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SUSTAINABILITY REPORT 2013

CUSTOMER-FOCUSED. **THROUGHOUT EUROPE.**





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CUSTOMER-FOCUSED. THROUGHOUT EUROPE. AUGUST FALLER GROUP 2013

Faller expanded its European production and service network in 2013 and has operated successfully and sustainably into the 132nd year of its company history. In addition to its German plants in Waldkirch, Binzen, Schopfheim and Großbeeren, plus its subsidiary in Hvidovre, Denmark, the company opened a new plant in Łódź, Poland in October 2013.

Our PharmaServiceCenter with pharmaceutical packaging in Großbeeren was reinforced by the integration of our subsidiary pharma print design ppd in Waldkirch, which has provided the pharmaceutical industry with ad production for many years. August Faller is a European consortium, anchored in Western, Northern and Eastern Europe, and remains close to its customers with network strategies. We are on the road to increasing internationalisation, bearing in mind our tradition of customer focus, which is why the Sustainability Report 2013 follows the motto "Customer-focused. Throughout Europe". This is our first report on the entire group.

As a competent, reliable pharmaceuticals supplier, we maintain an excellent level of quality and adherence to delivery schedules. According to a survey conducted in 2013, in addition to these purchase criteria, our customers also value the skills of our employees, the pharmaceutical competence of the company and our high product quality. Trust and close proximity form the basis

of sustainable relationships with customers and suppliers. In this context, despite high cost pressures and further consolidation, we coped well in a challenging market and continued on our road to success.

The August Faller Group comprises August Faller KG (D), August Faller A/S (DK), August Faller Sp. z o.o. (PL) and pharma print design GmbH (D). The economic figures displayed in the tables no longer reflect August Faller KG alone, but rather the entire group.

The developments of the individual business units are therefore represented in aggregate form, so a comparison with the last sustainability reports is no longer possible. We have reset historical numerical series accordingly. Such aggregation of the individual units makes no sense for environmental figures, which is why this is reported at plant level.

In 2013, the August Faller Group recorded increased sales of 4.1%, taking its balance sheet turnover to € 116.3 million. This somewhat reflects the development of the German pharmaceutical market, whereby we assume that we have sustained our market shares.

Our group displays a European profile. We have significantly expanded our market activities by establishing a sales division that stretches across Northern, Central and Eastern Europe. Our key account management takes care of many of our clients throughout the EU, from Scandinavia to Southern Europe, and from the UK to Eastern Europe.

We took advantage of our knowledge from many years of lean management activities to establish our Polish plant and we designed extremely streamlined production processes that offer a low-price alternative to standard folding cartons. What is more, all of this goes along with the high level of quality and reliability guaranteed by all Faller plants. In Hvidovre, "Operational Excellence" reported considerable progress and the Danish subsidiary is continuing to improve in terms of quality, efficiency and environmental protection.

The energy management system of all German plants is now certified in accordance with DIN/ISO 50001. With our project "SISI" we have set the course for a sustainable, integrated and scalable ERP system and started the introduction of SAP; the launch is planned for autumn 2014.

In terms of innovation, we were awarded a number of prizes, particularly in the development of new labels. We were awarded the FINAT Award 2013 for multipage labels. FINAT is the global association for manufacturers of self-adhesive labels. The acclaimed 4-page booklet label for "Supradyn", which was developed in the Schopfheim label centre, is highly functional and also has a high-quality appearance; thus it meets the demands on pharmaceutical labels to convey an increasing volume of information.

ECONOMIC PERFORMANCE

The August Faller Group's performance in 2013 was satisfactory. The balance sheet total increased considerably thanks to significant investment in 2013. Though our shareholders considerably increased the equity in turn, the economic equity ratio declined, but has remained high at 38.8%.

We have permitted employees at our German plants to become company shareholders through an attractive model. The first shareholding quota is 19.1% and is thus an indication of the personnel's trust in the company. Social justice and responsibility remain at the heart of our efforts for healthy, sustainable management.

In 2013, Faller worked to establish a sustainable foundation within the increasingly global pharmaceuticals and healthcare market. Despite major challenges in the market, we, the August Faller Group, are on a path of sustainable development and remain close to our customers, even in an international context.



Two handwritten signatures in blue ink. The signature on the left is 'M. Faller' and the signature on the right is 'D. Keesman'.

Dr. Michael Faller, Dr. Daniel Keesman
Managing Partners

PRODUCTS & SERVICES: SOLUTIONS

Prospects in the pharmaceutical industry are positive. Scientific and technological breakthroughs, socio-economic change and improved access of the world's population to medicine, combined with a liberalisation of global trade will lead to stable growth in years to come. Big opportunities are associated with big risks: the legal regulations are increasingly demanding and force manufacturers to deal intensively with anti-counterfeiting, quality and cost-efficiency. That's why the Sustainability Report 2013 focuses on specific solutions that help to make the production processes of our customers more efficient and cost-effective and support a mutual, sustainable value-added process.



PRODUCTS & SERVICES: SOLUTIONS

Our diverse solutions have one thing in common: they are developed on the basis of our many years of experience and in faithful partnership with our customers and business partners. Together we create sustainable, effective and value-added solutions.



PHARMA SUPPLY CHAIN

There are many starting points for optimising the supply chain. Using suitable measures we can shorten paths and reaction times and reduce stocks and waste. As such, Faller provides a range of tailor-made solutions such as e-business, vendor managed inventory or just-in-time deliveries, to name but a few.

TRACK & TRACE AND ANTI-COUNTERFEITING

A key prerequisite for anti-counterfeiting is the complete traceability of the product – from the consumer back to the supplier. In addition to the Track & Trace concept, several countries have stipulated series numbers for several years. This means the product authenticity can be checked at a specific checkpoint. With the help of tamper-proof seals, consumers can be sure that they have an originally packed medicine.



INNOVATION PACKAGING

Pharmaceutical packaging is subject to diverse requirements, such as compliance and convenience, patient communication, authenticity guarantee, and transport and rupture safety. In cooperation with customers, Faller develops packaging solutions that correspond to individual requirements.



SECURE DATA PROCESSING

Customers receive artwork, advice, design and workflow management from Faller's subsidiary pharma print design GmbH (ppd). Thus Faller offers professional artwork production for all pharmaceutical secondary packaging materials and advertising material – all around the world! Our experts ensure that the orders are executed in a coordinated, efficient manner and by the agreed deadline.



PHARMACEUTICAL PACKAGING

Packaging, re-packaging, labelling and assembling: production orders that are too complicated for standard manufacturing processes can come about for a number of reasons, e.g. changing country-specific requirements, promotional campaigns or the packaging of special packaging, for which specialist machinery has to be created. We specialise in this type of packaging services at our plant in Großbeeren.

