POSSEHL

THE ENTREPRENEURS

ANNUAL REPORT 2010

THE ENTREPRENEURS

L. Possehl &

SPECIAL-PURPOSE CONSTRUCTION	PRECIOUS METALS PROCESSING	ELASTOMER PROCESSING	ELECTRONICS
- Highway construction - Industrial/commercial surfaces - Aviation surfaces - Monument renovation - Quartz sand and special mortar - Construction chemistry	- Jewelry industry - Dental laboratories - Materials and electronics industries - Precious metal recycling	- Tire industry - Technical rubber products - Plastics processing - Oil mill and food industries	- Semiconductor industry - Suppliers to the automotive and telecommunications industries

OUR OBJECTIVES

- Permanently stable income
- Maintaining and fostering the Group companies' competitiveness
- Sustainable growth and increase in value

OUR STRATEGY

- "Best owner" strategy: positioning as a reliable shareholder with a long-term approach
- Clear strategic management by the holding company
- Encouraging companies to operate independently
- Compensating for cyclicality with a diversified portfolio

Our business is built on our entrepreneurially minded management teams, who are encouraged to act as independently as possible. We value and foster our companies' individual corporate cultures and identities as an important asset.

Co. mbH

INTERNATIONAL TRADING	MAILROOM SYSTEMS	CLEANING SYSTEMS	TEXTILE FINISHING SYSTEMS	SME INVESTMENTS
Minerals Ores Plastics Metals Chemicals	Enveloping machines Personalized mailing and delivery systems	Industrial and commercial cleaning Urban cleaning and municipal vehicles Site maintenance	Textile finishing and coating • tentering frames • dryers • dyeing ranges Non-woven industry	Environmental protection Insurance brokerage Freighting Soap Bars Ice Pop Sticks Bathroom Rugs Conveying and Process Technology

OUR VALUES

- Reliable, conservative, Hanseatic, reserved
- Entrepreneurial way of thinking and acting
- Retaining individual identities at Group and company level

POSSEHL – AT A GLANCE

Overview of Key Financials

in € million	2006	2007	2008	2009	2010	Change 2010 vs. 2009 in %
Earnings						
Sales	1,452	1,522	1,522	1,220	1,717	40.8
Germany	570	633	666	594	865	45.6
International	882	889	856	626	852	36.1
Result from ordinary operations (EBIT)	88	86	74	30	101	> 100.0
Earnings before taxes (EBT)	74 *	75 *	65	21	82	> 100.0
Consolidated net profit	65 *	64 *	45	11	58	> 100.0
Dividend	8	8	8	8	10	25.0
EBIT ratio in %	6,1	5,6	4,9	2,5	5,9	> 100.0
Return on equity before taxes in %	35,3	27,6	20,6	7,3	22,2	> 100.0
Structural and financial data						
Balance sheet total	718	796	814	802	966	20.4
Economic equity capital	209	273	315	291	367	26.2
Equity ratio in %	29.1	34.2	38.7	36.2	38.0	5.0
Working capital	351	342	368	310	392	26.3
Net debt (-)/net liquidity (+)	-117	14	-13	28	49	75.0
Cash flow from operating activities	98	85	34	72	97	34.2
Investment in property, plant, and equipment and intangible assets	31	22	27	27	52	92.6
Depreciation and amortization of property, plant, and equipment and intangible assets	26	24	23	24	31	27.1
Employees						
Employees (yearly average)	6,958	7,012	7,117	6,486	7,532	16.1
Germany	2,733	2,872	3,185	2,998	3,966	32.3
International	4,225	4,140	3,932	3,488	3,566	2.2

* Adjusted for extraordinary effects

Within the L. Possehl & Co. mbH group of companies, there are over 140 companies, which are divided into nine, highly diversified divisions. At the moment we have approximately 8,700 employees around the world, almost half of them in Germany. In managing our companies, we are keen to ensure that they retain their long-standing identities and continue to develop successfully within our Group.

CONTENTS

LETTER FROM THE EXECUTIVE BOARD

Uwe Lüders
Chairman of the Executive Board since April 2004

Dr. Joachim Brenk
Member of the Executive Board since October 2009

Dear Business Partners, Dear Readers,

Possehl posted record operating profits for fiscal year 2010 despite a very challenging global economic environment. This success was founded upon our corporate strategy oriented around sustainability and stability.

Though early in the fiscal year, we were still reserved in our expectations for a global economic recovery, a broad-based recovery did in fact materialize in the further course of the year. It was especially favorable for the Possehl Group that the economic revival was not limited to the highest-growth regions and extended as well to the major industrialized economies, including Germany in particular. Half of our net sales were generated here in our home market, where more than half our workforce is located.

The measures taken early on before the crisis unfolded also played a role in achieving these strong results. Such measures included reduced working hours at many of our locations in Germany, an arrangement implemented prudently and with foresight. Conservative accounting practices and judicious corporate acquisitions contributed substantially as well to our growth. Thus today, the Possehl Group is more strongly positioned than before the crisis.

Sales and Earnings Up Considerably

For fiscal year 2010, we recorded a consolidated net profit before taxes of € 81.5 million, an increase of € 60.4 million over the previous year, even exceeding the record from 2007 by nearly 10%. While in the previous year many divisions were hit hard by the drop in global demand for capital goods, in the year under review we were buoyed by the worldwide economic recovery and robust growth in certain regions, including principally Asia. The divisions that were impacted worst by the economic crisis recorded the largest gains. These include particularly the Electronics, Cleaning Machines, and Elastomer Processing segments. All divisions were once again in the black, which shows that our divisions are healthy and profitable across the board.

Group sales rose by roughly 41% to € 1.72 billion, exceeding the figure recorded for 2008, the year before the crisis, by approximately 13%. This substantial increase was driven by sales from all divisions, primarily representing organic growth within the Group, as well as in part by higher prices for commodities and precious metals. The latest acquisitions made, however, will not have a substantial positive impact until the subsequent fiscal year.

Net Cash Position Further Improved

The net cash position continued to improve despite the robust organic and acquisition-related growth at Possehl in the year under review, the latter of which was financed from existing cash holdings. At the reporting date, net financial receivables was a positive € 49.3 million, up by € 21.2 million compared with the previous year. The Possehl Group thus remains debt-free on a net basis.

Acquisitions Provide Foundation for Growth

In 2010, we successfully concluded six acquisition projects, four of which were in the SME division newly established in the fall of 2009. The 2010 fiscal year was thus a very good year for Possehl in terms of external growth as well. The large number of acquisitions made was in part attributable to more companies being up for sale at moderate prices. Additionally, we did not require any bank financing thanks to having substantial liquidity reserves at our disposal and were thus able to act rapidly and decisively, providing an advantage over many of our competitors.

Successful acquisitions were made in each of the three acquisition categories of new divisions, complementary acquisitions, and the SME segment.

The purchase of pretema GmbH, the former mechatronics arm of Tyco Electronics AMP GmbH, strengthened and expanded our Electronics division. Possehl Electronics is thus now the world's second-largest manufacturer of laminated leadframes or "LamFrames" for the smart card industry. pretema is also a prominent supplier to the automotive and electronics industries and will be the management company for the Electronics business going forward.

The buyout of the operations of BÖWE SYSTEC AG i.I. towards the end of the fiscal year and its global distribution network was another major acquisition. This company is a global supplier of highly automated printing and mailing centers, known as mailrooms. The BÖWE Group has a workforce of some 1,200 employees worldwide, including around 450 at its headquarters in Augsburg. It is now an independent division within the Possehl Group.

In the fall of 2009, we formed Possehl Mittelstandsbeteiligungen GmbH & Co. KG with the aim of creating a "small-Possehl" group within the Possehl Group as a holding company for primarily smaller midmarket, domestic firms. Just one year later, it is evident that this idea has paid off. We acquired four SMEs in the 2010 fiscal year:

- Hirtler Seifen GmbH
- Karl Otto Knauf (GmbH + Co. KG)
- Kleine Wolke Textilgesellschaft mbH & Co. KG
- DMA Maschinen und Anlagenbau GmbH & Co. KG

A more detailed look at the new SME segment is provided in a separate section of this Annual Report.

Well-Prepared for the Future

After just one year of decline, the Possehl Group picked up where it left off before the global financial and economic crisis, recording figures for fiscal year 2010 that document a return to our long-term growth trajectory. In several divisions, we are now even more competitive than ever. Despite a year of substantial growth, our balance sheet and earnings figures remain extremely solid.

With considerable successes under our belt, we still have ambitious goals in terms of growth and improvement. That is why in the first few months of the new year, Possehl Erzkontor GmbH acquired majority stakes in two trading companies in Argentina and Brazil, a move reflecting the increasing economic importance of these countries.

As in the past, our growth and efficiency goals proceed from our basic values of solidity, long-term thinking and foresighted business planning. We measure our own success in relation to these values.

Yours truly,

U. Lüders Joachim Brenk

Uwe Lüders Dr. Joachim Brenk

COMPANY BOARDS

EXECUTIVE BOARD

Uwe Lüders, Lübeck
Chairman

Born 1952, Diplom-Volkswirt (diploma in economics), Chairman of the Executive Board since April 2004. Previous management experience in successful diversified groups with a focus on mechanical and systems engineering. Most recently Chairman of the Management Board of Buderus AG in Wetzlar

Dr. Joachim Brenk, Lübeck
Member of the Executive Board

Born 1961, engineer, Member of the Executive Board since October 2009. Previous management experience in marketing and sales with various machinery production companies. Most recently Spokesman of the Management Board of the HOMAG Group AG in Schopfloch

SUPERVISORY BOARD

Dr. Lutz Peters, Hamburg
Chairman
Personally liable shareholder of Schwartauer Werke GmbH & Co. KGaA

Dirk Kohrs*, Bad Oldesloe
Vice Chairman
Chairman of the Works Council of Hako-Werke GmbH, Bad Oldesloe plant

Renate Menken, Lübeck
Additional Vice Chairman
Pharmacist

Dr. Stephan Bartelt, Lübeck
Personally liable shareholder of Martens & Prahl Versicherungskontor KG

Theo Dräger, Lübeck – through 12/31/2010
Managing Director of Dr. Heinrich Dräger GmbH

Michael Hinrichsen*, Stockelsdorf – from 01/12/2011
Insurance representative

Peter Hlawaty*, Hamburg
Labor Union Secretary of IG Metall, Coastal region

Hartmut Menn*, Seevetal
Chairman of the Works Council of Harburg-Freudenberger Maschinenbau GmbH, Hamburg-Harburg plant; Chairman of the Group Works Council of L. Possehl & Co. mbH

Dr. Werner Redeker, Grabau – from 02/16/2011
Supervisory Board Chairman, Körber AG

Martin Salzmann, Lübeck
Managing Partner of Pressegroßvertrieb Franz Maurer Nachf. GmbH & Co. KG

Rolf Schmidt-Holtz, Pogeez
Chief Executive Officer of Sony Music Entertainment

Peter Seeger*, Neumünster
First authorized representative of IG Metall Administrative Office Neumünster

Andreas Walter*, Lübeck – through 10/31/2010
Human Resources Director of Hako-Werke GmbH

Horst Wardius*, Steinhorst
Vice Chairman of the Works Council of Hako-Werke GmbH, Bad Oldesloe plant

* Employee Representative

LETTER FROM THE SUPERVISORY BOARD

Dr. Lutz Peters
Chairman of the Supervisory Board

Ladies and Gentlemen,

In the 2010 fiscal year, the Possehl Group recorded its best results in Company history, picking up where we left off before the global financial and economic crisis erupted. The Group additionally drew upon its strong financial position to enhance growth. The Supervisory Board fulfilled the duties incumbent upon it according to the law, articles of incorporation, and rules of procedure. We routinely advised the Executive Board on the management of the Company and monitored its activities. The Supervisory Board was directly involved in all decisions of major importance for the Company. The Executive Board regularly informed us both in written and verbal reports about corporate planning, business progress, strategic further development, and the Group's current condition in a timely and comprehensive manner. We received detailed reports on any business results deviating materially from projections. The Executive Board coordinated the Group's strategic planning with us. We extensively discussed business events of significance as well as transactions requiring approval, including acquisitions, major financial measures, and the annual investment program, based on the Executive Board's reports. The Supervisory Board approved the Executive Board's proposed resolutions after detailed examination and consultation.

In addition to participating in Supervisory Board meetings, the Chairman of the Supervisory Board remained in regular contact with the Executive Board and kept apprised of the current business status and significant business events. He also engaged in a close exchange of information and ideas with the Chairman of the Executive Board.

Key Issues for the Supervisory Board

Four regular Supervisory Board meetings and one special meeting were held during the reporting year. Discussions focused on sales and earnings trends at Group level and in individual divisions, the Group's financial position, and acquisition projects. The Executive Board informed the Supervisory Board regularly and comprehensively about corporate planning, business progress, and the Group's condition.

Following the regular meeting held on July 20, 2010, the Supervisory Board approved the acquisition of pretema GmbH in a circulating written ballot.

In the special meeting held on November 12, 2010, the Supervisory Board discussed and approved the acquisition of the operations of BÖWE SYSTEC GmbH, thereby creating a new, ninth division.

In its last meeting of the year on December 15, 2010, the Supervisory Board discussed and adopted the corporate planning for the 2011 fiscal year.

Audit of the Separate and Consolidated Financial Statements

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the separate financial statements and management report of L. Possehl & Co. mbH as well as the consolidated financial statements and Group management report, which were prepared as of December 31, 2010, according to the rules of the German Commercial Code (Handelsgesetzbuch, HGB) and issued them with an unqualified audit certificate. The financial statement information and audit reports were submitted to all members of the Supervisory Board in a timely manner and were discussed in detail in the presence of the auditor in the financial statement meeting on May 5, 2011. The auditor reported on the important findings of the audit and stated that there were no significant weaknesses in the internal control system.

The Supervisory Board concurs with the results of the audit. Based on the final outcome of the Supervisory Board's own examination, no objections are raised. The Supervisory Board has approved the financial statements prepared by the Executive Board. It recommends that the shareholder adopt the annual financial statements of L. Possehl & Co. mbH as of December 31, 2010. The Supervisory Board agrees to the Executive Board's proposal to use the balance sheet profit to pay a dividend of € 10,000,000.00 to Possehl-Stiftung.

Changes in the Composition of the Supervisory Board

Mr. Andreas Walter resigned from the Supervisory Board effective October 31, 2010. The Supervisory Board would like to thank Mr. Walter for his work. Mr. Michael Hinrichsen was appointed as his replacement by Lübeck local court on January 12, 2011.

Mr. Theo Dräger retired from the Supervisory Board at the end of the 2010 fiscal year, having advised and overseen Possehl for many years. The Supervisory Board would like to express its great thanks to Mr. Dräger for his many years of service. Dr. Werner Redeker was appointed to succeed him on February 16, 2011.

The Supervisory Board thanks the members of the Executive Board, the employees of L. Possehl & Co. mbH and all Group companies for their tremendous dedication. Their hard work was essential to the success enjoyed by the Possehl Group last year.

For the Supervisory Board

Dr. Lutz Peters
Chairman
Lübeck, May 2011

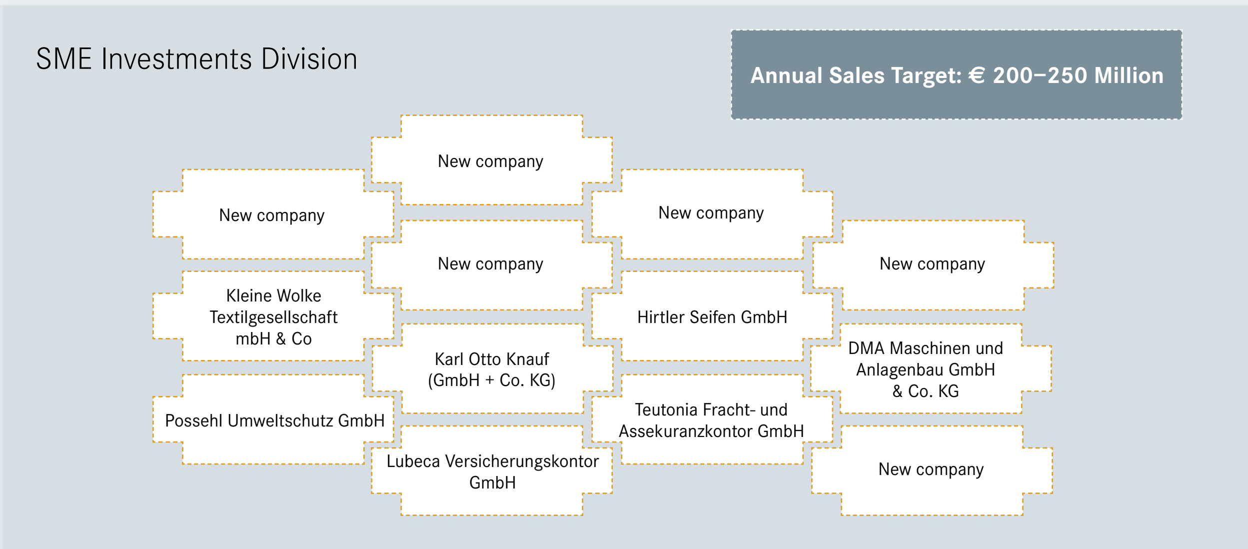
Possehl: A Dependable Partner – For Smaller Companies As Well

In 2009, we decided to establish a “small-Possehl” group. This took place with the objective of offering long-term, dependable prospects under the Possehl roof to smaller companies with annual sales of € 10–80 million. As a result, in fall 2009, we founded the SME Investments division. We manage this division as well according to the same proven principles:

- Retain the existing identity and corporate culture of the individual companies
- Maintain management’s operating independence
- Security thanks to the financially sound Possehl Group
- Support where it is helpful and necessary
- Aimed at a long-term commitment – no intention of onward sale

In the course of the 2010 fiscal year, we were already able to acquire four new companies for the division. We plan to strengthen the division further by acquiring new companies in the years ahead. In future, the “small-Possehl” group will be a valuable component of our Group’s portfolio.

