Annual Report

2011

POSSEHL

The Entrepreneurs' Group

Possehl Annual Report 2011

L. Possehl & Co. mbH is a group of medium-sized industrial companies managed in Hanseatic tradition. In our more than 140 companies we employ more than 10,000 people worldwide, with over half of them based here in Germany. Our companies preserve and maintain their unique identity and continue to operate independently within our Group. As a successful and diversely positioned Group spanning 164 years and counting, the Possehl name stands for entrepreneurship, tradition, and responsibility.

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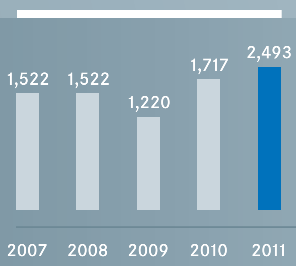
Possehl – At a glance

KEY FIGURES

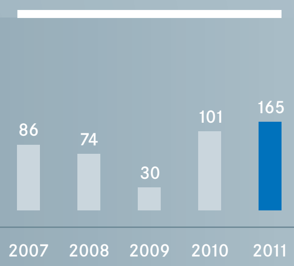
in € million	2007	2008	2009	2010	2011	Change 2011 vs. 2010 in %
Earnings						
Sales	1,522	1,522	1,220	1,717	2,493	45.2
Germany	633	666	594	865	1,392	60.9
International	889	856	626	852	1,101	29.2
Result from ordinary operations (EBIT)	86	74	30	101	165	63.4
Earnings before taxes (EBT)	75 *	65	21	82	145	76.8
Consolidated net profit	64 *	45	11	58	102	75.9
Dividend	8	8	8	10	16	60.0
EBIT ratio in %	5.6	4.9	2.5	5.9	6.6	11.9
Return on equity before taxes in %	27.6	20.6	7.3	22.2	33.5	50.9
Structural and financial data						
Balance sheet total	796	814	802	966	1,146	18.6
Economic equity capital	273	315	291	367	433	18.0
Equity ratio in %	34.2	38.7	36.2	38.0	38.5	1.3
Working capital	342	368	310	392	490	25
Net debt (-)/net liquidity (+)	14	-13	28	49	48	-2.0
Cash flow from operating activities	85	34	72	97	68	-29.9
Investment in property, plant, and equipment and intangible assets (excluding goodwill)	22	27	27	52	59	13.5
Depreciation and amortization of property, plant, and equipment and intangible assets (excluding goodwill)	24	23	24	31	39	25.8
Employees						
Employees (yearly average)	7,012	7,117	6,486	7,532	9,310	23.6
Germany	2,872	3,185	2,998	3,966	5,210	33.9
International	4,140	3,932	3,488	3,566	4,100	12.2

* Adjusted for extraordinary effects

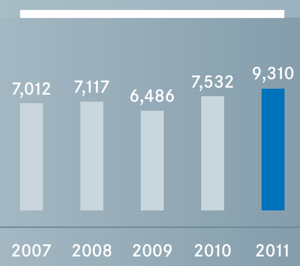
Net sales
in € million



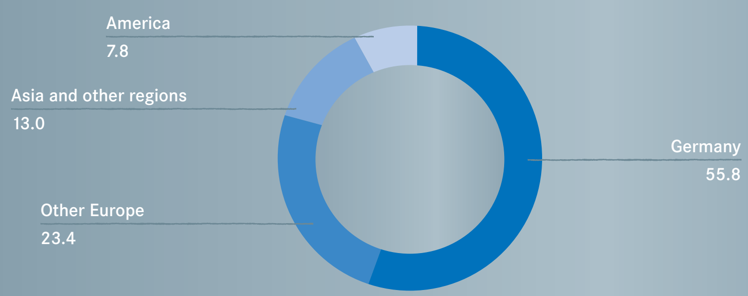
EBIT
in € million



Employees



Net sales in 2011 by region
in %



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,

The Possehl Group continued its long-term, profitable growth course in the 2011 fiscal year. We once again managed to set new records with Group net sales of € 2.5 billion and earnings before taxes of € 145 million. With these results, we considerably exceeded our own expectations for the past fiscal year.

Despite our expectations regarding Europe's sovereign debt crisis, the real economic conditions for most of our divisions were favorable throughout the course of the year and spurred our Group's business activities. This particularly applied to our mechanical engineering activities and precious metals business. Even our construction division developed very positively for the year. We also benefited from strong business in the automotive sector. The robust economic development seen in our home market of Germany especially contributed to our Company's success as we now generate more than half of our net sales here and employ nearly two-thirds of our employees within the country as well.

Sales Up by 45 % with Earnings Up well over 70 %

With Group net sales of € 2.5 billion, the Possehl Group exceeded all previous marks from its 164-year history and achieved a new record high by a considerable margin. Compared to the previous year, the figure represents a generous 45 % increase. Nearly half of this growth can be attributed to new acquisitions. Our existing divisions also made key contributions to our success – especially the precious metals business with sales up over 50 % primarily thanks to price increases.

Consolidated earnings before taxes rose disproportionately with an increase of 78 %, though this figure contains one-off profits from the sale of a stock package. Even without this effect, sustainable consolidated earnings rose more than 50 %.

All divisions were profitable this past fiscal year. Each of the newly acquired companies, in particular BÖWE SYSTEC and Mickan, transitioned smoothly into the Possehl Group and generated notably positive earnings. The Group's commitment to SME principles, particularly the encouragement of entrepreneurial thinking and behavior, once again proved to be a successful strategy.

High Equity Ratio and Positive Net Financial Position

The Group's strong growth did not come at the expense of its solidity. On the contrary, the Group increased its equity ratio to more than 38 % as of the end of the reporting year. This means that the ratio even rose slightly compared to the previous year's figure, despite a substantially higher balance sheet total.

Possehl's financial position was positive as of the reporting date. In other words, the Group continues to be debt-free. All of the acquisitions completed during the year under review were funded entirely using the Group's own resources. We aim to remain financially independent moving forward and ensure our ability to make entrepreneurial decisions independent of any external lenders.

Dividend Climbs to € 16 Million

With the success of the Possehl Group, the dividend to the sole shareholder, the non-profit foundation Possehl-Stiftung, will increase considerably to € 16 million. This news is even more gratifying as the dividend will be used exclusively for charitable purposes.

Long-term Prospects as Basis for Entrepreneurial Success

For Possehl, short-term success is not an acceptable standard for evaluating entrepreneurial performance. Due to the effects of globalization with shorter and more intense economic cycles, long-term visions and decisions are increasingly important for the assessment of actual economic success. The automotive and automotive supplier industry, which is very important for the Possehl Group, is a prime example. If we had acted on the short-term earnings and forecast figures seen during the crisis, the Possehl Group would be posting much lower figures today. This is just one more reason why we focus on long-term objectives and practice patience.

Since the realignment seven years ago, the Possehl Group has posted double-digit growth in both sales and earnings, despite experiencing considerable setbacks during the crisis year of 2009. Such setbacks may reoccur in the future, but this will not sway us from pursuing our long-term growth objectives.

Fiscal Year 2012 Begins with Considerable Changes

At the start of the current fiscal year, two major changes took place for the Possehl Group: on the one hand, we took a major growth step with the acquisition of the web-fed offset printing business of manroland AG, one of the world's leading manufacturers of printing machines. We see this acquisition as a good opportunity to demonstrate that the SME approach can lead to success even in a shrinking market. The newly founded manroland web systems GmbH employs about 1,400 people and is expected to generate sales of approximately € 250 million and in the medium term of € 300 million in the current year. With this acquisition, the number of employees within the Possehl Group has exceeded the 10,000 person mark for the first time.

On the other hand, we have decided to sell half of our international trading business to a distinguished, tradition-rich Hamburg-based family enterprise with great expertise in the trading business. With the new joint venture, we want to solidify the business and use its strengths to tap into additional markets with the incorporation of new products.

Despite all of the general uncertainties that we once again face in this year, we look ahead to the coming months with optimism. We are broadly based and stably positioned, which ensures that we can successfully master every challenge – both in the short and the long term.

