorbatschow

The strongest brand in the spirits segment was Wodka Gorbatschow. The German vodka market leader was supplemented by the Kuemmerling herb liqueur brand and the Polish Lubuski Gin. Other products of the company such as Mangaroca Batida de Côco, Fürst von Metternich and i heart WINES also enjoy successful market positions.

In order to support the positive growth trend in the future, the company invested EUR 33 million in 2018, compared with EUR 15 million in the previous year. Capital expenditure focused on the winery expansion of Schloss Johannisberg (Germany), the expansion of the Mionetto winery in Valdobbiadene (Italy) and the expansion of the wine processing plant at Vino Mikulov (Czech Republic).

Forecast

Continued trend for prosecco expected

Henkell Freixenet forecasts a globally growing sparkling wine market for 2019, with a focus on cava, prosecco and premium. Due to the continuing prosecco trend, above-average growth in sales revenue is expected, above all in the USA and Britain. In comparison, the company assumes stable to slightly declining demand in Germany, the world's largest sparkling wine market, although the high-price segment will continue to develop positively compared to the overall market. Henkell Freixenet is well positioned with its brand activities, meaning that in 2019 organic growth is expected to be achieved both overall and in the individual regions.

Other Interests

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

Business processes

In 2018, the focus for *Budenheim* was once again on preparing its own business units for the rising market requirements. As a result of the increased concentration on the customer, processes that aim to increase customer satisfaction are taking center stage. As a result, Salesforce became the leading customer relationship management (CRM) system during the year. This made sales processes more transparent and faster. The system has established itself as a communication platform and thus significantly improves the cooperation of all functions involved.

Acquisition of the company La Campana®

The acquisition of La Campana®, the highly innovative formulator of additives for the meat processing industry, in 2018 was an important milestone in the expansion of the portfolio of the Budenheim food ingredients business. Specializing in customer-oriented solutions for the meat industry in Spain, Mexico and the rest of Latin America, La Campana® also accelerates the market launch of innovations related to the animal protein cluster (meat and seafood processing). A key advantage is the user-friendly and interactive La Campana® web platform. Customers can develop their own solutions and interact with the innovation and application development team to deliver the solution they need in a timely manner. It is planned to expand this business model to the nutrition and baking cluster.

Budenheim achieved an innovation rate of 8% for the area of research and development in 2018, thus again increasing on the previous year's figure. The consistent focus of innovation activities on strategic markets has been further strengthened by operationalizable innovation strategies and the integration of the innovation process in the CRM process.

The innovation platforms in the area of research and innovation increased their efficiency in assessing and opening up new business opportunities, including with the support of Oetker Digital. In addition, the innovation platform Phosphorus Recovery, which deals with the recovery of phosphorus from sewage sludge, gained further significant insights into the treatment plant and the future business model.

In 2018, the Food Ingredients Division began laying the foundations for its strategic transformation into a specialty food ingredient manufacturer. Thus, Budenheim expanded its core competence area, which will henceforth go beyond phosphatic chemistry. Within the nutrition cluster, significant steps have been taken to expand the product portfolio of microencapsulated nutrients (e.g. iron) for food enrichment under the WowCaps® brand name. In addition, new calcium phosphates have been developed within the CAFOS® and PureMin® lines with extensive particle size control. For the animal protein cluster, the new

La Campana® brand, already well known in Spain for its innovations in durability, texture and taste enhancement, as well as in the area of vegan and vegetarian specialties, is of great importance. In the baking cluster, new leavening systems provided impetus for the start of a structured search for innovative solutions for healthy baked goods.

Performance Materials business unit: world debut of PharSQ® Spheres

The Performance Materials business unit presented a world first at CPhI, the leading international pharmaceutical event: PharSQ® Spheres. The PharSQ® Spheres enable the development of drugs in which the release of one or more active ingredients is precisely controlled and thus optimized for the patient. With an even purer product in the OSSEA CAFOS® line, the range of products for implant coatings has been expanded. The intensive marketing of special products for technical applications has been continued, for example with the widespread market launch of the product FFB® 393 for the refractory market or the product FABUGLAS® 2012 as oxidation protection for graphite electrodes.

In the field of paint additives for fire protection paints in the paints cluster, BUDIT® 685 (high-purity melamine diphosphate) was successfully launched in the market for high-performance coatings in the energy sector in a very short time.

Two new large-volume applications for the plastics market were introduced to the polymers cluster. Modified melamine cyanurate (BUDIT® 315) is now used as a feedstock for flame-retardant thermoplastic polyurethane, which is used as a cable sheathing in the transport sector. Following technical investigations, the new product EPSOLUTE® C12 was selected for the production of insulation materials based on foamed polystyrene and was quickly approved and commercialized by key customers. An improved flame retardant for electronic and electrical components, such as switches and plugs, was presented at the FAKUMA 2018 trade fair.

OEDIV further expanded its service and performance portfolio during the course of the financial year. For example, the implementation of a security solution for the automated identification of weak points in deployed IT systems. As the purchase of services has increased in recent years, the company has established a structured partner management process this year. This supports the inclusion and control of business partners. Likewise in the field of performance processes, OEDIV has further professionalized and sped up the handling of incidents by setting up a service desk. In 2018, responsibilities for the areas of technical account management, service catalog management and partner management were assigned for the cross-thematic support of customers, which is intended to help strengthen numerous sales activities.

Business development

KEY FIGURES	2017	2018
Sales revenue (in EUR million)	637	684
Adjusted sales revenue (in EUR million)[1]	639	691
Investments (in EUR million)	29	36
Employees	2,597	2,853

[1] Sales revenues adjusted for consolidation and exchange rate effects.

EUR 36
million of investment

The companies of the Other Interests Division are primarily active in the chemical industry and luxury hotel sector. With regard to the various markets, the companies in this division have developed differently. Overall, the division achieved an increase in sales revenue of 7.4%, to EUR 684 million. After adjusting for price and acquisition effects, sales revenues increased by 8.2% to EUR 691 million in 2018. Expenditure for investments amounted to EUR 36 million for the reporting year, compared to EUR 48 million in the previous year. The increase in investments is mainly due to higher spending on hotels. The number of employees grew from 2,597 to 2,853 in 2018. This corresponds to an increase of 9.2%, partly due to the acquisitions of OEDIV and Budenheim.

