ON-THE-GO

FOR OUR CUSTOMERS

COMPANY MAGAZINE 2017

04 The best possible customer experience
08 The guest should feel like a king
10 Close to the consumer

LEKKERLAND AT A GLANCE

About
4,800
Employees

About
91,000
Points of sale in 6 countries

€12.8 billion
Revenues in 2017

“Your most convenient partner” – that's what we want to be for our customers.

Every day. In everything we do.

Dear readers,

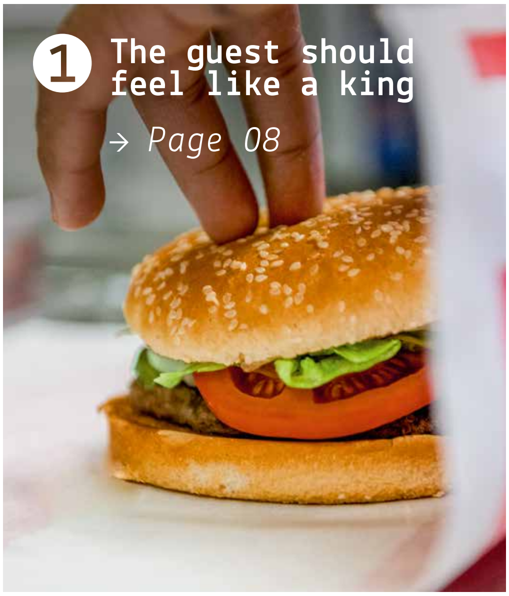
“On-the-go for our customers” – A very warm welcome to Lekkerland´s customer magazine 2017. We invite you to join us on a journey through the world of Lekkerland.

The road takes us to Spain, where we support Burger King in making their guests feel like kings. Customer centricity is also the topic of our next stop, a tobacco shop in Belgium. Afterwards, we travel to Germany and take a look at the convenience solutions Lekkerland develops for airports and filling stations and how they are implemented together with our customers. Our journey ends in Frechen where our IT experts develop new digital solutions for our customers.

But we begin with a look back at 2017 and an overview of the topics that were important for Lekkerland. This is followed by a perspective on the future: Henry Armour, President of the trade association NACS, shows how convenience will evolve.

We hope you have a lot of fun reading all about us.

Your Board of Management



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The best possible customer experience

What topics exerted an impact on Lekkerland in 2017? In the context of an interview, the Board of Management outlines the main topic areas and discusses the challenges that lie ahead for the company.

1

How was the business year 2017?

DR EDGAR C. LANGE_The last business year was challenging. Our sales eased slightly to 12.8 billion euros.

The reasons for this included the continued overall increase in competitive intensity, the declining tobacco market and the gradual discontinuation of a major customer in Germany. Notwithstanding these challenges, we succeeded in continuing to increase the gross profit and the result from operations before financial result.

Dr Großpietsch, since October 2017, you have been responsible for the supply chain and digitalisation. What is your impression of Lekkerland in these areas?

DR JOCHEN GROßPIETSCH_Lekkerland has very stable logistics. We succeed in meeting very complex demands with a high level of efficiency. However, we are not satisfied with the status quo. In future, we will look even more closely at how the processes and solutions can be designed to be even more customer-friendly.

Digitalisation is an important precursor for our strategy and we are working on a lot of very promising projects and initiatives. We now want to accelerate the pace at which we introduce new tools and solutions.

Competition in convenience is very dynamic. How is Lekkerland responding to this?

PATRICK STEPPE_Convenience has developed into a mindset and can no longer be limited to a segment or a channel. The customer experience is the key factor for success in the increasing competition among convenience providers. In many cases, this experience needs to be improved in the channels we are serving so that they are able to come out ahead of providers like food retailers and bakeries. This involves supporting our customers in the context of our strategic approach “Retail Enablement”.

What does this mean in concrete terms?

PATRICK STEPPE_We provide our customers with tailor-made solutions that enable them to meet the changing needs of consumers in relation to ambience, quality and product range. Examples of this are our bistro and coffee concepts, offers for optimising existing shops and our shop concept “Frischwerk”.

1 PATRICK STEPPE
Chief Executive Officer (CEO)

Responsible for strategy, business development, sales/marketing, purchasing, category management, human resources (HR) and communications, as well as for the management of all national companies in the Lekkerland Group.

2 DR JOCHEN GROßPIETSCH
Chief Supply Chain Officer (CSCO)

Responsible for logistics, quality, facility management and digitalisation business

3 DR EDGAR C. LANGE
Chief Financial Officer (CFO)

Responsible for finance, controlling, treasury, legal affairs, internal audit, risk management/internal control system (ICS), IT and mergers & acquisitions (M&A)

What topics will impact on Lekkerland in 2018?

*PATRICK STEPPE*_Our goal is clear: We want to be “Your most convenient partner” for our customers. As far as we are concerned, this means configuring all our processes and solutions so that they are as easy, uncomplicated and convenient as possible but also outstanding best-in-class quality and relevant services for the retailer. This means that they have more time for their customers – the consumers.

We also want to expand our market position in the area of organised food service and establish ourselves as one of the leading supply chain partners in system gastronomy.

*DR EDGAR C. LANGE*_We are continuing to work consistently on our process and IT landscape, Become One. This involves a number of aspects with a key project being the go-live for the German national company in 2019.

*DR JOCHEN GROßPIETSCH*_One focus will be the ongoing development of our web shops and the introduction of additional digital offers, including digital delivery tracking. We will also continue to work intensively on implementing Track & Trace in order to meet the requirements of the European Tobacco Product Directive (TPD II) for 2019.

How do you assess business development for 2018?

*DR EDGAR C. LANGE*_In view of the ongoing challenging framework conditions, we are expecting to follow the highly gratifying year 2017 with a result at the good level of 2016 during the coming business year. ■

Growing Convenience

NACS represents the convenience retailing industry around the world, from the 154,000 stores in the United States to the hundreds of thousands of convenience stores around the globe. And from surveying consumers, we know that they love our industry's basic value proposition of convenience – no matter where they are in the world.

High-quality, fresh snacks for on-the-go consumption are in demand.

By Henry O. Armour

There is no question that consumer trends favour convenience stores. The expression "time is money" is truer now than ever before. Convenience stores offer speed of service to time-starved consumers. Consumers seek out convenience stores for their convenient locations, extended hours of operation, one-stop shopping, grab-and-go food service, variety of merchandise and fast transactions. A NACS speed metrics study found that it takes customers, on average, 3 minutes and 33 seconds from the time they leave their cars until the time they get back in their cars with a purchase.

At the same time, younger consumers also seek out alternatives to the traditional meal at home or in a restaurant. They are more likely to eat on-the-go and to eat food from new food outlets like a food truck or convenience store. This group shops at convenience stores most frequently and is most likely to seek out healthy options – and notice retailers who are providing what they want.

Because convenience stores are addressing consumer trends, they are able to grow sales. Growth in healthy food and beverage sales led to positive overall sales at U.S. convenience stores in 2017, and retailers expect the momentum to continue in 2018, according to a NACS survey of U.S.-based convenience retailers released in early 2018.

Consumer needs are relatively similar around the world – they want convenience. The difference is how convenience is offered based on the needs of the market. In Europe, the focus on fresh food is much more ingrained than in the United States. And the types of competition also affect how convenience stores develop their offer.

Germany, for example, has a high density of supermarkets, discounters and bakeries, which obviously influences

“Frischwerk” is popular with consumers and shop operators alike

The needs of consumers were the starting point for the development of the Lekkerland “Frischwerk” shop concept. The roll-out has clearly been successful because consumers have given the first two test shops very positive assessments in surveys. The operators are very satisfied as well in view of the significant increase in sales – food service is one of the sectors with a sales hike.

“Frischwerk” has also impressed the sector experts. It was the first German convenience format to be granted an award by convenience and fuel retailing association NACS (see guest contribution by Henry Armour). And in February 2018, one of the pilot stores was awarded the accolade “Shop of the Year” in the category filling station/service area by a German trade magazine. The shop concept combines innovations and best practice elements. These include a modern, fresh look styled in wood and steel, integration of a complete bakery, the clear spatial and personnel separation between food service, and tobacco and fuel area plus further specifically developed processes and services.

how convenience stores and filling stations develop their food offer.

However, from a consumers’ perspective, the trends are similar: a pleasant atmosphere similar to some quick service restaurants and bakeries, more and more fresh food, either packaged or prepared on site, more variety, and lunch and dinner solutions. That’s the same for all markets.

And in Europe, concepts like Lekkerland’s “Frischwerk” are leading the way. In 2017, Lekkerland received the International Convenience Retailer of the Year Award – Honourable Mention in the small formats category at the NACS Convenience Summit Europe. The award recognises the conceptual design and implementation of the “Frischwerk” test shop concept, which is breaking new ground and setting new innovative standards for the industry.

As all retailers focus on solving customers’ immediate needs, NACS will continue to develop unique ideas and perspectives that push the industry forward and spur continual innovation. And to celebrate the achievements and accomplishments of concepts like Lekkerland´s “Frischwerk”. ■

HENRY ARMOUR

is president and CEO of NACS. Armour joined NACS in 2005, after spending his entire career in the convenience retailing industry. He founded West Star Corporation, which grew to include NOW! convenience stores, truck stops and quick service restaurants in the Pacific Northwest. Prior to becoming president and CEO, Armour was active in NACS’ volunteer leadership, serving two one-year terms as NACS Chairman of the Board (2001–2003).

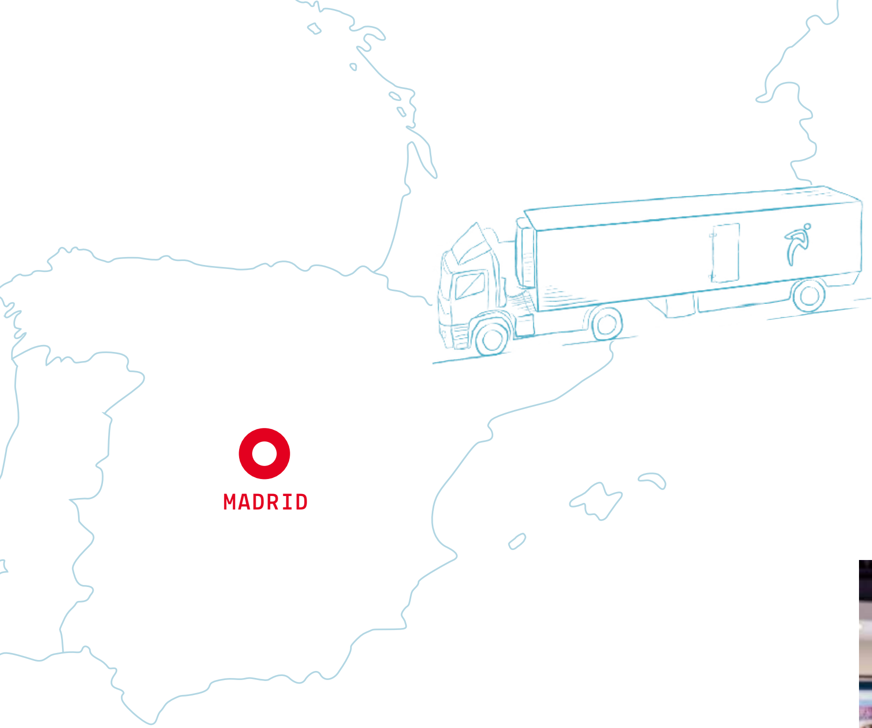
Lab Store in the Netherlands

“Eet & Gerei” could be best translated as “Food and all related things”. Under this name, Lekkerland is testing shop modules for Dutch filling station shops in Katwijk aan Zee, the Netherlands. Besides freshly made sandwiches and home grilled chicken, consumers can also enjoy premium coffee and buy food related gifts and decorations. Other lab stores in the Netherlands are expected to follow, aiming to gain as much experience as possible.

MADRID, SPAIN

1 The guest should feel like a king

Good food and fast service – this is what Burger King Spain wants to offer its guests. Conway makes sure that the products are available at any time in the restaurants.



40° 24′ 45″ N
3° 42′ 14″ W

On Saturday afternoon, the Burger King restaurants in Madrid are extremely busy. The reasons why guests come to the restaurants are likely to vary. It might be for a short break from shopping, a meeting with friends or to have some refreshments before an evening out at the cinema. However, their expectations will be similar. They want to have something tasty to eat in comfortable surroundings and within a short space of time. “The aim is to make our guests feel like kings by giving them good food and fast service,” commented Carlos Cifuentes, Supply Chain Director at Burger King Spain.

Tailor-made service packages in the supply chain are absolutely essential in order to ensure that sufficient products of the right quality are always available in the chain’s quick service restaurants. The platform for this has been provided by reliable, punctual and faultless deliveries.

Burger King Spain has teamed up with the ideal partner for this in Lekkerland’s Spanish subsidiary company Conway since 1992. “Conway takes care of our most important asset – food – and ensures that the necessary goods in optimum quality are delivered to the restaurants at the right time,” said Carlos Cifuentes.

Conway establishes order quantities in consultation with Burger King on the basis of past data and forecasts. It then places the orders with the suppliers, which deliver their goods directly to the logistics expert.

The restaurants call up the goods electronically in accordance with their requirements. If there are any complaints, Conway takes care of processing with the supplier.

The strategic alliance between the two companies was extended in 2017 for another five years until 2023 and comprises delivery to currently 700 restaurants. Delivery covers the geographical areas of the Iberian Peninsula, the Balearic Islands and the Canaries, Andorra, Gibraltar, Melilla and Ceuta.

In March 2017, Conway was also honoured by Burger King Spain as Supplier of the Year. “The key factors for this award were Conway’s flexibility and the cooperation based on partnership. The two companies pursue the goal of being committed to serving the customer,” according to Carlos Cifuentes. The close cooperation with Conway contributes to the business success of the restaurant chain in Spain. And Burger King is able to concentrate entirely on its core business and its customers – making them kings. ■

CARLOS CIFUENTES

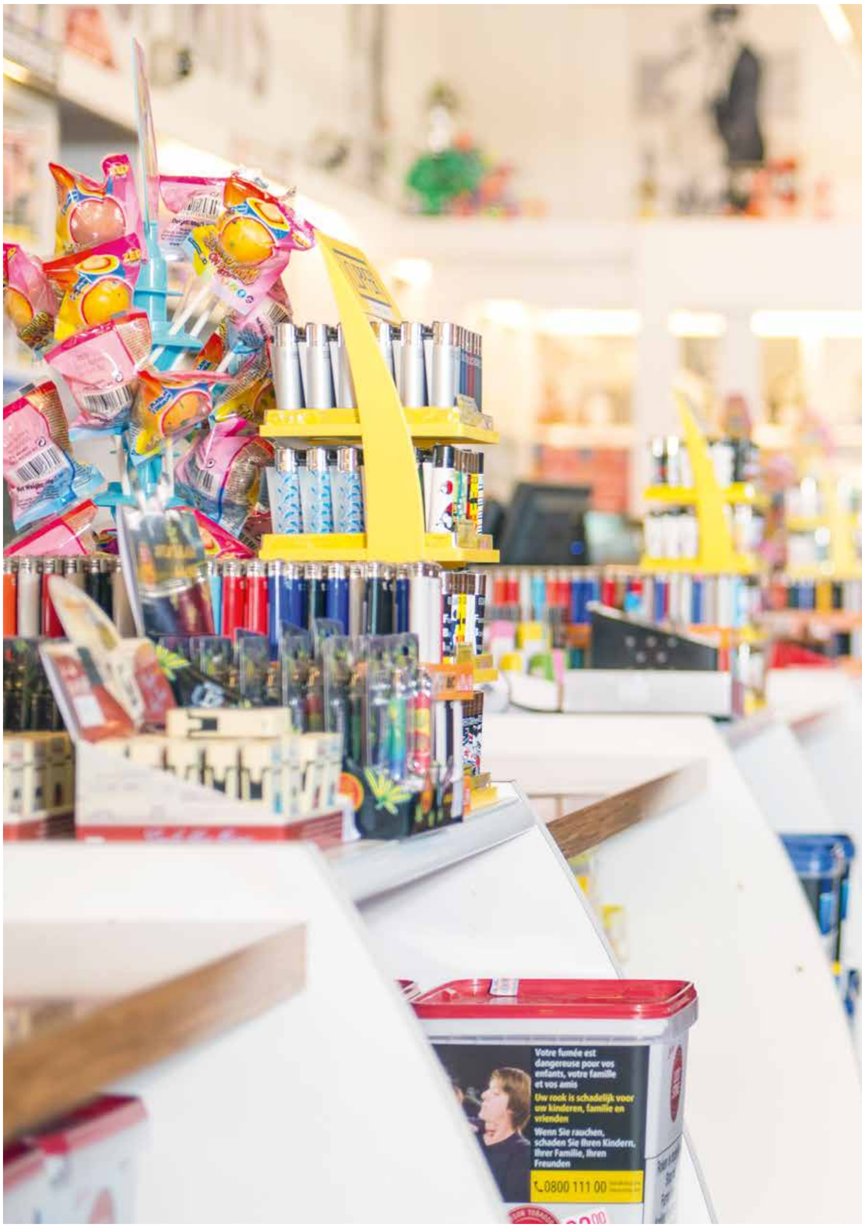
Supply Chain Director
at Burger King Spain

“Conway takes care of our most important asset – food.”

ADINKERKE, BELGIUM

2 Close to the consumer

51° 6′ 7″ N
2° 35′ 30″ E



Consumers define the trends in tobacco goods: “At the moment there is a big demand for large packs of fine-cut,” explained Klaas Vandendries and pointed to two customers who were standing in front of a pallet with plastic boxes from a wide range of different tobacco brands.

His recipe for success is to identify the needs of customers and react to them quickly. In the year 2000, he opened the first Real Tobacco shop in Adinkerke on the Belgian coast. His company now has a dozen shops in the region and he also operates two filling stations.

In keeping with the name of the company, the core of the product range is formed by tobacco goods. These are supplemented by typical national products such as Belgian beer and Belgian chocolate and pralines. The focus and large volumes allow Real Tobacco to give its customers affordable prices and special offers. Alongside price, the primary objective of the company is to impress customers with service and advice.

“Our customers need to know what they can expect from us and that they can do their shopping as simply and conveniently as possible,” commented Klaas Vandendries. “We want to offer them a one-stop shopping experience.”

KLAAS VANDENDRIES

Managing Director
Real Tobacco, Adinkerke

The proprietor is committed to fostering the specialist knowledge of his employees when it comes to advice. “Some of our customers are looking for alternatives to traditional cigarettes, without having to relinquish taste and familiar rituals. We have responded to this with an attractive offer of e-cigarettes and heat-not-burn products,” explained Klaas Vandendries.

And if he himself needs advice about tobacco goods? Then he turns to his service provider Conway Belgium. “Conway has proved to be a totally

reliable partner right from the start." said Klaas Vandendries. "Apart from professional advice on the product range, we gain an all-round carefree concept from the offer and order phase, through delivery to accounting."

Expertise in tobacco retail and customer orientation – two things that connect Real Tobacco and Conway Belgium. ■

In the Real Tobacco shops, customers will find a rich selection of tobacco products, sweets and beverages.

SUCCESSFUL TOGETHER

Once again in 2017, Lekkerland succeeded in impressing its customers throughout Europe with its services. The following extract from contract renewals, new customers and successful concepts highlights this achievement.

BELGIUM Conway in Belgium was able to extend a number of contracts including those with two oil companies. A new contract was concluded with another oil company for supply with electronic value products.

The launch of new shop concepts was also driven forward. A coffee corner module was developed specifically for smaller shops. It offers customers machines and furniture in different sizes. Shop operators are able to offer their customers high-quality Italian coffee and they are supplied with everything from coffee, through service to accessories in an all-round carefree package.

THE NETHERLANDS In the Netherlands, cooperation was expanded with Bakerstreet, a leading multi-brand operator in the Dutch convenience food segment. For example, Lekkerland is taking over the supply chain for Bakerstreet in relation to a food service concept in Dutch supermarkets.

New customers in the business year 2017 included an oil company and a retail company. Existing contracts were extended, notably those with three oil companies including Tamoil-Klik.

In 2017, another dedicated food service concept was introduced with "punto gust". The concept has a modular structure and it is adjusted individually to suit the requirements of the customer, shop and location.

SPAIN The Spanish national company Conway has expanded its position as one of the leading supply chain providers. Long-standing customer Burger King Spain extended the contract by a further five years until 2023 (see p. 8).

Grupo Zena Alsea operates restaurants under the franchise of Domino's Pizza in Spain and it awarded Conway a 5 Star Quality Award in 2017. This is the highest possible award that can be bestowed in the course of the annual customer audit.

FRANKFURT AIRPORT, GERMANY

3 Lekkerland wishes you a pleasant flight

Picture: Lufthansa

50° 2′ 0″ N
8° 34′ 14″ E

Whether you want breakfast before starting your holiday, a coffee before a business appointment or an extra bottle of water – the "Convenience" lifestyle is particularly at home in traffic hubs such as airports. Creating this home from home is a logistic challenge. The special delivery conditions and checks, frequently long delivery routes, the special sales and peak times, the rapid delivery rate, and the service level expected by airport businesses require harmonised logistics and service processes.

"Lekkerland knows what we want, deals with our individual requirements and meets them," commented Christine Sommer, Deputy Manager Purchasing, Travel Essentials at Lagardère Travel Retail Deutschland GmbH. She trusts her service providers to ensure that customers visiting the shops of Lagardère Travel Retail at Frankfurt Airport will always be able to purchase what they need for their trip.

Special service for Lufthansa

"Snowfalls mean that flights to and from Frankfurt are being cancelled and there will be delays..." If such an alert goes out in the media during bad weather in winter, this means that in the worst-case scenario passengers already at the airport will have to wait about. Lufthansa offers them a variety of services in order to make the situation for these

Sophisticated logistics ensure product diversity at the airport shops.

passengers more agreeable, including those services stipulated in regulations defined by the European Union (EU). These include drinks, meals or snacks free of charge.

Lekkerland has been a cooperation partner in Frankfurt since May 2017. When there are extended delays, the convenience specialist supplies catering trolleys to defined places with high passenger volumes at short notice. Passengers then have convenient access to soft drinks, sweets and savoury snacks.

"Our air passengers value this service from Lufthansa, which makes their waiting time more bearable," reported Katja Stich, Manager Irregularity Management at Lufthansa. "We experience cooperation with Lekkerland as very professional and convenient."

And the Lekkerland employees on the ground now keep an eye both on the needs of their customers and on the latest weather conditions. ▪

"Lekkerland knows what we want, deals with our individual requirements and meets them."

▸ **Continued from page 11**

GERMANY In Germany, contracts with Lekkerland have been extended by Esso, Tamoil, Q1 and Einkaufsgesellschaft freier Tankstellen mbH (eft) among others. Lekkerland will continue supplying filling station shops with a large proportion of their product range.

Furthermore, cooperation was agreed with eft in the area of food service. Additionally, close cooperation on the design of product range and shop was agreed with Esso. Lekkerland is thereby supporting its customers in serving the needs of the consumers even better.

The contract was also extended with the Tchibo GmbH coffee and retail firm. Lekkerland will supply the branches in Germany with deep-frozen, fresh and beverage products for a further three years.

AUSTRIA Since 2017, the Austrian national company has been using a Fresh Box fitted with a temperature data logger so as to supply customers promptly and efficiently with small volumes of fresh products such as cold cuts, salads and milk.

An additional agreement has been made with Shell Austria GmbH in order to supply the "deli2go" bistros with frozen bakery goods and fresh products from the Lekkerland product range.

The Felber bakery chain was one of the new customers acquired. The branches are supplied with beverages, dairy products and ingredients for making products.

SWITZERLAND Like customers in neighbouring Austria, the past year has seen Lekkerland customers in Switzerland being supplied with small volumes of ultrafresh products in the Fresh Box within a very short space of time.

Furthermore, the activities for further development of filling station shops have been strengthened by a joint venture. The strategic partnership was agreed with Oel-Pool AG, a leading oil company and operator of 463 filling stations in Switzerland. The primary objective of the joint venture is to develop advanced concepts for filling station shops.

MAINBURG, GERMANY

4 Refuel properly

With the “Prima Bistro” concept from AVIA and Lekkerland, filling stations become popular places for snacks and coffee, as a visit to AVIA tenant Rainer Brosi shows.

48° 39′ 0″ N
11° 47′ 0″ E

» Our customers really appreciate being able to get a filled roll or hot snack when they fill up with fuel. They want to do everything in one go," said Rainer Brosi. At his AVIA filling station in Mainburg near Ingolstadt, the conditions are ideal for meeting this customer requirement. This is because Rainer Brosi has implemented the "Prima Bistro" concept.

AVIA provides its lessees with a modular full-service bistro concept. This includes the design and fittings for the bistro corner, a comprehensive and flexible product range including all packaging materials. The offer is complemented with purpose-designed workwear, promotional materials, seasonal marketing materials, and advice and training sessions.

"Car drivers need to know what they can expect at Prima Bistro and then they will strategically look for AVIA filling stations as they seek refreshments on-the-go. That's why we have created a brand with recognition value," explained Julia Korner, Expert Marketing and Food Service at Deutsche AVIA Mineralöl-GmbH in Munich.

There is a dependable core range, which consists of a good range of filled rolls known as Prima Classics, complemented by a coffee based on the Prima Bistro recipe in cooperation with coffee roaster Segafredo.

"Lekkerland has always been exactly the right partner for us with its food service competence for development and implementation of this concept," commented Julia Korner.

Alongside the wishes of consumers, the approach takes account of the requirements of the everyday routine at the filling station shop. Uniform recipes for bakery goods and coffee make preparation of the products much easier. Meanwhile, promotional materials and price labels displaying allergens and nutritional values reduce the work that has to be undertaken by the filling station personnel.

After the launch in spring 2017, "Prima Bistro" can now be found throughout Germany at around 140 AVIA filling stations. AVIA has joined forces with all the stakeholders involved to develop the concept further on the platform of the acquired experience. "The feedback from lessees is very positive. And we are also very satisfied with the development so far," commented Julia Korner from AVIA. The same applies to Rainer Brosi. His customers like the new bistro a lot, reported the proprietor of the AVIA filling station in Mainburg. "A lot of people come here without even filling up with fuel. They want to get rolls or take a break for a snack."

Transforming the filling station shop into the strategic purchasing outlet for convenience – this is a big success all round at AVIA Prima Bistro. ■

JULIA KORNER

Expert Marketing and Food Service
at Deutsche AVIA Mineralöl-GmbH

Digital tools and solutions are increasingly making work and the everyday routine easier for people. Christian Grotowsky, Managing Director of IT subsidiary company Lekkerland information systems und Thomas Kühn, Director Corporate Digital Business Development, explain how Lekkerland is structuring processes even more efficiently and developing solutions from customers' perspective so as to ensure that they enjoy long-term success.

"The most important enabler"

What does digitalisation mean for Lekkerland?

*CHRISTIAN GROTOWSKY*_We believe that digitalisation is the most important enabler for successful implementation of our strategy. Our goal is to become "Your most convenient partner" for our customers. Digital tools and services play a very significant role in creating the pathway for reaching this goal.

As well as our customers, our employees also benefit from the advantages of digitalisation. For example, we have launched the Microsoft Office 365 Cloud Solution throughout the Group and this will make both efficient cooperation and mobile working much easier for our workforce. That gives us more time for working for and with our customers.

Are you able to give some examples of digital tools and services from Lekkerland?

*THOMAS KÜHN*_Lekkerland24 and Conway24 form a focus. This web platform has long been more than simply an internet shop. This is where our customers receive comprehensive information about our product range and the variety of options available for getting into contact with us – for example, if they have specific questions or a complaint. We are continuously expanding the functionalities, particularly in the area of self-service.

How is Lekkerland responding to the fast pace of digitalisation?

*CHRISTIAN GROTOWSKY*_We have established the Digital Governance Board as a committee that identifies digital solutions for customers and employees, prioritises them and drives them forward. The board sees itself as an accelerator for supporting digital ideas by offering employees opportunities to contribute promising ideas and then implement them.

*THOMAS KÜHN*_When we develop digital applications, we strategically adopt approaches from the start-up scene. For example, we deploy agile methods in product development in order to achieve results in the shortest possible time.

CHRISTIAN GROTOWSKY

Managing Director, Lekkerland information systems GmbH

THOMAS KÜHN

Director Corporate Digital Business Development, Lekkerland AG & Co. KG

How do you ensure that your customers proceed at the same speed as you when they take the route into the digital future?

*THOMAS KÜHN*_We talk to them on a regular basis about their requirements for digital tools and services – this provides an important foundation for our activities in this sphere. Naturally, the requirements vary and we adapt our offering appropriately to meet different needs.

At the same time, we integrate our customers in the ongoing development of our digital offer by inviting them to take part in pilot projects. This approach enables us to receive valuable feedback as well as ensuring that we involve our customers on the roadmap to the digital future and develop solutions from the customer's perspective.

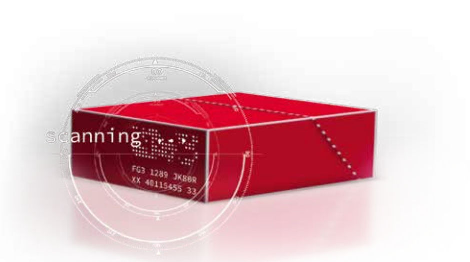
What is the significance of Become One for the digitalisation of Lekkerland?

*CHRISTIAN GROTOWSKY*_The introduction of a uniform IT landscape is the backbone of our digitalisation strategy. It will open up new opportunities and place us in the position of being able to respond even faster to changing market and customer needs. Of course, we are already working in parallel with Become One in a lot of different digital projects.

Which digital innovations are you introducing in 2018?

*THOMAS KÜHN*_We are currently working on a large number of new services that we are going to roll out or at least test this year. This includes a tool that informs the customer about the likely delivery time. And we want to make the ordering procedure even simpler for our customers. We will be testing voice-based order entry and a web shop tool that makes proposals to the customer concerning content and quantities on the basis of past purchase orders. All innovations have one thing in common. They improve the customer experience and take us a step closer to the goal of being "Your most convenient partner". ▪

New offers in the fields of e-va, our own brands as well as preparations for "Track & Trace" – Lekkerland develops innovative solutions for the long-term success of its customers.



e-va: Partner of the German Christmas Lottery

Gift cards are extremely popular as presents. They are also right at the top of the list of last-minute Christmas gifts.

Lekkerland took up this theme and complemented the e-va (electronic value) range by offering its customers lottery tickets from the German Christmas Lottery during the period before Christmas. These represented an attractive additional product with a charitable purpose.

The lottery was organised by the charitable Navidad Foundation gGmbH based on the Spanish model of "El Gordo". 30 percent of the lottery income benefited charitable organisations, which used the proceeds to fund social projects in Germany.

In offline retail, the lottery tickets were exclusively supplied in the e-va prepaid range. Lekkerland took over distribution of lottery tickets throughout Germany and supported its customers in presentation of the lottery tickets within their retail space. Compact counter displays were developed for this purpose and the lottery tickets were also positioned on seasonal e-va campaign displays. ▪

New own brand experiences strong growth

Today, consumers expect a selection of fresh snacks, bakery goods and speciality coffees when they are on-the-go. The requirement for ingredients increases in line with this expansion. Lekkerland has responded to this development with a new exclusive and international own brand: "my basics". This offers customers in Belgium, Germany, the Netherlands, Austria and Switzerland high-quality products in the entry-level price segment.

The "my basics" concept and product range is primarily intended for professional food service customers, and it has undergone a rapid and successful development. After the introduction of milk and cold cuts, the product range was expanded in 2017 by new categories such as cheese, eggs, margarine, fish and sausages.

The aim is to continuously extend the product range in the future. ▪

Tobacco: Preparations for Track & Trace

From 20 May 2019, every pack of cigarettes and fine-cut has to be trackable from the manufacturer to the retail outlet (almost) in real time. This "Track & Trace" is one of several measures including shock images that are part of the Tobacco Products Directive (TPD II) of the European Union. The political goal of "Track & Trace" is to curtail smuggling and counterfeits.

While the impacts for individual shop operators are minimal, companies with several sales outlets and wholesalers have to make adjustments for additional administrative expenses and some new IT processes and systems, as well as changed processes in logistics. Independently of their size, Lekkerland will take on the majority of the burdens entailed by "Track & Trace" for its customers to the extent required. Since 2016, the company has been making very intensive preparations for "Track & Trace" and has supported the concrete arrangements of the regulation in close dialogue with politicians and government authorities in Berlin and Brussels. ▪

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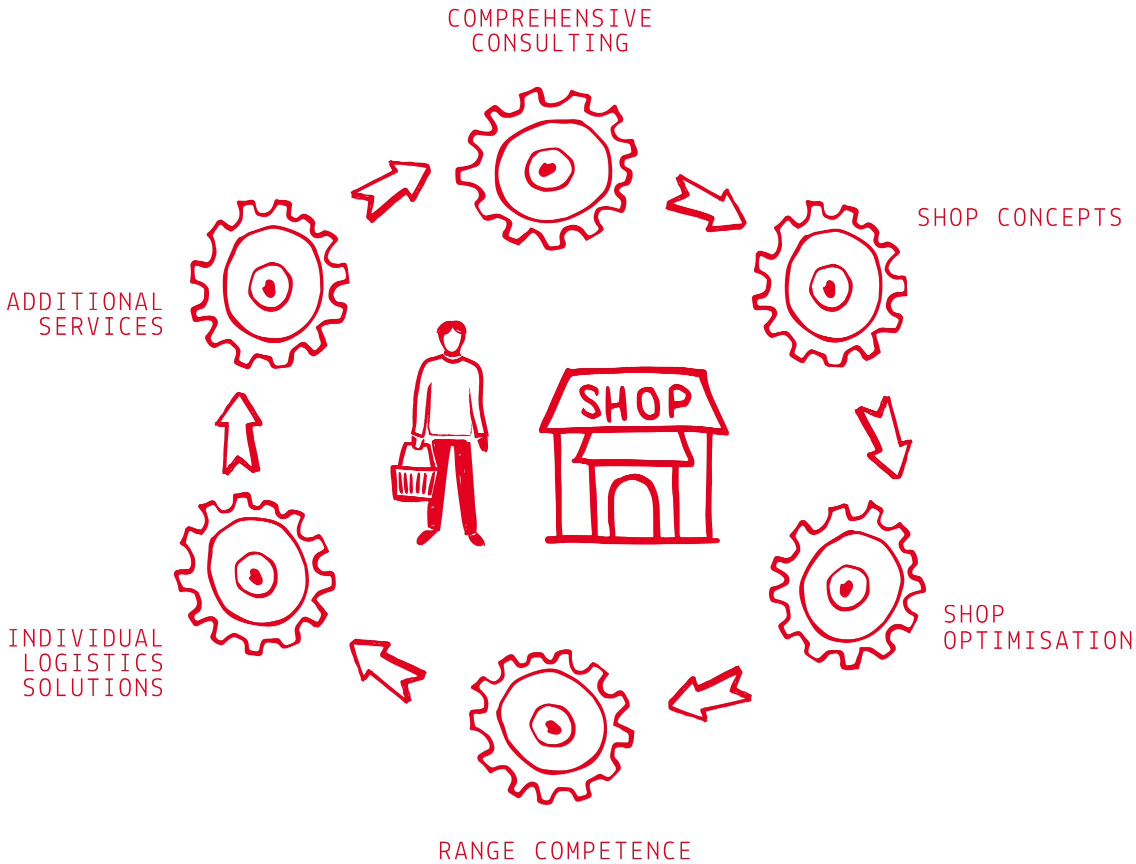
ON-THE-GO FOR OUR CUSTOMERS

COMPANY REPORT
2017

Lekkerland

Lekkerland –
Your most convenient partner.