Yours truly,

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

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 of Körber AG

Martin Salzmann, Lübeck
Personally liable shareholder of Pressegroßvertrieb Franz Maurer Nachf. GmbH & Co. KG

Rolf Schmidt-Holtz, Pogeez
Co-founder and Supervisory Board Chairman of Just Software AG

Peter Seeger, Neumünster
Managing Director of IG Metall Kiel-Neumünster

Horst Wardius*, Steinhorst
Vice Chairman of the works council of Halo Werke GmbH, Bad Oldesloe company

Our Divisions

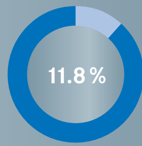
Special-purpose Construction

- Highway construction
- Above and below ground construction
- Industrial and aviation surfaces
- Monument renovation/restoration
- Construction chemicals/specialized mortar
- Silica sand/quartz gravel

Key figures

	2011
Net sales in € million	294.5
Number of Employees	1,283

% of Total Net Sales*



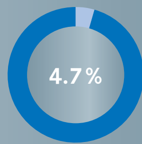
Document Management Systems

- Enveloping machines
- Card mailing systems
- Personalized mailing systems
- Sorting equipment

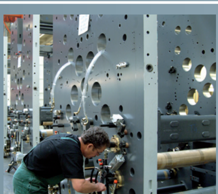
Key figures

	2011
Net sales in € million	116.8
Number of Employees	1,121

% of Total Net Sales*



Printing Machines



- Web-fed offset newspaper printing
- Web-fed offset commercial printing
- Digital printing

Key figures

	2012
Planned net sales in € million	250.0
Number of Employees approx.	1,400

% of Total Net Sales*

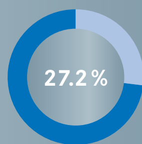
Precious Metals Processing

- Precious metals recycling
- Jewelry industry
- Dental laboratories
- Construction material and electronics industry

Key figures

	2011
Net sales in € million	678.4
Number of Employees	225

% of Total Net Sales*



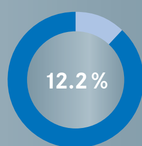
Elastomer Plants

- Tire- and plastics industry
- Technical rubber goods
- Oil mill and food industries

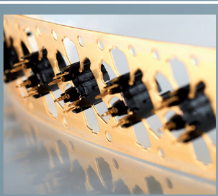
Key figures

	2011
Net sales in € million	304.6
Number of Employees	1,471

% of Total Net Sales*



Electronics

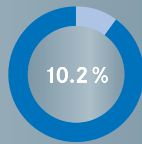


- → Automotive suppliers
- → Semiconductor industry
- → Telecommunication

Key figures

	2011
Net sales in € million	253.0
Number of Employees	2,087

% of Total Net Sales*



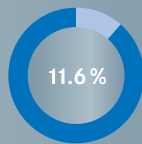
International Trading

- → Minerals
- → Ores
- → Plastics
- → Metals
- → Chemicals

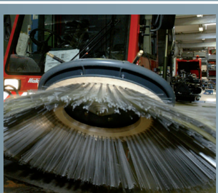
Key figures

	2011
Net sales in € million	288.4
Number of Employees	150

% of Total Net Sales*



Cleaning Machines

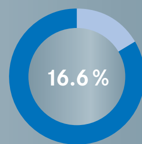


- → Industrial and commercial cleaning
- → City cleaning
- → Municipal vehicles
- → Property maintenance
- → Transport logistics

Key figures

	2011
Net sales in € million	415.0
Number of Employees	2,121

% of Total Net Sales*



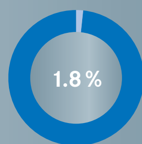
Textile Finishing Systems

- → Knitted and woven fabrics
  - → Tentering frames → Dryers
  - → Dyeing ranges
- → Technical textiles
- → Heat recovery and exhaust purification

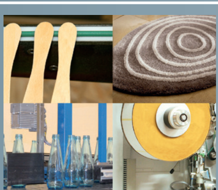
Key figures

	2011
Net sales in € million	45.0
Number of Employees	184

% of Total Net Sales*



SME Investments

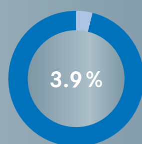


- → Environmental protection
- → Insurance brokers
- → Specialized products (soaps, popsicle sticks, bathroom rugs)
- → Conveyor and process technology
- → Labeling systems

Key figures

	2011
Net sales in € million	96.8
Number of Employees	646

% of Total Net Sales*



*Total net sales in 2011: € 2,492.5 Mio.

Group Management Report

OVERVIEW OF THE ECONOMIC SITUATION OF THE GROUP

The Possehl Group generated consolidated earnings before taxes (EBT) of € 145.3 million in the 2011 fiscal year. In doing so, it exceeded its previous record from the prior year by about 78%. Along with good overall economic conditions and favorable market factors for many of our divisions, the acquisitions performed over the past few years and measures implemented to increase efficiency helped contribute to this success. In particular, the majority of our mechanical engineering activities, the precious metals business, and special-purpose construction activities developed well during the reporting period. Many divisions also benefited from a robust automotive sector this year. Demand for our trading products also gained further traction. In contrast, the market for textile machines continued to be weak in the reporting year.

All of our divisions remained profitable in the reporting year 2011, and many were able to improve on last year's good results – some quite substantially.

In reporting year, Group net sales reached € 2,492.5 million. This represents a 45.1% increase on the previous year. The Possehl Group thereby exceeded the two billion euro sales mark for the first time in its 164-year history. Nearly half of this sales growth is attributable to changes in the group of consolidated companies, particularly the initial consolidation of BÖWE SYSTEC. The highest increase in sales from the existing divisions was seen in the precious metals business.

The Group's balance sheet ratios are still very solid despite the rapid growth. The economic equity ratio rose slightly compared to the previous year to 38.5%. Net liquidity as the balance of cash and cash equivalents and bank debt also remained nearly unchanged at € +48.2 million. The Possehl Group therefore remains debt free on a net basis. All of the investments made in the past fiscal year, including payments for company acquisitions, were paid from our operating cash flow.

We completed two additional acquisitions in the reporting year. With the purchase of Mickan Generalbaugesellschaft Amberg mbH & Co. KG, a well-known regional construction company in Bavaria, we successfully expanded our Special-purpose Construction division further. With annual sales of about € 300 million, the division is among the supporting pillars of the Possehl Group and contributes considerably to diversification and distribution of risk. With the purchase of LOGOPAK Systeme GmbH & Co. KG, we are also one step closer to reaching our sales goal of € 200 – 300 million in the SME Investments division. LOGOPAK is a leading manufacturer of logistically integrated labeling systems in Europe.

At the start of 2012, we continued to expand the Possehl Group with the purchase of the web-fed offset printing business of manroland AG i.I., one of the world's leading printing machine manufacturers.

Also at the start of the year, L. Possehl & Co. mbH sold off 50% of its shares in the international trading business for strategic reasons and will continue managing it as a joint venture.

Further details on these transactions can be found in the section "Particular Events after the Balance Sheet Date".

Key Figures for the Fiscal Year

in € million	2011	2010	Change (%)
Net sales	2,492.5	1,717.4	45.1
Earnings before taxes (EBT)	145.3	81.5	78.3
Net financial assets	48.2	49.3	-2.2
Comprehensive equity	433.4	366.8	18.2
Equity ratio (in %)	38.5	38.0	1.3

GROUP STRUCTURE AND STRATEGY

Possehl can look back on more than 164 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. In addition to diversification and risk distribution, our focus on mature sectors and niche markets plays an important role in our strategy. Over the past years, we have continued to transform into a production company with a focus on mechanical engineering.

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 (including mergers & acquisitions), risk and opportunity management, the development of current and future managers, and the Group's central financing.

As of the start of 2012, the Group comprises ten operating divisions with the following main segments and customer groups:

DIVISION	SEGMENT/PRODUCTS	CUSTOMER GROUP
SPECIAL-PURPOSE CONSTRUCTION	• Highway construction • Above and below ground construction • Industrial and aviation surfaces • Monument renovation/restoration • Construction chemicals/specialized mortar • Silica sand/quartz gravel	• Public services • Airports • Logistics • Trading companies • Construction industry • General industry
DOCUMENT MANAGEMENT SYSTEMS	• Enveloping machines • Card mailing systems • Personalized mailing systems • Sorting equipment	• Banks/insurance companies • Telecommunications companies • Mass mail services • Public authorities
PRINTING MACHINES	• Web-fed offset newspaper printing • Web-fed offset commercial printing • Digital printing (as cooperation)	• Newspaper and magazine publishers • Printing industry
PRECIOUS METALS PROCESSING	• Precious metals recycling • Semi-finished precious metal products • Surface technics • Precious metals trading/investment products	• Jewelry industry • Electronics industry • Dental laboratories
ELASTOMER PLANTS	• Mixers and mixing room systems • Tire-building machines • Extrusion plants • Heat presses • Screw extrusion presses & refinery plants	• Tire manufacturers • Plastics industry • Technical rubber goods industry • Oil mill and food industries
ELECTRONICS	• Leadframes • Smart cards and LamFrames • Electromechanical components • Connectors	• Automotive suppliers • Semiconductor & electronics industry • General industry
INTERNATIONAL TRADING	• Minerals • Ores • Plastics • Metals • Chemicals	• Fireproofing industry • Cement and construction materials industry • Metallurgical and casting industries • Ceramic and glass industry • Chemical industry
CLEANING MACHINES	• IIndustrial and commercial cleaning systems • City cleaning vehicles • Municipal vehicles	• Professional cleaning companies • Trading companies • Public services • General industry
TEXTILE FINISHING SYSTEMS	• Tentering frames • Dryers • Dyeing ranges • Heat recovery and exhaust purification systems	• General textile industry • Technical textile manufacturers
SME INVESTMENTS	• Environmental protection • Insurance & freight brokers • Specialized products (soaps, popsicle sticks, bathroom rugs) • Conveyor and process technology • Labeling systems	• Food industry • General industry • Municipal authorities • End consumers

The number of companies in the Possehl Group (without associated companies) was 146 as of the reporting date, of which 56 are based in Germany and 90 abroad. Several of these companies are not consolidated due to their minor importance to the Group. The overall number of companies in the Group went up by five compared with the previous year.