Budenheim was again confronted with highly competitive market conditions in 2018. Nevertheless, the group achieved an increase in sales of 6.8% relative to the previous year to EUR 313 million. Adjusted for exchange rate effects and effects from the acquisition of La Campana®, sales revenues increased by 4.1%. In addition, environmental influences also impacted the business. Especially in the summer months, the supply of raw materials to the German production location was affected by low water levels in the Rhine river, which led to a drop in sales revenues.

Leading area of sales revenue: food ingredients

Sales revenues in the strongest-selling business unit, Food Ingredients, increased significantly year-on-year. This growth was driven by the forward-integrating acquisition of the Spanish specialist solution provider La Campana®, which compensated for a very difficult year in North America. The existing business of Food Ingredients at the production location in Germany was confronted with considerable increases in raw material costs. The new market conditions led to consistent and rigorous product portfolio optimization and price increases in all regions of the world. Emphasis was placed on growing consumer regions, such as Southeast Asia, Russia and the Middle East. Moderate growth in sales revenue was recorded in Europe, the Middle East and Africa. Sales revenues in the Asian markets remained stable after the significant growth of the previous year and despite an expected downturn in China. This is mainly due to strong growth in sales revenues in the nutrition cluster.

Sales revenues in North America were heavily impacted by the exchange rate, despite increased new customer acquisition. The major food processors in Central and South America continued to experience strong cost-cutting pressures. Therefore, the renewal of the portfolio started on the basis of specialties by La Campana®.

In the area of performance materials, the largest-selling cluster, pharmaceutical and medical products, posted a significant increase in 2018, driven primarily by strong growth in China, India and Indonesia. In addition, this positive development was supported by the introduction of the first active ingredient ("API") by Budenheim. The price increases implemented in the course of 2018 compensated for the variable cost increases and negative exchange rate effects.

In the Material Ingredients business unit, the paints cluster had the largest share of sales revenues and achieved moderate variable margin growth in 2018. The driver for this development was above all the business in North America. In addition, the cluster benefited particularly from sustained growth in the Middle East and Asia, as fire protection regulations are increasingly being enacted there.

Oetker Collection: sales revenue increase of 10.7%

The Oetker Collection slightly exceeded its sales revenue targets in 2018, and ended the year with an increase in revenues of 10.7% to EUR 166 million. All consolidated hotels contributed to this. The Hotel du Cap-Eden-Roc, the Château St. Martin and the management company Oetker Hotel Management Company (OHMC) recorded strong growth rates. In addition, the Hotel Le Bristol and the Brenners Park-Hotel were able to significantly increase sales revenues. Sales revenues at the Hotel du Cap-Eden-Roc and the Hotel Le Bristol developed better than expected. This compensated for the developments that were slightly under plan at the Brenners Park-Hotel, the Château St. Martin and the OHMC. Sales revenues at Château St. Martin were supported by a significant increase in the average rate. The management company OHMC benefited year-on-year from the first-time full-year inclusion of sales revenues from the management business on Jumby Bay Island. The driving forces behind the successful performance of Hotel du Cap-Eden-Roc and Hotel Le Bristol were rising occupancy and overnight numbers, as well as sales revenue in the area of F&B, which exceeded the projected figures.

The so-called Geomix resulted in some significant changes for 2018 due to portfolio effects. While the Eden Rock St. Barth hotel was closed as a result of Hurricane Irma and could not accommodate any guests, the new Oetker Collection operations in São Paulo and Antigua, which were open all year for the first time, have led to growth, particularly in the US and Brazil markets.

Encouraging sales development at OEDIV

Sales revenues for *OEDIV* increased significantly in the 2018 financial year. Apart from organic growth, the pleasing sales revenue development is also attributable to acquisition effects. In August 2018, OEDIV acquired shares in the company Personal Partner Strixner GmbH (PPS), based in Augsburg. As a result of the acquisition, the market demand for services in the field of HR services could be met. With its competence in business process outsourcing (BPO) for HR services, Strixner perfectly complements the existing OEDIV portfolio.

As in the previous year, the core segments SAP and Microsoft accounted for two thirds of OEDIV sales revenues. A key driver of growth in sales revenues was SAP HANA and a major new customer order this year. In addition, OEDIV benefited from increased demand from existing customers for additional, previously unused services from the OEDIV service portfolio as well as growth-related extensions to existing infrastructure. In addition, the successful acquisition of new customers also contributed to the growth in sales revenues.

The majority of OEDIV's sales revenues are generated by German customers with international locations. The revenue increases described were also generated by this customer group.

Forecast

Budenheim expects total sales revenues for 2019 to be significantly higher than in the previous year. This forecast is based primarily on the planned sales contributions from the acquisition of La Campana® in the Food Ingredients business unit. In addition, growth in sales revenue is supported by small volume growth. Positive price effects are expected to be offset by negative currency effects from the US dollar.

Overall, the *Oetker Collection* anticipates a slight increase in sales revenues in the coming financial year. Sales revenue development at the Hotel du Cap-Eden-Roc will be more conservative for the coming year after the record year 2018. Above all, the prolonged closure of the Hotel Eden Rock St. Barth will have an impact on the development of sales at OHMC. Increasing sales revenues are expected at the Hotel Le Bristol, the Château St. Martin and the Brenners Park-Hotel. The focus here is on the positive expectations regarding the hotels' occupancy rates and number of overnight stays.

OEDIV expects moderately declining sales revenues for 2019. The deciding factor behind this decrease in sales revenues is a major order, which led to the one-off realization of revenue in 2018. Adjusted for this one-off effect, the original service business in the third-party customer segment would grow significantly.

