

# Entrepreneurs

# AT WORK

BUSINESS REPORT 2018



**POSSEHL**

The Entrepreneurs' Group

*Entrepreneurs at work.*  
***Every day!***

**L. Possehl & Co. mbH** is a Group of medium-sized industrial companies managed in Hanseatic tradition. In our more than 200 companies we employ around 13,300 people worldwide, with over half being based in Germany. Our companies preserve and maintain their unique identity and continue to develop independently within the Group. As a successful and diversely positioned Group with a history spanning 170 years, the name Possehl stands for entrepreneurial spirit, tradition and responsibility.

*“Applying a visionary and patient approach  
to make growth sustainable.”*

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## *Dear Business Partners, Dear Readers,*

**The Possehl Group continues to do very well.** At approximately €3.8 billion, last year's sales equalled but didn't exceed the previous year's high level. This was mainly attributable to a reduced precious metal trade volume and negative currency effects. Adjusted for these two factors, business grew considerably by almost 8%. Despite high expenditures and investments, earnings before taxes rose by 2.7% to €162 million, which means that we achieved the best operating result in the history of our company, even though the flagging economic development affected some individual divisions towards the end of the year.

Earnings particularly increased in the Cleaning Machines and SME Investments divisions, due to acquisitions in the case of the latter. The Printing Machines business saw a significant drop in earnings as a result of strategic realignment. The operational results of our other divisions remained on a par with the previous year.

As for acquisitions, purchasing five new companies last year meant that we made encouragingly good progress in that department business areas as well, even though the general framework conditions for company acquisitions were anything but favourable. Given the long-lasting economic upswing and exceptionally favourable financing conditions, the purchase prices for companies in many sectors of industry climbed to such an extent as would be contrary to the economic interests of Possehl as a long-term investor without exit ambitions, and would inevitably be associated with unreasonable risks. And, as can be seen at present, even the longest-lasting economic boom comes to an end eventually.

The acquisitions strengthened our divisions Special Purpose Construction, Cleaning Machines and Precious Metals Processing as well as our SME segment. In the case of the latter, we achieved external growth with a high level of strategic potential by acquiring a majority interest in the Hänsel Group – a globally leading system provider for the confectionary industry.

Merging manroland web systems and Goss International in the printing machine market was an important and at the same time a ground-breaking consolidation step. We regard this new constellation as an excellent opportunity for the successful development of this division within a difficult market environment.

A new historical figure shows just how stable a basis Possehl stands on: for the first time, our 2018 balance sheet reports consolidated assets of more than €1 billion, a figure all of our employees can be very proud of, particularly because it only reflects the book value. The true value of the Group exceeds this figure by far – all the more as we have continued to build up assets from our own funds for years while, at the same time, reducing liabilities to third parties, so that, on balance, we have no financial liabilities. Unlike the case with many other corporate groups, only a minor part of our assets is goodwill.

However, these are only the financial figures. Both our operative processes and the strategic progress we have made are worth mentioning too, since our Group developed particularly well in this field last year. The vast majority of our companies was able to take advantage of a still favourable economic environment in order to strengthen their respective market positions and expand their business activities.

One important pillar of our companies' success was the increasing focus on innovation. Last year, all of our nine divisions were particularly active in this area. They further developed existing processes and underpinned their claim to leadership in their respective industries through both developing and launching new products to the market.

Digitisation, 3D printing, cloud solutions, Internet of Things – these are some of the hottest topics currently being discussed at top management levels throughout the industry, and subsequently at Possehl, too. These topics are so important because they are the decisive factors for future success. The support we offer our companies in their efforts of furthering their development in this field is accordingly intensive – although, as a Management Holding, we don't carry out any own R & D activities.

The "Possehl Innovation Award" is an additional incentive for our companies to develop new ideas. Furthermore, with our first cross-divisional digitisation conference taking place this spring, we initiated a new exchange platform: in March, some 100 representatives from all divisions met at our headquarters in Lübeck to exchange ideas and gain fresh impetus for new paths into the



**Mario Schreiber**

Member of the Board

**Dr Joachim Brenk**

Chairman of the Board

**Dr Henning von Klitzing**

Member of the Board

future. “Forming bonds” – the catchword of the conference – was a clear signal that cooperation is a good strategy for future success.

The future-oriented investments we made last year included investments in the expansion of our existing resources: in our Elastomer Plants division, we have already invested several million euros in the new construction, expansion and modernisation of our production sites and administration buildings in Hamburg-Harburg and Freudenberg. In addition, environmental protection requirements have constantly increased in recent years. This is why we have steadily adjusted our investments upwards in this field as well.

Our high level of domestic investments also shows our commitment to Germany as a business location, although today foreign subsidiaries are an integral part of any successful mid-sized company. Especially in the current phase, where qualified employees constitute a major bottleneck factor, we need modern production facilities and good working conditions in order to be successful in the competition for the best employees.

Already successfully launched, our new trainee programme offers young people with high potential an attractive additional opportunity to grow into their roles as future executives within our Group. Last year, the first trainees successfully completed the programme. We were able to offer all former trainees interesting positions at one of our companies worldwide, and they all accepted our offer, which is a very positive result and evidence that Possehl is an attractive employer for up-and-coming junior employees. However, we also offer our executives excellent opportunities for further development provided by our “Formula P” programme and, in addition, we succeeded in motivating 456 young people to start an apprenticeship within the Possehl Group in the reporting year, and thus achieved a training quota of over 6%.

What can we expect from the current year? Against the background of growing geopolitical risks and a slowing global economy, our outlook for the coming year is cautiously optimistic. However, due to the good conditions and market positions of our companies as well as – in many cases – extensive order backlogs, we see no reason for pronounced pessimism. For 2019, we expect a slight increase in sales with positive contributions from all divisions, and we predict that the adjusted return on sales remains on the previous year’s level of between 6 and 8%.

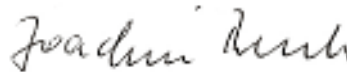
Potential earnings generated from further new acquisitions have not been taken into account. Given a presumably slightly weaker economic environment and the downward trend in stock prices, we assume that company prices have reached their peak. This will widen our possibilities for acquiring new companies in the future, whereby we continue to focus on SMEs for which the determining factors are not only the purchase price but – more and more – also qualitative aspects such as reliability and long-term, stable prospects.

In addition to expanding and modernising our production plants, we will increasingly invest in research and development. We will continue to finance these investments from our own assets and the current cash flow.

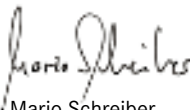
Digitisation will remain a focal topic. The example of manroland web systems and Böwe Systec has shown just how important digitisation is, in particular for traditional business models. Fewer and fewer documents, brochures etc. are being printed and posted by mail these days, with all the consequences that this entails for the entire business model, and the example of the automotive industry shows that even major industries have to deal with the impact of this transformation. However, we see this change not as a problem but as an opportunity. Furthermore, the results of our digital conference in March clearly show that our companies are ready to meet this challenge.

We would like to take this opportunity to thank our executives and employees for their great commitment and contribution to our corporate success in the past year. We thank our business partners for placing their trust in our Group of companies. We look forward to continuing our successful business cooperation throughout the current year.

Yours sincerely,



Dr Joachim Brenk



Mario Schreiber



Dr Henning von Klitzing



## Executive Board

### Joachim Brenk

Dr.-Ing.

Chairman of the Board

Member of the Executive Board since 2009. Chairman of the Board since 1 August 2017 and responsible for the divisions Document Management Systems, Printing Machines, Precious Metals Processing and Elastomer Plants.

### Henning von Klitzing

Dr. rer. pol., Lawyer

Has been working for the Possehl Group since 2006. Member of the Executive Board since 2013 and responsible for M&A.

### Mario Schreiber

Diplom-Betriebswirt (MBA/Master in Business Administration)

Has been working for the Possehl Group since 2004. Member of the Executive Board since 2013 and responsible for the divisions Special Purpose Construction, Electronics, Identification Solutions, SME Investments and Cleaning Machines.

# Supervisory Board

## Ernst F. Schröder

Dr. rer. pol.  
Chairman  
Businessman

## Peter Hlawaty

Vice Chairman  
IG Metall Küste

## Hans-Willi Puntheller

Painter and Decorator  
Chairman of the Works Council of cds Polymere GmbH & Co. KG  
Member of the Group Works Council of L. Possehl & Co. mbH

## Hanno Brüggén

Personally liable shareholder of H. & J. Brüggén KG

## Rolf Schmidt-Holtz

Co-founder and Chairman of the Supervisory Board of Just Software AG

## Claus Bunk

Head of Plant Assembly at Böwe Systec GmbH  
Chairman of the Works Council of Böwe Systec GmbH  
Chairman of the Group Works Council of L. Possehl & Co. mbH

## Max Schön

Entrepreneur  
Chairman of the Possehl Foundation's Management Board

## Michael Hinrichsen

Insurance Broker at Lubeca Versicherungskontor GmbH

## Angelika Strait-Binder

Personally liable shareholder of J.G. Niederegger GmbH & Co. KG

## Uwe Lüders

Master of Economics (Dipl.-Volkswirt)

## Horst Wardius

Equipment Engineer  
Vice Chairman of the Works Council of Hako GmbH, Bad Oldesloe plant  
Member of the Group Works Council of L. Possehl & Co. mbH

## Liane Papaioannou

Chief Authorised Representative of IG Metall Pforzheim

## *Dear Sir or Madam,*

Possehl continues along its course of growth and success, which is impressively confirmed by the following figures for the financial year 2018. Group sales, adjusted for precious metal effects and exchange rate changes, increased by almost 8% to €2.52 billion. Consolidated earnings before taxes climbed to a new record high of €162.2 million. The number of new acquisitions is equally remarkable. Last year, despite the difficult market environment, the Group succeeded in conducting five company transactions. In view of this initial situation, the Supervisory Board is confident that the Group of companies continues to move in the right direction and is well-prepared for the future, even against the background of a possibly weakening economic environment.

During the financial year 2018, the Supervisory Board fulfilled the obligations incumbent on it in accordance with the relevant statutory provisions, the articles of association and its by-laws with great diligence. We regularly advised the Executive Board in its management of the Group and closely monitored its activities. We performed these functions on the basis of detailed reports from the Executive Board received at our Supervisory Board meetings. The Supervisory Board was directly involved in all decisions of fundamental importance at an early stage. In four ordinary meetings, the Executive Board provided us with information about major acquisition projects, the course of business, the future prospects of each individual division as well as the general situation of the Group. During these meetings with the Executive Board, we discussed in-depth all fundamental issues concerning corporate policy, including and in particular the strategic development and the risk situation of the Group as well as issues regarding corporate planning and key investment decisions. We conducted in-depth reviews of all business

transactions requiring our approval to comply with statutory regulations and company by-laws. Following intensive discussion and examination, the Supervisory Board approved the Executive Board's proposed resolutions. Three resolutions were passed by written circulation procedure.



Outside the Supervisory Board meetings, the Chairman of the Supervisory Board was also in regular close contact with the Executive Board, in particular with its Chairman. He was regularly and comprehensively informed of significant business transactions and current events of importance for assessing the situation and development of the Group. The Chairman of the Supervisory Board advised the Executive Board in its entrepreneurial decisions, especially with regard to corporate transactions.

During the reporting period, the Supervisory Board thoroughly fulfilled its duty to monitor the Executive Board consistently.

## ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the Annual Financial Statements and the Management Report of L. Possehl & Co. mbH as well as the Consolidated Financial Statements and the Group Management Report for the financial year as at 31 December 2018 in accordance with German statutory provisions and issued an unqualified audit opinion. The auditor's reports were made available to all members of the Supervisory Board in due time and were discussed in detail in the presence of the auditor at the accounts meeting held on 29 April 2019. The auditor reported on the volume, the focal points and essential results of the auditing, highlighting both particularly important audit issues and audit activities performed. He provided comprehensive information on the audit reports to the members of the Supervisory Board and answered their questions in detail.

The Supervisory Board concurred with the results of the audit. Following the conclusion of its own examination, the Supervisory Board raised no objections to the findings. The Supervisory Board approved the Financial Statements of L. Possehl & Co. mbH for the financial year as at 31 December 2018 and recommends to the shareholder, the Possehl Foundation, to approve the Financial Statements. Furthermore, the Supervisory Board recommends to the shareholder to approve the Consolidated Financial Statements of L. Possehl & Co. mbH for the financial year as at 31 December 2018.

The Supervisory Board examined and approved the Executive Board's proposal for the appropriation of the profits, which had been submitted to the Supervisory Board beforehand.

## CHANGES TO THE SUPERVISORY BOARD

In the Supervisory Board elections in April 2018, Ms Liane Papaioannou and Messrs Claus Bunk, Michael Hinrichsen, Peter Hlawaty, Hans-Willi Puntheller and Horst Wardius were elected to the Supervisory Board – or confirmed in office – as employee representatives. In the constituent meeting on 25 May 2018, Mr Hlawaty was elected Vice Chairman of the Supervisory Board. Messrs Dirk Kohrs, Peter Seeger and Anton Zehentner left the Supervisory Board. In addition, Dr Werner Redeker resigned from his Supervisory Board mandate with effect from the end of the General Meeting on 25 May 2018. Mr Uwe Lüders was elected

as his successor. We would like to thank all departing members of the Supervisory Board for their many years of successful work for the benefit of Possehl.

The Supervisory Board wishes to express its thanks to all employees and the management of the companies of the Possehl Group for their committed work and outstanding performance in the business year 2018.

Lübeck, April 2019

On behalf of the Supervisory Board

Dr Ernst F. Schröder

Chairman of the Supervisory Board



***Providing orientation and acting  
as a role model***

*“We set ourselves clear goals and pursue  
them with determination. We deal  
with each other on an equal footing and  
promote fair and reliable behaviour.”*

# 01 THE ENTREPRENEUR'S GROUP

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# Possehl at a glance

## Key figures

		2014	2015	2016	2017	2018
<b>Earnings</b>						
Sales	€ million	3,283	3,516	3,877	3,809	3,764
thereof sales from precious metal trading	€ million	1,233	1,311	1,682	1,466	1,266
Sales adjusted for the proceeds from precious metal trading	€ million	2,050	2,205	2,195	2,343	2,498
Earnings result from ordinary operations (EBIT) before one-off income	€ million	143	167	175	176	181
Earnings result from ordinary operations (EBIT)	€ million	143	167	256	175	181
Earnings before taxes	€ million	125	145	243	158	162
Consolidated net profit	€ million	86	89	188	100	107
Dividends	€ million	27	24	57	18	19
EBIT ratio*	%	7,0	7,6	8,0	7,5	7,2
Return on equity before taxes	%	20,1	20,7	30,2	17,9	17,6
<b>Net assets</b>						
Balance sheet total	€ million	1,305	1,382	1,563	1,619	1,788
Economic equity	€ million	623	700	804	885	920
Equity ratio	%	49.9	52.3	53.4	56.1	54.1
Working capital	€ million	502	488	551	600	706
<b>Financial position</b>						
Net financial assets	€ million	149	264	352	366	268
Cash flow from operating activities	€ million	124	223	127	121	91
Investment in property, plant and equipment and intangible assets (excluding goodwill)	€ million	58	67	82	71	108
Depreciation of property, plant and equipment and intangible assets (excluding goodwill)	€ million	50	53	56	58	61
<b>Employees</b>						
Employees, annual average		11,954	12,164	12,443	12,413	13,365
thereof domestic		6,906	6,865	6,896	6,708	6,985
thereof abroad		5,048	5,299	5,547	5,705	6,380
Personnel expenses	€ million	617	643	672	676	718

\* EBIT before one-off income/sales adjusted for the effects of sales from precious metal trading

## Possehl at a glance

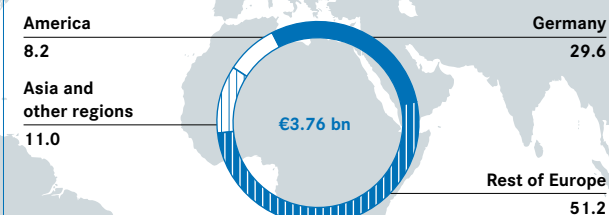
## Sales trend in € million

2018	<div></div>	3,764
2017	<div></div>	3,809
2016	<div></div>	3,877
2015	<div></div>	3,516
2014	<div></div>	3,283

## EBT before one-off income in € million

2018	<div></div>	181
2017	<div></div>	176
2016	<div></div>	175
2015	<div></div>	167
2014	<div></div>	143

## Revenue by region in %



## Employees (annual average)

2018	<div></div>	13,365
2017	<div></div>	12,413
2016	<div></div>	12,443
2015	<div></div>	12,164
2014	<div></div>	11,954



# Our ambition

Targets and strategy

## GROWTH AND VALUE ENHANCEMENT

**It is our aim to constantly increase our Group's earnings and enhance our corporate value sustainably.** To achieve this, we need suitable entrepreneurs, who enjoy a high level of entrepreneurial freedom within the framework of our corporate values, to manage each of our many companies. In addition, it is our objective to offer owner- and family-run businesses attractive succession solutions in order to win new companies for our Group.

**OUR STRATEGY** ≡ **Acquisitions**  
≡ **Active sparring partner of the managements**

## ABILITY TO PAY DIVIDENDS

**It is our aim to pay our proprietor, the Possehl Foundation, an attractive regular dividend.** We regard this ability as our raison d'être achieved through long-term income and investment planning and a conservative interpretation of accounting flexibility. When taking major decisions, we always include our capability of fulfilling dividend promises on a sustained basis into our considerations. We rely on our companies' sustainable profitability without pursuing any exit strategy.

**OUR STRATEGY** ≡ **Long-term investment planning**  
≡ **Defensive accounting policy**

## STABILITY

**It is our aim to secure the entrepreneurial activities of our individual companies by ensuring the strength of the Group as a whole.** We achieve this by maintaining a diversified and broadly based portfolio stretching across various business sectors and industries with companies subjected to different economic cycles. We will continue to broaden our base in the coming years. Despite pursuing a strategy of diversification, we aim at understanding each and any of our business models since we can only develop products and services we fully understand.

**OUR STRATEGY** ≡ **Diversification of the portfolio**  
≡ **Risk spreading**

## SOCIAL RESPONSIBILITY

**In our aim of achieving our targets, it is important to us to be fully aware of our social responsibilities since we feel obliged to fulfil our shareholder's high standards in this respect.** This is why people in their individuality always play a key role in all our decisions. Within the mid-tier segment, we communicate, openly and honestly, on an equal footing. Both employee representatives and works councils as well as union representatives are regularly welcome to discuss business matters with our managements.

**OUR STRATEGY** ≡ **Decentralised management model**  
≡ **Investment/Innovation/Digitisation**

# How we manage our Group of companies

Our leadership philosophy

## LEAN STRUCTURES AND FAST DECISION-MAKING PROCESSES

A good opportunity waits for no man, and matters of great urgency do not allow any delay. And why should they? Today, modern lines of communication enable fast and efficient information exchange processes within organisations. The same goes for us: At the Holding Company, we are always available and approachable for our companies, directly and without much ado, to help solving problems in a fast and straightforward manner. All of our companies adhere to this principle.

## VENTURING INTO NEW TERRITORY

Given the highly dynamic development in the markets, our companies, in return, need to become even more agile and, in particular, rise to the challenge of digitisation in the years to come. We encourage our companies to seize opportunities, once identified, with a “controlled approach to risk”. In doing so, we also accept the fact that, with hindsight, certain decisions may prove to have been wrong. However, at the end of the day, this is what entrepreneurship is all about. The most important thing is that the overall performance is right.

## CLEAR TARGETS AND HONEST FEEDBACK

As is to be expected, our companies’ freedom of action is linked to certain conditions. We attach great importance to transparency, clear agreements and exact feedback received from our managing directors in the course of informal dialogues as well as at our annual meetings. In general, we give preference to personal discussions rather than exchanging emails or receiving excessive key data “monstrosities” or stylish presentations.

## COOPERATIVE LEADERSHIP

Nobody knows his own waters better than the captain himself, who negotiates them on a daily basis. We know this because in our current positions as “attentive members of the Supervisory Board, controllers and advisors”, we ourselves have gained many years of experience in different managerial positions in operative units in the past. For this reason we place great trust in our companies’ managements. We strive to make them as strong as possible while giving them as much leeway as possible in their day-to-day operative development. Instead of relying on setting targets, we give preference to exchange and inspiring new momentum to encourage mutual trust that will help us to overcome difficult situations.

## REGULAR COMMUNICATION

Information provides security. This is why our managers closely communicate with each other on a regular basis. Our division managers are in constant contact with our operative management to discuss short-term developments. In addition, regular meetings take place between the managing directors and the executive board on a quarterly basis, followed by annual planning meetings in autumn. Parallel to this, the management of the Holding Company maintains regular on-site contact with the managing directors to exchange information.