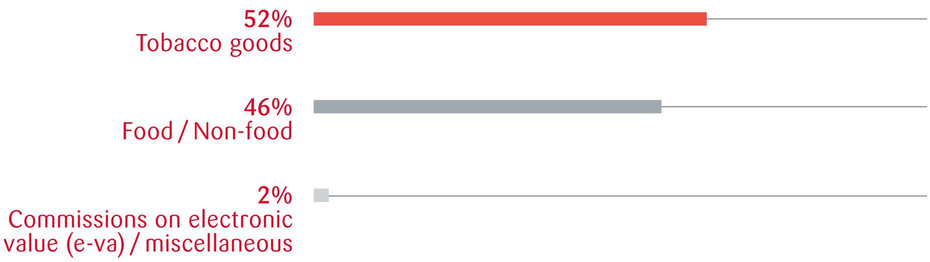
ANNUAL

20

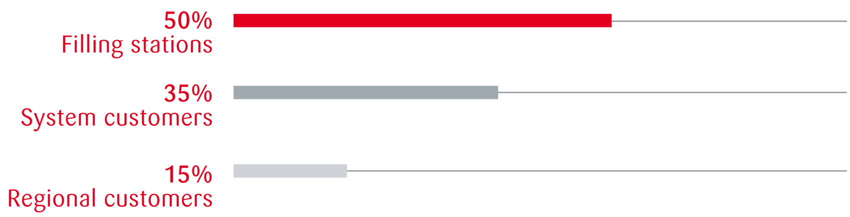
Lekkerland in numbers

Proportion of sales by segments

Proportion of sales by product ranges without tobacco tax



Proportion of sales by channels



KEY FIGURES ACCORDING TO IFRS

€ million	2017 *	2016 *	2015 *	2014 *
Result				
Revenues	**12,784**	13,003	12,484	11,985
EBITDA	**142**	124	103	91
EBIT	**104**	85	66	54
Net profit	**78**	60	46	41
Balance sheet				
Balance sheet total	**1,485**	1,395	1,347	1,349
Capital ratio [1]	**12.2**	12.1	12.5	12.0
Cash flow [2]	**94**	114	100	37
Investments [3]	**27**	41	43	47
Employees (number) [4]	**4,789**	4,801	4,865	4,942

* Values, if relevant, are adjusted in relation to the “Discontinued operation”.

1 According to HGB equity ratio
2 From current business operations
3 Without financial investments
4 Annual average, excluding trainees

ANNUAL REPORT 2017

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Members of the Board of Management

Dr Edgar C. Lange
Chief Financial Officer (CFO)

Responsible for finance, controlling, treasury, legal affairs, internal audit, risk management/internal control system (ICS), IT and mergers & acquisitions (M&A)

Patrick Steppe
Chief Executive Officer (CEO)

Responsible for strategy, business development, sales/marketing, purchasing, category management, human resources (HR) and communications, as well as the management of all national companies in the Lekkerland Group

Dr Jochen Großpietsch
Chief Supply Chain Officer (CSCO)

Responsible for logistics, quality, facility management and digitalisation business

Letter of the Chief Executive Officer

Ladies and Gentlemen,

The demand for convenience from consumers continues to change at a rapid pace – this development has played a major role in achieving the overall gratifying year at Lekkerland in 2017.

A challenging tobacco goods market and a further increase in the intensity of convenience competition precluded renewed growth in sales at the Lekkerland Group. In the business year 2017, Lekkerland achieved revenues amounting to around €12.8 billion (previous year: €13.0 billion). The operating result was increased to €104.3 million (previous year: €85.4 million). This was enabled by an increased gross profit margin and a rise in other operating income.

In 2017, we developed the “Convenience 2020” strategy further so that Lekkerland will be able to operate successfully in this dynamic environment in the future. The focus of the modified strategy is on the needs of the consumer and our customers. We believe that the customer experience is the key factor for success in competition. This is why we have defined the goal of becoming “Your most convenient partner” for our customers. The customer experience should be perfect along the entire chain and our customers should experience cooperation with us as simple and convenient like with no other company.

Within the framework of our advanced development, we have supplemented our strategy by two additional thrusts: the focus on “Retail Enablement” and the market segment “Organised Food Service”. We would like to provide our customers with the best possible support and be their partner in order to continue growing profitably and come out ahead of existing and new competitors – this is what we conceive as “Retail Enablement”. It includes creative and flexible marketing solutions, services and products that are tailored to the needs of consumers. An example of this is our German “Frischwerk” shop concept. This has received a very positive response from consumers and experts. The concept was granted an award by the trade association NACS in 2017 and it received the accolade of being recognised as “Shop of the Year” in Germany at the beginning of 2018.

The second additional thrust involves us in working on continuing to improve our market position in the Organised Food Service product sector. This enables us to participate in the growing market of system gastronomy and franchise systems.

Digitalisation is playing a central role on the route to the goal of being “Your most convenient partner”. This is the pioneering development for us. In this context, we are establishing digital offerings for our customers that can be easily and conveniently deployed. They make work easier for our customers and enhance their success. Additionally, we are working intensively on the further implementation of Become One (B1) so that we at Lekkerland can cooperate even more efficiently to achieve success for our customers. This is our programme for group-wide standardisation of business and IT processes. In 2017, we successfully implemented B1 in Switzerland and with our subsidiary convivo, and preparations are already underway in Germany.

An important success factor on the roadmap into the future is provided by our workforce of some 4,800 employees. Our people are continually “on-the-go for our customers” demonstrating and proving how customer orientation is implemented day in and day out in their work. In the name of the entire Board of Management, I would therefore like to express thanks to our employees for their exceptional commitment.

How is the year 2018 going to develop? In view of the continuation of the challenging framework conditions after a very gratifying year in 2017, we once again expect a result at the good level of the year 2016.

“Your most convenient partner” – this objective will shape the journey of Lekkerland in the future. We want consumers and customers to be delighted with our solutions, products and services. I am confident that we will once again succeed in this endeavour in 2018.

Yours sincerely,

P. Steppe

Patrick Steppe

01

GROUP MANAGEMENT REPORT

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Group management report

1. Fundamental information about the Group

- » Reliable partner for suppliers of on-the-go consumption
- » Retail Enablement: support through tailor-made and innovative retail solutions
- » Focus on the needs of consumers and customers

1.1 Business model of the Group

Lekkerland is an expert for on-the-go consumption in the European marketplace with a broadly based service portfolio, which ranges from wholesale, through logistics solutions, to shop concepts for its retail partners. The goal of the company is to be "Your most convenient partner" for its customers. The company's track record of experience spanning more than 60 years and encompassing continuous development of its services means that Lekkerland plays a pioneering role in on-the-go consumption.*

The burgeoning mobility and flexibility of people drives a steady increase in the need and therefore the demand for products to be consumed on-the-go. The expectations of consumers for offerings in the area of on-the-go consumption are correspondingly diverse. The trend is particularly moving towards fresh, high-quality goods such as filled rolls, coffee specialities, sweet snacks and fresh smoothies – either for direct consumption or for enjoying later on. But tobacco goods and electronic value credits (for example telephone, voucher and gift cards) are also in demand on-the-go.

On-the-go consumption is a particularly dynamic area, which appeals through many different sales channels to highly varied target groups across different age categories and extending beyond socioeconomic bands. Today, convenience is no longer a channel but a lifestyle. The expansion of multimodal mobility – in other words the combination of different forms of transport, such as car and train – means that traffic hubs are gaining enhanced importance. They offer providers of on-the-go consumption new business opportunities at stations, airports and filling stations.

Partner for all sales channels

As a partner for all retail formats offering convenient consumption to people on the move, Lekkerland develops tailor-made solutions. Lekkerland supports its customers with a large number of advisory packages and services to assist them in their daily business. Lekkerland understands that as Retail Enablement. As one of the leading wholesalers, Lekkerland meets all the product and service needs of its retail partners and guarantees comprehensive, uniform quality standards. Lekkerland forms the interface between the manufacturers on the one hand, and the retailers with on-the-go products in their range on the other hand.

Lekkerland's customer base comprises filling station shops of international and regional oil majors, food and beverage retailers, providers of system gastronomy, department stores, coffee shop operators, kiosks, canteens, bakeries, and many other providers of convenient enjoyment of on-the-go consumption.

Lekkerland divides its customers into the following groups: filling stations, system customers and regional customers. Differentiation within these groups permits optimum analysis of specific needs and enables us to offer each individual customer a carefully tailored range of products and services. Lekkerland has expert know-how in so-called fine and wide distribution, and this is virtually unrivalled by any other wholesaler. It specialises in the particular requirements of retailers operating in small outlets. In the business year 2017, the Group supplied approximately 90,900 delivery points in six European countries with some 610 trucks and vans.

Customer-specific complete solutions

Lekkerland offers its partners and customers a broadly-based portfolio of services ranging from sales and logistics modules to tailor-made complete solutions for shops which extend well beyond the specifics of the actual product. For example, professional category management at Lekkerland supports shop operators in the process of selecting and presenting their products and product ranges so as to generate optimised sales. This includes standardised concepts, solutions and product ranges, always adapted to the needs of the customer and developed in close cooperation with industry and suppliers. This business model makes Lekkerland a flexible and sales-enhancing retail partner across national borders.

Needs-based product ranges

The Lekkerland product range is divided into the product groups tobacco goods, food / non-food and commissions on electronic value (e-va) / miscellaneous. The range includes cigarettes and other tobacco goods, drinks, sweets, chilled and deep frozen fresh products and electronic value products. The product ranges are regularly adapted to consumer wishes and updated with new products and categories.

Lekkerland offers its customers a comprehensive range of own brands to complement the sale of branded products from international and regional industry partners. A specialised business unit within the Lekkerland Group coordinates the range of own brands and supports the national companies throughout the entire process from market analysis through product development and launch to marketing.

* The Group operates under the name "Conway" in some countries for legal reasons.

Value chain

The objective of Lekkerland is to be “Your most convenient partner” for its customers. In each case, the offering focuses on individual product range, service and marketing concepts for the different types of customer. The declared goal for Lekkerland is to be consistently in a position to deliver a sophisticated overall package of tailored services from the customer’s perspective. As part of the value chain, Lekkerland defines standards with its major customers in the product ranges, logistics and service. At the same time, Lekkerland offers its numerous independent local and national customers a high level of flexibility in cooperation.

Wholesale

Partnership in wholesale means more than the provision of goods. As a success-oriented wholesaler, Lekkerland supports its customers in putting together an optimum product configuration for their particular sales channel. Product innovations are an important sales driver in the on-the-go sector. Identifying trends and responding to them at an early stage therefore creates the key competitive advantage. In order to achieve this, Lekkerland is in continuous dialogue with industry. The company works together with its industrial partners to develop new products for on-the-go consumption, including new articles, pack sizes and types of offering. Strategic cooperations with suppliers, manufacturers and other partners will continue to be a focus of activities in the future.

The purchasing department at Lekkerland tracks trends throughout Europe, continually reviews the product ranges, compares sales figures, and swaps products with low demand for new products. This ensures that Lekkerland customers receive the products their customers want at an early stage. In this way, they are empowered to generate their own competitive advantages.

In this process, the sales and purchasing departments must meet the current and future requirements of the markets. The key function of the purchasing department is to create optimum framework conditions for putting together product ranges with competitive conditions and prices. Competitive conditions form the basis for successful implementation of strategic initiatives and measures. Lekkerland is therefore continuously reviewing its own competitiveness and evaluating shelf prices in the retail business regularly and systematically.

Category management at Lekkerland cooperates closed with the purchasing and sales departments in order to optimise the presentation of the products. This includes the definition of top-seller campaigns and the ongoing development of sales promotion campaigns and tools.

Tobacco goods continue to be important for achieving strong customer frequency in retail. As a specialist wholesaler, Lekkerland markets around 3,500 different tobacco products including various articles in the category New Generation Products (NGP), such as electronic cigarettes (e-cigarettes). Alongside the familiar brands, products include lower-priced brands and tobacco goods from the in-house BUFFALO brand, which are more affordable. This gives retailers an attractive alternative to the trade names and the product ranges from discounters.

Drinks, hot and cold snacks, confectionery and savouries are the typical products for on-the-go consumption. They therefore define the product ranges that consumers want in filling station shops, convenience shops or kiosks. Alongside these classic ranges of products for on-the-go consumption, Lekkerland is also a reliable supplier of fresh and ultrafresh food offerings like salads and spreads for the bistro segment, and typical regional products, because consumers expect freshness, taste and diversity.

Furthermore, Lekkerland is a full-service provider in prepaid business. Lekkerland developed the prepaid product range e-va in this area. For many years now, this has been offering shop operators in many European countries the most comprehensive prepaid range on the market. It comprises SIM cards, top-up credits, gift and voucher cards, and payment cards. Lekkerland supplies sales outlets with easily operated sales and activation terminals combined with the latest range of prepaid products, and technical accessories for mobile devices.

Logistics

The group-wide logistics services range from parcel shipments, through same-day express deliveries to complex multi-temperature solutions. The area of procurement logistics has also been continuously developed over many years. Lekkerland has been selectively driving forward strategic cooperations with industrial partners and is working consistently on creating optimum solutions for all parties.

In the context of the increased demand for goods in different temperature zones, Lekkerland has massively expanded its programme of multi-temperature logistics over recent years, and it is equipped with nationwide coverage for multi-temperature logistics in all six countries.

The logistics chain allows quick service restaurants, as well as filling station shops with food service ranges to receive all the goods they have ordered in a single delivery. This is irrespective of whether they have ordered ambient, chilled or deep-frozen products. The practical one-stop delivery reduces the number of kilometres travelled and cuts down administrative costs for the shop operators.

Lekkerland works continuously to improve its logistics processes and offer its customers even more flexible and more individual distribution solutions.

The Lekkerland logistics centres are regionally established in all the national subsidiaries. This provides an excellent way of ensuring short delivery routes, tailor-made product ranges and outstanding delivery quality. The logistics centres operate with the advanced warehouse control and advanced picking systems.

The uniform telematics system used throughout Europe facilitates greater alignment on customers’ wishes with paperless processing and more transparency. The system provides support in process documentation, document handling and for monitoring the cooling chain. Routes can be worked out with the assistance of IT route planning and telematics so that they are maximally time efficient and reduce fuel consumption.

Retail Enablement
As a full service-specialist in the on-the-go consumption, Lekkerland supports its customers with a large number of sales-promoting services and packages. The wide range of services includes appropriately configured order sets tailored to the needs of the individual customer group, specific product range lists, extensive news on innovations, price bargains and advertising materials, as well as tailor-made shop plans or optimisations to meet the individual needs of each customer.

The choice of individual shop concepts which Lekkerland offers its customers ranges from small self-service modules for independent customers to development of exclusive bistro solutions including a comfortable environment through to complete shops. A sector association and a trade magazine bestowed an award on Lekkerland for the "Frischwerk" concept developed by Lekkerland for the filling station channel.

The product and service packages are always tailored to the needs and circumstances of the customer and to the taste and needs of the individual region and target consumers. This is why the food service solutions from Lekkerland are in demand with operators of kiosks, filling stations and convenience shops. Lekkerland supplies tailor-made shop solutions for simple and fast preparation of bread rolls, snacks, salads and finger food. The company has also developed coffee concepts together with partners, and successfully positioned them in the marketplace.

Lekkerland supports its customers with professional category management so that they can tailor their product ranges to consumers. Lekkerland product group structuring covers optimisation of shops, product ranges and shelves, as well as the design of sales promotion tools.

This enables Lekkerland to help its customers achieve higher sales, for example through an improved structure for their product range, their shelf stocking and activities at the point of sale (PoS). The briefs to manage shelf, second-placement and promotional areas also facilitate attractive marketing opportunities for retail and industry in close consultation with all the sales channels involved. Category management also supports the development of new formats and modules for Lekkerland customers so that they can serve their needs in the on-the-go sector even more effectively. The strategic approach and professional approach to category management are key factors for success in this process.

The store check goes one step further and encompasses a complete analysis of the shops – from the product range placement in the aisles right through to an appraisal of the shop atmosphere. The shop ambience is also included in the analysis. Lekkerland builds on this platform to create an individual concept and also carries out the necessary restructuring, if desired – partly with the assistance of shop outfitters.

1.2 Targets and strategies
Lekkerland laid the foundation for successful development in subsequent years with the "Convenience 2020" strategy. However, since then the needs of consumers have undergone very dynamic development along with the offering in this sector. Today, convenience is no longer a segment or channel but a form of lifestyle and therefore a fixed element in the everyday routine of a large number of consumers. Against this background, the Board of Management of Lekkerland AG & Co. KG further developed the strategy in 2017.

The needs of the consumers and customers of Lekkerland are the focus of the modified strategy. The "Customer Experience" is the key success factor in the competition. Lekkerland has therefore defined its target of becoming "Your most convenient partner" for its customers. Customers need to experience cooperation with Lekkerland as easier and more convenient than with any other company. Each individual customer experience should be perfect.

On this platform, Lekkerland is expanding its strategy by two additional strategic thrusts: the focus on "Retail Enablement" and the marketing segment "Organised Food Service". The topic of digitalisation is also being strategically pursued in all national companies.

Retail Enablement: Increasing the business success of customers
In order to be successful over the long term, Lekkerland's customers need to offer consumers a perfect customer experience. This means that quality, ambience, product range and the processes of the individual sales outlet need to optimally meet the demands of consumers – and they should be competitive by comparison with other convenience providers such as food retailers and bakeries.

This succeeds with the concepts, services and solutions of Lekkerland, which are arranged holistically or in modular form to suit individual requirements. Lekkerland describes this strategic approach as "Retail Enablement".

A key success factor in Retail Enablement is provided by food service solutions. The objective of Lekkerland is to be the leading provider of convenience food service solutions. Lekkerland created the prerequisites for this in the course of "Convenience 2020" – with the development of tailor-made solutions and by building up extensive competence in this area.

Custom-fit and advanced logistics solutions also play an important role in enhancing the customer's business success. The offering of Lekkerland ranges from package dispatch, same-day express delivery to holistic supply chain management solutions – and this is consistently being developed further.

Organised Food Service: Acquiring new customers
The organised food service segment also benefits from the trend of growing on-the-go consumption away from home. For Lekkerland, this relates to gastronomy and food service chains with standardised concepts and offerings, for example burger and coffee shop chains as well as “casual dining” concepts.

The aim of Lekkerland is to continue expanding its market positions in this area. The company will benefit in this endeavour from the experiences and successes of the Spanish national company, which today already achieves the lion’s share of its sales with this group of customers.

Digitalisation: Making use of opportunities
Digitalisation plays a central role for Lekkerland on the route to the goal of becoming “Your most convenient partner” for its customers. Lekkerland sees digitalisation as the enabler because digital tools and solutions make the customer’s everyday routine easier and can increase their success. Customers should experience the offerings of Lekkerland in the area of digitalisation as fast and innovative as well as simple and convenient to use.

At the same time, digitalisation places Lekkerland in the position of being able to cooperate even more efficiently for the success of its customers and develop new growth fields.

1.3 Corporate controlling and value management

Lekkerland divides its business into regional segments, and the national companies are allocated to the Germany and Rest of Western Europe segments. The Board of Management administers and develops the segments as a uniform group within the framework of the Group portfolio. The overarching objective is to achieve a sustainable increase in the value of the Lekkerland Group through continuous improvement in profitability.

In 2012, the strategic decision was taken to withdraw from the countries of Poland, Romania and the Czech Republic. In the business year 2017, the final liquidation of the Polish national company was brought to an end in line with expectations so that the Eastern Europe segment could be finally wound up.

As the “Convenience 2020” strategy was rolled out, particular focus was placed on defining the following success indicators for managing the operating business: revenues, gross profit, EBIT (result from operations before financial result) and EBITDA (result from operations before financial result plus depreciation and amortisation).

FINANCIAL PERFORMANCE INDICATORS

in € million	2017	2016	Change in %
Revenues	12,784.3	13,002.6	–1.7
Gross profit	632.6	620.5	2.0
EBITDA	142.3	124.0	14.8
EBIT	104.3	85.4	22.1

1.4 Research, development and innovation

As a wholesale, logistics and service company, the Lekkerland Group does not carry out any research and development activities in the conventional sense. However, Lekkerland continuously analyses the various sales channels of its products and services, and identifies the emerging trends in retail at an early stage. This is carried out by internal specialists and partly in cooperation with universities and external institutes. The Lekkerland Group is often a generator of ideas and indeed a trendsetter in many other areas of its sector. For example, Lekkerland played a key role in transforming filling station shops into independent convenience stores. A wide range of shop formats and modules are based on developments by Lekkerland. Lekkerland is also a trendsetter and innovator in the area of electronic prepaid credit with its e-va product portfolio.

2. Report on the economic situation

» **Global economy with high dynamic growth**
» **Unexpectedly strong economic recovery in the eurozone**
» **Upturn continues in the German economy**

2.1 Macroeconomic and sector-specific situation

Macroeconomic framework conditions
Since the end of 2016, the global economy has been posting significant growth. Global investments and global trade underwent a tangible rise, and an increasing number of national economies are buoyant. This unexpectedly strong dynamic upturn is likely to be due in particular to the fact that important risks that had been previously anticipated by market players in their expectations, were dissipated over the course of 2017. For example, China succeeded in preventing a significant slump in 2017 and the Brexit vote in the United Kingdom has so far only resulted in a slowdown in growth. The latest pro-European election results in many member states of the European Union (EU) have strengthened the cohesion of the EU and led to improved sentiment of companies and households. Furthermore, the expansive monetary policy is driving global growth forward. Overall, the assessment of macro-economic development published by the Council of Experts (Sachverständigenrat) in its annual report for 2017 is assuming acceleration of global growth from 2.6% in the previous year to 3.2% in the current business year.

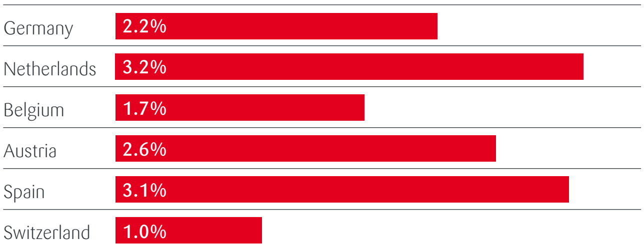
In 2017, the economy in the eurozone experienced a powerful upswing that has now extended to all member states. This upswing was accompanied by an extraordinarily good mood among consumers and companies as well as increased utilisation of production capacities, particularly in the second half of 2017. Growth is also being supported by structural adjustments in the southern European member states, reduced political risks and the very positive development of the global economy. Alongside the ongoing expansive monetary policy, the general good appetite for investment is providing a powerful accelerator for the upturn and exports are continuing to rise. Growth in gross domestic product (GDP) of 2.2% continues to be forecast for the eurozone in 2017 compared with a growth rate of 1.7% in 2016.

The situation in the employment market has further improved overall and the unemployment rate in the eurozone fell to 8.7% by comparison with 9.7% in the previous year. This is the lowest rate to be posted in the eurozone since January 2009. In spite of a continuing rise in employment, there are major differences between the individual member states and the unemployment rate remains relatively high in many European countries.

Annual inflation in the eurozone rose once again in the course of 2017. In 2017, inflation was 1.4% compared with 1.1% in the previous year. The development of energy prices was a particular contributor to this increase. They reached a low at the beginning of 2016 but went back up to a higher level again in 2017. Furthermore, the cost of food and luxuries underwent a stronger increase on average than the overall cost of living.

The following table shows the development of GDP adjusted for prices in the European countries in which the consolidated companies of the Lekkerland Group were operating during the period under review.

ECONOMIC DEVELOPMENT GDP*



* Percentage change relative to the previous year
Source: EU Commission / SECO

The European Commission is forecasting a GDP of 2.2% in Germany for the year 2017, which is 0.3 percentage points above the year-earlier value of 1.9%. The German economy is continuing to experience an upturn. Production capacities are being utilised in the wake of the economic development. In spite of the very good position in the employment market, wages are only undergoing relatively moderate growth so that pressure on costs in companies and prices for goods and services are only increasing slightly on average. The inflation rate at 1.7% is significantly above the level of previous years (0.4% in 2016 and 0.1% in 2015). This disproportionate increase is almost exclusively due to the fact that energy prices are not continuing to fall and there are therefore no savings on this side. The unemployment rate fell from 4.1% in the previous year to 3.7%. The hesitant increase in wages is explained by the fact that so far collective-bargaining agreements have only yielded moderate results and there has been inward migration of qualified specialist workers from other European countries.

The Netherlands is the country in the Rest of Western Europe segment with the strongest sales from Lekkerland's perspective, and here the economic growth is continuing. Growth of projected 3.2% in GDP has been forecast for 2017, while this was 2.1% in the previous year. The economy has therefore developed more dynamically than on average in the EU and has now posted growth above three percent for the first time in ten years. The economic upswing is being powered by private consumption, exports and investments in plant and construction. Economic growth has also exerted a positive effect on the unemployment rate, which was 4.8% in 2017 after 6.0% in the previous year.

The Belgian economy is currently in a phase of moderate growth. In 2017, Belgium achieved economic growth of 1.7% and is therefore above the growth achieved in the previous year (1.2%). Belgium is extremely well integrated in the global economy with a high level of foreign trade and export ratio. It is therefore very dependent on global economic developments, particularly those in Europe. The relatively high level of unemployment fell back slightly to 7.3% in 2017 compared with 8.0% in 2016.

Austrian companies assess their current situation and development in the coming months as extremely positive. After a long series of weak years, the dynamic investment has been successfully reinvigorated and exports were already going through a strong upswing in 2016 which continued throughout 2017. More robust growth is being driven by lively domestic demand supported by the favourable employment situation and an associated rise in the income of private households. Economic growth of 2.6% is projected for 2017 and is therefore significantly above the previous year (1.5%). The unemployment rate at 5.6% also developed positively by comparison with 6.0% in 2016.

Thanks to its continuing high level of innovative strength and its flexible employment market, Switzerland continues to be one of the richest countries in the world. On account of weak economic growth in the first half of the year, the Swiss Confederation anticipates an overall moderate GDP growth of 1.0% for 2017. The Swiss economy grew strongly in the third quarter and the upswing went on to become significantly more broadly based. While at the beginning of the year, economic growth was driven exclusively by the industrial sector, most service sectors have meanwhile also started to post growth again. The group of experts continues to assume for the quarters lying ahead that the dynamic global economy will support the export sector and the domestic economy will also gain momentum. The unemployment rate at 3.2% for 2017 is virtually at the level for the previous year.

Spain continues to remain on a growth trajectory. The Spanish economy experienced stronger growth than the European average for the third year in succession. In 2016, the economy expanded by 3.2%, while economic growth of 3.1% is forecast for 2017. The key growth driver is domestic demand. The improved situation in the employment market is driving household consumption and the domestic construction industry. The export sector is also contributing to the ongoing growth dynamic. Spain is also benefiting from the loose monetary policy of the European Central Bank.

The unemployment rate came down to 17.4% in 2017 compared with 19.6% in 2016.

The following conclusions can be drawn overall. The macro-economic framework conditions in all the countries where Lekkerland is operating stabilised compared to the previous year, and in most countries they even improved. However, the individual macro-economic conditions cannot be directly mapped onto the product and service ranges of Lekkerland since the trade in products for on-the-go consumption partly follows its own rules. For example, the typical mobile consumer who eats on-the-go is significantly motivated by spontaneous impulse.

Sector-specific framework conditions

The average retail volume for 2017 increased by 2.6% compared with 2016 in the eurozone and in the 28 member states of the EU (EU 28). This increase in the eurozone is due to increases in the non-food sector of 2.7% and in food, beverages and tobacco goods by 1.3%, while sales of engine fuels fell back by 0.8%.

Cigarette sales in Germany came down by 1.8% compared with the previous year. Sector experts perceive various reasons for the decline in consumption. An important influencing factor appears to be the introduction of shock images and messages on the tobacco packaging. In particular, smoking has now also become far less popular among young people than used to be the case. The proportion of young smokers has declined significantly over recent years. Furthermore, sector experts have increasingly observed a connection between the weather and the consumption of tobacco. Tobacco appears to have become a seasonal product. The experts attribute this observation to a number of factors and in particular the smoking bans in Germany. Smokers who are no longer permitted to smoke in enclosed rooms, for example a pub, will significantly restrict their consumption if the weather is poor and not then smoke more subsequently to make up for it.

In 2017, the tobacco market continued to be subject to the implementation of new legal regulations under the EU Tobacco Product Directive (TPD II). Apart from the expiry of the time limit for the sale of products not in conformity with TPD II in May 2017, the first cyclical change of 15 shock images on cigarettes and fine-cut packs was introduced.

Over the long term, the German Tobacco Association assumes that the market overall will be slightly regressive while at the same time, innovative tobacco products and product innovations such as e-cigarettes will become established.

The entire food / non-food market particularly in Germany is characterised by extremely tough competition. Primarily discounters with long shop opening hours are increasingly being used by price-sensitive consumers as alternatives for the various sales channels of on-the-go consumption. In addition, online retailers – including mail-order companies and small start-ups – are also attempting to gain access to the market. Food and everyday items are increasingly being purchased online. A study carried out by audit consulting company Ernst & Young in spring 2017 demonstrated that already 65.0% of Germany's citizens are making purchases online and 16.0% also buy food online. The study assumes that the proportion of food ordered online will increase in future.

The trends of recent years in the prepaid sector were also confirmed in 2017. The Prepaid Mobile product range continues to be defined by price reductions on account of the high level of competitive pressure and attractive subsidies on mobile phones in the postpaid areas. Sales development therefore continues to be in decline. Development of the identification obligation when purchasing prepaid SIM cards introduced on 1 July 2017 cannot yet be estimated (for further information on this, see the section on regulatory framework conditions – obligation to prove identity when purchasing prepaid cards). On the other hand, the payment voucher range has shown strong growth and continues to develop positively. Products for anonymous payment on the Internet in an easily usable voucher format continue to enjoy great popularity. The paysafecard product is the leader, followed by vouchers for the Sony Playstation, iTunes and Google Play Store.

Physical vouchers from the gift and payment areas continue to experience strong demand. Particularly during the Christmas period, these products are important for increasing footfall at filling stations and kiosks. It is important to emphasise that food retail and most importantly leading discounters have meanwhile recognised the importance and potential of prepaid products as part of their product mix. Prominent voucher placements in the market with the maximum number of facings will increase the pressure on filling stations and kiosks in this product range during the course of 2018.

Regulatory framework conditions

Lekkerland is influenced by a number of different regulations as a result of the different product ranges and groups of customers. The framework conditions governing the sale and consumption of luxury items like tobacco goods and alcoholic drinks have been characterised by a sustained tightening of restrictions for some years. The latest developments and initiatives listed below have potential effects on the Lekkerland Group.

EU Tobacco Products Directive

The EU Tobacco Products Directive regulates the marketing and sale of tobacco products in the EU. The directive came into force on 19 May 2014 and had to be implemented in national law by the member states by 20 May 2016.

The regulations under the TPD II contains provisions for the introduction of warning notices which are a combination of pictures ("shock images") and text. Regulations governing e-cigarettes have been introduced for the first time. More stringent safety and quality requirements came into force on 20 May 2017, along with packaging and identification conditions for e-cigarettes containing nicotine and replenishment containers. This directive also provides for a ban on cigarettes and fine-cut tobacco with a characteristic aroma. Menthol cigarettes may only be sold up until 19 May 2020.

In addition, TPD II requires the introduction of a Track & Trace system throughout the EU. The system serves to monitor and track the entire supply chain for tobacco products. Implementation of Track & Trace affects all the participants in the supply chain, from manufacturer, through wholesale to retail. The implementation period for cigarettes and fine-cut packs ends on 20 May 2019 and for all other tobacco products on 20 May 2024. The primary objective is to constrain organised cigarette smuggling and counterfeits of tobacco products. On 15 December 2017, the European Commission formally adopted the Delegated Act and the Implementation Acts for the introduction of Track & Trace.

Disposable / Multiuse

On 12 May 2017, the new Recyclable Materials Act (VerpackG) was adopted by the German Federal Council and it comes into force on 1 January 2019. From this date, the law will replace the Packaging Directive in Germany. This act is intended to ensure that recycling and avoidance of packaging waste is more effectively established in the future. The dual systems financed by trade and industry will have to achieve significantly higher recycling quotas in future. For example, the recycling quota for plastic packaging will be increased from the current level of 36.0% to 63.0% by the year 2022. A recycling rate of as much as 90.0% has been specified for metals, glass and paper.

Furthermore, multiuse packaging is being particularly promoted. The target quota is 70.0% for drinks packaging. The legislation requires retailers to provide easily identifiable shelf identification so that shoppers can better distinguish between disposable and multiuse bottles. In addition, the mandatory deposit will be extended to fruit and vegetable nectars containing carbon dioxide in disposable packs. The proportion of drinks filled into multiuse packs will be determined and published on an annual basis so as to review the effectiveness of multiuse promotion. This effectiveness check will be carried out by the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety.

Truck toll

On 1 July 2018, the truck toll in Germany was extended to trucks from 7.5 tons on all federal roads. The basis for the expansion is the fourth Act on Amendment of the Federal Road Toll Act (BFStrMG), which came into force on 31 March 2017. This increases the federal road network subject to tolls to 40,000 kilometres. Currently around 13,000 kilometres of motorways and 2,300 kilometres of federal roads are subject to a toll. The amount of the toll is measured on the basis of the distance travelled, the number of axles on the vehicle or the vehicle combination and the emission class of the vehicle.

Fourth EU Anti-Money Laundering Directive

The fourth EU Anti-Money Laundering Directive (4th AMLD) was implemented in German law on 23 June 2017 by the Implementation Act for the 4th AMLD, the EU Money Transfer Directive and for reorganisation of the Central Office for Finance Transaction Investigations. The existing Money Laundering Act was amended and additional laws were revised in the course of implementation.

While the 4th AMLD has just been transferred to national law, the EU has already resolved to make changes to this directive. The formal confirmation of the changes looks likely to be approved by the EU Parliament and the EU Council in the short term and the period for implementation into national law is likely to be 18 months. The background to the renewed change is the fact that the threat of terrorism has continued to increase recently and the nature of the threat has changed. The implementation of the amendments to the 4th AMLD will lead to significantly more stringent requirements. These will include definition of stricter prerequisites under which e-money (electronic money) products may be issued anonymously. At the same time, the modified directive gives concrete form to the provision whereby payment cards that can only be used for a very limited selection of goods and services do not come under the definition of e-money pursuant to the previous Anti-Money Laundering Directive.

Second EU Payment Services Directive

The EU Payment Services Directive (PSD II) was implemented in German law with the Implementation Act on the Second Payment Services Directive on 17 July 2017. The act came into force in accordance with the provisions of the PSD II on 13 January 2018. The objective of this act is to harmonise the current legal framework for payment services with technological progress, to improve the security of payments (for example on the Internet) and to strengthen the rights of customers when they are using standard payment procedures. An important aspect of the act is regulation of the area of exemptions. The exemptions for prepaid products that no longer qualify as e-money has been significantly expanded through implementation of PSD II.

Identification obligation for purchasing prepaid cards

Since 1 July 2017, amendments to the Telecommunications Act require an identity check to be carried out when prepaid SIM cards are purchased before the card is activated by the provider. Previously, customers already needed to provide their personal data online, and since July these data have to be verified by providing identity. The SIM card providers such as Telefonica or Vodafone provide different online and offline versions for this purpose. It is important that a valid official identification card with a picture of the holder is presented. This is intended to ensure unequivocally that each SIM card can be allocated reliably to the owner. The process of identification does not take place in the shop. Identification must take place by post identification, video identification or personally in a shop of the relevant provider – in other words not at the filling station or kiosk.

EU General Data Protection Regulation
The EU General Data Protection Regulation (EU GDPR) which came into force on 24 May 2016 will have to be applied immediately in all EU member states from 25 May 2018. The EU GDPR is intended to modernise the existing data protection regulations and harmonise data protection legislation in all member states. The biggest changes result from the increased transparency requirement which entails particularly comprehensive documentation and information obligations. Another new aspect is the reversal of the burden of proof which requires companies to verify compliance with the EU GDPR. Furthermore, breaches subject to fines have been significantly expanded and the level of fines has been increased from the previous amount of €0.3 million to up to €20.0 million or 4.0% of global annual sales.