Financial Position

Total assets increased by EUR 679 million compared to December 31, 2017, to EUR 9,822 million, with the change in the balance sheet structure at the end of 2018 largely influenced by the acquisitions in the previous financial year. Cash and cash equivalents decreased by EUR 957 million to EUR 3,217 million as of December 31, 2018, mainly due to acquisition-related expenses; the use of funds was reflected in particular in the increase in fixed assets. The key figures of the balance sheet structure are as follows:

BALANCE SHEET STRUCTURE

In EUR million	2016	2017	**2018**
Total assets	8,896	9,143	9,822
Fixed assets	5,059	2,895	3,816
Inventories, accounts receivable, prepaid expenses	2,848	2,074	2,788
Cash and cash equivalents	990	4,174	3,217
Equity	3,648	3,749	4,027
Provisions	1,778	1,403	1,387
Liabilities/deferred income/deferred tax liabilities	3,470	3,991	4,408

Intangible assets increased by EUR 552 million year-on-year to EUR 903 million. The additions totaled EUR 724 million in 2018 and, at EUR 703 million, are largely attributable to first-time consolidations in 2018. Of this amount, EUR 360 million related to goodwill, which is mainly recognized in the Food Division. In addition, brand rights worth EUR 335 million were received, primarily as a result of the purchase price allocations for the acquisitions of Wilton and Freixenet. The EUR 267 million increase in property, plant and equipment to EUR 2,236 million is mainly due to the balance sheet development of land and buildings as well as technical equipment and machinery. In addition to current investments of EUR 329 million, which exceeded the depreciation volume in the reporting year, acquisition-related additions of EUR 277 million, particularly in the sparkling wine sector, were a result for this asset category. Total additions to property, plant and equipment and intangible assets amounted to EUR 1,331 million (previous year: EUR 598 million). Of this total, EUR 980 million related to acquisitions (previous year: EUR 40 million). Current investments amounted to EUR 350 million, down EUR 207 million on the previous year. The decline roughly corresponded to the investment expenditure of the previous year for shipping. In regional terms, the focus was again on investments in domestic companies, while the share of foreign companies in current investments increased from 26.7% to 38.6% in 2018. Amortization of intangible assets and property, plant and equipment totaled EUR 433 million (previous year: EUR 673 million).

The carrying amount of investments in associated companies increased by EUR 61 million to EUR 519 million. The increase was mainly due to the acquisition of the stake in Moers Frischeprodukte GmbH & Co. KG and the joint venture with Molkerei Gropper GmbH & Co. KG. In addition, investments accounted for using the equity method included primarily Bankhaus Lampe KG, Düsseldorf, S.A. Damm, Barcelona (Spain), and Emaphos Euro Maroc Phosphore S.A., Casablanca (Morocco).

Inventories increased by EUR 443 million year-on-year to EUR 1,128 million. Trade receivables also increased to EUR 1,228 million (previous year: EUR 946 million). The changes are driven primarily by the acquisitions. The operational increase in inventories and trade accounts receivable totaled EUR 48 million. Accounts receivable from affiliated companies totaled EUR 10 million (previous year: EUR 5 million), with liabilities of EUR 19 million (previous year: EUR 6 million). They consist of domestic and foreign participations not included in the consolidation.

Other current assets fell to EUR 386 million as of the balance sheet date (previous year: EUR 406 million), essentially a consequence of the final settlement of the sale of the Shipping Division recognized in the previous year. In addition to tax refund claims, other current assets include short-term borrowings as well as nonliability claims from the reinsurance of pension obligations to the Condor insurance group, receivables from empties and the like. This includes the assets of Atlantic Forfaitierungs AG, which consist primarily of short-term deposits. An amount of EUR 52 million (previous year: EUR 46 million) of other assets is payable after one year.

At the balance sheet date, funds amounted to EUR 3,217 million (previous year: EUR 4,174 million). They consist of claims against Bankhaus Lampe KG, current asset securities and the item “Cash on hand, deposits with other banks and checks”.

The fixed capital of Dr. August Oetker KG remained unchanged at EUR 450 million. The group’s reserves increased by EUR 174 million to EUR 3,593 million on the balance sheet date. The negative change in the equity difference from currency translation of EUR 11 million resulted primarily from the devaluation of the Turkish lira against the euro. The equity items attributable to noncontrolling interests increased by EUR 116 million to EUR 129 million as of the balance sheet date, mainly due to minority interests in the Freixenet Group. This resulted in a total equity increase of EUR 278 million to EUR 4,027 million as of December 31, 2018.

Pension provisions amounted to EUR 491 million as of the balance sheet date and decreased by EUR 1 million compared to the previous year. While payouts had an impact of – EUR 40 million, interest and exchange rate effects had an impact of + EUR 39 million. As in the past, part of the retirement benefits for employees is covered by direct insurance contracts, especially from Condor Lebensversicherungs-AG. The required insurance premiums are mostly paid by one-off payments. Policy loans are not used. Tax provisions amounting to EUR 22 million (previous year: EUR 59 million) included only effective taxes. The other provisions include amounts for outstanding invoices, credit balances from the Beer and Nonalcoholic Beverages Division and sales deductions, especially in the Food Division and in the personnel department.

Liabilities amounted to EUR 4,317 million (previous year: EUR 3,976 million) and can be found in the appendix, broken down by remaining maturity. The other liabilities included in the total amount of EUR 2,884 million (previous year: EUR 2,807 million) included in the total amount are the shareholder accounts identified within Dr. August Oetker KG.

Deferred tax liabilities increased by EUR 68 million to EUR 76 million as of the balance sheet date and resulted solely from consolidation measures, as there was an excess of assets at the level of the individual financial statements, mainly due to differences in the valuation of pension provisions and thus to the option of Section 274 (1), sent. 2, of the German Commercial Code (HGB). The increase in deferred tax liabilities in the financial year 2018 was largely due to the temporary balance sheet differences arising from the purchase price allocations for the acquisitions.

The financial position of the Oetker Group is characterized by internal financing, extensive earnings retention and long-term bank loans. The positive balance of net financial assets fell from EUR 3,584 million as of December 31, 2017, to EUR 2,533 million as of December 31, 2018, mainly due to expenses related to acquisitions.