ECONOMIC DEVELOPMENT

Faller has strengthened its position in Europe by establishing a production plant in Łódź, Poland. With solutions for all issues relating to pharmaceutical packaging, printed folding cartons, leaflets, adhesive labels and combined products, as well as for pharmaceutical services in print data management and packaging, we have developed a clear profile as a packaging specialist for pharmaceutical and healthcare products.

Faller is the only pharmaceutical packaging supplier, to cover the entire value-added chain from the creation of print data, packaging production and logistics, right up to the packaging of pre-packed medicines.

The "Good Manufacturing Practice" for pharmaceutical products does not tolerate any errors and demands the highest quality. We regard supplying our customers with safe pharmaceutical packaging, which also effectively supports convenience (patient and user-friendliness) and compliance (safe medication), as our contribution to a society that trusts in the readily available and safe supply of medication.

MARKET

The European and global pharmaceuticals industry continues to face major challenges as the cost pressure on the health system continues unabated. Low-cost generic medicines are in demand; the trend for self-medication and mail order is strengthening the market for OTC compounds. The sale and turnover of these are constantly increasing, but with falling revenues. As a result, enormous efforts for cost reduction are required. Packaging is increasingly purchased as a commodity product and is therefore subject to significant price pressure.

Nevertheless, innovative therapies remain important, particularly in established markets. This includes "orphan drugs", otherwise known as drugs that are used to treat rare medical conditions. However, the framework conditions for the launch and market-penetration of new compounds against the backdrop of cost-

cutting health reforms continue to be difficult. AMNOG (German Pharmaceutical Restructuring Act), which came into force in 2011, is intended to clarify additional benefits for patients and purchasers, as these determine the price of the drug.

With regard to the decisions made to date by the Joint Federal Committee (G-BA) for benefit assessments of new pharmaceuticals, the temporary result is that, in the present state, around half of the preparations were awarded a significant or substantial added value. The compliance (medication) and convenience of new therapeutics can be improved through the use of innovative packaging.

The German pharmaceuticals market increased by 5% in sales and by 2% in terms of quantity in 2013. The quantitative development in the OTC market (non-prescription drugs and health products) is 5%, the sale of generics grew above average at 6% (all figures according to IMS Health, 2014).

Global growth drivers are the so-called "pharmerging markets" of China, Brazil, Russia, India, Mexico, and Turkey. As a result of this development, China is expected to take second place behind the USA in the pharmaceuticals market by 2017, with an estimated volume of between 167 and 187 billion USD. Generic medicines, local companies and specifics of the markets e.g. traditional Chinese medicine (TCM) will contribute significantly to the growth in emerging countries. Faller realised sales of €116.3 million in the heterogeneous European environment and thus increased by 4.1% at group level.

If we look at August Faller KG alone, with €105.7 million in sales, we can report growth of 5.0%. Our market share continues to

be stable; turnover and market growth in Germany are more or less the same. Together with our innovative force and capability for strategic partnership, the high quality of our products and our reliable adherence to delivery time represent two purchasing criteria that are essential for the continued improvement of our market position.

Our committed and efficient sales teams and highly motivated workforce in Germany, Denmark and Poland work tirelessly to expand these results through value-adding services and improved customer benefits.

The price pressure of our customers, particularly in generic medicines, continues unabated. Major calls for tender at German or European level are on the agenda and due to the enormous quantities required, these are hotly contested on a packaging market characterised by overcapacity. In 2013, we successfully participated in pharmaceutical trade fairs in Stockholm, Danzig and CPhI in Frankfurt and Shanghai.

Sales in the Nordic market and the market penetration in Scandinavia continue to develop steadily. New sales teams are working to win the trust of more customers and to establish proximity here. Sales in Poland were only launched in October, so there are no forecasts at present. ppd was able to increase its turnover by 11.2% to €1.7 million.

The supplier markets were characterised by consistently stable material prices for cardboard and paper in 2013. Availability was good at all times. Resource efficiency continues to play an important role given the price pressure on the market. Improving our material efficiency and making savings in the consumption of increasingly expensive energy are also at the core of our "Operational Excellence" in 2013, which for many years has been and remains an important component of our corporate strategy.

The European pharmaceuticals packaging market continues to be characterised by overcapacity and a fragmented structure. Margins are under pressure and consolidation continues to forge ahead, albeit at a slower pace. Meanwhile, mergers of US and European companies have created larger entities that assert a global presence and continue to put the SMEs (small and medium sized enterprises) in the packaging sector under pressure.



The Faller team at CPhI in Frankfurt

MANAGEMENT

Production volume and delivery schedule adherence (DSA)

The production volumes in the individual packaging segments have developed differently. Higher volume increases were recorded in leaflets and combined products; moderate growth was recorded in the quantity of labels and packaging services and the volumes of folding cartons remained nearly constant.

Production capacities were well utilised in the first half of the year to the extent that the personnel capacities in the folding carton segment were barely sufficient. Improvements were achieved in the third quarter and at the end of the year. Nevertheless, despite the hard work and enormous flexibility of personnel in the folding carton production facilities, we did not reach the ambitious 98%-DSA quota for the second consecutive year.

The Danish folding carton production facilities also fell short of this mark, but did make considerable progress compared with the previous year. No reliable figures from Poland are available as of yet. All other packaging segments exceeded the goal. The label production plant in Schopfheim, excelled with 99.7%. Overall, the August Faller Group achieved a DSA quota of 96.9% for all shipments and just missed the target quota.

We aim to reach our ambitious 98%-DSA quota for all orders in 2014. Here, we are focussing on targeted planning and control of our production facilities, which are based upon the lean management principles of tact, pull, flow. Thus even large monthly volumes in various designs and heterogeneous structures can be produced just-in-time.

Quality

We have reached a respectable level with a complaint quota of 0.8% of completed orders at group level. There were heterogeneous developments in the individual packaging segments and production plants. No figures are available for the Polish plant as of yet; the Danish plant still trails behind the German plants in terms of punctual delivery.

The label and leaflet production divisions exceeded the ambitious target of 0.5%; there is room for improvement in the packaging services and folding cartons segment, which is being systematically tackled with targeted measures, in form of restructuring in organisation and leadership.

Costs

Particularly but not exclusively in generic medicines, as mentioned previously, packaging is increasingly being purchased as a commodity product. In addition to quality and punctual delivery, attractive pricing is becoming a decisive factor in the purchase of standard folding cartons. As an important pillar of our corporate strategy, "Operational Excellence" is becoming more and more important in this regard.