2.2 Business development

Highlights 2017

Important contractual extensions and new customers
The past business year 2017 also saw important contractual extensions, acquisition of new customers and establishment of a new strategic partnership in Switzerland. These include the following:

In Germany, the acquisition of an additional customer from the "Organised Food Service" segment (gastronomy and food service chains with standardised concept) was in harmony with the further developed strategy "Convenience 2020". This new customer – a second leading coffee shop chain – was acquired for supply to more than 200 stores in seven European countries for the next three years in the first instance. Lekkerland will here be responsible for the entire supply chain. This means that Lekkerland will coordinate and implement the purchasing, inventory management, order picking and delivery of several hundred products including fresh and deep-frozen products, and non-chill products.

Lekkerland was also able to extend the contract with an oil company by a further five years until the end of 2022. In future, Lekkerland will provide even greater support for this customer as a consultant and competence provider, for example by expanding cooperation in the areas of food service and training sessions. Lekkerland will also supply the filling stations with a large proportion of their product range such as beverages, confectionery, tobacco goods including e-cigarettes, deep-frozen bakery goods, e-va products and non-food articles. In the case of five other oil companies, the contracts could in some cases be extended in advance by one year, five years and by three years respectively. Alongside supply to filling stations with a large proportion of their product range, Lekkerland will also enter into close cooperation with an oil major for design and implementation of a joint marketing concept.

Furthermore, the cooperation with a national oil retailer operating 130 filling stations was extended in advance by a further five years. In the context of this extension, the service spectrum of Lekkerland was significantly extended. Over and above the existing supply of a large proportion of the product range, this entails adoption of the impulse ice cream product group and extended cooperation in the areas of food service and coffee.

The contract with an existing customer – a large coffee and retail group – was extended by a further three years until August 2020 during the course of this business year. Lekkerland has been providing a reliable supply of deep-frozen, fresh and beverage products to the customer's branches in Germany since 2008.

The cooperation contract with a Europe-wide retail and logistics company was renewed in advance by four and a half years at the end of the business year 2017. The contract comprises delivery with a range of tobacco goods, beverages, confectionery, and fresh and deep-frozen products.

After launching a cooperation with a leading global online mail-order retailer in February 2016, Lekkerland also concluded an agreement with this online mail-order retailer in Austria in July 2017 for delivery from the dry and beverage range.

Furthermore, Lekkerland was also able to extend in advance the existing contract with an oil major in Austria by a further year. Lekkerland supplies the customer with products from the food, non-food and food service product ranges.

In addition, Lekkerland succeeded in acquiring as a new customer another major customer from the bakery sector in the business year 2017 in Austria so that the bakery branches will now be supplied by Lekkerland with beverages, dairy products and a range of goods including goods for production. The contract was concluded for an indefinite period of time.

Existing contracts with two oil companies in Belgium were extended by another three and two years respectively.

A new contract was concluded with another oil company for delivery of e-vouchers and gift cards over a period of three years.

The existing contract with a food retailer in Belgium was extended by two further years. This now encompasses direct delivery of individual shops instead of central delivery as was previously the case. The customer will be supplied by Lekkerland with the entire tobacco and e-va product range.

In the Netherlands, the contracts with three oil companies were extended by five years, and by three and two years respectively.

Furthermore, the contract with a bakery chain comprising 170 branch offices was extended by a further year. The customer is supplied with products from the food / non-food product range.

In addition, various new customers were acquired in the Netherlands including an additional oil company, a restaurant chain operator and a retail company. A new contract with the restaurant chain operator was concluded and comprises delivery of fresh and deep-frozen articles. The 600 branch offices of the newly acquired retail company will be supplied by Lekkerland with confectionery for the checkout area over the next three years.

In the business year 2017, a strategic partnership was agreed in Switzerland with a Swiss company with the objective of driving forward further development of filling station shops. The strategic partnership involves an oil major and operator of 463 filling stations in Switzerland. A new concept has already been developed which is currently being tested at various locations in Switzerland.

In Spain, the contract with a long-standing major customer, a restaurant chain, was extended by a further five years until 2023.

NACS Award and shop concepts

Already in the last business year 2016, the new "Frischwerk" test shop concept impressed and captivated customers at the UNITI EXPO and in the two pilot stores.

Almost one year after opening the first pilot stores, the initial conclusion by customers and consumers is very positive. The concept and in particular the food service concept "Backschmiede" for bakery goods and the coffee business are enjoying an exceptionally positive reception and are posting significant growth rates. However, the other categories also developed very positively. Lekkerland is currently still in the pilot phase and is continuously optimising the concept, product range, services and processes. On account of the high demand and numerous prospects, the establishment of additional "Frischwerk" stores is planned for the coming months.

In June 2017, the impressive concept received an "Honourable Mention" at the prestigious "International Convenience Retailer of the Year Award" in the "small formats" category of the trade association NACS. This competition is well established in the sector and has a very high reputation. The award acknowledges Lekkerland for the conceptual development and implementation of the new shop concept.

The prize once again highlights the fact that Lekkerland is on the right track with its strategy of establishing the profile of a Retail Enabler. The contract extensions and expansions also demonstrate that customers increasingly regard Lekkerland as a partner for cooperation in the area of food service and coffee.

Lekkerland in the Netherlands also has developed a new shop concept under the name "Eet & Gerei". "Eet & Gerei" is Dutch and means "Food and all related things". The store is a so-called Lab Store based on a creative concept in which a range of different ideas are tested.

Like the German "Frischwerk" concept, this concept accords with Lekkerland's strategy to act as a Retail Enabler in the marketplace. The objective is to make shops more attractive and thereby enhance their profitability and competitiveness.

In Belgium, roll-out of a coffee-to-go coffee concept was launched in November 2017. This concept was designed specially for small shops in which the operators are supplied with everything from coffee, through furniture to accessories and maintenance in an all-round package. Additionally, the concept can also be supplemented with cake and bakery goods.

Further development of products

The e-va product range was systematically developed further in Germany. The developments included the exclusive supply within the Lekkerland product range of lottery vouchers for a Christmas lottery held in Germany in offline retailing.

Another product expansion was provided in the area of technical accessories for mobile devices. The company amv GmbH owned by Lekkerland designed the Hama add-on display with bestsellers in electronics accessories including automobile charging cables, adaptors and headphones. The add-on is a perfect complement to the e-va shelf because the products address the same target group and offer a new sales area even in small shops without any complex structural work. The electronics accessories from Hama and other non-food ranges such as gift articles, souvenirs and sun glasses can be conveniently ordered through Lekkerland.

A further product innovation is the Fresh Box that has been positioned by Lekkerland in Switzerland and Austria. The Fresh Box provides Lekkerland with a new competence for delivering small quantities of fresh products. The insulated box with elements for precise temperature management keeps the temperature stable for 36 hours and a display in the lid indicates the internal temperature. This allows customers to check the temperature without opening the package. Lekkerland can also easily read off the data when the box arrives back at the logistics centre and then verify retrospectively that the integrity of the cooling chain was maintained. The box is dispatched in Switzerland and Austria as a package through the countries' postal services to make good use of the efficient and dense network of package delivery options.

Track & Trace

The TPD II Directive defines a number of requirements including the roll-out of a Track & Trace system for all tobacco products, as already set out in detail in the section on Regulatory Framework Conditions – EU Tobacco Products Directive. TPD II requires each tobacco product to be unambiguously identifiable in the future with an individual identification attribute (code) at any time.

Furthermore, all relevant data must be recorded step by step for all tobacco products over the entire supply chain by all manufacturers and retailers involved in a central EU database. This means that it will be possible in future to use the unique code to track the entire production and retail chain for each individual tobacco product at any time.

Lekkerland is addressing the challenges presented by the TPD II and in 2016 already started the project TPD II – Track & Trace. Since the start of the project, various pilot projects and test phases have been carried out so as to be in a position to reflect the requirements as efficiently as possible in terms of time and cost. The scope of the project covers 19 logistics centres distributed over three countries. Lekkerland has an obligation as a tobacco retailer to transfer a wide range of notifications and data to the EU database, for example the incoming goods notification from the manufacturer and the dispatch notification to the customer. Complying with the comprehensive reporting obligations requires each product to be scanned with its individual code and all the relevant data must be recorded in the EU database so as to be traceable in virtually real time. Compliance with these requirements is extremely cost-intensive and characterised by enormous complexity. The logistics processes need to be adjusted and integrated into the existing IT landscape. It is also necessary to purchase new hardware and software and deal with the implementation in the new processes as well as synchronisation.

Lekkerland is very well positioned with the project TPD II – Track & Trace. In the business year 2017, Lekkerland carried out intensive test phases and cooperated closely on the new logistics processes with industry. It is also in continuous dialogue with representatives from government and industry. Since 2016, Lekkerland is also co-chair of the Retail Working Group together with another wholesaler and is working actively on designing and implementing the directive. In 2017, Lekkerland representatives participated twice in stakeholder meetings with the European Commission and they attended several meetings concerning this issue at the key Federal Ministry for Food and Agriculture.

In 2018, the project focus will be on the roll-out of Track & Trace concepts at all Lekkerland tobacco locations as well as the development of the necessary IT adjustments such as a concept for data storage and for creating the technical interfaces with the central EU database.

Project Become One for harmonisation of the IT and process landscape

Since a large number of financial and holding companies are working with the new group-wide IT landscape Become One, the first operating national company was migrated to live operation in Switzerland at the beginning of the business year 2017. The first weeks with the new system proceeded positively overall. In line with expectations, some further potential areas for improvement were identified during live operation and these issues were resolved in a stabilisation phase by the end of August.

Simultaneously, the concept phase for conversion of the biggest operating national company was launched in Germany in May. The focus of the ongoing workshops is on identification of additional necessary adjustments or expansions of the system in order to reflect the requirements of the German national company in full and as well as possible.

At the end of September, two additional important milestones in the Become One project were reached. Firstly, the introduction of a system update and the subsequent go-live of the Lekkerland subsidiary company convivo GmbH on 1 October 2017. Both milestones were successfully concluded.

Digitalisation

The topic of digitalisation is an explicit component of the strategy “Convenience 2020” in its developed form and it is being consistently implemented in all the national companies. A focus here is on the ongoing development of the existing web shops which Lekkerland is operating in the national companies and for its customers. Corporate Digital Business Development is a dedicated department dealing with the data-driven and technology-based business development. Two main areas of activity can be derived from the adjusted strategy of Lekkerland. Firstly, the area of Digital Services and secondly the area of Digital Retail Enablement. The area of Digital Services deals with continuously improving the customer experience. This entails making cooperation between Lekkerland and the customer as convenient, simple and practical as possible and ensuring Lekkerland outperforms any other company in this respect. An example of this is the development of a supply tracking solution which gives the customer the opportunity to get up-to-date information about the relevant status of their delivery from Lekkerland.

Digital Retail Enablement addresses how Lekkerland can improve the customer’s business and make it more profitable using technology and data, and explores how Lekkerland can itself develop new business models. Work is currently being carried out in this area of activity on a solution to enhance the motivation of customers’ employees by using the gamification approach. This involves applying elements similar to computer games, such as advance bars or ranking lists in a non-play context. The technology is intended to support users in improving their work results, for example by visualising sales data.

Change in the Supply Chain Officer

Kay Schiebur, Chief Supply Chain Officer of Lekkerland AG & Co. KG, decided for personal reasons not to extend his contract as a Board Member at Lekkerland. In October 2017, Dr Jochen Großpietsch was appointed as the new Chief Supply Chain Officer. In this function, he is responsible for the portfolio of logistics, quality, facility management and digitalisation.

Refinancing with new USPP
In the first half-year of 2017, the executive management decided to carry out a further US private placement (USPP) amounting to €70.0 million in order to ensure the long-term financial requirements of the Lekkerland Group. Potential investors in the United Kingdom and the United States were addressed in the context of a roadshow. The subsequent bidder process was carried out in June and ended with a good pool of potential investors and a bidder book that was multiply oversubscribed. Against this background, the Lekkerland Group increased the original placement volume from €70.0 million to €100.0 million. Out of the newly placed €100.0 million, €70.0 million have a term of ten years at an fixed interest rate of 1.87% and €30.0 million have a term of twelve years at an fixed interest rate of 2.07%. Furthermore, the management was able to achieve key contractual improvements compared to the contracts concluded for placement of the USPP in 2005 and 2007. The placement was supported on the banking side by Deutsche Bank and ING-Bank.

Course of business

A challenging tobacco goods market and a further increase in the competitive intensity throughout the entire on-the-go sector meant that the Lekkerland Group reported a slight decline in revenues in the business year 2017 to €12,784.3 million (previous year: €13,002.6 million).

The decline in revenues was restricted to the tobacco goods product group. Nevertheless, it proved possible to increase the gross profit in absolute terms by €12.1 million to €632.6 million (previous year: €620.5 million).

An increase in the other operating income (€+6.8 million) in conjunction with overall virtually unchanged distribution and administrative expenses resulted in an improvement of EBIT from continuing operations by €18.9 million to €104.3 million (previous year €85.4 million).

A comparison of the assumptions projected in the forecast report in the Group Management Report 2016 for the year 2017 with the actual business development in 2017 shows the following picture:

- The revenues and the gross profit were forecast at the level of the previous year. However, in the tobacco goods product range, industry price increases could not fully compensate the unit sale reductions so that the actual revenues declined slightly (–1.7%). Conversely, the gross margin posted an increase (+2.0%).

- In line with the forecast, the impacts on sales due to the gradual switch of a major customer in Germany to a competitor were only tangible to a certain extent in the business year 2017 on account of the contract extension until the middle of 2018.

- The transformation programmes carried out in the Netherlands, Belgium and Austria exerted a positive effect.

- EBITDA and EBIT of the continuing operations grew more strongly than had been forecast.

2.3 Economic situation

Results of operations

It is important to bear in mind when reading the following explanations that on account of the liquidation of the Polish national company, which was concluded in entirety during the reporting year 2017, the Eastern Europe segment was classified as a "Discontinued operation" for the last time in accordance with IFRS 5 (IFRS = International Financial Reporting Standards). This involves separate recognition in the income statement with respect to "Continuing operations" and "Discontinued operation".

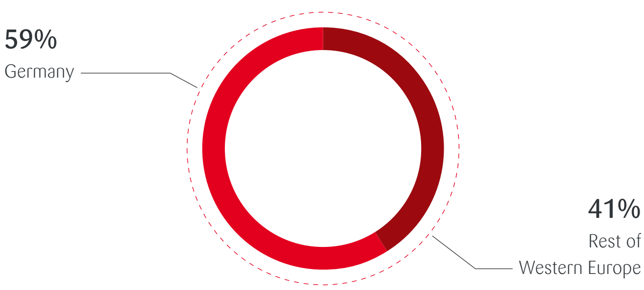
Revenues in the Germany segment decreased from €165.9 million (–2.1%) and they therefore amount to €7,571.0 million (previous year: €7,736.9 million).

In the Rest of Western Europe segment, the national companies in Spain, Belgium and Austria generated increases in sales while the companies in the Netherlands and Switzerland posted sales reductions. Overall, revenues decreased in the Rest of Western Europe segment by 1.0% or by €52.4 million to €5,213.3 million (previous year: €5,265.7 million).

SALES BY SEGMENTS

in € million	2017	2016	Change in %
Germany	7,571.0	7,736.9	–2.1
Rest of Western Europe	5,213.3	5,265.7	–1.0
Total	**12,784.3**	**13,002.6**	**–1.7**

PROPORTION OF SALES BY SEGMENTS



SALES BY PRODUCT RANGES

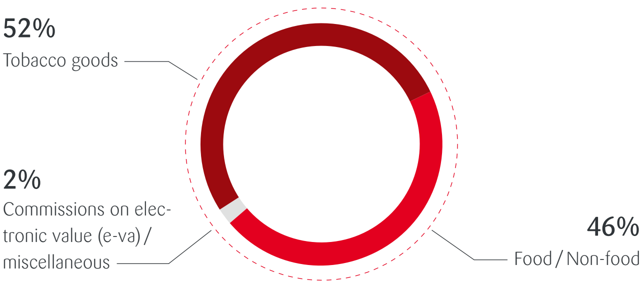
in € million	2017	2016	Change in %
Tobacco goods	10,120.7	10,405.6	−2.7
Food / Non-food	2,544.4	2,480.3	2.6
Commissions on electronic value (e-va) / miscellaneous*	119.2	116.7	2.1
Total	**12,784.3**	**13,002.6**	**−1.7**

* Only commissions received and not the nominal values of credits are recognised.

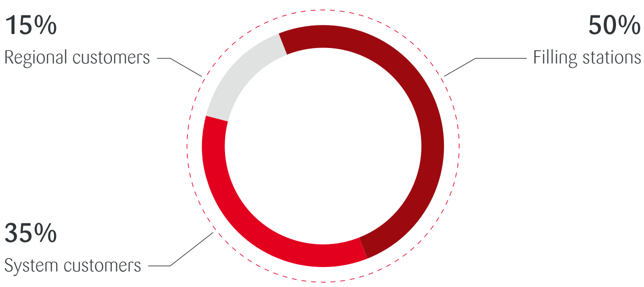
SALES BY CHANNELS

in € million	2017	2016	Change in %
Filling stations	6,375.7	6,491.1	−1.8
System customers	4,513.7	4,423.2	2.0
Regional customers	1,894.9	2,088.3	−9.3
Total	**12,784.3**	**13,002.6**	**−1.7**

PROPORTION OF SALES BY PRODUCT RANGES WITHOUT TOBACCO TAX



PROPORTION OF SALES BY CHANNELS



Sales broken down by product groups show the following development:

- Tobacco goods: €−284.9 million (−2.7%)
- Food / Non-food: €+64.1 million (+2.6%)
- Commissions on electronic value (e-va) / miscellaneous: €+2.5 million (+2.1%).

The unit sales of tobacco goods in Germany had already been declining since the fourth quarter of 2016. The unit sales of the Lekkerland Group in Germany were also reduced on account of a major customer gradually switching to a competitor. Overall, the revenues in the Germany segment for the tobacco goods product range came down by €185.6 million (−2.9%) to €6,271.1 million.

In the Rest of Western Europe segment, revenues from tobacco goods declined overall by the sum of €99.3 million (−2.5%) across all national companies. Conversely, countervailing developments were posted in the individual countries. While Belgium was able to post rising tobacco sales, these were falling in the Netherlands and Switzerland.

By contrast, sales in the higher-margin food / non-food product range increased overall by €64.1 million (2.6%). The Germany segment and all the countries in the Rest of Western Europe segment with the exception of Switzerland succeeded in posting tangible sales increases.

The commissions on electronic value (e-va) / miscellaneous product range generated an increase in sales amounting to €2.5 million (2.1%) in the business year 2017. The Germany segment increased sales of €0.7 million (0.9%) and the Rest of Western Europe segment generated an increase of €1.9 million (4.8%).

If the proportion of sales by channels is analysed, the following developments emerge:

- Revenues in the filling station channel decreased overall by €115.4 million (−1.8%). Revenues in the Germany segment came down by €114.1 million, which was primarily caused by the gradual switch of a major customer. Adjusted by this one-off effect, the Germany segment posted an increase in revenues within the filling station sales channel. Revenues in all countries in the Rest of Western Europe segment with the exception of the Netherlands posted an increase in sales in the filling station channel. Overall, revenues in the Rest of Western Europe segment in this sales channel therefore remained virtually unchanged (−0.1%).

- Sales with system customers expanded overall by €90.5 million (2.0%). While the Germany segment achieved sales at the level of the previous year, revenues in the system customers channel were expanded particularly in Spain, Switzerland and the Netherlands.

- Conversely, revenues in the regional customers channel fell overall by €193.4 million and hence by 9.3%. The decrease came in particular from the countries Switzerland, Germany and the Netherlands.

The percentage of gross profit margins across all three product groups improved in percentage terms from 4.8% to 4.9%. This development is influenced by a number of factors including higher performance payments and lower partly aperiodic sales reductions. In spite of lower revenues, gross profit increased by €12.1 million.

The total other operating income increased overall by a total of €6.8 million in particular owing to different one-off effects including higher exchange rate gains and compensation payments.

The distribution expenses without depreciation were reduced overall by €1.9 million.

The general and administrative expenses without depreciation by contrast underwent an increase of €2.5 million.

Cost reductions resulted in particular from the area of personnel expenses (€7.9 million) and in-house fleet costs (€1.3 million). Particularly in Germany and the Netherlands, the number of employees was below the level of the previous year.

Cost increases resulted primarily in the areas of subcontracted personnel (€3.5 million), freight costs (€2.9 million) and IT costs (€3.3 million). A higher proportion of external warehouse employees and the increased usage of subcontracted freight forwarders led to the increase in the costs of subcontracted personnel and subcontracted freight. The rise in IT costs was due to a number of factors including the go-live of Become One in the Swiss national company.

A summary of the main changes in EBITDA compared with the previous year is accordingly given as follows:

CHANGES IN EBITDA

in € million	2017
Gross profit	12.1
Other operating income	6.8
Distribution expenses before depreciation	1.9
General and administration expenses before depreciation	–2.5
Total	**18.3**

EBITDA BY SEGMENTS

in € million	2017	2016	Change in %
Germany	105.4	91.7	14.9
Rest of Western Europe	47.0	44.3	6.1
Holdings / Consolidation	–10.1	–12.0	15.8
Total	**142.3**	**124.0**	**14.8**

Depreciation and amortisation at €38.0 million were virtually at the level of the previous year (previous year: €38.6 million; decrease: €0.5 million).

Overall, EBIT therefore amounted to €104.3 million in the business year 2017 (previous year €85.4 million).

EBIT BY SEGMENTS

in € million	2017	2016	Change in %
Germany	79.0	65.8	20.1
Rest of Western Europe	35.5	31.7	12.0
Holdings / Consolidation	–10.2	–12.1	15.7
Total	**104.3**	**85.4**	**22.1**

The financial result (interest result, result from investment and profit share of associated companies and joint ventures, which are accounted for by the equity method), improved slightly by €0.3 million to €–8.1 million (€–8.4 million).

As in the previous year, interest expenses amounted to €10.5 million. An interest reduction on account of the planned repayment of US$100.0 million (€77.1 million) contrasted with interest from taking out new loans amounting to €100.0 million.

Interest income came down from €2.1 million to €1.1 million owing to a number of factors including changed recognition of specific supplier conditions among other things.

Overall, the Lekkerland Group generated a consolidated result after tax of €78.1 million in 2017 from continuing operations as compared with €62.1 million in 2016.

Profit after tax from the discontinued operation Eastern Europe in the reporting year amounted to €0.2 million (previous year: loss of €1.9 million) The liquidation of the Polish national company was concluded in full in 2017.

Development of the segments

Germany

In the business year 2017, Lekkerland generated revenues of €7,571.0 million (previous year: €7,736.9 million) in Germany. This corresponds to 59.2% of total sales of the Lekkerland Group (previous year: 59.5%). Out of total revenues in the business year, €6,271.1 million and hence 82.8% were generated by the tobacco goods product range (previous year: €6,456.7 million; 83.5%).

The unit sales of cigarettes to consumers in Germany continues to decline. In 2017, 1.8% fewer cigarettes were sold in the market overall. The unit sales of Lekkerland in Germany fell by approximately 4.7% in the business year 2017. This disproportionate fall results on the one hand from the switch by a major customer to a competitor, and on the other hand from a growing market share taken by discounters at the expense of customers supplied by Lekkerland. As already outlined in the section “Sector-specific framework conditions”, experts attributed the declining trend for tobacco consumption to a number of different influencing factors and developments. The value of the sustained fall in quantity is at least partly compensated by regular increases in revenue stamp prices.

The share of the food / non-food product group in revenues amounted to €1,222.5 million in the year under review and corresponds to a percentage share of 16.2% of the total revenues in this segment (previous year: €1,203.5 million; 15.6%). This increase reflects the sustained trend towards more fresh products and aware and high-quality consumption on-the-go. Consumers are increasingly demanding products from the fresh product range, coffee specialities, unsweetened drinks and juices, salads and specific product ranges such as vegan or gluten-free products. Confectionery tends to be a declining segment, particularly in the filling station segment.

The commissions on electronic value (e-va) / miscellaneous generated revenues of €77.4 million (previous year: €76.7 million). This corresponds to a 1.0% share of total revenues in the Germany segment (previous year: 1.0%). This product range has seen growth in the diverse and increasing number and type of products relating to shop vouchers on offer which are popular as gifts.

As has already been explained in the section on results of operations, the classification of revenues by sales channels in Germany shows a fall at filling stations and regional customers. Conversely, revenues were maintained at a nearly stable level in the system customers sales channel.

In the tobacco goods product group, margin improvements resulting from industry price increases over the course of the year were largely cancelled out owing to the unrelenting increase in competitive pressure. Conversely, positive margin effects result from higher performance payments in the business year 2017. In the food / non-food product range, the percentage gross profit margin was at the level of the previous year across all products.

GERMANY – SALES BY PRODUCT RANGES

in € million	2017	2016	Change in %
Tobacco goods	6,271.1	6,456.7	–2.9
Food / Non-food	1,222.5	1,203.5	1.6
Commissions on electronic value (e-va) / miscellaneous*	77.4	76.7	0.9
Total	**7,571.0**	**7,736.9**	**–2.1**

* Only commissions received and not the nominal values of credits are recognised.

GERMANY – SALES BY CHANNELS

in € million	2017	2016	Change in %
Filling stations	4,946.6	5,060.7	–2.3
System customers	1,563.1	1,573.4	–0.7
Regional customers	1,061.3	1,102.8	–3.8
Total	**7,571.0**	**7,736.9**	**–2.1**

The relative gross profit margin overall was slightly increased through higher performance payments and by lower, partly aperiodic sales reductions. In spite of falling sales, this resulted in an increase in absolute gross profit in the business year 2017.

Higher other operating income associated with a cost structure that was further optimised led to an improved result overall in the Germany segment.

The distribution and administrative expenses in total came down by comparison with the previous year. Personnel expenses have gone down overall in spite of pay tariff increases because of a lower number of employees.

Freight costs and IT costs are posting an increase overall. The rise in freight costs is occasioned mainly as a result of the greater use of subcontracted freight forwarders referred to above. The increase in IT costs results in particular from a falling capitalisation ratio in conjunction with Become One on account of the go-live of the first operational national company in 2017.

Overall, EBITDA in the Germany segment increased by €13.7 million to €105.4 million (previous year: €91.7 million).

Depreciation and amortisation increased slightly by €0.5 million to €26.4 million so that an EBIT of €79.0 million was achieved compared to €65.8 million in the previous year.

Rest of Western Europe

In the Rest of Western Europe segment, revenues were reduced by €52.4 million to €5,213.3 million.

REST OF WESTERN EUROPE – SALES BY COUNTRY

in € million	2017	2016	Change in %
Netherlands	2,400.4	2,458.1	–2.3
Belgium	1,520.9	1,495.2	1.7
Switzerland	657.8	723.7	–9.1
Spain	520.9	483.2	7.8
Austria	113.3	105.5	7.4
Total	**5,213.3**	**5,265.7**	**–1.0**

Out of total revenues, €3,849.5 million and therefore 73.8% were attributable to the tobacco goods product range (previous year: €3,948.8 million; 75.0%). The decline in tobacco revenues by €99.3 million results from the Netherlands (€–64.1 million) and Switzerland (€–52.5 million). Conversely, tobaccos sales were increased particularly in Belgium (€+ 17.3 million).

Unit sales of cigarettes in the overall market of the Netherlands declined by approximately 1.0% in 2017. Lekkerland reported a higher fall of approximately 3.1% due to the loss of a customer.

The development of tobacco sales in Switzerland can be attributed to factors including the streamlining of the customer portfolio following the takeover of the wholesale activities of Contadis AG in 2016. In Switzerland, the Lekkerland Group rose to become one of the important tobacco distributors as a result of the takeover of the wholesale activities of Contadis AG. As a result of the takeover, two contracts were terminated with system customers in 2017 in line with plans. By contrast, an important new customer was acquired.

In Belgium, unit sales in the market overall fell by approximately 4.4%, whereas the Lekkerland Group succeeded in maintaining its unit sales at a virtually constant level. This positive development is one of the consequences of the increase in sales volumes with two portfolio customers.

The percentage share of the food / non-food product range in revenues amounted to €1,321.9 million in the year under review, which corresponds to a percentage share in total sales of 25.4% (previous year: €1,276.9 million; 24,2%). This means that food / non-food sales increased in a year on year comparison by €45.0 million.

All countries with the exception of Switzerland were able to increase their revenues in the food / non-food product group. Spain presents the highest increase in absolute terms with growth of €37.7 million. As in the previous year, this results primarily from increased sales volumes for important portfolio customers, in particular international operators of quick service restaurant chains.

The commissions on electronic value (e-va) / miscellaneous product range generated revenues of €41.9 million (previous year: €40.0 million) which is unchanged by comparison with the year-earlier value and corresponds to a share of 0.8% in total revenues. The sale increase is generated in the Netherlands (€+ 1.8 million) and Austria (€+ 0.8 million), while Belgium experienced a drop in revenues (€– 0.8 million).

REST OF WESTERN EUROPE – SALES BY PRODUCT RANGES

in € million	2017	2016	Change in €
Tobacco goods	3,849.5	3,948.8	–2.5
Food / Non-food	1,321.9	1,276.9	3.5
Commissions on electronic value (e-va) / miscellaneous*	41.9	40.0	4.8
Total	**5,213.3**	**5,265.7**	**–1.0**

* Only commissions received and not nominal values of credits are recognised.

All national companies in the Rest of Western Europe segment with the exception of Switzerland succeeded in increasing their absolute gross profit in a year-on-year comparison.

The total distribution and administrative expenses remained at the level of the previous year. While expenses in the areas of transport and subcontracted personnel increased primarily due to volume, they were largely compensated by cost savings in other areas including personnel.

EBITDA overall for all countries in the Rest of Western Europe segment was increased by €2.7 million to €47.0 million (previous year: €44.3 million).

Depreciation at €11.5 million was €1.1 million lower than in the previous year (previous year: €12.6 million) so that EBIT went up by €3.8 million to €35.5 million (previous year: €31.7 million).

Financial position and net assets

Principles and goals of financial management

The top priority within the Lekkerland Group is to secure adequate liquidity and financial stability. The financial requirements of the Lekkerland Group continue to be covered by a combination of operating cash flows, short-term credit facilities that are adequate at all times, and long-term financing through loans. The strategic direction of the Group is directed towards profitability, liquidity and stability, and enhancing corporate value over the long term. The corporate policy of the Group pursues this strategic goal by means of measures directed at internal and external processes. Internal measures include optimisation of net operating capital and central management of available liquidity. This is also underpinned by the central organisation of financial management.

Financing

A description of the long-term financing of the Lekkerland Group through loans is provided below:

USPP STRUCTURE

	Amount in million	Currency	Due date Year
US private placement 2005	40.0	US$	2017
US private placement 2007	30.0 30.0	US$ US$	2017 2017
US private placement 2007	35.0 35.0	US$ US$	2019 2019
US private placement 2017	70.0 30.0	€ €	2027 2029

In 2005 and 2007, the Lekkerland Group placed loans (USPP) amounting to a total of US$295.0 and €8.0 million on the private US capital market. Cross-currency swaps were concluded for the entire term corresponding to the underlying transactions in order to hedge the currency and interest risks in the loans denominated in US$ and bearing interest in US$. In line with expectations a total of US$125.0 million and €8.0 million were repaid in the years 2010 to 2016, and US$100.0 million in the year 2017.

In 2017, loans were once again placed on the private US capital market, but this time in € with a total value of €100.0 million. Out of these loans, €70.0 million have a term of ten years and €30.0 million a term of twelve years.

Further details on the hedging of risks arising from financing are presented in the notes to the consolidated financial statements, in particular in the sections 4.13, 5.10 und 11. There are no financial instruments which are used for speculation purposes.

Lekkerland has a multi-currency cash pool that operates across national borders for purposes of current financing and interest optimisation. Furthermore, all major long-term loans made within the Group are grouped together in a loan pool. The objectives of this loan pool are to optimise and simplify the processes for allocating and documenting the individual loans and to take account of the applicable requirements for intra-group transfer prices.

Lekkerland has agreed credit lines with its principal banks directed towards the primary purpose of being able to secure the necessary short-term liquidity requirements in particular for seasonal fluctuations and special stockpiling arrangements. On 31 December 2017, the company had opened credit lines amounting to some €176.0 million. If drawn on, the interest to be paid was between 0.7 and 1.25 percentage points above Euribor or EONIA.

Balance sheet

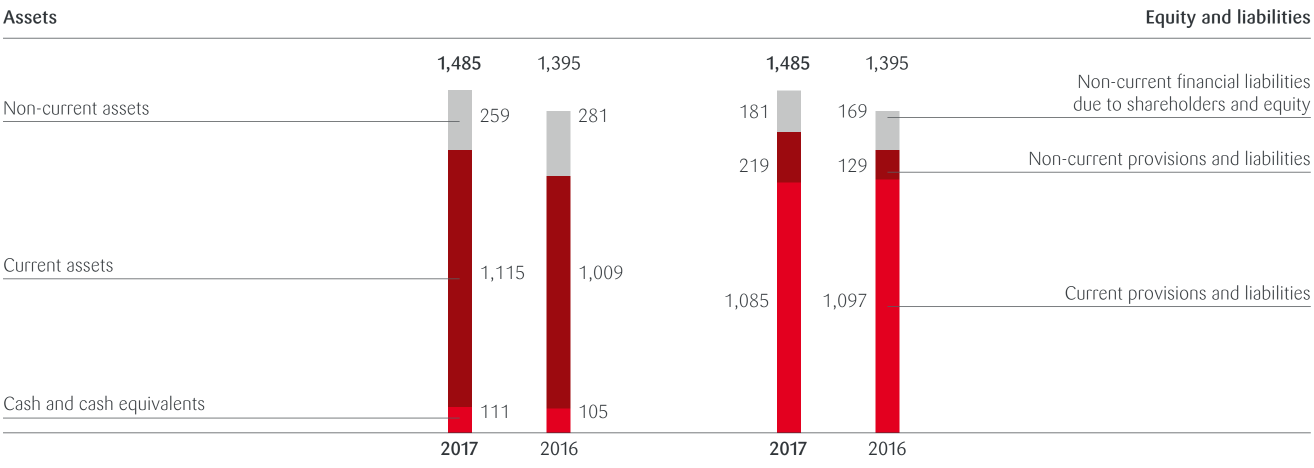
On the balance sheet date, the balance sheet total of €1,485.1 million was €90.1 million (+6.5%) above the balance sheet total for the previous year (previous year: €1,395.0 million).

On the assets side, the non-current assets came down by a total of €21.4 million, while current assets went up by €111.4 million.

Non-current assets

The total amount for intangible assets and property, plant and equipment was reduced by €12.2 million on account of scheduled depreciation. Additions entailed by the IT and process optimisation project Become One were also reduced by the go-live of the first operational company in Switzerland at the beginning of the business year 2017.

BALANCE SHEET STRUCTURE IN € MILLION



The financial assets increased by €2.7 million on account of the acquisition of a participation which was reported in the balance sheet according to the equity method as a joint venture (we refer to the section “Important contractual extensions and new customers” in section 2.2).

The reduction in non-current financial assets by €7.2 million essentially results from the fall in market value of the cross-currency swaps which were used to hedge the amounts falling due in 2019 from the US private placement 2007.

The fall in deferred tax assets by €5.8 million results in particular from the use of loss carryforwards.

Current assets
The inventory asset shows an increase of €88.4 million. This rise is mainly due to tobacco stockpiling at the end of the year.

The trade receivables rose by a total of €12.7 million primarily related to the balance sheet date.