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 largely exposed to different business cycles and regional developments. This strategy also takes the long-term orientation of our sole shareholder, the charitable foundation Possehl-Stiftung.

The Possehl Group is on a steady, long-term, profitable growth track. We intend to follow this path in the future as well and to thereby increase the value of the Company and its dividend. 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

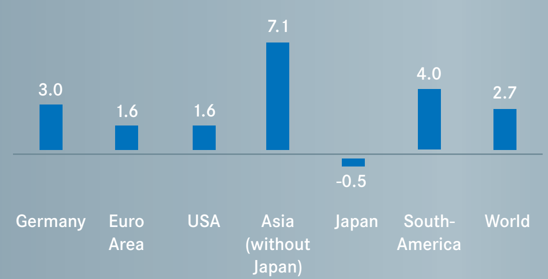
Global Production Loses Momentum

The recovery of the global economy faltered in 2011. After strong growth of 5.1 % in 2010, global production only grew by about 2.7 % this past year. In the first half of the year, global GDP increased only slightly. The main causes of this were the considerable rise in raw materials prices and the negative effects of the earthquake in Japan. As these factors abated, worldwide production regained pace in the third quarter of 2011. Despite this short-term positive development, the economy trended downwards near the end of the year and start of 2012, thanks in part to the ongoing sovereign debt crisis in Europe, a still weak US economy, and the considerable loss of momentum in many emerging markets.

German Economy Grew 3.0 %

With a growth rate of 3.0 % in 2011, the important domestic market for the Possehl Group developed substantially better than most other European countries. Particularly exports expanded strongly over the course of the year, though they dropped off a bit towards the end of the year. A significant element for the solid growth in exports was that the economy in many customer countries remained favorable and companies could draw on their high order backlog. Domestic demand also developed positively, especially with consumer goods, which grew a considerable 1.6 %. This, however, should not belie the fact that the German economy also entered into a weaker phase at the end of the year, which has continued into the start of the new year. However, economic experts are not expecting a recession such as the one experienced in 2009.

Gross domestic growth 2011 / real change vs. prevoius year
in %



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. Many of the Possehl Group's divisions benefited from the good overall economic conditions and most posted substantial growth in sales and earnings.

BUSINESS PERFORMANCE AND EARNINGS POSITION

OVERALL GROUP

Group Net Sales Up 45 %

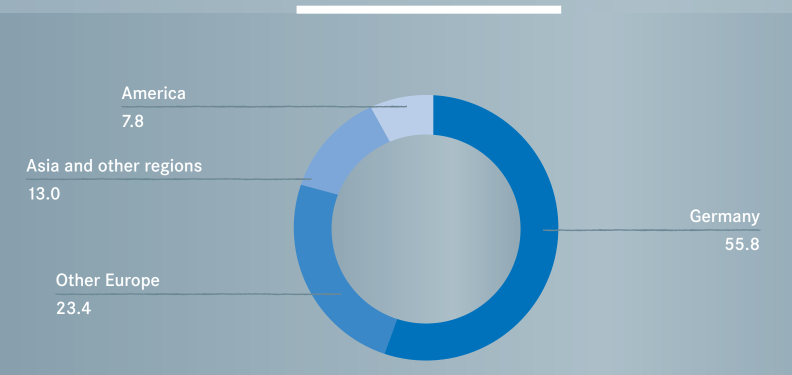
Group net sales increased compared to the previous year by € 775.1 million or 45.1 % to € 2,492.5 million and, in doing so, brought Possehl above the two billion euro mark for the first time in its history. Adjusted for changes to the group of consolidated companies, sales increased by about 28 % on the previous year and therefore were still well above the average growth of the manufacturing industry in Germany.

While sales had increased from quarter to quarter in the year before, the growth rates in 2011 were relatively stable – though, as usual, the second half was stronger for Possehl due to seasonal business in the Special-purpose Construction division.

The highest increase in absolute terms came from the Precious Metals Processing division with € 235.5 million and Special-purpose Construction with € 149.7 million, although the increase in the Special-Purpose Construction division is mainly due to the initial consolidation of Mickan. The increase in the Special-purpose Construction division of 103.3 % and in SME Investments of 114.9 % were the largest gains when viewed relatively. Overall, all divisions achieved double-digit growth with the exception of Textile Finishing Systems.

The breakdown of net sales by region shows a further shift in favor of Germany. Sales generated in Germany rose by 5.5 percentage points to 55.8 %. This is due to the good economic developments domestically, strong growth in the Precious Metals Processing division, which mostly operates in Germany, as well as to the new company acquisitions in the Special-purpose Construction division, which have a domestic sales focus. The distribution of net sales from the individual divisions shows a high level of parity, with no division dominating the Group.

Net sales in 2011 by region
in %



Earnings Before Taxes Climb to Record € 145.3 Million

Earnings before taxes (EBT) rose by € 63.7 million compared to the previous year, totaling a record € 145.3 million. The strong growth from the previous year thus continued its solid pace in 2011. Every operating division again posted positive results and most generated double-digit earnings growth. Only the Electronics and Textile Finishing Systems divisions posted slight declines in earnings. Along with the overall good development in the operating divisions, Group earnings before taxes also benefited from the sale of a share package in elexis AG. We sold off our 15 % share package in the spring of 2011 after a takeover bid was submitted for elexis AG.

As a percentage, the Special-purpose Construction division posted the largest growth in earnings, after difficulties in the previous year stemming from the economy and losses resulting from a major order. The Elastomer Plants division also showed very strong earnings growth for the year. The division benefited from the high demand seen in the automotive industry.

Consolidated net profit is currently very evenly distributed across the various divisions. No division has an earnings share greater than 25 % of consolidated net profit. Six of the nine total divisions account for approximately 90 % of the Group's earnings in the reporting year. The Possehl Group therefore enjoys a very strong and stable basis, and its success is to a great extent independent of the development of individual divisions or industries.

Gross Profit Up 46 %

With sales growth of 45.1 %, gross profit increased slightly disproportionately at 45.5 % while the figure from last year was a bit lower than sales growth. The main reason for this is the initial consolidation of the BÖWE SYSTEC Group that posts a gross profit margin of over 85 % due to its high vertical range of manufacture. This effect improving gross profit was largely offset through the strong growth in the Precious Metals Processing division and Trading business, as the materials usage ratio in these divisions is rather high. As a result, the ratio of cost of materials to sales remained nearly unchanged from the previous year at almost 69 %.

Proportional Rise in Other Costs

Personnel expenses and other operating costs developed mostly parallel to the increase in sales.

Compared to the previous year, personnel expenses increased by about 45 %. This increase is primarily due to the average number of employees, which grew by 1,704 employees or 22.6 % in the reporting year as a result of acquisitions. Additionally, some strong wage and salary increases as well as bonus and profit-share payments also contributed to the rise. Pension payments grew considerably as well in 2011. In addition to the changes to the group of consolidated companies, the very low payments to pensions last year by the English Farrel company stemming from the increase in value of plan assets led to a considerable change.

The rise in other operating expenses is, apart from the changes to consolidation, mainly due to higher business volumes since a broad portion of the expenses are conditional on employment. Expenses for temporary workers, for example, were much higher in many divisions and more than doubled for the Group as a whole. Additionally, higher impairments on trade receivables as well as the precautionary formation of provisions for impending losses from executory contracts as well as for contingent liabilities led to the increased expenses in the reporting year.

Considerable Drop in Net Investment Income

Net investment income declined from the previous year by € 3.8 million to € 6.8 million. The primary cause was the substantially lower earnings generated by the textile machine joint venture Monfongs. It was unable to achieve earnings at the same excellent level as last year, as demand for textile machines developed notably weaker this year, even in the Asian markets.