Continuous improvement towards becoming an efficient, streamlined and customer-oriented company should help us to quickly adjust costs to market requirements, keep fixed costs low, optimise set-up times, and guarantee material efficiency and fast flow times. The planning and realisation of our new Polish production plant for standard folding cartons was implemented expressly under this aspect of "Operational Excellence". There comprehensive standardisation of our products and processes is essential; since special designs, combined products or special

services are not provided here. This focus achieves increased efficiency that should allow us to stay competitive, especially in bulk/standard business. As already stated in the last sustainability report, "the systematic development of the lean management culture for increased efficiency in individual PSCs hasn't become ... something nice to have, but rather a challenging necessity".

Resource efficiency

After successfully reducing the waste and material usage over the last two years, particularly in the leaflet segment with 2-figure percentages, but also in labels and folding cartons (we explained this in the last sustainability reports), in 2013 we concentrated on establishing an energy management system and on generating initial energy savings.

We were certified in accordance with ISO 50001 in July 2013. An employee completed the IHK training course to qualify as an energy manager and was able to expand his expertise in this field, bringing increased efficiency to our company. A new lighting concept in the Waldkirch and Binzen production plants generated significant energy and thus costs savings whilst achieving improved work ergonomics, i.e. a win-win situation for company and employees. More on this in the "Ecology" section of this report.

Quota of value added

The quota of value added of the August Faller Group is high at 68.7%. Historical data at group level is not available. At KG-level the value-added quota increased from 66.3% in the previous year to 68.8% in 2013 and thus shifted to the highest level in recent years. As already mentioned, the markets for our most important raw materials i.e. cardboard, paper and label materi-

als remained relatively stable in 2013. A high value-added quota guarantees a large degree of leeway for self-defined cost blocks and thus the opportunities to achieve potential savings.

Process optimisation and idea management

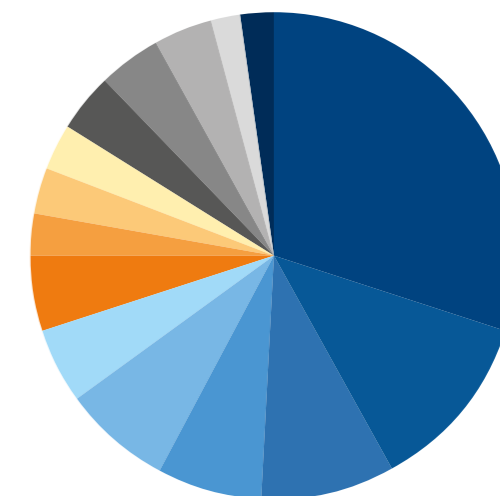
The Lean Management Team contributed its expertise to the expansion of the Polish folding carton production plant and to the integration of the Danish production plant into the August Faller Group. The production layouts were coordinated and improved in numerous workshops.

The 30 workshops and/or project days planned for German plants were exceeded significantly with 44 days actually taking place. 120 workshops took place in 2012; 2013 focused on planning capacity requirements for internationalisation projects and for the SAP project. In the "Konsortia Benchmarking Lean Administration Award" – a benchmark study on the subject of lean administration by FIR at RWTH Aachen and an industrial consortium – August Faller KG ranked in the top 10. The jurors were particularly interested in the topics "5 S 's in contract services" and self-audits, the Q-Day (quality day) in specialist departments with quality training sessions and workshops, as well as the "Ideefix systematic ideas management".

"Ideefix" achieved 6-figure savings. Idea coordinators in all divisions check the feasibility of the suggestions and monitor their implementation. 30% of the ideas implemented contributed to the improvement of process times; a further 21% of the implemented measures concerned process stability and material costs. The graph illustrates the wide spectrum of ideas: ranging from energy savings and improved set-up time, to health and ergonomics.

IMPLEMENTED IMPROVEMENT SUGGESTIONS

- 30% process time
- 12% process stability
- 9% material costs
- 7% tool costs
- 7% occupational safety
- 5% environmental protection
- 5% search time
- 3% paths
- 3% maintenance outlay
- 3% organisation
- 4% health/ergonomics
- 4% set-up time
- 4% quality enhancement
- 2% energy saving
- 2% general



Turnover and productivity

The increase in sales of 4.1% recorded by the August Faller Group is accompanied by above-average job creation of 9.8%. The SAP project alone created approximately 30 full-time jobs, which concentrate almost exclusively on the introduction of this new ERP software. The majority of the Polish personnel were trained in Waldkirch and started working at the plant in October.

At least half to two thirds of the 95 jobs created are connected to these special projects. Thus a simple comparison of increased sales and job creation does not provide a reliable forecast for any potential productivity growth. The number of staff from employment agencies was further reduced to 18 in favour of temporary and permanent full-time and part-time employees.

The sales activities in the PSC Packaging Services in Großbeeren were reorganised and supported by experienced specialists. Our "Business Process Outsourcing", whereby the entire packaging process of our customers is outsourced and processed by us, has received a good market response with a positive sales trend.



1: View of the production facilities at the PharmaServiceCenter Packaging Services, Großbeeren
 2: Großbeeren plant – August Faller KG



INVESTMENT

In 2013, the key areas of investment lay in establishing the Polish production plant, rationalisation and infrastructure investment and introducing new, integrated ERP software for the entire group. With substantial investment of €13.8 million, we achieved an above-average investment quota of 11.8%.

The largest sums of investment were channelled into establishing the Polish plant. The rented premises had to be retrofitted with special technical systems, an IT structure had to be established and a production line with printing presses, cutting and creasing machines and carton gluing machines had to be installed.

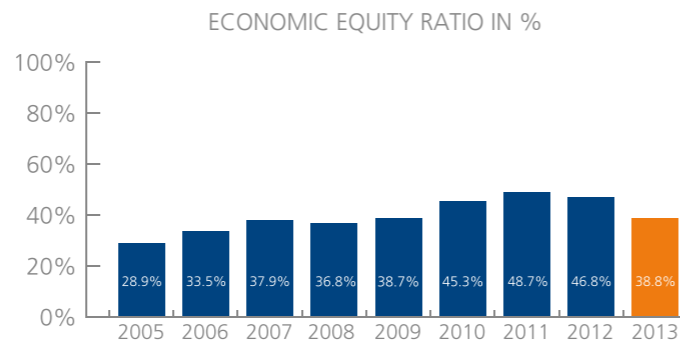
The German plants also received investment. The infrastructure investment included new and refurbished staff rooms in Waldkirch, completing the extension in Schopfheim and new parking spaces in Binzen. There was investment in new printing presses and processing machines in the folding cartons, leaflets and labels divisions. Packaging Services acquired a new packaging line.