As compared to the previous year, equity increased by EUR 278 million to EUR 4,027 million. With a 7.4% increase in the total equity and liabilities at the same time, the equity ratio remained unchanged at 41.0%. The bank liabilities are mainly based on loans with terms of ten years, which are serviced according to plan. Long-term loans of EUR 131 million were repaid during the reporting year, and no new loans were taken out. The increase in liabilities to banks resulted from the acquired liabilities of the acquired companies. Leasing agreements and other off-balance-sheet financing instruments are only of secondary importance for the Oetker Group.

Financing and cash investments by subsidiaries are combined within the Oetker Group wherever possible in order to minimize risks and exploit potential optimization. Interest, price and currency hedges are mainly carried out by Dr. August Oetker KG using derivative financial instruments in the form of forward exchange contracts.

Forecast Report

Global economic growth was much more restrained during the 2018 financial year and lost momentum compared to previous years. Overall, the expansion of the global economy slowed down. Drivers for this development were above all weak global production and a more pessimistic economic outlook. The global economy is expected to grow by 2.7% in the coming year. The planned growth of world trade is expected to be 1.6% below the result of 2018. In addition, ongoing geopolitical risks are expected to further dampen the economy. Slower production growth in advanced economies is projected to be as low as 1.8%, mainly due to a slow tightening of expansionary monetary policy, lack of incentives from fiscal policy and slower growth in demand from developing and emerging economies. Consumer spending in the eurozone is expected to increase by 1.3% in 2019. Together with sustained positive economic growth and an increase in disposable income, private consumption – as an important parameter for the consumer goods businesses of the Oetker Group – is a key pillar of the eurozone economy.

In 2019, the business development of the Oetker Group will continue to essentially depend on the development of economic conditions. In the consumer goods divisions, rising prices are expected for raw materials; however, due to price hedges, these will only have a partial effect. With regard to the prices of the foreign currencies important to the Oetker Group, all but the Canadian dollar and the Turkish lira have been planned to be close to the annual average for 2018.

Sales planning for 2019 is based on both organic growth and acquisition-related increase in sales revenues. Overall, the group management is planning moderate growth in sales revenues; without changes in the scope of consolidation this will again exceed the level of 7 billion euros. Investments (excluding first-time consolidations) of approximately EUR 425 million are expected for 2019, about half of which will be invested in the Food Division. The net financial balance will continue to show a clearly positive balance. The number of employees will increase significantly, mainly as a result of the full-year consideration of the companies acquired in 2018.

↗ The forecasts for the individual divisions can be found starting on page 27.

The presented forecasts for the economic framework data are based on an economic report by the project group Joint Diagnosis (GD) from April 2, 2019. Further aspects of the expected development in the individual divisions are described in the respective sections.

Opportunities and Risks Report

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

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

The group companies are subject to different economic frameworks. Consumer sentiment is particularly relevant in the three consumer goods sectors. A diversified product portfolio and constant efforts in the development of new products help to meet market and consumer needs. This also includes the trend towards more quality awareness and increased demand for sustainably produced products.

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

Within the context of its structure, which is diversified across both industrial sectors and regions, the Oetker Group is also exposed to different risks. These are primarily economic risks, raw material price risks and, to a lesser extent, currency risks. Dealing with these business risks is an integral part of the entrepreneurial leadership of the Oetker Group.

Operational opportunities and risks

Procurement market opportunities and risks

In the estimation of the group management, the prices on the procurement markets will increase in 2019. Many of the raw materials important to the consumer goods divisions have already been firmly contracted for 2019 in terms of their prices, so there are no risks there. Diversification through different suppliers and further measures to secure volumes reduces other procurement risks.

Environmental and industry-related opportunities and risks

Consumer sentiment is of crucial importance to the consumer goods businesses. In addition, interventions by national authorities, trade conflicts and unsafe geopolitical situations, as seen in several countries, can have a major impact. The ongoing debt and financial crisis in some countries also creates risks for the group's divisions. In addition, increasingly intense competition and increasing trade concentration pose risks. With the continuous strengthening of brands and continuous product development, the group companies counteract these risks and thereby generate new opportunities. In addition, the use of various sales channels makes it possible to compensate for possible structural migratory movements and consumers' demand behavior.

Functional opportunities and risks

Financial opportunities and risks

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

Legal and regulatory risks

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

Their implementation is based on internal standards, guidelines and behavioral instructions, which are reviewed regularly, including within the framework of the management systems. With a group-wide compliance organization, all relevant legal and regulatory requirements and compliance with the Oetker Group Code of Conduct are monitored.

In addition, industry-standard insurance was taken out to cover certain legal risks.

Opportunities and risks in the area of IT/digitalization

The use of digital technology enables the ongoing standardization of data systems as well as the harmonization and optimization of processes. Information technology risks are counteracted by extensive investments in the security architecture of IT systems. Digital transformation is an unstoppable trend that is influencing consumer behavior and market players. In addition to risks, including the entry of new market players, new forms of supply and business models are also emerging, which offer the Oetker Group new growth opportunities, above all in the consumer goods business segments.

Personnel opportunities and risks

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

Environmental and safety factors
The Oetker Group, with its activities in numerous locations worldwide, has to observe environmental, safety, health and social standards. This could result in adverse effects on people and their environment and damage to goods. The measures described for the legal and regulatory risks also counteract this in the area of environment and safety, as well as certifications, consultations and training of employees. In addition, high production standards ensure effective protection for potential environmental and safety risks.

Logistics opportunities and risks
Despite the advantageous development in the logistics industry, which supports the group companies in their efforts to establish an efficient and effective supply chain, there are still certain risks. The strong concentration of the logistics industry, especially in the field of frozen food, has led to keener competition sometime. Added to that, the logistics industry already suffers from a skills shortage. In addition, at times substantial increases in tolls are leading to a general increase in the cost of logistics services, which can therefore also increase costs within the Oetker Group.