On page 18, you will find a brief overview of the new division.



Answers to Six Questions about the SME Investments Division

What motivated Possehl to establish the SME Investments division?

The Possehl Group is on a long-term growth trajectory, propelled by both organic growth and external expansion through acquisitions. There were two focuses to our acquisition activity until 2009, one of which was to establish new divisions. Target companies in this acquisition category were subject to minimum size requirements. The other focus was on complementary acquisitions, i.e. on companies which would complement an existing division.

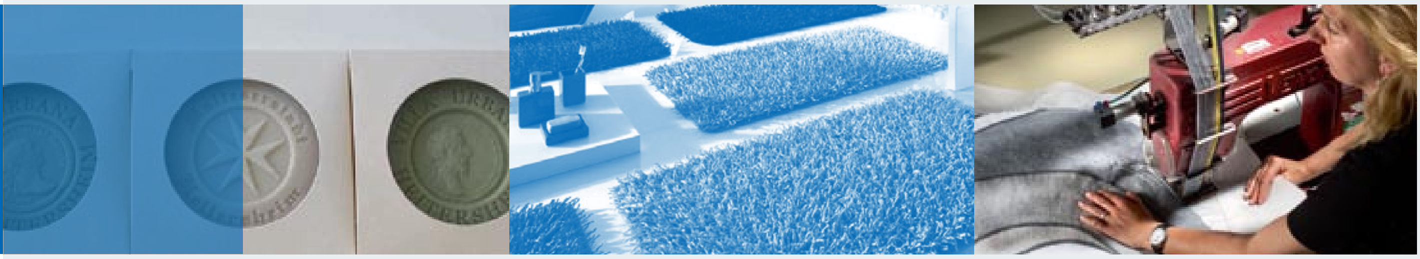
At the same time, it was always clear that in Germany in particular there are a multitude of smaller, excellently positioned midmarket enterprises – in many cases experiencing succession problems – for which Possehl could be the best owner. However, these companies often operate in niche markets and thus do not meet our minimum size requirements. In the past it was only possible to bring these firms into the Possehl Group if they fit into one of our existing divisions. Because the range of midmarket enterprises up for sale that are a good fit for us is much wider, we established a specialized “SME Investments” division with separate management under the umbrella of the Group holding company. We were then able to integrate our existing service providing activities into this division.

How have the four companies acquired in the past year performed?

The companies acquired in fiscal year 2010 were all in very different situations. **Hirtler** was bought as a healthy business out of a bankruptcy that was not its own fault, **Kleine Wolke** was being sold by its publicly traded shareholder for strategic reasons, **Knauf** had acute succession problems, and **DMA** was being sold as part of a deliberate strategic aim of gaining a new shareholder. The markets these companies operate in are also fundamentally different and subject to varying economic and regional effects. It is thus especially pleasing to see that all of these companies have performed positively since being a part of Possehl. All four met or even exceeded their sales and earnings targets.

How does Possehl create added value for these companies?

While each of these new Group companies is in a quite different situation, they can all benefit from being part of Possehl. Chiefly by maintaining their entrepreneurial autonomy in combination with the security afforded by backing from the Group. The managers of these subsidiaries retain full operational decision-making latitude. We encourage and promote entrepreneurial vision and action on the part of our subsidiary managers. Possehl provides concrete support for example through ongoing and specific project financing. Other Group companies provide support as well, for example our insurance brokerage firm Lubeca, which advises recently acquired firms on insurance matters and develops tailored, cost-saving insurance solutions for them.



Our new division is run by two experienced managing directors. They are part of the Possehl Mittelstandsbeteiligungen GmbH & Co. KG organization and assist the companies with production management issues as well as business development to the extent necessary or desired by the companies themselves. In addition, we often provide strategic concepts for ensuring the long-term competitiveness and growth of our acquired companies.

What are the key arguments in Possehl’s favor as a shareholder?

Possehl is an extremely reliable business partner and shareholder with a long-term focus. We intend to hold our acquisitions for a long time. Selling them at some future point is thus not our aim. Accordingly, it is the long-term growth of each individual Group company that matters for us. Because of this long-term focus, the subsidiaries are able to make sound business decisions and implement their plans deliberately taking their time.

The economic crisis we are now emerging from demonstrated the correctness of this long-term approach. Many of our subsidiaries that were very hard-hit by the crisis performed remarkably well in fiscal year 2010 and are now even better positioned than before the downturn. The sole reason this is possible is having a shareholder like Possehl who is not out for short-term profits, having instead the patience to provide the support its subsidiaries need in rough times furthering their strategic activities.

What are the eligibility criteria for becoming a Possehl Group company?

Well-positioned enterprises with substantial market share operating in a stable environment are a very good fit for Possehl. In addition, it is important for us that each company will be able to survive and thrive on its own over the long term. We also prefer SMEs with primarily domestic operations. The particular industry is less of a consideration due to our interest in broad diversification.

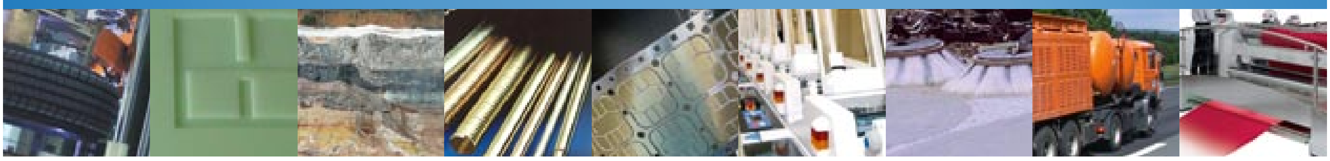
Obviously it is also good when a company has experienced management. In cases of typical succession issues, we are glad to recruit and assemble a new management team together with the existing owner.

What are the growth objectives for this division?

The SME segment currently consists of seven companies, including **Umweltschutz, Lubeca** and **Teutonia**, which Possehl has held for a long time, with annual sales totaling approximately € 85 million. Over an economic cycle an independent division should achieve average annual sales of € 150 million in order to fulfill our objectives of balanced income and equally distributed risk across the nine Possehl divisions. We are thus looking to achieve this mark over the next year or two, primarily through further acquisitions, but also through organic growth. The target for the SME division over the medium term is sales of roughly € 200–250 million.

DIVISIONS

SPECIAL-PURPOSE CONSTRUCTION
PRECIOUS METALS PROCESSING
ELASTOMER PROCESSING
ELECTRONICS
INTERNATIONAL TRADING
MAILROOM SYSTEMS
CLEANING MACHINES
TEXTILE FINISHING SYSTEMS
SME INVESTMENTS



Steered by its management companies, the Possehl Group currently operates in nine divisions. It focuses on companies involved in industrial production.

SPECIAL-PURPOSE CONSTRUCTION

Sales 2010 (€ million)	144.8
Employees	997
Founding year	1929
Consolidated group company since	1929

Possehl Spezialbau GmbH, Sprendlingen

Special-purpose Construction in Niche Areas

The Possehl Spezialbau Group focuses on construction in selected niche areas, particularly surface treatment. The Special-purpose Construction division has grown strongly in recent years and is subdivided into the following segments:

Possehl Spezialbau Group: The Possehl Spezialbau Group, based in Sprendlingen, is specialized in the maintenance and improvement of road, industrial, business, and airport surfaces. The repair and maintenance of airport runways is just one field in which Possehl Spezialbau is active. The company's building chemicals department also develops and produces special products for its own construction department, but also markets these products to other building chemical companies.

DFT: This company, with its head office in Bremen, specializes in the production and laying of seamless and partially ground (terrazzo) rolled concrete industrial surface systems. The different complete solutions offered by DFT are used in particular in large-scale production facilities, logistics, trading, transport, and wholesale industries.

Bennert: The Bennert Group, which is based near Weimar in the town of Hopfgarten, Thuringia, specializes in the renovation and maintenance of historically important buildings. As well as classical work on buildings, the company employs numerous special processes that it has developed with respect to the preservation of monuments. For example, the company is a specialist for the renovation of whole or parts of buildings (translocation).

Euroquarz: The main focus of the Euroquarz Group, acquired in 2009, is the production, preparation, and processing of silica sand and quartz gravel.

Pagel: The Pagel Group, also acquired in 2009, develops and produces mortar casting systems and cement renovation systems, and markets them around the world.

Further information can be found at:
www.possehl-spezialbau.de

Development in 2010 and Prospects

In terms of operating activities, a section of the Special-purpose Construction division certainly felt the phasing out of economic stimulus programs. In this area, business declined compared with the previous year. The quartz and mortar casting systems units, on the other hand, were able to improve their orders situation, in part substantially. The division's strength lies in the breadth of its solutions for customers, and the addition of the Euroquarz Group, incl. Pagel, in 2009 provided further reinforcement in this respect. Our diversified positioning and the overall improvement in the economic environment make us confident that the Special-purpose Construction division will significantly increase its earning power again in 2011.

PRECIOUS METALS PROCESSING

Sales 2010 (€ million)	442.9
Employees	221
Founding year	1845
Consolidated group company since	1960

Heimerle + Meule GmbH, Pforzheim

The Oldest Gold and Silver Refinery in Germany

Heimerle + Meule GmbH, based in Pforzheim, is a leader in the precious metal alloys industry. State-of-the-art process technology is used to recover refined metals from residues containing precious metals and processes them into valuable alloys. The buyers of precious metals and products made by Heimerle + Meule are the jewelry, electric, electronic, and dental industries. Three divisions provide services to customers:

- Precious metal-based semi-finished products/recycling
- Surface technics and
- Dental

Potential synergies from the various areas permit customer-specific requirements to be met with speed, efficiency, and flexibility. Heimerle + Meule has a reputation for high quality and competence around the world.

The collection of products and services provided by Heimerle + Meule range from precious metal recycling and surface electroplating to the production of semi-finished jewelry, dental products, and contact materials, to equipment, plants, and baths for electroplating and dental technology.

The company was founded in 1845, making Heimerle + Meule Germany's oldest gold and silver refinery. During its 166-year history, the company's range of products and services has continued to expand.

Further information can be found at:
www.heimerle-meule.com

Development in 2010 and Prospects

Last year, precious metals markets experienced sharp growth in demand accompanied by a further increase in precious metals prices. Accordingly, business in the Precious Metals Processing division developed positively. The development of new products contributed to consolidating the existing customer base and winning new customers. Sustained by the current upward trend, the division will continue to pursue its objective of strengthening its market position in all areas over the current year.

ELASTOMER PROCESSING

Sales 2010 (€ million)	235.7
Employees	1,332
Founding year	1855
Consolidated group company since	2005

Harburg-Freudenberger Maschinenbau GmbH, Hamburg and Freudenberg

Global Market Leader for Tire Production Systems

At Harburg-Freudenberger Maschinenbau GmbH, we manufacture a range of machinery for the rubber and tire production industry for all essential production stages from raw material preparation to tire manufacturing and vulcanization.

The company is divided into the following three segments:

HF TireTech

The company's Hamburg-Harburg headquarters and subsidiary in Belišće, Croatia develop, produce, and sell a complete range of equipment for rubber handling – in particular for the production of automobile tires. The product range comprises in detail:

- Single extruders and extruder lines
- Tire-building machines and
- tire heating presses.

It is the global market leader for automobile tire heating presses.

HF Mixing Group

The HF Mixing Group comprises the brands and companies

- Harburg-Freudenberger (HF),
- Farrel
- Pomini

The Freudenberg-headquartered HF company produces mixers and mixing room systems for the rubber processing and tire industries at five locations. Many important innovations for the rubber processing industry have been made by the HF Mixing Group. Today, the Group is the global market leader with this type of machinery.

HF Press+Lipid Tech

This division develops, produces, and sells machines and systems for the production and refining of edible oils, exclusively in Hamburg-Harburg. The production program comprises refinery facilities for crude oil and fats, and pressing facilities and process solutions for the processing of oilseeds, animal tissues, and special products.

Further information can be found at: www.harburg-freudenberger.com and www.hf-mixinggroup.com

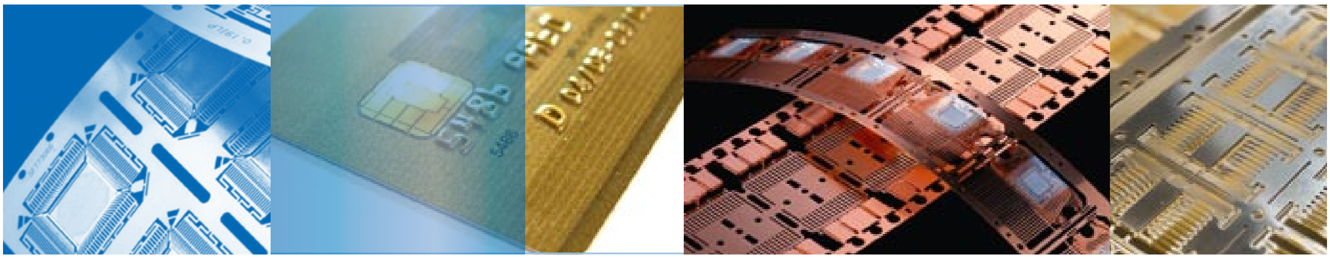
Harburg-Freudenberger Maschinenbau GmbH can look back on 150 years of corporate history. The company has been part of the Possehl Group since 2005. Pomini was acquired in 2007, with Farrel following in 2009, both of whom were former competitors.

Development in 2010 and Prospects

The automotive industry has overcome its downturn in orders and in 2010 generated positive developments for the Elastomer Processing division. Sales increased substantially and new orders even doubled. This gratifying trend was evident in all product areas. In the current fiscal year, the division is pressing ahead with its strategic growth objectives – opening up the growth markets of China and India, for example – and continues to optimize its central success levers of profitability, innovation and service quality.

ELECTRONICS

Sales 2010 (€ million)	194.3
Employees	2,164
Founding year	1954
Consolidated group company since	1954



Possehl Electronics N.V., ‘s-Hertogenbosch (NL)

Leading Producer of Semi-Conductor Component Carriers (Leadframes) and Electromechanical Components

Possehl Electronics is one of the leading producers of leadframes for the semiconductor industry. These are mainly copper-based conducting elements that are attached to silicon chips. Leadframes are primarily used in the electronic components of data processing devices, communications technology, measurement and control technology, household equipment, and entertainment devices. They are also used in automobile electronics.

At selected locations, particularly at the German company pretema GmbH and in Hong Kong, the company also produces laminated leadframes (LamFrames) for the production of chip cards, so-called smart cards. Since the purchase of pretema GmbH in 2010, Possehl Electronics has become the world’s number 2 company for the production of laminated leadframes.

The business activities of Possehl Electronics still include coating plug-in connectors and light diodes (LEDs) with precious metals, particularly gold and silver.

The German plant also produces precise electromagnetic components, mainly for the automobile supply industry. The components produced by pretema are built into products such as airbags and automatic gearboxes.

Further information can be found at:
www.possehlelectronics.com and
www.pretema.com

Development in 2010 and Prospects

The fiscal year 2010 was characterized by a disproportionate growth spurt on an extremely volatile market. Following weak development in the previous year, demand for semiconductor products increased significantly on all markets this year. This success was reinforced by the effects of the efficiency measures that had been introduced in 2009. Strengthened by the addition of pretema GmbH in September 2010, the division has improved its positioning and is aiming for further growth in the future.

INTERNATIONAL TRADING

Sales 2010 (€ million)	230.1
Employees	135
Founding year	1915
Consolidated group company since	1915

Possehl Erzkontor GmbH, Lübeck

Trading with Industrial Raw Materials

The Possehl Erzkontor Group is one of the leading suppliers in the classical trading of mineral raw materials. The subsidiaries of Possehl Erzkontor GmbH have also continuously further developed and expanded along the value chain. Processing capacity at various locations also complements pure trading activities. Customer- and industry-specific special processes are also becoming increasingly important.

Further information can be found at:
www.erzkontor.com

The most important buyers of traded and partially processed products are from the global fireproofing industry. The most important products traded are various magnesium raw materials and bauxite. The Possehl companies also supply the metallurgical, casting, cement, and construction materials industries, as well as the chemical and plastics processing industries, the importance of the latter as a customer group having increased in recent years.

The international trading business formed the original foundation for the Possehl Group. On the basis of its roots in iron ore trading, Possehl Erzkontor has built up an international trading business with a wide spectrum of mineral raw materials. The International Trading division currently comprises nine companies, with locations in Europe, Asia as well as South and North America.

Development in 2010 and Prospects

Following the sharp downturn in the previous year, the division was able to increase its sales again substantially in all major product areas in 2010. This was achieved against the backdrop of the global economic upturn and the accompanying increase in demand for raw materials, although this did not yet lead to higher margins in the reporting year. Overall, the division was not yet able to return to its pre-crisis level. The regional expansion of business to South America and a persistently robust economic climate will, however, have a positive impact on trading business in the future.

MAILROOM SYSTEMS

Founding year	2010
Consolidated group company since	2010*

* Not yet consolidated in the 2010 fiscal year.