The head office and German production plants have been preparing for the introduction of SAP as the new, integrated ERP software since mid-2013. Considerable investment was channelled into this very elaborate and labour-intensive project, which is scheduled to go live in autumn 2014.

PROFIT AND EQUITY

Despite our hard work and increasing sales, we did not quite match last year's results, but our performance was still satisfactory. Deductions on the one hand and cost increases on the other, for example in human resources through the last wage agreement or in energy supply through the increasing Renewable Energy Act levies, led to this profit situation. The measures to improve efficiency in material and energy consumption and in processes could not compensate for these pressures.

Nevertheless, the shareholders agreed on an above-average increase in equity. Due to the renewed enlargement of the balance sheet total through the high sums of investment and the establishment of the Polish plant, the economic equity ratio tends to fall, which still indicates a solid capital base of our company, allowing us to feel confident for the future.



EMPLOYEE SHAREHOLDING

Since the termination of the voluntary profit-sharing scheme as part of the wind-up of our internal wage agreements in 2012 (we reported on this last year), the executive board has been looking at the idea of introducing a comparable concept. The main goal is to promote a positive performance culture and to support the entrepreneurial spirit of the workforce.

The message we want to give employees is that high productivity, flexible working and economic use of resources, therefore efficient processes, pay off in cash for everyone. Furthermore, the concept should also be conducive to the employer's positioning on the labour market and satisfy our social responsibility by supporting employees in terms of capital accumulation and retirement pension.

We chose a programme that allows employees to contribute capital to the company and to become silent partners in August Faller KG. They have no right of co-determination, however they do have a right to information. The programme could only be established for the German plants in the initial phase. The capital paid in by employees is topped up by a maximum employer contribution of €360 and this forms the nominal value of the shareholding.

This shareholding is subject to a retention period of 5 years during which it accrues interest paid by the company. After this period, the shareholding can be terminated and paid out at nominal value. The interest conditions were based on an attractive fixed rate above the market level and a performance-related variable interest. The interest is paid annually when profit is made. If losses are made, a variable negative interest rate is agreed that

lowers the nominal value. The programme should be revised every year. It is not possible to explain the model in detail with all terms and conditions here. The accumulated employee capital can be assigned to the economic equity capital over the next years.

By the deposit date of 30 November 2013, the accumulated employee capital was €367,460 (including employer's supplement); the shareholding quota of claimants was 19.1% or 149 silent partners. We regard this as an indication of the enormous trust that our employees place in their own company and of the considerable initial success of this employee shareholding programme.

AUGUST FALLER AS AN EMPLOYER

The mission of the August Faller Group is to ensure the supply of medicine to people all over the world. We contribute to this by creating maximum benefits for our customers, developing our corporate freedom and acting in a high-performance and future-oriented manner. We stand for solution-oriented innovation and sustainable management.

Our managers and employees align themselves with the corporate values that form the basis and guidelines for all decisions and that underpin our culture:

- Trust as a fundamental value
- Customer loyalty
- Entrepreneurial spirit
- Best in class
- Sustainability

In 2013 we revised our mission, values, conduct and management principles and developed a new brand and employer positioning. We briefly and clearly summarised these aspects for all employees in the "standards tree", which serves as a reference. Now and in the future, both management personnel and employees will be informed of the standards tree by way of a top-down pyramid structure. The company policy applicable to the entire group is currently being updated.

As part of our "Employer Branding" project, we developed our employer positioning in cooperation with the workforce. Characteristic features of August Faller were identified in 3 dimensions in what we called "truffle groups". Our "anchor" in emotional employee loyalty is our "heart with roots"; our key feature that sets us apart from others and thus the 'differentiator' is the constant motion in our every day work: we don't do relaxed. We progress because we push and exceed predefined boundaries. As such, we create prospects and development opportunities for employees with a sense of discovery.

With this positioning on the labour market, we want to attract the right applicants to fill our vacancies and effectively organise our personnel recruitment. Flexible, committed employees who are open to new ideas and who value a thoughtful, responsible employer are the target group of our employer positioning.

By working with project groups, we were also able to obtain information about working environment and employee commitment, although this information was not representative. As part of our personnel strategy, we will draw on this information to contribute further to the success of the company with human resources activities. The stable progress of personnel development is illustrated by the social figures. At 1.3%, the expenditure for training increased slightly at group level compared with 1.2% the previous year.

The declining number of apprentices and suitable applicants is noticeable in the Human Resources division. Nevertheless, the number of apprentices increased by one to 43 at group level. With 15 women in the group's middle and upper management, we achieved a proportion of 24 % in 2013: a quota that we want to increase. This should contribute to the further development of skilled employees as part of our employee development and targeted recruiting. At 5.8%, general health (sick days/target work days in %) improved in 2013 compared with the previous year's 6.1%.

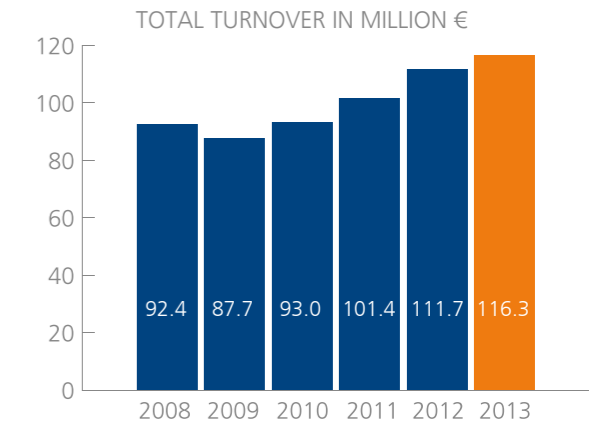
Our accidents at work statistics revealed a very positive development. After a difficult 2011 with 25 accidents per 1000 employees, the 2012 quota fell by more than half to 11 accidents and dropped again in 2013 to 9 per 1000 employees. Our analyses do not reveal any clusters in the type of accident, accident area or any other connections, therefore most accidents were probably due to unwariness. Occupational safety training for employees is prescribed as a countermeasure.