The year-on-year increase in other assets by €21.6 million essentially results from an increase in pretax rebate claims in conjunction with tobacco stockpiling and an increase in other receivables booked but not yet settled.

Conversely, the current financial assets underwent a fall of €17.9 million. This is essentially due to the fact that in the previous year the market values of cross-currency swaps were included in this item at €18.2 million. These were attributable to the tranches of the US private placements 2005 and 2007 which were repaid in the reporting year 2017.

The cash and cash equivalents increased by €6.2 million. A key reason for this development is the improvement in net operating capital (balance of inventories and current trade receivables) from €+12.6 million to €–6.9 million.

On the liabilities side, the non-current financial liabilities due to shareholders and equity rose by €12.4 million. This development essentially results from the market valuation of cross-currency swaps and the change in the pension provision. In connection with the balance sheet extension of €90.1 million, this was associated with a slightly improved equity ratio from 12.1% to 12.2%.

The non-current provisions and liabilities increased by €89.4 million, while current provisions and liabilities decreased by €11.8 million.

Non-current provisions and liabilities
The most important change within non-current provisions and liabilities relates to the increase in non-current liabilities by €89.1 million. On the one hand, this development is the result of the placement of the new US private placement 2017 amounting to €100.0 million and on the other hand it is the result of the conversion of the US private placements 2007 from US-$ to € on the balance sheet date.

Current provisions and liabilities
The trade liabilities rose by €120.7 million. This is essentially due to tobacco stockpiling before the balance sheet date.

Current other provisions fell by €18.2 million. One the one hand, this is the result of lower outstanding customer refunds and on the other hand it is the result of additions from personnel provisions in the previous year.

The current financial liabilities decreased by €96.6 million, in particular due to the planned repayment of a total of US$100.0 million (€77.1 million).

The other liabilities posted a fall of €11.8 million which was mainly caused by lower refunds not yet paid.

The “Liabilities in connection with the disposal of assets held for sale” were reduced from €6.9 million to zero on account of the completed liquidation and deconsolidation of the Polish national company.

Cash flow
On account of the treatment of the Eastern Europe segment as “Discontinued operation”, cash inflows and outflows are shown separately in accordance with IFRS 5.

The origin and use of the funds is shown below for continuing operations:

Continuing operations
The inflow of funds from operating activities decreased by €19.7 million from €113.9 million to €94.2 million. Cash inflows resulting from the increased operating result and the improvement in net operating capital compared with overall higher cash outflows arising from the reduction of refunds, the increase in other assets and the reduction in other liabilities.

In the business year 2017, the aggregated outflow of funds from cash flow for investment activity amounted to €24.7 million (previous year: €37.6 million). As in the previous year, the investments essentially related to the Become One project. Additional cash outflows resulted from a participation in the context of a strategic partnership in Switzerland.

The outflow of funds for financing activities decreased by €15.0 million and was therefore €61.2 million (previous year: €76.2 million). This development essentially results from the planned repayment of three tranches from the US private placements 2005 and 2007 in connection with the new placement of a US private placement amounting to a total of €100.0 million.

The total cash flow for the business year 2017 from “Continuing operations” was €8.2 million (previous year: €0.1 million).

Investments
During the business year 2017, Lekkerland invested a total of €27.4 million in the Germany, Rest of Western Europe and Holdings / Consolidation segments, excluding financial investments. This is €13.8 million less than in the equivalent year-earlier period.

Aside from expansions in conjunction with the Become One IT and process project, the significant additions in investments arise in particular from investments in warehouses and IT hardware. In the year 2018, further investments are necessary for the Become One project, the implementation of the Track & Trace requirements and for other measures in connection with implementation of the strategy. Based on our current assessments, these can be financed from our own resources.

Overall statement
Declining unit sales for tobacco goods and the increasingly tough competition in the on-the-go sector presented challenging framework conditions for the Lekkerland Group and led to a slight fall in sales during the reporting year 2017. Nevertheless, Lekkerland succeeded in increasing the gross profit and once again significantly raised the consolidated result. This development was facilitated by consistent income and cost management in conjunction with one-off effects. Overall, the Group can therefore once again look back on a gratifying year.

3. Opportunities, risk and forecast report

» **Development and implementation of innovation in a fast-moving market**
» **Faster implementation of the strategy**
» **No risks identified posing a threat to the company's continued existence as a going concern**

3.1 Opportunities report
The Lekkerland Group operates in a very dynamic market and a competitive environment which is continually offering new opportunities. If chances are in harmony with corporate strategy, they are assessed in the light of market and competition analyses, and by making use of business cases.

The budget figures reflect opportunities to the extent that it is anticipated that there is a high probability of their coming to fruition. The following paragraphs set out future trends and developments which could result in a positive deviation for the Lekkerland Group from the development forecast in the outlook.

The opportunities presented below cover all company segments and product groups to differing degrees except where this is specified. The outlined opportunities are based on the same period of time which is also used for outlook reporting.

Opportunities for positive economic framework conditions and price developments
The economic framework conditions and developments exert an indirect or direct impact on the business activity and results of the Lekkerland Group. The forecast for the business year 2018 has been drawn up based on the assumptions contained in the approved budget and therefore reflects the expectations that the future framework conditions and assumed sales, price and cost developments will occur. If the individual determinants for Lekkerland develop better than assumed in the budget, the revenues and amounts for earnings could exceed the forecast values. The opportunities include positive earnings contributions arising from current antitrust lawsuits.

Opportunities through new products and services
The on-the-go consumption sector is defined by speed and innovative force. The increasing mobility and flexibility of people continually result in new requirements for products and services which cannot be taken account of in today's plans for the Lekkerland Group and can therefore contribute to positive business development. Examples of this are the potential strengthening of the market position as a tobacco distributor in conjunction with the requirements resulting from Track & Trace and the continual growth in the number of new prepaid products. The development of new shop concepts also offers opportunities in a rapidly growing and changing market.

Opportunities through faster implementation of the strategy
The Lekkerland strategy exerts an influence on the results of the Lekkerland Group. The strategy has been defined for the long term and is directed towards Lekkerland becoming the preferred partner ("Your most convenient partner") for Lekkerland customers. The success of Lekkerland is significantly dependent on the speed of implementation for the further developed strategy. If the projects for achieving the strategic goals can be implemented faster than expected, this could impact positively on the revenues and profitability of the Lekkerland Group.

3.2 Risk report
Adopting an entrepreneurial approach involves deliberately entering into risks and making the most of the available opportunities. Lekkerland operates a Corporate Governance System with the aim of identifying risks at an early stage and taking appropriate action to combat those risks. It is based on the following components:

The General Business Principles define the approach for action. In particular, they include the Code of Conduct, the rules of procedure and the company guidelines.

- The Group uses the Business Risk Management System (RMS) to review the risks entailed in the business processes and the effectiveness of the measures required to take counteraction.

- By signing a Declaration of Compliance each year, the management provides documentary confirmation for observance of and compliance with the provisions of the Company Guideline of Corporate Governance in all areas. The system should be used to report any matters of non-compliance.

The Board of Management is explicitly committed to the Corporate Governance System. This has made a contribution to a significant reduction of the risks within the Lekkerland Group. The Corporate Governance System therefore makes a crucial contribution to the successful future of the Group. The RMS is a fixed element of the business, planning and controlling processes at Lekkerland. Risks are identified, analysed, evaluated and addressed by the management teams of the individual subsidiary companies. The relevant risk officer of the subsidiary companies reports regularly and in a structured approach to the Chief Risk Officer (CRO) of the Group holding company. Meetings of the Audit Committees are regularly convened to discuss risks and appropriate measures. The CRO summarises all the risk reports from the divisions in the risk report for submission to the Board of Management and the Audit Committee of the Supervisory Board. This ensures unimpeded vertical information flow from the national companies, through the Group holding company and the executive management, to the Supervisory Board.

Lekkerland has also introduced a Compliance Management System in order to ensure compliance with contractual and statutory obligations. This applies in particular to compliance with the relevant regulations and guidelines applicable to retailing with food, tobacco goods and prepaid credits. The Compliance Management System is necessary in order to meet the rising requirements of customers and suppliers along the supply chain. The contractual obligations to comply with statutory regulations and non-statutory requirements have been on the increase.

Transparency for the compliance requirements helps to reduce compliance risks and integrate compliance issues in the routine daily business processes. Proactive commitment to compliance also increases the confidence of customers and employees in the company.

Lekkerland is committed to adhering to the following compliance principles:

- Lekkerland is committed to complete compliance with all relevant statutory regulations and provisions, as well as to internal company regulations and requirements.

- Lekkerland is committed to complete fulfilment of the services and obligations agreed with its business partners.

- Lekkerland commits itself and its employees through the Compliance Management System to upholding all the relevant laws, directives and guidelines, as well as contractual agreements and voluntary rules.

- Lekkerland uses its Compliance Management System to create transparency and an unconditional requirement to meet its high standards of quality.

- Lekkerland aims to support its managers through the Compliance Management System by fulfilling their original management responsibilities.

The Compliance Management System comprises Compliance Risk Management, the Code of Conduct, the Corporate Governance Code.

Important characteristics of the Internal Control and Risk Management System relevant for the consolidated financial reporting process:

Within the Lekkerland Group, the accounting-related Internal Control System (ICS) comprises all the principles, procedures and measures for safeguarding proper and reliable external accounting.

The accounting-related ICS is intended, in particular, to ensure that:

- Business transactions are recorded, processed and documented comprehensively, promptly and correctly in accordance with the statutory regulations, the articles of association and other internal guidelines,

- the book-keeping documents are correct and complete,

- proper performance of stock-taking operations and appropriate measures are adopted if there are any divergences,

- assets and liabilities are recognised, classified and valued appropriately, and

- dependable and relevant information is prepared promptly and comprehensively.

The accounting-related ICS at Lekkerland comprises rules for steering and rules for monitoring the company's activities. The monitoring system is in turn comprised of process-integrated and process-independent measures.

The accounting-related ICS of the companies consolidated in the Group's financial statements encompass the following important characteristics and tools:

- Clear and unambiguous organisation, controlling and monitoring structure, as well as separation of duties,

- Safeguarding the necessary qualitative and quantitative human resources in the relevant departments,

- Ensuring uniform accounting by use of a “Group Accounting Manual” applicable across the Group,
- reporting on SAP standard software SEM-BCS,
- group-wide harmonised planning, reporting and controlling processes and tools,
- completeness and correctness of accounting data are regularly verified by suitable and appropriate controls,
- strict separation of recording and auditing functions,
- regulations and monitoring of authorisation to access accounting-related data and IT systems, and
- review of accounting-related processes by internal audits.

Accounting-related risks arising from derivative financial instruments are explained in the notes to the consolidated financial statements.

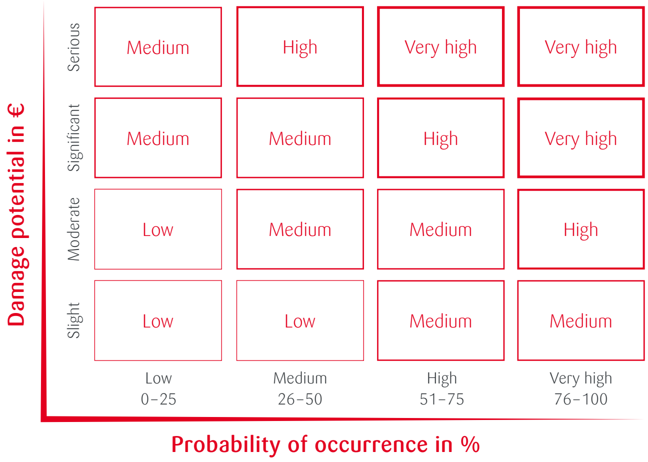
The ICS relating to consolidation comprises the following important characteristics and tools:

- consolidation using the SAP standard software SEM-BCS,
- safeguarding the necessary qualitative and quantitative human resources in the Group Accounting Department,
- group-wide guidelines for uniform presentation and booking of internal transactions within the Group and
- clearly-defined process for identifying and implementing regulations relevant to accounting.

The ICS methodology is based on the requirements of the internationally acknowledged COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. Its use is focused in the operational companies in Germany and in Switzerland and it will be gradually rolled out for other Group companies in the future.

Risk Management System in relation to the accounting process
In relation to the accounting process, risk management is embedded in the RMS covering all the Lekkerland activities. This comprises the organisational rules and measures for risk identification and the approach taken to entrepreneurial risks.

Risk assessment
The RMS at Lekkerland is based on a systematic analysis of the status quo and continuous updating of all known relevant and material risks. These risks are related to EBIT in accordance with their estimated probability of occurrence and the potential for damage, and classified on the basis of the EBIT and summarised in a country risk map.



Risk categories and individual risks

The risk factors regarded by the company management as relevant are outlined below. The risk evaluation relates to all segments unless otherwise indicated.

The risks are aggregated in the evaluation more than is the case for internal controlling. The assessment and classification of the risks presented below is essentially based on the same period which is also used for forecasting reports.

Environmental and sector risks
Macro-economic development and continuously changing consumer behaviour influence the Lekkerland Group directly. Changes in government policy can also exert a direct influence on sales and earnings performance in the Group, for example interventions included increases in consumer taxes, smoking bans, the Tobacco Product Directive, the Payment Services Directive and the resulting duties of care, and the road tolls for trucks, the potential prohibition on driving diesel vehicles in big cities and the deposit on non-returnable packaging in Germany. Furthermore, a potential ban on vending machines for tobacco goods is currently being debated in the Netherlands. This could exert negative effects on the local company of the Lekkerland Group which operates the vending-machine business in the Netherlands. Developments in global raw materials markets, for example sugar and cocoa, generally exert an indirect effect on business. The Lekkerland Group needs to compensate for interventions of this nature and external influences, and intends to act in this area.

This is why Lekkerland has developed an organisation that is maximally flexible. The Group keeps its dependence on individual product ranges to a minimum by marketing a broad range of products and using variable sales and distribution concepts.

In view of these measures, Lekkerland classifies the probability of occurrence of these risks as low but a moderate potential for damage cannot be excluded. Lekkerland assesses these risks as low risks.

Performance risks

Lekkerland expands the Group's business base by developing customer relationships and expanding the product ranges and service packages. The two biggest customers of the Group together have a share of sales amounting to approximately 20%, while other customers account for significantly lower percentages of total sales. The contractual relationships and conditions with customers are renegotiated at regular intervals partly in the context of invitations to tender. The high level of competence and the overall package which can be offered at attractive conditions and associated with the existing long track record of successful cooperation with these customers means that the risk of a significant loss of customers is essentially assessed as medium, and cannot therefore be excluded. In 2016, for example, a major customer decided to enter into a business relationship with a retail company in the future, in addition to its business relationship with Lekkerland. This could lead to customer losses as a result of consolidation efforts and company sales. Additional risks exist in the form of receivables defaults. Lekkerland counters the risk of receivables default by taking out trade credit insurance or other insurance instruments, depending on the individual risk calculation, and the probability of occurrence is therefore assessed as low. Lekkerland believes that on account of its leading position in the market and the measures taken, the probability of occurrence can be assessed as medium. However, a significant potential for damage overall cannot be completely excluded. We classify the overall risk as a medium risk.

Financial risks

The business with tobacco in particular regularly leads to a relatively high financial requirement for net operating capital. Lekkerland has built up an international Treasury and Cash Management and a group-wide cash pool with Lekkerland Finance B.V. in the Netherlands.

During the years 2005 and 2007, Lekkerland took out loans hedged against fluctuations in interest rates and exchange rates amounting overall to US$295.0 million and €8.0 million (US private placements) to secure medium-term and long-term finance. As scheduled, a total of US$125.0 million and €8.0 million of this amount were repaid in the years 2010 to 2016, and a further US$100.0 million were repaid in 2017. The last two tranches amounting to a total of US$70.0 will fall due in 2019.

We refer to the section "Financial position and net assets" in section 2.3 for information on risk reporting.

In 2017, the long-term financial requirement was secured by placing new bonds in € with a total volume of €100.0 million. Out of this, €70.0 million have a term of ten years and €30.0 million a term of twelve years.

These bonds and maintaining long-term relationships with the principal banks are deemed to secure short-term and long-term finance for the Group. Finance for the Group is partly linked with specific contractual conditions (financial covenants) where non-compliance can entail a premature right to serve notice of termination or request immediate repayment. Compliance with these covenants is continuously monitored by Lekkerland within the framework of operating business activities and also taken account of in planning. There were no indications of a potential risk arising from non-compliance with these financial covenants at the balance sheet date, and currently this is also the case. Lekkerland assesses the probability of the occurrence of the risk as low, and Lekkerland evaluates the damage potential as slight. We therefore classify the overall risk as a low risk.

IT and event risks

As an international trading and logistics group, Lekkerland is dependent on a powerful and fully functional IT landscape.

Business Continuity Management at Lekkerland therefore regulates all important aspects of IT. The defined emergency plans and disaster recovery plans cover faults in the IT environment and event-based risks (for example natural perils). Regular training sessions on prevention and cover through insurance packages reduce the impact. Lekkerland has transferred responsibility for Lekkerland data systems and computer centres and their administration to an international IT service provider with the aim of giving the computer centres until then based at the Headquarters in Frechen a more cost-effective, more efficient and more secure structure. Standardisation of the IT landscape through the Become One project reduces the occurrence of potential IT risks in the future. In 2016, Become One was launched successfully in all administrative companies and there were also launches for convivo GmbH as the company responsible for in-house brand business and in the operating company in Switzerland in 2017.

Group-wide introduction of a new IT landscape is naturally associated with a considerable input of resources and is also subject to a large number of risks.

When the measures outlined above take effect, the probability of occurrence of the risk can be assessed as low. The integrated IT systems and processes mean that serious potential for damage cannot be excluded. This therefore leads to an overall assessment of medium risk.

Process risks

Lekkerland is continually improving its processes. The diverse regulations of the Control Systems support the company in identifying and correcting mistakes at an early stage.

Project and change management processes and a well-developed quality management system address risks which could arise from changing processes. Risks are addressed openly at all levels as part of the corporate culture. Also in relation to process risks, the Become One project will ensure that process risks are reduced as much as possible by standardising and optimising processes. Implementation of a group-wide standards project management method provides an additional building block in successfully implementing major projects at Lekkerland.

Lekkerland assesses the probability of occurrence as low. However, if this risk occurs, it could result in a moderate potential for damage. Lekkerland assesses this risk to be a low risk.

Legal risks

The regulatory environment has continued to get tougher during recent years. Some of the regulations have become extremely complex. Every non-compliance with the relevant laws and regulations on the part of Lekkerland and each allegation of a breach of legislation levied against Lekkerland – irrespective of whether it is justified – could exert a significant effect on the earnings of Lekkerland.

A precise assessment of the risk is difficult on account of the large number of relevant statutory and legal requirements and the equally large number of possible breaches.

Lekkerland is continually checking new statutory regulations, new developments in law enforcement, and information generally available in the public domain on compliance problems which occur in wholesale, in the product ranges or business in general.

Against this background, Lekkerland ensures that its employees are familiar with the Code of Conduct and comply with it.

In order to ensure compliance with legal requirements by its corporate bodies and employees, Lekkerland operates a Compliance Management System. The Chief Compliance Officer is responsible for the organisation and development of the Compliance Management System, monitoring measures selectively in order to raise the awareness of the corporate bodies and employees of Lekkerland in relation to compliance with laws and guidelines (compliance) and to provide them with tools and methods of prevention and remedying compliance incidents.

In conjunction with the Board of Management of Lekkerland AG, the Chief Compliance Officer coordinates the introduction of relevant directives and corresponding career training and implementation measures across the company. These measures are monitored and documented with the aim of identifying trends, analysing risks and ensuring uniform application of directives in the entire Group.

With the support of the Legal Affairs Department, Lekkerland furthermore attempts to anticipate legal risks as early as possible.

Identification of these risks, assessment of their potential effects and the implementation of appropriate preventive measures are intended to contribute towards avoiding disputes involving legal proceedings or liability obligations. Lekkerland also engages external service providers for this purpose in order to take reasonable account of specialist topics. No risks posing a threat to the continuation of the Group as a going concern are entailed from outstanding proceedings or liability obligations.

Although Lekkerland regards the probability of occurrence becoming reality as low, Lekkerland cannot entirely exclude the possibility of a significant potential for damage. The risk is defined by Lekkerland as a medium risk.

Overall assessment of the risks and opportunities situation

Lekkerland has a range of comprehensive measures for identifying and evaluating opportunities and risks. Potential effects are regularly and systematically evaluated. Furthermore, reasonable measures are taken to respond to these effects. Any remaining risks are adequately covered, for example by insurance.

In the opinion of Lekkerland, the individual risks and all the risks in their entirety do not endanger the ongoing existence of the company as a going concern.

3.3 Forecast report

Development of the overall economy and the sector

The Council of Experts for assessing the macro-economic development expects overall a continuation of the upswing in the world economy. In its forecasts for the United States, the Council of Experts assumes that the moderate dynamic growth will continue in 2018. The council also believes that there are unlikely to be any major disruptions in China and that growth should remain consistently high. In 2018, the United Kingdom is likely to remain at the same level as in 2017. The upswing is also projected to continue in Japan and the eurozone, although growth rates may well ease somewhat in view of the already high capacity utilisation. Overall, global GDP is predicted to be 3.2% for the year 2018. Further global development is exposed to a large number of risks. However, there is currently more of an equilibrium in the relationship between opportunities and risks than has been the case in previous years. This is reflected in a global economy that appears to be increasingly robust. Nevertheless, geopolitical risks in particular, the ongoing political uncertainty in the United States, the risk of a weakening in the Chinese economy and potential turbulence in international financial markets are some of the risks that could exert a significant impact on the development of the global economy in the future.

The strong dynamic growth in the eurozone is likely to continue in a slightly weakened form. The most important growth driver will be the expected robust domestic demand which assumptions indicate will be further strengthened by the sustained improvement in employment. Although the overall high utilisation of production capacities leads to expectations of ongoing strong dynamic growth over the coming year, this growth is likely to ease somewhat. The Council of Experts has forecast an increase in the GDP to 2.1% for the year 2018. The burgeoning political risks, the ongoing high level of distressed loans in some member countries and an unexpected increase in interest rates could exert a negative impact on the expected growth. By comparison with this, there are opportunities with potentially positive effects such as more robust dynamic investment and expansion of production capacities. However, over the long term the sustained low growth in productivity in the eurozone will act to depress growth. Inflation in consumer prices is likely to remain at 1.5% over the coming year. A slight drop in the unemployment rate to 8.5% in the eurozone is predicted for 2018. In 2017, this was at 8.7%.

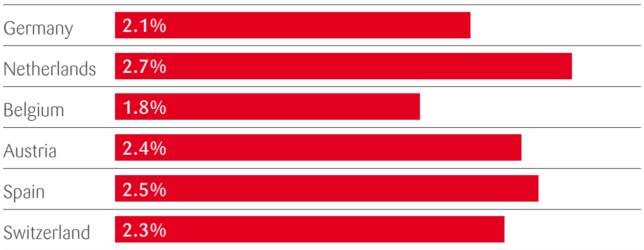
The strong upswing in the German economy looks set to continue in 2018. The European Commission is forecasting that economic growth is likely to be 2.1% in 2018. This puts economic growth at virtually the level of 2017. The German economy is therefore gradually entering a boom phase and there are significant signs of overload in macro-economic production capacities. On account of the associated increase in a shortage of workers, prices and wages are already showing signs of a moderate upward trend. Together with projected stable development in the employment market, private consumption will remain the main engine of economic development in Germany. Growth of 1.8% in private consumption is expected for 2018.

Growth in GDP of 2.7% is forecast for the Netherlands in the coming year. Expert opinions believe that the upswing in Austria will continue to experience strong growth rates. Private consumption and a very dynamic investment climate form the platform for expected economic growth of 2.4% in 2018. An increase of 1.8% is predicted for Belgium. Growth in Spain continues to be stable at 2.5%, even though growth rates are below the year-earlier level on account of the decline in private consumption. The Swiss Confederation is expecting relatively strong growth in GDP at 2.3% for 2018.

These assessments for the individual countries and for the overall economy are exposed to numerous risks. Furthermore, it is virtually impossible to predict with any reliability how the developments will impact on consumer sentiment in the relevant countries. Moreover, it is also important to take into account that the on-the-go consumption sector is also subject to other influencing factors. It is therefore difficult to make a precise forecast for the question of how the macro-economic and sector-specific framework conditions will impact concretely on the Lekkerland product ranges, service packages and customers. Lekkerland continues to assume that the steady upward trend in mobility will ensure that convenience shops will continue to be well frequented. Furthermore, the desire of consumers for easy and convenient food and drink is likely to continue to become even more widespread alongside the desire to consume snacks and beverages on-the-go.

The regulatory interventions in relation to the sale and consumption of tobacco goods and alcoholic drinks will continue to become stricter in the future throughout Europe. They will present ongoing challenges for the business activity of the Lekkerland Group.

ECONOMIC DEVELOPMENT GDP, FORECAST *



* Percentage change relative to the previous year
Source: EU Commission / SECO

Business development

Convenience will increasingly be a growth trend in all areas of life, a form of lifestyle. That will lead to an increasing number of competitors focusing on this attractive area of business, which will in turn intensify the competitive conditions for Lekkerland in this growth market.

Furthermore, the tobacco market is reflecting a steady decline with resulting pressure on prices and margins.

Lekkerland is countering the increasing competitive intensity and the difficult framework conditions in the tobacco segment with a range of short-term to medium-term initiatives. These are directed towards growth and optimisations in the product service range and the customer portfolio.

In view of the very gratifying result in the business year 2017, the Group is assuming for the business year 2018 a slight decline in sales and a lower gross profit.

The various transformation programmes already started and remaining to be implemented dovetail with each other in the national companies and they will continue to contribute to further enhancement of effectiveness and efficiency.

However, the operational implementation of the further developed strategy assumes the expansion of additional internal specialist competences in some areas or external support. Furthermore, lower other operating income is expected by comparison with the current business year owing to one-off effects in 2017.

Overall, EBITDA and EBIT for continuing operations in the business year 2018 are therefore anticipated at the good level of the year 2016.

Attention is here drawn to the fact that the first-time adoption of IFRS 15 “Revenues from Contracts with Customers” will in some cases lead to sales of goods or a service not qualifying partly or entirely for classification under sales in the business year 2018. Reference is made to section 1.2 in the Notes to the Consolidated Financial Statements for further information on this matter.

Segment development
In the Germany segment, Lekkerland expects a slight fall in revenues for 2018 and a lower growth profit. The decline in sales on account of the above-mentioned gradual tailing off of a major customer and the developments on the tobacco market both mean that in spite of a comprehensive package of measures it will not be possible to entirely mitigate these factors.

Lower other operating income and higher personnel expenses due to wage tariff increases are likely to contribute to a noticeable decline in EBITDA and EBIT.

In the Rest of Western Europe segment, revenues and gross profit are expected to be at the level of the previous year overall in 2018. The rising competitive pressure in the individual countries will lead to customer losses in individual instances, although these are likely to be balanced by new customers, expansion of sales volumes and a higher proportion of the food / non-food product group, which is characterised by more robust margins.

In the Netherlands, Belgium and Austria, the individual transformation programmes will continue to generate further optimisations, which may counteract inflation-related cost increases.

The overall expectation for the Rest of Western Europe segment is that EBITDA and EBIT will remain at the level of the reporting year 2017.

Overall statement on the forecast report
The Lekkerland Group will continue with its focused approach in implementing the enhanced strategy “Convenience 2020” during the year 2018. On account of the increasing competitive pressure and the challenging tobacco market, the key success indicators in the business year 2018 are likely to be lower than in 2017 but are expected to be at the good level achieved in the year 2016.

Strategic alignment
The “Convenience 2020” strategy formed the platform for the successful development of the Lekkerland Group over recent years. Dynamic changes in consumer behaviour naturally demand regular reviews and optimisations of a strategy. The Board of Management of Lekkerland AG & Co. KG therefore carried out further development of the “Convenience 2020” strategy in 2017. The modified “Convenience 2020” strategy continues to place the direct Lekkerland customer and the consumer at the centre of all its activities. The stated goal is to become “Your most convenient partner” for Lekkerland customers and to achieve this across all areas of the entire value chain.

On-the-go consumption forms part of the everyday routine particularly for the young generation. Sustained growth development may therefore be regarded as secure. The opportunities for consumers to take advantage of on-the-go consumption have increased significantly and they are continually on the rise. This changes the expectations of end-consumers in relation to quality, offering, value for money and consumer experience. The development of new product ranges, sales channels, services and attractive shop concepts is supported by various selected and integrated projects.

The on-the-go consumption sector is innovative and generates high growth by supplying convenience products and services. It will continue to offer comprehensive opportunities to facilitate profitable growth at the Lekkerland Group in the future.

The further developed corporate strategy “Convenience 2020” is targeted and will transform Lekkerland over the medium and long term into an even more empowered and competitive provider of solutions in the on-the-go consumption sector.

The Lekkerland Group therefore has a clear medium-term and long-term corporate strategy which will empower sustainable growth in the future.

Frechen, 29 March 2018

Lekkerland AG, Ternitz (Austria)

Patrick Steppe   Dr Edgar C. Lange   Dr Jochen Großpietsch

02

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Consolidated financial statements

Consolidated balance sheet as at 31 December 2017

Assets € '000	Notes	31.12.2017	31.12.2016
Non-current assets		**259,381**	**280,779**
Intangible assets	5.1	139,090	147,878
Property, plant and equipment	5.1	85,153	88,550
Financial investments**	5.1	1,980	1,950
Financial investments accounted for by the equity method	5.1	2,791	154
Other assets**	5.5	5,579	4,543
Financial assets**	5.6	10,499	17,651
Deferred tax assets	5.2	14,289	20,053
Current assets		**1,225,691**	**1,114,245**
Inventories	5.3	473,980	385,554
Trade receivables	5.4	458,354	445,606
Income tax receivables	5.5	3,587	1,235
Other assets**	5.5	177,327	155,722
Financial assets**	5.6	1,268	19,185
Cash and cash equivalents	5.7	111,175	104,929
Assets from discontinued operation	5.12	0	2,014
Total assets		**1,485,072**	**1,395,024**

Equity and liabilities € '000	Notes	31.12.2017	31.12.2016
Non-current financial liabilities due to shareholders and equity*	5.8	**181,196**	**168,810**
Share capital		40,000	40,000
Consolidated reserves		102,070	102,070
Consolidated retained earnings		41,176	27,691
Other reserves		–5,651	–4,496
Non-controlling interests		3,601	3,545
Provisions and liabilities		**1,303,876**	**1,226,214**
Non-current provisions and liabilities		**218,486**	**129,039**
Provisions	5.9	26,516	25,982
Financial liabilities	5.10	187,433	98,341
Other liabilities	5.11	981	554
Deferred tax liabilities	5.2	3,556	4,162
Current provisions and liabilities		**1,085,390**	**1,097,175**
Trade payables	5.11	939,192	818,517
Other provisions	5.9	95,989	114,164
Financial liabilities	5.10	12,330	108,891
Income tax liabilities***	5.11	4,806	3,803
Other liabilities	5.11	33,073	44,899
Liabilities related to discontinued operation	5.12	0	6,901
Total equity and liabilities		**1,485,072**	**1,395,024**

* The share capital and reserves attributable to the owners of the parent company amount to €177,595 thousand.

** The loans to third parties will no longer be recognised in financial investments and other assets owing to reporting realignment but under financial assets. For comparative purposes, from the previous year €–248 thousand will be reclassified from financial investments and €– 186 thousand from other assets in financial assets amounting to €+ 434 thousand (see item 5.6).

*** The income tax provisions are reclassified in income tax liabilities in the current financial year on account of a reporting realignment. The previous year was correspondingly adjusted and an amount of €3,456 thousand was reclassified.

Consolidated income statement for the period from 1 January 2017 to 31 December 2017

€ '000	Notes	2017	2016
Continued operations			
Revenues	6.1	**12,784,316**	**13,002,592**
Cost of sales	6.2	12,151,700	12,382,123
Gross profit		**632,616**	**620,469**
Other operating income	6.3	36,335	29,571
Distribution expenses	6.4	415,196	418,741
General and administrative expenses	6.5	149,462	145,879
Result from operations before financial result		**104,293**	**85,420**
Income from participations	6.7	1,500	0
Profit share of associated companies and joint ventures which are accounted for by the equity method	6.7	–184	39
Interest income	6.7	1,061	2,086
Interest expenses	6.7	10,522	10,521
Result from operations		**96,148**	**77,024**
Income tax	6.8	18,081	14,892
Consolidated result after tax from continuing operations		**78,067**	**62,132**
Discontinued operation			
Consolidated result after tax from discontinued operation	6.9	220	–1,925
Consolidated profit before distributions to shareholders		**78,287**	**60,207**
Thereof:			
Consolidated retained earnings		77,065	58,983
Non-controlling interests		1,222	1,224

Consolidated statement of comprehensive income for the period from 1 January 2017 to 31 December 2017

€ '000	Notes	2017	2016
Consolidated profit before distributions to shareholders		**78,287**	**60,207**
Components of other comprehensive income			
Items that will never be reclassified in the income statement			
Changes in the value of the pension reserve	5.9	–1,346	–2,592
Deferred taxes on changes in the value of the pension reserve	5.9	275	478
		–1,071	**–2,114**
Items that have been and will be reclassified in the income statement			
Currency translation differences*		–42	258
Changes in the value of the cash-flow hedge reserve		–229	–1,870
Deferred taxes on changes in the value of the cash-flow hedge reserve		58	538
		–213	**–1,074**
Total other comprehensive income		**–1,284**	**–3,188**
Total consolidated comprehensive income before distributions to shareholders		**77,003**	**57,019**
Thereof:			
Consolidated retained earnings		75,781	55,795
Non-controlling interests		1,222	1,224

* The currency translation differences include €–204 thousand for associated companies and joint ventures accounted for by the equity method.

Statement of consolidated cash flows for the period from 1 January 2017 to 31 December 2017

€ ’000	Notes	2017	2016
Result from operations before financial result	9	**104,293**	**85,420**
Amortisation of intangible assets and depreciation of property, plant and equipment	6.10	38,053	38,591
Changes in provisions		–19,317	3,241
Net result from the sale of intangible assets and property, plant and equipment		135	54
Changes in inventories		–88,426	–21,249
Changes in trade receivables		–12,748	–18,472
Changes in trade payables		120,675	38,373
Changes in other assets and liabilities		–34,454	1,587
Paid income tax		–13,866	–15,092
Non-cash changes		–181	1,483
Cash flow from operating activities of continuing operations		**94,164**	**113,936**
Cash flow from operating activities of discontinued operation		–4,794	–8,226
Total cash flow from operating activities		**89,370**	**105,710**
Investments in intangible assets and property, plant and equipment		–19,787	–35,381
Net cash from the sale of intangible assets and property, plant and equipment		297	370
Net cash payments from changes in consolidated companies		–3,028	–2,594
Net cash payments for the acquisition of shares in affiliated not consolidated companies		–35	0
Net cash payments for loans granted*		–2,265	–123
Net cash repayments for loans granted		97	93
Cash flow from investing activities of continuing operations		**–24,721**	**–37,635**
Cash flow from investing activities of discontinued operation		0	0
Total cash flow from investing activities		**–24,721**	**–37,635**
Payments to shareholders		–63,452	–55,903
Payments to non-controlling interests		–1,166	–1,039
Repayment of leasing liabilities	9	–10,910	–10,216
Loans raised	9	100,000	0
Repayment of financial liabilities	9	–77,107	0
Interest received		1,580	1,566
Interest paid		–10,185	–10,582
Cash flow from financing activities of continuing operations		**–61,240**	**–76,174**
Cash flow from financing activities of discontinued operation		18	27
Total cash flow from financing activities		**–61,222**	**–76,147**
Total cash flow		**3,427**	**–8,072**
Total financial resources fund at the beginning of the year		**106,762**	**115,071**
Effects of exchange-rate changes on the financial resources fund (thereof, €55 thousand relates to the discontinued operation)		**416**	**–237**
Total financial resources fund at the end of the year**		**110,605**	**106,762**
Less recognition of discontinued operation		0	–1,833
Financial resources fund at the end of the year**	9	**110,605**	**104,929**
Transfer of financial resources from the continuing operations into the discontinued operation		2,887	7,611

* Net cash payments for loans granted will no longer be reported in cash flow from financing activities on account of reporting realignment but in cash flow from investing activities. The previous year was also adjusted by € 123 thousand for comparative purposes.