## BOTTOM-LINE ACCOUNTABILITY

It is part of our leadership philosophy that our companies develop independently, which includes operating under their own profit responsibility. Each company is accountable for its own results. Cross-subsidisation is not intended. As a general rule, cross-corporate actions, such as measures regarding cyber security, benchmarks, joint purchasing of licences or innovation competition, are optional in character and mostly based on the initiative of individual group companies.



### ***Challenge and encouragement***

*“We support both our mid-sized companies  
and their employees in their effort to success-  
fully continue their development.”*

The background of the slide is a photograph of an industrial facility, likely a factory or warehouse, with high ceilings, metal structures, and various equipment. A large, solid blue rectangular area is overlaid on the left and center of the image, serving as a backdrop for the text.

# 02 M & A: BEST-OWNER APPROACH

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# How we aspire to grow through acquisitions

## M&A strategy

We are always on the lookout for new companies that fit into our operation: competitive enterprises with a good market position and positive development prospects. We maintain their entrepreneurial freedom and support them on a strategic and financial level. Our companies continue to grow because we give them the opportunity to concentrate on their key distinguishing feature, which is to achieve good results based on their special know-how and years of experience.

### Our philosophy

We only acquire companies which we are convinced will profit from Possehl as the best owner in the long term.

This best-owner approach also corresponds to both the mind-set and the actions that have been undertaken by our founder Emil Possehl.

We can assure family business owners that, when selling their company to us, their life's work is in good hands. Our approach is to successfully continue what they have equally successfully built up over many years or generations.

### Our offer

#### #1

##### **Transaction security**

We finance our acquisitions from liquid funds; our operative companies will not be burdened with financial costs resulting from the acquisition.

#### #2

##### **Prospect**

We ensure long-term support and development of the businesses we take over.

#### #3

##### **Safeguarding of identity**

Our companies can preserve and develop their own culture.

#### #4

##### **Security**

We actively support our companies in times of need.

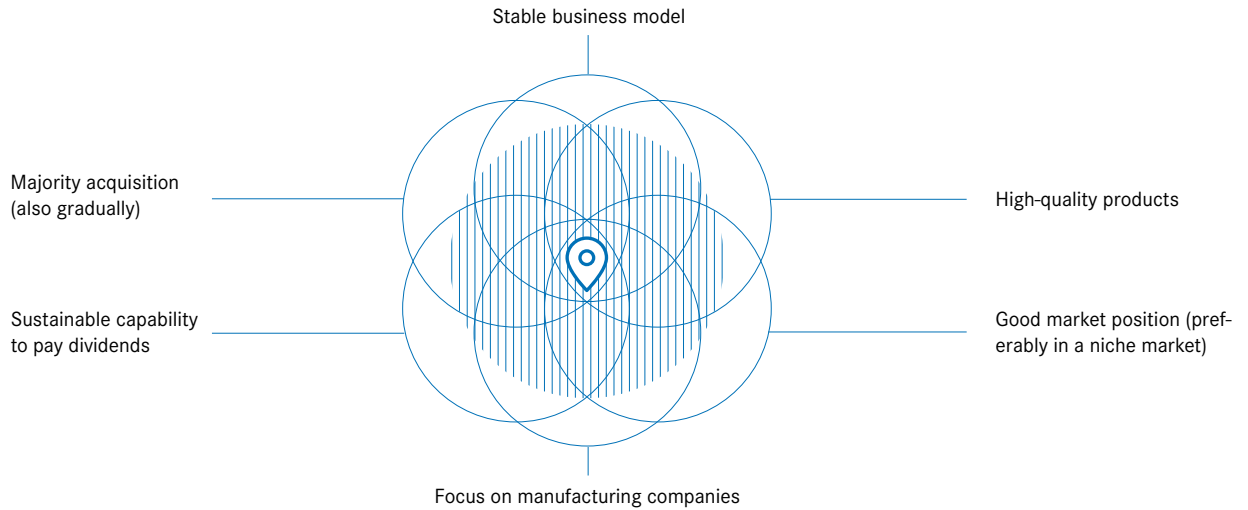
#### #5

##### **Sustainability**

Together, we develop new business models in future-oriented industries.

How we aspire to grow through acquisitions

Our acquisition criteria



In general, we would consider the following acquisitions



*“Both our long-term perspective  
and buy-and-hold strategy fundamentally distinguish us  
from classic financial investors.”*

Dr Henning von Klitzing

## Our acquisitions from 2018 to 2008

2018

Weston Beamor Holdings Ltd., Birmingham, UK
Hänsel Group GmbH, Hanover, Germany (70%)
Goss International Americas LLC, Durham, USA
Jöst Generalbauunternehmen GmbH, Frankfurt/Main, Germany
von Oertzen GmbH, Ammersbek, Germany

+

2017

B&K Wäge- und Anlagetechnik GmbH, Hamm (30%), Germany
cbb-Software GmbH, Lübeck (50%), Germany
Eidos S.p.A., Chieri, Italy
Mesabi Control Engineering Ltd., St. Paul, USA
nordrohr GmbH, Reinfeld, Germany
Nordvalls Etikett AB, Sjöbö, Sweden

+

2016

Arba Processing Group, Emsdetten, Germany
Optimus Sorter Group, Beuningen, Netherlands

+

2015

Novexx Solutions Group, Eching, Germany
PK Rohstoffe GmbH, Duisburg, Germany
Thiendorfer Fräsdienst GmbH & Co. KG, Thiendorf, Germany

+

2014

LSS Etikettering A, S, Randers, Denmark
Nüthen Restaurierungen GmbH + Co. KG, Erfurt, Germany
SAVO-TECHNIK ROTATIONSGUSS GmbH, Valluhn, Germany (60%)
TPS Technical Systems GmbH, Wackersdorf, Germany



## Our acquisitions from 2018 to 2008

+

HF NaJUS, a.s., Dubnica nad Váhom, Slovakia
manroland web systems GmbH, Augsburg, Germany

2013

+

Cooksongold Group, Birmingham, UK
Düring Schweißtechnik GmbH, Königsbrunn, Germany
Gabler Maschinenbau GmbH, Lübeck, Germany
GABLER Thermoform GmbH & Co. KG, Lübeck, Germany
MGG Micro-Glühlampengesellschaft Menzel GmbH, Wentorf, Germany

2012

+

Logopak Group, Hartenholm, Germany
Mickan Generalbaugesellschaft Amberg mbH & Co. KG, Amberg, Germany

2011

+

BÖWE SYSTEC GmbH, Augsburg, Germany
DMA Maschinen- und Anlagenbau GmbH & Co. KG, Höxter, Germany
Hirtler Seifen GmbH, Heitersheim, Germany
Karl Otto Knauf (GmbH + Co. KG), Stockelsdorf, Germany
Kleine Wolke Textilgesellschaft mbH & Co. KG, Bremen, Germany
pretema GmbH, Niefern-Öschelbronn, Germany

2010

+

Euroquarz GmbH, Dorsten, Germany
Pagel Spezial-Beton GmbH & Co. KG, Essen, Germany (74%)
Gremmler Bauelemente GmbH, Hünxe, Germany (50%)

2009

+

Bennert Group, Klettbach, Germany
Farrel Corporation, Ansonia, USA

2008







***Making a contribution to society***

*“With our economic success we support  
the common good of Lübeck,  
our hometown, as was intended by our  
founder Emil Possehl.”*

# 03 THE POSSEHL FOUNDATION

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## Promoting the Common Good

Emil Possehl passed away a hundred years ago. His death in 1919 was also the beginning of the Possehl Foundation, the Possehl Group's sole shareholder. In accordance with the founder's intentions, the Foundation promotes "everything good and beautiful in Lübeck". Hence, the Possehl Group, a group of companies focussed on economic success, is embedded in a non-profit context. The Foundation manages the proceeds the Possehl Group pays out annually and uses the funds to support exclusively non-profit aims in Lübeck in line with the intended purpose of the Foundation:

- For the cityscape
- For young people
- For the arts & sciences
- For those in need
- For charities

The Foundation and the Group are associated not only through their corporate relationship and common headquarters located in Lübeck's Beckergrube, but also by shared values, which have remained the same for a 100 years now: tradition, stability and entrepreneurial vision.

## SELECTED AREAS OF FUNDING

**Cityscape:** In 1987, Lübeck's Old Town was awarded World Cultural Heritage status by UNESCO. Preserving the cityscape with its beautiful buildings and parks is a particularly multi-faceted objective of the Foundation, especially in a city as rich in possessing listed historical structures worthy of preservation as Lübeck. With great commitment many homeowners set to restore their properties, whose architectural history often goes back to the Middle Ages. The Possehl Foundation provides funding of the additional costs involved in carrying out renovation work that meets curatorial standards and therefore contributes to safeguarding this historical heritage for the future. Furthermore, the Possehl Foundation participates in projects promoting the contemporary redesign of Lübeck's inner-city streets and town squares. Contributing €42 million to the construction of the European Hansemuseum located at the foot of the historic Castle Hill in the northern part of the Old Town has been the Possehl Foundation's most significant contribution to the development of the cityscape so far. The museum offers a fascinating profile of one of the largest trade networks of all times. Since its opening in 2015, the museum has attracted some 100,000 annual visitors and received the 2017 DMA Architecture Award.

**Young people:** In recent years, the subject of "education at all levels" has more and more become a focal point of attention for the

Possehl Foundation. In close cooperation and dialogue with both the municipal authorities and the network of Lübeck-based foundations, the Possehl Foundation contributes to children finding the kind of favourable conditions in Lübeck's schools and day-care facilities that encourage the joy of learning and give them the opportunity for a self-determined future. The most significant initiative in 2018 was the establishment of the SAME ("Solidarity Action Day Movement in Europe") office in Lübeck, which coordinates the "Social Day", an annual project where pupils swap the school desk for a workplace for one day and donate their wages. Via SAME they interact with other European organisations. And what they learn is this: Shared values are much stronger than division and hatred.

**Arts and sciences:** The "fostering of science" being specified in its statutes as one of the Foundation's purposes enables the Foundation's board of directors to support the excellence of research and teaching at Lübeck's universities. The intensive support and funding of both the University of Lübeck and the Lübeck University of Applied Sciences as well as the Music College Lübeck (Musikhochschule Lübeck) increases the universities' attractiveness for professors and students and reinforces the position of Lübeck on the academic map, for the benefit of the city and its citizens. The main areas of funding are specific research projects, endowed chairs and technical equipment required for scientific work. In a city full of history, preserving the cultural heritage is a main focus. The construction of the St. Annen Kunsthalle (art gallery) erected on the foundation walls of the historic Friary Church in 2003 had already built a bridge from the past to the present by creating a place of encounter with both contemporary and 20<sup>th</sup> century arts amidst the medieval Aegidien Quarter.

**People in need:** Relieving the hardship of people in need had already been a matter dear to Emil Possehl's heart during his own lifetime. In particular war invalids and their relatives or surviving dependants benefitted from this foundation goal. Today, however, need has a different "face": It is the Foundation's objective to prevent social neglect, financial indebtedness and lack of perspective wherever possible and to promote a more effective coordination and networking of existing services.



„Dragon riders“: stage performance by the Children's Opera

For 10 years now, Lübeck's day-care facilities and schools have been in a position to better support children from low-income families: The Education Fund offers support in financing school lunches, educational material, music and sports activities or school trips and is supplemented by benefits from the Educational & Participation Package. In cooperation with the job centre, the Hanseatic City of Lübeck was able to set up a simple, uncomplicated structure which ensures one thing above all: that children and young people receive rapid and unbureaucratic support. In cases where the Educational & Participation Package does not take effect, the Education Fund steps in. Every year, some €4 million are made available to support more than 8,700 children.

**Charities:** There are some 300 registered associations in Lübeck dedicated to a broad range of different objectives, which are carried by

Lübeck's citizens with a high level of charitable commitment. This engagement reinforces societal cohesion and is a valuable addition to tasks carried out by public authorities. The Foundation's financial contributions to the funding of all kinds of charities are also a mark of recognition and appreciation for their work, which is indispensable for the welfare of the city. More than 140 associations – many of whom are supported by the Foundation – with some 40,000 members belong to the Lübeck Sports Federation (Lübecker Turn- und Sportbund). Over several years, in liaison with the Hanseatic City of Lübeck, the Possehl Foundation provided funds to the amount of some €9 million to equip sports facilities with artificial turf pitches. In addition, the Foundation provides particular support to charities that are committed to the integration of elderly people, migrants or people with disabilities.

## Projects and events in 2018

### European Hansemuseum Lübeck

As a museum for economic history, the European Hansemuseum portrays the medieval history of the Hanse, linking history to topical issues in economic policy and the pressing questions of our time. The museum's outstanding characteristics are rooted in its experience-oriented communication concept and interplay with scientificity provided by the Research Centre for the History of the Hanse and the Baltic Region. The special exhibition "Consensus. Europe's Culture of Political Decision-Making", was the museum's contribution to SHARING HERITAGE 2018, the European year of cultural heritage, forging a bridge between the activities of the Hanse in 1518 and the work of the European Council today.

On the occasion of the 875<sup>th</sup> anniversary of the City of Lübeck, the European Hansemuseum – in cooperation with the LÜBECKER MUSEEN, the Archive of the Hanseatic City of Lübeck, the Municipal Library and the Archaeology and Listed Buildings Department, contributed to the large special exhibition "875 years – Lübeck tells us a story" with a show that took place in the Castle Friary.

With readings, concerts and academic lectures offered throughout the event, the museum again presented itself as a place for cultural exchange. Panel discussions on the subjects of sustainable consumption and the limits of growth continued the event series "Unbounded Success?" featuring economic policy issues. The interactive children's exhibition "Sails, Salt and Silver Coins" completed the event programme of the year.

### Lübeck Puppet Theatre and the Museum of Theatre Puppets

The historic buildings in the Centre of Lübeck's Old Town hold two cultural treasures: Both the Puppet Theatre and the Museum of Theatre Puppets bring the fascinating world of puppet theatre to life. The museum preserves a unique collection of theatre puppets, requisites, theatre backdrops and posters originating from Asia, Africa and Europe.

The theatre shows theatre puppets of all genres (marionettes, stick puppets, table theatre, shadow play and animated films) "performing"



The Lübeck Hansemuseum participated for the fourth time: under the motto "Here & Now", the Lübeck Night of the Museums took place in August.

on stage. The Possehl Foundation has decided to renovate the ensemble of historic buildings located in the street "Kolk". The architecture firm Konermann + Siegmund Architekten won first prize in the competition for the best architectural design by unanimous consent of the jury. Whilst taking into account strict preservation requirements for listed buildings, the design concept also pursues a radical solution: in the future, the building complex Kolk 20/22 will house the museum while Kolk 14-18 - with a new corner building - will be home to the theatre. The reopening is planned for 2021.

#### Awards

As an entrepreneur, the founder Emil Possehl was aware of the importance of qualified junior staff. On occasion of the company's 50<sup>th</sup> anniversary in 1897, he introduced a travel scholarship that enabled apprentices training in Lübeck to learn the Russian language. He also set up a scholarship fund that allowed young Swedish merchants and technicians to study in Germany.

The Possehl Foundation adopted and further developed this idea of supporting gifted and diligent junior staff: both the Possehl Art Award and Possehl Engineering Award were developed as a result of the funding of and cooperation with the Music College Lübeck and the Lübeck University of Applied Sciences. In addition, the Possehl Art Award was established in 2018 to promote the work of Lübeck-based artist, and the International Possehl Art Award will be awarded for the first time in 2019.

Further information about the Possehl Foundation:  
[www.possehl-stiftung.de](http://www.possehl-stiftung.de)

Possehl Foundation contributions	
in €	
2018	1950 – 2018
35,116,025.00	390,812,754.23
Number of applications: 469	





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***Taking decisions,  
assuming responsibility***

*“We live up to our entrepreneurial obligations  
on a daily basis and take responsibility  
for the decisions we make – always  
in keeping with our social responsibilities.”*

The background of the slide is a collage of industrial machinery. The top section shows a large white machine with a bright light source and a series of sharp, pointed components. The right side features a vertical strip of images showing various industrial processes, including what appears to be a conveyor belt and a large cylindrical component. The bottom section shows a close-up of a machine with a white cylindrical component and a black surface.

# 04 HIGHLIGHTS 2018



# Highlights 2018

Once again in 2018, the Possehl Group was able to develop and strengthen their operative business through additional acquisitions. At our group companies, the topics of digitisation and winning qualified junior executives are becoming more and more important.

## January

At the beginning of 2018, Heimerle + Meule acquires the English company **Weston Beamor** to broaden the base of its business model. Weston Beamor is a major supplier for the jewellery industry in the UK and also has its own renowned jewellery brands.



## August

manroland web systems and Goss International merge their global activities under the common umbrella of “**manroland Goss web systems**”. The joint venture, of which Possehl holds a 51% interest, is by far the world market leader for web-fed offset printing equipment.



With the acquisition of **Jöst Bauunternehmen GmbH**, our Special Purpose Construction division continues its successful growth course of recent years and expands its business activities into the field of turn-key construction.



## May

The acquisition of a majority interest in the **Hänsel Group** is a strategic step towards further growth for Possehl's SME segment. Once again, Possehl proves its advantages as a successor company for German mid-tier businesses.



## December

At the end of the year, Hako takes over the mid-sized company **von Oertzen**. This first ever acquisition for our Cleaning Machines division constitutes an excellent strategic expansion, not least because of the company's allied product portfolio.





**Harburg-Freudenberger Maschinenbau GmbH:**

## Headquarters in Harburg

The construction of the new administration and production building in Hamburg-Harburg is proceeding on schedule. HF TireTech's new headquarters, in which we are investing more than €30 million, are being built to the highest environmental standards to create ultra-modern working conditions.



**Düring Schweißtechnik GmbH:**

## Strategic step towards producing in China

In our SME segment, Düring made a major strategic step forward by establishing a production company in China. As of next year, the company will be producing welding tongs used primarily in local automotive production.



**Hako Technology:**

## New building project in Poland

After 18 months of construction, Hako Technology's new production plant was inaugurated in October 2018. Within the Hako Group, the new plant acts as a competence centre for mechanical production technologies such as laser processing, edging, welding and surface coating.



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### ***Keeping an open mind***

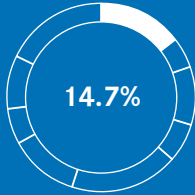
*“We consider new paths and ideas with an open mind. We regard digitisation as an opportunity to make our products and services even more competitive.”*



# 05 THE DIVISIONS

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## Special Purpose Construction

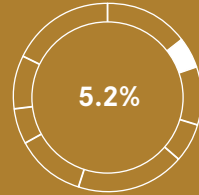


27

Share of adjusted total  
net sales 2018

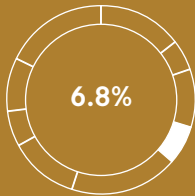
Companies

## Document Management Systems



Share of adjusted total  
net sales 2018

## Precious Metals Processing

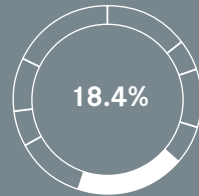


9

Share of adjusted total  
net sales 2018

Companies

## Elastomer Plants



Share of adjusted total  
net sales 2018

## Identification Solutions

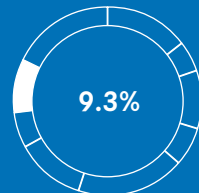


19


Share of adjusted total  
net sales 2018

Companies

## SME Investments




Share of adjusted total  
net sales 2018




# 21

Companies

## Printing Machines




9.9%



# 22

Companies

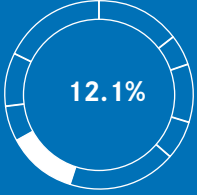
Share of adjusted total net sales 2018




# 15

Companies

## Electronics



12.1%



# 15

Companies

Share of adjusted total net sales 2018



# 25

Companies

## Cleaning Machines



17.6%



# 25

Companies

Share of adjusted total net sales 2018

# Special Purpose Construction

The companies in this division primarily operate in selected niches in four different business segments focussing on surface treatment, construction and civil engineering, the restoration of buildings as well as construction chemicals.

Their customer groups include both the public and private sector, the construction industry and airports.

## Sales in € million

2018	367.4
2017	381.5

## Scope of activities/products

- Roads and other surfaces
- Building restoration
- Construction and civil engineering
- Construction chemicals

## Roads and other surfaces



Possehl Spezialbau: The business has been part of the Possehl Group ever since its inception in 1956, providing special construction services focussing on the high-quality repair of roads, industrial floors and surfaces in airports.

[www.possehl-spezialbau.de](http://www.possehl-spezialbau.de)



Thiendorfer Fräsdienst: The business joined the Possehl Group in 2016. Specialising in the reconstruction of asphalt surfaces, the company uses state-of-the-art milling technology to rework surfaces and builds complete road pavements to the latest standards in road engineering.