Slight Fall in Net Interest

Interest on both investments and borrowing continued to be at a low level over the year. Interest income for the parent company L. Possehl & Co. mbH primarily results from the short-term investment of free liquidity. Due to ongoing low interest rates, interest income rose only slightly over the course of the year despite a larger amount of free liquidity. Interest expenses also increased only mildly compared to the previous year as bank debts only grew minimally, despite the Group's strong growth.

Interest expenses from interest accrued on pension provisions as well as the remaining noncurrent provisions amounted to € 5.8 million in the reporting year, compared to € 6.2 million in 2010. Since the discounting factor for the measurement of pension provisions changed only minimally and the newly added companies during the fiscal year only have small pension obligations, expenses remained nearly constant.

Extraordinary Result Contains Remaining Additions to Pension Provisions

The extraordinary expenses contain the complete remaining amount to be contributed to noncurrent provisions as a result the revised accounting rules pursuant to the German Accounting Law Reform Act (BilMoG). As of the end of the reporting year, there was no longer a deficit in pension provisions.

Slight Improvement in Income Tax Ratio

The income tax ratio came to about 25% in the reporting period, compared with 26% the previous year. It therefore remains at the regularly expected level. However, a few positive and negative effects impacted the result, largely cancelling each other out. One positive factor was that the profit from the sale of the elexis shares was mostly tax-free. Counteracting this was the formation of provisions for ongoing external tax audits of various domestic companies.

In keeping with our conservative accounting methods, no deferred taxes will be recognized on tax loss carryforwards and no deferred tax assets will be recognized from the individual financial statements. With this conservative approach, income tax expense for the year under review at € 4.1 million is higher than it would be by not exercising this option.

Considerable Rise in Other Taxes

The increase in other taxes is primarily due to an addition to a provision for litigation with the financial authorities in Austria to cover the maximum possible risk.

Consolidated Net Profit Increases to € 101.7 Million

The consolidated net profit for the reporting year totaled € 101.7 million, well above the previous year's net profit of € 57.9 million. This leap in earnings is mainly due to sharp improvements in nearly all operating divisions. Companies included in consolidation for the first time also contributed to the rise in earnings. The holding company's earnings additionally benefited from the one-off proceeds resulting from the sale of a share package in elexis AG.

Dividend Climbs to € 16 Million

Due to the increased number of charitable projects that the Possehl-Stiftung supports and the corresponding financial requirements, a dividend increase of € 6 million to € 16 million will be proposed.

DIVISIONS

Special-purpose Construction

	2011	2010
Net sales in € million	294.5	144.8
Employees	1,283	997

The division is focused on special-purpose construction services in select niche markets, particularly surface treatment (Spezialbau) as well as above and below ground construction (Mickan). It also offers the restoration of monuments and historical buildings (Bennert) as well as the extraction and processing of silica sand and quartz gravel (Euroquarz) and the manufacture of mortar casting systems (Pagel).

2011 was an extraordinarily good year for the German construction industry. Industry sales grew 12.5% compared to the previous year. This is the highest rate of growth since the early 1990s. The mild temperatures in December were used to work through the high backlog of orders. Residential construction benefited from the uncertainty on the financial markets as well as from low interest rates, as investors continued to focus on material assets. Commercial construction also experienced strong growth. On the other hand, public construction, which is an important segment for us, saw rather limited growth. The signs of a slowdown were much more visible in this segment. All in all though, the conditions during the fiscal year were positive.

With € 294.5 million, net sales more than doubled as compared to the previous year. This growth, however, is almost completely attributable to the initial consolidation of Mickan. Adjusted for consolidation effects, sales growth amounts to just under 4%. The greatest growth was achieved in the Airfield Pavements Construction Services segment, which generated record sales thanks to multiple large orders. Mickan also processed a number of major orders so that its sales for the year were well above the average mark for sales from the past few years.

Sales in monument restoration, on the other hand, were well below the previous year's figure. The decline is partially the result of the increased attention paid to profit criteria when selecting orders at the project acquisition stage. Last year's figure also included payment for a major order.

The rolled concrete surfaces business improved considerably, even when considering the inclusion of a large order. The companies Euroquarz and Pagel as well as the joint venture Gremmler Bauchemie also continued to develop very positively.

The division managed to generate earnings well above those from the previous year. The improved quality of orders and generally favorable conditions helped lead to this success as did the avoidance of unprofitable orders, which had negatively impacted the result in the previous year.

Document Management Systems

	2011	2010
Net sales in € million	116.8	–
Employees	1,121	–

BÖWE SYSTEC is a leading manufacturer of hardware and software solutions for mailroom systems. The product portfolio includes enveloping, cutting, and mail sorting systems as well as various additional systems for automated mailings.

The company was fully consolidated for the first time on December 31, 2010, meaning that no figures for comparison are available from the previous year.

BÖWE SYSTEC operates in a stagnant to slightly shrinking market with four major global providers. The main reason for the decline in mail volume is the trend towards sending non-confidential information digitally rather than in print form. Compared to the general mail market, the personalized mailings market, which is the most relevant market for BÖWE SYSTEC, has not been as strongly impacted by this trend.

At € 116.8 million, sales did not meet expectations. While the service and replacement parts business performed as planned, sales from machines and systems in some regions were unsatisfactory, especially in Southern Europe. Additionally, product sales in the USA, the world's most important individual market, suffered from the bankruptcy of the former subsidiary Bell + Howell. In an effort to spur business in the US, a sales and service company was founded there during the fiscal year, which began operations in January 2012. We see solid growth opportunities in this area for the coming years, both in new machines as well as the service and replacement parts business.

Although sales expectations for the fiscal year were not met, the company remained profitable. An improved gross profit margin and measures to lower the break-even point greatly contributed to this result.

Incoming orders for new machines constantly improved over the course of the year and had achieved a satisfactory level by the end of the year. The order backlog also grew throughout the year, leading us to expect a slight increase in sales for 2012.

Precious Metals Processing

	2011	2010
Net sales in € million	678.4	442.9
Employees	225	221

Heimerle + Meule GmbH recovers refined metals from residues containing precious metals and processes them into high-quality products. The business covers the segments precious metal semi-finished products/refining, surface technics, and dental.

The long-term upwards trend in the Precious Metals Processing division continued in the reporting period. Compared with the previous year, sales rose by € 235.5 million or 53.2%, thus once again setting a new record. Over a period of five years, this division has achieved an annual growth rate of over 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 as well as the development of new products and applications. 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, continued to benefit from high precious metal prices in the reporting period but also from new business ideas and the acquisition of new customers. The division also increased its business with investment products such as precious metal bars and safe bags. Sales in semi-finished jewelry were very stable in the reporting year – partly due to the development of new alloys. The business with industrial semi-finished products also developed positively as a result of the good economic conditions in Germany. This is true of the surface technics business as well, 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 rising prices for precious metals. Despite this, sales in the dental area declined only slightly in the reporting year, as the higher precious metal prices were largely passed on to customers – albeit after a certain delay in some cases.

Elastomer Plants

	2011	2010
Net sales in € million	304.6	235.7
Employees	1,471	1,332

In this segment, we manufacture a range of machinery for all of the essential production stages, from raw material preparation to tire manufacturing and vulcanization, for the rubber and tire production industry. The division comprises the following three business units:

- TireTech (rubber technology)
- Mixing Group (rubber mixing technology)
- Press+LipidTech (edible oil technologies)

Global automotive demand continued to grow in the reporting year, though at a more moderate rate than the previous year. After a good start to 2011, growth slowed towards the middle of the year in the global passenger car market. Nevertheless, registrations exceeded the previous year's level by about 5% and set a new record in the process.

Demand for spare tires for passenger cars and light utility vehicles also developed positively despite price increases resulting from the massive rise in rubber prices.

All companies in the division benefited from the very favorable market environment. Net sales rose compared to the previous year by nearly 30% and achieved a new record level. It should also be noted that incoming orders have remained at a high level so that the prospects for a successful 2012 are overall good. With certain products, in particular tire-building machines, the order backlog already stretches well into the year 2013. However, some product areas showed signs of a cooling off in demand towards the end of the year with a slight drop-off in customer investment activity.

Capacity utilization at all production sites was good during the reporting period. Due to the stable high demand for our tire-heating presses, we added another plant to our production site in Croatia. We now employ over 500 people at this location. Thanks to the close relationship between this site and our main production site in Harburg, Germany, we can benefit from cost advantages without any loss of expertise.

In the rubber mixing technology area, we continued the integration of Farrel and Pomini during the fiscal year and promoted the leveraging of synergy potential. Additionally, we have narrowed the focus of individual sites to specific products or groups of products. In this way, we can pool our product-specific expertise while also saving on costs. With the founding of a joint venture in India, we opened a service station in the local growth market, substantially improving our market presence there.