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

Risks that could impair the long-term existence of the Oetker Group are not identifiable in other respects either. In addition, over the past few years an increased level of risk coverage has been created through the solid equity base and the improvement in strategic positions, which from today's point of view has made it even easier to control the risk drivers of the business. At the same time, the opportunities offered can be grasped from this solid foundation.

02 *Consolidated Financial Statements*

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

Consolidated Financial Statements

02

Consolidated Balance Sheet
Dr. August Oetker KG

ASSETS In EUR '000	2017	2018
FIXED ASSETS		
Intangible assets		
Acquired concessions, trademarks and similar rights and assets as well as licenses to such rights and assets	256,136	538,495
Goodwill	93,239	361,064
Advance payments	2,081	3,647
	351,456	**903,205**
Tangibles		
Land, leasehold rights and buildings, including buildings on leasehold land	1,097,062	1,247,429
Machinery and equipment	456,727	597,682
Other equipment, fixtures, furniture and office equipment	275,037	286,950
Advance payments and fixed assets under construction	139,358	103,461
	1,968,185	**2,235,522**
Financial assets		
Shares in subsidiaries	76	6,907
Investments in associated companies	458,085	519,449
Investments in other companies	33,832	48,730
Long-term borrowings to affiliated companies	26	20
Fixed-assets securities	1,457	2,253
Other long-term borrowings	66,108	99,912
Advance payments for financial assets	15,600	355
	575,185	**677,626**
	2,894,826	**3,816,353**
CURRENT ASSETS		
Inventories		
Raw materials and supplies	217,404	335,770
Work in progress	98,694	283,106
Finished products and merchandise	364,491	495,262
Advance payments	4,883	14,344
	685,472	**1,128,482**
Accounts receivable and other current assets		
Accounts receivable (trade)	946,261	1,227,859
Accounts receivable from subsidiaries	82	0
Accounts receivable from affiliated companies (apart from banks)	4,714	10,019
Other current assets	405,937	385,909
	1,356,993	**1,623,787**
Cash and cash equivalents, funds		
Accounts receivable from affiliated banks	43,015	28,009
Securities held as current assets	1,420,889	2,763,151
Cash in hand, deposits with nonaffiliated banks and checks	2,710,362	425,675
	4,174,266	**3,216,834**
	6,216,731	**5,969,102**
DEFERRED INCOME	**29,307**	**34,388**
POSITIVE DIFFERENCE BETWEEN PLAN ASSETS AND RETIREMENT BENEFIT OBLIGATIONS	**1,880**	**1,693**
	9,142,744	**9,821,536**

EQUITY AND LIABILITIES In EUR ’000	**2017**	**2018**
EQUITY		
Fixed capital	450,000	450,000
Reserves	3,419,388	3,593,253
Difference in equity due to currency translation	–133,979	–145,341
Noncontrolling interests	13,119	128,922
	3,748,528	**4,026,834**
DIFFERENCE DUE TO CAPITAL CONSOLIDATION	**86**	**14**
PROVISIONS		
Provisions for pensions and similar obligations	491,170	490,528
Provisions for taxes	58,501	22,286
Other provisions	853,753	873,766
	1,403,424	**1,386,580**
LIABILITIES		
Liabilities due to banks		
Liabilities due to banks outside the Oetker Group	580,136	673,873
Liabilities due to affiliated banks	9,974	9,985
Advance payments received on orders	7,535	17,458
Accounts payable (trade)	432,709	574,556
Accounts payable to subsidiaries	25	54
Accounts payable to affiliated companies (apart from banks)	6,166	19,236
Miscellaneous liabilities		
Taxes	120,228	121,856
Social security	12,497	15,744
Other	2,807,177	2,883,959
	3,976,448	**4,316,721**
DEFERRED INCOME	**5,317**	**14,894**
DEFERRED TAX LIABILITIES	**8,941**	**76,493**
	9,142,744	**9,821,536**

Bielefeld, April 17, 2019
Dr. August Oetker KG

Dr. Albert Christmann
General Partner

Dr. Heino Schmidt
Chief Representative

Consolidated Statement of Changes in Fixed Assets

Dr. August Oetker KG

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS In EUR '000	Procurement and manufacturing costs as of January 1, 2018	Currency differences and effects due to change in scope of consolidation	Additions	Disposals	Reclassifications	Procurement and manufacturing costs as of December 31, 2018
Intangibles						
Acquired concessions, trademarks and similar rights and assets as well as licenses to such rights and assets	1,074,471	30,030	361,808	–67,501	2,214	1,401,021
Goodwill	222,136	14,109	359,609	–4,376		591,478
Advance payments on intangible assets	2,155	–13	2,871	–40	–1,252	3,721
	1,298,762	**44,126**	**724,288**	**–71,916**	**961**	**1,996,221**
Tangibles						
Land, leasehold rights and buildings, including buildings on leasehold land	2,237,078	93,047	214,120	–100,811	41,523	2,484,957
Machinery and equipment	2,308,340	251,504	209,963	–228,643	69,662	2,610,826
Other equipment, fixtures, furniture and office equipment	862,767	29,885	91,151	–90,521	4,775	898,058
Advance payments and fixed assets under construction	139,444	–1,248	91,372	–9,095	–116,921	103,553
	5,547,630	**373,188**	**606,607**	**–429,069**	**–961**	**6,097,394**
Financial assets						
Shares in subsidiaries	76		6,839	–8		6,907
Investments in associated companies	466,785	–64	67,440	–5,790		528,370
Investments in other companies	36,029	381	15,136	–535	–1	51,010
Long-term borrowings to affiliated companies	26		2	–8		20
Fixed-assets securities	1,800		1,620	–800	1	2,621
Other long-term borrowings	80,355	9	57,449	–25,945		111,869
Advance payments for financial assets	15,600		355	–15,600		355
	600,671	**326**	**148,841**	**–48,687**		**701,151**
TOTAL	**7,447,062**	**417,640**	**1,479,736**	**–549,672**		**8,794,765**