[www.thiendorfer.de](http://www.thiendorfer.de)

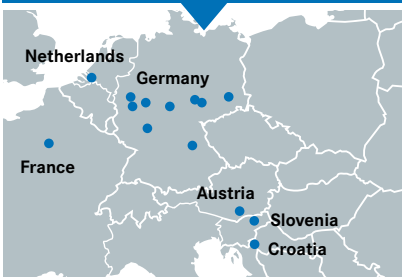
[www.punds-bau.de](http://www.punds-bau.de)

## Construction and civil engineering



Mickan General-Bau-Gesellschaft: As one of the largest general constructors in Bavaria's mid-tier market, Mickan provides the entire range of construction services – construction & civil engineering both above and below ground, turn-key construction – for both public and private clients. The company joined the Possehl Group in 2011. [www.mickanbau.de](http://www.mickanbau.de)

## Locations



Deutsche  
Flächen-Technik

DFT: The wholly-owned subsidiary of Possehl Spezialbau specialises in manufacturing seamless industrial floor systems and works in close cooperation with general contractors and architects. Every year, the company's employees lay around 1 million m<sup>2</sup> of industrial floors all across Europe.

[www.dft-bremen.de](http://www.dft-bremen.de)



The product portfolio of the general contractor primarily comprises turn-key and shell construction. The company, which is well-known in the Rhine-Main region, has been part of the Possehl Group since 2018.

[www.joest-bau.de](http://www.joest-bau.de)



## Special Purpose Construction



Nüthen Restaurierungen's restoration project



JÖST Generalunternehmen

## Customer groups

## Number of employees in 2018 (annual average)

- Public authorities
- Airports
- Logistics companies

- Trading companies
- Construction industry
- General industry

1,656

## Building restoration



Bennert: The specialist company providing preservation and maintenance of historical buildings is one of the largest and most efficient enterprises specialised in monument preservation and building restoration in Europe. The business has been part of Possehl's portfolio since 2008.

[www.bennert.de](http://www.bennert.de)



Nüthen: Acquired by Possehl in 2014, the company specialising in the preservation of historical monuments provides a wide range of services, from classical conservation and restoration work to efficient solutions in the fields of brick work, plastering and paint work as well as various services involving special technologies.

[www.nuethen.de](http://www.nuethen.de)

## Construction chemicals



cds Polymere: The company develops and manufactures PC mortar and epoxy resin coatings used for maintenance and repair work in both industrial and road construction. The products are used, for example, to create and build outdoor surfaces, bicycle paths, machine foundations and aviation areas.

[www.cds-polymere.de](http://www.cds-polymere.de)

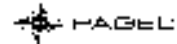


Euroquarz: The Euroquarz Group, acquired in 2009, specialises in extracting silica sands and quartz gravels from their own raw material deposits for subsequent processing and refining for a variety of applications. In addition, their subsidiary PK Rohstoffe operates in the field of reprocessing, reutilisation and recycling of waste material from the steel and iron industry.

[www.euroquarz.de](http://www.euroquarz.de)



[www.pk-rohstoffe.de](http://www.pk-rohstoffe.de)



Pagel Spezial-Beton: For more than four decades, Pagel has been developing and manufacturing mortar casting and concrete repair systems, selling its products around the world. The company also joined the Possehl Group in 2009.

[www.pagel.com](http://www.pagel.com)



Gremmler Bauchemie as a joint venture: The company founded in 1986 offers a wide range of reactive resin systems and liquid plastics. The products are used, for example, for hard-wearing coatings and sealing of industrial floors or ballast bonding in railway tracks.

[www.gremmler.de](http://www.gremmler.de)



# Document Management Systems

The division provides highly advanced hardware and software solutions to mailrooms around the world. Their key customers include banks, insurance companies, telecommunication businesses, bulk mailing service providers and public authorities.

In addition, our divisional companies manufacture parcel sorting and conveyor systems for the logistics and postal industry.

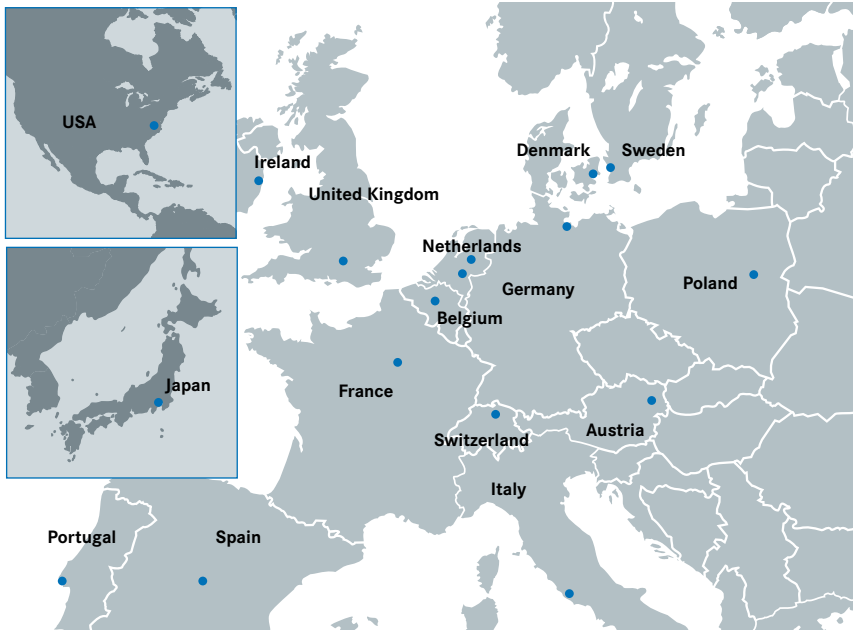
## Sales in € million

2018	129.5
2017	145.9

## Scope of activities/products

- Enveloping machines
- Card mailing systems
- Personalisation systems
- Letter and parcel sorting systems with logistics applications

## Locations



**BÖWE SYSTEC**

**OPTIMUS  
SORTERS**

MEMBER OF BÖWE SYSTEC GROUP

Böwe Systec, part of the Possehl Group since 2010, has been in business for more than 65 years. Founded by Max Böhler and Ferdinand Weber after the end of the Second World War,





#### Customer groups

#### Number of employees in 2018 (annual average)

- Banks/insurance companies
- Public authorities
- Logistics companies
- Bulk mailing service providers
- Telecommunication businesses

893

the company has developed into a globally operating full-range supplier for highly automated mailrooms and, with their main product inserting machines, is the market leader in Europe. The company's product portfolio also includes mailing systems for plastic cards, efficient software for controlling and monitoring document management systems and processes as well as providing the entire range of product-related services.

By acquiring a 70% majority share in Optimus Sorter Holding B.V., a Dutch-based company specialising in sorting and conveyor systems for the logistics and postal industry, e-commerce providers as well as retailers and wholesalers, BÖWE SYSTEC successfully expanded its scope of activities to participate in a booming global market.

Around 390 of the company's 900 permanent employees work at the company's Augsburg-based head office while the remaining employees work at one of the numerous sales and service companies based in Europe, Japan and the US as well as Optimus' production companies in the Netherlands.

[www.boewe-systec.com](http://www.boewe-systec.com)  
[www.optimussorters.com](http://www.optimussorters.com)



# Printing Machines

The product portfolio comprises highly efficient customised solutions for the industrial web offset printing of newspapers, magazines and advertising matter. In digital printing, it offers post press processing systems. In addition, the division is present on the market with its own packaging-printing presses and also operates as a manufacturing partner for various industries.

## Sales in € million

2018	246,8
2017	234,5


## Scope of activities/products

- Web-fed offset commercial printing
- Web-fed offset newspaper printing
- Digital printing, post press processing
- Package printing
- Production services
- Rental and facility management services

## Locations





51%	100%	100%
<b>manroland   GOSS</b> 	<b>manroland</b> web production	<b>manroland</b> web industriepark

## Customer groups

## Number of employees in 2018 (annual average)

- Newspaper and magazine publishers
- Printing industry
- Packaging industry

# 1,682



In August 2018, manroland web systems and Goss International, the two leading manufacturers of web-fed offset printing machines, merged into the joint venture manroland Goss web systems. In addition to its headquarters in Augsburg, manroland Goss web systems is represented by subsidiaries on all five continents. Possehl holds 51% of the shares in the business while America Industrial Partners holds a 49% interest. The two companies manroland web production and manroland web industriepark are not included in the joint venture and remain fully owned by Possehl. In addition to further developing their internal business activities, both companies have continuously expanded their third-party sales.

Of the 1,682 people employed as an annual average by this division, almost 1,400 are allocated to the joint venture, 269 to the production company and 22 to the rental and services business.

[www.manrolandgoss.com](http://www.manrolandgoss.com)

[www.manroland-wp.com](http://www.manroland-wp.com)

[www.grapho-metronic.com](http://www.grapho-metronic.com)

# Precious Metals Processing

The diversified portfolio of products and services relating to precious metals requires broad knowledge in various different markets and covers a wide range of applications – from the jewellery and watchmaking industry to automotive suppliers in the electrical engineering industry as well as dental companies and many more.

## Sales in € million

2018		1,463.5
2017		1,573.4

## Scope of activities/products

- ▣ Precious metals recycling
- ▣ Semi-finished precious metal products/jewellery
- ▣ Chemical industry/electroplating
- ▣ Precious metals trading/investment products
- ▣ Industrial recycling

## Locations







#### Customer groups

#### Number of employees in 2018 (annual average)

- Jewellery industry
- Electrical engineering industry

- Dental laboratories
- End consumers

921



Heimerle + Meule, one of the oldest gold and silver refineries in Germany, stands for reliability, trust and competence in the precious metals business – these principles are the company's basis for long-term successful customer relationships. Founded in Pforzheim in 1845, the company has developed into a leading European full-range supplier in the precious metals processing sector. Equipped with sufficient leeway for its own economic initiative, Heimerle + Meule GmbH has been part of the Possehl Group since 1951. With the acquisition of the Cookson Precious Metals Group in 2013, the enterprise expanded and was transformed into the Heimerle + Meule Group.

In the process of expanding the supplier business for the jewellery industry, the British-based family business Weston Beamor was acquired in early 2018, which contributed to the fact that the company is now perfectly lined up for a bright future in the international precious metals market. In addition to the Pforzheim-based parent company and a subsidiary in Austria, the company currently operates six subsidiaries in the United Kingdom, France, Netherlands, Spain and Portugal.

All of the companies enjoy leading positions in their regional markets. The Heimerle + Meule Group is a reliable partner in the precious

metals recycling sector for both national and international jewellery enterprises and industrial companies as well as dental laboratories and runs four production sites including two modern precious metals refineries recovering fine metals (gold, silver, platinum and palladium) to the highest levels of purity. From its offices in Birmingham, the company conducts online trading of precious metal products in many European countries.

[www.heimerle-meule.com](http://www.heimerle-meule.com)

# Elastomer Plants

Harburg-Freudenberger (HF) is the world's leading supplier of machines and systems for the tyre industry. The independently run business units "HF Mixing Group" and "HF TireTech" provide the rubber and rubber-processing industry with a comprehensive range of machines. In addition, the division develops and manufactures machines and systems for the cooking oil industry.

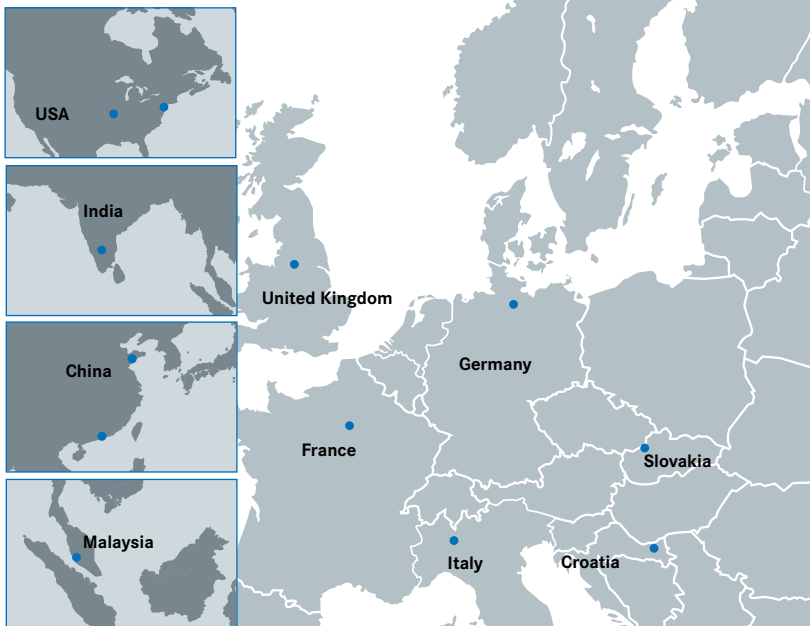
## Sales in € million

2018	459.5
2017	438.1

## Scope of activities/products

- Mixers and mixing room equipment
- Tyre building machines
- Extrusion lines
- Heat presses
- Masterbatch compounders
- Screw extrusion presses and refinery plants

## Locations





Design model of the new plant in Hamburg-Harburg, Germany



Planned new building in Freudenberg

## Customer groups

## Number of employees in 2018 (annual average)

- Tyre manufacturers
- Plastics industry

- Technical rubber goods industry
- Oil mill and food industry

2,184



Fifteen companies, five product areas and three business units are united under the umbrella of HF Group, which, together with the parent company Harburg-Freudenberger Maschinenbau GmbH, has been a wholly-owned subsidiary of L. Possehl & Co. mbH since 2004. With Harburger Eisenwerke AG founded more than 160 years ago, the group with its business units HF Mixing Group, HF TireTech Group and HF Press+LipidTech can look back on a longer history than most other mechanical engineering companies in the market.

The company keeps expanding its comprehensive know-how by constantly investing in research and development of its machines and

**FARREL**

software solutions. This has made Harburg-Freudenberger the global leader in developing and manufacturing special machines for the rubber, tyre and cooking oil industries. The reliable, made-to-last machines have been designed to meet specific customer requirements.

Both internal growth and various strategic acquisitions ensured that the HF Group developed into the leading global key player in the tyre industry. Through the most recent acquisition of the US-based company Mesabi Controll Engineering Ltd. in 2017, another step forward was made in the field of future-oriented digitisation and machine control.



At its business location in Hamburg-Harburg, the group is investing in additional growth until 2020. On a total area of 20,000 square metres, a 7,700-square-metre office building with an adjacent assembly and technology centre of 5,500 square metres are under construction. In Freudenberg, several tens of millions of euros will be invested in modernising and extending the HF Mixing Group's headquarters in the coming years. These two major investments follow the new building and expansion projects we completed at our sites in the US, in Croatia and Slovenia in the past years.

[www.hf-group.com](http://www.hf-group.com)



# Electronics

Developing and manufacturing highly complex electromechanical components requires absolute precision. A major supplier in the two segments “Automotive” and “Semicon”, the division comprises nine international subsidiaries in addition to its two German-based production sites.

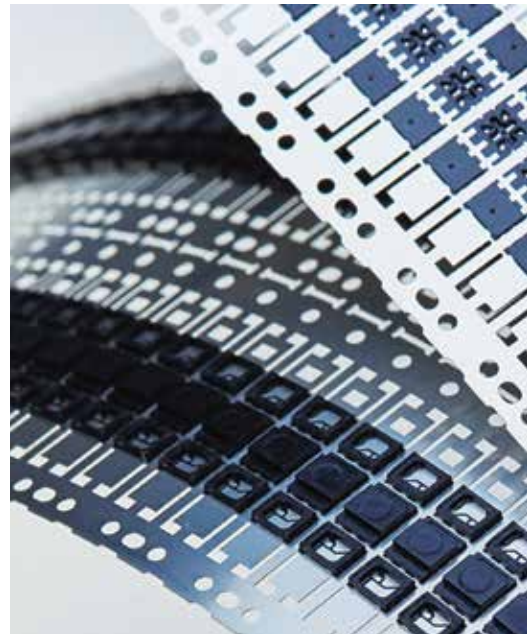
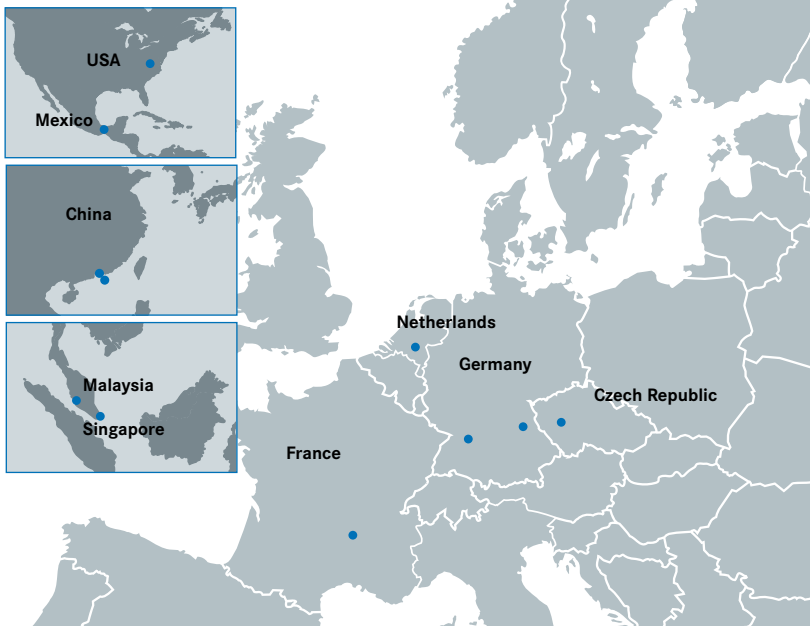
## Sales in € million

2018	301.9
2017	277.3

## Scope of activities/products

- Lead frames
- Electromechanical components
- Connectors

## Locations



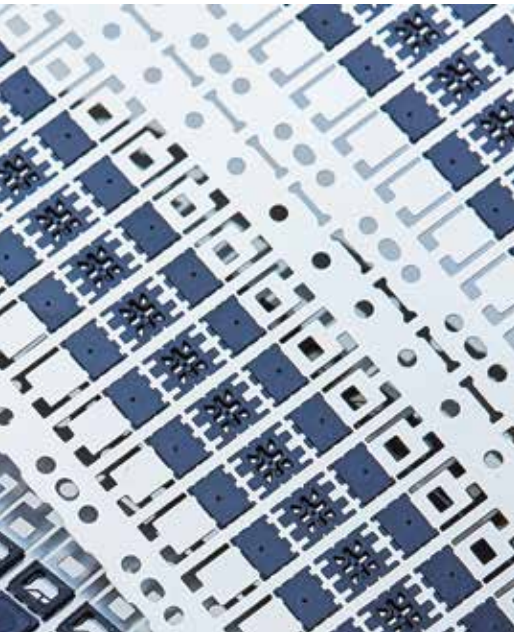


## Customer groups

- Automotive suppliers
- Semiconductor industry/electrical industry
- LED manufacturers

## Number of employees in 2018 (annual average)

# 1,997



For more than two decades, Possehl Electronics has been developing highly complex precision components for both the microelectronics and automotive industry. Focussing on their customers' high demands, the division's experts develop and industrialise smart production concepts meeting the highest technological standards. Possehl Electronics employs some 2,000 people at eleven business sites located around the globe.

As a major supplier in the automotive electronics industry, the company's product range in the "Automotive" segment comprises techno-

logically advanced punched and bent components produced in large batches as well as highly complex mechanical and mechatronic assemblies. The products find their use, for example, in the production of navigation-, braking- and exhaust systems as well as in electronic control systems for automatic transmissions.

The business segment "Semicon" comprises the production – mainly at the Asian sites and in the Netherlands – of lead frames used for manufacturing semiconductor chips and other electronic components, which are used in the semiconductor-, LED- and automotive industries as well as in the field of industrial automation and for safety and control systems.

[www.possehlelectronics.de](http://www.possehlelectronics.de)

# Identification Solutions

Possehl's youngest division was established as a spin-off in 2017. The three companies or groups of companies currently forming the division manufacture logistically integrated identification solutions and associated consumables in addition to providing comprehensive software solutions.