Electronics

	2011	2010
Net sales in € million	253.0	194.3
Employees	2,087	2,164

In this segment, we mainly manufacture leadframes for the semiconductor and smart card industries at various sites. In addition, we produce electromechanical components, primarily for the automotive supplier industry, at our German location.

The semiconductor industry is characterized by high volatility with short product life cycles and strong fluctuations in product supply and demand. In the 2011 calendar year, the global semiconductor market grew by about 3 % after growing by more than 30 % in the year before. The Asia-Pacific region (minus Japan) was the growth engine in the global semiconductor market while the market in Europe stagnated and the US market even shrunk slightly.

Net sales in the Electronics division went up by € 58.7 million or 30.2 % compared with the previous year. This growth, however, only reflects actual development to a limited extent, as the previous year's figures for pretema are only recognized on a pro-rata basis for three months. Adjusted for this effect, sales are actually down slightly. The main causes of this development are the weaker US dollar (compared to the euro) on average over the course of the year and the sale of our tool business in China.

The earnings situation is not satisfactory overall. The two production companies in Malaysia and China also ran a deficit in the reporting year. We have undertaken measures to improve quality and increase efficiency and these were already showing their initial impact at the end of the year. For the coming year, we expect that both companies will approximately break even in terms of earnings. In contrast, the rest of the sites in Europe, the US, and Hong Kong continue to be successful and profitable. At the European locations in France and the Netherlands, we benefited from booming business which continued in the reporting year with light emitting diodes (LEDs), mainly for applications in car headlights.

The German managing company pretema also developed very positively. Both the business with laminated leadframes for the smart card industry as well as with electromechanical components for the automotive and electric industry grew substantially. The latter continued to benefit from strong sales in the automotive industry. With the laminated leadframes, pretema continued to strengthen its position as the second-leading player in the global market. Due to the persistently high utilization of our manufacturing capacities, a new electroplating line was launched in the reporting year, which allows us to react more flexibly to customer demand.

International Trading

	2011	2010
Net sales in € million	288.4	230.1
Employees	150	135

In this segment, we are a leading provider in the traditional trading business for mineral-based products, particularly magnesium raw materials and bauxite for the fireproofing industry. Additionally, numerous products for various industries, including the metallurgical and casting industries, are also traded.

Net sales in the International Trading division went up by € 58.3 million or 25.3 % compared with the previous year. Approximately half of this increase is due to the South American business added during the reporting year and the rest can be attributed to higher sales in the US market and at the managing company Possehl Erzkontor GmbH.

The international steel markets, which are crucial for the division, weakened slightly over the course of the fiscal year due to economic uncertainties. This led to temporary capacity adjustments at certain sites in the European market and even some short-term shutdowns for whole plants. The reasons behind this include the fact that many inventories were reduced to very low levels and steel producers are striving to keep prices stable. Another relevant market, the cement industry, was able to continue its slight upwards trend from the middle of last year in the reporting period.

Despite the overall restrained market development, net sales increased by a considerable double-digit margin, adjusted for the South American business. In the fireproofing business, sales volume increased by about 15 %. The average prices per ton have nevertheless increased only moderately – in contrast to developments for many other raw materials.

Sales in metallurgy rose sharply in comparison with the previous year, primarily due to considerable price increases in zirconium sand as well as a higher price level for pig iron. The gross profit margin developed quite positively for these products. In the plastics segment as well there were substantial price increases due to the development of oil prices, though gross profit remained nearly stable.

The services business, mainly the grinding and processing of materials, continued to operate at a low level in the 2011 fiscal year. For this reason, we sold off our 50 % stake in the joint venture Van Mannekus at the end of 2011.

Division earnings improved significantly compared to the previous year, but remained below expectations due to the low gross profit margins from the South American business.

Corporate changes taking place at the start of 2012 are detailed in the section “Subsequent Events”.

Cleaning Machines

	2011	2010
Net sales in € million	415.0	377.5
Employees	2,121	2,097

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

The Cleaning Machines division benefited from the overall solid economic situation in Germany in the reporting year. The cleaning machines market grew about 5 % in 2011. With sales growth of nearly 10 % compared to the previous year, Hako grew at a substantially greater rate than the market. This growth was seen in just about every region. Only Southern Europe and the Benelux countries showed declining demand. By contrast, growth in Germany and Scandinavia was especially strong. Considerable gains were also seen in the US market, though the starting point was much lower overall.

Looking at the individual customer segments, performance was strong for industry and for municipal authorities. Sales of Multicar vehicles again rose notably from the previous year’s already strong figures. Aftersales service as well as business in used machinery and rentals continue to grow strongly and are becoming increasingly important for Hako. By contrast, business with retail chains and professional cleaning companies was more subdued. Here we continue to feel the result of pressure on our clients to make savings and cut costs.

The higher gross profit resulting from sales growth as well as the constant measures to increase efficiency led to significant earnings improvements in the reporting year. In terms of profitability, Hako ranks with the top publicly traded competitors .

With the establishment of a competence center in Thailand as well as a local distribution company in China, we want to expand more aggressively in the Asian market over the coming years. In addition to the Hako brand, the US brands Minuteman and PowerBoss are intended to tap these markets as well. This will allow us to become more independent of economic developments in Europe.

Textile Finishing Systems

	2011	2010
Net sales in € million	45.0	47.1
Employees	184	197

In this division, we produce textile machines and plants for finishing and coating woven and knitted goods as well as technical textiles at our sites in Mönchengladbach and at our Chinese joint venture Monfongs. Tentering frames are the division’s main product.

The level of sales in the German textiles industry remained roughly on par with the previous year’s level and therefore continued to be below the industry’s high point achieved in 2007. Our textile machines division was also unable to improve sales compared to the previous year, instead declining by about 5 %. Sales accordingly remained at a low level at our two European textile machine companies.

At the international textile machines trade fair ITMA, which takes place once every four years, our energy-saving and cost-reducing solutions were well received, providing hope for a boost in sales in the coming years. The cost-cutting measures implemented in past years were continued in the reporting year. The German company based in Mönchengladbach moved into a smaller, more cost-effective building as a result of these measures. Additional personnel adjustments will also likely be necessary in the future. On the market side, we are concentrating more on the area of technical textiles. This includes airbags for cars, textile seals and filters for industrial uses, fiber composite materials for sporting equipment or aircraft, textile-reinforced concrete for construction, and textile implants for the medical industry. Additionally, we want to accelerate the sale of our joint venture machines.

The weakening of the market in China that started in the second half of 2010 continued in the reporting period. The main reasons for this were the expiration of the government's economic stimulus program as well as diminished demand in the USA and Europe. The joint venture, which is not included in the sales figures shown, was thus unable to achieve the very good sales and earnings figures of the previous two years.

At the start of 2012, incoming orders began to revive both at the German company and the joint venture Monfongs, leading us to have a positive outlook for the division as we move into the next fiscal year.

SME Investments

	2011	2010
Net sales in € million	96.8	45.0
Employees	646	365

Founded in 2009, the division contains predominantly German SMEs with various activities that operate independently of one another.

The division comprised the following activities and companies in the fiscal year:

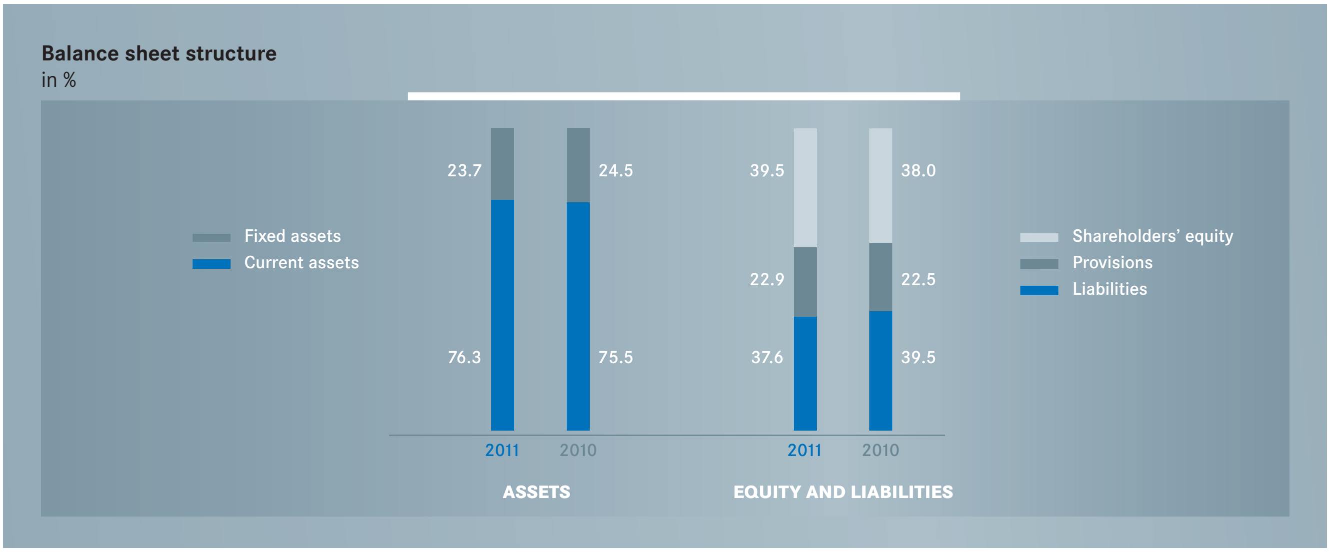
Field of business	Company
Oil spill cleanup, tank cleaning	Possehl Umweltschutz GmbH
Insurance broker	Lubeca Versicherungskontor GmbH
Freight brokerage	Teutonia Fracht- und Assekuranzkontor GmbH
Soaps	Hirtler Seifen GmbH
Popsicle sticks	Karl Otto Knauf (GmbH + Co. KG)
Bathroom rugs	Kleine Wolke Textilgesellschaft mbH & Co. KG
Conveyor systems	DMA Maschinen- und Anlagenbau GmbH & Co. KG (since January 1, 2011)
Labeling systems	LOGOPAK SYSTEME GMBH & CO. (since July 1, 2011)