ECONOMIC FIGURES

AUGUST FALLER GROUP

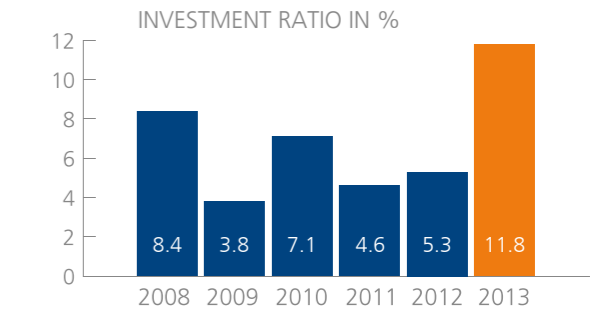
TOTAL TURNOVER IN MILLION €

2008	2009	2010	2011	2012	2013
92.4	87.7	93.0	101.4	111.7	116.3



INVESTMENT RATIO IN %

2008	2009	2010	2011	2012	2013
8.4	3.8	7.1	4.6	5.3	11.8



INVESTMENT IN MILLION €

2008	2009	2010	2011	2012	2013
7.8	3.3	6.6	4.6	6.0	13.8

AUGUST FALLER KG

ECONOMIC FIGURES

	2008	2009	2010	2011	2012	2013
ECONOMIC EQUITY RATIO IN %	36.8	38.7	45.3	48.7	46.8	38.8*
QUOTA OF VALUE ADDED IN %	65.9	65.7	66.3	65.5	66.3	68.8

*provisional

ECOLOGY

The efficient use of resources protects the environment and also contributes to economic success. For many years Faller has pursued an approach of anchoring ecological thinking and action into the everyday work of its employees through innovation and management strategies. This includes resource efficiency, energy efficiency and climate protection, the reduction of emissions, the use of renewable raw materials from sustainable sources and material cycles to avoid waste.

ENERGY MANAGEMENT SYSTEM

The Waldkirch, Binzen and Schopfheim plants were certified in accordance with ISO 50001 in 2013 by the DQS (German Association for Quality Management). The energy management system was seamlessly implemented into the existing, integrated management system (IMS) with the previously certified systems in accordance with ISO 9001, ISO 14001 and OHSAS 18001, which have been employed by Faller for years. The management formulated the strategic goals for energy management in the energy policy and firmly anchored these in the corporate policy.

Using energy potential tables, every plant determines and updates its operating goals for the continuous improvement of its energy performance. The table lists potential energy efficiency

and cost-saving measures. Among other things, these measures concern demonstrating the energy flow and all points of energy consumption. Thus we were able to determine and implement an improved energy usage and consumption strategy. Energy efficiency and potential savings at the individual plants were integrated into the workflow in regular energy meetings and are thus a fixed component of any future planning.

One of these measures was the new lighting concept in the Waldkirch and Binzen production facilities, which considerably reduced the electricity consumption. As an additional measure, the brightness and light colour were altered to improve the working ergonomics. Other important measures from the energy potential lists are established predominantly in facility services

with a focus on the generation of compressed air, air conditioning and the plant technology. Thanks to these measures and our motivated workforce, we were able to increase energy efficiency and thus work more economically while at the same time helping to protect the environment.

It should also be mentioned here that we have been using 100% green energy in all of our German plants for several years and thus make a considerable contribution to reducing CO₂ emissions. This is a clear indication of our commitment to sustainability and the responsible use of resources.

ENVIRONMENTALLY FRIENDLY COMMUTING

August Faller KG Waldkirch was awarded the Eco-Traffic Award for the second time in recognition of its sustainable support of environmentally friendly commuting through its eco-transport programme, which has been developed and implemented since the company last received the award in 2010.

This includes the promotion of travelling to work by public transport by offering pre-financing for purchasing a regional public transport pass. Employees who set up a regular carpool receive a reserved parking space. Anyone who wishes to cycle between the Waldkirch plants can use a company bicycle: a service that is very well received.

CO₂ SAVINGS IN ADVERTISING MATERIAL

Once again this year, the greenhouse gas emissions amounting to 5.9 tonnes of CO₂ equivalents generated by the environmentally friendly production of our printed advertising material was compensated for by certified environmental protection projects. At the same time we use environmentally-friendly manufactured FSC® materials for this printed matter and thus support sustainable forestry management.

PROCESS OPTIMISATION

Alcohol-free printing

Alcohol-free printing was implemented in PharmaServiceCenter (PSC) Leaflets in 2013, following similar implementation in PSC Folding Cartons in 2012. In addition to cost savings, this development rendered the printing process considerably more environmentally-friendly and less hazardous to health.

Water savings

Water-saving systems were introduced in the folding carton and leaflet production facilities in order to reduce the water consumption for manufacturing our printing plates. This system reduces the rinse water whilst effectively sluicing down the printing plates. This installation allowed us to reduce our fresh water consumption for manufacturing our printing plates by more than 35%.

HAZARDOUS WASTE

As already mentioned in the Sustainability Report 2012, an assessment of the progress in the leaflets division is now available, which was obtained using new development technology and by switching to a new printing plate exposure unit at PSC Leaflets in Binzen. A reduction of more than 60% in chemical consumption compared with 2010 was achieved in this field.

In Waldkirch, approximately 200 kg more old developer and approximately 900 kg more old oil was accumulated. Measures are on-going to regulate this development. The increase in hazardous waste in PSC Leaflets is partly due to the fact that no ink was disposed of in 2012, whereas a total of 586 kg was recorded in 2013, and partly due to the installation of a new UV lacquering plant in 2012, and thus the associated increase in consumer waste.

PharmaServiceCenter Packing Services achieved considerable cost savings and reduced the amount of hazardous waste by switching production to alcohol-free printing in 2012. However, the German plants generated 545 kg/a more hazardous waste overall.

This is partly due to higher production volumes and partly due to the fact that, as mentioned previously, not all waste that is generated in a calendar year is disposed of in the same year and therefore influences the balance of the following year.

ENVIRONMENTAL FIGURES

ECOLOGY	DEFINITION	2013	2012	CONSUMPTION COMPARED WITH PREVIOUS YEAR IN %
Total energy per tonne of printing material PSC* folding cartons	kWh energy consumption per tonne of printing material	513	590	-13.2
Total energy per tonne of printing material PSC* leaflets	kWh energy consumption per tonne of printing material	620	717	-13.5
Total energy per tonne of printing material PSC* adhesive labels	kWh energy consumption per tonne of printing material	1886	1623	16.2
CO ₂ from energy consumption per tonne of printing material PSC* folding cartons	kg CO ₂ per tonne of printing material	63	81	-22.3
CO ₂ from energy consumption per tonne of printing material PSC* leaflets	kg CO ₂ per tonne of printing material	40	60	-33.2
CO ₂ from energy consumption per tonne of printing material PSC* adhesive labels	kg CO ₂ per tonne of printing material	260	211	23.3
Hazardous waste PSC* folding cartons	kg of hazardous waste per tonne of printing material	1.0	1.0	-1.2
Hazardous waste PSC* leaflets	kg of hazardous waste per tonne of printing material	1.4	1.1	-20.9
Hazardous waste PSC* adhesive labels	kg of hazardous waste per tonne of printing material	5.1	4.0	27.8
Cardboard waste PSC* folding cartons	kg cardboard waste per tonne of cardboard	370	399	-7.2%
Paper waste PSC* leaflets	kg paper waste per tonne of paper	149	177	-15.5%
Adhesive material waste PSC* adhesive labels	kg adhesive material waste per tonne of adhesive material	410.5	343.8	19.4

*PharmaServiceCenter

PHARMA PACK SOLUTIONS AT YOUR SIDE

SOCIAL

CARE PORTAL ADVICE SERVICE

All August Faller KG employees have been able to make use of the care portal advice service at www.mein-pflegeportal.de for years. Access is private and can be anonymous. Faller covers the costs of this service and would like to encourage employees' access to this independent advice service.