BÖWE SYSTEC GmbH, Lübeck and Augsburg

Market Leader in Europe for High Performance Enveloping Facilities

BÖWE SYSTEC is a globally active supplier of highly automated printing and mailing centers, known as mailrooms. BÖWE SYSTEC is the European market leader with its main product, enveloping machines. In addition to the high-performance enveloping facilities, its product portfolio encompasses personalizing mailing systems for plastic cards, highly efficient mailroom systems, and all the services associated with these products. Their main customers include banks and insurance companies, telecommunications firms, public authorities, and mass-mailing service providers. BÖWE SYSTEC has a full-time worldwide workforce of some 1,200 employees, including around 450 at the headquarters in Augsburg. In addition to the headquarters in Augsburg, the company also comprises numerous sales and service companies in Europe and in Japan.

Further information can be found at:
www.boewe-systec.de

BÖWE SYSTEC has a long history. The company was founded after the end of the Second World War by Max Böhler and Ferdinand Weber, and in its 65-year history has grown into a global full-service provider of highly automated printing and mailing centers.

Development in 2010 and Prospects

BÖWE SYSTEC was integrated into the Possehl Group at the end of the 2010 fiscal year. The company’s future development depends primarily on the volume trend in personalized letters from companies to private individuals. Despite the increasing prevalence of e-mailings, we are expecting nearly stable market development in this segment with the result that demand for enveloping systems is likely to remain steady in the foreseeable future. The high proportion of business accounted for by service, together with a revival in demand for new machines, means that business is likely to develop according to plan in 2011.

CLEANING MACHINES

Sales 2010 (€ million)	377.5
Employees	2,097
Founding year	1948
Consolidated group company since	2006

Hako-Werke GmbH, Bad Oldesloe

Leading Manufacturer of Professional Cleaning Machines

Hako is a global leader in the production of high performance technology for indoor and outdoor cleaning machines and site maintenance. The Hako product range also includes multi-purpose special vehicles for use by municipalities marketed under the Multicar brand.

Hako has an extensive product range and can provide customized solutions for the cleaning of buildings, factories, and outdoor areas, as well as site maintenance and transport logistics. The product range extends from ultra-compact scrubber-dryers for cleaning small areas up to sweepers for road and walkway cleaning. As well as cutting-edge technologies, the products manufactured and sold by Hako always focus on solving individual problems and providing excellent service. This is ensured by means of a comprehensive global sales and service network.

Further information can be found at:
www.hako.com

Alongside the headquarters in Bad Oldesloe, the Group also has other production facilities in Germany, Poland, the USA, and China. The machines produced in the USA are marketed under the brand names Minuteman and PowerBoss.

Development in 2010 and Prospects

The Cleaning Machines division returned to its successful path in 2010. It took advantage of the general economic recovery and increased its sales overall, in particular by improving its results in Germany. Other factors, including for example the optimization of processes and cost structures, also contributed to the sharp increase in the division's profits. Supported by excellent service and new products, the division will consolidate its growth course over the current year.

TEXTILE FINISHING SYSTEMS

Sales 2010 (€ million)	47,1
Employees	197
Founding year	1884
Consolidated group company since	2006

A. Monforts Textilmaschinen GmbH & Co. KG, Mönchengladbach

Technology Leader for Textile Finishing Systems

A. Monforts Textilmaschinen GmbH & Co. KG has manufactured textile machines and equipment to finish and coat weaved and knitted goods for over 125 years. The company is one of the leading companies in the global market. Alongside tenters, the company's main product, the company also offers machinery used to dry impregnated or wet-dyed materials, relaxation dryers, coloring machinery, and shrinking machinery.

This machinery, which is marketed by Monforts, is developed at the company's headquarters in Mönchengladbach and manufactured by its Austrian subsidiary Montex. Over 90 % of products are exported. The main sales markets are China, India, Bangladesh, and Turkey.

Monforts Fong's Textile Machinery Co. Ltd.

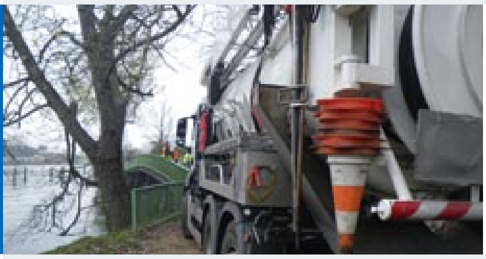
The division includes a joint venture with a Chinese company. The company was established in collaboration with Fong's Industries Co., Ltd., Hong Kong in 1999. The success of combining German engineering with Chinese manufacturing has resulted in the joint venture becoming the world's leading producer of tenters. The machines produced by the two companies are sold outside South-East Asia via the German parent company.

Further information can be found at:
www.monforts.de

Development in 2010 and Prospects

The expected positive trend in the orders position did in fact set in over 2010 and brought the division a significant increase in its sales. In China, the number of machine orders even posted record growth. During the current year, the division will continue its course and optimize its program further with innovative technical solutions. In doing so, it will concentrate primarily on customers' needs on the fast-growing textile markets of China, India, and South-East Asia.

SME INVESTMENTS



Our Companies Previously

Possehl Umweltschutz GmbH, Lübeck (www.possehl-umweltschutz.de)
The company specializes in the remediation of environmental damage, carrying out tank cleaning operations, and the collection and utilization of solid and fluid waste materials. Possehl Umweltschutz also undertakes environmentally friendly mining for gravel products and markets them.

Lubeca Versicherungskontor GmbH, Lübeck (www.lubeca-teutonia.de) und
Teutonia Fracht- und Assekuranzkontor GmbH, Lübeck (www.teutonia-shipping.de)
Both companies have a history stretching back more than 100 years. They operate as insurance brokers for property and transport insurance. Teutonia also operates as a freight and logistics service company.

Our New Companies

Hirtler Seifen GmbH, Heitersheim (www.hirtler.com)
Hirtler is one of Europe's leading manufacturers of body care soaps. The product range includes various types of soap – such as alkaline soaps, syndets, and combars – as well as soap bases for other soap manufacturers.

Karl Otto Knauf (GmbH + Co. KG), Stockelsdorf (www.knauf-sticks.de)
Knauf is one of the leading manufacturers of popsicle sticks in Europe and supplies numerous well-known ice cream manufacturers. At its factory near Lübeck, 100 employees produce around 3 billion popsicle sticks annually from renewable domestic beech wood.

Kleine Wolke Textilgesellschaft mbH & Co. KG, Bremen (www.kleinewolke.de)
Kleine Wolke, together with its secondary brand Meusch, is a leading supplier of high quality products for the bathroom and bedroom. The product range comprises bathroom mats, bathtub liners, shower curtains and rods, hand towels, and bed linens.

DMA Maschinen und Anlagenbau GmbH & Co. KG, Höxter (www.dma.de)
DMA constructs, manufactures, and assembles high-quality conveying technology for the container glass industry and many other areas of the food industry. The special-purpose machine manufacturer's product range includes cooling systems for companies handling milk and storage equipment for processing industries.

GROUP MANAGEMENT REPORT

OVERVIEW OF THE ECONOMIC SITUATION OF THE GROUP

The Possehl Group achieved its best ever operating result in the fiscal year 2010, thereby putting the adverse effects of the global financial and economic crisis behind it. By taking early and wide-ranging action to adapt, many of our divisions emerged stronger from the crisis and were able to expand their market positions. This applies particularly to our machine building activities, though not all divisions and regions were able to benefit equally from the global economic recovery. The performance of the Precious Metals Processing and Special-purpose Construction divisions, which were very stable the previous year, varied widely: while precious metal refining profited from increased industrial demand and ongoing high prices for precious metals, the construction sector was down on the previous year, partly due to weaker building activity. Demand for our trading products also picked up again sharply, although margins are still below pre-crisis levels.

Group net sales for the reporting year came to € 1,717.4 million, an approximately 41 % increase on the previous year and even 13 % higher than pre-crisis sales in 2008. Consolidated earnings before taxes (EBT) nearly quadrupled to € 81.5 million compared with the previous year's earnings of € 21.1 million and were even 10 % up on the previous record operating result from 2007. All the Group's divisions are profitable again, after some having reported slight losses in the previous year due to the recession.

The Group's balance sheet ratios are still very solid following rapid growth. The economic equity ratio came to 38.0 % as of the reporting date, which is a slight improvement on the previous year with considerably higher total assets. Net liquidity, as the balance of cash and cash equivalents and bank debt, amounted to € +49.3 million at the end of the fiscal year. This is a further improvement on the Group's net liquidity as of the previous year's reporting date. The Possehl Group thus remains debt-free on a net basis despite numerous acquisitions.

We made use of the improved market environment for business transactions to expand the Group further. In addition to establishing the new Mailroom Systems division with the acquisition of the BÖWE SYSTEC Group, we also expanded and strengthened the Electronics division with the acquisition of pretema GmbH. The purchase of four mid-market companies in Germany – Hirtler Seifen GmbH, Karl Otto Knauf (GmbH + Co. KG), Kleine Wolke Textilgesellschaft mbH & Co. KG, and DMA Maschinen und Anlagenbau GmbH & Co. KG – was also a successful addition to the SME Investments division established in fall 2009.

Key Figures for the Fiscal Year

in € million	2010	2009	Change (%)
Net sales	1,717.4	1,219.9	40.8
Earnings before taxes (EBT)	81.5	21.1	286.3
Net liquidity	49.3	28.1	75.4
Equity including consolidation difference	366.8	290.6	26.2
Equity ratio (in %)	38.0	36.2	5.0

GROUP STRUCTURE AND STRATEGY

Possehl can look back on more than 163 years of Company history. The Possehl Group is a diversified, globally operating group of companies based in Lübeck, Germany. We hold a leading position in the markets where we operate. Our focus on mature sectors and niche markets plays an important role in our strategy.

The Possehl Group operates largely on a decentralized basis. Operational decisions are made in the individual divisions. These have a high degree of autonomy in all market and customer-related matters. The most important tasks for the proprietary company L. Possehl & Co. mbH as a holding company are corporate strategy and portfolio management, risk and opportunity management, the development of current and future managers, and the Group's central financing.

The Group currently comprises nine operating divisions:

- Special-purpose Construction
- Precious Metals Processing
- Elastomer Processing
- Electronics
- International Trading
- Mailroom Systems
- Cleaning Machines
- Textile Finishing Systems
- SME Investments

The number of companies in the Possehl Group (without associated companies) was 141 as of the reporting date, of which 56 are based in Germany and 85 abroad. Several of these companies are not consolidated due to their minor importance to the Group. The number of companies in the Group went up by 37 compared with the previous year. The 23 companies in the BÖWE SYSTEC Group acquired at the end of the reporting year account for a large proportion of the increase, whereby only the balance sheet figures are included in these consolidated financial statements.

The investment portfolio is geared toward profitability, stability, and risk diversification. We are careful to ensure that our divisions operate in different industries and are exposed to different business cycles and regional developments. This strategy proved its worth during the financial and economic crisis in particular and is also in line with the long-term orientation of our sole shareholder, the charitable Possehl Foundation.

The Possehl Group is on a steady, long-term growth track. We intend to follow this path in the future as well and thereby to increase the value of the Company. Business expansion will take place by means of both organic growth and acquisitions, i.e. by supplementing existing divisions, adding to the SME Investments division, and acquiring new divisions.

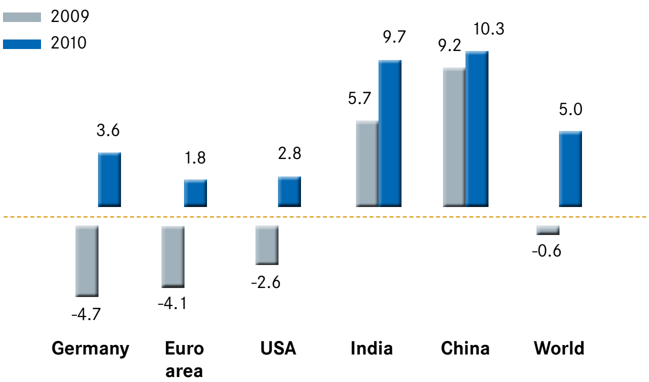
For all our divisions and companies, Possehl thinks very long-term and preserves the identity of its companies. In contrast to many private equity companies, we do not pursue an exit strategy aimed at a later sale.

MACROECONOMIC ENVIRONMENT

Strong Rise in Global Production Supports Business Performance

In 2010, the global economy recovered from the slump caused by the worldwide financial and economic crisis. A decline of 0.6 % in gross domestic product in 2009 was followed by a strong rebound, amounting to 5.0 % for the full year. Despite this, the pace of global economic expansion slowed somewhat over the course of the year. The slowdown in production growth comes at a time when countries are in different positions on the economic cycle. Parts of the world, above all the emerging Asian economies, have resumed the growth path observed before the crisis, whereas production in industrialized countries is still below its pre-crisis level.

Growth rates in selected economic areas/GDP in %



Many Divisions Benefit from Strong Domestic Growth

The domestic German market is vital for the Possehl Group and it performed very dynamically in 2010. Economic output rose by 3.6 % on a price-adjusted basis. The upturn was sustained above all by booming exports, which rose by 14.2 %, and higher corporate investment, which was up 9.4 %. The upturn nevertheless flattened out somewhat in Germany towards the end of the fiscal year. This was due to a slight decline in exports, partly as a result of the later stages of the inventory cycle, whereas domestic demand proved to be robust. However, growth in domestic demand is not strong enough to maintain the rapid pace of expansion.

The companies of the Possehl Group operate in various sectors and their products and services are offered in different regional markets – in some cases nationally, in some cases internationally. As a result, the businesses of the individual companies and divisions are influenced by macroeconomic trends to widely varying degrees. Nearly all the divisions in the Possehl Group were able to benefit from the global economic upturn, reporting double-digit growth in sales and earnings. Only the Special-purpose Construction division remained below the strong figures for the previous year.

BUSINESS PERFORMANCE AND EARNINGS POSITION

OVERALL GROUP

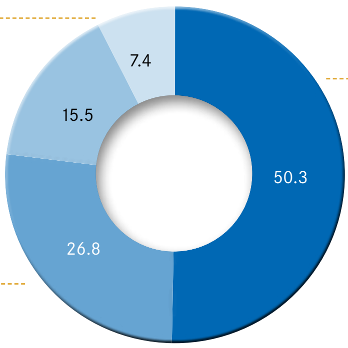
Group Net Sales Up By 41 %

Group net sales rose by € 497.5 million or 41 % compared with the previous year to € 1,717.4 million and were therefore well above levels in the pre-crisis years of 2007 and 2008. Adjusted for the changes to the group of consolidated companies, the sales increase came to around 33 %, which is still well above the average growth rate for the manufacturing industry in Germany. The growth rate for our Group accelerated over the course of the year. While in the first quarter, the Group posted a growth rate of a good 20 %, in the last quarter growth even reached 44 %.

The highest increase in absolute terms came from the Precious Metals Processing division with € 157.9 million and the International Trading division with € 105.8 million. In relative terms, the increase was steepest in the Electronics division at 83 % and in International Trading at 85 %. Overall, nearly all divisions registered double-digit growth rates.

The breakdown of net sales by region shows a further shift in favor of Germany. Sales generated in Germany rose by 1.6 percentage points to 50.3 %. This is due to the positive economic developments here, strong growth in the Precious Metals Processing division, which mostly operates in Germany, as well as to the new company acquisitions, which have a domestic sales focus.

Net sales in 2010 by region in %



Earnings Before Taxes Climb to € 81.5 Million

Earnings before taxes (EBT) soared, increasing by € 60.4 million to a record € 81.5 million. This is not only a nearly fourfold increase on the previous year, but also 8 % higher than the previous record dating from fiscal year 2007. All operating divisions are back to profitability, after some had reported slight losses the previous year due to the global crisis. With the exception of the Special-purpose Construction division, all areas of the Group contributed to this earnings growth. Many divisions generated the highest earnings in their history. This applies particularly to Precious Metals Processing, Cleaning Machines, and Elastomer Processing.

Consolidated net profit also rose steadily over the course of the year in parallel with the sales increase. We began the 2010 fiscal year cautiously, but in particular the third and fourth quarters of the reporting year saw earnings make great bounds. Especially in the divisions with a delay between receiving orders and realizing sales, the economic upswing only materialized in a distinct earnings improvement toward the end of the fiscal year.

Consolidated net profit is now more evenly distributed across the different divisions than before. This results in even greater independence from developments in individual sectors and therefore increases the stability of the Group as a whole.

Gross Profit Up 27 %

Though sales rose by 41 %, gross profit only improved by 27 %. This is due to the fact that a large part of the sales growth stems from the trading and precious metal refining businesses, which generally have lower margins. As a result, the ratio of cost of materials to sales went up by three percentage points compared with the previous year to nearly 69 %.

Below-average Increase in Other Costs

By contrast, both personnel expenses and other operating costs saw below-average increases compared with the previous year.

The increase of € 36.1 million or 14 % in personnel expenses was largely due to acquisitions, with the average total number of employees climbing by 16 %. A 20 % rise in wages and salaries was offset by a decline in retirement benefit expenses. This is because the interest portion of additions to pension provisions (€ 6.0 million) is now disclosed in net interest.

The below-average rise in other operating expenses is partly due to lower write-downs on receivables. At many sites, the higher sales were also generated with the existing workforce, without significantly increasing the number of temporary staff.

Net Investment Income More Than Doubled

Net investment income climbed year on year by € 5.4 million to € 10.6 million. The main reason for the change is a sharp improvement in net income from associated companies, which largely comes from the textile machine joint venture Monfongs. By contrast, dividend income from the investment in elexis AG fell by about half.