** See explanations under item 9 for the definition of financial resources fund

Statement of changes in consolidated equity for the period from 1 January 2017 to 31 December 2017

Development of non-current financial liabilities due to shareholders and equity

€ '000	Share capital	Con-solidated reserves	Con-solidated retained earnings	Currency translation difference	Cash-flow hedge reserve	Pension reserve	Non-current financial liabilities due to share-holders	Non-controlling interests	Total
	Non-current financial liabilities due to shareholders			Other reserves				Equity	
01.01.2016	**40,000**	**102,070**	**24,966**	**3,387**	**713**	**–5,764**	**165,372**	**3,369**	**168,741**
Reclassification due to the settlement of pension liabilities	0	0	–355	0	0	355	0	0	0
Payment to shareholders	0	0	0	0	0	0	0	–1,039	–1,039
Consolidated profit before distributions to shareholders	0	0	58,983	0	0	0	58,983	1,224	60,207
Changes to the group of consolidated companies	0	0	0	0	0	0	0	–9	–9
Distributions to shareholders	0	0	–55,903	0	0	0	–55,903	0	–55,903
Other comprehensive income	0	0	0	258	–1,332	–2,114	–3,188	0	–3,188
Consolidated comprehensive income	**0**	**0**	**2,725**	**258**	**–1,332**	**–1,759**	**–108**	**176**	**68**
01.01.2017	**40,000**	**102,070**	**27,691**	**3,645**	**–619**	**–7,523**	**165,264**	**3,545**	**168,810**
Reclassification due to the settlement of pension liabilities	0	0	–128	0	0	128	0	0	0
Payment to shareholders	0	0	0	0	0	0	0	–1,166	–1,166
Consolidated profit before distributions to shareholders	0	0	77,065	0	0	0	77,065	1,222	78,287
Changes to the group of consolidated companies	0	0	0	0	0	0	0	0	0
Distributions to shareholders	0	0	–63,452	0	0	0	–63,452	0	–63,452
Other comprehensive income	0	0	0	–42	–169	–1,071	–1,282	0	–1,282
Consolidated comprehensive income	**0**	**0**	**13,485**	**–42**	**–169**	**–943**	**12,331**	**56**	**12,387**
31.12.2017	**40,000**	**102,070**	**41,176**	**3,603**	**–788**	**–8,466**	**177,595**	**3,601**	**181,196**

Notes to the consolidated financial statements

1 General information and accounting principles applied

Together with its subsidiaries, Lekkerland AG & Co. KG, Frechen, registered in the Company Register of the Local Court Cologne (Amtsgericht Köln) under A 18122, constitutes a European trading group. The focus of its business is trade with convenience goods, such as tobacco, sweets, beverages, snacks, fast food, fresh food, non-food, electronic value products (for example articles such as e-loading, telephone cards and motorway toll stickers) and logistics services.

The Group delivers its goods in particular to filling station shops of international and regional oil companies, to department stores, specialist food shops, drinks markets, fast food chains, kiosks, canteens, bakeries and many other providers of convenient enjoyment on-the-go.

The consolidated financial statements of Lekkerland AG & Co. KG, Frechen, Germany, for the period from 1 January to 31 December 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the European Union and issued by the International Accounting Standards Board (IASB) applying and observing the additional requirements established in sections 315e para. 3 and para. 1 German Commercial Code (HGB). The statutory basis for the preparation of consolidated financial statements is HGB established in sections 290 et seqq. HGB in combination with section 264a HGB.

In the financial years 2016 and 2017 those IFRS rules were applied which are required for all entities in these financial years. The recognition and valuation principles in the IFRS consolidated financial statements as at 31 December 2017 were applied equally for all Group companies. The closing dates of the separate financial statements of the consolidated companies correspond to the closing date of the consolidated financial statements. The Board of Management of the partnership limited by shares Lekkerland AG released the consolidated financial statements for forwarding to the Supervisory Board on 29 March 2018. The Supervisory Board is responsible for auditing the consolidated financial statements and declaring whether it recommends that the general shareholders’ meeting approve the consolidated financial statements.

Assets and liabilities in the consolidated financial statements of Lekkerland AG & Co. KG as well as income and expenses are recognised and referred to in € thousand (€ ’000). Attention is drawn to the fact that differences may occur where rounded amounts and percentages are used for purposes of commercial rounding.

A further important point is that the discontinued operation was reclassified in accordance with the regulations in IFRS 5 under “Assets held for sale and discontinued operations” in the balance sheet, the income statement, the cash flow statement and in the notes to the consolidated financial statements, and this item was recognised separately.

1.1 Application of new accounting regulations and interpretations in the financial year 2017

Standard / Interpretation	Obligation to apply for the business years from	
IAS 7 Statement of cash flows	01.01.2017	**Short explanation of the amendment:** The amendments are intended to improve information provided by companies to users of financial statements that enable them to evaluate changes in liabilities arising from financing activities. The additional explanations relate to the cash flow from financing activities. **Effects on Lekkerland:** The disclosures in the notes were supplemented by a reconciliation account under item 9 comments on the cash flow statement in which the financial liabilities are presented from the initial status in the balance sheet to the final status in the balance sheet.
IAS 12 Income taxes	01.01.2017	**Short explanation of the amendment:** The amendments to IAS 12 are intended to clarify how to account for deferred tax assets related to unrealised losses on assets measured at fair value, which in practice are currently accounted for differently. **Effects on Lekkerland:** Currently none
Annual Improvements 2014–2016 Amendment to IFRS 12	01.01.2017	**Short explanation of the amendment:** The amendment to IFRS 12 “Disclosures of interests in other entities” makes the scope more precise as to whether or not a classification as an IFRS 5 case “Non-current assets held for sale and discontinued operations” affects the disclosure obligations. **Effects on Lekkerland:** Currently none

1.2 Application of new accounting regulations and interpretations of IASB to be applied in the future

Standard / Interpretation*	Obligation to apply for business years from	
IFRS 9 Financial instruments	01.01.2018	**Short explanation of the amendment:** The standard regulates the accounting of financial instruments. Compared with the previous standard IAS 39, the standard focuses in particular on the new and in the latest version of IFRS 9 revised classification requirements for recognising financial assets. These are based on the attributes of the business model and the contractual payment flows of financial assets. Other new aspects are the requirements for recording reductions in value which are based on a model of the expected losses. New requirements are also provided under IFRS 9 for the presentation of hedge accounting and the standard sets out to enable presentation to be more strongly related to operational risk management. **Effects on Lekkerland:** Lekkerland has assessed the expected effects of first-time application of IFRS 9 on the consolidated financial statements. According to this assessment, the new classification regulations will not have any material effects on the reporting of financial assets. The application of the new impairment model to financial assets will not lead to any additional impairment expenses. The estimated expected credit defaults were calculated on the basis of experience with actual credit defaults over the past three years. Five customer groups were identified which in each case have similar default risk characteristics. The estimated default risk and the expected credit defaults for trade receivables were calculated for each group.
IFRS 15 Revenues from contracts with customers	01.01.2018	**Short explanation of the amendment:** IFRS 15 specifies whether and in what amount and when an IFRS reporter will recognise revenues. It replaces existing standards and interpretations for recognising revenues including IAS 18 Revenues, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programmes. The application of IFRS 15 is mandatory for all IFRS reporters and applies to virtually all contracts with customers – the important exceptions are leases, financial instruments and insurance contracts. **Effects on Lekkerland:** The focuses of the group-wide project on introduction of IFRS 15 in the financial year 2017 primarily related to identifying and ensuring completeness of the calculated effects and the materiality. Essentially, effects relating to the position of Lekkerland as principal or agent were identified. In the case of certain business models (drop shipping and business with exclusive products), an agent classification is appropriate owing to the concrete nature of the principal and agent definition provided in IFRS 15. In the assessment of the Group, this leads to a reduction of revenues in the double-digit million range. The cost of sales are also reduced in the same amount. This means there will be no impacts on the gross profit, although a slight improvement in the gross profit margin will result in the range of a hundredth of a percent. Lekkerland intends to apply the modified retrospective method in its consolidated financial statements when moving to IFRS 15, according to which the accumulated adjustment amounts are recorded as at 1 January 2018. As a consequence, the Group will not apply the requirements of IFRS 15 to each comparison period shown. The first-time application of IFRS 15 does not result in an adjustment of the opening balance sheet value of retained earnings.
IFRS 15 Clarifications of IFRS 15	01.01.2018	**Short explanation of the amendment:** The clarifications for transfer to IFRS 15 address three of the five topics identified: identifying performance obligations, principal versus agent considerations and licensing). Some transition reliefs were also agreed with the aim of supporting implementation of the new revenue standard and the intention of providing practical expedients. **Effects on Lekkerland:** The clarification and its effects were applied in our project to introduce IFRS 15. In particular, clarification for the principal versus agent consideration served as an aid for classification.
IFRIC 22 Foreign currency transactions and advance consider-ation	01.01.2018**	**Short explanation of the amendment:** This interpretation provides requirements relating to which exchange rate to use in reporting business transactions that include the receipt or payment of advance considerations in a foreign currency. **Effects on Lekkerland:** Currently none
IAS 40 Investment property	01.01.2018	**Short explanation of the amendment:** The amendments are intended to clarify the regulations in relation to transfers of investment properties into or out of the portfolio. In particular they set out to clarify whether an investment property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. **Effects on Lekkerland:** Currently none

* The table shows the new standards and interpretations which can exert a significant influence on the consolidated financial statements. Adopted statements and interpretations which are not expected to exert a significant influence on the consolidated financial statements are not shown.

** Standard or interpretation is – subject to adoption in EU law – to be applied in the first reporting period of a business year commencing on 1 January 2018 or afterwards..

Standard / Interpretation*	Obligation to apply for business years from	
Annual Improvements 2014 – 2016 Amendments and clarifications of different IFRS standards	01.01.2018	**Short explanation of the amendment:** As a result of the Annual Improvements of IFRS from 2014 to 2016, three IFRS standards were changed, of which the two following changes are to be applied for the first time in 2018: IFRS 1: First-time application of the International Financial Reporting Standards IAS 28: Investments in associates and joint ventures **Effects on Lekkerland:** Currently none
IFRS 16 Leases	01.01.2019	**Short explanation of the amendment:** IFRS 16 introduces a uniform accounting model for the presentation of leases in accounts of lessees. A lessee records a right-of-use asset which represents the lessee's right to use the underlying asset, and a liability arising from the leasing relationship which represents the lessee's obligation to make leasing payments. There are exceptions for current leasing relationships and leases with minor-value assets. The accounting principles for the lessor are comparable to the current standard – this means that the lessor will continue to classify leases as finance or operating leases. IFRS 16 will replace the currently applicable standard IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease), SIC-15 (Operating leases - incentives) and SIC-27 (Evaluating the substance of transactions on the legal form of a lease). **Effects on Lekkerland:** The Group carried out an initial assessment of the potential effects on its consolidated financial statements exerted by application of IFRS 16. It is not possible to quantify these effects at the present time. The actual effects on the date of first-time application of IFRS 16 on the consolidated financial statements will depend on future economic conditions. The composition of the leasing portfolio, the assessment of the extension options and the interest rate as at 1 January 2019 will therefore be particularly important factors. Without being able to make any concrete quantitative disclosures at the present time, the assets and liabilities will increase on first-time application and this will therefore reduce the equity ratio. Minimum equity requirements and other financial indicators, which were agreed under loan agreements, are not affected by the new standard, because in accordance with the contractual agreement amendments to IFRS do not have any impacts on these indicators. Lekkerland intends to apply IFRS 16 for the first time on 1 January 2019 with application of the modified retrospective method. According to this, the cumulative effect from the application of IFRS 16 will be recorded as an adjustment of the opening balance-sheet values of retained earnings as at 1 January 2019 without an adjustment of the comparison information.

* The table shows the new standards and interpretations which can exert a significant influence on the consolidated financial statements. Adopted statements and interpretations which are not expected to exert a significant influence on the consolidated financial statements are not shown.

2 Comments on the group of consolidated companies

2.1 Companies included in the group of consolidated companies in 2017

In the consolidated financial statements of Lekkerland AG & Co. KG as at 31 December 2017, besides Lekkerland AG & Co. KG all subsidiaries are fully consolidated in the financial years in which they are controlled in accordance with IFRS 10 and which are material for the fair presentation of the Group's net assets, financial position and results of operations. In the financial year 2017, Lekkerland AG & Co. KG directly or indirectly held the majority of shares in all fully consolidated subsidiaries.

The group of consolidated companies as at 31 December 2017 contains besides Lekkerland AG & Co. KG the following national and international subsidiaries:

Fully consolidated companies: Name and registered office	31.12.2017 Share in %
Lekkerland Deutschland GmbH & Co. KG, Frechen, Germany	100.00
TRIMEX Transit Import Export Carl Nielsen GmbH & Co. KG, Frechen, Germany	100.00
cofact financial services GmbH, Elz, Germany	100.00
Lekkerland information systems GmbH, Frechen, Germany	100.00
MEDIAPOINT GmbH, Frechen, Germany	100.00
amv GmbH (formerly: audio media vertrieb GmbH), Munich, Germany	100.00
Lekkerland Europa Holding GmbH, Frechen, Germany	100.00
and its subsidiaries:	
Lekkerland (Schweiz) AG, Brunegg, Switzerland	100.00
Europrocurement AG, Basel, Switzerland	100.00
Lekkerland Holding-Gesellschaft mbH, Ternitz, Austria	100.00
Lekkerland Handels- und Dienstleistungs GmbH, Ternitz, Austria	100.00
Lekkerland Finanzierungs Gesellschaft mbH, Ternitz, Austria	100.00
convivo GmbH, Vienna, Austria	100.00
Lekkerland Finance B.V., Son, Netherlands	100.00
Gilden Holding B.V., Son, Netherlands	100.00
Lekkerland Beheer N.V., Son, Netherlands	100.00
Lekkerland Nederland B.V., Son, Netherlands	100.00
Convenience Concept Holding B.V., Son, Netherlands	100.00
Lekkerland Vending Services B.V., Son, Netherlands	100.00
Convenience Concept B.V., Son, Netherlands	100.00
Sutrans N.V., Temse, Belgium	100.00
Conway – The Convenience Company België N.V., Temse, Belgium	100.00
Conway – The Convenience Company S.A., Quer, Spain	70.00
Convenience Concept SL Spain, Quer, Spain	70.00
Lekkerland Polska Holding GmbH, Frechen, Germany (in liqu.)	100.00
Primero Holding GmbH, Vienna, Austria	100.00
EZV Gesellschaft für Zahlungssysteme mbH, Frechen, Germany	88.00

Associated companies: Name and registered office	31.12.2017 Share in %
Emere AG, Buchs, Switzerland	50.00

Joint ventures: Name and registered office	31.12.2017 Share in %
shop and more AG, Suhr, Switzerland	50.00

Taking the changes in the group of consolidated companies defined under section 2.2 into account, the shareholdings in the companies have not changed compared with the previous year.

The following German consolidated companies have made use of the statutory simplification rule established in accordance with section 264 para. 3 and section 264b German Commercial Code (HGB) and have not prepared notes to their financial statements or a management report, nor have they published their separate relevant financial statements to 31 December 2017 in accordance with national law:

- Lekkerland AG & Co. KG
- Lekkerland Deutschland GmbH & Co. KG
- cofact financial services GmbH
- Lekkerland information systems GmbH
- MEDIAPOINT GmbH
- TRIMEX Transit Import Export Carl Nielsen GmbH & Co. KG

This applies correspondingly for the audit of the relevant separate local financial statements under the German Commercial Code (HGB), with the exception of Lekkerland AG & Co. KG, Lekkerland Deutschland GmbH, cofact financial services GmbH and Lekkerland information systems GmbH.

The following companies including administrative companies and companies with minor operations, were not consolidated in the financial year, because they are individually and overall not material for the presentation of the net asset, financial position and results of the Group:

Not consolidated companies in accordance with Section 296 Para. 2 German Commercial Code (HGB): Name and registered office	31.12.2017 Share in %
Lekkerland Beteiligungs-Management GmbH, Ternitz, Austria	100,00
BREAK TIME UG (haftungsbeschränkt), Frechen, Germany	100,00
Expres Verkaufsförderungs-GmbH, Frechen, Germany	100,00
Getränkeland Getränke Handels- und Dienstleistungs-Verwaltung GmbH, Frechen, Germany	100,00
Buffalo Vertriebs GmbH, Frechen, Germany	100,00
Oberle Schwarzwälder Edelobstbranntweine GmbH, Achern, Germany	100,00
Burghof Vertriebs GmbH, Frechen, Germany	100,00
IT Fact AG, Basel, Switzerland	100,00
Food IQ GmbH, Frechen, Germany	100,00
Lekkerland Prepaid Solutions GmbH, Frechen, Germany	100,00
Conway Services - The Convenience Company S.à r.l., Luxembourg, Luxembourg	100,00
ÜPSYLON-CETT Holding AG, Brunegg, Switzerland	100,00
Eff fünfzigvier Beteiligungsverwaltung GmbH, Vienna, Austria	100,00

Not consolidated companies in accordance with Section 311 Para. 2 German Commercial Code (HGB): Name and registered office	31.12.2017 Share in %
S.H.S Service B.V., Arnhem, Netherlands	50,00
Administratiekantoor Maxxam CBK B.V., Veenendaal, Netherlands	34,40

The companies not included in the group of consolidated companies for reasons of materiality are reviewed on each balance sheet date to assess whether the changed assessment of materiality requires consolidation.

2.2 Changes to the group of consolidated companies

For the first time, the retail company shop and more AG with registered office in Suhr, Switzerland, was included in the consolidated financial statements in 2017. With economic effect from 30 June 2017, 50% of the shares in shop and more AG were acquired to strengthen the ongoing development of filling station shops. The strategic partnership was entered into with a leading oil major and operator of filling stations in Switzerland. The company was included in the consolidated financial statements on account of joint control in accordance with IAS 28 using the equity method.

In the financial year 2017, Lekkerland Polska S.A. with registered office in Poland was liquidated and therefore removed from the group of consolidated companies.

3 Consolidation principles

Business combinations are recognised according to the purchase method established in IFRS 3 from 2008. In accordance with that method, the acquisition cost of a purchased subsidiary is allocated to the acquired, identifiable and measured-at-fair-value assets and liabilities and contingent liabilities at the acquisition date. According to IFRS 3, the acquisition date is the date on which control over the net assets and the operations of the acquired entity is transferred directly or indirectly to the acquirer Lekkerland AG & Co. KG. A remaining positive difference is recognised as goodwill, a negative difference is recognised in profit or loss in accordance with the reassessment of valuation based on the procedure in IFRS 3.34. Goodwill is not amortised but subject to impairment testing at least once a year as provided for in IAS 36. In case of impairment, the carrying value is written down accordingly at the lower recoverable amount.

Shares held in subsidiaries which are not consolidated are valued in accordance with IAS 39 at purchase cost or at the lower current value.

Intragroup gains and losses, income and expenses as well as intercompany receivables and liabilities are also eliminated, as are contingent liabilities and contingencies.

Interim intragroup trading results included in the value of assets are eliminated.

Deferred taxes are measured in accordance with IAS 12 for consolidation procedures recognised in profit or loss, previously unrecognised assets and liabilities recognised in the context of acquisitions as well as effects from the subsequent treatment of the respective assets and liabilities.

Currency translation

Financial statements denominated in foreign currencies and transactions in foreign currencies are translated under the functional currency concept as follows, whereby the functional currency of a subsidiary is equivalent to its local currency:

In accordance with IAS 21, transactions in foreign currencies are translated at the date of the transaction in the separate financial statements of the consolidated entities. Profits and losses from changes in foreign exchange rates between the transaction date and the recognition of receivables and liabilities at the closing date are recognised in the profit or loss account.

If the functional currency of the separate financial statements does not correspond to the Group's presentation currency (€), they are translated at the modified closing rate method established in IAS 21. In the consolidated financial statements, assets and liabilities of the group companies are translated from the functional currency to € at the average closing rates. The income statements of international subsidiaries are translated at average annual rates which approximate to the exchange rate at the transaction date due to insignificant exchange rate fluctuations in the Group. The differences between the two rates are recognised in a currency exchange reserve which is recognised under other reserves in the item "Non-current financial liabilities due to shareholders and equity".

4 Accounting and valuation principles applied at Lekkerland

The assets and liabilities in the consolidated financial statements were generally recognised at amortised purchase or production cost, provided that certain assets and liabilities are not to be mandatorily recognised at market value.

4.1 Classification of items in the balance sheet and in the income statement

The balance sheet is prepared in accordance with IAS 1 and the assets and liabilities are classified as current and non-current items. The income statement was prepared using a classification based on the cost of sales method. Individual items in the balance sheet and in the income statement, which are summarised in order to increase the clarity of the presentation, are further analysed and commented on in the notes to the financial statements.

4.2 Intangible assets

Intangible assets are recognised at amortised acquisition or production cost. All intangible assets – with the exception of goodwill – have a definite useful life and are amortised according to their commercial useful life.

Goodwill is also valued according to IFRS 3.32 at the value which results as the surplus of the acquisition costs of the company merger above the share of the purchaser in the market values of the identifiable assets, debts and contingent liabilities of the acquired company. The amount of all non-controlling shares in the acquired company, or in the case of successive acquisition the amount of the shares attributable to the purchaser, is recognised at market value.

The impairment test on goodwill is performed annually according to schedule on 31 October and if there is evidence of an impairment. The impairment test is carried out in such a way that the recoverable amount of a cash-generating unit (CGU) is compared with its book value including goodwill. The recoverable amount is the higher of the two values comprising market value less the disposal costs of the CGU and its value in use. Lekkerland initially calculates the market value for this less the costs of disposal on the basis of the generally recognised valuation method. If the market value less disposal costs cannot cover a goodwill amount, the value in use is calculated in a second step. This calculation is carried out in accordance with IAS 36 from the perspective of the management and restructuring expenses or initial and follow-on investments not yet commenced are not included in the calculation.

A subsequent write-up of impairment expenses on goodwill is not permitted once they have been formed.

Goodwill of the discontinued operation
Goodwill in respect of the discontinued operation no longer exists after the impairment carried out in 2012.

Goodwill of continuing operations
The valuation of the CGUs of continuing operations continues to be carried out on the basis of expected future discounted cash flows which are generally based on the planning for the relevant CGUs and comes under stage three of the fair-value hierarchy. The planning period here is three years as in the previous year, where the last year is extrapolated as a perpetuity for the remaining periods. During our planning, the growth of sales was valued on the basis of the prevailing market conditions, and the gross profit development reflects the composition of the product range. Expenses were planned corresponding to the development of sales and reflect possible cost savings and cost increases. Furthermore, the sales development was taken into account during the projection of the working capital. Investments correspond to the rise in business volume allowing for required maintenance and avoiding investment backlogs.

The relevant planning parameters are presented separately for the main goodwill CGUs in the following table:

	Goodwill 31.12.2017 € '000	Discount rate 2017 in %	Discount rate 2016 in %	Growth rate in perpetuity 2017/2016 in %	Detailed planning period 2017/2016 years
Goodwill CGU					
Netherlands	50,805	5.1	4.7	1.0	3
Austria	8,481	5.3	4.7	1.0	3
Belgium	4,897	5.5	5.4	1.0	3
Spain	3,303	6.5	7.3	1.0	3
Other	1,648	4.7–5.1	4.2–4.7	1.0	3
	69,134				

The growth rates of the CGUs were derived from the macroeconomic market data on the basis of assessment of the market and similarly to the previous year amounting to 1%. The discount was derived as an average weighted capital cost rate in applying the capital asset pricing model based on data from the capital market. The country-specific interest rates ranged between 4.7% and 6.5% (previous year: between 4.2% and 7.3%). The current historically low returns on German government bonds have created a functioning market and led to correspondingly low interest base rates.

On account of the increased ongoing uncertainties observed in the capital markets and the associated increase in aversion to risk, Lekkerland used an unchanged market risk premium of 6.25% in the financial year 2017. This value continues within the recommended unchanged bandwidths.

If the book value exceeds the recoverable amount calculated in this way, an impairment amounting to the difference is recognised on the goodwill assigned to this CGU.

If the determined requirement to record an impairment exceeds the goodwill assigned to the CGU, the other assets of the CGU are amortised in relation to their assets. However, impairment in value may only be carried out if the relevant book value is not less than the market value less disposal costs or the relevant value in use as a result.

On the date of the scheduled impairment test on 31 October 2017, there were no requirements for write-down.

As at 31 December 2017, there continued to be no indications that would have made a further impairment test necessary.

Recognised **customer bases acquired in the acquisition of subsidiaries** are amortised straight-line over five to twelve years. The amortisation period corresponds to the period in which a future commercial benefit accrues. The amortisation has been expensed in the income statement under distribution expenses, please refer to our comments in section 6.4.

Other purchased customer bases are recognised at cost in accordance with IAS 38 and amortised straight-line over three to ten years.

Purchased other intangible assets are stated at their purchase cost and amortised straight-line. The estimated useful life is three to eight years.

Internally generated intangible assets (software) are capitalised at production cost if they fulfil the qualification criteria in IAS 38. An intangible asset is recognised in accordance with IAS 38.21, if future economic benefit is probable from the asset and the purchase or production cost can be reliably assessed. As defined in IAS 38, production cost includes all directly or indirectly attributable costs necessary to create the asset. Capitalised expenses include development time and a proportion of time used for the implementation of the software. Capitalised internally generated assets are amortised straight-line over a period of three to eight years.

For the above-mentioned individual **intangible assets with defined useful lives**, impairment is expensed according to IAS 36 in addition to amortisation if the recoverable amount at the balance sheet date is lower than the carrying value. A reversal of the impairment is carried out if the indication for the impairment recorded in prior periods no longer exists. The carrying amount after the reversal must not exceed amortised purchase or production cost. An impairment test is performed in accordance with IAS 36 in the case of triggering events indicating a possible need to recognise or reverse impairment.

4.3 Property, plant and equipment and leasing

Property, plant and equipment, used by the entities for more than one year and fulfilling the recognition criteria in IAS 16 are recognised at acquisition or production cost as defined in IAS 16.16 and IAS 16.22 net of straight-line depreciation in accordance with their commercial useful life. Acquisition cost of property, plant and equipment comprises the purchase price and all costs directly attributable for the asset to be capable of operating.

Buildings are depreciated over a period of 15 to 30 years, other equipment, fixtures and fittings over three to 15 years. Fixtures and operating equipment in leased buildings are depreciated over the lease term or as necessary over the shorter commercial useful life.

In accordance with IAS 17, **leased assets** are allocated to the lessee if substantially all the related risks and rewards associated with the ownership are transferred (finance lease) to the lessee. If the conditions for a **finance lease agreement** are fulfilled, the asset is recognised at the present value of the minimum lease payments or at a lower market value. A liability resulting from the lease is recognised in the same value. The asset is depreciated straight-line over the lease term. The interest rate implicit in the lease is shown as an expense in the financial result, while the implied repayment reduces the outstanding liability. In determining the reduction of the outstanding liability, a constant interest rate on the remaining balance of the liability is assumed. Payments made under **operating lease agreements** – in this case the asset is allocated to the lessor – are recognised as an expense in the period in which the service is provided in accordance with IAS 17.

In addition to scheduled depreciation, individual items in property, plant and equipment are written down to the recoverable amount, where the need to recognise **impairments** is identified in accordance with IAS 36. If the indications for such an impairment no longer exist, the impairment is reversed up to no more than the depreciated acquisition or production cost.

4.4 Financial investments

Financial investments are financial instruments and loans which Lekkerland plans to hold over the long term. These items essentially include instruments in not consolidated companies classified as “Available for sale”. These are valued at acquisition costs. Associated companies and joint ventures are reported in accordance with the equity method. The shares are valued at the acquisition cost as at the date of purchase, which is increased or reduced in the subsequent accounting periods by the changes in the proportionate result for the year.

4.5 Deferred tax assets and liabilities and actual taxes

Deferred taxes are reported on the basis of the temporary concept in accordance with IAS 12. According to this concept, Lekkerland recognises temporary differences between the assets and liabilities recognised in the IFRS consolidated financial statements and the corresponding values in the tax accounts (tax bases) for deferred tax liabilities or assets, if future income tax payments or refunds will result from these differences. In German partnerships, these tax bases include the values of the joint assets and the tax supplementary balance sheet assets of individual shareholders. Deviations from special purpose balance-sheet amounts are treated as permanent differences. No deferred taxes are recognised on these differences. Furthermore, deferred tax assets are recognised on loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred taxes are measured on the basis of the tax rates likely to apply to the period of realisation in the respective countries. They are based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The actual tax refund claims and tax liabilities for current and earlier periods are measured by the figure for the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on tax rates and tax legislation which apply on the statement date in the countries where the Group is operating and generates taxable income.

Deferred tax assets and liabilities are recognised separately. They are offset if, and only if, the timing effects arising from the reversal coincide and the entity has a legally enforceable right to set off current tax receivables against current tax liabilities levied by the same taxation authority. “Actual income tax” is recognised accordingly under the items income tax receivables or “Income tax provisions or liabilities”. For further details, please refer to sections 5.2 and 6.8.

4.6 Inventories

Inventories include merchandise for trading purposes and materials and supplies. Inventories are valued at cost in accordance with IAS 2. Cost includes the purchase price, customs duties and taxes, transport and delivery costs and all other costs related to the purchase of the inventories. Discounts, rebates and other similar items are deducted in determining the costs of purchase. Cost is determined on the basis of the moving average method. Inventories are written down to their net realisable value at the balance sheet date if the net realisable value is below the carrying value in accordance with IAS 2. With regard to the separate recognition of telephone cards, please refer to our comments in section 4.15.

4.7 Trade receivables, other assets and financial assets

Trade receivables and other assets include loans and receivables as defined in IAS 39, which are recognised at (amortised) cost. The swaps also recorded under financial assets are recognised at their market value in accordance with IAS 39. Impairment losses are recognised on individual doubtful receivables at the likely recoverable value. Write-downs are also recorded for overdue trade receivables and depending on the credit rating of the debtors on the basis of past experience.

Receivables, other assets and financial assets due within one year are classified as current items in the balance sheet. These assets due after one year are classified as non-current items accordingly.

4.8 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances. Negative current account balances in connection with the existing cash pool agreements are offset against the corresponding positive balances in accordance with the conditions set out in IAS 32.42. Items recognised as cash and cash equivalents are recognised at the nominal value. The measurement corresponds to the market value defined in IAS 39.

4.9 Non-current financial liabilities due to shareholders and equity

The ultimate parent company, Lekkerland AG & Co. KG, has the legal status of a commercial partnership as defined in the HGB. As a consequence, the partners in a commercial partnership normally have a statutory right to cancel their participation. The limited partners' capital (share capital) and the reserve under common control (consolidated reserve), which are classified as equity according to the HGB, are at present non-current financial liabilities under IAS 32.17 et seqq. and are to be valued in accordance with IAS 39 and recognised in **"Non-current financial liabilities due to shareholders and equity"**. The recognised IFRS net assets correspond to the market value. This also applies to the Group's profits and to the differences from currency translation, which are recognised under other reserves. The shareholders' liability accounts to which the distributed statutory profits are credited are recognised in other current liabilities. For ease of presentation, non-controlling interests are also included in "Non-current financial liabilities due to shareholders and equity".

4.10 Provisions

Provisions are recognised if there is uncertainty about the timing or amount required in the settlement of a future expenditure but an outflow of benefits from the Group is probable and its amount can be reliably determined.

Pension provisions are recognised in accordance with IAS 19 for defined benefit plans. In cases where a defined benefit plan is not recognised as such because the necessary information is missing, this plan is recognised as a defined contribution plan. The valuation of defined benefit plans is carried out using the projected unit credit method. Accordingly, the liability is determined on the basis of the accrued pensions and earned benefits identified at the closing date taking into account expected future increases in salaries and pensions as well as employee fluctuation. On account of IAS 19, the pension liabilities in accordance with the rules of IAS 8 were no longer recognised retrospectively under the corridor method with effect from 1 January 2012. All actuarial gains and losses are therefore accounted under cumulative other comprehensive income and will in future no longer affect the income statement. The interest share in the calculation of pension liabilities is shown in the financial result. **Liabilities for similar post-employment benefits** are also recognised in the pension provision and valued at their present value in accordance with IAS 19. The provision for pensions and other post-employment benefits is recognised on the face of the balance sheet in non-current provisions. With regard to use of actuarial assumptions, please refer to our comments in section 5.9.

Current **income tax provisions** and **other provisions** are recognised in accordance with IAS 12, IAS 37 and IAS 19 accounting for all identified risks and contingent liabilities due to third parties. They are recognised if a present obligation (legal or constructive) exists as a result of past events and it is likely that the settlement of the obligation will lead to a future outflow of financial resources which can be reliably determined. Provisions are made at the estimated settlement value using the amount determined as best estimate. Other non-current provisions are recognised at their present value. Provisions due within one year are classified in the balance sheet as current provisions, those due after one year as non-current provisions.

4.11 Liabilities

Liabilities are recognised for all obligations with a defined amount and term, the fulfilment of which will result in an outflow of economic benefits.

Financial liabilities and material other non-current liabilities are valued at (amortised) cost in accordance with IAS 39.43 or IAS 39.47 respectively. Interest incurred in subsequent periods is recognised in the financial result on the face of the income statement. At initial recognition, liabilities under finance leases are measured at the present value of the minimum lease payments or the market value (IAS 17.20). Measurement in subsequent periods apportions the lease payments between the finance charge and the reduction of the outstanding liability. In accordance with IAS 17.25, a constant rate of interest on the remaining balance of the liability is assumed. Current liabilities are recognised at their settlement values in accordance with IAS 39.43.

Liabilities due within one year are classified in the balance sheet as current liabilities, those due after one year as non-current liabilities.

4.12 Contingent liabilities

Contingent liabilities are possible or existing obligations which arose from past events and where the outflow of economic benefits is not sufficiently probable to recognise a provision in the balance sheet in accordance with IAS 37.

If a company merger takes place, any contingent liabilities taken over at the point of acquisition are recognised in accordance with IFRS 3.23, even if the outflow of resources with economic benefit is unlikely, in order to meet this obligation.

4.13 Derivative financial instruments

If risks arise for the Group from such transactions, they are essentially interest and currency risks, these transactions are hedged with **derivatives** particularly in the form of cross-currency swaps. Since the previous year, raw materials derivatives to provide protection against the market risk associated with diesel have been concluded. Cash-flow hedges were contracted for those risks. Where evidence of efficiency is provided, the market value of the derivatives net of deferred taxes was recognised in other comprehensive income until gains or losses resulting from the hedged underlying transactions are recognised in profit or loss. The item is reported in the balance sheet under the cash-flow hedge reserve as other reserves. The effectiveness was verified for all cash-flow hedges recognised in the current financial year.

The currency exchange risk implied in individual other transactions is also hedged with forward exchange agreements as necessary.

All derivatives are recognised with matching maturity at market value as required under IAS 39. The negative market values for swaps in respect of US$ loans are recognised under financial liabilities. Positive market values are recognised under financial assets. Positive or negative amounts from external swap agreements for loans are recognised in accordance with their maturity under financial assets or financial liabilities.