Gerhard Habicht, who initiated the portal, says: "In my experience, many people do not want to discuss problems in caring for relatives or the difficulty of confronting the first stages of dementia in a close family member with colleagues or managers. Therefore, we have provided the opportunity to use the portal with a choice of user name in order to protect the privacy of those seeking advice."

BENEVOLENT FUND

As a registered association based in Waldkirch, the purpose of the August Faller KG benevolent fund is to grant one-off, voluntary support to present and former employees of August Faller KG in times of need or in emergencies. 106 applications were approved in 2013 and the following costs were subsidised: 40% for glasses or contact lenses, 27% for dental treatments, 24% for additional payments for long-term medical conditions and 9% for other treatments.

SOCIAL ENGAGEMENT OF APPRENTICES

When it comes to social engagement, apprentices can choose from a range of preferred support projects. They receive in-depth training in project management and subsequently organise independent relief action: the apprentices are in charge of everything including project planning, fundraising with internal and external sponsors and holding the event.

Of course they receive support from trainers and managers if they need it. Independence, autonomy, stronger team spirit and social awareness are the desired fringe effects of this social campaign.

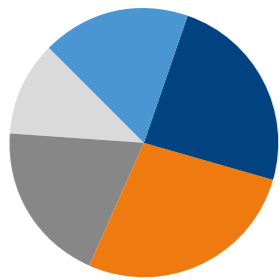
SPORT, CULTURAL AND SOCIAL INITIATIVES

Once again in 2013 Faller supported a wide range of interest groups at its German plants with the aim of improving people's livelihoods or enriching their quality of life through cultural activities.

As a board member of the friends of Elztalmuseum e.V. in Waldkirch, Dr. Michael Faller supports the development of the municipal museum, whose continued existence should be safeguarded through the dedication of interested citizens.

In 2013, Faller made donations, pledged sponsorship and placed adverts in association media, particularly in the fields of sport, education, culture and social. On the topic of the environment the company funded the "Plant-for-the-Planet Akademie", which took place in Waldkirch for the third time on the initiative of Faller. Plant-for-the-Planet is an initiative that trains young people as "ambassadors for climate justice" and wants to enable them to take independent action and plant trees (www.plant-for-the-planet.org). In 2013, this organisation also benefited from the compensation that has to be paid for company cars that exceed the default CO₂ emissions threshold of 130 g/km. This is in the region of approximately €1000 or 1000 trees respectively.

RANGE OF SUPPORT 2013



- TRAINING
- CULTURE & ENVIRONMENT
- SOCIAL
- OTHER
- SPORTS



Children of the "Plant-for-the-Planet" academy for environmental justice with Dr. Michael Faller (left)

Cultural events, chamber concerts, children's musicals, summer programmes: contributions in the form of donations or sponsoring help organisers to limit financial risks and contribute to an active social life.

Apart from in-house training, Faller also invests in the vocational qualification of young people at WABE gGmbH in Waldkirch. This company has established a very successful training association. "The Waldkirch training association was established in summer 2007. 18 training companies in Waldkirch and the surrounding area are now part of the association.

It is currently supervising 9 apprentices. They alternate between the training companies in a 6-month rotation and therefore enjoy a range of training that could otherwise only be offered by a large concern. All apprentices supervised by WABE gGmbH are young people who have submitted several unsuccessful applications and who were not able to arrange an apprenticeship in the 'normal way'." (Source: www.wabe-waldkirch.de) Usually these apprentices are offered a permanent job in one of the companies where they completed an apprenticeship, which includes Faller.

As part of the project "Haus der Kultur", which is a joint venture between the municipal music school and the Georg-Scholz-Haus-Kunstforum, a practice room was set up near the schools (Werk-realschule and Gymnasium) because fewer and fewer pupils have enough time to practice before lessons. Faller donated funds for the purchase of "silent instruments" so that several pupils can practice at the same time without disturbing each other.

From 2003 to 2013, August Faller KG made its plant canteen available to the adult group of the theatre society as a rehearsal

and performance space, completely free of charge. At that time Dr. Michael Faller had the idea of "alternative canteen usage" and was honoured for this in 2013 with a celebration by the theatre group. His summary of this cultural support: "12,680 people have spent wonderful hours at the theatre in the canteen – it's the best rent payment I have ever received!" The company needed the space in 2014 as part of the plant development of plant 2.

The touring theatre group "Tempus fugit" performs fantastic works in the Lörrach space. With their play "Nur Mut" ("Be courageous") they encouraged the pupils to make their own way in the world of work. This programme is supported by commercial enterprises in the Lörrach region and Faller has contributed to the costs of several production relays for many years. (www.fugit.de)



Scene from "The Imaginary Invalid" in the theatre in the canteen



Children of the Geschwister-Scholl High School with Faller jerseys

The Schopfheim fire brigade benefited from practical support in April 2013. 3 garages stood in the way of the planned expansion of the Faller premises. Through informal discussions, Faller found out that the fire brigade needed storage space and the fire brigade swiftly organised the removal of the pre-fabricated garages through its local network using heavy-duty cranes and semi-trailer units.