Significant Fall in Net Interest

Interest on both investments and borrowing was at a low average level over the year. Although interest income primarily at the proprietary company L. Possehl fell again as a result of the mostly short-term investment of free liquidity, the reduction in interest on borrowing only partially improved earnings since some of the bank loans are at longer-term fixed interest rates. However, two of the longer-term fixed-interest bank loans were repaid over the course of the fiscal year.

For the first time, in the reporting year the interest portion of the addition to pension provisions (€ 6.0 million) is recognized as interest expense and no longer as personnel expenses. As the figure for the previous year has not been adjusted, net interest is worse in annual comparison.

Extraordinary Result due to Change in Reporting Standards

Extraordinary expenses include the expenses incurred as a result of changes to German commercial accounting rules, particularly in connection with the higher contribution to pension provisions.

Slight Improvement in Income Tax Ratio

The income tax ratio came to 26 % in the reporting period, compared with 36 % the previous year. This relative improvement stems primarily from the fact that in the previous year, some companies in the Group reported losses, but for prudent accounting reasons no deferred taxes were recognized on tax loss carryforwards. As we have retained these prudent accounting principles, the income tax ratio has not improved more dramatically. If we had exercised the option of recognizing deferred tax assets, the income tax ratio for the reporting year would have been only about 20 %.

Consolidated Net Profit of € 57.9 Million

The consolidated net profit for the reporting year totaled € 57.9 million, against net profit for the previous year of € 11.2 million. This leap in earnings is primarily due to sharp improvements in nearly all operating divisions, while the result for the holding company fell, mainly due to the lower interest result.

DIVISIONS

Special-purpose Construction

	2010	2009
Net sales in € million	144.8	106.3
Employees	997	804

The situation in the German construction industry was characterized by a slight contraction in the reporting year. At the same time, the different segments of the industry saw very different developments. While residential construction performed well, commercial construction and public-sector construction, a sector important for us, both saw significant declines compared with the previous year. The end of the government stimulus programs was particularly noticeable in this area. Developments were similar in neighboring countries.

Net sales in the Special-purpose Construction division totaled € 144.8 million, which was € 38.5 million or 36 % higher than in the previous year. However, this growth came solely from the first-time consolidation in the reporting year of the Euroquarz Group, including its subsidiary Pagel Spezialbeton GmbH & Co. KG. Without these companies, annual sales would only have amounted to € 106.9 million. This includes recognized income of € 10 million from a major order, without which sales would even have fallen. This order nevertheless depressed division earnings significantly.

The decline in sales was particularly sharp in the Airfield Pavements Construction Services business unit. The previous year, this unit had generated high net sales with large-scale airport projects, but last year comparable projects were cancelled or postponed, partly due to massive flight cancellations resulting from the ash cloud over Europe. Business with rolled concrete surfacing also declined. Here, too, fewer major orders were placed in other European countries. In addition, the logistics sector, a key customer group for Deutsche Flächen-Technik Industrieboden GmbH (DFT), was also not able to regain its pre-crisis levels.

By comparison, the new companies Euroquarz and Pagel as well as the joint venture Gremmler Bauchemie put in a very positive performance. Although expectations were somewhat subdued at the start of the fiscal year due to the very cold weather, over the course of the year, the losses due to the weather were recouped in full.

Overall, the result for the division was considerably lower than in the previous year. For the current year, we are nevertheless expecting earnings to improve significantly – also thanks to a better economic environment.

Precious Metals Processing

	2010	2009
Net sales in € million	442.9	285.0
Employees	221	214

The sustained upswing in the Precious Metals Processing division not only continued during the reporting period, but even took a sharp turn for the better. Compared with the previous year, sales rose by € 157.9 million or 55 %, thus setting a new record. Over a period of five years, this division has achieved an annual growth rate of around 20 %. This positive trend is due to the rise in precious metal prices – primarily gold, but also silver and platinum – and also to a constant expansion of the customer base, the development of new products and applications, and the economic recovery. The sales increase after adjustment for the rise in precious metal prices was also well into double figures.

The semi-finished products/refining business, the main pillar of Heimerle + Meule GmbH, benefited particularly from high precious metal prices in the reporting period but also from new business ideas and the acquisition of new customers. Business with semi-finished jewelry remained very stable in the reporting year – partly due to the development of new alloys. In contrast to the previous year, business with industrial semi-finished products also picked up considerably thanks to the economic recovery. This also applies to the surface technics business, which profited from the increased demand in the automotive and electrical industries.

The market for precious metal dental alloys, on the other hand, has been under pressure for years as a result of the increasing substitution with non-precious metal alloys and solid ceramics. This pressure is intensifying due to the higher prices for precious metals. Despite this, the dental area put in a stable performance in the reporting year, as the higher precious metal prices were passed on to customers – albeit after a certain delay in some cases.

Elastomer Processing

	2010	2009
Net sales in € million	235.7	214.2
Employees	1,332	1,393

The Elastomer Processing division comprises the following three business units:

- Tyre Tech (rubber technology)
- Mixing Group (rubber mixing technology)
- Press+Lipid Tech (edible oil technologies)

The market environment improved considerably in the reporting year. The international automotive industry showed signs of a clear recovery after the deep recession. Global vehicle production rose by 20 % for cars and light commercial vehicles. The industry was therefore able to regain its pre-crisis levels earlier than expected. Demand for tires for cars and light commercial vehicles also rose strongly, in both the original equipment and the aftermarket segment. Altogether, the market for OEM tires grew worldwide by 25 % and the aftermarket segment by 9 %. The market for truck tires took a similar direction, but expanded even faster.

All the companies in the Harburg-Freudenberger Group benefited from the clear improvement in market conditions. Division sales rose by 10 % over the previous year, and new orders more than doubled. All product areas and companies contributed to the increase, with the strongest growth coming from tire heating presses and tire-building machines. Together with extrusion technology, these product areas were hardest hit by the automotive crisis in 2009. By comparison, rubber mixing technology (Mixing Group) proved to be relatively stable, even in the crisis. It is thus all the more satisfying that this area was again able to improve its performance, both in sales and new orders. The fastest growth came from the Italian subsidiary Pomini, where sales were up by a good 40 % compared with the previous year. A stable upwards trend was also in evidence at Press+Lipid Tech, which deals in equipment and systems mainly for manufacturing and refining edible oils.

Higher demand and greater capacity utilization at its production sites meant that reduced working hours could be lifted. Investments were also made to expand capacity at the production site in Croatia as a result of very high levels of demand.

As demand for our machinery remains high and our order books are full, the coming year is also expected to see additional growth.

Electronics

	2010	2009
Net sales in € million	194.3	106.4
Employees	2,164	1,577

The semiconductor industry is characterized by high volatility with short product lifecycles and strong fluctuations in product supply and demand. In the calendar year 2010, the global semiconductor market expanded by more than 30 % on a US$ basis, after having contracted by more than 10 % the previous year. Growth is more or less evenly divided between the individual regions America, Asia-Pacific, and Europe.

This market trend is reflected in the sales figures for Possehl Electronics, though magnified by the inventory cycle. Compared with the previous year, like-for-like sales were up by € 63.5 million or 60 %, after having fallen by around 30 % the year before. This brought us back up to the sales level of the year before the crisis. The fastest growth rates were recorded in America and Europe, while expansion at our Asian sites was slightly below the market rate. Above-average growth in Europe is the result of booming business with light emitting diodes (LEDs), primarily for car headlights.

In terms of products, it was sales with leadframes – the most important product, accounting for 75 % of sales – that grew fastest. Business with connectors and smartcards also picked up sharply.

For the first time, division sales for the reporting period include pretema GmbH with pro rata sales of € 24.5 million for three months. The relevant markets for pretema have been on a steep growth trajectory since the middle of 2010. This applies equally to the Automotive unit as to Electronics and Smart Cards. The Company benefited from this strong market performance. Going forward, the intention is to make pretema the management company for the Electronics business, also to achieve closer links to the Group holding company.

Though in 2009 the division reported a slight loss despite considerable cost reductions, in fiscal year 2010 the earnings situation improved substantially.

International Trading

	2010	2009
Net sales in € million	230.1	124.2
Employees	135	129

Net sales in the International Trading division went up by € 105.9 million or 85 % compared with the previous year. All the main product areas contributed to the increase. Compared with sales for the pre-crisis year 2008, the division is nonetheless still down by around 25 %.

The international steel markets that are particularly important for Possehl Erzkontor GmbH recovered again in the reporting year and are currently in fairly stable shape. In 2010, steel production was 15 % up on the amount produced in 2009, after having fallen by 8 % the year before. Although industrialized countries have not yet regained their pre-crisis levels, most emerging markets reported production records. In Germany, production of raw steel rose by 34 %, reaching average capacity utilization of 84 % for the year. The cement industry, which is also relevant for us, halted its downward trend at the middle of last year and has since developed slightly positively.

The pleasing developments on our relevant markets lifted sales volumes of refractory products, particularly bauxite and magnesite, by nearly 90 % compared with a year ago. Prices per ton have nevertheless remained roughly unchanged – in contrast to developments for many other raw materials.

Sales of metallurgical products, bulking agents, and plastics also rose steeply, climbing by a good 80 % in comparison with the previous year. For these products also, the sales increases are largely volume driven. Service businesses – namely grinding and processing materials – only improved slightly compared with the previous year.

Division earnings rose significantly over the previous year, but were still well down on the result for 2008. This performance is primarily due to gross profit margins, which remain fairly thin.

Cleaning Machines

	2010	2009
Net sales in € million	377.5	345.6
Employees	2,097	2,065

The Cleaning Machines division profited from the general economic recovery, especially from the significant upturn in Germany. Growth was slow at the beginning of the year, but accelerated toward the end of the fiscal year. Net sales rose by around 9 %, after having fallen by about 13 % the year before. Sales are therefore not quite back at their pre-crisis level. The main reason is that business on the US market and in southern European countries is still subdued, although in most other regions – above all in Germany – sales are back at their former levels.

Looking at the individual customer segments, performance was strong for industry and for municipal authorities. Lower tax receipts for the municipal authorities in particular had no adverse effect on orders. Sales of Multicar vehicles again went up at a double-digit rate from the previous year's already strong figures. The replacement parts business in the external cleaning segment also benefited from the cold weather at the beginning and end of the year. Aftersales service as well as business in used machinery and rentals grew strongly again and are becoming increasingly important for Hako. By contrast, business with retail chains and professional cleaning companies was more subdued. Here we felt the result of pressure on our clients to make savings and cut costs.

Sales growth also led to a substantial improvement in earnings. The division recorded a loss the previous year, but in the reporting period it exceeded the record result from 2007 by a wide margin. This jump in profits is due to the sales increase, but also to structural improvements and cost-cutting measures at several sites as well as the launch of innovative products that were well received by customers.

Textile Finishing Systems

	2010	2009
Net sales in € million	47.1	29.5
Employees	197	214

Sales in the German textile machine industry rose sharply compared with the previous year. According to data from VDMA, however, it still only came to 70 % of the record from 2007. With respect to the European companies, the performance of our Textile Finishing Systems division shows a similar picture. Sales rose by € 17.6 million or 60 % over the previous year, having slumped by more than 50 % in 2009. The global economic recovery gave order volumes for machines a strong boost, but they were still well below the figures for the years before the crisis. The employment situation at the two European locations was also not strong enough to suspend reduced working hours.

Developments in China exhibited a different picture as early as 2009. Buoyed by government stimulus and investment programs, demand remained high over the reporting period and even increased during the course of the year. New orders increased strongly in the second half of the year again, setting new records. Towards the end of the fiscal year, new orders flattened out slightly, but remained at a very high level. With this backing, the Monfongs joint venture achieved record highs for sales and earnings. As it is accounted for using the equity method, however, its sales figures are not consolidated and only 50 % of its earnings are recognized, corresponding to the equity interest. If the joint venture's sales figures were also consolidated, division sales would be around twice as high as currently presented.

Since the joint venture continues to perform very well, division earnings nearly doubled compared with the previous year.

SME Investments

	2010	2009
Net sales in € million	45.0	8.7
Employees	365	66

This division comprises highly diversified activities and in the reporting year was made up of the following main companies:

- Possehl Mittelstandsbeteiligungen GmbH & Co. KG
- Possehl Umweltschutz GmbH
- Lubeca Versicherungskontor GmbH
- Teutonia Fracht- und Assekuranzkontor GmbH
- Hirtler Seifen GmbH
- Karl Otto Knauf (GmbH + Co. KG)
- Kleine Wolke Textilgesellschaft mbH & Co. KG

The companies Hirtler, Knauf, and Kleine Wolke were only acquired in the course of the year and the consolidated figures for the division therefore only show their pro rata sales and earnings since acquisition. The new companies account for around € 35 million of total recognized sales for 2010. On a twelve-month basis, division sales would come to around € 80–85 million.

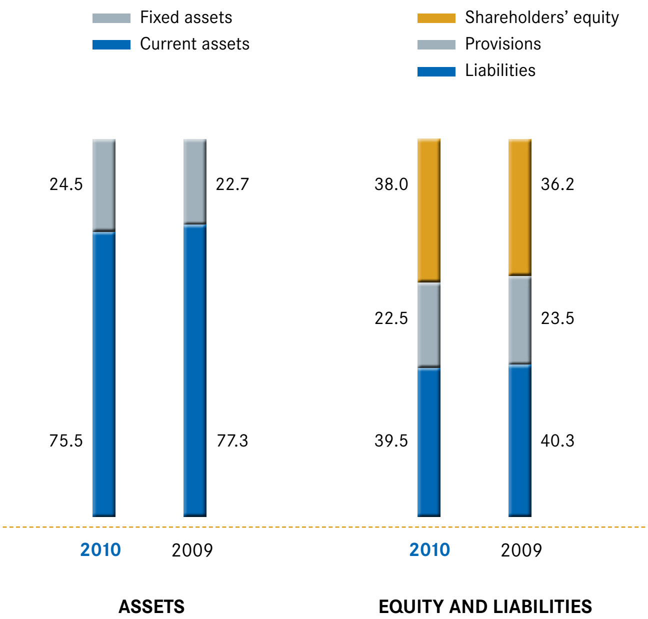
DMA Maschinen und Anlagenbau GmbH & Co. KG, in which a majority interest was acquired at the end of the reporting year, will only be consolidated from next year.

All the companies developed according to plan and – to the extent that they were already consolidated in the previous year – were at roughly the same level as the previous year in terms of sales and earnings.

NET ASSETS AND FINANCIAL POSITION

Balance Sheet Structure Analysis

Balance Sheet Structure in %



The *balance sheet total* went up by € 163.9 million compared with the previous year to € 966.4 million. The increase is primarily a result of acquisitions, but also reflects the Group's organic growth. The BÖWE SYSTEC Group accounts for the majority of the higher balance sheet total.

Noncurrent assets rose by a total of € 54.8 million, of which € 45.2 million came from property, plant, and equipment and € 4.9 million from intangible assets. This is mostly the result of acquisitions, as depreciation and amortization was roughly equal to net investment in existing divisions.

The € 4.7 million increase in *noncurrent financial assets* largely represents the 80 % stake in DMA Maschinen und Anlagenbau GmbH & Co. KG acquired at the end of the reporting period, which will only be fully consolidated next year.

Net working capital as of the reporting date came to € 391.6 million. This is € 81.4 million higher than a year ago, largely due to changes in the group of consolidated companies. On a comparable basis, the increase came to € 5.7 million. The change is partly due to much higher payments on account from customers, which are set off against inventories, and partly from calculated inventory management across all divisions.

Cash and cash equivalents are mainly attributable to the holding company, L. Possehl. The increase of € 12.7 million is primarily due to higher payments on account in the Elastomer Processing division as of the end of the fiscal year. Cash balances were reduced by a € 15.2 million higher repayment of current bank loans over the reporting date.

Group equity went up by € 44.9 million to € 335.5 million. Taking into account the difference from capital consolidation, which is treated as equity, the Group's economic equity increased to € 366.8 million. This stems largely from consolidated net profit of € 57.9 million. Currency translation also had a positive effect. The figure was reduced by the dividend payment of € 8.0 million. Despite the considerable rise in total assets, the economic equity ratio rose to 38 %. Noncurrent assets continue to be completely covered by equity.

Pension provisions declined by € 11.9 million on a net basis compared with the previous year. The decline results from offsetting reinsurance and plan assets for part of the pension obligations against the amount of provisions. The higher contribution to pension provisions required by a change to accounting standards had the opposite effect. As additional contributions were made in prior years and the additions to pension provisions in the reporting year were higher than the legal minimum, only an amount of € 3.4 million was outstanding at year-end, which is to be contributed over subsequent years.

Bank loans went down by a total of € 8.3 million, primarily due to scheduled repayment of two longer-term loans.

Financial Strategy

The Group holding company L. Possehl is responsible for the overall financial management of the Possehl Group. The primary objective of centralized financial management is to ensure the liquidity and creditworthiness of the Group. The reduction in the cost of capital, the optimization of the capital structure, and effective risk management are additional elements of Possehl Group's centralized financial and liquidity management. We decide on a case-by-case basis whether liquidity is distributed internally within the Group from a central source or held locally in the individual companies. The lending terms and the currency in which funds are to be raised are two of the factors that play a role in the decision. Domestic companies are for the most part integrated in the Group's cash pool via the cash management system. Foreign companies generally arrange their finances locally.

The Group's policy on assuming debt is conservative and designed for flexibility. In addition to long-term loans, we make particular use of short-term credit lines from banks to finance our working capital. We also have an asset-backed securities program at our disposal. We arrange for sufficient credit lines from banks, but a core element of our financial strategy is for the Group holding company to have substantial overnight and fixed-term deposits, which enable us to act rapidly and largely independently of banks. Even during the financial and economic crisis, the much discussed credit crunch or credit shortage had no adverse affect on Possehl Group.