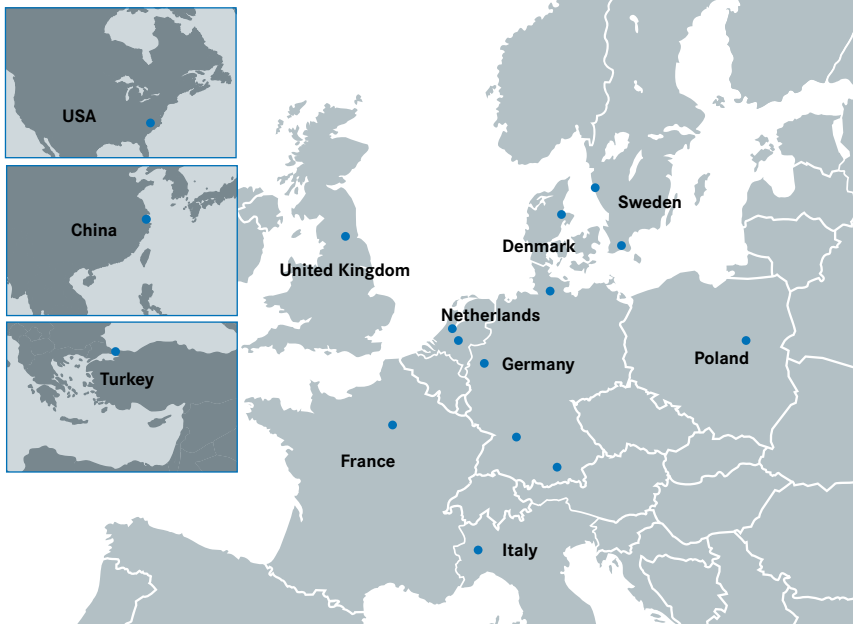
## Sales in € million

2018	147.4
2017	141.3

## Scope of activities/products

- Labelling systems
- Consumables
- Software solutions

## Locations





#### Customer groups

#### Number of employees in 2018 (annual average)

- Food industry
- Pharmaceutical industry

- Chemical industry
- Logistics companies

710



Identification, labelling and traceability of products and subsequently ensuring complete tracking of movements of goods is already of high relevance for many branches of industry, such as the food-, automotive- and pharmaceutical industries, and will continue to gain in importance over the coming years. In establishing the new division "Identification Solutions", Possehl, applying the buy-and-build principle, succeeded in positioning itself competitively in this global growth market through systematic acquisition.

Together with the two corporate groups Logopak Systeme and Novexx Solutions, the two companies Eidos and Nordvalls, which had been acquired in 2017, form the ninth division within the Possehl Group. Providing up-to-date products, highly diversified expertise and extensive software competencies, the group offers a wide range of individual solutions in the areas of development, production and sales of logistically integrated labelling systems serving as an interface between production and logistics, digital thermal-transfer printers, self-adhesive labels and thermal-transfer films.

The division has outstanding competence in the field of software solutions. In addition to its own firmware, it develops software packages for label designing and database connection.

Operating with some 700 employees in eleven countries, the division will achieve annual sales of more than €140 million in the future.

[www.logopak.de](http://www.logopak.de)  
[www.lss-dk.com](http://www.lss-dk.com)  
[www.novexx.com](http://www.novexx.com)  
[www.eidos.eu](http://www.eidos.eu)  
[www.nordvalls.se](http://www.nordvalls.se)

## SME Investments

The division offers mid-tier companies the reliable prospect of long-term development under the umbrella of the Possehl Group. In addition, the division SME Investments describes itself as a platform facilitating the development of new and independently operating divisions.

### Sales in € million

2018	232.7
2017	205.3

### Scope of activities/products

- Mechanical and plant engineering
- Technical products
- Services

### Locations



SME companies are one of the most important pillars of the German economy. With their innovative energy and high degree of flexibility, they make an important contribution to the country's economic dynamics. Being able to develop long-term perspectives is a decisive success factor for German SME companies, which are often owner-managed businesses generating annual sales of €10–80 million in niche markets. This, however, requires the right mix of visionary planning and flexible acting. Within the Possehl Group, the division SME Investments offers suitable companies safe conditions for stable growth. We target companies already operating in a stable market environment, which have both a good market position and reputation and conduct business in a sustainably profitable manner.





Schwarte Group GmbH



Hänsel Processing GmbH

## Customer groups

## Number of employees in 2018 (annual average)

- ▣ Food industry
- ▣ General industry

- ▣ Municipalities
- ▣ End consumers

1,360

It is very important to us that the companies preserve their identity as mid-tier businesses and that the sole responsibility for operational decisions remains with the companies' managements after being incorporated into the Group's port-

folio. At the same time, they profit from being a member of the financially sound Possehl Alliance. The Possehl Alliance pursues the philosophy of long-term investments in their portfolio companies and developing new independently operating

divisions for the Possehl Group through applying the buy-and-build strategy. Our SME portfolio currently comprises the following ten companies or groups.



Schwarte Group  
GmbH

[www.schwarte-group.com](http://www.schwarte-group.com)



SAVO TECHNIK  
ROTATIONSGUSS GmbH

[www.rotationsguss.com](http://www.rotationsguss.com)



Gabler Maschinenbau  
GmbH

[www.gabler-maschinenbau.de](http://www.gabler-maschinenbau.de)



GABLER Thermoform  
GmbH & Co. KG

[www.gabler-thermoform.com](http://www.gabler-thermoform.com)



Düring Schweißtechnik  
GmbH

[www.duering-schweisstechnik.de](http://www.duering-schweisstechnik.de)



MGG Micro-Glühlampen  
Gesellschaft Menzel GmbH  
[www.mgg-lamps.de](http://www.mgg-lamps.de)



Kleine Wolke Textil-  
gesellschaft mbH & Co. KG  
[www.klenewolke.de](http://www.klenewolke.de)



DMA Maschinen- und Anlagen-  
bau GmbH & Co. KG  
[www.dma.de](http://www.dma.de)



Possehl Umweltschutz GmbH/  
nordrohr GmbH  
[www.possehl-umweltschutz.de](http://www.possehl-umweltschutz.de)  
[www.nordrohr.de](http://www.nordrohr.de)



Hänsel Processing GmbH  
[www.haensel-processing.de](http://www.haensel-processing.de)

# Cleaning Machines

Hako is a pioneer in European cleaning technology. The transition into the Possehl Group took place in the years between 2004 and 2007. Today, currently employing some 2,000 people in more than 60 countries around the world, Hako manufactures products providing excellent cleaning results for clean cities and municipalities, and perfectly maintained green areas.

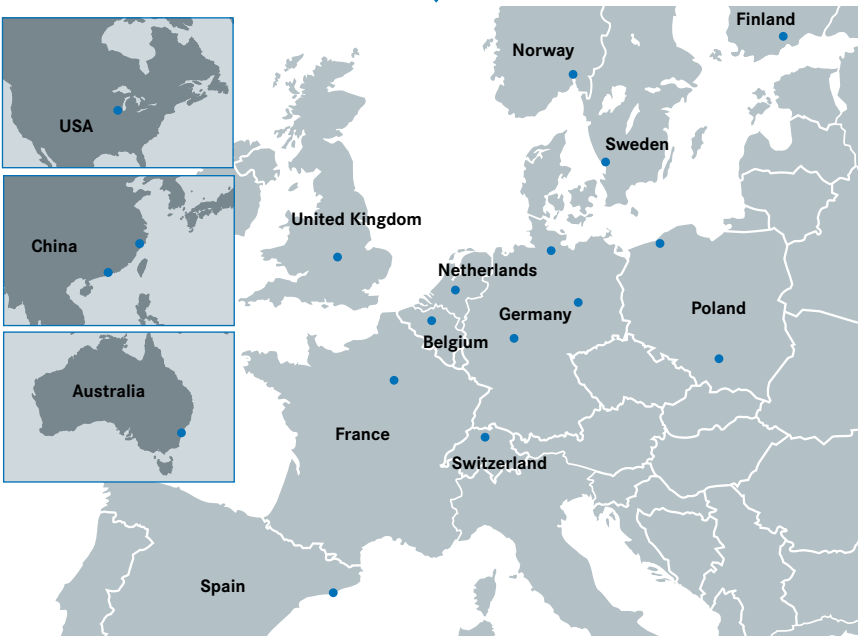
Sales in € million

2018	438.4
2017	408.1

Scope of activities/products

- Cleaning Technology
- Municipal Technology

Locations





Customer groups

Number of employees in 2018 (annual average)

- Professional contract cleaners
- Trading companies

- Public authorities
- General industry

1,926



Providing innovative cleaning machines, multi-functional implement carriers and transporters as well as a wide range of product-related services, the company based in Bad Oldesloe near Hamburg sees itself as a system and service provider. As the leading global manufacturer of high-performance technology for both professional in- and outdoor cleaning and grounds maintenance, the Hako Group serves a broad range of target groups with its brands Hako, Minuteman and Powerboss. The company runs production sites in Germany, Poland and the US. The “Cleaning Technology” product range comprises sweepers and vacuum sweepers, scrubber-driers, small devices used to clean buildings and cleaning detergents as well as floor care products.

The “Municipal Technology” segment offers outdoor cleaning machines as well as compact multi-functional implement carriers with articulated steering, and manufactures commercial vehicles. Thanks to ground-breaking innovations providing superior efficiency, eco-friendliness and ease-of-use, Hako is the leading supplier in this market segment for compact implement carriers and transporters.

At the end of 2018, Hako acquired the mid-sized company von Oertzen, adding high-pressure cleaners and high pressure extinguishing technology to its existing product portfolio.

In addition to providing tailor-made solutions for a wide range of applications and diversified requirements, the company offers comprehensive global after-sales services for increased efficiency and optimal cleaning results. Hako’s close-knit global sales and service network is one of the key factors that contribute to the company’s success. Currently employing some 2,000 people worldwide, the company generates annual sales of more than €430 million.

[www.hako.com](http://www.hako.com)

[www.oertzen-gmbh.de](http://www.oertzen-gmbh.de)







### ***Entrepreneurs ...***

- ... pull up their sleeves – vigorously*
- ... understand their business – in every detail*
- ... take care of their business – always*
- ... are agile and active – but with a down-to-earth approach*
- ... know that innovation requires both courage and creative leeway*



# 06 BUSINESS DEVELOPMENT IN 2018

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# Business development in 2018\*

## OVERALL DEVELOPMENT

### Earnings again exceeded the previous year's high level

The Possehl Group was able to not only confirm but further improve the good result of the previous year and achieved the best result in the history of the company. The economic environment remained favourable for most of our divisions, even though the downturn became increasingly noticeable in some individual business segments and the economic tailwind of the previous year ebbed out.

Except for the printing machine business, which was also affected by exceptional expenses, all of the Group's divisions were profitable; some of the already very good earnings and returns of the previous year could even be outperformed.

### Portfolio further strengthened and expanded

In the year ended, we were able to both strengthen and expand our existing business activities through a number of corporate transactions:

At the beginning of the year, **Heimerle + Meule GmbH** acquired all of the shares in the Birmingham-based UK company Weston Beamor Holdings Limited. With annual sales of approximately €30 million and just under 170 employees, Weston Beamor is, on the one hand, a major supplier for the jewellery industry in England, and is also present on the market with its own exclusive jewellery brands. From a strategic perspective, this acquisition has both broadened the business model and strengthened our presence on the UK market.

In May 2018, the Group parent company L. Possehl acquired a 70% interest in the **Hänsel Group GmbH** based in Hanover. Together with its subsidiary Hänsel Processing GmbH, the company is one of the world's leading manufacturers of plants and systems for the confectionary industry. Hänsel Group GmbH also includes the companies Candy Recycling GmbH and Hebold Systems GmbH, a manufacturer of mixing plants used for the production of cosmetic creams, soaps and shampoos. The Hänsel Group strengthens the SME Investments division.

## Key financial data

in € million

	2018	2017	Change in %
Sales	3,764	3,809	-1.2
Adjusted sales <sup>1)</sup>	2,498	2,343	6.6
Consolidated result before taxes (EBT)	162.2	158.0	2.7
Net financial assets	268	366	-26.8
Economic equity	920	885	4.0
Economic equity ratio (in %)	54.1	56.1	-3.7
1) Consolidated sales adjusted for precious metals			

\* Adapted extract from the certified Group management report of L. Possehl & Co. mbH

## Overall development

In August 2018, L. Possehl and Industrial American Partners transferred major parts of their printing machine activities to the Augsburg-based joint venture **manroland Goss web systems GmbH** in the course of a market consolidation. L. Possehl indirectly holds 51% of the shares in this company, and thus the printing machine business remains fully consolidated. Neither the production company manroland web systems produktionsgesellschaft mbH nor the real estate in Augsburg have been transferred to the joint venture but continue to be allocated to the Printing Machines division, which currently comprises 22 companies.

With the acquisition of **Jöst Bauunternehmen GmbH** based in Frankfurt am Main, Possehl's Special Purpose Construction division continues its successful growth course of recent years. Jöst's product portfolio comprises both turnkey and shell construction as well as all-out construction planning and the revitalisation of industrial and residential buildings. This acquisition opens up new and attractive business opportunities for the Special Purpose Construction division.

At the end of the business year 2018, Hako GmbH acquired all of the shares in the company **von Oertzen GmbH**, a leading solutions provider of customised high pressure cleaning systems for customers from the B2B segment. Von Oertzen's product portfolio with a focus on professional high pressure cleaners ideally supplements Hako's range of high-quality Cleaning Technology products such as sweepers and scrubber-driers, as well as Municipal Technology

products such as outdoor cleaning machines and multi-functional municipal vehicles.

### Innovation receives increased attention

Even though L. Possehl as a Management Holding does not carry out own research and development activities, the Holding's management supports the Group companies in their development and promotes their innovation activities. For example, the Holding rewards the "Possehl Innovation Award", a highly lucrative Group-wide competition for the most promising innovation, as an additional incentive to develop new ideas. In addition, Possehl has organised the first Group-wide digitisation conference to take place in Lübeck in the spring of 2019.

Last year, the Group companies made substantial efforts towards and invested highly in innovations.

In 2018, the **Special Purpose Construction** division focussed its development activities on enhancing the grip on airport runways and improving the bonding of asphalt layers. In addition, investments were made in the field of asphalt preservation and – in the product area of construction chemicals – existing products were continuously developed further to optimise their practical application.

The **Document Management Systems** division concentrated its R & D activities mainly on further developing the digitisation of enveloping

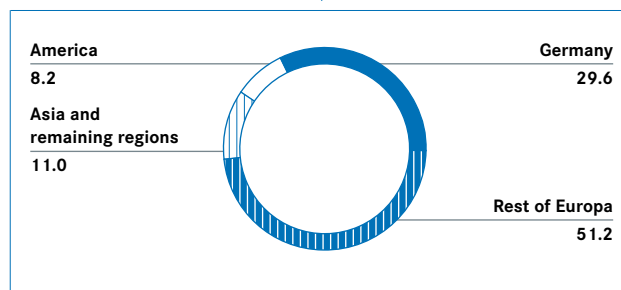
### Net sales by division

in € million

Division	2018	2017	Change	
				in %
Special Purpose Construction	367.4	381.5	-14.1	-3.7
Document Management Systems	129.5	145.9	-16.4	-11.2
Printing Machines	246.8	234.5	12.3	5.3
Precious Metals Processing	1,436.5	1,573.4	-136.9	-8.7
Elastomer Plants	459.5	438.1	21.4	4.9
Electronics	301.9	277.3	24.6	8.9
Identification Solutions	147.4	141.3	6.1	4.3
SME Investments	232.7	205.3	27.4	13.3
Cleaning Machines	438.4	408.1	30.3	7.4
Holding/Other investments	3.7	3.5	0.2	5.7
	<b>3,763.8</b>	<b>3,808.9</b>	<b>-45.1</b>	<b>-1.2</b>

### 2018 revenues by region

in %



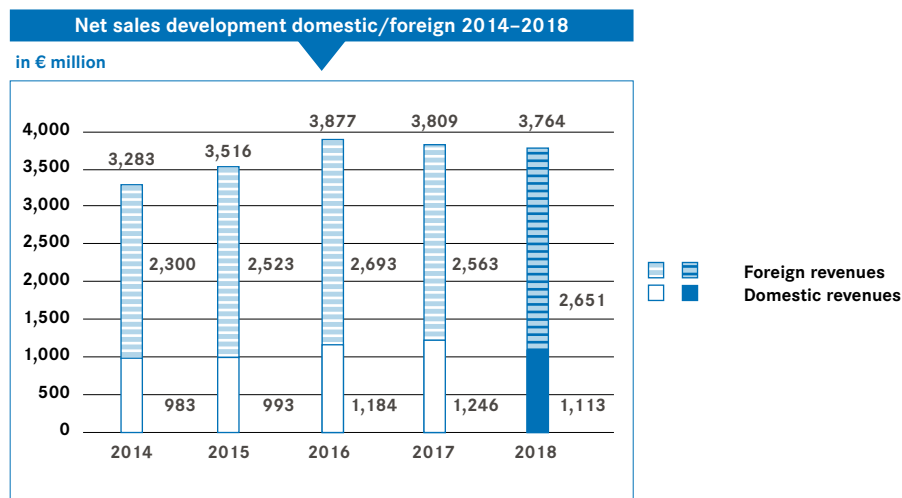
processes. With the acquisition of Optimus-Sorter, the sorting of letters and parcels has become yet another focus of relevant efforts in the field of research and development. As a result, the previous year saw the successful market launch of a high-performance mixed mail sorting system that meets all the requirements of both private and public postal companies.

The **Printing Machines** division's R & D activities in the reporting year focused on the automation of workflow processes and reducing life cycle costs. In the service sector, the division stepped up its engagement in the field of development and practical testing of innovative services and press update products, where more and more elements from digital printing are integrated in the solutions in order to individualise print products. Moreover, the division worked on developing a new, flexible control platform and expanding the eCommerce platform MARKET-X. For years, the division has been working on developing a printing machine for flexible package printing in order to reduce the dependence on newspaper and illustration printing. With the printing machine "Varioman", which has been completely redesigned and advanced during the year under review, manroland Goss web systems now has an offset-gravure hybrid printing machine in its selling range that enables cost-effective printing on films.

Last year, the **Precious Metals Processing** division concentrated its R & D activities on expanding its eCommerce activities ("cook-songold") into other European countries, building up both B2B and

B2C web shops as well as implementing measures to rationalise and automate production processes. The further development of a Direct Metal Laser Sintering process (DMLS) – 3D printing for precious metals – was yet another priority project we worked on in cooperation with a business partner. The market and feasibility study on the subject of "primary gold" that we had carried out at our Pforzheim site the previous year could be successfully implemented in Honduras through an initial cooperation agreement.

The business segment HF TireTech within our **Elastomer Plants** division developed a new tyre heating press for lorry tyres, which is significantly more energy-efficient and compact than previous systems. Several customers have already ordered the new tyre heating press. Another focal point of the division's activities in the reporting year was the 3-drum tyre-building machine "HF One", which won the competition for the international "Tyre Technology" innovation award. In order to meet the new digital requirements of the market, HF Mixing Group created a cloud-based service portal that offers customers comprehensive digital services including online machine monitoring, electronic parts catalogues and a customer information system for the optimisation of mixing lines. Further applications such as online condition monitoring, eLearning and error analysis are currently being developed.



## Overall development



HF Curemaster – HF's latest lorry tyre press innovation

At its business site located in Niefern-Öschelbronn, the **Electronics** division develops new solutions for the automotive business mainly in cooperation with its customers. Possehl Electronics is a recognised and important development partner for mechatronic components, in particular in the challenging fields of electrification and autonomous driving. Another focal point of the division's R & D activities in the year under review was the development of so-called press-in contacts, with the result that a vast number of generic approvals with various different geometry and material variants from different customers could be achieved. To supplement this, we intensified our development efforts in the field of alternative

electroplating of surfaces. Furthermore, special attention is being paid to the development of highly functionalised yet resource-saving housings.

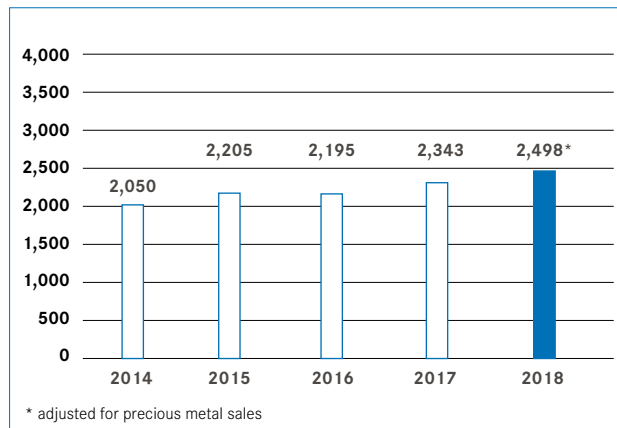
R & D activities in the **Identification Solutions** division focussed on fundamentally redesigning and modifying the product portfolio with particular emphasis on modularisation and digitisation. As a result, eCommerce was successfully introduced to the market. In addition, when developing new products, we increasingly pay attention to up-to-date topics such as Internet of Things (IoT), intuitive user interfaces and cloud solutions.

The **SME Investments** division continued its digitisation initiatives. Networking the plants and machines via sensors plays a particularly important role in the field of mechanical engineering in order to ensure both the collection and analysis of significant data points. Furthermore, the division increasingly works on developing innovative payment models (Pay-per-Use) as well as advancing after sales services by using Augmented Reality Preventive Maintenance applications.