Net sales more than doubled compared to the previous year. The primary cause of this was changes to the group of consolidated companies. Business performance in the existing operations was largely on par with the previous year. Only the freight brokerage business posted a decline, due to lower freight rates. Sales with popsicle sticks were also down slightly compared to the previous year due to unfavorable weather in the summer months.

Our medium-term objective in this division is to generate annual sales of between € 200 and € 300 million. With the acquisition of LOGOPAK, one of the leading European manufacturers of labeling systems and annual sales of about € 20 million, we have come a step closer to achieving this goal. We aim to continue adding SMEs with annual sales of between € 10 and € 80 million to the portfolio, preferably in Germany. Our search for suitable companies is not limited to a particular industry.

NET ASSETS AND FINANCIAL POSITION

Balance Sheet Structure Analysis



The *balance sheet total* increased by € 179.6 million from the previous year, amounting to € 1,146.0 million. The increase is due only in a small part to changes to the group of consolidated companies. The main reason for the higher balance sheet total is the considerable expansion of business activities in many of our divisions.

Noncurrent assets rose by a total of € 34.8 million. This growth breaks down with € 26.9 million from property, plant, and equipment and € 19.2 million from intangible assets. The rise in intangible noncurrent assets is nearly exclusively due to goodwill from acquisitions performed in the year under review. Property, plant, and equipment growth can be attributed to the newly acquired companies as well as the expansion of the rental business in the Cleaning Machines division. Otherwise, new investments were nearly equal to scheduled depreciation.

The € 11.3 million decrease in noncurrent *financial assets* is for one a result of the initial consolidation of DMA Maschinen und Anlagenbau GmbH & Co. KG, which was still recognized under financial assets as of the end of the previous year. Secondly, as previously mentioned, the shares in elexis AG were sold.

Net working capital as of the reporting date came to € 490.1 million. This is € 98.5 million or 25.2 % higher than a year ago. Both inventories and trade receivables increased considerably compared to the previous year, while liabilities only rose by 17.6 %. The rise in net working capital is only minimally due to the changes to the group of consolidated companies. Instead it is mainly a result of business expansions in the various divisions. In particular, International Trading saw both trading portfolios and receivables increase substantially. Special-purpose Construction and Elastomer Plants also positively impacted net working capital with their considerable expansions.

Cash and cash equivalents including other securities increased by € 19.9 million compared to the previous year. The majority of this can be attributed to the Group holding company L. Possehl, whose cash pooling includes most of the companies located in Germany.

Group equity rose by € 91.6 million to € 427.0 million. Taking into account the difference from capital consolidation, which is treated as equity, as well as goodwill from capital consolidation, the Group's economic equity increased to € 433.4 million. This rise in equity is mainly due to our consolidated net profit of € 101.7 million. Additionally, there was a positive currency translation effect amounting to € 3.7 million; the payment of a dividend of € 10.0 million counteracted this. The economic equity ratio was 38.5 % despite the considerable increase in the balance sheet total. Non-current assets continue to be completely covered by equity.

Pension provisions grew by € 3.5 million compared to the previous year. The rise can be mainly attributed to the addition during the reporting year of the remaining difference as a result of changes to accounting rules in the German Accounting Law Reform Act (BilMoG). Pension obligations are now accrued at their full required amount.

The higher *other provisions* is chiefly due to the increases seen in both business volumes and employment at most Group companies. Provisions for potential risks from executory contracts and contingent liabilities were also formed. In addition, an increase of € 4.0 million is attributable to changes to the group of consolidated companies.

Bank loans rose by € 21.0 million compared to the previous year. This growth can be almost completely attributed to the financing of greater trading volumes in the International Trading division, while bank debt remained nearly constant in all other divisions. A total of € 30.0 million in noncurrent bank loans are due in the reporting year, which will be paid as scheduled.

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 credit-worthiness 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. In addition, receivables are sold in individual cases. 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, reliably, and largely independently of banks. This element of our business model has proven itself repeatedly, particularly in the acquisition process..

Cash Flow Development

in € million	2011	2010
Cash flow from operating activities	68.2	96.6
Cash flow from investing activities	-39.2	-58.4
Cash flow from financing activities	-10.4	-28.4
Change in cash and cash equivalents over the period	18.5	9.8
Cash and cash equivalents on December 31	222.3	202.4

The *cash flow from operating activities* decreased by € 28.4 million compared to the previous year. This is primarily due to the increase in working capital in the International Trading division. Business expansion and extended payment deadlines in South American business led to a considerable increase in receivables and inventories, especially floating consignments. Due to the increase in payments received, net inventory growth in the remaining divisions was not as pronounced.

Cash flow from investing activities amounted to € -39.2 million in the reporting year after € -58.4 million in the previous year. Increased payments for investments in property, plant, and equipment negatively impacted the cash flow. By contrast, the payments received from the sale of the share package in elexis AG had a positive effect.

In the year under review, a sum of € 59.0 million was invested in property, plant, and equipment and intangible noncurrent assets, not including goodwill. This corresponds to an increase of about 13% compared to the previous year. Along with the necessary investments for maintaining and modernizing the production plants in the various divisions, select larger investments in the future were also made in the reporting year. These investments mainly related to the Elastomer Plants, Electronics, and Cleaning Machines divisions. The expansion investments made last year relating to the production site in Croatia were supplemented with the construction of an additional plant due to the exceptional order situation. Additionally, a new technical center was opened at the start of the new year at the Harburg-Freudenberger site in Freudenberg. Projects for improving quality and efficiency represented the bulk of improvements realized at the German site for the Electronics division. The focus in the Cleaning Machines division was mainly on expanding the service and used machine business.

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

Cash flow from financing activities came to € -10.4 million in the reporting year. This is largely the result of lower bank debt due to the repayment of longer-term loans.

Net Liquidity Nearly Unchanged Despite Higher Investments

The Possehl Group posted net financial receivables of € 48.2 million at the end of the reporting year. The positive net financial position therefore remains almost unchanged from the previous year. A continued strong cash flow from operating activities did not lead to a decline in the Group's liquidity position despite payments for company acquisitions, high investments in property, plant, and equipment, and strong internal Group growth. This cash balance is largely held by the Group holding company L. Possehl & Co. mbH in the form of short-term investments.

EMPLOYEES

Our staff make the most important contribution to Possehl's success. Around the world, we therefore aim to attract dedicated, hard-working employees and to retain them for our Company long term. We invest in our attractiveness as an employer and support our employees with targeted personnel development.