Accumulated depreciation and amortization as of January 1, 2018	Currency differences and effects due to change in scope of consolidation	Depreciation and amortization in the financial year	Disposals	Reclassifi-cations	Write-ups in the financial year	Accumulated depreciation and amortization as of December 31, 2018	**Book value as of December 31, 2018**	Book value as of December 31, 2017
–818,335	–22,983	–85,783	64,133	–21	463	–862,527	538,495	256,136
–128,897	–16,061	–88,944	3,487			–230,415	361,064	93,239
–73		–1				–74	3,647	2,081
–947,305	**–39,044**	**–174,728**	**67,620**	**–21**	**463**	**–1,093,016**	**903,205**	**351,456**
–1,140,016	–98,532	–65,522	66,369	140	33	–1,237,528	1,247,429	1,097,062
–1,851,613	–256,895	–114,369	209,113	387	234	–2,013,144	597,682	456,727
–587,730	–30,272	–78,110	85,509	–505		–611,108	286,950	275,037
–86	1	–104	96			–92	103,461	139,358
–3,579,445	**–385,698**	**–258,105**	**361,087**	**21**	**266**	**–3,861,872**	**2,235,522**	**1,968,185**
							6,907	76
–8,699	5	–227				–8,921	519,449	458,085
–2,197	–390	–1	308			–2,280	48,730	33,832
							20	26
–343		–32	7	–1		–368	2,253	1,457
–14,247	–7	–1,291	3,186	1	401	–11,956	99,912	66,108
							355	15,600
–25,486	**–391**	**–1,550**	**3,501**		**401**	**–23,525**	**677,626**	**575,185**
–4,552,236	**–425,133**	**–434,383**	**432,208**		**1,131**	**–4,978,413**	**3,816,353**	**2,894,826**

Notes to the Consolidated Financial Statements
Dr. August Oetker KG

Application of the statutory requirements

As a commercial partnership, Dr. August Oetker KG, registered in the Commercial Register of the Municipal Court of Bielefeld under HRA 8242, is required pursuant to Section 2 of the German Act on Disclosure of Company Financial Statements (below Disclosure Act) to compile and publish consolidated financial statements and a group management report. These consolidated financial statements and group management report, which were prepared in accordance with Section 13 of the German Disclosure Act in conjunction with Sections 294 to 315 of the German Commercial Code, qualify for exemption within the meaning of Section 264 (4) of the Commercial Code, Section 264b of the Commercial Code and Section 5 (6) of the German Disclosure Act for the companies identified in the list of shareholdings pursuant to Section 313 of the Commercial Code (published in the electronic Federal Gazette).

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

Scope of consolidation

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

As of the balance sheet date, the scope of consolidation included a total of 394 companies (previous year: 327), of which 190 were German and 204 foreign companies. Due to their minor significance, eleven companies were not fully consolidated (previous year: six). The same applies to 14 affiliated companies (previous year: nine companies) with regard to consolidation at equity.

In addition, 16 companies are valued at equity (previous year: eight).

The following significant changes occurred within the scope of consolidation:

In July 2018, Dr. Oetker purchased shares in the Egyptian company Tag El Melouk for Food Industries LLC. The acquisition of Diversi Foods (Belgium) in February 2018 expanded the scope of consolidation within the Food Division to include eleven foreign companies. Furthermore, on October 1, 2018, the US food group Wilton was acquired with a total of nine companies. As of January 1, 2018, shares in Dursty Getränkefachmärkte GmbH & Co. KG, Hagen, were bought by the Beer and Nonalcoholic Beverages Division. As a result of the takeover of a majority of voting rights in Freixenet S. A. (Spain) as of July 31, 2018, the number of companies consolidated in the Sparkling Wine, Wine and Spirits Division increased by a further 39 at the end of the year. With the purchase of Josefa Estelles Mayor S.L. (Spain), which operates under the La Campana® brand, the scope of consolidation for Budenheim was expanded within the Other Interests Division. In addition, further additions were made, but these are of minor importance to the group as a whole.

Bionade GmbH was sold on January 1, 2018. Furthermore, as of July 1, 2018, a joint venture with Molkerei Gropper was started for the joint operation of the production facilities in Moers. At that time, Dr. Oetker Frischeprodukte Moers KG was removed from the scope of consolidation and is now accounted for using the equity method. Several small companies that were either merged or liquidated and are insignificant from the perspective of the group are no longer in the scope of consolidation.

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

Accounting policies and valuation methods

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

Tangible and intangible assets were valued in accordance with Section 253 of the Commercial Code. No use was made of the option provided for in Section 248 (2), sent. 1, of the Commercial Code to capitalize self-produced intangible assets within the Oetker Group. Goodwill is amortized according to its useful life. The maximum valuation limit for the production cost is the cost pursuant to Section 255 (2), sent. 1 and 2, of the Commercial Code. Investment grants were treated as deductions from the acquisition cost. Scheduled depreciation and amortization were based both on the straight line and the declining balance method (with transition to the straight line method if the amount thus produced was higher than with the declining balance method), largely in accordance with the useful lives recognized by the tax authorities. In Germany, minor assets with an acquisition cost of up to EUR 800 are fully written off in the year of acquisition. Abroad, the same procedure applies for comparable situations. In some cases, minor assets whose acquisition or production costs for the individual assets exceed EUR 150 but not more than EUR 1,000 form a vintage-related collective item that is amortized in a uniform manner over a period of five years.

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

Current assets are valued in accordance with Sections 253 and 256 of the Commercial Code. The cost of inventories includes reasonable production overheads, taking into account the cost of sales of the financial administration; borrowing costs are not capitalized. Apparent inventory risks are accounted for through loss-free valuation. Adequate specific and general provisions are formed to cover risks in accounts receivable.