In the **Cleaning Machines** division, the year 2018 was characterised by numerous innovative products, some of which were successfully presented at the InterClean, an international trade fair for cleaning equipment. All product lines are subject to a high rate of innovation. For example, the cleaning robot "HiOne" was presented for the first time as a new technology carrier. In addition,

## Development of adjusted net sales 2014–2018

in € million



the autonomy system of the technology carrier is being optimised for different applications in the field of autonomous cleaning. To meet the growing market and customer requirements in Cleaning Technology, the division is tapping into additional market segments for ride-on machines in order to be able to offer customer-specific solutions for each type of machine. Moreover, additional measures are being taken to advance the development of energy-efficient and emission-free drive systems. In the future, this will also apply to Municipal Technology products. In the reporting year, the division focussed on activities ensuring compliance with evermore stringent emission standards. The Citymaster 2200, for example, complies with the stringent Euro VI-C exhaust emission standard.



Autonomous cleaning machine HiOne

## DEVELOPMENT OF EARNINGS

### TOTAL GROUP

#### Group sales of €3.76 billion

In the year ended, the Possehl Group did not quite match the exceptionally high sales of the previous year; however, at €3,763.8 million, sales remained on a high level. The year-on-year decline is almost exclusively attributable to the precious metal business and, to a small extent, negative exchange rate developments.

The positive revenue effects resulting from consolidation changes amounted to €121.7 million in the year under review. Group sales, adjusted for precious metal effects and portfolio changes, grew by 1.4% compared to the previous year. Also taking into account the negative exchange rate effects, adjusted net sales grew by 2.3%.

The adjusted total output of the Group (i.e. including changes in inventories and company-produced additions to plant and equipment) increased as well, because the change in inventory in the reporting year was positive with €38.7 million, while the previous year saw a reduction in inventories of €50.5 million. The inventory build-up is primarily attributable to the Construction division and some individual mechanical engineering sectors, in particular printing machines.

### Development of adjusted sales by divisions

€ million

Division	2018	2017	Change	
				%
Special Purpose Construction	351.1	381.5	-30.4	-8.0
Document Management Systems	129.5	145.9	-16.4	-11.2
Printing Machines	203.8	234.5	-30.7	-13.1
Precious Metals Processing	140.9	107.8	33.1	30.7
Elastomer Plants	454.6	438.1	16.5	3.8
Electronics	301.9	277.3	24.6	8.9
Identification Solutions	147.4	141.3	6.1	4.3
SME Investments	204.5	205.3	-0.8	-0.4
Cleaning Machines	438.4	408.1	30.3	7.4
Holding/other participations	3.7	3.5	0.2	5.7
	<b>2,375.8</b>	<b>2,343.3</b>	<b>32.5</b>	<b>1.4</b>



### Foreign sales increase

Revenues generated in the domestic market accounted for 29.6% in the 2018 financial year and thus dropped by 3.1 percentage points in a year-on-year comparison. Net sales in Germany in absolute figures declined by €132.9 million. This reduction is almost exclusively attributable to lower precious metal trading volumes. Net sales in the construction business also decreased slightly – in line with the strong increase in inventories.

The Group's foreign business increased both in absolute figures and percentage-wise in the reporting period. The strongest growth was generated in cross-border trading activities with other EU countries. The sales volume rose across many different countries without one standing out in particular. Sales on the American continent remained stable against the previous year. The Asian market again grew significantly by 8.0%. The strongest growth of more than one third was achieved on the Chinese market as a result of the positive effects of invoicing large machine contracts by our Elastomer Plants division.

Both precious metal prices and precious metal trading activities have a considerable impact on the total amount of generated Group sales. However, neither one nor the other have any immediate or only a very limited effect on Group earnings, because precious metal sales are largely offset by the cost of goods employed. Hence, Group net sales are, to a large extent, subject to the volatility of precious metal prices, in particular the price of gold. For Possehl's companies, the price of precious metals in euros is more important than their price in US dollars.

### Precious metals with adverse price effect

In the 2018 reporting period, the market prices for almost all precious metals dropped on a wide front. Only palladium achieved a new record-high and rose by an annual average of around 14%, whereas the prices for gold dropped by around 4% and for silver and platinum by 12% each in a year-on-year comparison. Overall, this resulted in a negative price effect, whereas in the previous year precious metal price changes had very little impact on Group net sales.

### Precious metal price and exchange rate developments have a negative impact on Group sales

Looking at the Group net sales adjusted for precious metal sales and portfolio changes shows that the Possehl Group slightly grew organically in the year ended – despite negative exchange rate effects. The delay in both the delivery of machines and systems and construction order invoicing towards the end of the year prevented an even more significant increase in sales.

### Earnings before taxes rise to €162.2 million

Earnings before taxes (EBT) amounted to €162.2 million in the reporting period and thus rose by €4.2 million or 2.7% compared to the previous year. This means that the Possehl Group achieved the best operative result in the company's history. Increases in earnings were achieved particularly in the divisions Cleaning Machines and SME Investments divisions, whereby the increase in our SME segment is primarily due to acquisitions. However, the printing machine business reported a sharp decline in earnings, partly as a result of one-off expenses in connection with the merger between manroland web systems and Goss International. Earnings in all other divisions remained, overall, at the previous year's level.

The operative EBITA – adjusted for goodwill amortizations and earnings from releases of the negative differences from capital consolidation – rose by €5.7 million to €194.7 million in a year-on-year comparison. The adjusted return on sales related to Group sales less precious metal sales remained on the previous year's level of approximately 8% in the period under review. The growth therefore was not gained at the expense of profitability.

The distribution of consolidated earnings was again well-balanced across the different divisions in the reporting year. Among other reasons, this is due to profitable growth achieved in recent years in the construction segment as well as the sustainable stabilisation we saw at Böwe Systec and the expansion of our most recently formed Identification Solutions division. As in the previous year, no single division had a profit share higher than one third of the Group's consolidated earnings. The Possehl Group therefore stands on many strong and solid pillars and is largely independent of the development in individual business segments and industries.

### Gross profits higher by 5.4%

Gross profits do not, by and large, depend on the prices of precious metals and are therefore a proper standard to gauge the Group's performance. The increase in gross profits of 5.4% was higher than the adjusted sales growth. This was due primarily to the relatively strong inventory build-up in both the construction and mechanical engineering segments. As a result, many of our companies have started the current year with a higher order backlog for work already in progress.

### Personnel expenses increase by 6.2%

Personnel expenses amounted to €717.7 million in the reporting year, after €676.1 million the year before; hence they increased by €41.6 million or 6.2%. The average number of employees grew by



952 or 7.7% to 13,365. The number of employees in the Printing Machines division went up again towards the end of the year. 786 people more were employed at the end of the financial year. The growth in employment can be essentially attributed to portfolio changes, in particular in the Printing Machines division. Regular wage and salary adjustments, which were higher than in the previous year due to both the high level of employment and the positive economic climate, played a role as well. In addition, pension contributions were higher than the year before, which was partly due to lower income from plan asset investments.

#### **Moderate increase in depreciations to €78.7 million**

Investments in tangible assets increased and depreciations grew by €2.4 million or 3.2%. The depreciation item includes amortisations of goodwill from capital consolidation, which amounted to €17.8 million in the reporting year and therefore remained virtually unchanged. With regard to the scheduled release of the negative differences from the capital consolidation shown under other operating income, this had a negative impact on earnings of €0.6 million in the reporting year. Impairment of goodwill was not required.

#### **Income from investment of €0.9 million**

The income from investment plays a minor role within the Possehl Group, because our primary concern is to hold majority interests. The result in the financial year 2018 comes mainly from the joint venture companies included at equity in the consolidated financial statement.

#### **Interest result down to €-18.8 million**

The interest result dropped by €2.0 million to €-18.8 million compared to the previous year. This drop is a result of higher expenses from interest added back to pension provisions. In addition to the current expenses resulting from interest added back to pension provisions, we experienced financial burdens arising from a change in interest discount rates. Higher expenses for precious metal loans additionally contributed to the deterioration in net interest income. All other interest components only changed insignificantly in comparison to the previous year.

#### **Other financial result up to €2.0 million**

The amount shown in the financial statement of the reporting year essentially comprises the profits from the sale of a share in a participation.

#### **Income tax rate declines to 31.4%**

The income tax rate in the reporting year amounted to 31.4%, which is 2.6 percentage points lower than in the previous year. In our balance sheet, we still do not include a deferred tax asset surplus as far as it is due to tax loss carry forwards or results from separate financial statements.

#### **Other taxes of €4.8 million**

The moderate yet steady increase of other non-income taxes is primarily due to higher property taxes, which rose to €3.0 million in the year under review.

#### **Consolidated annual net profit of €106.5 million**

The consolidated net profit in the reporting year amounted to €106.5 million and increased by €6.6 million or 6.6% in comparison to the previous year. This increase is accounted for by both the operative result and portfolio changes.

## DIVISIONS

### SPECIAL PURPOSE CONSTRUCTION

Sales in € million	
2018	367.4
2017	381.5

Employees (annual average)	
2018	1,656
2017	1,644

The Special Purpose Construction division provides a wide range of services which has consistently been added to during the past years, most recently by the acquisition of Jöst Bauunternehmen GmbH. Dominated by small and medium-sized businesses, the division is active mainly in niche markets.

The Special Purpose Construction division within Possehl depends mainly on the development in the German construction industry, since 90% of all orders are domestic. The remaining portion is almost exclusively placed by European buyers, particularly in the neighbouring countries Austria and the Netherlands, where the division has been active with separate companies for many years.

#### Construction industry is still booming

After the good result of the previous years, the financial year 2018 was again characterised by a brisk demand and a positive economic environment. According to preliminary figures, sales in the mainstream construction industry in Germany were more than 10% higher in nominal terms and over 5% in real terms in a year-on-year comparison and thus achieved even a slightly higher growth than in the year before. The sales volume in the German mainstream construction industry – even after adjustment for price increases – reached the highest level in almost 20 years. This outstanding development can be seen in all segments of the construction industry and is also true for the commercial construction sector and public-sector construction, both of which are very important for our Special Purpose Construction division. The commercial construction sector profits from both the continuous high level of capacity utilisation in the German industry and the associated corporate investments. In public-sector construction, the positive effects of subsidy programmes for the construction and rehabilitation of traffic routes are increasingly filtering through.

#### Sales down due to billing factors, incoming orders increase

Given the very positive economic framework conditions, sales in this division dropped by €14.1 million or 3.7%. Adjusted for the first-time inclusion of Jöst, sales even dropped by nearly 8%. Essentially, there are two main underlying causes for this decline: On the one hand, the pan-European tenders for the rehabilitation and surface coating of airport runways, which vary from year to year, were much lower in the reporting year. And secondly, a large portion of the work in progress, in particular in the building construction segment, could not be invoiced in the year ended, which led to an inventory build-up of around €5 million whereas the previous year saw a reduction in inventories of around €26 million. The annual construction output, i.e. sales plus the change in inventory, which is a far more relevant indicator for the economic assessment of the overall performance, was substantially higher in the reporting year than that of the year before.

Taking into consideration both incoming orders and order backlogs confirms the positive impression. At €411 million, incoming orders were approximately 22% higher than in the previous year and thus grew far more strongly than the German construction industry in general. The companies started the current financial year with an increased order backlog of more than €300 million. Against this background it becomes evident that the decline in sales we saw in 2018 was primarily due to the delay in invoicing.

#### Lack of skilled labour limits the growth potential

The outlook in the German construction industry continues to be favourable due to an invariably low level of interest, the catch-up effects in many sectors and the high public spending. In this context, we presume that the output in the construction industry will remain on a high level in the coming year. However, we will only be able to achieve significant growth through purchasing further businesses – such as the acquisition of Jöst last year, because both the lack of skilled labour and generally limited capacities are slowing down potential growth in individual niche markets. We see good prospects for external growth resulting from further acquisitions – not least because the Possehl Group enjoys a good reputation as a reliable and long-term investor.

## DOCUMENT MANAGEMENT SYSTEMS

### Sales in €million

2018	129.5
2017	145.9

### Employees (annual average)

2018	893
2017	915

Böwe Systec is one of the world's leading manufacturers of hardware and software solutions for the mailroom. Its product portfolio includes enveloping-, cutting- and mail sorting systems for automated mail delivery and for plastic cards. In addition to the lead- and production company based in Augsburg, the division consists of numerous foreign-based sales and service companies. Since the acquisition of a majority interest in the Dutch business Optimus Sorter, Böwe Systec has also been active in the growth market for parcel sorting systems and logistics.

### Mailroom market remains difficult

When assessing the general conditions and prospects, we need to clearly differentiate between the two business fields in which Böwe Systec is active. The market for letters has been retrograde for many years and is characterised by the fact that non-confidential information is usually mailed in digital rather than in printed form. Consequently, the mailroom market suffers from investment restraints on the part of customers.

The merger of sites with previously independent mailrooms as well as a more intensive utilisation of existing systems through multi-shift operation and the continuously increasing efficiency of these systems resulted in an even further reduction of potential space for new machines in the reporting year. In comparison with the general letter post market, the personalised mailings market – a segment of particular significance to Böwe Systec – has been less affected by this development. However, competitors aim to push one another out of a market that is in persistent decline. In the midst of such a difficult environment, the company succeeded in gaining market shares thanks to the innovations of recent years, first and foremost the high-speed enveloping machine "Fusion". Due to the very high sales in the previous year – which resulted from a particularly large-scale contract – the business in this market segment has stabilised slightly.

### Increasing demand in the market for parcel sorting systems

In contrast, the market for parcel sorting systems is growing thanks to increasing online sales. In this segment, Böwe Systec, in cooperation with its subsidiary Optimus Sorter, offers a wide range of sorting machines that can handle all mailed items, including large and small parcels and large-format letters. The combination of Böwe Systec's excellent software solution competence and Optimus Sorter's know-how in mechanical and system engineering generated a distinct positive effect in the reporting year. This market segment achieved a growth of almost 50%. In addition, both incoming orders and order backlogs have again increased significantly.

### Sales decline by more than 11%

However, overall sales in this division dropped by 11.2% to €129.5 million, after showing a double-digit increase in the previous year. As already mentioned above, this decline is due to the mailroom business and the large-scale contract of the year before. Furthermore, the inventory of unfinished systems and contracts not yet invoiced has built-up due to the high capacity utilisation, both of which had a negative impact on the financial figures of the parent company in Augsburg.

The level of incoming orders was some 3% higher than in the previous year. While the level of incoming orders for enveloping and letter sorting systems declined slightly, incoming orders for parcel sorting systems nearly doubled. This increased level of incoming orders and the associated higher backlog of orders constitute a solid base for the subsequent year.

### Cautiously optimistic outlook into 2019

As the mail market continues to decline and customers remain reluctant to invest, with a simultaneous increase in online sales and, therefore, a market growth for parcel sorting systems, we still allow a cautiously optimistic outlook into the year 2019. The synergies from the cooperation between Böwe Systec and Optimus Sorter promise further positive growth in the parcels market. The international positioning of the division, the high level of expertise in software solutions and joint projects in mail and parcel sorting provide high potential for growth and efficiency.

## Divisions

## PRINTING MACHINES

## Sales in € million

2018	246.8
2017	234.5

## Employees (annual average)

2018	1,682
2017	1,248

manroland Goss web systems is the world's leading manufacturer of web-fed offset printing machines for newspaper and commercial printing. Merging manroland web systems and Goss International into a joint venture led to a further distinct improvement of the division's market position. Possehl holds 51% of the shares in this joint venture, whose headquarters are based in Augsburg. The company's range of products includes newspaper printing systems for all runs as well as commercial printing machines for high-quality printing and the folding of brochures, supplements, catalogues, magazines and books.

Through graphometronic, the division is also a system supplier for measuring and control systems throughout the printing industry. In addition, the two companies manroland web produktions-gesellschaft and manroland web Industriepark, in both of which Possehl holds shares, are part of this division.

**Merger as a reaction to structural change**

The financial year 2018 was mainly characterised by the merger between manroland web systems and Goss International into the joint venture manroland Goss web systems. The merger is the economically logical consequence of the fundamental structural changes in the printing industry in the past 10 to 15 years. Print runs of newspapers are continuously on the decline in developed countries. In addition, media-related print products increasingly need to share marketing budgets with online outlets, which means they lose essential income. This trend also continued in the year ended. The global market for newspaper and commercial printing machines – not including perfecting systems and inkjet printing systems – has continuously fallen in recent years to a market volume for new machines of less than 10% p.a. to a market volume for new machines of less than €250 million.

**Sales increase by 5.3%, market share further expanded**

The 2018 financial figures are comparable with the previous-year figures only to a limited extent on two counts. Firstly, the Goss companies are included in the balance sheet of the division as of September. And secondly, the merger incurred substantial one-off expenses. It was decided, in particular, to shut down the machine production including assembly in the US and to streamline the machine range. All new machines are now manufactured at the company's headquarters in Augsburg.

At €246.8 million, sales were higher by €12.3 million or 5.3% than last year. Adjusted for the initial consolidation effect, revenues dropped by €30.7 million or 13.1%. This decline applies primarily to the new machines business, however, sales from services and spare parts also continued to drop. Machine sales and sales generated from services and spare parts accounted for around 50% of the total revenues each. This includes print services (repairs, inspection, maintenance and spare part supplies) and press updates (upgrades, retrofits and machine relocations).

However, the recorded sales proceeds provide a rather inaccurate picture of the division's actual economic development because a large part of the performance rendered did not turn into sales, which led to a significant inventory build-up that will be reduced again in the preceding year. This distinct increase in inventory is also a result of the capacity shortages in many production areas. The overall performance therefore increased by €50.8 million to €262.9 million. The high order backlog will entail a positive effect on sales in the following year.

**High level of incoming orders, full capacity utilisation in production**

The amount of incoming orders, also driven by a still favourable global economy and, partly, by government subsidies for customers, was highly satisfactory. Incoming orders for new machines and services amounted to just short of €300 million, and was therefore significantly higher than the achieved turnover. Substantial growth was particularly achieved in the new machines business. A large part is allotted to illustration printing, whereas the demand for newspaper printing machines remained low. The high amount of both incoming orders and order backlogs resulted in the utilisation of all production areas, and will continue to do so throughout the subsequent year. At the same time, the high amount of incoming orders received in the year ended proves the volatility of the new machines business and the associated fluctuations in capacity utilisation.

### Services and spare part business shows potential

The services and spare part business, on an adjusted basis, saw a slight decline compared with the previous year. The main reason for this was the decline in the number of incoming orders for major, longer running machine relocations, the consolidation of machinery and retrofits. Instead of making costly investments in new printing machines, many customers have had their existing systems upgraded to accommodate the latest printing technology in order to enable them to print more cost-effectively. Both in this segment and in the services and spare parts market, we generally see future potential for growth with appropriate margins. This is particularly true for markets with a large base of installed machines, especially the US market. The services and spare part business made considerable progress during the reporting year by addressing customers systematically. The eCommerce platform MARKET-X contributed to this positive development. However, the general pressure the services and spare part business is exposed to through shorter machine run times in newspaper printing, and therefore less wear and tear, remains unchanged.

We see growth and development opportunities outside the newspaper and illustration printing business. With the development of the offset-gravure hybrid printing machine Varioman, we now have a high-performance and cost-effective system for the flexible printing of packaging materials in our selling range.

### PRECIOUS METALS PROCESSING

#### Sales in € million

2018	1,463.5
2017	1,573.4

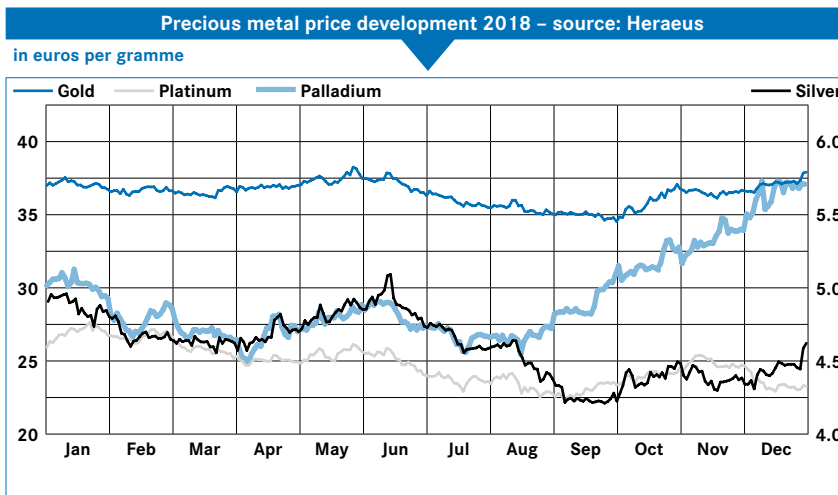
#### Employees (annual average)

2018	921
2017	756

The Heimerle + Meule Group is one of the leading precious metal companies in Europe. At the Group's two refineries in Pforzheim and Madrid, precious metals are extracted from residues and processed into high-quality products. In addition to recycling activities, the Group is a major European supplier for the jewellery and dental industries and also operates a mail order service and an online shop. At the beginning of 2018, the acquisition of Weston Beamor strengthened the supply business for the jewellery industry and own jewellery brands were added to the portfolio.