Cash Flow Development

in € million	2010	2009
Cash flow from operating activities	96.6	72.3
Cash flow from investing activities	-58.4	-33.0
Cash flow from financing activities	-28.4	-18.4
Change in cash and cash equivalents over the period	9.8	20.9
Cash and cash equivalents on December 31	202.4	189.5

Cash flow from operating activities rose by € 24.3 million compared with the previous year. The additional earnings of € 46.7 million are responsible for the increase, whereby working capital went up in particular due to higher trade receivables. Adjusted for changes in the group of consolidated companies, net inventories were roughly stable compared with the previous year due to the large volume of payments received on account.

EMPLOYEES

Cash flow from investing activities amounted to € -58.4 million in the reporting period, after € -33.0 million in the previous year. Cash outflows for both property, plant, and equipment and company acquisitions were significantly higher than in the previous year.

A total of € 52.3 million was invested in property, plant, and equipment and intangible noncurrent assets, not including the acquisitions structured as asset deals. This is an increase of 90 % on the previous year. Investments were made to expand the production facility in Croatia for instance, as a result of consistently strong new orders in the Elastomer Processing division. A new electroplating line and equipment for additional quality improvements were purchased at pretema. We also replaced various items of production equipment at the electronics site in Malaysia after part of the factory was destroyed by a fire the previous year. Otherwise, the investments mostly related to modernization work at production sites, environmental protection, and information technology.

Capital expenditure is financed from ongoing cash flow or available funds. In particular, no long-term loans or long-term finance leases have been taken out in order to fund investments.

Cash flow from financing activities came to € -28.4 million in the reporting year. This is largely the result of lower bank debt due to the repayment of longer-term loans.

Further Increase in Net Liquidity

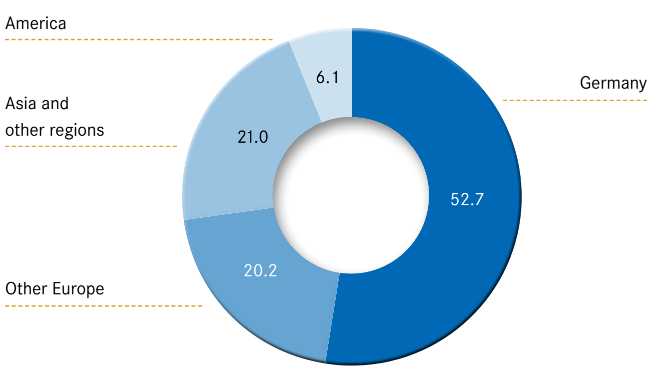
At the end of the reporting year, the Possehl Group had net financial receivables of € 49.3 million. This represents an increase of € 21.2 million over the previous year. Strong cash flow from operating activities was responsible for this significant increase, despite cash outflows for company acquisitions and the Group's strong organic growth. This cash balance is largely held by the Group holding company L. Possehl in the form of short-term investments.

Our staff make the most important contribution to Possehl's success. Around the world, we therefore aim to attract good employees, to support them, and to retain them for our Company. This applies equally in difficult economic conditions as in periods of growth.

The economic downturn the previous year made it necessary to reduce workforces appropriately and take measures to safeguard employment – in particular implementing reduced working hours at various sites in Germany – for many companies in the Possehl Group. In the 2010 fiscal year, however, we ceased reduced working hours in most companies and began recruiting again.

At the end of the fiscal year, Possehl had 8,738 employees worldwide. This represents an increase of 2,216 or 34 % compared with the end of the previous year. Of the total staff increase, 2,016 the is result of new companies in the Group, particularly the 1,166 employees at the BÖWE SYSTEC Group and the 544 at pretema. Even without the new acquisitions though, the number of employees went up by 200, largely in the Electronics division. On average over the reporting year, the Possehl Group had 7,532 employees, or around 16 % more than the previous year.

Distribution of employees in 2010 by region in %



In Germany, average staff numbers rose by 32 % to 3,966. This means that more than 50 % of the Group's workforce is now employed in Germany. The company acquisitions made in the last two years with a focus on Germany are primarily responsible for this development.

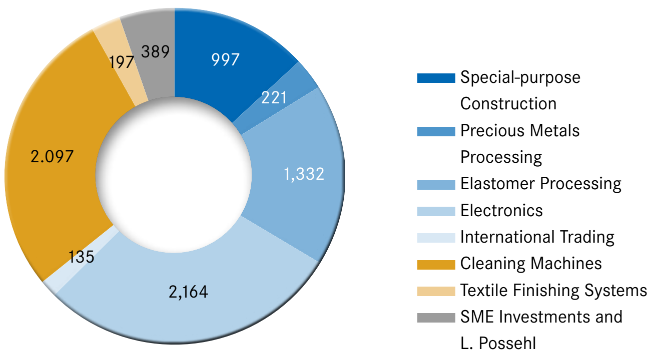
Personnel expenses in the reporting period totaled € 286.1 million, 14 % higher than in the previous year. Adjusted for the companies consolidated for the first time in the reporting period and the change in recognition of the interest portion of retirement benefit expenses, this represents an increase of € 16.4 million or nearly 7 %.

Vocational and Professional Training

We strive to advance and expand the qualifications and professional knowledge of our employees at all our locations. We therefore spend a considerable amount every year on professional training. This expenditure includes courses and training programs for individual employees as well as for certain categories of staff. For instance, we prepare our upcoming generation of managers for their future responsibilities with our management development program "Formula P".

In addition, we provided vocational training to 252 young people in various occupations over the reporting year, mainly at our German locations. Compared with the previous year, this is an increase of around 27 %.

Distribution of employees by division (number of individuals)



RESEARCH AND DEVELOPMENT

The competitiveness and long-term success of the Company are highly dependent on the innovativeness of our products, services, and manufacturing processes. We therefore make considerable efforts and substantial financial investments in order to promote innovation. Activities in the area of research and development are predominantly market and customer-driven. Technical innovations as well as new products and applications frequently emerge in cooperation with our customers. Our activities focus on developing more efficient and environmentally friendly products and processes as well as on quality improvements. The major developments in the divisions are described below.

In the **Special-purpose Construction** division, the range of services was expanded to include the replacement as well as the pressure grouting and seating of broken concrete slabs on streets and airports within strict time constraints. A project of this kind was successfully executed on the A7 interstate highway in Lower Saxony. It should be emphasized that this process made use of materials developed by our own specialists. The special replacement concrete was developed by Pagel and produced with materials from Euroquarz in its own mixing plant. The material used for pressure grouting and seating the concrete slabs was developed and manufactured by the cds Bautenschutzprodukte division. The product range was also successfully extended in the industrial flooring business. Sample areas of the Lotus Plan industrial flooring developed to optimize cleaning costs enjoyed a very positive response from customers. Further improvements were made to a process to increase the load-bearing strength of overloaded or damaged wooden beams in historic buildings, in cooperation with the Bauhaus University Weimar.

Heimerle + Meule GmbH **(Precious Metals Processing)** made further developments to its process for manufacturing investment products in order to further expand the product portfolio in this segment. Several new products – such as divisible gold bars and safe bags – can now be manufactured and have been successfully marketed as innovations. In the precious metal semi-finished products segment, a palladium jewelry alloy was especially refined to meet the specifications for wedding rings and successfully presented to ring manufacturers. For the Pipe product segment, we developed a customized coating material consisting of silver mixed with palladium and an outer layer of palladium alloy. This product is to be launched during the current year. A rhodium bath was also added to the range of plating baths.

At **Elastomer Processing,** in the Mixing Technology product area work concentrated on developing a uniform database system for compound suppliers against the background of the ongoing integration of Farrel and Pomini. This was delivered to the customer and successfully put into operation for the first time in the reporting year. The different mixing control systems still used by the individual companies in the Group are also being merged and standardized. The production lines for kneaders were completely redesigned in some cases and a novel plating has been introduced to protect against wear and tear. In the Extrusion product area, we launched a project with a well-known university in the reporting year to develop an alternative screw conveyor design. The Tire-building Machines product area developed a new concept for a high-performance machine to produce truck tires and presented it to the customer. The Heat Presses unit developed a host computer system to collect and manage production data on formulas and processes and successfully launched it on the market.

The research and development work at Possehl **Electronics** continues to focus on developing new processes and products and putting them into mass production. As a supplier to the semiconductor industry we are faced with the challenge of permanently improving our quality, increasing efficiency, and thereby reducing costs at the same time. Among other things, this means reducing the amount of precious metals used and developing alternative coatings. Semiconductor manufacturers are also tasked with storing ever more data on an ever smaller area. This has a corresponding effect on the products we have to develop. Another key area of R&D work in this division is the development of environmentally friendly processes, particularly to avoid the use of cyanide.

In the **Cleaning Machines** division, development work was concentrated on a new plastic with antibacterial properties. The groundwork was also carried out on various methods of onboard detergent dosage and on the theoretical foundations for reducing and for certain applications, even completely avoiding the use of special cleaning chemicals. In addition, other environmentally friendly developments were completed, such as the introduction of new electric motors for vacuum sweepers and the transition to the Euro 5 emissions class for outdoor cleaning machines. Hako is also working on new methods such as modular construction systems, which are intended to be applied across product families.

The research and development activities in the **Textile Finishing Systems** division are concentrated on refining energy-efficient and resource-saving products and processes in the run up to the upcoming world textile machine exhibition taking place in Barcelona, Spain, in fall 2011. A novel self-cleaning heat-recovery system has been integrated in our machines, for instance, increasing their efficiency and minimizing maintenance expense at the same time.

RISK AND OPPORTUNITY MANAGEMENT

RISK MANAGEMENT SYSTEM

Our risk policy mirrors our ambition to grow sustainably and successfully, to minimize dependence on individual industries and divisions, and to increase the value of the Possehl Group. In doing so, we attempt to avoid incommensurate risks as far as possible and to manage the necessary risks. The long-term perspective of our shareholder, the charitable Possehl-Stiftung, does not allow the Company to be aligned solely to short-term goals. Throughout the Group, it is our policy not to conduct speculative trading or other speculative business transactions. Derivative financial instruments are used exclusively to hedge interest-rate risks and raw material price fluctuations or to limit risks associated with cash flows denominated in foreign currencies. Liquid fund investments are low-risk and short-term and are made in the form of demand and term deposits or similar secure short-term investment products.

Our risk management is an integral component of planning and executing our business strategies. The Executive Board determines the risk policy for the entire Group. In accordance with the organization of the Possehl Group into individual operating divisions, company managers are obliged to implement a risk management tailored to their specific businesses and hierarchies, which corresponds to the overarching principles.

We are very conscious of ensuring that the risks we enter into are balanced by corresponding opportunities. We identify, evaluate, and manage these risks and opportunities systematically.

The Possehl Group has a range of coordinated risk management and control systems that make it possible to identify significant risks at an early stage and to take suitable countermeasures. Particular importance is attached to risk control throughout the year as well as corporate planning. Corporate planning helps us assess potential risks before major business decisions are made, while the countermeasures implemented are monitored as part of controlling processes throughout the year. Due to the heterogeneous structure of the Possehl Group, we have supplemented the reporting system in place for all Group companies with division-specific information, data, and key figures.

Capital expenditure controlling covers the annual budget as well as follow-up inspections of the actual investment amounts. All capital expenditures are valued using returns calculations based on a uniform methodology, and minimum risk-adjusted returns are set regularly. In divisions with longer production times, the central risk management also focuses on order entry and order backlog reports as well as on advance calculation checks above certain thresholds.

The transfer of risks to insurers is managed – to the extent feasible and economically responsible – by our insurance broker, Lubeca Versicherungskontor GmbH, in coordination with the Executive Board of the holding company and involves insurance contracts for the entire Group.

As an international corporation with a heterogeneous portfolio, the Possehl Group is subject as a rule to multiple risks, the most important of which are described below.

MAJOR INDIVIDUAL RISKS

Liquidity Risks

One of L. Possehl’s core responsibilities as a holding company is the sustainable and long-term safeguarding of the Group’s financial independence. As well as optimizing Group financing, the main task consists of limiting financial risks.

To ensure liquidity at all times, sufficient cash and cash reserves are maintained to meet all of the Group’s payment obligations when they are due. A reserve is maintained for unplanned cash flow irregularities. In addition, there are adequate bank credit lines. Liquidity is mainly obtained in euro and US dollars with varying terms. Interest rate risks are analyzed regularly and any existing risks limited by appropriate hedging transactions.

Credit and Default Risks

There is a risk that business partners will default and not pay their outstanding invoices. In order to manage credit risks from receivables effectively, the individual divisions routinely analyze the creditworthiness of all customers and set individual credit limits for them. In order to minimize credit risks, transactions are only carried out within these defined limits. The Group companies continuously monitor receivables and default risks, which in some cases are also hedged by commercial credit insurance. For orders with longer production times, we also endeavor to obtain substantial payments on account from customers or to secure payment by means of letters of credit or similar instruments.

Currency Risks

Due to the global nature of the Group's business activities, both business operations and financial transactions are subject to risks from exchange rate fluctuations, particularly for the US dollar against the euro. A currency risk exists when sales are generated in a different currency than the associated costs. This applies particularly to the Electronics and Cleaning Machines divisions. To limit the risks of multiple cash flows in different currencies, foreign currency positions are normally hedged when they arise. Unconditional derivative financial instruments are used for this purpose.

Acquisition Risks

The Possehl Group is on a long-term growth track. In addition to organic growth in the existing divisions, growth is generated through company acquisitions. As a rule, these entail risks because there is no guarantee that every business acquired will develop successfully and according to the original plans. We seek to reduce these risks as far as possible by carrying out extensive due diligence during the acquisition process. In addition, we generally do not take potential synergy effects into account when valuing target companies.

Changes to the investment portfolio can also result in additional funding requirements and have a sustained effect on the Group's debt and funding structures. Acquisitions can furthermore lead to a significant increase in goodwill, as this may no longer be offset against reserves. In order to limit this risk, we are careful to avoid paying high amounts of goodwill in our acquisitions. Moreover, we generally adhere to our conservative accounting policies and, for instance, do not recognize deferred tax assets for tax loss carryforwards.

MAJOR INDUSTRY AND COMPANY-SPECIFIC RISKS

As a conglomerate, the Possehl Group is active in various sectors with disparate risk profiles and specific risk characteristics. The main potential risks encountered by the individual divisions are as follows:

Special-purpose Construction

A key risk is that errors of judgment may be made when costing larger construction projects and that the effective additional costs cannot be billed to the customer. This can apply particularly to the restoration of historic buildings.

Mechanical Engineering Activities and Electronics

Intense competition creates permanent pressure to increase the efficiency of manufacturing and to reduce production costs. In addition, a fall in the US dollar could impair the earnings of the Electronics division. In some divisions, there are also certain dependencies on individual major customers. Our aim is to reduce existing dependencies by acquiring new customers, thus broadening the customer base.

The production processes in our Electronics division expose us to the risk of polluting soil and ground water. Intensive and continuous environmental protection measures and investment in environmentally friendly processes at our production sites enable us to reduce these risks as far as possible. In addition, we continually conduct environmental audits.

International Trading

The trading companies are exposed not only to price risks but also to procurement risks. Trade barriers in particular, in the form of tariffs and quotas, can harm trading. We manage this risk via our global presence, long-term supplier relationships, broad customer base, and high degree of diversification. We are countering our dependence on the steel industry by expanding our existing divisions and establishing new ones. Risks from fluctuations in raw material prices and freight rates are substantially reduced by the use of back-to-back transactions. However, price risks remain in the storage and inventory business.

OVERALL ASSESSMENT: NO EXISTENTIAL RISKS FOR THE POSSEHL GROUP

The acquisitions made in the reporting year – particularly the establishment of the new Mailroom Systems division, as well as the additions to the SME Investments segment – have made the Group even more diversified. This has made the opportunities and risk profile even more balanced and set the Possehl Group on even firmer foundations. Therefore, the Group is cushioned to some extent from negative developments in specific sectors, regions, or divisions. From today's perspective, there are no identifiable risks that could endanger the continued existence of the Possehl Group.

MAJOR OPPORTUNITIES

Most of the risks described above are balanced by corresponding opportunities, depending on the favorable development of external conditions. In addition, a sustainable economic recovery will open up growth opportunities for the Possehl companies around the world. The high-quality product program and the strong market positions of our operating business units form the basis for exploiting these numerous opportunities. Another factor is the Group's solid equity and financial position. Furthermore, the high amount of available cash and cash equivalents enables us to take advantage of opportunities for acquisitions without having to borrow significant funds.

SUBSEQUENT EVENTS AND OUTLOOK

PARTICULAR EVENTS AFTER THE BALANCE SHEET DATE

There were no events requiring disclosure.

ORIENTATION OF POSSEHL GROUP AND PROBABLE DEVELOPMENT

Following the severe recession, the global economy has obviously entered a moderate growth phase. There is nevertheless increasing evidence of factors that could counteract a rapid expansion. They include in particular tighter financial policies in an increasing number of countries as global stimulus programs expire, as well as consolidation processes in the private sectors of many industrialized countries. The subdued momentum in industrialized countries is likely to spill over onto emerging markets and slow their export growth as well. Overall, the economic forecasts for 2011 predict real growth of the global economy of around 3 %. In Germany, too, gross domestic product is expected to grow more slowly as the pace of exports weakens.