- 1: Arrival of the fire brigade at August Faller KG in Schopfheim
- 2: Loading the pre-fabricated garages using heavy-duty cranes
- 3: Removal of the pre-fabricated garages



»1



»2

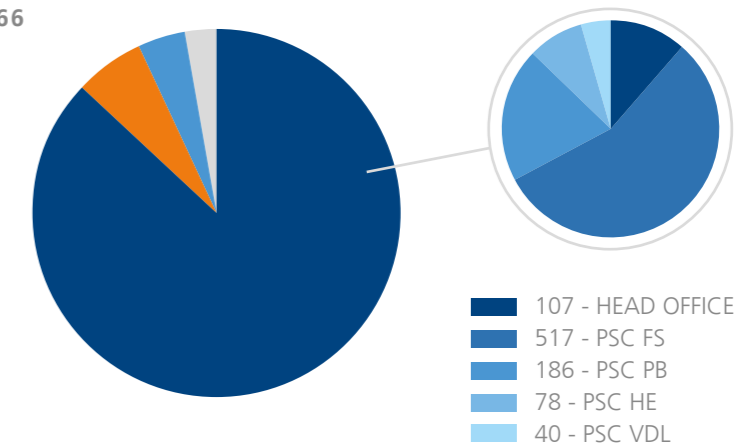


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SOCIAL FIGURES

AUGUST FALLER GROUP EMPLOYEES: 1066
As of December 2013

- 928 - AUGUST FALLER KG (total D)
- 65 - AUGUST FALLER A/S (DK)
- 44 - AUGUST FALLER Sp. z o.o. (PL)
- 29 - PPD - PHARMA PRINT DESIGN (D)



SOCIAL FIGURES

	2008	2009	2010	2011	2012	2013
TOTAL NUMBER OF EMPLOYEES	816	822	842	852	971	1066
OF WHICH PART-TIME WORKERS	39	38	40	41	62	57
APPRENTICES	46	49	47	43	42	43
PROPORTION: WOMEN IN UPPER/MID-MANAGEMENT	6	5	8	8	12	15
PROPORTION: WOMEN IN UPPER/MID-MANAGEMENT IN %	n.a.	12	19	19	24	24
ACCIDENT RATE PER 1000 EMPLOYEES	22	26	17	25	10	8
PERSONNEL COSTS FOR EXTERNAL TRAINING MEASURES	n.a.	0.6	0.7*	0.9*	1.2*	1.3

* August Faller KG

AUGUST FALLER A/S

LEAN MANAGEMENT

Lean management and an intensive exchange of know-how for common standards in folding carton production are key priorities for August Faller A/S. The lean management team provided advice to the cooperating divisions for the integration of A.C. Schmidt A/S into the August Faller Group: joint benchmarking supports the continuous improvement of standards within the August Faller Group.

In 2013, the folding carton plant in Hvidovre put its focus on the pharmaceutical and healthcare industry. The testing processes were expanded to comply with the provisions of the "Current Food Manufacturing Practices". The layout of the production facilities was adapted to the material flow and clearly arranged.

The gluing lines are designed for orders with smaller batch sizes and a printing service was established. The "5S actions" were performed throughout the entire company in cooperation with the lean management experts of August Faller KG. The 5 S's stand for: Select – Sort – Sanitise – Standardise – Self-discipline.

FALLER NETWORK SYNERGIES

The cooperation of Danish and German colleagues strengthens the synergies between the plants. The company formerly known as A.C. Schmidt A/S and operating under the name August Faller A/S since October 2013 is certified in accordance with ISO 9001:2008, GMP and FSC and therefore guarantees customers in the Northern European market the service of the entire Faller network.

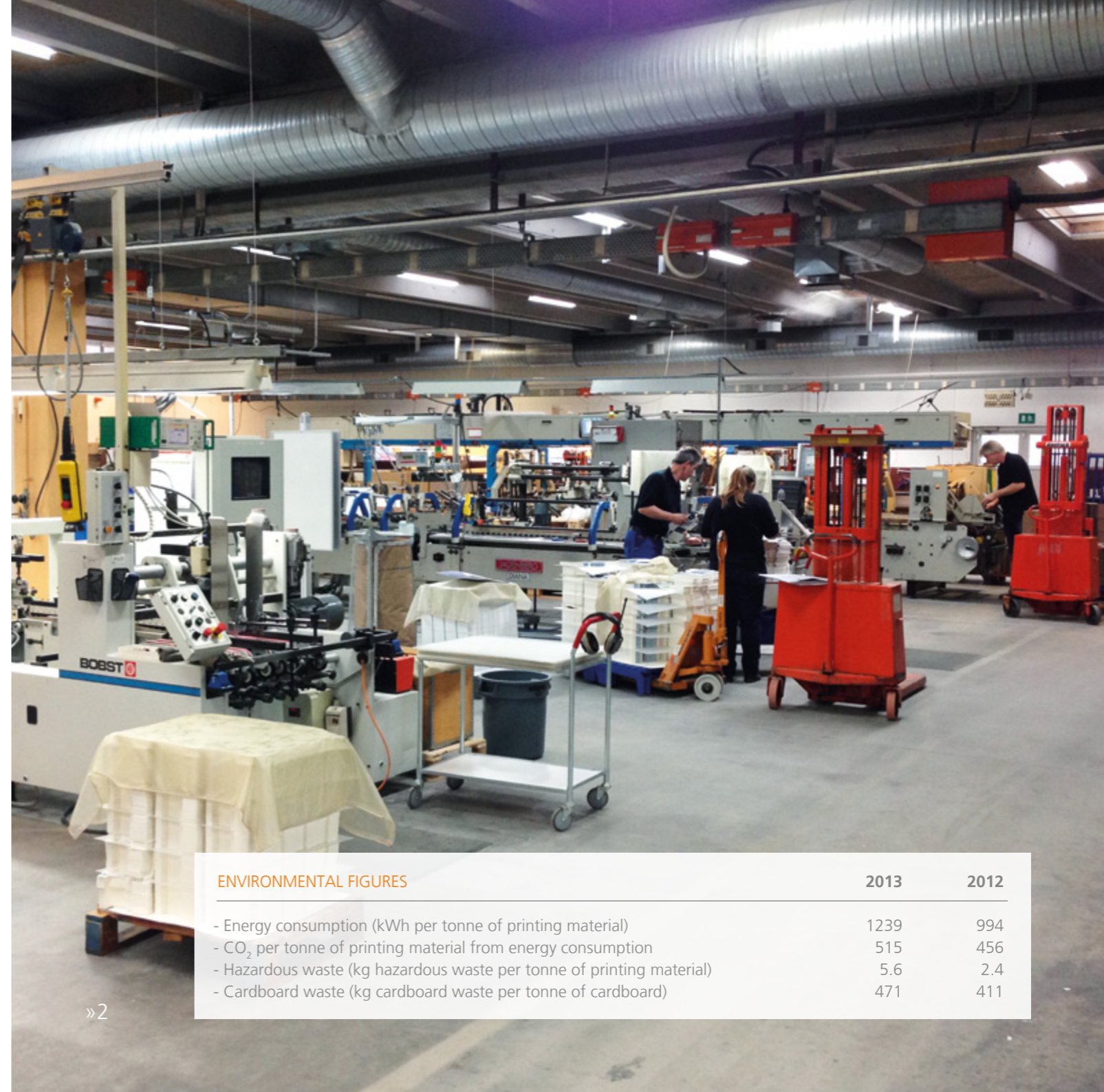


1: Hvidovre plant – August Faller A/S
2: View of folding carton production facilities at August Faller A/S

ENVIRONMENT

The environmental figures indicate an increase in energy consumption and a decline in CO₂ emissions per tonne of printing material. The increase in hazardous waste and in cardboard waste is due to the rigorous disposal of stock, which was necessary as part of the standardisation of the carton formats.