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

The pension provisions are valued according to the rules of the partial value method using the mortality tables 2018 G of Prof. Klaus Heubeck. The simplification rule of Section 253 (2), sent. 2, of the Commercial Code is applied and the interest rate for 15-year remaining maturities calculated by the German Central Bank as of October 31, 2018, forecast on December 31, 2018 (3.21%; previous year: 3.68%). In addition, an expected wage and salary increase of 2.8% (previous year: 3.0%) and an expected pension increase of 1.4% (previous year: 1.5%) are taken as a basis. The pension obligations of the foreign companies are assessed on the basis of the respective national regulations and are not of material importance. The difference in accordance with Section 253 (6) of the Commercial Code is EUR 49 million.

Assets within the meaning of Section 246 (2), sent. 2, of the Commercial Code of EUR 26 million were set off against corresponding provisions for pension obligations.

Provisions are recognized at the settlement amount necessary based on prudent commercial judgment. The provisions for long service anniversaries are also calculated based on the values stated for interest rates and wage and salary increases. Expected price increases of 1.4% are taken into account under “Other provisions”.

Liabilities are recognized at their settlement amount.

On account of an asset surplus in deferred taxes from individual financial statements, the deferred taxes are formed only as provided for by Section 306 of the Commercial Code. Deferred tax assets and liabilities from consolidation transactions are set off against one another, leaving an excess of liabilities. As compared to the previous year, this was increased by EUR 68 million to EUR 76 million. Tax rates specific to the individual companies are applied.

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

Currency translation

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

Consolidation principles

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

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

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

Other information

Liabilities amount to EUR 4,317 million. Based on remaining maturity, the individual items are structured as shown in Table 1.

TABLE 1: LIABILITIES In EUR million	**Payable within one year (previous year)**	Payable after one year (previous year)	Payable after more than 5 years (previous year)
Liabilities due to banks outside the Oetker Group	305 (151)	369 (429)	71 (137)
Liabilities due to affiliated banks	10 (10)		
Advance payments received on orders	17 (7)		
Accounts payable (trade)	567 (433)	7 (0)	5 (0)
Accounts payable to other affiliated companies	19 (6)		
Miscellaneous liabilities	572 (599)	2,449 (2,341)	2,137 (2,037)
Total	**1,491 (1,206)**	**2,826 (2,770)**	**2,213 (2,174)**

No securities requiring disclosure were granted for these liabilities.

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

TABLE 2: CONTINGENT LIABILITIES

In EUR million	2017	2018
Liabilities from guarantees	19	29
Liabilities from warranties	4	9

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

The other financial obligations pursuant to Section 314 (1), no. 2a, of the Commercial Code total EUR 807 million, of which EUR 315 million is for next year. Off-balance-sheet transactions in accordance with Section 314 (1), no. 2, of the Commercial Code were only carried out to an extent that had a negligible impact on the financial position of the Oetker Group.

As companies operating internationally, Dr. August Oetker KG and its subsidiaries are exposed to interest rate, price and currency risks. To mitigate these risks, Dr. August Oetker KG has, in particular, concluded contracts in derivative financial instruments (futures, swaps and options). At the balance sheet date, there were forward exchange purchases/sales with a transaction volume of EUR 308 million and a fair value of EUR 1 million.

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

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

The headcount of the companies consolidated in the Oetker Group rose during the reporting year by 3.9% to 30,937 employees (previous year: 32,204). The Food Division increased its headcount from 15,733 to 17,394. In the Beer and Nonalcoholic Beverages Division, the number of employees rose from 6,066 to 7,989. The Sparkling Wine, Wine and Spirits Division recorded an essentially acquisition-related increase in personnel from 1,934 to 2,701 employees. The deconsolidation of the Hamburg Süd Group as of November 30, 2017, involved 5,874 employees. The headcount of the Other Interests Division grew from 2,597 to 2,853 employees.

The differential amount between the corresponding carrying amounts and the share of equity of all associated companies included amounts to EUR 6 million.

The total fee pursuant to Section 314 (1), no. 9, of the Commercial Code amounts to EUR 2,526 thousand. Of this amount, EUR 2,078 thousand went to audit services, EUR 98 thousand to other confirmation services, EUR 199 thousand to tax consulting services and EUR 151 thousand to other services.

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

Income statement

In accordance with Section 13 (3), sent. 2, of the German Disclosure Act, no income statement will be published. In the same application of the German Disclosure Act to the management report, it also does not provide any explanations regarding the earnings situation or key financial indicators, with the exception of sales revenue. The income statement of the bank can be found in its separate annual report.

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

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

	2017	2018
a) External sales (in EUR ’000)	11,600,724	7,140,251
b) Income from investments (in EUR ’000)	40,809	32,536
c) Wages and salaries, social security contributions, expenditure on pensions and other benefits (in EUR ’000)	1,649,565	1,403,499
d) Number of employees Converted into full-time employees, the average number of employees in 2018 was 28,679 (previous year: 30,893).	32,204	30,937

Sales revenue is broken down into geographic markets and activities as shown in Table 4.

TABLE 4: BREAKDOWN OF SALES REVENUE

In EUR million	2017	2018
Distributed by region:		
Germany	3,874	3,757
Rest of the EU	2,799	2,169
Rest of Europe	573	276
Rest of the world	4,356	938
Thereof shipping sales in international waters	3,618	0
Distributed by division:		
Food	3,135	3,460
Beer and Nonalcoholic Beverages	1,908	2,181
Sparkling Wine, Wine and Spirits	523	816
Shipping	5,398	0
Other Interests	637	684

Adjusted for the changes in the scope of consolidation, sales revenues increased by EUR 240 million compared to the previous year. Excluding exchange rate effects, operating revenue increased by EUR 327 million.

Subsequent events

With the approval of the relevant competition authorities, the French baked goods and dessert brand Alsa was acquired on March 1, 2019.

Similarly, on March 1, 2019, the competition authorities approved the joint venture Deutsche Getränke Logistik, which had previously been founded with the brewery C.&A. Veltins.