Against the backdrop of a continued, albeit more moderate upturn in the global economy, we are assuming further sales and earnings growth for the Possehl Group in the next two fiscal years. However, the steep rise in prices for raw materials may depress earnings in individual divisions. Nonetheless, the companies acquired in the reporting year as well as the existing divisions will contribute to a positive performance overall.

We continue to see good opportunities for further acquisitions in addition to organic growth, particularly in SME Investments and as investments to complement our existing divisions. At the beginning of the new fiscal year, we recruited another managing director for the SME Investments division in order to intensify our acquisition activities in this area. We were also able to acquire two distribution companies in South America for our International Trading division in January 2011, thereby reflecting the growing economic significance of this region.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET as of December 31, 2010

in € '000	(Notes)	12/31/2010	12/31/2009
Assets			
A. Noncurrent assets			
I. Intangible assets	(1)	8,936	4,005
II. Property, plant, and equipment	(2)	186,065	140,870
III. Financial assets	(3)	42,104	37,426
		237,105	**182,301**
B. Current assets			
I. Inventories	(4)	232,160	200,034
II. Receivables and other assets	(5)		
1. Trade receivables		252,887	170,674
2. Other receivables and other assets		34,982	49,187
		287,869	**219,861**
III. Other securities		20,283	20,069
IV. Cash and cash equivalents	(6)	182,093	169,411
		722,405	**609,375**
C. Pre-paid expenses		**5,417**	**5,332**
D. Deferred tax assets	(7)	**1,467**	**5,486**
Total assets		**966,394**	**802,494**
EQUITY & LIABILITIES			
A. Equity	(8)		
I. Subscribed capital		30,678	30,678
II. Retained earnings		168,172	151,137
III. Changes in equity due to currency translation		-1,835	-17,775
IV. Consolidated net profit for the period		136,297	123,044
IV. Minority interests		2,160	3,488
		335,472	**290,572**
B. Difference from the consolidation of equity	(9)	**31,296**	**0**
C. Provisions			
1. Pension provisions	(10)	94,648	106,533
2. Other provisions	(11)	123,323	81,861
		217,971	**188,394**
D. Liabilities	(12)		
1. Bank loans		153,110	161,391
2. Trade payables		93,472	60,542
3. Other liabilities		129,093	100,640
		375,675	**322,573**
E. Deferred income		**5,980**	**955**
Total equity and liabilities		**966,394**	**802,494**

CONSOLIDATED INCOME STATEMENT

from January 1 to December 31, 2010

in € '000	(Notes)	2010	2009
Net sales	(13)	1,717,442	1,219,944
Changes in finished goods, work in progress, and capitalized own work	(14)	-5,278	-38,327
Other operating income	(15)	35,145	42,146
Cost of materials	(16)	1,175,709	774,921
Gross profit		**571,600**	**448,842**
Personnel expenses	(17)	286,126	250,069
Depreciation and amortization		30,558	24,018
Other operating expenses	(18)	165,107	149,772
Net investment income/expense	(19)	10,565	5,157
Net interest income/expense	(20)	-16,303	-8,937
Other financial result	(21)	237	-97
Result from ordinary operations		**84,308**	**21,106**
Extraordinary expenses/income	(22)	2,765	0
Profit before taxes		**81,543**	**21,106**
Income taxes	(23)	21,184	7,618
Other taxes		2,446	2,245
Consolidated net profit		**57,913**	**11,243**
Minority interests in consolidated net profit		-160	575

CONSOLIDATED CASH FLOW STATEMENT

from January 1 to December 31, 2010

in € ’000	2010	2009
Consolidated net profit	57,913	11,243
Write-ups/write-downs on noncurrent assets	30,558	23,758
Changes in accruals and provisions	14,824	-16,005
Other non-cash expenses and income	1,147	13,428
Gains and losses on the disposal of noncurrent assets	-2,958	-3,181
Change in working capital	-7,688	43,096
Cash flow from operating activities	**96,561**	**72,339**
Proceeds from disposal of intangible assets and property, plant, and equipment	9,733	8,463
Proceeds from disposal of noncurrent financial assets and from sale of consolidated companies and business units	2,435	0
Payments for investments in intangible assets and property, plant, and equipment	-46,685	-27,483
Payments for investments in noncurrent financial assets and for the acquisition of consolidated companies and business units	-23,862	-13,986
Cash flow from investing activities	**-58,379**	**-33,006**
Payments to shareholders (including minority interests)	-9,045	-8,195
Change in bank debt	-19,848	-15,528
Change in other financial receivables/liabilities	519	5,279
Cash flow from financing activities	**-28,374**	**-18,444**
Cash-relevant changes	**9,808**	**20,889**
Net change in cash and cash equivalents due to exchange rate differences, changes in group of consolidated companies, and valuation changes	3,088	5,586
Cash and cash equivalents at beginning of period	189,480	163,005
Cash and cash equivalents at end of period	**202,376**	**189,480**

CHANGES IN NONCURRENT GROUP ASSETS

from January 1 to December 31, 2010

	Acquisition or manufacturing costs						
in € ’000	01/01/2010	Exchange rate changes	Changes in group of consolidated companies	Additions	Reclassified	Disposals	12/31/2010
I. Intangible assets							
1. Purchased concessions, trademarks, and similar rights and assets as well as licenses to such rights and assets	18,914	241	5,591	3,732	284	-402	28,360
2. Goodwill	2,951	20	90	1,068	0	0	4,129
3. Advance payments made	1	0	0	0	0	0	1
Total intangible assets	**21,866**	**261**	**5,681**	**4,800**	**284**	**-402**	**32,490**
II. Property, plant, and equipment							
1. Land, equivalent titles, and buildings including buildings on third-party land	132,549	4,610	11,660	7,754	997	-6,031	151,539
2. Technical plant and machinery	195,794	15,071	37,836	10,147	4,710	-5,043	258,515
3. Other plant, operating, and office equipment	103,429	1,578	13,700	24,686	35	-8,471	134,957
4. Advance payments made and plant under construction	4,296	590	9	4,877	-6,026	-135	3,611
Total property, plant, and equipment	**436,068**	**21,849**	**63,205**	**47,464**	**-284**	**-19,680**	**548,622**
III. Financial assets							
1. Shares in affiliated companies	0	0	0	3,391	11	0	3,402
2. Loans to affiliated companies	0	0	0	0	3,144	-119	3,025
3. Equity investments in associated companies	15,794	983	0	10,279	0	-9,057	17,999
4. Other equity investments	802	0	-64	0	-11	0	727
5. Loans to companies in which equity is held	8,106	0	-900	555	-3,144	0	4,617
6. Securities held as noncurrent assets	12,332	0	82	0	0	-970	11,444
7. Other loans	1,042	0	0	337	0	-109	1,270
Total financial assets	**38,076**	**983**	**-882**	**14,562**	**0**	**-10,255**	**42,484**
	496,010	**23,093**	**68,004**	**66,826**	**0**	**-30,337**	**623,596**

Depreciation and amortization							Carrying amount	
01/01/2010	Exchange rate changes	Changes in group of consolidated companies	Additions	Reclassified	Disposals	12/31/2010	12/31/2010	12/31/2009
15,514	203	3,057	1,652	0	-401	20,025	8,335	3,400
2,347	21	0	1,161	0	0	3,529	600	604
0	0	0	0	0	0	0	1	1
17,861	**224**	**3,057**	**2,813**	**0**	**-401**	**23,554**	**8,936**	**4,005**
62,644	1,626	3,114	4,244	0	-2,462	69,166	82,373	69,905
155,987	13,321	20,596	13,913	-79	-4,559	199,179	59,336	39,807
76,564	1,397	11,758	9,535	79	-5,177	94,156	40,801	26,865
3	0	0	53	0	0	56	3,555	4,293
295,198	**16,344**	**35,468**	**27,745**	**0**	**-12,198**	**362,557**	**186,065**	**140,870**
0	0	0	0	0	0	0	3,402	0
0	0	0	0	0	0	0	3,025	0
583	0	0	0	0	-287	296	17,703	15,211
42	0	18	0	0	0	60	667	760
0	0	0	0	0	0	0	4,617	8,106
25	0	0	0	0	-1	24	11,420	12,307
0	0	0	0	0	0	0	1,270	1,042
650	**0**	**18**	**0**	**0**	**-288**	**380**	**42,104**	**37,426**
313,709	**16,568**	**38,543**	**30,558**	**0**	**-12,887**	**386,491**	**237,105**	**182,301**

CHANGES IN SHAREHOLDERS' EQUITY

from January 1 to December 31, 2010

in € '000	Subscribed capital	Retained earnings	Accumulated other Group earnings	Group shareholders' equity without minority interests	Share of equity of minority interests	Accumulated share of minority interests in other Group earnings	Share of minority interests in Group capital	**Share-holders' equity**
12/31/2008	**30,678**	**409,174**	**-133,197**	**306,655**	**8,403**	**11**	**8,414**	**315,069**
Consolidated net profit		11,818		11,818	-575		-575	11,243
Dividend payment		-8,000		-8,000	-195		-195	-8,195
Changes in equity due to currency translation		250	-2,104	-1,854	20	-77	-57	-1,911
Other changes in shareholders' equity			-21,535	-21,535	-4,099		-4,099	-25,634
12/31/2009	**30,678**	**413,242**	**-156,836**	**287,084**	**3,554**	**-66**	**3,488**	**290,572**
Consolidated net profit		57,753		57,753	160		160	57,913
Dividend payment		-8,000		-8,000	-1,045		-1,045	-9,045
Changes in equity due to currency translation		-62	15,940	15,878	-3	201	198	16,076
Other changes in shareholders' equity		-9,398	-10,005	-19,403	-641		-641	-20,044
12/31/2010	**30,678**	**453,535**	**-150,901**	**333,312**	**2,025**	**135**	**2,160**	**335,472**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The consolidated financial statements of L. Possehl & Co. mbH, Lübeck, (subsequently referred to as L. Possehl) for the 2010 fiscal year have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), applying for the first time the revised accounting rules pursuant to the German Accounting Law Reform Act (BilMoG). The figures for the previous year have generally not been adjusted. For any exceptions made to this policy, adjusted previous-year figures on the balance sheet or income statement have been addressed accordingly in the Notes.

The income statement is structured according to the nature of expense method. The consolidated financial statements have been prepared in euro. All amounts are shown in thousand currency units, with the exception of the proposal on appropriation of net profit for the proprietary company.

Group and Changes to the Group of Consolidated Companies and Associated Companies

Group of Consolidated Companies

In addition to the proprietary company L. Possehl, the consolidated financial statements include 51 domestic and 81 foreign companies in which L. Possehl directly or indirectly holds a majority of voting rights. The option of not including certain subsidiaries per Section 296 (2) HGB was chosen for eight subsidiaries and two special-purpose companies due to their minor importance for the net assets, financial, and earnings position of the Group. These companies together comprise less than 3 % of net sales, the balance sheet total, and consolidated net profit. Further details are available in the attached overview of equity investments, which in accordance with Section 313 (3) HGB does not include two subsidiaries.

Changes to the Group of Consolidated Companies

The significant changes in the group of consolidated companies are outlined in the following:

- The newly established BÖWE SYSTEC GmbH, a wholly owned subsidiary of L. Possehl comprising the business operations of BÖWE SYSTEC AG i.I. and its 22 subsidiaries, was acquired at fiscal year-end and included in the consolidated financial statements for the first time with effect from the reporting date.
- pretema GmbH, part of the Electronics division, was consolidated for the first time on October 1, 2010.
- During the year under review, eight companies were acquired in the SME Investments division, the following six of which were consolidated for the first time:
  - Hirtler Seifen GmbH – since April 1, 2010
  - Karl Otto Knauf (GmbH + Co. KG) and Knauf GmbH – since May 1, 2010
  - Kleine Wolke Textilgesellschaft mbH & Co. KG, Kleine Wolke Textilgesellschaft Verwaltungs-mbH, and Kleine Wolke AG – since July 1, 2010
- In the Cleaning Machines division, Industrial Technical Corporation Limited, Qingdao CSSC Technical Products Ltd., and Qingdao CSSC Service Ltd. were fully consolidated on April 1, 2010 due to a controlling interest having now been acquired.

In cases where figures from the previous year no longer afford comparability due to changes in the group of consolidated companies, additional information is provided in the Notes on significant balance sheet and income statement items so as to restore comparability.

Associated Companies

There are 20 associated companies. Nine companies are not accounted for using the equity method as they are of minor importance for the net assets, financial, and earnings position of the Group within the meaning of Section 311 (2) HGB.

The shareholdings per Section 313 (2) HGB are listed at the end of these Notes.

Consolidation Principles

Consolidation of equity is carried out using the revaluation method, recognizing all undisclosed reserves and liabilities as of the acquisition date or date upon which the company became a subsidiary. Any remaining difference with positive value is recognized as goodwill as per Section 309 (1) HGB and amortized over its expected useful life through profit and loss. Any negative remaining difference after recognizing undisclosed reserves and liabilities is shown in a separate item on the balance sheet and recognized with effect on net income in accordance with Section 309 (2) HGB.

The equity of associated companies is offset according to the equity method at the time of acquisition. Any remaining positive difference after recognizing undisclosed reserves and liabilities is treated as goodwill and amortized. Conversely, any remaining negative difference is recognized as negative equity or debt and expensed through profit and loss.

Receivables and liabilities as well as sales, expenses, and income between consolidated companies are offset against each other. Interim profits from trading are eliminated if they are material. Income from internal sales of the Company's own products are reclassified to capitalized own work or changes in inventories.

Deferred taxes are recognized as necessary for consolidation accounting creating temporary or semi-permanent differences. In the consolidated balance sheet, deferred tax assets and liabilities are offset against each other.

Currency Translation

The reporting currency of L. Possehl is the euro. Currency translation is performed using the modified closing rate method. Using this method, the carrying amounts of subsidiaries in non-euro countries are uniformly translated at the average currency spot price on the reporting date, except for equity, which is translated at historical rates. Any differences compared with the previous balance sheet date resulting from exchange rate movements are recognized directly in equity under the separate item "changes in equity due to currency translation."

Expenses and income, including results for the year, are translated at average rates. Exchange rate differences due to the application of different exchange rates for balance sheet and income statement translation are recognized directly in equity.

The following exchange rates were applied for the translation of the main foreign currencies in use in the Group:

		Rates in € as of balance sheet date		Average rates in €	
Country	Currency	**2010**	2009	**2010**	2009
USA	USD	0.74839	0.69416	0.75374	0.71769
Great Britain	GBP	1.16178	1.12600	1.16511	1.12241
China	RMB	0.11335	0.10168	0.11136	0.10505
Hong Kong	HKD	0.09629	0.08952	0.09703	0.09260
Malaysia	MYR	0.24420	0.20273	0.23401	0.20405
Singapore	SGD	0.58357	0.49520	0.55290	0.49459

Accounting Principles

Intangible assets acquired for valuable consideration are carried at cost less amortization on a straight-line basis and any impairments as necessary. Amortization normally takes place over the contractual or expected useful life of the individual assets. Licenses and similar rights are normally amortized over a useful life of one to five years.

Goodwill recognized as a result of the initial consolidation is shown separately and amortized using the straight-line method over an expected useful life of five years, taking any necessary impairment into account.

Property, plant, and equipment are carried at cost, less scheduled depreciation and usage-related write-downs or other necessary impairments. If the basis for impairments no longer exists, the assets are written back. Costs of property, plant, and equipment produced internally include an appropriate portion of overhead costs, including depreciation of production equipment, as well as the direct costs. Costs of debt financing are not included in production costs.

Public subsidies for the purchase or manufacture of assets are deducted from the cost of those assets.

Property, plant, and equipment are normally depreciated over their expected useful life on a straight-line basis. In the Electronics division, tools are depreciated based on a combination of useful life and actual use over a maximum period of four years.

Depreciation is based on the following assumptions of useful life:

Buildings	20–50 years
Technical plant and machinery	5–10 years
Tools	1–4 years
Operating and office equipment	3–10 years

Carrying amounts for associated companies reported under **financial assets** are adjusted for the pro rata share of profit and loss, taking account of dividend payments. These adjustments are disclosed as additions or disposals in the consolidated statement of changes in noncurrent assets. Equity investments in subsidiaries that are not fully consolidated and other equity investments are recognized at cost less any impairment losses. Loans bearing no or a low rate of interest are carried at present value. Interest-bearing loans are always recognized at nominal value. Securities held as noncurrent assets are recognized at cost.

Inventories are carried at the lower of cost or quoted/market price or fair value on the balance sheet date. Production-related overhead costs and production-related depreciation of property, plant, and equipment are included in addition to direct costs of production. Financing costs are not included. Inventories are measured using the average cost method, except for precious metals, which are measured using the LIFO (last-in, first-out) method, in line with common practice in the industry. Inventories are written down if their realizable value is diminished or they are subject to longer storage periods.

Advance payments received for inventories are deducted directly from the carrying amounts.

Receivables and **other assets** are recognized at the lower of nominal value or fair value as of the balance sheet date. Any risks are accounted for via individual write-downs or a flat percentage write-down on receivables not written down individually. The corporation tax credit in accordance with Section 37 German Corporation Tax Law (Körperschaftsteuergesetz) was discounted at a rate of 3.0 % p.a., as in the previous year.

Tax and other provisions are formed to reflect all identifiable risks and uncertain obligations. These provisions are recognized in the necessary fulfillment amount applying reasonable commercial judgment. Provisions for liabilities expected to become due in more than one year's time are discounted applying an average market interest rate commensurate with the remaining period in question. **Pension provisions** and similar long-term obligations are discounted at the Deutsche Bundesbank rate over a standard term of 15 years. The option is being exercised of accruing a minimum 1/15 of the difference amount each fiscal year until December 31, 2024. Pension provisions are measured using the projected benefit credit method in line with IAS 19. The Heubeck actuarial tables 2005 G are utilized in measurement for biometric data.