4.14 Use of assumptions and estimates and exercise of discretion when applying accounting and valuation principles

In the preparation of the consolidated financial statements, assumptions and estimates were made with regard to the recognition and measurement of assets, liabilities, income and expenses. Such assumptions and estimates mainly relate to the useful life of assets and to the **assessment of possible** impairment of assets, in particular of goodwill, customer bases and trademarks recognised in intangible assets, and to the valuation of provisions and deferred taxes on tax loss carryforwards and on contingent liabilities. In some instances, actual values may differ from those estimates. Changes are recognised in profit or loss when required due to new evidence. See the relevant explanations relating to the application of accounting and valuation principles and the individual items in the income statement for further information and for the relevant exercise of discretion during the application of accounting and valuation principles.

4.15 Recognition of electronic value (e-va) in the consolidated balance sheet and income statement

For agency services connected to the acquisition and sale of **electronic value (e-va)**, only the sales commissions received are recognised as revenues and only the commissions granted to customers are recognised in the cost of sales. The nominal values of electronic value (e-va) are not recognised. Correspondingly, the assets are offset against the related liabilities in the consolidated balance sheet. Possible positive differences are recognised in other current assets.

4.16 Recognition of income and expense

Income and expense in the reporting period are recognised on realisation irrespective of the date of payment. Income is recognised in accordance with IAS 18 when a good is sold or a similar claim is generated if the amount of income can be determined reliably and it is probable that benefits will flow to the entity. Expenses are recognised when a benefit is claimed or when they are incurred. Income and expense related to a certain period are recognised to the extent they relate to the reporting period.

4.17 Segment reporting

In accordance with IFRS 8, the **business segments** are defined on the basis of internal organisational and reporting structure. These segments are then used by the responsible corporate decision-makers to make decisions on the allocation of resources. Lekkerland is organised according to countries where the Group is operating for purposes of corporate controlling. Apart from Germany, the activities of the Group are focused on the Rest of Western Europe in the Benelux countries, in Spain, in Austria and in Switzerland. The operating business activity was discontinued in Eastern Europe at the end of 2013. The Czech company was liquidated in 2014. The Eastern Europe segment is shown as a discontinued operation for the financial year 2017 in accordance with IFRS 5. This segment will be ceased in 2018 because the company included in it, Lekkerland Polska S.A., was liquidated during the course of the financial year.

The Germany, Rest of Western Europe and Eastern Europe business segments continue to be shown as mandatory for reporting purposes in the current financial year 2017.

5 Comments on the balance sheet

5.1 Intangible assets and property, plant and equipment as well as financial assets

The following tables provide an overview of the intangible assets:

INTANGIBLE ASSETS

€ '000	31.12.2017	31.12.2016
Goodwill	69,134	69,253
Customer bases	7,563	10,210
Other intangible assets		
Internally generated software	7,987	813
Software and licences	50,771	46,914
Payments on account	3,542	20,516
Other	93	172
	62,393	**68,415**
	139,090	**147,878**

At the closing date, goodwill in the various countries is carried at the following amounts:

€ '000	31.12.2017	31.12.2016
Goodwill		
Netherlands	50,805	50,805
Austria	8,481	8,481
Belgium	4,897	4,897
Spain	3,303	3,303
Other	1,648	1,767
	69,134	**69,253**

The review of goodwill revealed no impairment requirement. The decrease in the amount of €119 thousand results from exchange-rate adjustments.

In the context of company acquisitions, customer bases with limited useful lives at the time of acquisition and other customer bases purchased by the consolidated entities were recognised as assets.

The carrying values of customer bases developed as follows:

	Useful life	Carrying amount 31.12.2016	Change 2017	Amorti-sation 2017	Carrying amount 31.12.2017
	years	€ '000	€ '000	€ '000	€ '000
Customer bases					
from the first-time consolidation of the companies in Austria as of 01.03.2005	12	113	0	113	0
from the acquisition of customer base Spain as of 01.05.2013	10	2,792	0	447	2,345
from the acquisition of customer base Switzerland as of 01.06.2013 / 01.02.2016	5	4,629	–321	1,263	3,045
from the acquisition of customer base of amv GmbH as of 01.08.2016	7	2,509	0	381	2,128
Other	3–5	167	0	122	45
		10,210	**–321**	**2,326**	**7,563**

The customer bases in Switzerland, Spain and the other customer bases result from customer bases acquired in the individual countries.

Other intangible assets are analysed as follows:

	Useful life	Carrying amount 31.12.2016	Change 2017	Amorti-sation / Impair-ment 2017	Carrying amount 31.12.2017
	years	€ '000	€ '000	€ '000	€ '000
Other intangible assets					
Internally generated software	3–8	813	8,684	1,510	7,987
Software and licences	3–8	46,914	13,648	9,791	50,771
Other	3–8	172	19	98	93
Payments on account	–	20,516	–16,496	478	3,542
		68,415	**5,855**	**11,877**	**62,393**

The change in software and licences essentially relates to a reclassification from the payments on account in conjunction with the European project Become One, which is directed towards the introduction of a group-wide standardised IT and process landscape. The book value for this project is €50,203 thousand with a remaining term for amortisation of six years. Furthermore, payments on account for this project amount to €3,542 thousand.

On the face of the income statement, amortisation and impairments of intangible assets relating to continuing operations are recognised in the amount of €14,203 thousand (previous year: €14,386 thousand). Thereof, €2,073 thousand (previous year: €2,777 thousand) were recognised in distribution expenses including amortisation on customer bases arising from company acquisitions, and €12,130 thousand (previous year: €11,609 thousand) in general and administrative expenses. In 2017, impairment expenses in accordance with IAS 36 amounting to €478 thousand (previous year: €1,720 thousand) were reported. This is a web portal where the future economic benefit is limited, since only partial use of this portal is possible owing to the further development of the existing web shops.

The items summarised in the consolidated balance sheet of Lekkerland AG & Co. KG are disaggregated in the statements of Group fixed asset movements as shown below. The statements of Group fixed asset movements give an overview over the changes from 1 January 2016 to 31 December 2017:

Statement of fixed asset movements for the financial year 2017

€ '000	Acquisition and production costs						
	01.01.2017	Additions	Transfers	Change in consolidated companies	Currency differences	Disposals	31.12.2017
Intangible assets							
Goodwill	70,287	0	0	0	–119	0	70,168
Customer bases	81,748	0	0	0	–546	666	80,536
Trademarks, patents and similar legal rights as well as licences on such rights and assets	104,984	2,252	20,099	0	–8	1,299	126,028
Payments on account	20,516	3,603	–20,099	0	0	478	3,542
	277,535	**5,855**	**0**	**0**	**–673**	**2,443**	**280,274**
Property, plant and equipment							
Land, land use rights and buildings	26,030	2,651	10,357	0	–42	130	38,866
Other assets and equipment	167,108	11,080	520	0	–200	13,554	164,954
Finance leasing							
Land, land use rights and buildings	29,950	0	–10,345	0	0	0	19,605
Other assets and equipment	71,941	7,654	–157	0	–480	5,029	73,929
Assets under construction	370	201	–375	0	0	4	192
	295,399	**21,586**	**0**	**0**	**–722**	**18,717**	**297,546**
Financial investments							
Shares in not consolidated subsidiaries, associated companies and joint ventures	3,998	2,880	0	0	–208	–1	6,671
Other non-current financial investments	203	0	0	0	0	3	200
	4,201	**2,880**	**0**	**0**	**–208**	**2**	**6,871**
Total	**577,135**	**30,321**	**0**	**0**	**–1,603**	**21,162**	**584,691**

Statement of fixed asset movements for the financial year 2016

€ '000	Acquisition and production costs						
	01.01.2016	Additions	Transfers**	Change in consolidated companies*	Currency differences	Disposals	31.12.2016
Intangible assets							
Goodwill	70,273	0	0	0	14	0	70,287
Customer bases	73,885	5,230	0	2,668	102	137	81,748
Trademarks, patents and similar legal rights as well as licences on such rights and assets	66,433	336	51,823	76	1	13,685	104,984
Payments on account	57,865	16,051	–51,689	0	0	1,711	20,516
	268,456	**21,617**	**134**	**2,744**	**117**	**15,533**	**277,535**
Property plant and equipment							
Land, land use rights and buildings	27,595	1,470	21	0	7	3,063	26,030
Other assets and equipment	168,459	11,836	3,859	417	23	17,486	167,108
Finance leasing							
Land, land use rights and buildings	29,950	0	0	0	0	0	29,950
Other assets and equipment	77,164	5,843	–2,145	–227	61	8,755	71,941
Assets under construction	2,623	458	–2,294	0	0	417	370
	305,791	**19,607**	**–559**	**190**	**91**	**29,721**	**295,399**
Financial investments							
Shares in not consolidated subsidiaries, associated companies and joint ventures	4,479	69	0	0	0	550	3,998
Other non-current financial investments***	192	11	0	0	0	0	203
	4,671	**80**	**0**	**0**	**0**	**550**	**4,201**
Total	**578,918**	**41,304**	**–425**	**2,934**	**208**	**45,804**	**577,135**

* The change in the group of consolidated companies results from the first-time consolidation of amv GmbH, Germany, and the deconsolidation of CSG Convenience Service GmbH, Germany. On account of deconsolidation, residual book values in property, plant and equipment amounting to €133 thousand were derecognised. Of which a residual book value in the amount of €128 thousand is attributable to finance leasing.

** The balance of the transfer column amounting to €–425 thousand relates to reclassification of "Assets under construction" in the item "Other assets" under "Current assets".

*** Loans to third parties will no longer be recognised in "Financial investments" owing to reporting realignment but under "Financial assets". The previous year was adjusted for comparative purposes, €–248 thousand book value was therefore reclassifed from "Financial investments" in "Financial assets" amounting to €+248 thousand (see item 5.6).

Amortisation and depreciation							Carrying amounts	
01.01.2017	Annual amortisation and depreciation/ Impairment	Transfers	Change in consolidated companies	Currency differences	Amortisation and depreciation of disposed assets	31.12.2017	31.12.2017	31.12.2016
1,034	0	0	0	0	0	1,034	69,134	69,253
71,538	2,326	0	0	−225	666	72,973	7,563	10,210
57,085	11,399	0	0	−8	1,299	67,177	58,851	47,899
0	478	0	0	0	478	0	3,542	20,516
129,657	**14,203**	**0**	**0**	**−233**	**2,443**	**141,184**	**139,090**	**147,878**
17,284	1,682	3,551	0	−24	125	22,368	16,498	8,746
129,414	13,134	157	0	−132	13,132	129,441	35,513	37,694
16,368	1,302	−3,551	0	0	0	14,119	5,486	13,582
43,756	7,732	−157	0	−301	4,592	46,438	27,491	28,185
27	0	0	0	0	0	27	165	343
206,849	**23,850**	**0**	**0**	**−457**	**17,849**	**212,393**	**85,153**	**88,550**
2,097	0	0	0	0	−3	2,100	4,571	1,901
0	0	0	0	0	0	0	200	203
2,097	**0**	**0**	**0**	**0**	**−3**	**2,100**	**4,771**	**2,104**
338,603	**38,053**	**0**	**0**	**−690**	**20,289**	**355,677**	**229,014**	**238,532**

Amortisation and depreciation							Carrying amounts	
01.01.2016	Annual amortisation and depreciation / Impairment	Transfers**	Change in consolidated companies*	Currency differences	Amortisation and depreciation of disposed assets	31.12.2016	31.12.2016	31.12.2015
1,034	0	0	0	0	0	1,034	69,253	69,239
68,762	2,887	0	0	26	137	71,538	10,210	5,123
60,929	9,788	0	52	1	13,685	57,085	47,899	5,504
0	1,711	0	0	0	1,711	0	20,516	57,865
130,725	**14,386**	**0**	**52**	**27**	**15,533**	**129,657**	**147,878**	**137,731**
18,740	1,596	0	0	3	3,055	17,284	8,746	8,855
131,139	13,230	2,054	197	17	17,223	129,414	37,694	37,320
15,007	1,361	0	0	0	0	16,368	13,582	14,943
45,942	7,771	−2,054	−99	38	7,842	43,756	28,185	31,222
45	247	0	0	0	265	27	343	2,578
210,873	**24,205**	**0**	**98**	**58**	**28,385**	**206,849**	**88,550**	**94,918**
2,647	0	0	0	0	550	2,097	1,901	1,832
0	0	0	0	0	0	0	203	192
2,647	**0**	**0**	**0**	**0**	**550**	**2,097**	**2,104**	**2,024**
344,245	**38,591**	**0**	**150**	**85**	**44,468**	**338,603**	**238,532**	**234,673**

PROPERTY, PLANT AND EQUIPMENT

€ '000	31.12.2017	31.12.2016
Land, land use rights and buildings	21,984	22,328
Other assets and equipment	63,004	65,879
Assets under construction	165	343
	85,153	**88,550**

Besides land and buildings, and finance lease assets, the item land, land use rights and buildings also includes fixtures and equipment in leased buildings.

Land, land use rights and buildings as well as other equipment, which are recognised as finance lease relationships as classified in IAS 17, mainly relate to leased buildings, trucks and cars. Extension options are included in the calculation for reporting purposes, if it is likely that these options will be exercised. Index adjustments are recorded as expense in the accounting period in which they are incurred. The net carrying value from finance leasing at 31 December 2017 of land and buildings is €5,486 thousand (previous year: €13,582 thousand). The fall compared with the previous year of €8,096 thousand essentially results from the purchase of the building in Temse, Belgium. The net book value for other assets and equipment amounts to €27,491 thousand (previous year: €28,185 thousand), essentially including trucks and cars. The development of depreciation and the gross book values are presented in the statement of fixed asset movements.

For further details on finance and operating lease agreements, please refer to sections 5.10 and 7.2.

In the income statement, depreciation and impairments of property, plant and equipment relating to continuing operations are recognised to the total amount of €23,850 thousand (previous year: €24,205 thousand) in distribution expenses amounting to €15,314 thousand (previous year: €16,191 thousand) and general and administrative expenses amounting to €8,536 thousand (previous year: €8,014 thousand). In 2017, there were impairment losses as defined in IAS 36 amounting to €0 thousand (previous year: €365 thousand).

The financial investments among others include shares in group companies in which the Group holds the majority of voting rights but which were not fully consolidated due to immateriality for the fair presentation of financial position and financial performance.

Shop and more AG and Emere AG are recognised as a joint venture and an associated company respectively under "Financial investments accounted for by the equity method". The balance sheet indicators and the share of profit taken over into the Group reported below have been prepared in accordance with Swiss law.

In 2017, 50% of the shares in shop and more AG were acquired and valued according to the equity method. The balance sheet total is €10,585 thousand, of which €164 thousand relates to cash and cash equivalents. Total liabilities amount to €10,587 thousand. As at 31 December 2017, the carrying value is €2,564 thousand. In 2017, the result amounting to €–269 thousand and currency translation effects of €–196 thousand are attributable to the Group.

Emere AG was established in 2013 as a purchasing cooperation and valued according to the equity method. The balance sheet total is €692 thousand (previous year: €588 thousand), of which €601 thousand relates to cash and cash equivalents (previous year: €505 thousand). Total liabilities amount to €97 thousand (previous year: €110 thousand). As at 31 December 2017, the carrying value is €227 thousand (previous year: €154 thousand). In 2017, the result amounting to €85 thousand and currency translation effects of €–12 thousand are attributable to the Group.

5.2 Deferred tax assets and liabilities

The following table provides an overview of the deferred taxes formed:

DEFERRED TAX

€ '000	31.12.2017	31.12.2016
Taxes on:		
Consolidation of investments:		
Deferred taxes on recognised hidden assets		
Intangible assets	–493	–739
Deferred tax effects on depreciation and amortisation in the financial year		
Intangible assets	180	246
	–313	**–493**
Other intangible assets	–969	–847
Property, plant and equipment	176	137
Financial investments	152	–12
Inventories	–715	–1,089
Receivables and other assets	446	–15
Provisions	1,968	2,819
Liabilities	440	691
Temporary differences	**1,185**	**1,191**
Loss carryforwards	9,548	14,700
Total	**10,733**	**15,891**
Thereof:		
Deferred tax assets	14,289	20,053
Deferred tax liabilities	–3,556	–4,162

Besides deferred taxes on hidden assets resulting from the acquisition of entities, the additional temporary differences result from valuation differences between the IFRS and the individual tax balance-sheet values as shown above. Furthermore, deferred tax assets are recognised for carryforwards of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be offset. As at 31 December 2017, write-downs on deferred taxes on carry-forwards of unused taxes amount to €3,256 thousand (previous year: €3,598 thousand), and further write-downs on other deferred tax assets amount to €121 thousand (previous year: €0 thousand).

In 2017, €333 thousand (previous year: €1,016 thousand) in connection with derivative financial instruments were offset through other comprehensive income with the item “Non-current financial liabilities due to shareholders and equity”.

Deferred taxes amounting to €5,564 thousand (previous year: €1,089 thousand) were offset in the income statement. For further details, the tax amounts reported in the income statement, and the applied tax rates, please refer to our comments in section 6.8.

5.3 Inventories

Inventory assets include the following items:

INVENTORIES

€ ’000	31.12.2017	31.12.2016
Materials and supplies	241	230
Merchandise		
Food / Non-food	155,182	147,174
Tobacco goods	316,395	235,688
Other	5,240	5,448
Less valuation allowance	–3,078	–2,986
	473,980	**385,554**

Inventory assets show an increase of €88,426 thousand as result of higher tobacco stockpiling at the end of the year. The amount recognised in the income statement for valuation allowances on inventories amounted to €–92 thousand in the financial year (previous year: €961 thousand) and essentially relates to inventories involving risk of loss.

5.4 Trade receivables

Trade receivables net of bad debt reserves are analysed as follows:

TRADE RECEIVABLES

€ ’000	31.12.2017	31.12.2016
Food / Non-food	179,384	158,653
Tobacco goods	238,879	249,492
Commissions on electronic value (e-va) / miscellaneous	40,091	37,461
	458,354	**445,606**

All trade receivables listed above are due within one year.

TRADE RECEIVABLES

€ ’000	31.12.2017	31.12.2016
Carrying amount	**458,354**	**445,606**
Thereof: as at balance sheet date neither written down nor overdue	447,217	432,955
Thereof: as at balance sheet date not impaired and overdue in the following periods		
≤ 30 days	8,847	7,465
31–90 days	955	2,600
91–180 days	552	2,017
181–360 days	338	145
> 360 days	445	424

In relation to the not impaired portfolio of trade receivables, there is no indication that the debtors will be unable to meet their payment obligations.

At 31 December 2017, allowances on bad debts amounted to €6,276 thousand (previous year: €6,911 thousand). Bad debts are covered by trade credit insurance in Germany, Austria, Switzerland, Belgium, Spain and the Netherlands. Receivables from certain major customers, central payment facilities and minor receivables are not covered under the insurance.

Valuation allowances on trade receivables developed as follows:

TRADE RECEIVABLES

€ ’000	31.12.2017	31.12.2016
Valuation allowances as at 1 January	6,911	7,526
Changes in consolidated companies	0	10
Additions recognised in the income statement	1,579	1,530
Utilisation not recognised in the income statement	–1,652	–1,619
Releases recognised in the income statement	562	536
Valuation allowances as at 31 December	**6,276**	**6,911**

The table below shows the expenses for the complete derecognition of trade receivables and income from the receipt of derecognised receivables:

TRADE RECEIVABLES

€ ’000	31.12.2017	31.12.2016
Expenses for derecognising assets	1,875	1,788
Income from receipt of derecognised assets	1,548	1,217

5.5 Income tax receivables and other assets

The table below shows the income tax receivables and other assets:

€ '000	31.12.2017	Due within < 1 year	Due within > 1 year
Income tax receivables	**3,587**	**3,587**	**0**
Other assets			
Refunds / bonuses / deposits	137,170	137,170	0
Other tax refunds	21,900	21,900	0
Contract fees	11,385	5,841	5,544
Receivables from shareholders	5,993	5,993	0
Receivables from group companies	1,500	1,500	0
Debit balances in accounts payable	2,285	2,285	0
Other	2,673	2,638	35
	182,906	**177,327**	**5,579**

€ '000	31.12.2016	Due within < 1 year	Due within > 1 year
Income tax receivables	**1,235**	**1,235**	**0**
Other assets			
Refunds / bonuses / deposits	124,846	124,846	0
Other tax refunds	13,684	13,684	0
Contract fees	9,769	5,259	4,510
Receivables from shareholders	4,431	4,431	0
Debit balances in accounts payable	1,737	1,737	0
Other	5,798	5,765	33
	160,265	**155,722**	**4,543**

From 2017, owing to reporting realignment customer and employee loans are recorded in financial assets under item 5.6 in the line "Loans". The previous year was adjusted accordingly.

In the context of the dividend payouts, the withholding tax on capital payable and the solidarity surcharge were transferred to the German Tax Office in a total amount of €5,986 thousand (previous year: €4,428 thousand) in December 2017. As at 31 December 2017, this amount is recognised in receivables from the shareholders.

If income tax receivables and other assets have a remaining term of more than one year, they are classified in each case as non-current, otherwise they are to be regarded as current assets. They are presented separately in the balance sheet.

INCOME TAX RECEIVABLES AND OTHER ASSETS

€ '000	31.12.2017	31.12.2016
Carrying amount	**186,493**	**161,500**
Thereof: as at balance sheet date neither written down nor overdue	178,304	152,913
Thereof: as at balance sheet date not impaired and overdue in the following periods		
≤ 30 days	2,364	2,798
31–90 days	2,559	4,404
91–180 days	2,362	618
181–360 days	181	539
> 360 days	723	228

In relation to the not written down portfolio of other assets, there is no indication that the debtors will be unable to meet their payment obligations.

In 2017, valuation allowances are recognised in the amount of €1,639 thousand (previous year: €2,186 thousand). They have developed as follows:

OTHER ASSETS

€ '000	31.12.2017	31.12.2016
Valuation allowances as at 1 January	2,186	2,490
Additions recognised in the income statement	531	299
Utilisation not recognised in the income statement	–138	–39
Releases recognised in the income statement	940	564
Valuation allowances as at 31 December	**1,639**	**2,186**

In 2017, income from receipt of derecognised assets was booked in the amount of €1,549 thousand (previous year: €295 thousand) and expenses in the amount of €533 thousand (previous year: €280 thousand) for complete derecognition of assets.

5.6 Financial assets

The following table provides an overview of the non-current and current financial assets. The positive market values from external swap agreements relating to US$ loans, raw materials derivatives and receivables from finance leasing are recognised. The leasing receivables relate to vending machines for our product ranges and to shop equipment leased to customers.

€ '000	31.12.2017	Due within < 1 year	Due within > 1 year
Market values of derivative financial instruments (swaps)	7,278	451	6,827
Receivables from finance leasing	1,981	753	1,228
Loans	2,508	64	2,444
	11,767	**1,268**	**10,499**

€ '000	31.12.2016	Due within < 1 year	Due within > 1 year
Market values of derivative financial instruments (swaps)	34,056	18,198	15,858
Receivables from finance leasing	2,346	837	1,509
Loans	434	150	284
	36,836	**19,185**	**17,651**

In 2017, a loan to the joint venture shop and more AG amounting to €2,194 thousand is essentially recognised in the line "Loans". A change in recognition relating to customer and employee loans was also undertaken, which were previously included in financial assets and other assets. These are now shown under financial assets in the line "Loans". The previous year was also supplemented by the line "Loans" for purposes of comparison. €248 thousand were reclassified from financial assets and €186 thousand from other assets.

The following table shows the allocation of the future minimum leasing payments for gross and net investment in lease financing transactions and for the present value of the outstanding minimum leasing payments:

€ '000	31.12.2017	31.12.2016
Future minimum leasing rates	2,180	2,637
Plus: Not guaranteed residual value	0	0
Gross investment in lease financing transactions	**2,180**	**2,637**
Less: Unrealised finance income	–199	–291
Net investment in lease financing transactions	**1,981**	**2,346**
Less: Impairment of doubtful receivables	0	0
Less: Present value of not guaranteed residual value	0	0
Present value of outstanding lease payments	**1,981**	**2,346**

The gross investment in lease financing transactions and the present value of outstanding minimum leasing payments are due as follows:

€ '000	31.12.2017	31.12.2016
Gross investment in lease financing transactions	**2,180**	**2,637**
due within < 1 year	822	930
due between 1 and 5 years	1,358	1,707
due within > 5 years	0	0
Present value of outstanding minimum lease payments	**1,981**	**2,346**
due within < 1 year	753	837
due between 1 and 5 years	1,228	1,509
due within > 5 years	0	0

5.7 Cash and cash equivalents

€ '000	31.12.2017	31.12.2016
Cash and cheques	2,142	2,814
Bank balances (including cash pool)	109,033	102,115
	111,175	**104,929**

At 31 December 2017, cash pool receivables were offset with cash pool liabilities amounting to €117,212 thousand (previous year: €108,262 thousand).

5.8 Non-current financial liabilities due to shareholders and equity

The changes in non-current financial liabilities due to shareholders and equity are presented in the statement of changes in consolidated equity.

Share capital and consolidated reserves

Share capital contains the total of all limited partners' contributions. A contribution in excess of the liability amount and determined undistributed profits are disclosed in the consolidated reserves if an appropriate resolution has been passed.

Consolidated retained earnings

Consolidated retained earnings comprise the profits of past periods remaining after distributions to shareholders and transfer to consolidated reserves and after non-controlling shares.

Other reserves

Currency translation differences

This item includes currency translation differences from the consolidation of foreign subsidiaries, whose currencies are not denominated in euro, booked through other comprehensive income as provided for in IAS 21.

Cash-flow hedge reserve

The reserve comprises market value changes of derivatives designated as cash-flow hedges including deferred tax effects until the realisation of profit or loss effects of the underlying transaction.

Pension reserve

The reserve includes all actuarial gains and losses under IAS 19 including the deferred taxes attributable to them.

Non-controlling interests

Non-controlling interests are held in the following subsidiaries:

€ ’000	31.12.2017	31.12.2016
Conway – The Convenience Company S.A., Quer, Spain	3,999	3,932
Convenience Concept SL Spain, Quer, Spain	–326	–326
EZV Gesellschaft für Zahlungssysteme mbH, Frechen, Germany	–72	–61
	3,601	**3,545**

The increase in non-controlling interests amounts to a total of €56 thousand (previous year: €176 thousand).

5.9 Provisions

Current and non-current provisions include the following items:

€ ’000	31.12.2017	Due within < 1 year	Due within > 1 year
Pension provisions and liabilities for similar post-employment benefits	23,074	0	23,074
Other provisions	99,431	95,989	3,442
	122,505	**95,989**	**26,516**

€ ’000	31.12.2016	Due within < 1 year	Due within > 1 year
Pension provisions and liabilities for similar post-employment benefits	23,752	0	23,752
Other provisions	116,394	114,164	2,230
	140,146	**114,164**	**25,982**

Pension provisions and liabilities for similar post-employment benefits as well as current tax provisions and other provisions due after one year are classified as non-current, tax liabilities and other provisions due within one year as current. Current and non-current provisions are presented separately in the balance sheet.

Pension provisions and liabilities for similar post-employment benefits

Pension provisions and liabilities for similar post-employment benefits are liabilities under direct post-employment benefit promises in accordance with corporate pension plans. These are measured on the basis of estimated actuarial assumptions. The assumptions are based on the statutory, economic and tax situation of each country. The actuaries use country-specific mortality tables for their calculations. The obligations are partly financed by funded plans. These defined benefit plans provide for granting to the beneficiaries a monthly pension entitlement after starting retirement, the amount of which generally depends on the length of service, and is calculated on the basis of the individual pay of the beneficiary. The rules for the commencement of retirement vary in different countries and are generally based on the statutory pension age. Austria is an exception to this. The arrangement here does not relate to an old-age pension but to a so-called transitional payment which is only guaranteed for a specified time after leaving or transferring to retirement. This entitlement also varies depending on length of service and the individual salary grade.

The Lekkerland Group is subject to different risks from the defined benefit plans. Apart from the unpredictabilities of mortality tables, changes in interest rate and exchange-rate risks, other risks apply in cases in which the pension liabilities are shown against a plan asset. These result from a general capital market risk and the individual risks arising from the differing investment strategies.

Where contributions are made to defined benefit multi-employer plans, but the corresponding assets cannot be reliably attributed to the individual entities, no provision is recognised. Instead, the contributions are recognised as current expenses amounting to €2,183 thousand (previous year: €2,151 thousand) in accordance with IAS 19.34 in combination with IAS 19.51 and 52. Contributions at the same amount are expected in the following financial year. A pension plan implemented in the Netherlands is a defined benefit plan. However, not enough information is available to determine the Lekkerland share in the cash value of the obligation, the plan assets and the costs. Since an allocation of this nature is not possible, this plan is therefore reported as a defined contribution plan. The regulations for this fund were changed in 2015. This resulted in a new way of calculating the margin on the basis of a 12-month average.

If this reveals that the margin is below the currently required margin of 112.6%, the fund must implement a plan for reinstatement of the required margin, so that the margin can be regained within the next twelve years. The stated coverage ratio at 107.3% as at 31 December 2017 was below the ratio required to cover the obligation in the financial statements. Since December 2015, the fund has been subject to such a reinstatement period because it continues to fall short of the required margin. If the measures did not produce the effect, the fund can essentially take two measures. It can increase the premium or adjust the pension rules.

From 2018, the pensionable age in the Netherlands will also increase from 67 to 68 years and this will exert corresponding effects on the degree of coverage hoped for.

The following actuarial parameters were applied:

in %	2017	2016
Germany		
Interest	1.6	1.5
Projected salary increase	2.5	2.5
Projected post-employment increase	1.7	1.7
Fluctuation	4.5	4.5
International		
Interest	0.6–2.0	0.6–2.0
Projected salary increase	1.0–3.0	1.0–3.0
Projected post-employment increase	0.0	0.0–0.1

The interest is determined locally on the basis of high-quality fixed interest corporate bonds with terms corresponding to those of the earned benefits. Depending on the number of employees with earned benefit and pensioners, the interest and terms may vary in different countries and periods.

The fluctuation is calculated abroad on the basis of specific age tables.

The proportion of Germany in the provision for pension provisions and liabilities for similar post-employment benefits is 73% (previous year: 73%).

The net carrying values of pension provisions and liabilities for similar post-employment benefits developed as follows:

€ ’000	31.12.2017	31.12.2016
Provision as at 1 January	23,752	21,686
Payments and transfers of employee benefits and employer contributions	–1,775	–1,969
Current service expense	1,088	1,274
Post-employment service cost / plan changes	–1,396	–270
Interest effect	329	404
General administrative expense / other effects	–348	57
Actuarial gains (–) / losses (+)	1,424	2,570
Carrying amount of the pension provision	**23,074**	**23,752**

The composition of the actuarial gains developed as follows:

€ ’000	31.12.2017	31.12.2016
Changed interest assumptions of the defined-benefit obligation	–17	3,030
Experience adjustments	–590	1,607
Biometric changes in assumption	0	–319
Income of the plan assets not including interest	199	–1,748
Other changes in assumption	1,832	0
Actuarial gains / losses	**1,424**	**2,570**

The other change in assumption results from Switzerland. Here, a right to choose in relation to the pension contract was given concrete form, whereby the previous treatment of pensioners could no longer be retained and this consequently leads to a change in assumption.

The interest effect is equivalent to the balance made up of the interest on the pension liability and the return on the plan assets. In 2018, the Group expects payments for pension benefits amounting to €1,606 thousand.

At the balance sheet date, the value of the provision is determined as follows:

€ ’000	31.12.2017	31.12.2016
Present value of pension liabilities and similar post-employment benefits	42,196	50,519
Market value of plan assets	–19,122	–26,767
Carrying amount of the pension provision	**23,074**	**23,752**

The average term of the liabilities is 17 years depending on the plan.

The gross obligation before netting with plan assets developed as follows:

€ '000	2017	2016
Defined benefit obligation as at 1 January	50,519	48,674
Current service expense	1,088	1,274
Interest expense	421	794
Employee contributions	486	632
Actuarial gains (–) / losses (+)	9,945	4,318
Payments and transfers of post-employment benefits	–3,431	952
Post-employment service cost	0	0
Plan settlement	–15,076	–6,260
Other including exchange-rate effects	–1,756	135
Present value of pension liabilities and similar post-employment benefits as at 31 December	**42,196**	**50,519**
Actuarial present values of pension liabilities financed by funds	23,775	31,458

The plan assets developed as follows:

€ '000	2017	2016
Market value of plan assets as at 1 January	26,767	26,988
Employer contributions	754	1,006
Interest income from plan assets	92	390
Employee contributions	486	632
Plan settlement	–13,680	–5,990
Actuarial gains (+) / losses (–)	8,521	1,748
Deposit / payout of post-employment claims	–2,410	1,916
Exchange-rate effects for plans in foreign currencies	–1,408	90
General and administrative expenses	0	–12
Market value of plan assets as at 31 December	**19,122**	**26,767**

The expected employee contribution to the plan assets is €613 thousand. The plan settlement results from conversion of a defined benefit obligation into a defined contribution plan in the Netherlands. This results in an effect on earnings amounting to €–1,396 thousand.

The plan assets on the closing date are comprised as follows:

	2017 € '000	2017 %	2016 € '000	2016 %
Shares	5,161	27	3,349	13
Debentures, mortgages, government bonds	5,836	31	18,514	69
Real estate	6,764	35	4,330	16
Liquidity	1,361	7	574	2
Market value of plan assets	**19,122**	**100**	**26,767**	**100**

The expenses listed below were offset in the income statement:

€ '000	2017	2016
Interest expenses at present value of entitlement	421	794
Expected return from plan assets	–92	–390
Effective interest expense	**329**	**404**
Current service expense	1,088	1,274
Past service cost / plan changes / plan settlement	–1,396	–270
General and administrative expenses	7	17
Expenses for pensions and similar post-employment obligations	**28**	**1,425**

The sensitivity analysis in the following table shows the liability taking account of the change in the following parameters:

€ '000	2017	2016
Interest:		
Interest +0.25%	–1,439	–2,078
Interest –0.25%	1,588	2,241
Wage increase by 0.25%	184	274

The sensitivity analysis was calculated for interest rates which in each case deviate by 0.25% up or down. An increase of +0.25% was assumed for salary changes when calculating the sensitivity.

For details on total pension expenses recognised in profit or loss, including contributions to pensions not mandated as a liability, please refer to the comments on personnel expenses in section 6.11.

Current income tax provisions

Current income tax provisions are reclassified in the current financial year owing to a reporting realignment in income tax liabilities and reported in section 5.11. An amount of € 3,456 thousand was reclassified for the previous year.

Other provisions

Other provisions show the following changes:

€ '000	as at 01.01.2017 Due within < 1 year	Due within > 1 year	Total	Currency transla-tion	Change in consolidated companies	Utilisation	Addition	Release	Trans-fers	as at 31.12.2017 Total	Due within < 1 year	Due within > 1 year
Other provisions												
Personnel-related provisions	40,377	1,638	42,015	–44	0	28,642	23,028	3,574	0	32,783	30,425	2,358
Distribution / outstanding credits	53,469	0	53,469	–509	0	35,918	42,742	13,810	839	46,813	46,813	0
Deposits on disposable packaging	10,384	0	10,384	–12	0	176	158	99	–17	10,238	10,238	0
Legal, advisory and audit fees	1,863	0	1,863	–9	0	1,020	1,215	335	–3	1,711	1,711	0
Liabilities under lease agreements, integration and restructuring	763	92	855	–8	0	92	0	0	200	955	372	583
Other	7,308	500	7,808	–1	0	1,415	2,491	933	–1,019	6,931	6,430	501
	114,164	**2,230**	**116,394**	**–583**	**0**	**67,263**	**69,634**	**18,751**	**0**	**99,431**	**95,989**	**3,442**

Personnel-related provisions included in other provisions mainly relate to gratifications and bonuses, redundancies, accrued holiday entitlements and contributions to employer's liability insurance.