Employees Globally

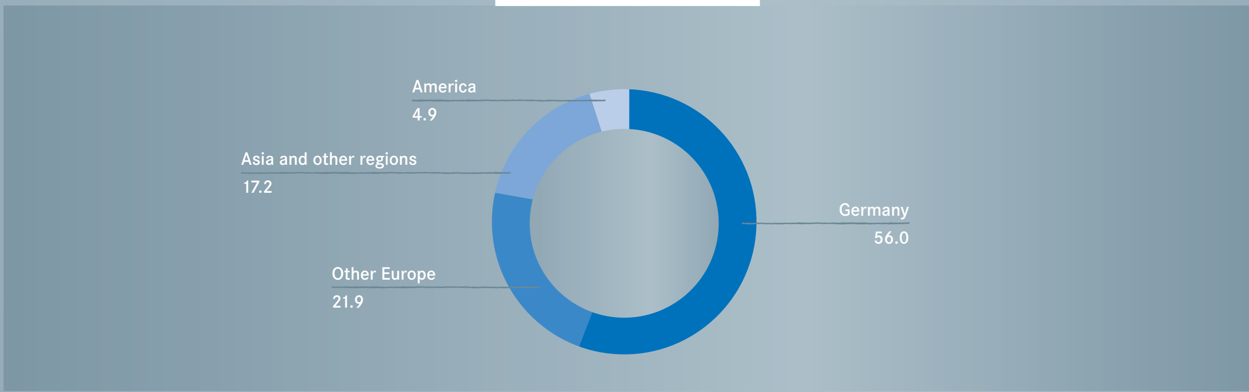
At the end of 2011, Possehl employed a total of 9,258 people. This represents an increase of 520 or 6% compared with the end of the previous year. We gained new employees through the acquisitions of Mickan Generalbaugesellschaft Amberg mbH & Co. KG and LOGOPAK Systeme GmbH & Co. KG, among others. There were no substantial departures in the reporting year. On average over the year, the Possehl Group had 9,310 employees, or around 24% more than the previous year.

In Germany, the average number of staff employed rose by 31% to 5,210. This means that 56% of the Group's workforce is now employed in Germany. The company acquisitions made in the last two years, which focus mainly on Germany, are primarily responsible for this development.

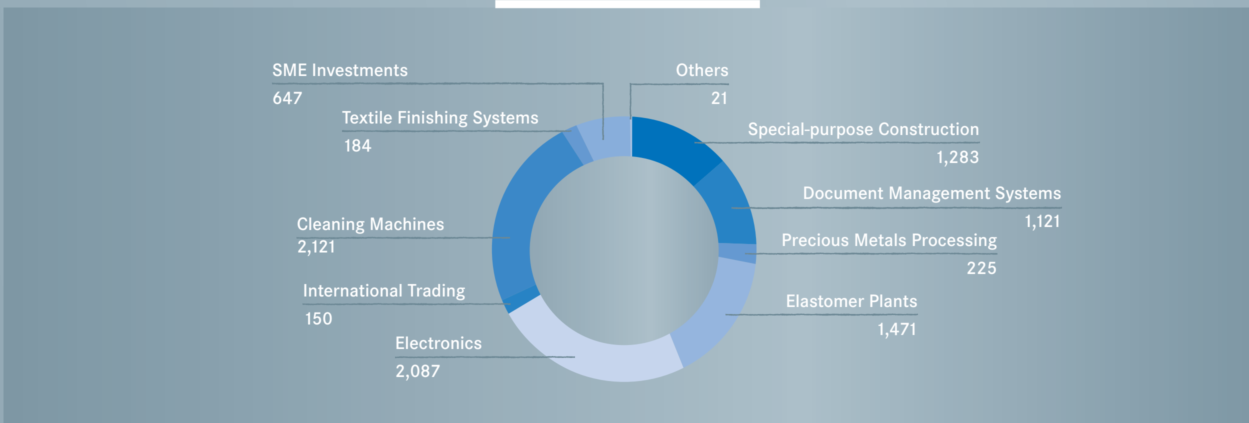
Personnel Expenses and Social Security

The Possehl Group spent € 415.4 million on wages and salaries, social security contributions, and expenses for pensions and support during the reporting period. Personnel expenses therefore rose 45.2%, mainly due to acquisitions. Adjusted for this effect, the increase still amounts to € 45.0 million or nearly 15.7%. Along with the increased average number of employees in the existing divisions (+24%), general wage and salary increases as well as higher variable remuneration and profit sharing plans due to our positive business situation contributed to the rise in personnel expenses.

Distribution of employees in 2011 by region
in %



Distribution of employees by division
(number of individuals)



Vocational and Professional Training

We are engaged in a constant global competition for qualified specialists and executives and therefore strive to advance and expand the qualifications and professional knowledge of our employees at all of our locations. We see the training of our employees as an investment into the future of Possehl. 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 309 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 23 %.

RESEARCH AND DEVELOPMENT

The profitable growth and long-term success of Possehl 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. With our innovative products and processes, we deliver solutions for a multitude of industries. The various research and development focuses of the individual divisions will be described in the following section.

The **Special-purpose Construction** division continued work on the development of a system for the sustainable restoration of ASR (alkali-silica reaction) -damaged cement surfaces on roads and air traffic surfaces and registered it for a patent. ASR-damaged traffic surfaces represent a major problem for the former Eastern German states in particular and a large market for business. The development of the ASR system was performed by in-house specialists, from lab research to application. Initial tests have been performed, and the results are promising. The first field tests are planned for 2012. In the industrial surfaces business, a market breakthrough was achieved for our partially ground (terrazzo) industrial surfaces at a major automotive manufacturer. At PAGEL, the newly developed specialized mortar for the grouting of heavy components used in off-shore applications was successfully implemented for the transformer substation of the Alpha Ventus wind farm. With its exact reproduction of the historical facade for Wesel's City Hall building, the Bennert Group demonstrated that excellent quality can be achieved in short time frames with the use of the new processing center for sandstone and that it can lead to extraordinary results in restoring historic buildings and monuments.

The focus of development activities in the **Document Management Systems** division is currently on the parallel development of several different types of equipment, which should help fill holes in its product portfolio. This includes a fast enveloping machine that is able to process large-format envelopes. Another development involves a system for handling plastic cards at the lower output level. All hardware developments are accompanied by corresponding software solutions, whereby a comprehensive reorientation is taking place in this division to expand the possibility for tailoring software to individual customer needs. Activities in software development comprise both the inserting area as well as the sorting area, where BÖWE SYSTEC has been working with Siemens AG via a cooperation agreement since September 2011.

Heimerle + Meule GmbH **(Precious Metals Processing)** expanded its product range this past year in the area of investment products. The manufacture of small investment bars weighing up to 1 kg has been more efficiently designed. Additionally, a manufacturing process has been developed that allows oxide-free precious metal bars of refined gold and silver to be made at more favorable prices. An online configurator has also been developed and launched for purchasers of ring blanks and profile ring blanks. With this system, customers can configure the desired rings according to their manufacturing options. In the area of light-hardening plastics for colored designs (Colorit), the coating and marking processes for medical and automotive technology were improved.

In the **Elastomer Plants** division, the technical centers around the world in the mixing technology product area were consolidated with old facilities being sold off. Conversely, the technical centers at the sites in Ansonia, Rochdale, and Freudenberg were substantially renovated and modernized. The new product lines developed as part of the "Best of the Best" initiative were well received on the market. The extrusion product area developed a quintuplex extrusion head for complex silica tread profiles consisting of five different compounds and is already successfully marketing the product. In the tire-building machine product area, the proven product line for type PLT II passenger cars was developed further and made ready for sale. The heat presses unit completed the introduction of a much improved 67" truck heat press, and its successful launch with a pilot customer achieved very good results. In the Press+LipidTech product area, the first central conditioner for warming and drying oilseeds prior to pressing was launched. This central unit replaces about 20 individual drum conditioners and results in substantial savings in investment costs. At the same time, power requirements are reduced by 80%.

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 through optimized selective plating 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 is the development of environmentally friendly processes, particularly to avoid the use of cyanide.

In the automotive area, the focus was on the reliable processing of a self-adhering, two-component liquid silicone as well as in the precise coordination of the upstream manufacturing processes in an effort to guarantee a good bond to plastic and metal surfaces in a robust mass production system. In addition, mass production processes across manufacturing technologies were stabilized and in part their output increased enormously. In product pre-development, prototypes were made with metalized plastic substrates and their suitability for industrial-scale production analyzed. A project for processing extremely low viscosity plastics for industrial-scale products in automotive electronics was also successfully completed.

In the **Cleaning Machines** division, numerous new developments and research activities were realized in every product area. Some of these were also introduced at the industry trade fair CMS in Berlin. For example, we closed product gaps in scrubber-dryers by introducing machines with other working widths and additional features to the market. In the vacuum sweeper segment, a focus of development in recent few years, the gap between the hand-guided Hamster and the ridable Jonas 900 was closed with the Jonas 800 for our professional customers requiring exceptional technical functionality. The machine will be launched in the second quarter of 2012. In the external cleaning segment, the focus of development work was on the redesign of the current Citymaster 1200 in regards to meeting a wide variety of customer requirements and enhancing quality. With the Multicar brand, the creation of an electric commercial vehicle (E-Fumo) for the CMS trade fair was an important contribution towards demonstrating future developmental possibilities for electric urban vehicles. With regard to street-approved vehicles, there is still a need for the major systems suppliers (batteries, e-motors, control/steering technology) to develop production-ready safety concepts as well as hardware and software solutions. Research and development is also being continued on the further expansion of our module-oriented platform strategy. The necessary processes for product development have been enacted across the company for the implementation of this strategy.