Funding and plan assets that serve exclusively to fulfill pension commitments or similar obligations and are protected against all other creditors are offset against these associated obligations. Funding assets are measured at fair value as of the reporting date. Reinsurance policies are measured at the asset value of the insurance; other plan assets are measured at the trading or market price of the respective financial instruments.

Pension provisions are calculated based on the following parameters:

	12/31/2010	01/01/2010
Actuarial interest rate	5.17 %	5.25 %
Salary growth	2.50 %	2.50 %
Pension growth	1.75 %	1.75 %
Increase in assessment basis	2.00 %	2.00 %

The difference between the fulfillment amount of pension obligations and the amount accrued as of the reporting date was € 3.4 million.

Liabilities are carried at their fulfillment amount.

Current **assets and liabilities in foreign currencies** are translated at the rate applicable as of the balance sheet date. Noncurrent assets and liabilities in foreign currencies are translated at the exchange rate applicable as of the date they arose or at the lower rate (in the case of liabilities, higher rate) as of the balance sheet date.

Deferred taxes are recognized by the individual subsidiaries on temporary or semi-permanent differences between amounts under financial accounting and tax accounting respectively. Deferred taxes are also recognized on tax loss carryforwards. Company-specific tax rates applicable at the date of their expected utilization are applied for measurement. The tax rates applied range between 16.5 % and 40 %, and the rate applied for domestic tax items is generally around 31 %.

Deferred tax assets and liabilities carried by the individual subsidiaries are netted and offset against amounts resulting from consolidation. For any positive resulting differences after offsetting, the accounting option is exercised not to recognize assets if the difference does not represent a tax deferral resulting from consolidation. In the case of negative differences, these are recognized separately on the consolidated balance sheet as a liability.

NOTES TO THE CONSOLIDATED BALANCE SHEET

NONCURRENT ASSETS

Detailed information is available in the consolidated statement of changes in noncurrent assets.

1. Intangible Assets

in € '000	12/31/2010	12/31/2009
1. Purchased concessions, trademarks, and similar rights and assets as well as licenses to such rights and assets	8,335	3,400
2. Goodwill	600	604
3. Advance payments made	1	1
	8,936	**4,005**

In addition to amounts recognized as goodwill by individual subsidiaries, goodwill resulting from consolidation of equity is also recognized on acquisitions made on or after January 1, 2010. Goodwill from the initial consolidation of the Asian joint venture in the Cleaning Machines division in the amount of € 1,068,000 was written down in full in the year under review.

2. Property, Plant, and Equipment

in € '000	12/31/2010	12/31/2009
1. Land, equivalent titles, and buildings including buildings on third-party land	82,373	69,905
2. Technical plant and machinery	59,336	39,807
3. Other plant, operating, and office equipment	40,801	26,865
4. Advance payments made and plant under construction	3,555	4,293
	186,065	**140,870**

Impairments in the amount of € 123,000 (previous year: € 730,000) were recognized on property, plant, and equipment.

3. Financial Assets

in € '000	12/31/2010	12/31/2009
1. Shares in affiliated companies	3,402	0
2. Loans to affiliated companies	3,025	0
3. Equity investments in associated companies	17,703	15,211
4. Other equity investments	667	760
5. Loans to companies in which equity is held	4,617	8,106
6. Securities held as noncurrent assets	11,420	12,307
7. Other loans	1,270	1,042
	42,104	**37,426**

The complete list of the proprietary company's equity investments is published along with the financial statements in the electronic version of the German Federal Gazette. The following domestic subsidiaries are making use of the exemption provided by Section 264 (3) HGB regarding mandatory disclosure and the preparation and auditing of the Notes and the Management Report – to the extent that such a legal obligation exists – for the reporting year:

- Heimerle + Meule GmbH, Pforzheim
- Harburg-Freudenberger Maschinenbau GmbH, Hamburg
- Possehl Erzkontor GmbH, Lübeck
- Deutscher Eisenhandel AG, Lübeck
- ABT Vermögensverwaltungs-Gesellschaft mbH, Mönchengladbach

The following domestic subsidiaries are making use of the exemption provided by Section 264b HGB regarding mandatory disclosure and the preparation and auditing of the Notes and the Management Report – to the extent that such a legal obligation exists – for the reporting year:

- A. Monforts Textilmaschinen GmbH & Co. KG, Mönchengladbach
- Hako Holding GmbH & Co. KG, Bad Oldesloe
- PAGEL Spezial-Beton GmbH & Co. KG, Essen
- PAGEL Technische Mörtel GmbH & Co. KG, Essen
- Possehl Mittelstandsbeteiligungen GmbH & Co. KG, Lübeck
- Kleine Wolke Textilgesellschaft mbH & Co. KG, Bremen
- Karl Otto Knauf (GmbH + Co. KG.), Stockelsdorf

CURRENT ASSETS

4. Inventories

in € '000	12/31/2010	12/31/2009
1. Raw materials, consumables, and supplies	82,713	61,059
2. Work in progress	92,932	89,899
3. Finished goods and merchandise	146,982	113,292
4. Advance payments made	5,395	5,594
5. Advance payments received on orders	-95,862	-69,810
	232,160	**200,034**

As of December 31, 2010, inventories in the amount of € 43,482,000 resulted from the initial consolidation of certain companies.

5. Receivables and Other Assets

in € '000	12/31/2010	12/31/2009
1. Trade receivables	**252,887**	**170,674**
of which with a remaining term of more than 1 year	2,817	3,147
2. Other receivables and other assets		
Receivables from affiliated companies	421	161
Receivables from companies in which equity is held	2,323	1,921
of which with a remaining term of more than 1 year	0	2
Other assets	32,238	47,105
of which with a remaining term of more than 1 year	3,650	4,493
	34,982	**49,187**

Receivables and other assets include individual write-downs of € 20,192,000 (previous year: € 12,156,000) and a general write-down of € 3,683,000 (previous year: € 2,905,000).

As of December 31, 2010, trade receivables in the amount of € 44,645,000 resulted from the initial consolidation of acquired companies.

Funding and plan assets of € 18,411,000 were recognized under other assets last year, which were earmarked exclusively for fulfilling pension obligations. This year, these have been offset against pension provisions.

6. Cash and Cash Equivalents

in € '000	12/31/2010	12/31/2009
Bank balances	181,638	169,177
Cash in hand and checks	455	234
	182,093	**169,411**

7. Deferred Tax Assets

As of December 31, 2010 deferred taxes were net positive, breaking down as follows:

in € '000	12/31/2010	12/31/2009
Deferred tax assets	24,987	13,197
Deferred tax liabilities	-7,297	-7,711
Net balance	**17,690**	**5,486**

Of the net amount shown as of the reporting date, € 1,467,000 derived from consolidation accounting in the consolidated financial statements. The option is being taken of not capitalizing the positive net balance in line with Section 274 (1) sentence 2 HGB.

Deferred taxes derive mainly from temporary differences between financial and tax accounting of pension and other provisions, tax loss carryforwards, and supplemental tax statements of non-incorporated domestic companies.

8. Equity

Subscribed capital consists of the common equity of the proprietary company, L. Possehl, held by the sole shareholder, Possehl-Stiftung.

9. Difference from the Consolidation of Equity

The change in this item in the year under review is shown below.

in € '000	
January 1, 2010	0
Reclassification from shareholders' equity	10,200
Additions	23,533
Reversals	2,437
December 31, 2010	**31,296**

All of the amounts shown are represent equity. Reversals are performed on a scheduled basis over the useful life of five years in line with DRS 4.41. The reversal amount is shown under other operating income.

10. Pension Provisions

A breakdown of pension obligations and the funding/plan assets to fulfill these as of the reporting date is provided below.

in € '000	12/31/2010
Fulfillment amount of pension obligations	115,473
Time value of plan/funding assets	-20,825
Net balance	**94,648**

The cost of plan and funding assets is € 18,778,000. Income of € 2,314,000 and expenses of € 42,000 were offset in the income statement.

11. Other Provisions

in € '000	12/31/2010	12/31/2009
1. Provisions for taxes	12,810	8,337
2. Other provisions	110,513	73,524
	123,323	**81,861**

Other provisions increased by € 26,381,000 due to the change in the group of consolidated companies.

The overfunded amount of € 27,000 is not being written back, with reference to Section 67 (1) sentence 4 EGHGB (German Commercial Code Implementation Act).

Funding assets of € 639,000 have been deducted from the fulfillment amounts for partial retirement obligations. The cost of funding assets is € 632,000. Income of € 7,000 was also offset.

12. Liabilities

in € '000	Up to 1 year	1 to 5 years	Over 5 years	12/31/2010 Total
1. Bank loans	**77,913**	**72,833**	**2,364**	**153,110**
(previous year)	(83,680)	(72,873)	(4,838)	(161,391)
2. Trade payables	**93,377**	**95**	**0**	**93,472**
(previous year)	(60,479)	(63)	(0)	(60,542)
3. Other liabilities				
Liabilities from bills drawn	126	0	0	126
(previous year)	(271)	(0)	(0)	(271)
Liabilities to companies in which equity is held	2,509	0	0	2,509
(previous year)	(777)	(0)	(0)	(777)
Other liabilities	122,067	3,740	651	126,458
(previous year)	(98,178)	(761)	(653)	(99,592)
	124,702	**3,740**	**651**	**129,093**
	(99,226)	(761)	(653)	(100,640)

Liabilities of € 13,129,000 (previous year: € 10,646,000) are secured by liens and retention of title.

As of December 31, 2010, trade payables in the amount of € 12,381,000 derived from the initial consolidation of certain companies.

Other liabilities include:

in € '000	12/31/2010	12/31/2009
Taxes	18,310	11,331
Social security	3,915	3,026
Shareholders (of which Possehl-Stiftung € 65,070,000; previous year: € 63,790,000)	67,494	65,357
Other	36,739	19,878
	126,458	**99,592**

As of December 31, 2010, other liabilities included € 17,795,000 from changes in the group of consolidated companies.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

13. Net Sales

The breakdown of net sales according to division and geographic region is shown in the following tables:

in € '000	2010	2009
Special-purpose Construction	144,815	106,283
Precious Metals Processing	442,866	284,988
Elastomer Processing	235,697	214,191
Electronics	194,312	106,383
International Trading	230,055	124,242
Cleaning Machines	377,539	345,619
Textile Finishing Systems	47,113	29,518
SME Investments	45,045	8,720
	1,717,442	**1,219,944**

in € '000	2010	2009
Germany	864,615	594,385
European Union	412,378	303,628
Other Europe	47,514	37,297
Asia	228,801	160,212
America	126,571	100,767
Other regions	37,563	23,655
	1,717,442	**1,219,944**

This item includes net sales of € 99,638,000 from companies consolidated for the first time in 2010 and from the Euroquarz Group, which was fully consolidated for the first time as of this fiscal year.

14. Changes in Finished Goods, Work in Progress, and Capitalized Own Work

in € '000	2010	2009
Changes in finished goods and work in progress	-6,745	-39,041
Other capitalized own work	1,467	714
	-5,278	**-38,327**

15. Other Operating Income

The reported amount includes € 13,051,000 (previous year: € 15,387,000) from previous years, consisting chiefly of reversed provisions and disposals of noncurrent assets. This position also includes income of € 2,967,000 from currency translation.

16. Cost of Materials

in € '000	2010	2009
Expenses for raw materials, consumables, supplies and for purchased goods	1,126,998	724,036
Expenses for purchased services	48,711	50,885
	1,175,709	**774,921**

Changes in the group of consolidated companies resulted in expenses of € 47,251,000 in the year under review.

17. Personnel Expenses

in € '000	2010	2009
Wages and salaries	238,467	199,370
Social security contributions	45,289	41,862
Pension payments	2,370	8,837
	286,126	**250,069**

Personnel expenses of € 25,763,000 were attributable to changes in the group of consolidated companies.

The average number of employees by group was as follows:

	2010	2009
Manual workers	3,997	3,323
Salaried employees	3,283	2,964
Apprentices	252	199
	7,532	**6,486**

18. Other Operating Expenses

Of the amount reported, € 118,000 (previous year: € 805,000) stemmed from prior years. This related exclusively to disposals of noncurrent assets. The reported figure also includes expenses from currency translation in the amount of € 3,200,000. Expenses of € 12,788,000 were attributable to changes in the group of consolidated companies.

19. Net Investment Income/Expense

in € '000	2010	2009
Earnings from affiliated companies	184	0
Earnings from equity investments in associates	10,220	4,843
Earnings from other equity investments	1	0
Earnings from securities (dividend income)	308	645
Expenses from equity investments in associates	-148	-209
Expenses from other equity investments	0	-122
	10,565	**5,157**

20. Net Interest Income/Expense

in € '000	2010	2009
Interest income on loans and securities held as noncurrent financial assets	145	162
of which from affiliated companies	119	0
Other interest and similar income	3,908	5,495
Interest paid and similar expenses	-20,356	-14,594
	-16,303	**-8,937**

The net interest income/expense includes € 6,151,000 in interest deriving from the change in pension provisions and other noncurrent provisions. The figures from the previous year have not been adjusted.

21. Other Financial Result

in € '000	2010	2009
Income from disposal of associates	223	0
Income from disposal of securities	19	0
Write-backs on financial assets	0	63
Expenses from disposal of equity investments	0	-160
Expenses from disposal of securities	-5	0
	237	**-97**

22. Extraordinary Expenses/Income

The reported figure concerns amounts allocated to pension provisions as per Section 67 (7) EGHGB plus service anniversary and annuity obligations offset against the corresponding funding assets capitalizable due to measurement at fair value.

23. Income Taxes

In addition to current taxes, the reported figure includes € 1,019,000 in back payments for previous years.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents is the total of cash on hand, bank balances, and checks as well as securities held as current assets that can be liquidated quickly. It is consistent with the amount of cash and cash equivalents and securities held as current assets disclosed in the balance sheet.

Other non-cash expenses mainly include additions to individual write-downs and expenses due to impairment or disposal of current or noncurrent assets. Non-cash income primarily consists of changes in equity valuations and reversals of individual write-downs.

OTHER DISCLOSURES

Contingent Liabilities

in € '000	12/31/2010	12/31/2009
Acceptance liability for drafts	641	1,910
Financial guarantees	1,610	2,476
Guarantees/warranties	6,247	9,066
Collateral for third-party liabilities	1,405	0
	9,903	**13,452**

Claims are not expected to be asserted on the above liabilities, as no claims have been asserted in previous years. In addition, some of the liabilities were no longer outstanding as of the statement preparation date.

Guarantee liabilities to affiliated companies in the amount of € 1,177,000 are outstanding.

Other Financial Obligations

in € '000	12/31/2010	12/31/2009
Rental/leasing and other contractual obligations (nominal value)	121,943	116,007
of which to affiliated companies	10,532	0
with term structures		
up to 1 year	24,673	23,514
1–5 years	50,214	47,636
over 5 years	47,056	44,857
Purchase commitments for capital expenditures	3,792	4,319
with term structures		
up to 1 year	3,628	4,243
1–5 years	164	76
	125,735	**120,326**

Derivative Financial Instruments

Derivative financial instruments are used in the Group only to hedge currency, metal price, and interest rate risks. The instruments used consist of unconditional forward contracts for currencies and precious metals and currency or interest rate swaps.

The forward currency and precious metal contracts are mainly over-the-counter forward contracts. In addition to balance sheet items, transactions generating cash inflows and outflows with settlement dates until 2016 are also hedged. The currency swaps are current. Interest rate swaps have settlement dates up to 2015.

The following table lists the nominal amounts and market values of the financial instruments:

in € '000	Nominal amount 12/31/2010	Market value 12/31/2010
Forward currency contracts	37.399	527
Interest rate and currency swaps	77.509	-91

Financial instruments are measured using the mark-to-market method. The market value of financial instruments is calculated as the total value of all instruments as of the balance sheet date, without accounting for the underlying transactions. Derivatives are used exclusively to hedge underlying transactions. The underlying transaction and associated financial derivative represent a single valuation unit according to Section 254 HGB (micro-hedges and portfolio-hedges). Interest rate swaps held hedge 25–100 % of the respective underlying transaction. Forward currency contracts hedge between 75 % and 100 % of contractual payments expected or received in foreign currencies.

Auditors' Fees

Total auditors' fees for the fiscal year consist of the following, in accordance with Section 314 (1) (9) HGB:

in € '000	
Audit-related services	631
Other certification services	24
Tax advisory services	90
Other services	28
Total fee	**773**

Total Remuneration of the Executive Board and Supervisory Board

L. Possehl & Co. mbH declines to disclose the total remuneration of the Executive Board in accordance with Section 314 (1) (6) in connection with Section 286 (4) HGB. The total remuneration of members of the Supervisory Board amounted to € 140,000 (previous year: € 145,000).

Former members of the Executive Board and their surviving dependents received € 819,000 (previous year: € 1,223,000). Obligations from current pensions and pension entitlements are covered by provisions of € 7,649,000 (previous year: € 7,712,000).

Proposal on Appropriation of Profit of the Proprietary Company

Net profit for 2010	€	34,162,208.37
Profit carried forward from the previous year	€	89,101.25
Balance sheet profit	€	**34,251,309.62**

The Executive Board proposes appropriating the balance sheet profit of € 34,251,309.62 as follows: an amount of € 10,000,000.00 to be distributed to the sole shareholder, Possehl-Stiftung, an amount of € 20,000,000.00 to be transferred to other retained earnings, and the remainder of € 4,251,309.62 to be carried forward.