In 2013, August Faller A/S no longer renewed certification in accordance with "Nordic Swan", as the requirements concentrated on paper processing and the stipulations for cardboard processing could not be adequately illustrated.



ENVIRONMENTAL FIGURES	2013	2012
- Energy consumption (kWh per tonne of printing material)	1239	994
- CO ₂ per tonne of printing material from energy consumption	515	456
- Hazardous waste (kg hazardous waste per tonne of printing material)	5.6	2.4
- Cardboard waste (kg cardboard waste per tonne of cardboard)	471	411

AUGUST FALLER SP. Z O.O.

CONCEPTION

August Faller Sp. z o.o. in Łódź has produced folding cartons since October 2013. The plant is specially designed to manufacture standard packaging. The workflow and the quality processes comply with the strict requirements of the "Good Manufacturing Practice" (GMP) of the pharmaceutical industry. Faller lean management experts have structured the processes in accordance with the standards of the August Faller Group.

In addition to the technical conception, great emphasis was placed on training employees extensively in the proven standards in order to guarantee customers streamlined and perfect processes. Thus the Łódź plant was successfully certified in accordance with DIN ISO 9001 by the end of October 2013.

SOCIAL RESPONSIBILITY

On 10 October, August Faller Sp. z o.o. was ceremoniously opened in the presence of the Mayor of Łódź, Hanna Zdanowska, as well as authority representatives, business partners, employees and the management.

The managing partners of August Faller KG, Dr. Michael Faller and Dr. Daniel Keesman, confirmed that the August Faller Group acknowledges its social responsibility in Łódź and that it will also carry on the tradition of the 132-year-old, value-oriented family enterprise in Poland. This also includes making employees feel appreciated, as their performance is crucial to the company's success.



1: Łódź plant – August Faller Sp. z o.o.
2: Opening of the plant in Łódź left: Nikolaus Reichenbach (Project Manager), Hanna Zdanowska (Mayor of Łódź), Dr. Daniel Keesman and Dr. Michael Faller (Managing Partners)

ENVIRONMENT

As production only commenced in October 2013, no reliable figures are available at present. The environmental figures for August Faller Sp. z o.o. will be published in the 2014 Sustainability Report.



3: Printing press in the production facilities at August Faller Sp. z o.o.



NEWS

COMPANY IN DIALOGUE

The corporate values state that August Faller KG strives to "make a valuable contribution to society". On one hand this reflects the involvement of the management in important committees and associations, and the promotion of social and cultural projects at its plants, as illustrated in the "Social" section, on the other.

Its participation in commercial and social committees aims to actively promote the concerns of the company in dialogue with economic partners and other stakeholders from politics and the public sphere. This helps to secure the long-term success of the company. Dr. Michael Faller is vice-president of the Chamber of Industry and Commerce for Southern Upper Rhine and chairman of its environment and energy committee.

Together with Werner Reif, who is head of the business division for innovation and environment, he has represented the Chamber of Industry and Commerce for Southern Upper Rhine on the environmental committee of the Association of German Chamber of Commerce and Industry since 2013.

Michael Faller is an advisory board member of the Trade Association of Industrial Enterprises in Baden (wvib). In 2012 he was spokesman of the board of directors of the German Professional Association of the Folding Carton Industry and has been chairman of the marketing committee since 2013. Dr. Michael Faller was appointed to the Baden-Württemberg Sustainability Board in 2013.

FALLER PROMOTES TALENT

Faller drew up a structured plan for the strategic development of talents in 2013. Based on the Faller Excellence Programme, management personnel and employees have the task of structuring human resources planning for the coming years to ensure that both the company strategy and demographic factors are taken into account. The aim of the Human Resources Department is to support management and motivated, capable employees with career planning, and to look after manpower requirements.

As part of the strategic further education, all mid-management personnel could familiarise themselves with Faller's obligatory management tools. This supports the consistent implementation of the strategy. The corporate values are another important foundation of the management's leadership.

CORPORATE VALUES

In the chapter "Economy" it has been repeatedly remarked that improving productivity is paramount to maintaining the competitiveness of the German production facilities. This requires a high degree of commitment and cooperation from management and employees. As such, management guidelines and clearly formulated values are solid foundations for constructive and successful cooperation.

Especially in this stage of internationalisation, the Faller family business attaches great importance to cultivating traditional values and making them a real point of connection between the employees of every nation. The fact that our employees experience this at every level of hierarchy in everyday operations is proof that we achieved this in the first phase of the integration and establishment of the plants in Denmark and Poland. "Welcome to the Family" wasn't just the motto of the welcome campaign for new employees, but also reflects the core value of "trust" in everyday tasks.



Group outing with Polish colleagues during their training in Waldkirch



View of the production facilities at PSC Leaflets in Binzen

NEW PREMISES

The light fixtures in the production halls in Binzen and Waldkirch created a new spatial experience – fixtures are now positioned where they are actually used: at workplaces. You can read about how the lighting concept has contributed to energy management in the Ecology section.

An extension was built in Waldkirch to adapt the cramped staff rooms in plant II to the increasing number of employees. The extension also accommodates several offices that are urgently required due to growth.

The preparations for the new construction of an office building began in 2013 to provide space for the expanding "Faller family" in Waldkirch. The construction is scheduled for completion in July 2014.

In June 2013, employees in Schopfheim celebrated the inauguration of the adjoining building, which was acquired in 2011 and then elaborately refurbished, with guests from the world of politics and business partners. This provides room for the production of increasing quantities and for more employees in Schopfheim.



Opening of the extension in Schopfheim

TEAM EVENT FOR APPRENTICES

At the team event for Faller apprentices in Austrian Tyrol, the apprentices had the opportunity to prove their teamwork skills under extreme conditions and to get to know each other and their trainers. The atmosphere among the apprentices is positive – the teamwork activity bonded the group and helped to establish friendships at the start of the apprenticeship.



Rafting team event: on their future career path full of fun and energy



Rafting team event: combined effort for a common goal



FURTHER INFORMATION
Scan the QR code or visit us at:
www.august-faller.com/en



IMPRINT

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