Provisions for distribution and outstanding credit notes mainly include amounts for customer refunds and other payments due to customers. The decrease by €6,656 thousand is essentially due to the release amounting to €13,810 thousand (previous year: €8,423 thousand), which is based on current knowledge and customer refunds already billed in the fourth quarter.

The provision for deposits on disposable packaging relates to obligations arising from the return of deposits to customers and the associated disposal costs for disposable packaging. As in the previous year, no significant interest effects result from non-current provisions.

5.10 Financial liabilities

Current and non-current financial liabilities include the following items:

€ '000	31.12.2017	31.12.2016
Loans including swaps and accrued interest	160,604	164,941
Finance leases	38,589	42,149
Liabilities to financial institutions	570	0
Market values of derivative financial instruments (swaps)	0	142
	199,763	**207,232**

Liabilities arising from loans are broken down as follows:

	Currency	US$ interest rate	31.12.2017 € '000	€ interest rate	Due
Loans including swaps and accrued interest					
US private placement 2007					
35,000	US$ '000	6.46	29,219	5.587	2019
35,000	US$ '000	6.46	29,219	5.575	2019
US private placement 2017					
70,000	€ '000	–	70,000	1.870	2027
30,000	€ '000	–	30,000	2.070	2029
Loan amount as at 31.12.2017			158,438		
Accrued interest			2,166		
Market value of swaps for US$ loans			0		
			160,604		

The loans in a total of four tranches recognised on the balance sheet date relate to two private placements in US$ still in place from the year 2007 and the new private placements denominated in euros taken out in the current year, which were also raised in the US market.

	Currency	US$ interest rate	31.12.2016 € '000	€ interest rate	Due
Loans including swaps and accrued interest					
US private placement 2005					
40,000	US$ '000	5.88	38,040	4.400	2017
US private placement 2007					
30,000	US$ '000	6.36	28,529	5.507	2017
30,000	US$ '000	6.36	28,529	5.553	2017
35,000	US$ '000	6.46	33,284	5.587	2019
35,000	US$ '000	6.46	33,284	5.575	2019
Loan amount as at 31.12.2016			161,666		
Accrued interest			3,275		
Market value of swaps for US$ loans			0		
			164,941		

To hedge the currency and interest risks in the loans denominated and bearing interest in US$, cross currency swaps were agreed with terms corresponding to the terms of the underlyings. These swaps fix both the historic currency translation rate of US$ 1.377 / €1 for the loans from 2007 and the historic interest in € on the translated € amount. Consequently, there is no interest or currency risk over the term of these loans.

The market value of these swaps as at 31 December 2017 is not recognised for the remaining loans floated in US$ in the balance sheet under financial liabilities as in the previous year but under financial assets amounting to €6,827 thousand (previous year: €33,963 thousand). The loans raised in 2007 as underlying transactions and the cross-currency swaps concluded to hedge currency and interest risks were designated overall as a cash-flow hedge relationship. Hedge transactions are therefore valued through other comprehensive income so that any changes in market value are recognised in the cash-flow hedge reserve.

The loans in the foreign currency are converted at the rate on the balance sheet date. For compensation of the foreign currency translation differences a corresponding amount is transferred from or returned to the item “cash-flow hedge reserve” with an effect on income. The remaining amount of €–1,125 thousand (previous year: € –862 thousand) represents the interest. The deferred taxes to be formed on this amount and recognised amount to €–281 thousand (previous year: €–215 thousand) on 31 December 2017 so that in the context of this swap valuation an amount of €–844 thousand (previous year: €–647 thousand) is included in the item “Non-current financial liabilities due to the shareholders and equity” on the balance sheet date.

The loans are subject to financial covenants which have to be observed during their respective terms. Mainly, financially unfavourable transactions with related parties may only be concluded under certain conditions on the arm’s length principle, no major consolidated assets may be transferred to third parties in a business combination or sale without prior consent and the Group is not allowed to change its business significantly. The assets can be charged or pledged only subject to conditions. The ratio of net debt to EBITDA must not therefore exceed 3:1 and the ratio of EBITDA to the interest result shall not fall below 4:1. The minimum of non-current financial liabilities due to shareholders and equity is €100 million. In the context of loans from 2007, the Group company Lekkerland Deutschland GmbH & Co. KG may only take out further loans amounting to a maximum of 7% of the consolidated balance sheet total, if these are given preferential treatment before the US investors. There is an analogous regulation for the Group whereby the limit for the borrowing from 2007 is a maximum of 10%.Also borrowings for financing the working capital of Lekkerland Deutschland GmbH & Co. KG are excluded.

The covenants of the euro loans raised during the course of the current financial year vary insofar that the regulation relating to equity and the regulation on taking out borrowings at Lekkerland Deutschland GmbH & Co. KG are waived. The restriction on borrowings at Group level described above was changed from 10% to 15%. Furthermore, the newly concluded contracts established that if Lekkerland had to comply with stricter covenants for additional borrowings, these would automatically also apply to US investors.

All the covenants referred to above were complied with.

As in previous years, existing cash pool liabilities were offset in full with cash pool receivables. For further details, please refer to section 5.7.

Financing liabilities from loans with the following terms are recognised as at 31 December 2017:

€ '000	< 180 days	181–360 days	1–3 years	4–5 years	> 5 years	Total
Loans including swaps and accrued interest	2,166	0	58,438	0	100,000	**160,604**

Terms of liabilities under finance lease agreements are as follows:

€ '000	< 180 days	181–360 days	1–3 years	4–5 years	> 5 years	Total
Finance leases						
Minimum lease payments	5,529	5,526	17,087	10,181	4,874	43,197
Discount	–771	–690	–1,912	–901	–334	–4,608
Present value	**4,758**	**4,836**	**15,175**	**9,280**	**4,540**	**38,589**

The table below shows the future cash flows from interest-bearing non-current financial liabilities. The actual cash flows for the loans are shown taking the hedging of interest and currency effects into account.

The total amount for the loan repayments is €150,843 thousand. The carrying value for loans as at 31 December 2017 is €158,438 thousand less accrued interest totalling €2,166 thousand. The difference amounting to €7,595 thousand relates to the exchange-rate share of swaps. Accrued interest is included in interest expense for 2017.

The non-current financial liabilities are available for financing long-term financial assets. In particular, current account credits and cash pool assets and liabilities are an element of liquidity in the Lekkerland Group and are used for short-term finance, specifically when opportunities arise to make purchases for stockpiling and they may vary according to the reference date.

The credit lines agreed with several banks amounted to €175,950 thousand (previous year: €175,825 thousand) on 31 December 2017. The interest to be paid if these credit lines were drawn on was between 0.7 and 1.25 percentage points above the relevant valid Euribor or the relevant valid EONIA rate. The expenses recognised in the interest result arise from drawing on credit lines and cash pool liabilities amounted to €1,457 thousand (previous year: €1,141 thousand), interest income amounting to €940 thousand (previous year: €840 thousand) was recorded for positive liquidity.

In 2017, the Lekkerland Group additionally concluded a raw materials derivative to provide protection against the market risk associated with diesel (market value €43 thousand), which was taken with a network bank through Lekkerland Finance B.V. and then forwarded to the relevant national company as an internal derivative. Furthermore, Lekkerland Finance B.V. concluded a swap to hedge an internal Group loan in a foreign currency (market value €408 thousand) and this was accounted for in the same way as the US loans.

The effectiveness of the hedging arrangement was determined using a sensitivity analysis. This involved regression analysis being used to analyse the link between the underlying transaction, the price change of the diesel purchased by Lekkerland and the price change in the index underlying the hedging transaction. A second stage involved the dollar-offset method being used to determine, at the level of the individual derivative, the price development for the designated diesel volume in each case in relation to the price development for the market value of the derivative. An effectiveness of nearly 100% was revealed in both cases.

A total amount of €68 thousand was therefore also booked in equity under the cash flow hedge reserve based on the market values of the raw materials derivatives or the loan in a foreign currency as at 31 December 2017. Deferred tax amounting to €13 thousand was also recognised in this connection.

	Cash flows 2018			Cash flows 2019–2022			Cash flows 2023 ff.			
€ '000	Fixed interest	Floated interest	Repayment	Fixed interest	Floated interest	Repayment	Fixed interest	Floated interest	Repayment	Total
Loans including swaps and accrued interest										
US private placement 2007:										
Tranche III	1,420	0	0	888	0	25,418	0	0	0	27,726
Tranche IV	1,417	0	0	886	0	25,425	0	0	0	27,728
US private placement 2017:										
Tranche I	1,309	0	0	5,236	0	0	6,054	0	70,000	82,599
Tranche II	621	0	0	2,484	0	0	4,114	0	30,000	37,219
	4,767	**0**	**0**	**9,494**	**0**	**50,843**	**10,168**	**0**	**100,000**	**175,272**
Liabilities to financial institutions	0	0	570	0	0	0	0	0	0	570
Finance leases	1,461	0	9,594	2,814	0	24,455	334	0	4,540	43,198
	6,228	**0**	**10,164**	**12,308**	**0**	**75,298**	**10,502**	**0**	**104,540**	**219,040**

5.11 Trade payables, income tax liabilities and other liabilities

€ '000	31.12.2017	Due within < 1 year	Due within > 1 year
Trade payables	**939,192**	**939,192**	**0**
Income tax liabilities	**4,806**	**4,806**	**0**
Other liabilities			
Liabilities to not consolidated companies	1,602	1,571	31
Debtors' credit balances	14,444	14,444	0
Wages and church taxes	2,995	2,995	0
Value added taxes	3,834	3,834	0
Other current tax liabilities	467	467	0
Social insurance	1,644	1,644	0
Securities for leases	1,757	1,757	0
Customs duties	1,741	1,741	0
Other	5,570	4,620	950
	34,054	**33,073**	**981**

€ '000	31.12.2016	Due within < 1 year	Due within > 1 year
Trade payables	**818,517**	**818,517**	**0**
Income tax liabilities	**3,803**	**3,803**	**0**
Other liabilities			
Liabilities to not consolidated companies	1,574	1,543	31
Debtors' credit balances	25,622	25,622	0
Wages and church taxes	3,404	3,404	0
Value added taxes	5,398	5,398	0
Other current tax liabilities	288	288	0
Social insurance	1,362	1,362	0
Securities for leases	1,731	1,731	0
Customs duties	887	887	0
Other	5,187	4,664	523
	45,453	**44,899**	**554**

The income tax provisions are reclassified in income tax liabilities in the current financial year on account of a reporting realignment. The previous year was correspondingly adjusted and an amount of €3,456 thousand was reclassified.

The decrease in other liabilities amounted to €11,399 thousand (previous year: € 9,090 thousand) and is essentially due to lower settlements for customer refunds.

The amounts recognised on the balance sheet date are due in the following tranches:

TRADE PAYABLES

€ '000	31.12.2017	31.12.2016
Carrying amount	**939,192**	**818,517**
Thereof: Due in the following periods		
< 30 days	880,880	766,513
31–60 days	34,021	28,847
61–90 days	14,885	15,384
91–180 days	9,379	7,773
181–360 days	27	0
> 360 days	0	0

INCOME TAX LIABILITIES AND OTHER LIABILITIES

		Thereof: Due in the following periods		
€ '000	Carrying amount	< 180 days	181–360 days	> 360 days
31.12.2017	**38,860**	36,076	1,803	981
31.12.2016	**49,256**	47,053	1,649	554

The repayment values of the liabilities correspond to their market values.

5.12 Assets and liabilities classified as from a discontinued operation

A decision was taken in 2012, not to continue the Eastern Europe segment. In the financial year 2017, Lekkerland Polska S.A. with registered office in Warsaw, Poland, was liquidated after the legal disputes were completely concluded.

6 Comments on the income statement

6.1 Revenues

Revenues result from trade with convenience goods, mainly tobacco goods, foodstuffs, electronic value and non-food items. The sales area mainly corresponds to the countries where the consolidated entities are located. Consolidated sales to third-party customers by goods and customer groups are split up as follows:

REVENUES ACCORDING TO PRODUCTS RANGES

€ '000	2017	2016
Tobacco goods, including packs for vending machines	10,120,723	10,405,554
Food / Non-food	2,544,351	2,480,299
Commissions on electronic value (e-va) / miscellaneous	119,242	116,739
	12,784,316	**13,002,592**

REVENUES ACCORDING TO SALES CHANNELS

€ '000	2017	2016
Filling stations	6,375,686	6,491,077
System customers	4,513,734	4,423,229
Regional customers	1,894,896	2,088,286
	12,784,316	**13,002,592**

Information on the development of sales by region and further comments on the segments are presented in our segment reporting under item 10.

6.2 Cost of sales

Cost of sales mainly represents cost of purchased merchandise.

6.3 Other operating income

€ '000	2017	2016
Reimbursements and subleases received	6,340	6,807
Income from release of provisions	2,224	1,783
Cost refunds from the disposal of packaging	12,003	11,029
Currency differences	2,161	1,098
Other	13,607	8,854
	36,335	**29,571**
Thereof relating to prior periods	6,957	5,518

6.4 Distribution expenses

€ '000	2017	2016
Personnel expenses	188,342	193,707
Other leasing and building costs	43,122	42,623
Vehicle costs including leasing	28,658	29,811
Freight	75,185	72,298
Amortisation of intangible assets and depreciation of property, plant and equipment	16,788	18,033
Temporary employees and other personnel expenses in distribution	32,388	29,755
Advertising expenses	13,008	14,186
Communication expenses	3,367	3,794
Amortisation of customer bases, trademarks and other assets from company acquisitions	599	935
Other	13,739	13,599
	415,196	**418,741**
Thereof relating to prior periods	7	42

The personnel costs decreased due to the lower number of employees.

6.5 General and administrative expenses

€ '000	2017	2016
Personnel expenses	54,780	57,289
Amortisation of intangible assets and depreciation of property, plant and equipment	20,666	19,623
IT costs	38,862	35,578
Fees for legal advice and consulting	6,675	7,401
Vehicle costs including leasing	1,898	2,006
Currency differences	1,989	1,098
Advertising expenses	1,672	1,343
Temporary employees and other personnel expenses	5,755	4,843
Other leasing and building expenses	3,897	3,720
Other	13,268	12,978
	149,462	**145,879**
Thereof relating to prior periods	778	477

6.6 Other operating expenses

This item is a compound item for those expenses which cannot be effectively assigned to the other expense items of the income statement. This item is €0 thousand in the current financial year and in the previous year.

6.7 Financial result

€ '000	2017	2016
Result from participations	**1,500**	**0**
Profit share of associated companies and joint ventures which are accounted for by the equity method	**–184**	**39**
Interest income		
Interest on bank accounts	940	840
Interest on leasing	44	107
Other	77	1,139
	1,061	**2,086**
Interest expense		
Interest payable to banks	1,457	1,141
Interest on leasing	1,614	1,908
Interest included in pension provision	329	404
Other	7,122	7,068
	10,522	**10,521**
	–8,145	**–8,396**
Thereof from financial instruments in the categories according to IAS 39:		
Available for sale	1,500	0
Loans and receivables	1,061	2,086
Financial liabilities	–10,193	–10,117
	–7,632	**–8,031**

6.8 Income taxes

Taxes on income include current taxes paid and payable as well as deferred taxes determined in accordance with IAS 12. The amounts are listed below:

€ '000	2017	2016
Current tax expenses	12,517	13,803
Deferred tax expenses	5,564	1,089
	18,081	**14,892**

A transition from the income tax amount resulting from application of an average consolidated tax rate of approximately 19% (previous year: approximately 19%) on the consolidated result before taxes to the amount recognised in the income statement is presented in the following table:

€ '000	2017	2016
Result before taxes	96,148	77,024
Average consolidated tax rate (approximately)	18.8%	18.5%
Expected tax expense	18,070	14,281
Adjustments for income tax purposes	742	793
Impairment on unused loss carryforwards and temporary differences	–266	–238
Current tax amounts prior years	–1,277	93
Deferred tax amounts prior years	1,250	–4
Other effects, including changes in the tax rate	–438	–33
Income taxes recognised in the income statement	**18,081**	**14,892**
Total effective tax rate	18.8%	19.3%

The parent company Lekkerland AG & Co. KG and all the other commercial partnerships consolidated in Germany are only subject to trade taxes of approximately 15%. Corporations with their registered office in Germany are also subject to 15% corporation tax plus a 5.5% solidarity surcharge payable thereon – if no agreements on the transfer of profits and losses are in effect. International income taxes, including deferred taxes, are based on local laws and regulations. The tax rates for the international subsidiaries vary between 19% and 34%. For deferred taxes recognised in the context of the acquisition of entities, the tax rate of the respective subsidiary is applied.

For the determination of deferred tax assets and liabilities on temporary differences and tax loss carryforwards, please refer to section 5.2.

6.9 Consolidated result after tax from a discontinued operation

€ '000	2017	2016
Other operating income	293	1,728
Expenses	92	3,680
Financial result	19	27
Result before taxes	**220**	**–1,925**
Consolidated result after tax from discontinued operation	**220**	**–1,925**

This result is included in full in the own consolidated result on account of the wholly owned shareholder structure.

6.10 Amortisation, depreciation and impairment of intangible assets and property, plant and equipment

Expenses recognised in the income statement break down as follows:

€ '000	2017	2016
Amortisation and impairment of intangible assets	14,203	14,386
Depreciation of property, plant and equipment	23,850	24,205
	38,053	**38,591**

For further details, please refer to our comments on intangible assets and property, plant and equipment in section 5.1.

6.11 Supplementary information under HGB

This information includes the discontinued operation.

Personnel expenses

Expenses recognised in the income statement break down as follows:

€ '000	2017	2016
Wages and salaries	201,344	208,821
Social insurance and expenses for post-employment benefits	41,778	42,175
	243,122	**250,996**
Post-employment benefits	15,808	15,147

Payments for post-employment benefits represent additions to the pension provisions and to liabilities for similar post- employment benefits amounting to €1,095 thousand (previous year: €1,019 thousand) and pension contributions amounting to €14,383 thousand (previous year: €13,725 thousand), for which no provision was recognised. These are included under personnel expenses. In addition, a finance charge on pension provisions amounting to €329 thousand (previous year: €404 thousand) is also included, which is shown in the financial result.

The annual average number of employees excluding apprentices in the Group in 2017 was 4,789 (previous year: 4,801), of which 2,267 were salaried staff (previous year: 2,244) and 2,522 wage earners (previous year: 2,557). The annual average was determined as the average of the number of employees as at 31 March, 30 June, 30 September and 31 December, excluding trainees, shareholders and general managers but including executive managers (authorised representatives and plenipotentiaries) and part-time staff.

Auditor's fees

Expenses for auditing services amounting to €566 thousand (previous year: €525 thousand), other certification services amounting to €161 thousand (previous year: €76 thousand), for tax consultancy services amounting to €216 thousand (previous year: €292 thousand) and for other consultancy services amounting to €64 thousand (previous year: €1 thousand) were incurred during the past year.

7 Other information

7.1 Other financial commitments and contingent liabilities

As in the previous year, there are no other significant financial commitments in the Group to be reported. Contingent liabilities relate to possible future obligations of the Group arising from repurchase guarantees and other risks for which no provision has been formed on account of the individual probability of occurrence in accordance with IAS 37. The probable amount of contingent use was reported for contingent liabilities.

7.2 Operating leases

Besides the finance lease agreements – please refer to our comments on non-current assets – the Group is also party to leasing agreements which are classified as operating leases in accordance with IAS 17. The major part of the agreements relates to leased buildings.

Terms of liabilities under operating lease agreements are as follows:

OPERATING LEASES

€ '000	≤ 1 year	1–5 years	> 5 years	Total
Lease payments	30,407	102,742	30,206	163,355

The lease payments recognised as expenses in 2017 amounted to €28,577 thousand (previous year: €27,682 thousand). Future benefits from subleases are expected to flow to the Group in the amount of €690 thousand (previous year: €1,366 thousand) over the residual terms of the agreements made with sub-lessees.

8 Supplementary information on financial instruments

The table shows the book values, carrying amounts and the market values based on valuation categories in accordance with IAS 39.

Trade receivables, other assets and cash and cash equivalents have mainly short residual terms. The book values therefore approximate to the market value. There are no active markets for the financial investments available for sale so that a market value cannot be determined at reasonable expense. A reliable valuation at market value is not possible because the fluctuation margin of appropriate assessment is significant and the probabilities of occurrence of the various estimates within these margins cannot be assessed in a reasonable way. A disposal is not currently planned.

The market values of the non-listed loans are calculated as present values of the payments associated with the debts on the basis of the currency prices and US-market interest rates and € market interest rates (2017: 2.2%, 2016: 1.8%) at the closing date. The finance leases are mainly based on fixed interest rates, although these contractual interest rates do not deviate significantly from the interest rates on the relevant closing date. The book value recognised as the present value of the minimum payments of liabilities from finance leases approximates to the market value. There are therefore no deviations between the book value and market value. Almost all current account and cash pool liabilities, trade liabilities and other liabilities have short residual terms. The book value therefore approximates to the market value.

Effects on income arising from financial instruments are generated particularly in the form of interest and results from investments – for a breakdown on the basis of valuation categories please refer to our comments under section 6.7.

The stages of the fair-value hierarchy and their application to the assets and liabilities of the Group are described below:

Level 1: Quoted market prices are available for identical assets or liabilities in active markets.

Level 2: There is other information available apart from quoted market prices which can be observed directly or indirectly.

Level 3: Information about assets and liabilities, which is not based on observable market data, is available.

The derivative financial assets in the Group are currently only valued at market value. The carrying value of all the financial instruments comes under level 2.

The market values of the swaps are based on the market comparison procedure used by banks. Similar contracts are traded on active markets and the price quotes are effectively based on the underlying spot prices on the closing date and the cash flows calculated therefrom using market interest rates with matching maturities. These are discounted on the relevant closing date.

€ '000	Category according to IAS 39	Carrying amount 31.12.2017	Valuation balance sheet according to IAS 39 Amortised cost	Market value	Market value 31.12.2017
Assets					
Shares in Group, not consolidated companies / Other non-current financial investments	Available for sale	4,771	4,771	–	–
Trade receivables	Loans and receivables	458,354	458,354	–	458,354
Other current and non-current assets without swaps	Loans and receivables	182,906	182,906	–	182,906
Swaps on loans / Swap for diesel / Swap on internal Group loan*	Derivatives designated as hedging instrument	7,278	–	7,278	7,278
Receivables from finance leasing	Loans and receivables	1,981	1,981	–	1,981
Cash and cash equivalents including cash pool receivables	Loans and receivables	111,175	111,175	–	111,175
Liabilities					
Non-current financial liabilities due to shareholders	Financial liability	181,196	181,196	–	181,196
Loans including accrued interest and without swaps*	Financial liability	160,604	160,604	157,456	157,456
Swap for diesel / Swap on internal Group loan*	Derivatives designated as hedging instrument	0	–	0	0
Finance leases	Financial liability	38,589	38,589	–	38,589
Trade payables	Financial liability	939,192	939,192	–	939,192
Other current and non-current liabilities without swaps	Financial liability	34,054	34,054	–	34,054

* The carrying value of all the financial instruments comes under level 2.

€ '000	Category according to IAS 39	Carrying amount 31.12.2016	Valuation balance sheet according to IAS 39 Amortised cost	Market value	Market value 31.12.2016
Assets					
Shares in Group, not consolidated companies / Other non-current financial investments	Available for sale	2,198	2,198	–	–
Trade receivables	Loans and receivables	445,606	445,606	–	445,606
Other current and non-current assets without swaps	Loans and receivables	160,451	160,451	–	160,451
Swaps on loans / Swaps for diesel*	Derivatives designated as hedging instrument	34,056	–	34,056	34,056
Receivables from finance leasing	Loans and receivables	2,346	2,346	–	2,346
Cash and cash equivalents including cash pool receivables	Loans and receivables	104,929	104,929	–	104,929
Liabilities					
Non-current financial liabilities due to shareholders	Financial liability	168,810	168,810	–	168,810
Loans including accrued interest and without swaps*	Financial liability	164,941	164,941	168,737	168,737
Swaps for diesel / Swap on internal Group loan*	Derivatives designated as hedging instrument	142	–	142	142
Finance leases	Financial liability	42,149	42,149	–	42,149
Trade payables	Financial liability	818,517	818,517	–	818,517
Other current and non-current liabilities without swaps	Financial liability	45,453	45,453	–	45,453

* The carrying value of all the financial instruments comes under level 2.

9 Comments on the cash flow statement

The cash flow statement shows changes in cash and cash equivalents during the financial year. In accordance with IAS 7, cash flows are classified as cash flows from operating, investing and financing activities.

In addition, the requirements of IFRS 5.33 (c) are taken account of in the relevant cash flow statement, because a summarised entry for the discontinued operation is included under the relevant cash flow for continued operations. A transfer of the cash flows to change the relevant financial resource fund is not possible due to offsets within the Group.

The financial resource fund shown in the cash flow statement includes cash and bank balances, as well as current account liabilities to banks due at any time. The financial resource fund therefore corresponds in net terms to the cash and cash equivalents recognised on the asset side of the balance sheet net of bank balances in accordance with cash pooling agreements and current account liabilities recognised on the liabilities side. Please refer to our comments under section 5.7 for a breakdown of cash and cash equivalents and section 5.10 for current account liabilities.

The indirect method was applied to determine the cash flow from operating activities. The changes in balance sheet items generally represent the difference between the values at the closing date and those of the prior year.

Cash flow from investing activities comprises investments in intangible assets, in property, plant and equipment and in non-current financial investments and proceeds from the disposal of fixed assets. As in previous years, the cash flow in 2017 is also determined by current proceeds and payments relating to intangible assets and property, plant and equipment. The investments do not include the investments for assets that are subject to finance leases. In accordance with IAS 7, these should be offset with the changes in leasing liabilities with the financing activity.

The cash flow from financing activities mainly reflects payments to the shareholders of Lekkerland AG & Co. KG, the repayment of leasing liabilities, and interest received and paid.

The total change in the financial resource fund in 2017 amounts to €3,845 thousand (previous year: €–8,309 thousand).

RECONCILIATION ACCOUNT FOR FINANCIAL LIABILITIES:

€ '000	2016	Cash flows	Reclassification in current financial liabilites (non-cash)	Additions / Disposals (non-cash)	Change due to fair value valuation (non-cash)	2017
Non-current loans including swaps	66,568	100,000	0	0	–8,130	158,438
Current loans including swaps and including accrued interest	98,373	–79,274	0	2,166	–19,099	2,166
Non-current leasing liabilities	31,692	0	–9,594	6,897	0	28,995
Current leasing liabilities	10,457	–10,910	9,594	453	0	9,594
Current liabilities to financial institutions	0	570	0	0	0	570
Non-current negative market values of other swaps	81	0	0	0	–81	0
Current negative market values of other swaps	61	0	0	0	–61	0
Total financial liabilities:	**207,232**	**10,386**	**0**	**9,517**	**–27,372**	**199,763**
Swaps capitalised as assets for hedging loans / diesel swap	34,056	0	0	–18,198	–8,580	7,278
Total financial liabilities including swaps capitalised as assets:	**241,288**	**10,386**	**0**	**–8,681**	**–35,952**	**207,041**

10 Segment reporting

In the individual countries, the activities of the Lekkerland Group are focused on the distribution of food and non-food convenience goods and tobacco goods, as well as on agency services in connection with electronic value (e-va). Furthermore, the Group provides retail shop systems and equipment. The goods are mainly sold to retailers such as filling station shops, kiosks, tobacco goods shops and retail chains. The Group also provides logistics services for fast-food restaurants.

Segment figures are determined on the basis of the accounting and valuation principles applied in the consolidated financial statements. Receivables, liabilities, expenses and income resulting from transactions between segments are eliminated in the column "Holdings / Consolidation" in segment reporting. In addition, the column "Holdings / Consolidation" includes expenses incurred for functions at Group level as well as common assets and liabilities.

Revenues from third parties represent the sale of merchandise. The sales area mainly corresponds to the countries where the consolidated entities are located. Accordingly, the sales are segmented on this basis. The recognised revenues result from trade between the individual segments. Segment assets, segment liabilities and segment investments are also determined on the basis of the site of the Group company.

The operating result of the business segments is monitored separately by the management in order to make decisions on the allocation of resources and to determine the profitability of the segments. On the basis of the segments, the result from operations before the financial result and taxes (EBIT) forms the key controlling parameter.

The separately recognised EBITDA corresponds to the result before the financial result, income taxes, and before scheduled and unscheduled amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Segment assets are the operating assets employed by a segment. They comprise mainly the intangible assets and attributable goodwill, trademarks, and customer bases resulting from business combinations, the items in property, plant and equipment, and current assets, excluding current income taxes receivable and cash and cash equivalents. Segment assets do not include deferred tax assets and financial investments. Segment liabilities are the operating liabilities and provisions of a segment. Segment liabilities do not include non-current financial liabilities due to shareholders and equity, financial liabilities, provisions for income taxes, current income tax liabilities and deferred tax liabilities. The reconciliation to the consolidated balance sheet total is shown separately.

The investments include additions to intangible assets and property, plant and equipment, and investments from goodwill and hidden assets acquired in the course of company acquisitions. The Eastern Europe segment is recognised as a discontinued operation in segment reporting, although the presentation here also remains unchanged.

In 2017, revenues with a customer amounting to €1,319,208 thousand (previous year: €1,313,398 thousand) were transacted in the segments Germany and Rest of Western Europe.

Operating segments	Germany		Rest of Western Europe		Eastern Europe (discontinued)		Holdings / Consolidation		Group*	
€ '000	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	7,570,975	7,736,858	5,213,341	5,265,734	0	0	0	0	12,784,316	13,002,592
Intersegment revenues / Revenue reductions (intersegmental)	12,871	12,131	258	−2,236	0	0	−13,129	−9,895	0	0
	7,583,846	7,748,989	5,213,599	5,263,498	0	0	−13,129	−9,895	12,784,316	13,002,592
(thereof consolidation)							(−13,129)	(−9,895)		
EBITDA	**105,425**	**91,657**	**47,027**	**44,417**	**−93**	**−2,138**	**−9,812**	**−11,877**	**142,547**	**122,059**
(thereof consolidation)							(0)	(0)		
Amortisation and depreciation	25,914	23,779	11,541	12,608	0	0	120	119	37,575	36,506
(thereof consolidation)							(0)	(0)		
Impairment losses in accordance with IAS 36	478	2,085	0	0	0	0	0	0	478	2,085
Segment result (EBIT)	**79,033**	**65,793**	**35,486**	**31,809**	**−93**	**−2,138**	**−9,932**	**−11,996**	**104,494**	**83,469**
(thereof consolidation)							(0)	(0)		
Financial income	62	898	1,871	546	19	27	713	680	2,665	2,151
(thereof associated company)			(85)							
(thereof consolidation)							(−20)	(−5)		
Financial expense	−6,152	−6,293	−2,864	−2,056	0	0	−1,775	−2,172	−10,791	−10,521
(thereof joint venture)			(−269)							
(thereof consolidation)							(5,483)	(5,378)		
Income tax	11,760	9,535	8,449	7,454	0	0	−2,128	−2,097	18,081	14,892
Consolidated profit before attribution of results									**78,287**	**60,207**
Other information										
Segment assets	**749,170**	**647,533**	**604,737**	**595,601**	**0**	**181**	**−10,064**	**3,692**	**1,343,843**	**1,247,007**
(thereof associated company)			(226)							
(thereof joint venture)			(2,564)							
(thereof consolidation)							(−32,645)	(−31,625)		
Allocation to balance sheet total									141,229	148,017
Total assets									**1,485,072**	**1,395,024**
Segment liabilities	**744,148**	**571,269**	**500,698**	**478,911**	**6,472**	**8,455**	**−6,231**	**−51,251**	**1,245,087**	**1,007,382**
(thereof consolidation)							(58,722)	(63,883)		
Allocation to balance sheet total									239,985	387,642
Total equity and liabilities									**1,485,072**	**1,395,024**
Investments	**18,072**	**29,883**	**9,135**	**11,170**	**0**	**0**	**234**	**171**	**27,441**	**41,224**

* Including discontinued operation

REVENUES BY PRODUCT RANGE

€ '000	Food / Non-food		Tobacco goods including packs for vending machines		Commissions on electronic value (e-va) / miscellaneous		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	2,544,351	2,480,299	10,120,723	10,405,554	119,242	116,739	12,784,316	13,002,592

11 Financial risk and capital management

A key element in the business activities of the Group relates to the trade in tobacco products which leads to not insignificant stockpiling requirements. Furthermore, it is a key aim of the Group to have a fast and flexible approach to taking advantage of opportunities for making acquisitions and for integrating companies that have been taken over into the operating and financial structures of the Group. The function of financial and capital management is thus to make the necessary liquidity available, to optimise the high level of liquidity, of non-current and current financial liabilities and of the working capital, while at the same time minimising interest and currency risks. Financial and capital management is an element of the risk management of the Group.

In order to ensure adequate liquidity at any time, the Group has a strategy of taking out long-term loans to finance non-current assets. As at 31 December 2017, the Group has non-current financial liabilities due to shareholders and equity in the amount of €181,196 thousand – please refer to our comments under section 5.8. In addition, without the tranches already repaid, loans were taken out in the USA in 2007 and 2017 amounting to US$ 70,000 thousand and €100,000 thousand. This financing is partly linked with specific contractual conditions (financial covenants) where non-compliance can entail a premature right to serve notice of termination or request immediate repayment. Compliance with these covenants is continuously monitored by Lekkerland within the framework of operating business activities and also taken account of in planning. There were no indications of a potential risk arising from non-compliance with these financial covenants at the balance sheet date, and currently this is also the case.

Additionally, finance lease agreements for which there are liabilities amounting to €38,589 thousand as at 31 December 2017 – especially in relation to due dates and our comments can be seen under section 5.10.

The interest and currency risks arising from the loans were hedged with cross-currency swaps. The hedges contracted were fully effective. Interest and currency fluctuations from financial liabilities therefore exert no influence on the result. The interest / currency swaps are always reported under the primary underlying transactions so that no risks result from these financial instruments. There continues to be one raw materials derivative to provide protection against the market risk associated with diesel, which was concluded for the period from January 2017 to November 2018. The raw materials derivatives is a diesel swap. The swap was designated as a cash flow hedge.

The majority of the finance lease agreements have fixed interest rates so that no material risks arise from fluctuations in interest rates. Foreign currency risks in the financial area result from loans in foreign currencies which were issued in the course of internal Group financing to Group companies. These transactions are covered and designated as cash-flow hedges. Foreign currency risks arising from the conversion of financial statements from foreign Group companies to the Group currency are not hedged because they have no influence on the cash flow of the Group. These exchange differences are recognised in a separate reserve in "Non-current financial liabilities due to shareholders and equity" with no effect on profit or loss. There are no other material foreign currency risks in the Group.

Apart from cash and cash equivalents, the Group finance over the short term and cover in particular for supplier liabilities will be provided in future by credit lines with several independent principal banks amounting to €175,950 thousand. Cash pooling is operated internationally and is used to optimise internal Group financing. In particular, short-term credit lines meet the liquidity requirement for working capital as well as financing other short-term assets. In addition, working capital management is further optimised. The credit lines have flexible interest rates. For further details, please refer to our comments under section 5.10. The hypothetical complete use of credit lines and a hypothetical increase in the annual interest rate of 1% would result in additional expenditure of €1,759 thousand and a reduction in the annual interest rate of the same amount would lead to a corresponding reduction in expenses. The average amount for short-term financial funds recognised in the cash flow statement amounted to €110,605 thousand (previous year: €104,929 thousand) at 31 December 2017.

The Group is subject to risks from bad debts arising from operating business in particular relating to trade receivables and other current assets. Risks of bad debts are allowed for by means of special allowances and flat-rate special allowances. Outstanding debts are continuously monitored. Risks arising from bad debts have been covered by domestic trade insurance in Germany, Austria, in Switzerland, Belgium, Spain and in the Netherlands. Receivables from certain major customers, central payment facilities and minor receivables are not covered under the insurance. We see no receivable credit risk that is likely to lead to a significant influence on the financial position and financial performance.