Lübeck, Germany, March 18, 2011

L. Possehl & Co.
mit beschränkter Haftung (incorporated)

U. Lüders Joachim Brenk

Uwe Lüders Dr. Joachim Brenk

AUDITORS' REPORT*

We have audited the consolidated financial statements prepared by L. Possehl & Co. mit beschränkter Haftung, Lübeck, - comprised of the balance sheet, income statement, notes, cash flow statement, and statement of changes in equity and the Group management report for the fiscal year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with German commercial law regulations is the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit so as to obtain reasonable assurance that any inaccuracies or violations that have a material effect on the presentation of the net assets, financial position, and results of operations conveyed by the consolidated financial statements and the principles of reliable accounting methods and by the Group management report are identified. Knowledge of the business activities as well as the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system as well as verification of the information in the consolidated financial statements and the Group management report is examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the group of consolidated companies, the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

According to our assessment based on the knowledge gained during the audit, the consolidated financial statements comply with the legal provisions and convey an accurate picture of the net assets, financial position, and results of operations of the Group, while observing the principles of reliable accounting methods. The Group management report is in agreement with the consolidated financial statements, conveys an accurate image of the position of the Group and accurately represents the opportunities and risks of future development.

Hamburg, Germany, March 31, 2011

BDO AG
Wirtschaftsprüfungsgesellschaft

Signed
Dyckerhoff
Auditor

Herbers
Auditor

* Translation of German Auditors' Report

OVERVIEW OF PARTICIPATION

SHAREHOLDINGS

as of December 31, 2010

Name	Registered in	Share of capital (in %)
I. Consolidated Group Companies		
Special-purpose Construction		
Possehl Spezialbau GmbH	Sprendlingen, Germany	100.00
Possehl Aannemingsmaatschappij B.V.	Oosterhout, The 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
IOOO Possehl Spezstroj	Minsk, Belarus	100.00
DFT Deutsche Flächen-Technik Industrieboden GmbH	Bremen, Germany	100.00
Bennert GmbH Betrieb für Bauwerksicherung	Hopfgarten, Germany	85.56
Bennert Restaurierungen GmbH	Hopfgarten, Germany	100.00
Bennert Dachsanierungen GmbH	Hopfgarten, Germany	100.00
Bennert Garten- und Landschaftsgestaltung GmbH	Hopfgarten, Germany	100.00
Bennert Ingenieurbau GmbH	Hopfgarten, Germany	100.00
EUROQUARZ GmbH	Dorsten, Germany	100.00
EUROQUARZ GmbH	Laußnitz, Germany	100.00
WQD Mineral Engineering GmbH	Dorsten, Germany	100.00
WST Quarz GmbH	Hünxe, Germany	100.00
HP Colorquarz GmbH	Hünxe, Germany	75.00
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
Precious Metals Processing		
Heimerle + Meule GmbH	Pforzheim, Germany	100.00
Elastomer Processing		
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	95.00
HF Rubber Machinery, Inc.	Topeka, USA	100.00
Harburg-Freudenberger Machinery (China) Co., Ltd.	Quingdao, China	100.00
Pomini Rubber & Plastics S.r.l.	Milan, Italy	100.00
Farrel Corporation	Ansonia, USA	100.00
Farrel Limited	Rochdale, Great Britain	100.00
Farrel Spain, S.L.	Barcelona, Spain	100.00
Farrel Asia Limited	Hong Kong, China	100.00

Name	Registered in	Share of capital (in %)
Electronics		
Possehl Electronics N.V.	's-Hertogenbosch, The Netherlands	100.00
Possehl Electronics Deutschland GmbH	Wedel, Germany	100.00
Possehl Electronics France S.A.S.	Roche la Molière, France	100.00
Possehl Electronics Nederland B.V.	's-Hertogenbosch, The Netherlands	100.00
Possehl Electronics Maroc S.A.R.L.	Casablanca, Morocco	100.00
Possehl Electronics Hong Kong Ltd.	Hong Kong, China	100.00
Possehl Laminates Ltd.	Hong Kong, China	100.00
Shenzhen Possehl SEG Electronics Co. Ltd.	Shenzhen, China	92.55
Dongguan Possehl Electronics Co. Ltd.	Dongguan, China	92.55
Possehl Electronics (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 Connector Services Illinois, LLC	Elk Grove Village, USA	100.00
Possehl (Malaysia) Sdn. Bhd.	Malakka, Malaysia	100.00
pretema GmbH	Niefern-Öschelbronn, Germany	100.00
International Trading		
Possehl Erzkontor GmbH	Lübeck, Germany	100.00
IRS Stahlhandel GmbH	Krefeld, Germany	100.00
Mineralmahlwerk C. Welsch GmbH	Wesel, Germany	100.00
Possehl Erzkontor Hong Kong Limited	Hong Kong, China	100.00
Possehl Erzkontor N.A. Inc.	Park Ridge, USA	100.00
Possehl (H.K.) Holdings Ltd.	Hong Kong, China	100.00
Possehl Erzkontor Americas Limited	Hong Kong, China	100.00
Possehl Erzkontor Beijing Trading Co. Ltd.	Beijing, China	100.00
Hill and Hill Limited	Chesterfield, Great Britain	100.00
Mailroom Systems		
BÖWE SYSTEC GmbH	Lübeck, Germany	100.00
BÖWE SYSTEC Vertriebs- und Service GmbH	Oberursel, Germany	100.00
InHouseService GmbH	Oberursel, Germany	100.00
BÖWE SYSTEC (Schweiz) AG	Volketswil, Switzerland	100.00
BÖWE CZ s.r.o.	Prague, Czech Republic	100.00
BÖWE SYSTEC CZ s.r.o.	Prague, Czech Republic	100.00
BÖWE SYSTEC Polska Sp. z o.o.	Warsaw, Poland	100.00
BÖWE SYSTEC AB	Sundbyberg, Sweden	100.00
BÖWE SYSTEC AS	Oslo, Norway	100.00
BÖWE SYSTEC AS	Herlev, Denmark	100.00
Oy BÖWE SYSTEC AB	Helsinki, Finland	100.00
BÖWE SYSTEC S.A.S.	Fontenay sous Bois Cedex, France	100.00
BÖWE SYSTEC S.A.	Madrid, Spain	100.00
BÖWE SYSTEC Comércio de Equipamentos Para Escritório S.A.	Lisbon, Portugal	100.00

Name	Registered in	Share of capital (in %)
BÖWE SYSTEC CATALUNYA S.L.	Barcelona, Spain	100.00
BÖWE SYSTEC S.p.A.	Fiumicino, Italy	100.00
BÖWE SYSTEC BENELUX B.V.	Apeldoorn, The Netherlands	100.00
BÖWE SYSTEC NEDERLAND B.V.	Apeldoorn, The Netherlands	100.00
Secuserv B.V.	Apeldoorn, The Netherlands	100.00
N.V. BÖWE SYSTEC S.A.	Merchtem, Belgium	100.00
BÖWE SYSTEC JAPAN Ltd.	Tokyo, Japan	100.00
BÖWE SYSTEC AUSTRIA GmbH	Vienna, Austria	100.00
BÖWE SYSTEC (U.K.) Ltd.	Berkshire, Great Britain	100.00
Cleaning Machines		
Hako Holding GmbH & Co. KG	Bad Oldesloe, Germany	100.00
Hako-Werke Beteiligungsgesellschaft mbH	Bad Oldesloe, Germany	100.00
Hako-Werke GmbH	Bad Oldesloe, Germany	100.00
Hako-Werke International GmbH	Bad Oldesloe, Germany	100.00
Hako Service GmbH	Bad Oldesloe, Germany	100.00
Hako-Werke Verwaltungsgesellschaft mbH	Bad Oldesloe, Germany	100.00
RZ-Service GmbH	Bad Oldesloe, Germany	100.00
Zentrale Gebrauchtmaschinen Management (ZGM) GmbH	Bad Oldesloe, Germany	100.00
PB Europe GmbH	Bad Oldesloe, Germany	100.00
Hako Benelux Holding B.V.	Andelst, The Netherlands	100.00
Hako B.V.	Andelst, The Netherlands	100.00
Hilco Chemie B.V.	Andelst, The Netherlands	100.00
N.V. Hako Belgium S.A.	Erpe-Mere, Belgium	100.00
Labor Hako S.A.S.	Plaisir, France	99.90
Sadimato S.A.S.	Plaisir, France	99.98
SCI L'Hermitage	Plaisir, France	99.67
Solvert S.A.S.	Plaisir, France	98.00
Hako España S.A.	Barcelona, Spain	100.00
Hako Polska Sp. z o.o.	Krakow, Poland	100.00
Hako Technology Sp. z o.o.	Swieszyno, Poland	100.00
Hako Machines Ltd.	Crick, Great Britain	100.00
Hako Ground & Garden AB	Halmstad, Sweden	100.00
Hako Ground & Garden A/S	Oslo, Norway	100.00
OY Hako Ground & Garden AB	Helsinki, Finland	100.00
Minuteman International, Inc.	Pingree Grove, USA	100.00
Multiclean, Inc.	Shoreview, USA	100.00
Minuteman PowerBoss Corporation	Aberdeen, USA	100.00
I & B Cleaning Equipment Ltd.	Hong Kong, China	90.00
Hako Australia Pty. Ltd.	Rydalmere, Australia	100.00
Hako Schweiz AG	Sursee, Switzerland	100.00
Industrial Technical Corporation Limited	Hong Kong, China	50.00
Qingdao CSSC Technical Products Ltd.	Quingdao, China	100.00
Qingdao CSSC Service Ltd.	Quingdao, China	100.00

Name	Registered in	Share of capital (in %)
Textile Finishing Systems		
A. Monforts Textilmaschinen GmbH & Co. KG	Mönchengladbach, Germany	100.00
A. Monforts Textilmaschinen-Verwaltungs-GmbH	Mönchengladbach, Germany	100.00
Montex Maschinenfabrik Ges.m.b.H.	St. Stefan im Lavanttal, Austria	100.00
ABT Vermögensverwaltungs-Gesellschaft mbH	Mönchengladbach, Germany	100.00
Favour State Limited	British Virgin Islands, Great Britain	100.00
SME Investments		
Possehl Mittelstandsbeteiligungen GmbH & Co. KG	Lübeck, Germany	100.00
Possehl Mittelstandsbeteiligungen Verwaltungs-GmbH	Lübeck, Germany	100.00
Possehl Umweltschutz GmbH	Lübeck, Germany	100.00
Gesellschaft für das Recycling kontaminierter Industriebrachen mbH	Lübeck, Germany	100.00
Teutonia Fracht- und Assekuranzkontor GmbH	Lübeck, Germany	100.00
Lubeca Versicherungskontor GmbH	Lübeck, Germany	100.00
Hirtler Seifen GmbH	Heitersheim, Germany	100.00
Karl Otto Knauf (GmbH + Co. KG.)	Stockelsdorf, Germany	100.00
Knauf GmbH	Stockelsdorf, Germany	100.00
Kleine Wolke Textilgesellschaft mbH & Co. KG	Bremen, Germany	100.00
Kleine Wolke Textilgesellschaft Verwaltungs-mbH	Bremen, Germany	100.00
Kleine Wolke AG	Berikon, Switzerland	100.00
Investments		
Deutscher Eisenhandel AG	Lübeck, Germany	100.00

II. Non-Consolidated Group Companies

DMA Maschinen und Anlagenbau GmbH & Co. KG	Höxter, Germany	80.00
DMA Maschinen und Anlagenbau Verwaltungs GmbH	Höxter, Germany	100.00
Possehl Connector Services, Inc.	Rock Hill, USA	100.00
Hako (Hong Kong) Co. Ltd.	Hong Kong, China	100.00
Qingdao Hako Cleaning Equipment Co. Ltd.	Quingdao, China	100.00
GeoCrete B.V.	Schiedam, The Netherlands	100.00
Aravio Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Braunschweig KG	Wiesbaden, Germany	90.00
Aristo Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Halle KG	Wiesbaden, Germany	95.65

Name	Registered in	Share of capital (in %)

III. Associated Companies

Holsteiner Humus und Erden GmbH	Lübeck, Germany	33.33
Beck & Co. Industriebedarf GmbH & Co. KG	Mönchengladbach, Germany	48.75
MG Bauchemie GmbH	Hünxe, Germany	50.00
Gremmler Bauchemie GmbH	Essen, Germany	50.00
Possehl Kehrmann GmbH	Duisburg, Germany	50.00
Van Mannekus & Co. B.V.	Schiedam, The Netherlands	50.00
Roots Multiclean Ltd.	Coimbatore, India	26.00
Monforts Fong's Textile Machinery Co. Ltd.	Hong Kong, China	50.00
Monforts Fong's Textile Machinery (Shenzhen) Co. Ltd.	Shenzhen, China	50.00
Monforts Fong's Textile Machinery (Zhongshan) Co. Ltd.	Zhongshan, China	50.00
Monforts Fong's Textile Machinery (Macao Commercial Offshore) Co. Ltd.	Macao, China	50.00

IV. Other Non-Associated Companies (over 20 %)

Pafravo Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Pöcking, Germany	94.00
Patrimo Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Pöcking, Germany	94.00
Parosso Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Pöcking, Germany	94.00
Bahners GmbH	Mönchengladbach, Germany	50.00
di.hako.dip GmbH	Trappenkamp, Germany	35.00
di.hako.tec GmbH	Trappenkamp, Germany	49.00
di.hako.log GmbH	Trappenkamp, Germany	49.00
PAGEL Concrete Technologies Pvt. Ltd.	Mumbai, India	20.00
PAGEL- USA LLC.	Spring Park, USA	20.00
PAGEL Mortiers et Techniques S.A.R.L.	Poissy, France	25.00
SAS Action + Mailing Service	Brix, France	49.00
Secumail N.V.	Merchtem, Belgium	24.90

POSSEHL-STIFTUNG

Global Business – For Lübeck

While L. Possehl & Co. mbH is a for-profit corporate group, it is also involved in charitable work. The Possehl-Stiftung is the sole shareholder of L. Possehl & Co. mbH, established by Lübeck merchant Emil Possehl in 1919. Emil Possehl, the son of the Company founder, Ludwig Possehl, expanded his father's iron, sheet metal, and coal trading business in Lübeck's Beckergrube street into an international trading firm for ores and raw materials. In his will, Emil Possehl stipulated that his assets should go to the Possehl-Stiftung foundation to be administered "for the beautification and welfare of the city of Lübeck." The same foresightedness ensured the long-term prosperity of his group of companies, whose earnings simultaneously have benefited his home city. Both the corporate group and the foundation still have their head offices in the Beckergrube street today.

Rooted in the Business World – Dedicated to the Common Good

The work done by the foundation is made possible by the success of the Possehl group of companies. The foundation manages the income paid out each year by the L. Possehl & Co. mbH, utilizing it solely for charitable projects in accordance with the mission outlined by its founder. The foundation's Management Board ensures that Emil Possehl's wishes are upheld. Thanks to a highly dedicated team of volunteers and a flat, non-bureaucratic structure, the foundation's funds can be used almost solely to fulfill its charitable aims.

For over 90 years, the Possehl-Stiftung has been working to

- improve the cityscape
- benefit young people
- promote the arts and culture
- support charitable institutions
- provide relief to the needy.

"It is my greatest wish that the fruits of my life's
work should go to benefit my beloved home,
the Free and Hanseatic City of Lübeck."

Emil Possehl

Possehl-Stiftung Projects

Since 1950, nearly 600 historic buildings characteristic of the cityscape have been renovated with funding provided by the Possehl-Stiftung. The Possehl-Stiftung also supports contemporary redesign projects for streets and plazas in downtown Lübeck.

The Possehl-Stiftung promotes excellence in research and teaching at Lübeck colleges and universities. Funding is provided in particular for research projects, sponsored professorial chairs, and technical research equipment.

Patronage of the arts and cultural events helps advance Lübeck's standing as a prominent cultural center in northern Germany. This includes financially supporting Lübeck museums and theaters, as well as a broad spectrum of cultural events and related enterprises such as pipe organ renovation.

In addition, the foundation promotes a wide variety of volunteer work for Lübeck's over 300 registered nonprofit organizations, thereby furthering social cohesiveness and augmenting public services in a valuable fashion.

The Possehl-Stiftung has been a major contributor to the Lübeck Education Fund since 2008. The Fund is a to date unique partnership formed by the municipal government, the state of Schleswig-Holstein, and an alliance of Lübeck foundations, bundling their financial resources and competencies to ensure access to education for all children and youth in Lübeck, regardless of socioeconomic background. School lunches, afternoon educational programs, language skill enhancement, class trips, and school materials – the Fund provides rapid, unbureaucratic financial support for all of these purposes.

CONTACT

L. Possehl & Co. mbH
Beckergrube 38-52
23552 Lübeck
Postfach 1684
23505 Lübeck, Germany

Phone:	+49 451 148-0
Fax:	+49 451 148-255
eMail:	info@possehl.de
Internet:	www.possehl.de

Please feel free to contact us directly:
Head of Corporate Communications
Lutz Nehls

Phone:	+49 451 148-223
Fax:	+49 451 148-207
eMail:	lnehls@possehl.de

Notes

The Annual Report is published in German and English.

For further information about the Company visit the website at www.possehl.de

Imprint

Publisher: The Executive Board of L. Possehl & Co. mbH
Coordination: Lutz Nehls
Concept and Design: Berichtsmanufaktur GmbH, Hamburg
Photography: Possehl Group, Fotolia
Status: May 2011

WWW.POSSEHL.DE