### Gross proceeds down by 8% due to lower prices

As in the previous year, gross proceeds – i.e. precious metal sales including precious metals contained in the materials input – dropped by a good 8%. The main reasons for this development were the lower annual average precious metal prices in euros. The price of gold, for example, was approximately 4% below the previous year's figure, while



## Divisions

silver and platinum prices even dropped by 12%. However, the exchange rate impact on gross proceeds was only marginal.

While the prices of gold, silver and platinum dropped, palladium, due to the high demand in the automotive industry, rose to a record high and achieved peak prices higher than gold for the first time in history. Along with the strong price increase for palladium, loan interest rates for this metal also went through the roof, whereas loan interest rates for all other metals remained more or less stable. Overall, the expenses for precious metal loans have increased noticeably compared with the previous year.

Sales adjusted for precious metals contained in the materials input, and therefore the division's performance, slightly increased in a year-on-year comparison. This growth is mainly due to a higher recycling volume at the sites in Birmingham and Pforzheim.

In general, market conditions did not fundamentally change in the reporting year. On account of the strong competition and the continued excess capacities of the refineries, the earnings from processing remain under high pressure. To provide some relief, a project for procuring primary gold in addition to secondary material was further expedited in the reporting year.

### Semi-finished industrial products business shows robust development

The semi-finished industrial products business at Heimerle + Meule proved to be robust but did not increase further. In addition, the competition for high precious-metal-bearing alloys continues to be very intense. Irrespective of this, we aim to continue expanding the industrial business both in Pforzheim and at the other sites to achieve greater overall stability. By renovating and expanding the Pforzheim site last year, we already created the required preconditions.

### Investment products- and online business further expanded

We continuously expanded the investment products business in the past years. In particular, we invested highly in automating and modernising the coin production in Spain, and thus broadened both our customer base and product range. The demand for investment products remained more or less stable in the reporting year. However, contrary to expectations, the demand for coin blanks declined in the second half of the year, which generated negative effects for the production site in Spain.

Under the trade name "cooksongold", we successfully expanded our online business in other European countries. We aim to continue this

growth strategy in the future in order to develop the online business into another significant foothold for this division.

### Acquisition of Weston Beamor strengthens the business in the UK

The acquisition of Weston Beamor at the beginning of the year created positive effects for both our business in England and the division as a whole. With this acquisition, we took a step towards both further-processing activities and the production of jewellery, which enables us to continue to expand our local business in the UK market.

## ELASTOMER PLANTS

### Sales in € million

2018	459.5
2017	438.1

### Employees (annual average)

2018	2,184
2017	2,096

This division brings together a range of machinery for all major production stages in the rubber processing industry, the tyre industry in particular, from the preparation of raw materials to rubber processing and vulcanisation. The division comprises the three business segments

- ≡ TireTech (rubber technology),
- ≡ Mixing Group (rubber mixing technology) and
- ≡ Press+Lipid Tech (cooking oil technology).

### Demand for tyres remains on a high level

The global automotive demand dropped by 1% in a year-on-year comparison but still remained on a high level. In particular the Chinese market saw its economic growth weaken significantly during the course of the year and the demand even declined slightly for the first time in a long while. The global demand for spare tyres increased moderately by approximately 2% and therefore expanded at a similar rate as the year before. Overall, the economic conditions for the companies of the Elastomer Plants division remained favourable throughout the year, the more so as the demand for tyres only depends to a very limited extent on the number of new vehicle registrations. This underlying positive sentiment is reflected in the development of our business figures.

### Sales increase by 4.9%, order backlog higher by 5%

Sales rose by €21.4 million or 4.9% year-on-year; adjusted for exchange rates, the growth was even slightly higher. Thus, the division continued its growth rate of the previous year and achieved a new sales record. The increase is allotted exclusively to the Mixing-Group, while business in the TireTech segment – in particular for tyre building machines – declined slightly but still remained on a high level.

The overall performance of €467.7 million was again higher than sales and exceeded the previous year's result by 7%. Hence, the increase in sales did not lead to a decrease of inventories (work in progress) and the companies entered the new year with a high level of capacity utilisation. The value of incoming orders in all production segments amounted to €483 million. This was again higher than reported sales and also approximately 2% higher than the value of incoming orders in the previous year. The order backlog grew year-on-year by over 5% to €392 million. Hence, the order buffer for the coming years has grown once again.

In particular the rubber mixing technology segment with the brands HF Mixing Group, Farrel and Pomini was able to maintain its position as the global leader in rubber mixers. In the tyre heating press segment, the TireTech business unit was also able to affirm its outstanding market position, which was underpinned by the newly developed and significantly more energy-efficient heating press for lorry tyres.

### High investment activities continued, further investments are planned

During recent years, we have invested tens of millions of euros in the new construction, expansion and modernisation of our sites in Slovakia, Croatia and the US. In the years to come, we will continue our expansion and modernisation strategy with further significant investments in the future of our two German sites in Hamburg-Harburg and Freudenberg. For example, we plan to construct new production facilities and a modern administration building on a 20,000 square-metre plot directly adjacent to our existing factory in Hamburg-Harburg by 2020.

Based on the growth level of recent years and the outstanding prospects for the future, we will also invest another double-digit million euro amount to expand and modernise the headquarters of the HF Mixing Group in Freudenberg. In doing so, we will create the most modern working conditions at both locations and form the basis

necessary to enable the division to continue its successful business development.

## ELECTRONICS

### Sales in € million

2018	301.9
2017	277.3

### Employees (annual average)

2018	1,997
2017	1,952

After selling the smartcard business in the summer of last year, the Electronics division is divided into two business segments: "Automotive" and "Semicon".

### Overall sales rise by 8.9%

The development of the division as a whole was encouraging in the reporting year. Sales rose by €24.6 million or 8.9% despite negative exchange rate effects of approximately €2.2 million and first signs of an economic downward trend towards the end of the financial year as well as several negative one-off effects.

### Automotive: sales increase significantly by 15%

In this business segment, customised electromechanical components for automotive suppliers are produced by the process technologies punching, plastic injection moulding, plating and automated assembly. Production is shared between the two German sites and our two production plants in the Czech Republic and in Mexico.

Global automotive production slightly declined in the year ended. With the US market as an exception, the dynamic in all regions was substantially more subdued. The decline on the Chinese market, the growth engine of recent years, was particularly unexpected. Hence, the challenges for suppliers of automotive manufacturers have risen even further. In addition to the decline in demand, innovation pressure, in particular fuelled by new drive technologies and autonomous driving, continues to grow. The automotive sector performed well under these challenging market conditions, even though the demand at individual locations became significantly more volatile towards the end of the year due to a generally increased sense of uncertainty and inventory adjustments on the part of customers.



## Divisions

Sales grew by 15% year-on-year and therefore increased at an even higher rate than the year before. The numerous projects won in recent years, which are now in the growth phase or in part have reached the saturation phase of the product life cycle, made a positive impact. In addition, the capacity utilisation of the production sites improved distinctly whereas quality costs clearly fell. The tool business with poor margins also recorded substantial growth.

### Semicon: sales increase slightly by 1.2%

The global semiconductor market is highly fragmented and characterised by strong volatility with short product life cycles and high fluctuations in product supply and demand. A large part of the products manufactured by Possehl Electronics are supplied to the automotive industry or are used in the production of other electronic devices. Possehl Electronics is represented in the market by two sites in Europe, one in the US and three production sites in Asia. The global market for semiconductors grew again in 2018, albeit on a lower level than the year before. The global market for automotive semiconductors also increased again; however, the outlook deteriorated considerably in the fourth quarter of the year.

The Semicon business grew by a mere 1.2%, adjusted for currency effects the increase amounted to nearly 3%. The main reasons for this only moderate growth were on the one hand the relocation of production in Hong Kong to new, modern production facilities, and, secondly, merging the two production sites in Malaysia into one, which had a negative impact on the operative business. Both of these future-oriented measures are scheduled to be completed by the end of the first quarter of the new year. After completion, they are expected to significantly improve efficiency at the production sites. The two companies in China and in the US achieved substantial growth, which more than compensated the decline recorded at the other two sites.

## IDENTIFICATION SOLUTIONS

### Sales in € million

2018	147.4
2017	141.3

### Employees (annual average)

2018	710
2017	672

The Identification Solutions division was established in early 2017 as a spin-off of the SME segment. The main reasons for this decision were both the strong growth achieved in recent years and the encouraging development prospects. The division is divided into

- ≡ Logopak Systeme,
- ≡ Novexx Solutions including Eidos and
- ≡ Nordvalls.

This division comprises the development, production and sales of logistically integrated labelling systems as an interface between production and logistics, as well as of digital thermal transfer printers, self-adhesive labels and thermal transfer film.

### Market with sound prospects

The identification, marking and traceability of products and the associated complete traceability of goods movements are already of high relevance in many industries, e.g. food, automotive and pharmaceuticals industries, and will gain even more importance in the years to come. As an integrated and globally positioned group of companies, backed by both our modern product range and high software competence, we are able to offer versatile, custom-made solutions.

The 2018 financial year was characterised by our aim of further developing the operative business and consolidating and aligning the different companies of the division. Synergy potential will be analysed and utilised only in so far as it provides obvious operational advantages.

### Sales rise by 4.3%

The financial figures for the business year 2018 prove the success of the adopted strategy. Sales increased by 4.3%, and, adjusted for currency effects, even went up by nearly 6%, because the Swedish krona fell in value by some 10% against the euro during the course of the year. The growth in the number of employees we also regarded as a success because we were able to win new qualified staff at the different sites.

While the development of the different companies was not uniform in the previous year – Logopak's reorganisation of production at the Hartenholm site entailed delays in delivery – all business segments were able to achieve growth in the year under review. In addition, they all contributed to the positive result and the year-on-year increase. The acquisitions of recent years not only led to growing sales but are also testimony to a significant increase in earnings.



## SME INVESTMENTS

### Sales in € million

2018	232.7
2017	205.3

### Employees (annual average)

2018	1,360
2017	1,213

The business model of Possehl SME Investments comprises the acquisition as well as the management and development of companies primarily from among German SMEs with annual sales of between €10 and €50 million. One focus is on production companies, in particular from the mechanical engineering segment. Since its establishment in 2009, the division has developed into a main pillar within the Possehl Group. Our objective is to continue to expand the portfolio in the years to come.

### Financial year was characterised by consolidation activities and further development

After we had established the Identification Solutions division in the preceding year by implementing part of the business model and strategy of our SME Investments division – namely to develop independent business divisions for the Possehl Group by the systematic

acquisition of companies under a buy-and-build approach – 2018 was mainly characterised by consolidation activities as well as the further development of the individual companies and expanding the new division.

### Acquisition of a majority interest in the Hänsel Group GmbH

The acquisition of a majority interest in the Hänsel Group GmbH once again confirmed the fact that Possehl is a preferred successor company, in particular in the SME segment. With annual sales of some €45 million, the Hänsel Group is the second largest group of companies within our SME segment. Pro rata sales in the reporting year amounted to approximately €24 million and thus led to the reported increase in sales of the division as a whole.

### Düring builds new production plant in China

Düring was able to take yet another decisive step towards positive long-term development by building up modern production facilities for welding tongs in China, which brought the company even closer to this important market.

### Pooling of production at the Schwarte-Group

By pooling their production in Poland combined with the associated streamlining and simplification of processes, they achieved a substantial increase in efficiency.

### Companies of the SME Investments division

Field of business	Company/Head company
Plants and systems for the confectionary industry, mixing and homogenisation technology	Hänsel Processing GmbH; Candy Recycling; Hebold Systems GmbH
Oil spill clean-up, tank and pipeline cleaning	Possehl Umweltschutz GmbH; nordrohr GmbH
Bathroom rugs, bed linen, accessories	Kleine Wolke Textilgesellschaft mbH & Co. KG
Conveyor systems	DMA Maschinen- und Anlagenbau GmbH & Co. KG
Miniature light bulbs	MGG Micro-Glühlampen Gesellschaft Menzel GmbH
Hoistable masts	Gabler Maschinenbau GmbH
Thermoforming machines	GABLER Thermoform GmbH & Co. KG
Robot welding tongs	Düring Schweißtechnik GmbH
Technical hollow bodies	SAVO-TECHNIK ROTATIONSGUSS GmbH
Equipment for milk logistics	Schwarte Group GmbH

## Divisions

## CLEANING MACHINES

Sales in € million	
2018	438.4
2017	408.1

Employees (annual average)	
2018	1,926
2017	1,883

Hako is a leading international manufacturer of high-quality machines and vehicles for Cleaning and Municipal Technology. With its products and services, the company serves a broad range of target groups throughout the world. The products and services stand for high quality, cost effectiveness and sustainability. The product range includes

- ≡ Scrubmaster (scrubber-driers)
- ≡ Sweepmaster (sweepers and vacuum sweepers)
- ≡ Citymaster (city cleaning machines)
- ≡ Multicar (multi-functional implement carriers and transporters)
- ≡ High-pressure cleaning systems (von Oertzen)
- ≡ Used machines
- ≡ Services and spare parts.

In addition to Hako, the brands Minuteman, PowerBoss and Multiclean as well as – since the end of 2018 – von Oertzen are encompassed by this division.

### Sales rise by 7.4% to reach a record high

The cleaning machines business reported significant growth in the reporting year. With annual sales of €438.4 million, the Hako Group achieved a growth rate of 7.4%, and, adjusted for currency effects, sales even went up by 9.2%, which meant that sales in this division climbed to an historic record high. While last year's development showed a growth rate that was below the market as a whole due to both the delay in supply of bought-in parts and production-related postponements, sales significantly outperformed the general market trend in the reporting year.

It is important to note that this favourable development was not accompanied by a reduction of the order backlog, which in fact increased even further. As a result, the overall performance increased by 7% to reach a new record high of €442.3 million.

Revenue recognition of this high order backlog leads to a substantial sales and earnings potential for 2019.

### Jump in sales with regionally balanced distribution

This significant jump in sales was broadly based across almost all regions. The domestic companies grew by approximately 6% while the foreign companies even showed double-digit growth rates. The highest growth rates were achieved by the export business of our US-based company Minuteman as well as in Scandinavia and in South Europe. Barring this, the long-term growth markets are regarded to be located in Asia and East Europe, whereas the developed markets in West Europe and North America are becoming increasingly saturated. The largest single market by far remains that of the United States.

The cleaning machines segment is heavily focussed on both the domestic and other European markets, whereas the Asian market – despite its particularly strong growth in recent years – still plays a secondary role. In the reporting year, about 83% of sales were again generated in Europe. This positive development is equally attributable to many different countries. Sales in the American market remained stable, also in terms of exchange rates. With a sales volume of €135 million, the domestic market remains the largest single market for Hako.

When reviewing individual product areas, the highest growth rate could be seen in the outdoor cleaning segment with its products Citymaster and Multicar as well as in the spare parts business, whereas the indoor cleaning segment grew only slightly. The previous year saw the exact opposite development. Sales of used machines declined due to the low availability of vehicles.

Profitability remains on a high level. The general increase in costs could be absorbed by continuously optimising production processes. In addition, the successful launch of both new and further developed machines also had a positive impact. The component and platform designs have enabled production costs to be reduced significantly.

### Acquisition of von Oertzen GmbH expands the product range

With the acquisition of von Oertzen GmbH, the division succeeded in expanding its product range by adding high pressure water jet systems, in particular high pressure cleaners for special applications, to its product portfolio. Hako's global organisation offers this mid-sized company large potential for development while concomitantly preserving its autonomy.

## ASSETS AND FINANCIAL POSITION

### Balance sheet total increases significantly by 10.5%

The Group's total assets rose by €169.6 million or 10.5% to €1,788.4 million. On the assets side, non-current assets grew to 29.9% – despite the significant increase of total assets by €169.6 million. This is attributable to the goodwill resulting from acquisitions on the one hand and increased investment in property, plant and equipment on the other. The growth in assets is mainly offset by both higher Group equity and increased accruals.

Intangible assets and property, plant and equipment rose by €98.7 million as a result of higher goodwill from acquisition. Goodwill rose by €44.0 million in total as a result of the acquisitions made in the reporting year. Property, plant and equipment also rose significantly by €50.6 million. More than a quarter of this growth is attributable to first-time consolidated companies.

Financial assets increased year-on-year by €12.5 million to €42.6 million. The main reason for this development was the acquisition of von Oertzen GmbH in the Cleaning Machines division, that will only be fully consolidated at the beginning of the new year.

### Net current assets (net working capital) up by 17.6%

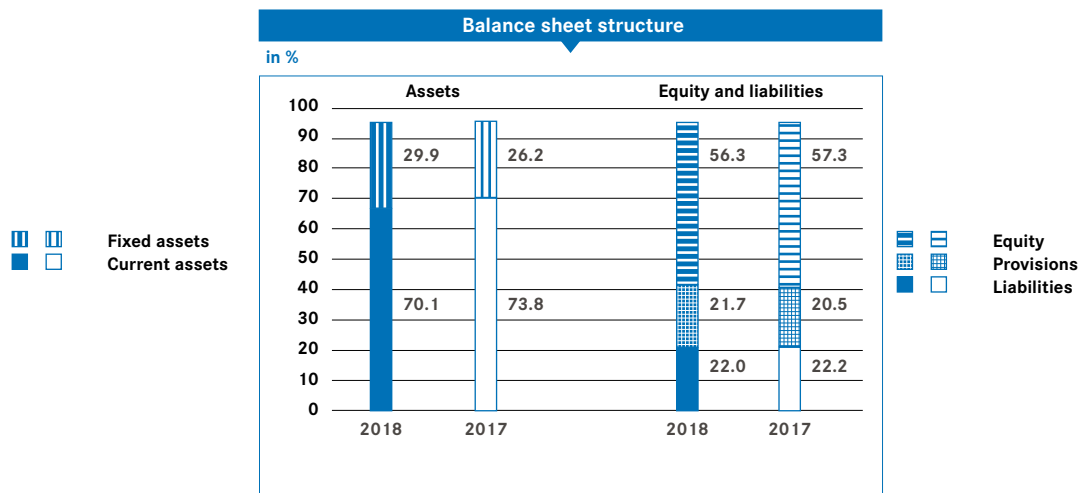
The net working capital or net current assets (inventories + trade receivables – trade payables) amounted to €705.5 million at the

end of the year, and hence increased by €105.6 million or 17.6% compared to the previous year.

The distinct increase in net inventories primarily results from higher inventories whereas advance payments received increased less than proportionately in comparison to the previous year. Inventories before deduction grew, in particular due to a significantly higher level of work in progress. The main reasons for this development are both the high order backlog at the end of the year as a result of the high capacity utilisation and delays in order completion. The advance payment ratio related to the overall inventories dropped to 42.6%. However, if the advance payments received are put in relation exclusively to the inventory of work in progress, the ratio is approximately 80% in comparison to 84% the year before.

With a slightly higher volume of business, trade receivables rose year-on-year by 14.2% to €462.1 million. This increase is largely attributable to the newly acquired companies. The average duration of receivables increased by 5 days to 42 days.

Cash and cash equivalents, including current securities, dropped significantly year-on-year by €110.6 million to €303.6 million on the balance sheet closing date. Liabilities to banks, most of which are longer-term, were reduced by another €12.3 million in the reporting year and amounted to €35.6 million at the end of the financial year. Net financial assets dropped to €268.0 million.



### Group equity exceeds the one-billion-euro mark

On the liabilities side, the Group equity rose by €83.4 million to €1,002.2 million, exceeding the one-billion-euro equity mark for the first time. The higher equity is primarily attributable to the Group net income of €106.5 million. This was offset mainly by dividend payments of €18.0 million to the Possehl Foundation. The economic equity ratio dropped to 54.1% due to the strong increase in total assets. The balance sheet Group equity ratio is slightly higher at 56.0%. Non-current assets remain to be fully covered by equity.

### Borrowings further reduced

Pension provisions increased by €13.0 million to €127.3 million in the reporting period. Other provisions grew by €42.0 million to €259.8 million with a slightly higher volume of business. While tax- and personnel-related provisions remained essentially unchanged, operative provisions for warranties and outstanding invoices increased significantly.