Bielefeld, April 17, 2019
Dr. August Oetker KG

Dr. Albert Christmann General Partner	Dr. Heino Schmidt Chief Representative

Independent Auditor's Report

To Dr. August Oetker KG, Bielefeld

Audit opinions
We have audited the consolidated financial statements of Dr. August Oetker KG, Bielefeld, and its sub-sidiaries (the Group), which comprise the consolidated balance sheet as at the 31st December 2018, and the consolidated income statement for the financial year from the 1st January to the 31st December 2018, and notes to the consolidated financial statements, including the presentation of the recogni-tion and measurement policies. In addition, we have audited the group management report of Dr. Au-gust Oetker KG for the financial year from the 1st January to the 31st December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at the 31st December 2018 and of its financial performance for the financial year from the 1st January to the 31st December 2018 in compliance with German Le-gally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to German Commercial Code, we declare that our audit has not led to any reservations re-lating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Finan-cial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further de-scribed in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to ena-ble the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for as-sessing the Group's ability to continue as a going concern. They also have the responsibility for dis-closing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal re-quirements, and appropriately presents the opportunities and risks of future development. In addi-tion, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accord-ance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial state-ments as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Finan-cial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic deci-sions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement re-sulting from fraud is higher than for one resulting from error, as fraud may involve collusion, for-gery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group man-agement report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the rea-sonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of ac-counting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a go-ing concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective au-dit opinions. Our conclusions are based on the audit evidence obtained up to the date of our audi-tor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the under-lying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervi-sion and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial state-ments, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evalu-ate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bielefeld, April 18, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Peter Krupp
Certified Public Accountant

ppa. Thomas Angele

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The Oetker Group
Highlights 2018

January

Budenheim takes over the long-established Spanish company La Campana®. With the formulator for the meat processing industry, Budenheim is expanding its existing product range and achieving new synergies from joint customer support.

February

Dr. August Oetker KG joins InterNestor GmbH. The Cologne-based cake manufacturer is the European market leader for customizable photo cakes and operates online shops in five countries.

The **Martin Braun Group** successfully acquires the Belgian company Diversi Foods, thereby expanding its offer in the segment of premium frozen bakery products and services for bulk consumers.

March

Dr. Oetker acquires the South African company Château Gâteaux. As a producer and retailer of premium frozen cakes and desserts, it offers a unique concept with its own manufacturing facilities and sales outlets. Consumers can stop there to enjoy cakes and coffee and, in addition, buy frozen gateaux and baked goods to take home.

April

Filipopolis, one of the leading importers and distributors of alcoholic beverages in Lithuania, is acquired by the **Henkell & Co. Group** through a majority shareholding (75%). The group thus closes an important distribution gap in the Baltic region and continues to expand the successful marketing of its existing brands.

May

The restaurant Tangará Jean-Georges, which belongs to the South American Masterpiece Hotel Palácio Tangará, part of the **Oetker Collection,** is awarded a Michelin star by the Michelin Guide, the world's leading gastronomic magazine.

June

The **Radeberger Group** acquires a 74% stake in H. Leiter GmbH, the market leader in empties management in Germany, with retroactive effect from January 1, 2018. Together, both companies have over 30 state-of-the-art sorting facilities, spread all over Germany.

July

The **Henkell & Co. Group** acquires 50% of the shares of Freixenet S. A. From January 2019 the new international company will appear under the name "Henkell Freixenet". The merger creates the world's leading supplier of sparkling wine.

July

Dr. Oetker closes the takeover of the Egyptian market leader for baking ingredients and desserts, Tag El Melouk. By doing so, Dr. Oetker makes a successful entrance into the highly traditional Egyptian market.

Dr. Oetker and Molkerei Gropper establish the joint venture “Moers Frischeprodukte GmbH & Co. KG” to bundle joint production in Moers. The focus is on the further development of the desserts product category as well as the development of new opportunities in the areas of quark, yogurt and milk-based and nondairy beverages.

The **Oetker Collection** is voted one of the top three hotel brands in the world for the third year in a row by readers of the prestigious US travel magazine *TRAVEL + LEISURE*.

The Lanesborough, a legendary grand hotel in London and part of the **Oetker Collection** since 2015, was again named “Best City Hotel” in London at the “World’s Best Awards”. In addition, it is the only hotel in London listed in the “Top 100 Hotels in the World”.

August

Conditorei Coppenrath & Wiese commissions a new sheet cake line in Mettingen. This is to serve the increasing demand for cake in both the brand and private label sectors.

September

The **Oetker Collection** extends its product portfolio with the “Masterpiece Estates” program, which enables guests to rent exceptional luxury properties that have a unique history and are surrounded by spectacular landscapes.

October

Budenheim presents a world premiere at the leading international pharmaceutical event CPhI: the PharSQ® Spheres. The pellets have a diameter of about 0.5 mm and allow the development of medicines in which the release of one or more active substances is precisely controlled and thus optimized for patients.

Dr. Oetker successfully completes the takeover of Wilton, the leading US brand for baking and decorating cakes and gateaux, expanding its presence in the US bakery and decorating market.

Dr. August Oetker KG invests in BELViNi.DE – one of the leading online wine merchants in the German-speaking world. Launched in 2003, the online wine retailer offers the largest selection of international premium wines and spirits in Europe.

Belvini
DIE BESTEN WEINE IM NETZ.

November

In order to meet the demand for bread rolls and the development of further distribution channels, **Conditorei Coppenrath & Wiese** puts a new bread roll line into operation for the production of wheat rolls at the production site in Mettingen.

The **Radeberger Group** enters into a joint venture with the C. & A. Veltins GmbH & Co. KG brewery: From January 2019, the three associated beverages and logistics specialists will pool their competences in the newly founded Deutsche Getränke Logistik – DGL GmbH & Co. KG. The focus of the joint venture is to provide a customer-oriented range of holistic solutions for full and empties logistics.

The **Radeberger Group** continues to expand its end-consumer business with the Berlin-based Getränke Hoffmann GmbH. The beverage retailer start-up “Durstexpress” greatly increases its monthly beverage orders within just one year, thus impressing a very large customer base. In November 2018, the second location in Leipzig is put into operation. Further expansion into other cities is planned for 2019.

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