12 Related party disclosures

Limited partners in Lekkerland AG & Co. KG are Austria Tabak GmbH, Vienna (Austria), Express SOW Holding GmbH & Co. KG, Mülheim / Ruhr; EXPRESS MITTE HOLDING GmbH & Co. KG, Elz; CGL Handel GmbH & Co. KG, Braak; TL Süd GmbH & Co. KG, Mögglingen; and EXPRESS NORD-WEST-HOLDING GmbH & Co. KG, Lotte, with a total contribution of €40,000 thousand. €63,452 thousand (previous year: €55,903 thousand) was distributed to the shareholders' liability accounts.

In addition, buildings are leased from the indirect and direct shareholders of Lekkerland AG & Co. KG and remuneration for activities is paid to them. The corresponding lease expenses amounted to €9,725 thousand for 2017 (previous year: €10,850 thousand). Furthermore, tobacco goods were purchased from these shareholders in the course of business activities of the Group. The associated purchases after deduction of tobacco tax amounted to some €247,529 thousand (previous year: €240,469 thousand) for 2017.

Furthermore, service expenses were incurred with the associated company amounting to €448 thousand (previous year: €488 thousand). Furthermore, revenues amounting to €8,863 thousand were recorded with the joint venture. At the year-end, trade receivables from the joint venture amounted to €626 thousand.

The sole fully liable shareholder of Lekkerland AG & Co. KG is Lekkerland AG, Ternitz (Austria), with a share capital of €400 thousand. The following were appointed as members of the Board of Management of Lekkerland AG, Ternitz (Austria) in the financial year 2017:

Patrick Steppe, (Chairman)
Chief Executive Officer, Stabroek (Belgium)

Dr Edgar C. Lange, Chief Financial Officer, Munich

Dr Jochen Großpietsch (from 23 October 2017),
Chief Supply Chain Officer, Cologne

Kay Schiebur (until 22 September 2017),
Chief Supply Chain Officer, Cologne

The compensation from Lekkerland AG & Co. KG to the active board members for the business year 2017 amounted to €2,812 thousand (previous year: €3,295 thousand) and to non-active board members €267 thousand (previous year: €0 thousand).

On the balance sheet date, pension provisions amounting to €1,967 thousand (previous year: €2,040 thousand) existed for former members of the Board of Management. Pension payments in the amount of €188 thousand (previous year: €192 thousand) were made to former members of the Board of Management.

Lekkerland AG & Co. KG has a Supervisory Board. The members of the Supervisory Board received no remuneration as in the previous year.

The Supervisory Board consists of the following members in the financial year 2017:

Lorenz Bresser (Chairman), Rottach-Egern
Hassan Ben Djemia, Herne
John Fales Eckerberg (until 15 June 2017), Geneva (Switzerland)
Peter Kilburg (from 1 May 2017), Trier
Eugen Kohm, Karlsruhe
Hanns-Joachim Pagel, Braak
Samuel Pelichet (until 1 May 2017), Geneva (Switzerland)
Stephan Rißmann (from 15 June 2017), Chambèsy (Switzerland)
Marc Rüede, Geneva (Switzerland)
Jörg Veil, Cologne

The Corporate Governance Report, which is based on the Lekkerland Corporate Governance Code drawn up on the basis of the German Corporate Governance Code, was made voluntarily by the Board of Management and the Supervisory Board in accordance with the declaration of compliance prescribed for joint-stock companies pursuant to section 161 Stock Corporation Act (Aktiengesetz) and was made publicly accessible at the Internet address http://www.lekkerland.com.

13 Events after the balance sheet date

Subsequent to the finish of the financial year, no events of particular importance occurred with an impact on the presentation of a true and fair view of the actual relationships of the business performance, the business result, the position and the likely development of the Group.

Frechen, 29 March 2018

Lekkerland AG, Ternitz (Austria)

Patrick Steppe Dr Edgar C. Lange Dr Jochen Großpietsch

Translation of auditor's report

We have audited the consolidated financial statements prepared by Lekkerland AG & Co. KG, Frechen, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the Group management report for the business year from 1 January to 31 December 2017. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (HGB) and supplementary provisions of the shareholder agreement are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to section 315e (1) HGB and supplementary provisions of the shareholder agreement and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 29 March 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

KPMG AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
WIRTSCHAFTS-
PRÜFUNGS-
GESELLSCHAFT
SIEGEL
BERLIN

Zender
Wirtschaftsprüfer

Fischer
Wirtschaftsprüfer

Supervisory Board report

In the course of regular meetings throughout fiscal year 2017, the Supervisory Board kept itself informed with regard to economic developments, business operations, the financial condition of the company and all other significant events. In four meetings held, the Supervisory Board received a thorough briefing from the Board of Management about developments in the market and among the competition, as well as about corresponding sales strategies and the risks and perspectives they entail. The Supervisory Board carried on intensive discussions about the company's overall strategic orientation, as well as about fundamental issues of finance, investment and personnel planning.

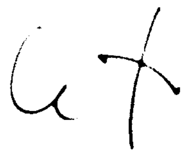
In further support of its discussions and consultations about current issues of business policy, the Supervisory Board maintained close contact with the Board of Management. In cooperation with the Board of Management, the Supervisory Board undertook to observe the version of the Lekkerland Corporate Governance Code based on the German Corporate Governance Code. The Supervisory Board fulfilled both its monitoring and advisory function vis-à-vis the management within the scope of the law and the rules of procedure.

At the request of the board, the annual financial statements dated 31 December 2017 – as well as the consolidated financial statements and the management report for the Group – were audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, a public auditing firm based in Düsseldorf, Germany. The audit by KPMG has determined that the accounting, the annual financial statements, the consolidated financial statements and the Group management report all comply to the applicable legal requirements, and has further determined that they provide a true and fair view of the income and financial position of the company. The auditor has issued an unqualified opinion on the financial statements. The Supervisory Board has thoroughly discussed the results of the audit with the auditor and the management.

The Supervisory Board has audited the annual financial statements as well as the consolidated financial statements and the consolidated management report of Lekkerland AG & Co. KG presented by the Board of Management for the year ending 31 December 2017. The board will recommend that the general shareholders' meeting confirm the company's annual financial statements, and that they duly approve the consolidated financial statements.

The Supervisory Board would like to thank the members of the Board of Management, the executive managements of the subsidiaries, the employees and the representatives of all the personnel throughout the Group for their exceptional dedication and personal commitment.

Frechen, April 2018



Lorenz Bresser
Chairman of the Supervisory Board

Lekkerland Corporate Governance Code

(in the version dated 28 September 2015)

1 Preamble

The German Corporate Governance Code (the "Code") presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance. The objective of the Code is to make the German Corporate Governance System transparent and understandable. It is intended to promote the trust of international and national investors, customers, employees and the general public in the management and supervision of German stock corporations listed on the stock exchange.

The Lekkerland Code clarifies the obligation of the Board of Management and the Supervisory Board to ensure the continued existence of the Enterprise and its sustainable creation of value in conformity with the principles of the social market economy (interest of the Enterprise).

A dual board management system is prescribed by law for German joint-stock corporations. Accordingly, the shareholders (Gesellschafter) of the Enterprise consider themselves accountable under this principle and adopted a binding regulation for the application of a dual management system in the Articles of Association of the Company.

The Board of Management is responsible for managing the Enterprise. The members of the Board of Management are jointly accountable for the management of the Enterprise. The Chairman of the Board of Management coordinates the work of the members of the Board of Management.

The Supervisory Board appoints, supervises and advises the members of the Board of Management and is directly involved in decisions of fundamental importance to the Enterprise. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

The members of the Supervisory Board are elected and appointed by the shareholders.

The accounting process of the Enterprise is based on the true-and-fair-view principle and represents a fair picture of the actual conditions of the asset, financial and earnings situation of the Enterprise.

The Code is primarily directed towards companies listed on the stock exchange and companies with access to the capital markets pursuant to Article § 161 Section 1 Sentence 2 of the German Stock Corporation Act (Aktiengesetz). Implementation of the Code is also recommended for companies not traded on the stock exchange. The Supervisory Board of Lekkerland AG & Co. KG therefore adopted a resolution to the effect that the content of the Code will be applied taking account of the specific legal relationships of Lekkerland AG and Lekkerland AG & Co. KG (hereinafter referred to as "Company" (Gesellschaft)) for purposes of corporate governance of the Lekkerland Group (hereinafter referred to as "Enterprise" (Unternehmen)). The Board of Management and the Supervisory Board of the Company therefore adopted a Lekkerland Corporate Code (the "Lekkerland Code") closely based on this Code. The Lekkerland Code takes into account the fact that Lekkerland AG & Co. KG is managed in the legal form of a German commercial partnership (Kommanditgesellschaft, KG) with a general partner (Komplementärin) in the legal form of an Austrian joint-stock company (Aktiengesellschaft, AG).

As a rule, the Code will be reviewed once a year against the background of national and international developments and adjustments will be made as necessary. At the same time, the Supervisory Board of Lekkerland AG & Co. KG regularly carries out a review to assess whether any changes to the Lekkerland Code are necessary and implements any modifications as appropriate.

2 Shareholders and Shareholders' Meeting

2.1 Shareholders

2.1.1 The shareholders exercise their rights to the extent provided for in the legislation and in the Articles of Association before or during the Shareholders' Meeting and in particular exercise their right to cast their votes.

2.1.2 Each share of €100 in the limited partner's capital grants one vote. There are no shares with multiple voting rights or preferential voting rights ("golden shares") or maximum voting rights.

2.2 Shareholders' Meeting

2.2.1 The Board of Management submits to the Shareholders' Meeting the annual financial statements, the management report, the consolidated financial statements and the Group management report. The meeting resolves on the appropriation of the profit and on the discharge of the actions taken by the Board of Management and by the Supervisory Board and appoints the auditor.

Furthermore, the Shareholders' Meeting resolves on the content of the Articles of Association, in particular relating to the purpose of the Company and essential structural measures, such as company agreements and transformations. It can pass resolutions on the authorisation of the compensation system for the members of the Board of Management.

2.2.2 not applicable

2.2.3 Each shareholder is entitled to take part in the Shareholders' Meeting, to make statements there on matters relating to the agenda for the meeting and to submit relevant factual questions and proposals.

2.2.4 The Chair of the Shareholders' Meeting is responsible for ensuring that the meeting proceeds efficiently. The Chair should be guided by the fact that an ordinary Shareholders' Meeting comes to an end at the latest after 4 to 6 hours.

2.3 Invitation to the Shareholders' Meeting and Proxies

2.3.1 The Shareholders' Meeting is convened by the Board of Management at least twice a year giving details of the agenda. A quorum of shareholders is entitled to demand the convening of a Shareholders' Meeting and the extension of the agenda.

2.3.2 The Company shall facilitate the personal exercising of shareholder's voting rights. The shareholders are entitled to exercise their voting rights at the Shareholders' Meeting by appointing a representative (proxy) to exercise their voting rights in accordance with instructions.

2.3.3 not applicable

3 Interaction between the Board of Management and the Supervisory Board

3.1 The Board of Management and the Supervisory Board cooperate closely together for the benefit of the Enterprise.

3.2 The Board of Management agrees the strategic direction of the Enterprise with the Supervisory Board and discusses the status of strategic implementation at regular intervals.

3.3 The Articles of Association or the Supervisory Board – the latter also as necessary in individual cases – define reservations of consent in relation to the Supervisory Board for transactions of fundamental importance. These include decisions or measures which fundamentally change the net assets, financial position or results of the Enterprise.

3.4 Providing information for the Supervisory Board is the responsibility of the Board of Management. However, the Supervisory Board on its part is responsible for ensuring that it is appropriately informed. With this end in mind, the Supervisory Board should define specific information and reporting requirements for the Board of Management.

The Board of Management provides the Supervisory Board with regular, timely and comprehensive reports on all issues of strategy, planning, business development, risk position, risk management and compliance relevant to the Enterprise. The Board of Management addresses all deviations in the current business situation from the plans and targets that have been prepared and provides reasons for such deviations.

The Supervisory Board is intended to define in detail the information and reporting obligations of the Board of Management.

The reports of the Board of Management to the Supervisory Board will generally be submitted in writing. Documents required for purposes of decision-making are forwarded to the members of the Supervisory Board of the Company in good time before the meeting.

3.5 Good corporate governance is based on open discussion between the Board of Management and the Supervisory Board, as well as within the Board of Management and the Supervisory Board. The maintenance of absolute confidentiality is a matter of paramount importance for this purpose.

All board members must ensure that the staff they employ in a supporting role observe the duty of confidentiality in the same way.

3.6 In Supervisory Boards with codetermination, representatives of the shareholders and the employees can prepare for the meetings of the Supervisory Board separately, as appropriate with the members of the Board of Management.

If necessary, the Supervisory Board should meet without the Board of Management.

3.7 not applicable

3.8 The members of the Board of Management and the Supervisory Board comply with the rules of proper corporate governance. If they culpably infringe the duty of due care and diligence of a prudent and conscientious manager or Member of the Supervisory Board, they will be liable to the Company in respect of damages for compensation. When entrepreneurial decisions are taken, there is no breach of obligation if the member of the Board of Management or the Supervisory Board was reasonably entitled to assume that they were acting for the benefit of the Company on the basis of reasonable information (Business Judgement Rule).

If the Company takes out a D&O policy (directors' and officers' liability insurance) for the Board of Management, a deductible excess of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Member of the Board of Management must be agreed.

3.9 The granting of loans by the Enterprise to members of the Board of Management and the Supervisory Board and to their relatives requires the consent of the Supervisory Board.

3.10 The Board of Management and the Supervisory Board must report annually on the corporate governance (Corporate Governance Report) and must publish this report in conjunction with the Declaration on Corporate Governance. Statements should also be made on the proposals put forward in the Code. The Company is no longer required to keep current Declarations of Compliance on the code accessible for five years on its Internet site.

4 Board of Management

4.1 Functions and responsibilities

4.1.1 The Board of Management is responsible for independently managing the Enterprise in the interests of the Enterprise, for example, taking into account the requirements of the shareholders, the employees and the other groups associated with the Enterprise (stakeholders), with the aim of creating sustainable value added.

4.1.2 The Board of Management develops the strategic direction of the Enterprise, coordinates it with the Supervisory Board and ensures that the strategy is implemented.

4.1.3 The Board of Management is responsible for compliance with the statutory regulations and the internal corporate guidelines, and for ensuring that they are observed by the Group companies (compliance).

4.1.4 The Board of Management makes adequate provision for appropriate risk management and risk controlling in the Enterprise.

4.1.5 When making appointments to management positions in the Enterprise, the Board of Management should take diversity into consideration and in particular aim to take appropriate consideration of women.

4.2 Composition and compensation

4.2.1 The Board of Management should be comprised of several persons and should have a chairperson or spokesperson. Rules of procedure should govern the work of the Board of Management, in particular the portfolio responsibilities of individual members of the Board of Management, matters reserved for the entire Board of Management, and the rules of procedure should determine the majority necessary for resolutions passed by the Board of Management (unanimity or majority decision on a resolution).

4.2.2 The plenary Supervisory Board determines the overall compensation for the individual members of the Board of Management. If there is a committee that deals with the contracts for the Board of Management, this committee should submit proposals to the plenary Supervisory Board. The plenary Supervisory Board will then pass a resolution on the system of compensation for the Board of Management and will regularly review it.

The total compensation package for the individual members of the Board of Management is defined by the plenary Supervisory Board on the basis of performance assessment and taking into account any Group emoluments. The criteria for the reasonableness of the compensation are formed in particular by the functions of the members of the Board of Management, their personal performance, the business situation, the success and the future prospects of the Enterprise taking into account the comparative economic environment and the remuneration structure otherwise applicable within the Company. During the course of its deliberations, the Supervisory Board should take into account the overall relationship of the compensation paid to the Board of Management and the compensation of the senior management and the workforce as a whole, as well as the time scale for development of remuneration. For purposes of comparison, the Supervisory Board should also define how the senior management should be distinguished from the relevant workforce.

If the Supervisory Board calls on an external compensation expert to evaluate the appropriateness of the compensation, the Supervisory Board needs to ensure that any external expert is completely independent from the Board of Management and / or the Enterprise.

4.2.3 The total compensation for the members of the Board of Management comprises the fixed and variable monetary elements, the pension awards, other awards, especially in the event of termination of the activity, fringe benefits of all kinds and benefits paid by third parties which were promised or granted in the course of a business year.

The compensation structure should be oriented towards sustainable development of the Enterprise. The monetary compensation elements shall comprise fixed and variable elements. The Supervisory Board must make sure that the variable compensation elements are fundamentally based on an assessment over a period of several years. Positive and negative developments should be taken into account when determining variable compensation components. All compensation elements must be appropriate individually and in total, and in particular must not encourage executives to take unreasonable risks. The total compensation and the variable compensation elements should have maximum limits fixed for amounts. The variable compensation elements should be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded.

In the case of pension commitments, the Supervisory Board shall in each case define the targeted level of benefits – also according to the length of service on the Board of Management – and shall also take account of the derived annual and long-term expenditure for the Company.

When concluding contracts for members of the Board of Management, care must be taken to ensure that payments made to a member of the Board of Management on premature termination of his / her contract, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and do not compensate more than the remaining term of the employment contract. If the employment contract is terminated for good cause that is the responsibility of the member of the Board of Management, no payments shall be made to the member of the Board of Management. The severance payment cap shall be calculated on the basis of the total compensation for the past full business year and if appropriate also the expected total compensation for the current business year.

Payments promised in the event of premature termination of the contract of a member of the Management Board due to a change of control shall not exceed 150% of the severance payment cap.

On a single occasion, the Chairman of the Supervisory Board shall outline to the Shareholders' Meeting the salient points of the compensation system and any changes to the system.

4.2.4 The Shareholders' Meeting can pass a resolution to the effect that the total compensation of each one of the members of the Board of Management is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises relating to benefits that are granted to a member of the Board of Management in the case of premature or statutory termination of the function of a member of the Board of Management or that have been changed during the course of the business year. Disclosure may be dispensed with in individual cases if the Shareholders' Meeting has passed a resolution to this effect with a three-quarters majority.

4.2.5 Disclosure shall be made as appropriate in the notes to the consolidated financial statements or in the Group management report. The principles of the compensation system for the members of the Board of Management shall be disclosed in a compensation report as part of the Group management report. The disclosure shall be made in a fully transparent form.

In this case, the compensation report shall also include information on the nature of the fringe benefits provided by the Company.

Furthermore, the following disclosure should be provided for each member of the Board of Management as appropriate in the compensation report for the business years commencing after 31 December 2013:

- the awards granted for the year under review including fringe benefits, supplemented in the case of variable compensation elements by the attainable maximum and minimum compensation,
- the payments received for the year under review from fixed compensation, short-term variable compensation and long-term variable compensation with differentiation in accordance with the individual reference years,
- in the case of pension benefits and other post-employment benefits the cost of benefits in or for the year under review.

4.3 Conflicts of interest

4.3.1 The members of the Board of Management have a duty to act in the interests of the Enterprise. They must not act in their own personal interests when they take decisions, they are subject to a comprehensive prohibition on competition during the course of their activity for the Enterprise and they must not take advantage of business opportunities which are available to the Company for their own purposes.

4.3.2 Members of the Board of Management and employees may not, in connection with their work, demand or accept from third parties unjustified advantages for themselves or for other persons, nor grant third parties unlawful advantages.

4.3.3 Each member of the Board of Management will immediately disclose any conflicts of interest to the Supervisory Board of the Company and will inform the other members of the Board of Management about such conflicts of interest. All transactions between the Enterprise on the one hand and the members of the Board of Management and related parties or enterprises affiliated with them personally on the other hand must be concluded at standard arm's length commercial conditions. In the case of transactions with members of the Board of Management, the Supervisory Board represents the Company. Material transactions with a member of the Board of Management, related persons or enterprises should only be carried out with the consent of the Supervisory Board.

4.3.4 Members of the Board of Management should only take up a secondary occupation, in particular memberships of other supervisory boards outside the Enterprise, with the consent of the Supervisory Board of the Company.

5 Supervisory Board

5.1 Functions and responsibilities

5.1.1 The Supervisory Board has the function of regularly advising and monitoring the Board of Management in the management of the Enterprise. It should be integrated in any decisions of fundamental importance for the Enterprise.

5.1.2 The Supervisory Board appoints and dismisses the members of the Board of Management. The Supervisory Board should take diversity into account when making decisions relating to the composition of the Board of Management and in particular aim to take appropriate consideration of women. It should cooperate with the Board of Management to ensure long-term planning for succession. The Supervisory Board can delegate the preparations for the appointment of members of the Board of Management, as well as for the handling of the conditions of the employment contract including compensation, to committees.

When initially making appointments, the maximum possible period of appointment of five years should not be the rule. A reappointment before the end of the year prior to the end of the appointment period if the current appointment is simultaneously being discontinued should only be made under special circumstances. An age limit for members of the Board of Management should be defined.

5.1.3 The Supervisory Board should draw up rules of procedure.

5.2 Functions and powers of the Chairman of the Supervisory Board

One of the members of the Supervisory Board is appointed by the board as the Chairman of the Supervisory Board. He / she coordinates the work of the Supervisory Board, chairs its meetings and represents the Supervisory Board on any issues in the public domain.

The Chairman of the Supervisory Board should not hold the chair of the Audit Committee.

The Chairman of the Supervisory Board should maintain regular contact with the Board of Management between the meetings, in particular with the Chairman or Spokesperson of the Board of Management and should discuss with him / her issues relating to the strategy, the planning, the business development, the risk position, the risk management and the compliance of the Company. The Chairman of the Supervisory Board must be informed immediately by the Chairman or Spokesperson of the Board of Management about any important events, which are of material significance for assessing the position and development of the Enterprise and for the management of the Enterprise. The Chairman of the Supervisory Board must then inform the Supervisory Board and should convene an extraordinary meeting of the Supervisory Board as appropriate.

5.3 Formation of committees

5.3.1 The Supervisory Board should form committees made up of appropriately qualified members, depending on the specific circumstances of the Enterprise and the number of members. The relevant committee chairpersons must submit regular reports to the Supervisory Board detailing the work of the committees.

5.3.2 The Supervisory Board should form an Audit Committee – if no other committee has been tasked with this issue – which addresses in particular issues relating to the monitoring of the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, the audit of the annual financial statements, here in particular the necessary independence of the auditor, the additional services provided by the auditor, the engagement of the auditor by granting an audit mandate, the definition of the focuses of the audit and the agreement of the level of the audit fee, as well as compliance. The Chairman of the Audit Committee should have special knowledge and experience in the application of accounting principles and internal controlling procedures. The Chairman should be independent and should not be a former member of the Board of Management whose appointment ended less than two years previously.

5.3.3 The Supervisory Board should form a nomination committee composed exclusively of shareholder representatives which makes recommendations of suitable candidates for the election of members of the Supervisory Board to the Shareholders' Meeting.

5.4 Composition and compensation

5.4.1 The Supervisory Board should be composed in such a way as to ensure that its members as a group possess the knowledge, skills and expertise required to carry out its functions in a fit and proper manner.

The Supervisory Board should define concrete objectives for its composition which, while considering the specific situation of the Enterprise, take account of the international activities of the Enterprise, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2., an age limit to be specified for the members of the Supervisory Board, and diversity.

The Supervisory Board should disclose the personal and the business relationships of each candidate to the Enterprise, the governance bodies of the Company and to a shareholder with a significant shareholding in the Company.

Before electing new members of the Supervisory Board, the shareholders should ensure from each individual candidate that he / she can devote the amount of time that is expected for carrying out the duties associated with the office.

5.4.2 The Supervisory Board should include an adequate number of independent members according to its assessment. A member of the Supervisory Board pursuant to this recommendation should in particular not be regarded as independent if the person has a personal or business relationship with the Company, its governance bodies or a controlling shareholder, or if he / she is associated with an affiliated company which might constitute a reason for a material and not only temporary conflict of interest. Not more than two former members of the Board of Management should be members of the Supervisory Board. Members of the Supervisory Board should not exercise any governance function or carry out advisory functions for important competitors of the Enterprise.

5.4.3 Proposed candidates for the Chair of the Supervisory Board should be announced to the shareholders.

5.4.4 Members of the Board of Management may not become members of the Supervisory Board of the Company within two years after the end of their appointment unless they are appointed on the basis of a proposal by shareholders holding more than 25% of the voting rights in the Company. In the latter case, appointment to the chairmanship of the Supervisory Board shall be an exception to be justified at the Shareholders' Meeting.

5.4.5 Every member of the Supervisory Board must ensure that he / she has sufficient time available to exercise his / her mandate. Members of the management board of a company listed on the stock exchange should not accept more than a total of three Supervisory Board mandates in listed companies outside the Group or in supervisory bodies of external companies with similar requirements.

The members of the Supervisory Board shall independently take responsibility for ensuring they undertake the necessary basic and advanced training measures necessary to carry out their functions. They should receive appropriate support from the Company for such training.

5.4.6 The compensation for the members of the Supervisory Board is defined by resolution of the Shareholders' Meeting or in the Articles of Association. It should take into account the positions of chairman and deputy chairman on the Supervisory Board and the chair and membership of committees.

The members of the Supervisory Board shall receive compensation which is commensurate with their functions and the position of the Company. If the members of the Supervisory Board are awarded performance-related compensation, this should be geared to the long-term development of the Enterprise.

The Shareholders' Meeting can pass a resolution such that the compensation paid to each of the members of the Supervisory Board shall be reported individually in the notes to the consolidated financial statements or in the Group management report and shall be shown subdivided into its constituent components. It can also pass a resolution such that compensation payments paid by the Enterprise to the members of the Supervisory Board or advantages extended for the individual provision of services, in particular advisory or mediation services, shall be listed separately on an individual basis.

5.4.7 If a member of the Supervisory Board has only attended half or less than half of the meetings of the Supervisory Board and the committees of which he / she is a member in a business year, this shall be noted in the report of the Supervisory Board. Participation is also deemed to be taking part in telephone or video conferences; however, this should not be the rule.

5.5 Conflicts of interest

5.5.1 Each member of the Supervisory Board has a duty to act in the interests of the Enterprise. When members of the Supervisory Board make decisions, they must not pursue personal interests or make use of business opportunities available to the Enterprise for the benefit of themselves.

5.5.2 Each member of the Supervisory Board must disclose to the Supervisory Board any conflicts of interest, especially such conflicts of interest that may arise as a result of holding a consultancy or a function as an executive officer with customers, suppliers, lenders or other third parties.

5.5.3 The Supervisory Board will provide information in its report to the Shareholders' Meeting about any conflicts of interest that arise and will indicate how they are dealt with. If a member of the Supervisory Board is subject to substantial conflicts of interest which are not simply of a temporary nature, it will be necessary for that member to resign from his / her office as a member of the Supervisory Board.

5.5.4 Consultancy contracts and other contracts for work and services to be held by a member of the Supervisory Board with the Company require the consent of the Supervisory Board.

5.6 Efficiency audit

The Supervisory Board should review the efficiency of its activities on a regular basis.

6 Transparency

6.1 The Company will treat all shareholders of the Company equally in respect of the provision of information, subject to the same prerequisites. All material new facts made known to financial analysts and similar addressees shall also be disclosed to the shareholders without delay.

6.2 not applicable

6.3 The dates of essential regular publications (including the Annual Report, interim financial reports) and the dates of the Shareholders' Meeting and of balance sheet press conferences may be published sufficiently in advance in a "financial calendar".

7 Accounting and auditing

7.1 Accounting

7.1.1 Shareholders and third parties are mainly informed by the consolidated financial statements and the Group management report. They are also provided with information in the half-year report during the course of the business year. The consolidated financial statements are drawn up on the basis of the relevant internationally recognised accounting principles.

7.1.2 The consolidated financial statements are prepared by the Board of Management. They are audited by the auditor and by the Supervisory Board.

7.1.3 not applicable

7.1.4 The consolidated financial statements should also include explanations of any relationships with shareholders who qualify as related parties in accordance with the applicable accounting regulations.

7.2 Auditing

7.2.1 Before putting forward any proposals to a vote, the Supervisory Board and / or the Audit Committee should obtain a declaration by the designated auditor stating whether, and where applicable, which business, financial, personal, or other relationships exist between the auditor and its executive officers and audit managers on the one hand and the Enterprise and its executive officers on the other hand, that could cast doubt on the auditor's independence. The declaration should also define the extent to which other services were provided in the previous business year for the Enterprise, in particular in the field of consultation, and / or have been agreed contractually for the following year.

The Supervisory Board should agree with the auditor that the Chairman of the Supervisory Board and / or the Audit Committee should be immediately informed about any grounds relating to the exclusion or bias that emerge during the course of the audit, if these are not immediately eliminated.

7.2.2 The Supervisory Board commissions the auditor to carry out the audit and concludes the agreement on fees with the auditor.

7.2.3 The Supervisory Board should further agree that the auditor must immediately report important assessments and events which emerge from performance of the audit of the financial statements and which affect the functions of the Supervisory Board.

The Supervisory Board should further agree that the auditor must inform the Supervisory Board and / or make reference in the audit opinion if the auditor uncovers facts in the course of performing the audit of the financial statements which indicate that the declaration provided by the Board of Management and the Supervisory Board in relation to the Corporate Governance Code is incorrect.

7.2.4 The auditor participates in the deliberations of the Audit Committee of the Supervisory Board relating to the annual financial statements and consolidated financial statements and reports on the main results of the audit.

Declaration by the Board of Management and Supervisory Board of Lekkerland AG & Co. KG on the German Corporate Governance Code

The German Corporate Governance Code ("Code") presents key statutory regulations for the management and supervision of German companies listed on the stock exchange and includes recognised standards for good and responsible corporate governance. The code is primarily directed towards companies listed on the stock exchange and companies with access to the capital markets pursuant to Article § 161 Section 1 Sentence 2 of the German Stock Corporation Act (Aktiengesetz). Implementation of the Code is also recommended for companies not traded on the stock exchange, and the Board of Management and Supervisory Board of Lekkerland AG & Co. KG have therefore passed a resolution to apply the content of the Code for purposes of corporate governance, taking account of the specific legal circumstances of Lekkerland AG & Co. KG and of the Group companies affiliated with it (together "Lekkerland Group").

The Board of Management and the Supervisory Board have therefore adopted a Lekkerland Corporate Governance Code ("Lekkerland Code") closely based on this Code. It takes into account the fact that Lekkerland AG & Co. KG is managed in the legal form of a German commercial partnership (Kommanditgesellschaft, KG) with a general partner (Komplementärin) in the legal form of an Austrian joint-stock company (Aktiengesellschaft, AG) and is not listed on the stock exchange. When the Lekkerland Code was adopted, particular emphasis was placed on maximum possible correspondence with the Code. The following company-specific characteristics were taken into account when the Lekkerland Code was drawn up:

The terminology of the Code based on companies listed on the stock exchange and publicly traded companies, and the regulations of the Code directed towards a broadly based audience of stock traders, was harmonised with the legal form and company structure of Lekkerland AG & Co. KG.

Differences between the Austrian regulations applicable to Lekkerland AG and the German Stock Corporation Act (Aktiengesetz) and divergences in the regulatory treatment of reporting on accounting were taken into account in the Lekkerland Code.

Furthermore, in individual cases the Lekkerland Code includes company-specific regulations under the applicable statutory powers.

The Lekkerland Code and a description of its linguistic and substantive deviations from the Code are presented on the Internet site of the Lekkerland Group and can be accessed by going to http://www.lekkerland.com.

Frechen, October 2015

Lekkerland AG & Co. KG

The Board of Management The Supervisory Board

Corporate bodies

Supervisory Board

Lorenz Bresser
Rottach-Egern
Chairman

Eugen Kohm
Karlsruhe

Stephan Rißmann
Chambésy (Switzerland)
(since 15.06.2017)

Hassan Ben Djemia
Herne

Hanns-Joachim Pagel
Braak

Marc Rüede
Geneva (Switzerland)

John Fales Eckerberg
Geneva (Switzerland)
(till 15.06.2017)

Samuel Pelichet
Geneva (Switzerland)
(till 01.05.2017)

Jörg Veil
Cologne

Peter Kilburg
Trier
(since 01.05.2017)

Management Board

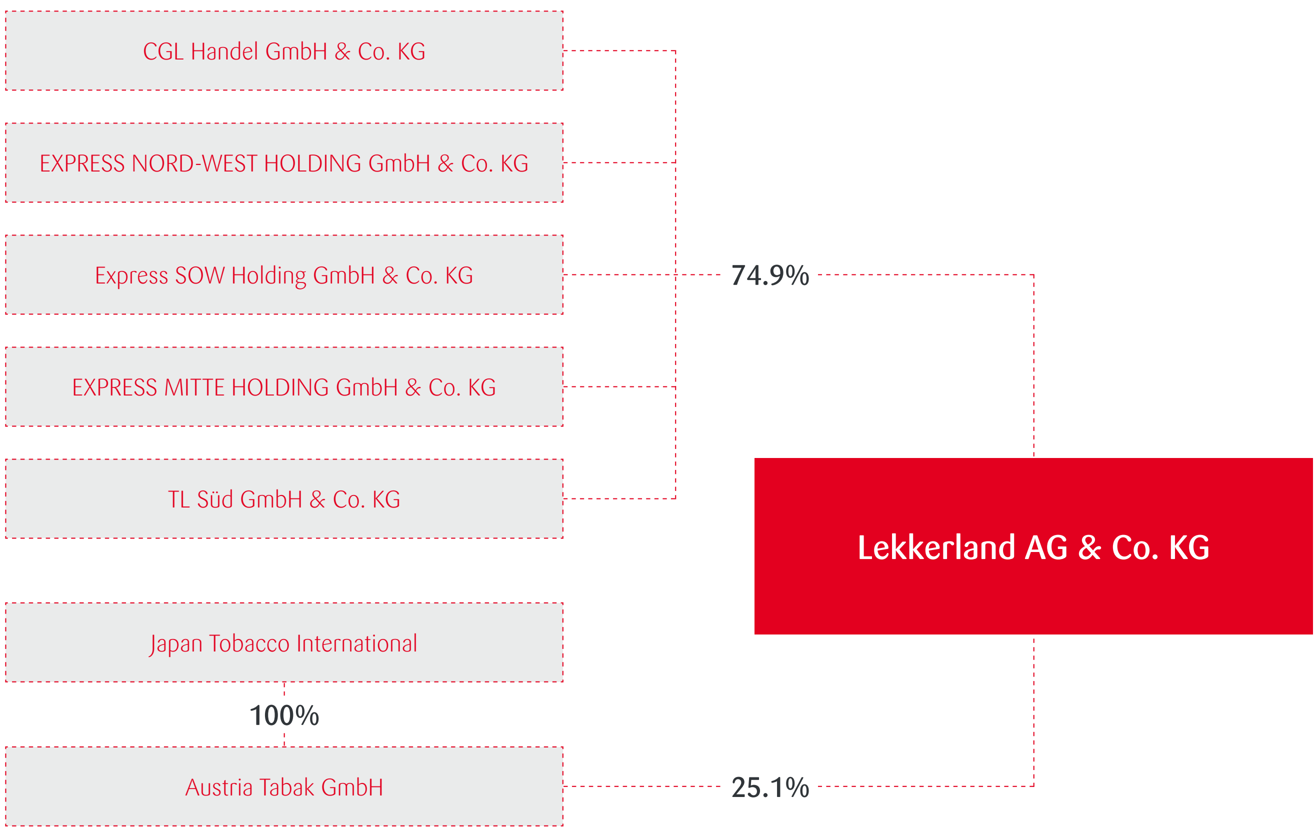
Patrick Steppe
Stabroek (Belgium)
Chairman

Dr Edgar C. Lange
Munich

Dr Jochen Großpietsch
Cologne
(since 23.10.2017)

Kay Schiebur
Cologne
(till 22.09.2017)

Company structure



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