Liabilities to banks were further reduced wherever possible in the reporting year and amounted to €35.6 million at the end of the financial year. Nearly half of this amount is attributable to the Cleaning Machines division, and the remaining percentage share to the other operative segments. This reduction is in particular the result of the full repayment of a long-term loan which was due in the reporting year. We will continue our strategy of repaying financial liabilities in general and, in particular, within the euro zone. Other

liabilities remain almost unchanged in a year-on-year comparison, both in terms of total amount and composition.

### We pursue a conservative and flexible financial strategy

The overall financial management of the Possehl Group is the responsibility of the Group's holding company L. Possehl. The main objective of the central financial management is to ensure the Group's liquidity and creditworthiness at all times. A reduction in capital costs, the optimisation of the capital structure and effective risk management are further elements of the centralised financial and liquidity management of the Possehl Group. We also ensure that we remain independent of individual banks or financial institutions. Overall, we regard financing as a support function for our operational business and a means of ensuring sustainable growth of the Group.

We decide on a case-to-case basis whether funds are obtained from a central source and distributed internally within the Group or sourced locally by our individual companies. Different factors such as the credit rating of the respective Group company, the credit terms and the currency of the borrowed funds play a role in the decision. Domestic companies are, for the most part, integrated into the Group's financial transfers via physical cash pooling. Foreign companies largely arrange their finances locally, whenever possible on a stand-alone basis.

Net inventories and advance payment ratio		
in € million		
	31/12/2018	31/12/2017
Gross inventories	726.3	587.5
Advance payments received	-309.1	-262.7
<b>Net inventories</b>	<b>417.2</b>	<b>324.8</b>
Advance payment ratio (in %)	42.6	44.7

The debt policy followed by the Group is conservative; its aim is flexibility. In addition to a few long-term loans, we also borrow money in different divisions on an as-needed basis to finance the working capital. Basically, we redeem borrowings as permitted by market conditions and the high free liquidity of the Group. In addition to ensuring sufficient credit lines, we attach great importance to the high availability of overnight loans and time deposits to enable us to respond quickly, reliably and fairly independent of banks.

### Liquidity situation remains very solid

Cash flow from operating activities amounted to €90.8 million and dropped by €29.9 million year-on-year, even though the Group net income rose by €6.6 million. This is the result of a higher increase in working capital, adjusted for changes in the scope of consolidation, which grew by €105.6 million in the reporting year, twice as much as in the previous year. This increase affected virtually all divisions and is primarily a result of the very high capacity utilisation and delays in the supply chains.

Cash flow from investment activities amounted to €-152.9 million in the reporting year and increased by €79.2 million compared to the previous year. In addition to the significantly increased outflow for investments in both intangible assets and property, plant and equipment – not including goodwill – the outflow for company acquisitions also increased substantially. Individual investments of significance included the new building in Hamburg-Harburg, the acquisition of a paint shop in the Croatian factory in the Elastomer

Plants division, the fundamental modernisation and expansion of Hako's production facilities and equipping Nordvalls with new label printing machines.

Cash flow from financing activities is negative in the reporting year with €-45.6 million. Profit distributions were slightly higher than the year before. The repayment of liabilities to banks amounted to €12.3 million and also slightly increased in comparison to the previous year.

### Net financial assets drop to €268.0 million

The Possehl Group posts net financial assets of €268.0 million at the end of the reporting year. This represents a significant year-on-year decline by almost €100 million. Cash and cash equivalents declined even more to €291.5 million. Due to the significant increase of working capital, the cash flow from operating activities was not sufficient to finance both the high current investments and company acquisitions; hence, part of the investments as well as dividend payments and repayments of financial liabilities were financed from the cash balance, which is largely held by the Group Holding, L. Possehl, and invested exclusively in short terms and at low risk.

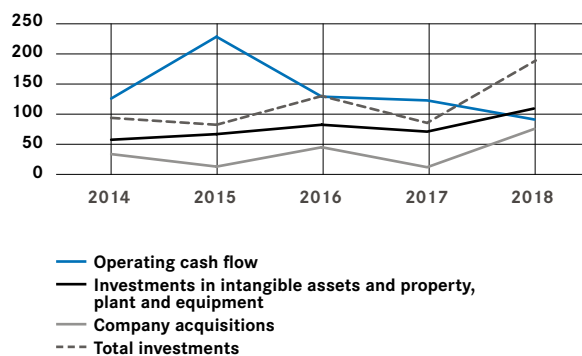
#### Key data on liquidity

in € million

	2018	2017
Cash flow from operating activities	90.8	120.7
Cash flow from investing activities	-152.9	-73.7
Cash flow from financing activities	-45.6	-29.8
<b>Net changes in cash and cash equivalents</b>	<b>-107.7</b>	<b>17.2</b>
Cash and cash equivalents on 31 December	291.5	394.8

#### Operating cash flow – Investments 2014-2018

in € million



## NON-FINANCIAL PERFORMANCE INDICATORS

### EMPLOYEES

#### Recruitment and retention of employees is an important corporate objective

Our employees are the most important contributors to the success of Possehl. This is why we aim to recruit committed, performance-oriented staff around the world and to retain them within our company in the long term. We invest in our attractiveness as an employer and support our employees with systematic human resources development measures. We regard this as one of our management's most important tasks, in particular in view of the lack of skilled labour and management personnel. As an international Group of entrepreneurs, it is our objective to increasingly offer our employees development prospects across our individual divisions in order to tap their full potential.

#### Number of employees rose due to acquisitions

At the end of the year 2018, Possehl employed 13,260 people around the world, which is 786 more than in the previous year. The increase in the workforce is almost exclusively attributable to portfolio changes, in particular in the Printing Machines and SME Investments divisions. Organic growth was recorded in the divisions Elastomer Plants, Cleaning Machines and Identification Solutions. In the other division, the number of employees remained largely constant.

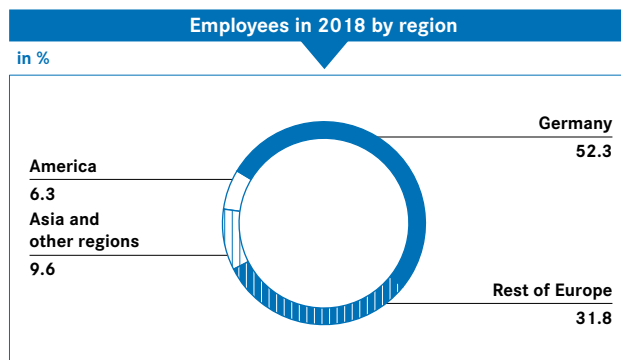
On annual average, the Possehl Group had 13,365 employees, which is approximately 100 more than at the end of the year. In a year-on-year comparison, the annual average number of employees rose by 952. In Germany, both the number of annual average employees and people employed at the end of the year increased. This was a result of the initial inclusion of the Hänsel Group in the consolidated financial statement. With regard to the Group's global workforce, the percentage of people employed in Germany declined to 52.3% due to the strong above-average growth of employment in foreign countries.

#### Personnel costs and corporate social benefits

In the reporting period, the Possehl Group spent €717.7 million on wages and salaries, social security benefits, pension schemes (not including the compounding of interest for pension provisions) and retirement benefits. Personnel costs therefore rose by 6.2% year-on-year, mainly as a result of the higher headcount.

#### Expansion of talent management programmes and recruitment activities for qualified staff and junior management personnel

We expanded our human resources development in the individual companies as well as on Group level again in the year under review in order to counteract both the demographic challenge and the competition for the best and most qualified employees. Intensifying our recruitment activities in search of junior management personnel and skilled workers plays a major role in this respect.



One important module for winning junior professionals for the Possehl Group is the new 15-month trainee programme focussing on management and operations. The interdivisional trainee programme is addressed primarily to graduates holding a master's degree in engineering disciplines. The challenging and at the same time attractive trainee programme, which also includes international placements, strengthens our employer brand and provides access to best-trained young professionals. The first participants successfully completed the trainee programme and we were able to offer all graduates high-quality employment with excellent prospects for further development. This shows that our trainee approach works extremely well and that Possehl is perceived as an attractive employer for future executives.

### Qualification and further training

With our business activities, we compete worldwide for qualified staff and management personnel and therefore continue to attach great importance to the training and qualification of our employees in the future. Our training programmes focus on specialist training courses to ensure our employees' technical knowledge and innovation capabilities, as well as training courses for junior executives and social skills development courses.

As an attractive employer, we continue to invest in training professions (apprenticeships) and currently train 456 young people in various different professions, primarily in Germany. In comparison with the previous year, the number of apprentices rose by 22. We consider this yet another important contribution to counteracting the

increasing demand for qualified employees in a highly competitive job market environment.

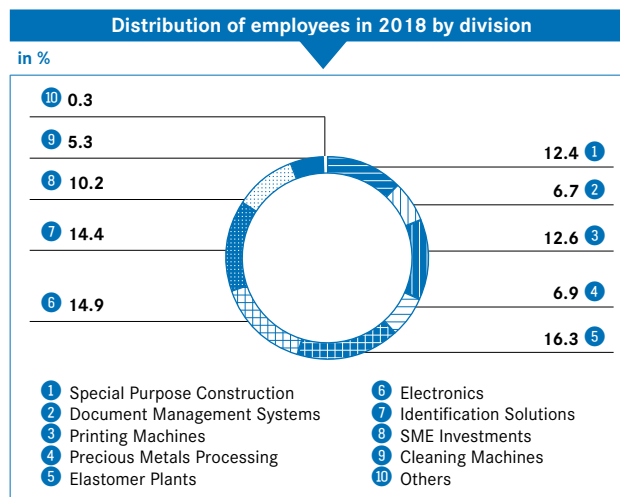
## ENVIRONMENTAL PROTECTION

### Environmental protection is an important innovation driver

In many of our divisions, environmental protection is closely linked to innovations. This holds true, for example, for the reduction of emission values for our cleaning machines. All companies of the Possehl Group are required to limit their emissions and consumption and to continuously improve their production processes by reducing energy, material and resource requirements. As a leading precious metals recycler, we generally attach great importance to the recycling of consumer goods. We have therefore recently begun to expand our industrial recycling business. With three additional Group companies, we are active in environmental protection and the recovery of raw materials.

### Guided by norms and certifications

Many of our production sites are certified in accordance with current energy and environmental management standards. In addition, energy audits have been performed at all domestic companies. Recommendations from these audits that could be implemented quickly – such as the replacement of fluorescent tubes with energy-saving bulbs or LEDs – have already been accepted in many cases, enabling us to reduce our energy consumption and consequently our CO<sub>2</sub> emissions rapidly. Additional recommendations and





suggestions for improvement are being assessed within each company and gradually implemented where deemed advisable.

Energy consumption is becoming more and more a key determining factor when it comes to the total costs of ownership over the life cycle of a machine or a system. Especially in our mechanical engineering activities, we undertake substantial efforts and invest considerable sums in research and development in order to exploit potential for energy efficiency. We consider this not only an environmental obligation but also an opportunity for developing economically. Similar projects are being taken forward in all of our divisions. For example, in our Elastomer Plants division, we have developed a distinctly more energy-efficient tyre heating press in cooperation with technical colleges, which is now being delivered to customers. For example, in our SME segment, the company Düring – in cooperation with its customers Volkswagen and Kuka – has developed an electromechanical drive for a welding tong that consumes significantly less energy than a conventional servopneumatic drive.

#### **Substantial investments in the Precious Metals Processing and Electronics divisions**

Environmental protection and the associated demands on sustainable business and operations are subject to extremely strict requirements applicable in the Precious Metals Processing and Electronics divisions. In recent years, we have therefore invested sizeable amounts of money in environmental protection at the different production sites, for example the waste water treatment

at the Niefern site, which has been completely reconstructed. We hold comprehensive certifications for our precious metal recycling operations. We especially value our LBMA certification for gold, which is a particularly important quality label. All companies of our Precious Metals division are certified at least according to the RJC-CoP standard of the Responsible Jewellery Council.

## OUTLOOK

### Corporate strategy remains unchanged

The core elements of our Group strategy – in particular the focus on long-term growth and ROI goals and the avoidance of unnecessary risks – remain unchanged. We invest mainly in promising technologies and products without shying away from investments in mature industries if both the product and the company's market position are strong and promise success for the future.

### Economic framework conditions become gloomier

For 2019, there is a general prediction of slower growth in global production without this leading to a pronounced economic slowdown. Due to the tightening of the expansive monetary policy and an only moderately rising demand in developing and emerging countries, the increase in production in the developed economies is likely to lose momentum. After more than ten years of economic upswing, the growth momentum in the United States has also passed its peak. As the monetary policy will become less expansive, tax incentives are on the decline and fiscal policies fail to provide an additional economic stimulus, growth in this economy will slow down, too. Forecasts predict a similarly weaker development for the euro zone, even though financing conditions remain favourable in this area. Structural problems in certain individual countries such as France and Italy, as well as uncertainties surrounding the organisation and structuring of Brexit, are additional decisive factors for the economic downturn in the euro zone.

After a long period of economic upswing, the German economy entered into the current year at a distinctly slower pace than in the previous year. In addition to problems in the automotive industry, foreign markets – which are exposed to significant economic risks – will lose momentum. Overall, the over-utilisation of capacities in German industry is expected to decline slightly, leading to a slower growth of employment figures. However, easing of the labour market situation is not yet to be expected and the industrial capacity utilisation will remain on a high level due to high order backlogs. Positive impulses for private and public consumption are expected from the implementation of measurements defined in the coalition agreement. Growth of the gross domestic product is expected to slow down against the previous year and increase by a mere 1.0%.

### Expected development of the Possehl Group

Against the background of increased uncertainties, growing geopolitical risks and a slowing global economy, our outlook for the

coming year is only cautiously optimistic. However, due to the good condition and market positions of our companies as well as – in many cases – extensive order backlogs, we see no reason for pronounced pessimism.

Precious metal prices have a major impact on Group sales. Approximately 38% of Group sales are generated in the Precious Metals Processing division. Rising or falling precious metal prices, in particular the price of gold, have correspondingly positive or negative effects on Group sales. Our planning for 2019 is based on the assumption that precious metal prices will rise only moderately on an annual average, even though they edged upwards at the beginning of the new year.

### Sales expected to increase moderately

Under this assumption, we expect Group sales to grow moderately by approximately 5%. This increase will spread over almost all divisions, whereas growth in the Printing Machines division will primarily be the result of the full year effect from the Goss activities added during the course of the year 2018. Incoming orders should be level with sales.

We have already significantly increased our budget for future investments and intend to keep it on the same high level in the years to come. In addition to the expansion and modernisation of our production sites, more funds will be invested in both research and development and digitisation. Investments will continue to be funded from assets and current cash flow.

In most of our Group divisions, we do not expect any fundamental year-on-year changes. However, a clearly positive development can be expected for our printing machine business, and this although we assume that the overall market will continue to decline. In addition to the full year effect from the acquisition of the Goss activities, both the absence of one-off expenses and a far lower cost base will have a positive impact on results.

The healthy domestic construction market continues to provide excellent framework conditions for our Special Purpose Construction division and therefore good opportunities for growth, although the shortage of qualified labour will continue to restrict such growth in the future.

The latter also applies to the majority of our mechanical engineering activities. Considering the high and also long-term backlog of

## Outlook

orders in the companies of this division, most of the scheduled sales are already secure for 2019. However, the ebbing demand for exports can have an adverse effect on this corporate segment.

We expect to feel some noticeable headwind in the Electronics division. In addition to the generally weaker development in the Asian markets, we predict a declining – or at least significantly more volatile – demand in our supply business for the automotive industry.

In times of growing uncertainties, the demand for and hence the prices of gold and other precious metals usually increase. Our precious metal business could therefore profit from rising prices. However, given the continued high opportunity costs, we do not expect any significant leaps in the price of gold, so that the price effect will most likely be on the moderate side at best.

### Return on sales between 6% and 8% expected

Accompanied by a subdued development in sales, our forecast for 2019 assumes stable operating results without one-off effects. The profitability of the Group as a whole, gauged by the adjusted EBIT return on sales, should remain between 6% and 8% in 2019.

As in the financial year ended, earnings will also be affected by the amortisation of goodwill and the release of negative consolidation differences from acquisitions in previous years. These figures are expected to be slightly higher than in the previous year. As regards interest expense from the discounting of pension provisions, we anticipate that expenditure will remain essentially unchanged in the coming year.

### Acquisition activities focus on mid-sized companies

In our forecast, we have not taken into account further external growth through new acquisitions. The high level of available liquidity and the low interest rates caused prices for unlisted companies to see yet another substantial rise in the reporting year, although stock prices already faced a significant downward trend. For us as a long-term investor without sales ambitions, these prices for companies, which from our perspective are still too high, are often not viable. However, given the expected weakening of the economy and lower stock market prices, we believe that the prices for these companies have reached their peak. At present, we are increasingly focussing our acquisition activities on SMEs for which the determining factors are not only the purchase price but also qualitative aspects such as reliability as well as long-term, stable prospects for the respective individual company. Last year, this strategy proved to be very

successful and we were able to conclude five company acquisitions. We will continue to determinedly pursue this chosen – and successfully implemented – strategy in the future.



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***Entrepreneurs decide fast and plan for  
the long term***

*“With our decisions and actions  
we always strive to ensure  
our Group’s long-term success.”*

# 07 CONSOLIDATED FINANCIAL STATEMENTS

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# Consolidated statement of financial position

as of December 31, 2018

in € '000	31/12/2018	31/12/2017
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
I. Intangible assets	108,924	60,874
II. Property, plant and equipment	383,039	332,416
III. Financial assets	42,644	30,192
	<b>534,607</b>	<b>423,482</b>
<b>B. Current assets</b>		
I. Inventories	417,232	324,833
II. Receivables and other assets		
1. Trade receivables	462,096	404,720
2. Other receivables and other assets	55,293	39,466
	517,389	444,186
III. Other securities	215	215
IV. Cash and cash equivalents	303,386	413,953
	<b>1,238,222</b>	<b>1,183,187</b>
<b>C. Prepaid expenses</b>	<b>10,792</b>	<b>8,721</b>
<b>D. Deferred tax assets</b>	<b>4,736</b>	<b>3,397</b>
<b>Total assets</b>	<b>1,788,357</b>	<b>1,618,787</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>A. Equity</b>		
I. Subscribed capital	30,678	30,678
II. Other reserves	485,471	409,295
III. Changes in equity due to currency translation	-4,512	-6,171
IV. Retained earnings	489,733	477,036
V. Non-controlling interests	838	7,967
	<b>1,002,208</b>	<b>918,805</b>
<b>B. Difference from the consolidation of equity</b>	<b>4,959</b>	<b>9,004</b>
<b>C. Provisions</b>		
1. Pension provisions	127,130	114,151
2. Miscellaneous provisions	259,759	217,715
	<b>386,889</b>	<b>331,866</b>
<b>D. Liabilities</b>		
1. Liabilities to banks	35,636	47,900
2. Trade payables	173,819	129,616
3. Miscellaneous liabilities	168,626	168,647
	<b>378,081</b>	<b>346,163</b>
<b>E. Deferred income</b>	<b>16,220</b>	<b>12,949</b>
<b>Total equity and liabilities</b>	<b>1,788,357</b>	<b>1,618,787</b>

# Consolidated income statement

from January 1 to December 31, 2018

in € '000	2018	2017
<b>Net sales</b>	3,763,788	3,808,864
Changes in finished goods, work in progress and capitalised own work	41,784	-47,608
Other operating income	64,974	56,282
Cost of materials	2,549,346	2,568,788
<b>Gross profit</b>	<b>1,321,200</b>	<b>1,248,750</b>
Personnel expenses	717,692	676,094
Depreciation and amortisation	78,708	76,305
Other operating expenses	346,675	323,460
Net investment result	920	1,406
Net interest result	-18,793	-16,823
Other financial result	1,954	518
<b>Earnings before taxes</b>	<b>162,206</b>	<b>157,992</b>
Income taxes	50,913	53,894
<b>Earnings after income taxes</b>	<b>111,293</b>	<b>104,098</b>
Other taxes	4,752	4,182
<b>Consolidated net profit for the period</b>	<b>106,541</b>	<b>99,916</b>
of which attributable to non-controlling interests	-4,208	3,083



# Consolidated cash flow statement

from January 1 to December 31, 2018

in € '000	2018	2017
<b>Consolidated net profit for the period</b>	<b>106,541</b>	<b>99,916</b>
Appreciation/depreciation on non-current assets	78,720	76,145
Changes in accruals and provisions	10,242	-2,030
Other non-cash expenses and income	2,921	-1,398
Change in working capital	-116,929	-56,291
Gains and losses on the disposal of non-current assets and the sale of consolidated companies and business units	-11,907	-3,275
Interest expenses/income	18,793	16,823
Income from investments	-920	-1,406
Income tax expense/income	50,913	53,894
Income tax payments	-47,584	-61,633
<b>Cash flow from operating activities</b>	<b>90,790</b>	<b>120,745</b>
Proceeds from the disposal of intangible assets and property, plant and equipment	17,393	9,040
Proceeds from the disposal of non-current financial assets and the sale of consolidated companies and business units	3,072	2,151
Payments for investments in intangible assets and property, plant and equipment	-107,641	-71,455
Payments for investments in non-current financial assets and for the acquisition of consolidated companies and business units	-65,432	-12,835
Payments for the acquisition of funding assets	-2,835	-2,431
Interest received	1,822	1,423
Dividends received	709	381
<b>Cash flow from investing activities</b>	<b>-152,912</b>	<b>-73,726</b>
Payments to shareholders (including minority interests)	-20,423	-19,308
Change in bank loans	-8,805	-4,832
Change in other financial receivables/liabilities	-6,582	3,810
Proceeds from subsidies/contributions received	216	247
Interest paid	-9,970	-9,724
<b>Cash flow from financing activities</b>	<b>-45,564</b>	<b>-29,807</b>
<b>Cash-relevant changes</b>	<b>-107,686</b>	<b>17,212</b>
Net change in cash and cash equivalents due to exchange rate differences and valuation changes	555	-2,786
Net change in cash and cash equivalents due to changes in the group of consolidated companies	3,748	221
Cash funds at the beginning of the period	394,835	380,188
<b>Cash funds at the end of the period</b>	<b>291,452</b>	<b>394,835</b>
<b>Composition of cash funds</b>		
Cash and cash equivalents at the end of the year	<b>303,386</b>	413,953
Bank liabilities due on demand at the end of the year	<b>-11,934</b>	-19,118

# Consolidated statement of changes in equity

from January 1 to December 31, 2018

in € '000	Parent company's equity					
	Share capital	Retained earnings	Equity differences from currency translation	Profit carried forward	Net income for the year / share of parent company	Total
<b>As of December 31, 2016</b>	<b>30,678</b>	<b>354,376</b>	<b>5,647</b>	<b>265,169</b>	<b>185,557</b>	<b>841,427</b>
Allocation to reserves		55,479		-55,479		0
Withdrawal from reserves		-1,880		1,880		0
Distribution				-17,000		-17,000
Currency translation			-11,818			-11,818
Other changes		2,402		76		2,478
Changes in scope of consolidation		-1,082				-1,082
Net income for the year				185,557	-88,724	96,833
<b>As of December 31, 2017</b>	<b>30,678</b>	<b>409,295</b>	<b>-6,171</b>	<b>380,203</b>	<b>96,833</b>	<b>910,838</b>
Allocation to reserves		61,294		-61,294		0
Withdrawal from reserves		-1,768		1,768		0
Distribution				-18,000		-18,000
Currency translation			1,659			1,659
Other changes		16,650		-20,526		-3,876
Changes in scope of consolidation		0				0
Net income for the year				96,833	13,916	110,749
<b>As of December 31, 2018</b>	<b>30,678</b>	<b>485,471</b>	<b>-4,512</b>	<b>378,984</b>	<b>110,749</b>	<b>1,001,370</b>

in € '000	Non-controlling interests			Group Equity
	Non-controlling interests	Net income for the year / share of non-controlling interests	Total	
<b>As of December 31, 2016</b>	<b>4,135</b>	<b>2,841</b>	<b>6,976</b>	<b>848,403</b>
Allocation to reserves			0	0
Withdrawal from reserves			0	0
Distribution	-2,308		-2,308	-19,308
Currency translation			0	-11,818
Other changes	-271		-271	2,207
Changes in scope of consolidation	487		487	-595
Net income for the year	2,841	242	3,083	99,916
<b>As of December 31, 2017</b>	<b>4,884</b>	<b>3,083</b>	<b>7,967</b>	<b>918,805</b>
Allocation to reserves			0	0
Withdrawal from reserves			0	0
Distribution	-2,423		-2,423	-20,423
Currency translation			0	1,659
Other changes	625		625	-3,251
Changes in scope of consolidation	-1,123		-1,123	-1,123
Net income for the year	3,083	-7,291	-4,208	106,541
<b>As of December 31, 2018</b>	<b>5,046</b>	<b>-4,208</b>	<b>838</b>	<b>1,002,208</b>

# List of shareholdings

as of December 31, 2018

Name	Registered in	Share of capital (in %)
<b>1. Consolidated Group companies</b>		
<b>Special Purpose Construction</b>		
Possehl Spezialbau GmbH	Sprendlingen, Germany	100.00
cds Polymere GmbH & Co. KG	Sprendlingen, Germany	100.00
cds Polymere Verwaltungs GmbH	Sprendlingen, Germany	100.00
Possehl Aannemingsmaatschappij B.V.	Oosterhout, Netherlands	100.00
Possehl Spezialbau Ges.m.b.H.	Griffen, Austria	100.00
Possehl Posebne Gradnje d.o.o.	Maribor, Slovenia	100.00
Possehl Posebne Gradnje d.o.o.	Jastrebarsko, Croatia	100.00
DFT Deutsche Flächen-Technik Industrieboden GmbH	Bremen, Germany	100.00
Bennert GmbH Betrieb für Bauwerksicherung	Klettbach, Germany	100.00
Bennert Restaurierungen GmbH	Klettbach, Germany	100.00
Bennert Dachsanierungen GmbH	Klettbach, Germany	100.00
Bennert Ingenieurbau GmbH	Klettbach, Germany	100.00
Nüthen Restaurierungen GmbH + Co. KG	Erfurt, Germany	100.00
Nüthen Verwaltungs GmbH	Erfurt, Germany	100.00
Thiendorfer Fräsdienst GmbH & Co. KG	Thiendorf, Germany	100.00
Thiendorfer Fräsdienst Verwaltungs GmbH	Thiendorf, Germany	100.00
P+S Pflaster- und Straßenbau GmbH	Wülknitz, Germany	100.00
Jöst Bauunternehmen GmbH	Frankfurt a.M., Germany	100.00
EUROQUARZ GmbH	Dorsten, Germany	100.00
EUROQUARZ GmbH	Laußnitz, Germany	100.00
PAGEL Spezial-Beton GmbH & Co. KG	Essen, Germany	74.00
PAGEL Spezial-Beton Beteiligungs-GmbH	Essen, Germany	74.00
PAGEL Technische Mörtel GmbH & Co. KG	Essen, Germany	100.00
PAGEL S.A.S.	Poissy, France	70.00
PK Rohstoffe GmbH	Duisburg, Germany	100.00
Mickan Generalbaugesellschaft Amberg mbH & Co. KG	Amberg, Germany	100.00
Mickan Generalbaugesellschaft Amberg Verwaltungs-mbH	Amberg, Germany	100.00

## List of shareholdings

Name	Registered in	Share of capital (in %)
<b>Document Management Systems</b>		
BÖWE SYSTEC GmbH	Lübeck, Germany	100.00
BÖWE SYSTEC (Schweiz) AG	Volketswil, Switzerland	100.00
BÖWE SYSTEC Polska Sp. z o.o.	Warschau, Poland	100.00
BÖWE SYSTEC AB	Landskrona, Sweden	100.00
BÖWE SYSTEC A/S	Brøndby, Denmark	100.00
BÖWE SYSTEC S.A.S.	Noisy-le-Sec, France	100.00
BÖWE SYSTEC S.A.	Madrid, Spain	100.00
BÖWE SYSTEC Comércio de Equipamentos Para Escritório S.A.	Sintra, Portugal	100.00
BÖWE SYSTEC S.p.A.	Rome, Italy	100.00
BÖWE SYSTEC BENELUX B.V.	Apeldoorn, Netherlands	100.00
BÖWE SYSTEC NEDERLAND B.V.	Apeldoorn, Netherlands	100.00
N.V. BÖWE SYSTEC S.A.	Zellik, Belgium	100.00
BÖWE SYSTEC JAPAN Ltd.	Tokio, Japan	100.00
BÖWE SYSTEC AUSTRIA GmbH	Vienna, Austria	100.00
BÖWE SYSTEC Ltd.	Maidenhead, United Kingdom	100.00
BÖWE SYSTEC (IR) Ltd.	Dublin, Ireland	100.00
BOWE SYSTEC North-America Inc.	Raleigh, USA	100.00
Optimus Sorter Holding B.V.	Beuningen, Netherlands	70.00
Optimus Sorter Technology B.V.	Beuningen, Netherlands	100.00
Optimus Sorter Projects B.V.	Beuningen, Netherlands	100.00
<b>Printing Machines</b>		
manroland web systems Holding GmbH	Lübeck, Germany	100.00
manroland Goss web systems GmbH	Augsburg, Germany	51.00
grapho metronic Mess- und Regeltechnik GmbH	München, Germany	100.00
manroland web Industriepark GmbH	Augsburg, Germany	100.00
manroland web Industriepark Betriebsgesellschaft mbH	Augsburg, Germany	100.00
manroland web systems (UK) Ltd.	Maidenhead/United Kingdom	100.00
manroland web systems Inc.	Lisle, USA	100.00
manroland India Pvt. Ltd.	New Delhi, India	100.00
manroland Australasia Pty. Ltd.	Regents Park, Australia	100.00
manroland web systems Canada Inc.	Mississauga, Canada	100.00
manroland web systems France S.A.S.	Noisy-le-Sec, France	100.00
manroland Web Printing Equipment (Beijing) Co. Ltd.	Peking, China	100.00
Goss International Americas, LLC	Durham, USA	100.00
Goss Loudon, LLC	Loudon, USA	100.00
Goss International Trading (Shanghai) Co., Ltd.	Shanghai, China	100.00
Goss International Europe UK, Ltd.	Preston, United Kingdom	100.00
Goss International Sistemas de Impressao Ltda.	Barueri, Brazil	100.00
Goss International Singapore Pte., Ltd.	Singapore	100.00
Goss Graphics Systems Japan Corp. Ltd.	Sayama, Japan	100.00
Goss Graphics Systems Australasia Pty. Ltd.	Mulgrave, Australia	100.00
mrws Grundstücksgesellschaft mbH	Augsburg, Germany	100.00
manroland web produktionsgesellschaft mbH	Augsburg, Germany	100.00

Name	Registered in	Share of capital (in %)
<b>Precious Metals Processing</b>		
Heimerle + Meule GmbH	Pforzheim, Germany	100.00
Cookson Precious Metals Limited	Birmingham, United Kingdom	100.00
Cookson Drijfhout B.V.	Amsterdam, Netherlands	100.00
Cookson Métaux Précieux S.A.	Paris, France	100.00
Sempsa Joyería Platería, S.A.	Madrid, Spain	100.00
Koutadly - Consultadoria Económica e Participações, S.A.	Porto, Portugal	100.00
Weston Beamor Holdings Limited	Birmingham, United Kingdom	100.00
WB The Creative Jewellery Group Limited	Birmingham, United Kingdom	100.00
Gecko Trading Limited	Witham, United Kingdom	100.00
<b>Elastomer Plants</b>		
Harburg-Freudenberger Maschinenbau GmbH	Hamburg, Germany	100.00
Harburg-Freudenberger (France) S.A.R.L.	Houilles, France	100.00
Harburg-Freudenberger Belišće d.o.o.	Belišće, Croatia	100.00
Pomini Rubber & Plastics S.r.l.	Rescaldina, Italy	100.00
Harburg-Freudenberger Machinery (China) Co., Ltd.	Qingdao, China	100.00
HF Rubber Machinery, Inc.	Topeka, USA	100.00
Farrel Corporation	Ansonia, USA	100.00
Farrel Limited	Rochdale, United Kingdom	100.00
Farrel Asia Limited	Hongkong, China	100.00
HF NajUS, a. s.	Dubnica nad Váhom, Slovakia	100.00
INDUS UTH HF Mixing Systems Pvt. Ltd.	Bangalore, India	66.66
HF Mixing Group Services (S.E.A.) Sdn. Bhd.	Kuala Lumpur, Malaysia	60.00
HF Mixing Group Service (Thailand) Ltd.	Bangkok, Thailand	100.00
Mesabi Control Engineering, Ltd.	Saint Paul, USA	100.00
Possehl Inc.	Park Ridge, USA	100.00
<b>Electronics</b>		
Possehl Electronics N.V.	's-Hertogenbosch, Netherlands	100.00
Possehl Electronics Nederland B.V.	's-Hertogenbosch, Netherlands	100.00
Possehl Electronics France S.A.S.	Roche la Molière, France	100.00
Possehl Electronics Hong Kong Ltd.	Hongkong, China	100.00
Possehl Laminates Ltd.	Hongkong, China	100.00
Dongguan Possehl Electronics Co. Ltd.	Dongguan, China	100.00
Possehl Electronics (Malaysia) Sdn. Bhd.	Malakka, Malaysia	100.00
Possehl (Malaysia) Sdn. Bhd.	Malakka, Malaysia	100.00
Possehl Electronics Singapore Pte. Ltd.	Singapore	100.00
Possehl Connector Services SC, Inc.	Rock Hill, USA	100.00
Possehl Electronics Deutschland GmbH	Niefern-Öschelbronn, Germany	100.00
Possehl Electronics Wackersdorf GmbH	Wackersdorf, Germany	100.00
Possehl Electronics Czech Republic s.r.o.	Dyšín, Czech Republic	100.00
Possehl Electronics Puebla S. de R.L. de C.V.	Puebla, Mexico	100.00
Possehl Electronics Puebla Servicios S. de R.L. de C.V.	Puebla, Mexico	100.00

**List of shareholdings**

<b>Name</b>	<b>Registered in</b>	<b>Share of capital (in %)</b>
<b>Identification Solutions</b>		
LOGOPAK Systeme GmbH & Co. KG	Hartenholm, Germany	100.00
LOGOPAK Systeme Verwaltungs GmbH	Hartenholm, Germany	100.00
LOGOPAK Vertriebsgesellschaft West mbH	Düsseldorf, Germany	100.00
LOGOPAK Vertriebsgesellschaft Süd mbH	Auenwald, Germany	100.00
LOGOPAK International Ltd.	York, United Kingdom	60.00
LOGOPAK Corporation	Wilmington, USA	100.00
LOGOPAK Systems AB	Göteborg, Sweden	100.00
LOGOPAK B.V.	Lijnden, Netherlands	100.00
LOGOPAK East Sp. z o.o.	Warschau, Poland	50.00
LOGOPAK SISTEMAS S.L.	Madrid, Spain	60.00
LSS Etikettering A/S	Randers, Denmark	100.00
RK Danmark ApS	Randers, Denmark	100.00
Nordvalls Etikett AB	Sjöbo, Sweden	100.00
Novexx Solutions GmbH	Eching, Germany	100.00
Novexx Solutions B.V.	Utrecht, Netherlands	100.00
Novexx Solutions S.A.S.	Rungis, France	100.00
Novexx ETIKETLEME SISTEMLERI T.A.S.	Istanbul, Turkey	100.00
Novexx Solutions (Shanghai) Co., Ltd.	Shanghai, China	100.00
Eidos S.r.l.	Chieri, Italy	100.00
<b>SME Investments</b>		
Possehl Mittelstandsbeteiligungen GmbH	Lübeck, Germany	100.00
Possehl Umweltschutz GmbH	Lübeck, Germany	100.00
nordrohr GmbH	Reinfeld, Germany	100.00
Kleine Wolke Textilgesellschaft mbH & Co. KG	Bremen, Germany	100.00
KWV GmbH	Bremen, Germany	100.00
Kleine Wolke AG	Mägenwil, Switzerland	100.00
DMA Maschinen und Anlagenbau GmbH & Co. KG	Höxter, Germany	100.00
DMA Maschinen und Anlagenbau Verwaltungs GmbH	Höxter, Germany	100.00
MGG Micro-Glühlampen-Gesellschaft Menzel GmbH	Wentorf, Germany	100.00
Düring Schweißtechnik GmbH	Königsbrunn, Germany	100.00
Düring do Brasil Ltda.	Itatiba, Brazil	100.00
Gabler Maschinenbau GmbH	Lübeck, Germany	100.00
GABLER Thermoform GmbH & Co. KG	Lübeck, Germany	100.00
Thermoform GABLER GmbH	Lübeck, Germany	100.00
SAVO-TECHNIK ROTATIONSGUSS GmbH	Valluhn, Germany	60.00
PlasTec Technology GmbH	Trappenkamp, Germany	100.00
Schwarte Group GmbH	Emsdetten, Germany	100.00
Schwarte Group GmbH	Pinsdorf, Austria	100.00
Schwarte Group Sp. z o.o.	Olsztyn, Poland	100.00
Schwarte Jansky GmbH	Gmunden, Austria	100.00
Schwarte Milfor Sp. z o.o.	Olsztyn, Poland	100.00
Hänsel Group GmbH	Hannover, Germany	70.00
Hänsel Processing GmbH	Hannover, Germany	100.00
Candy Recycling GmbH	Hannover, Germany	100.00
hebold systems gmbh	Cuxhaven, Germany	100.00

Name	Registered in	Share of capital (in %)
<b>Cleaning Machines</b>		
Hako Holding GmbH & Co. KG	Bad Oldesloe, Germany	100.00
Hako Holding Verwaltungs-GmbH	Bad Oldesloe, Germany	100.00
Hako GmbH	Bad Oldesloe, Germany	100.00
Hako Service GmbH	Bad Oldesloe, Germany	100.00
Hako Benelux Holding B.V.	Andelst, Netherlands	100.00
Hako B.V.	Andelst, Netherlands	100.00
Hilco Chemie B.V.	Andelst, Netherlands	100.00
N.V. Hako Belgium S.A.	Erpe-Mere, Belgium	100.00
Labor Hako S.A.S.	Plaisir, France	100.00
Solvert S.A.S.	Plaisir, France	99.00
Hako Espana S.A.	Barcelona, Spain	100.00
Hako Polska Sp. z o.o.	Krakau, Poland	100.00
Hako Technology Sp. z o.o.	Swieszyno, Poland	100.00
Hako Machines Ltd.	Crick, United Kingdom	100.00
Hako Ground & Garden AB	Halmstad, Sweden	100.00
Hako Ground & Garden A/S	Oslo, Norway	100.00
OY Hako Ground & Garden AB	Vantaa, Finland	100.00
Hako Schweiz AG	Sursee, Switzerland	100.00
Minuteman International, Inc.	Pingree Grove, USA	100.00
Minuteman PowerBoss Corporation	Pingree Grove, USA	100.00
Multiclean, Inc.	Shoreview, USA	100.00
I & B Cleaning Equipment Ltd.	Hongkong, China	100.00
Hako (Macau) Company Ltd.	Macau, China	96.00
Hako Cleaning System (Shanghai) Co., Ltd.	Shanghai, China	100.00
Hako Australia Pty. Ltd.	Silverwater, Australia	100.00
<b>Investments</b>		
Deutscher Eisenhandel AG	Lübeck, Germany	100.00
Lubeca Versicherungskontor GmbH	Lübeck, Germany	100.00



**List of shareholdings**

<b>Name</b>	<b>Registered in</b>	<b>Share of capital (in %)</b>
<b>II. Non consolidated Group companies</b>		
von Oertzen GmbH	Ammersbek, Germany	100.00
Hako Group East Asia Ltd.	Bangkok, Thailand	100.00
Hako (Hong Kong) Co. Ltd. i.L.	Hong Kong, China	100.00
Düring MX S.A.	Puebla, Mexico	100.00
Düring (Taicang) Welding Equipment Co., Ltd.	Taicang, China	100.00
Possehl Connector Services, Inc.	Rock Hill, USA	100.00
GWS International B.V.	Waalwijk, Netherlands	100.00
DOVAK Industrial Services B.V.	Waalwijk, Netherlands	100.00
GWS Printing Systems Holding B.V.	Waalwijk, Netherlands	100.00
GWS Printing Systems B.V.	Waalwijk, Netherlands	100.00
Print Invest & Consult B.V.	Waalwijk, Netherlands	100.00
manroland web systems Southern Africa Pty., Ltd.	Kapstadt, South Africa	100.00
Goss International LLC	Durham, USA	100.00
Goss Holding UK Ltd.	Preston, United Kingdom	100.00
Goss International France S.A.S.	Montataire, France	100.00
Goss International Europe B.V.	Boxmeer, Netherlands	100.00
Goss International Asia-Pacific, LLC	Durham, USA	100.00
Shanghai Electric Finance Americas, LLC	Durham, USA	100.00
Nordvalls Etikett GmbH	Lübeck, Germany	100.00
Advalorem Limited	Birmingham, United Kingdom	100.00
Aristo Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Halle KG	Mainz, Germany	95.65
<b>III. Associated companies</b>		
Gremmler Bauchemie GmbH	Essen, Germany	50.00
WST Quarz GmbH	Hünxe, Germany	50.00
Roots Multiclean Ltd.	Coimbatore, India	26.00

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### **Annotation**

The Business Report is published in German and English.  
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