With the research and development activities in the **Textile Finishing Systems** division, machines and plants in the technical textiles segment are the focus, as lucrative market growth is expected in this area. The aim is to keep up with the trend of finding practical textile and textile-related product applications in an ever-broadening industrial spectrum.

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 reviews 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 a range of 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 credit-worthiness 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 carry-forwards.

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 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.

In the automotive industry, shorter development times for increasingly complex systems also results in a higher quality risk potential. Alongside of this are the constantly growing requirements regarding product liability. We counteract these risks via comprehensive quality control measures along the entire value creation chain in order to minimize quality risk.

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.

NO EXISTENTIAL RISKS FOR THE POSSEHL GROUP

The Possehl Group is currently very broadly positioned, and the opportunity and risk profile is very balanced. The Group is thus 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

On February 6, 2012, Possehl took over the web-fed offset printing business of manroland AG i.I. at its Augsburg site with approximately 1,400 employees. The newly founded manroland web systems GmbH, which will continue both its new machine business as well as its service and replacement parts business, constitutes a new, tenth division within the Possehl Group. We expect to generate sales of around € 300 million in the new division for the next full calendar year. From a strategic perspective, the acquisition offers us the opportunity to demonstrate that companies which are managed according to SME principles can be profitable over the long term even in stagnant or shrinking markets.

On March 23, 2012, the European Commission approved the sale of 50 % of our stake in Possehl Erzkontor GmbH to Peter Cremer Holding GmbH & Co. KG, a Hamburg-based trading house with a long tradition. In future, the international trading business with raw materials will be carried out via a joint venture, which Possehl will no longer fully consolidate. With the merger, the joint venture partners are seeking primarily to expand Erzkontor, both in terms of size and in regards to the product range of its trading portfolio.

ORIENTATION OF POSSEHL GROUP AND PROBABLE DEVELOPMENT

We expect the global economy to continue to grow in 2012. However, the rate of growth could be slightly lower due to uncertainties on the financial markets in regards to the further development of the sovereign debt crisis in Europe and the US. Overall, the economic forecasts for 2012 predict real growth for the global economy of around 3 %. Economic growth in the industrialized nations is expected to be much weaker. In Germany, too, gross domestic product is expected to grow much more slowly as the pace of exports weakens.

Considering this backdrop and the faint signs of recession in individual markets and regions, we do not expect a further increase in sales and earnings for the Possehl Group in the current year. The company transactions carried out at the beginning of the new year will approximately balance out in comparison to Group net sales. From the information currently available and the present order situation as well as the favorable market position of our divisions, we continue to expect solid earnings in the 2012 fiscal year. For 2013, we are expecting moderate growth for the Group as the global economy shows moderate signs of recovery.

For the two following years, we continue to see good opportunities for acquisitions, especially in the SME segment and for complementary acquisitions in the existing divisions. Possehl continues to have the necessary financial strength and flexibility to follow through on these plans. Our reputation as a reliable investor will also support our acquisition efforts.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET as of December 31, 2011

in € '000	Notes	12/31/2011	12/31/2010
ASSETS			
A. Noncurrent assets			
I. Intangible assets	(1)	28,087	8,936
II. Property, plant, and equipment	(2)	212,990	186,065
III. Financial assets	(3)	30,802	42,104
		271,879	**237,105**
B. Current assets			
I. Inventories	(4)	300,551	232,160
II. Receivables and other assets	(5)		
1. 1. Trade receivables		299,524	252,887
2. 2. Other receivables and other assets		43,869	34,982
		343,393	**287,869**
III. Other securities		20,512	20,283
IV. Cash and cash equivalents	(6)	201,770	182,093
		866,226	**722,405**
C. Pre-paid expenses		**6,573**	**5,417**
D. Deferred tax assets	(7)	**1,338**	**1,467**
Total assets		**1,146,016**	**966,394**
EQUITY & LIABILITIES			
A. Equity	(8)		
I. Subscribed capital		30,678	30,678
II. Retained earnings		190,852	168,172
III. Changes in equity due to currency translation		1,868	-1,835
IV. Consolidated net profit for the period		201,846	136,297
V. Minority interests		1,789	2,160
		427,033	**335,472**
B. Difference from the consolidation of equity	(9)	**26,008**	**31,296**
C. Provisions			
1. Pension provisions	(10)	98,182	94,648
2. Other provisions	(11)	164,347	123,323
		262,529	**217,971**
D. Liabilities	(12)		
1. Bank loansn		174,126	153,110
2. Trade payables		109,963	93,472
3. Other liabilities		140,772	129,093
		424,861	**375,675**
E. Deferred income		**5,585**	**5,980**
Total equity and liabilities		**1,146,016**	**966,394**

CONSOLIDATED INCOME STATEMENT

from January 1 to December 31, 2011

in € '000	Notes	2011	2010
Net sales	(13)	2,492,518	1,717,442
Changes in finished goods, work in progress, and capitalized own work	(14)	-9,108	-5,278
Other operating income	(15)	53,296	35,145
Cost of materials	(16)	1,704,959	1,175,709
Gross profit		**831,747**	**571,600**
Personnel expenses	(17)	415,446	286,126
Depreciation and amortization		41,960	30,558
Other operating expenses	(18)	235,448	165,107
Net investment income/expense	(19)	6,796	10,565
Net interest income/expense	(20)	-16,812	-16,303
Other financial result	(21)	19,733	237
Result from ordinary operations		**148,610**	**84,308**
Extraordinary expenses/result	(22)	3,339	2,765
Profit before taxes		**145,271**	**81,543**
Income taxes	(23)	36,788	21,184
Other taxes		6,765	2,446
Consolidated net profit		**101,718**	**57,913**
Minority interests in consolidated net profit		-1,531	-160

CONSOLIDATED CASH FLOW STATEMENT

from January 1 to December 31, 2011

in € '000	2011	2010
Consolidated net profit	101,718	57,913
Write-ups/write-downs on noncurrent assets	42,006	30,558
Changes in accruals and provisions	40,840	14,824
Other non-cash expenses and income	-2,399	1,147
Gains and losses on the disposal of noncurrent assets	-24,856	-2,958
Change in working capital	-89,144	-4,923
Cash flow from operating activities	**68,165**	**96,561**
Proceeds from disposal of intangible assets and property, plant, and equipment	9,698	9,733
Proceeds from disposal of noncurrent financial assets and from sale of consolidated companies and business units	37,615	2,435
Payments for investments in intangible assets and property, plant, and equipment	-59,037	-46,685
Payments for investments in noncurrent financial assets and for the acquisition of consolidated companies and business units	-27,450	-23,862
Cash flow from investing activities	**-39,174**	**-58,379**
Payments to shareholders (including minority interests)	-11,205	-9,045
Change in bank debt	8,303	-19,848
Change in other financial receivables/liabilities	-7,540	519
Cash flow from financing activities	**-10,442**	**-28,374**
Cash-relevant changes	**18,549**	**9,808**
Net change in cash and cash equivalents due to exchange rate differences, changes in group of consolidated companies, and valuation changes	1,357	3,088
Cash and cash equivalents at beginning of period	202,376	189,480
Cash and cash equivalents at end of period	**222,282**	**202,376**

CHANGES IN NONCURRENT GROUP ASSETS

from January 1 to December 31, 2011

	Acquisition or manufacturing costs						
in € '000	01/01/2011	Exchange rate changes	Changes in group of consoli-dated companies	Additions	Reclassified	Disposals	12/31/2011
I. Intangible assets							
1. Purchased concessions, trademarks, and similar rights and assets as well as licenses to such rights and assets	28,360	57	362	2,068	-433	-1,073	29,341
2. Goodwill	4,129	9	22,789	0	0	-296	26,631
3. Advance payments made	1	0	0	100	-1	0	100
Total intangible assets	**32,490**	**66**	**23,151**	**2,168**	**-434**	**-1,369**	**56,072**
II. Property, plant, and equipment							
1. Land, equivalent titles, and buildings including buildings on third-party land	151,539	1,834	11,716	2,870	1,519	-459	169,019
2. Technical plant and machinery	258,515	2,792	-3,228	18,085	2,041	-19,654	258,551
3. Other plant, operating, and office equipment	134,957	151	13,039	29,736	1,560	-12,603	166,840
4. Advance payments made and plant under construction	3,611	16	133	6,178	-4,686	-235	5,017
Total property, plant, and equipment	**548,622**	**4,793**	**21,660**	**56,869**	**434**	**-32,951**	**599,427**
III. Financial assets							
1. Shares in affiliated companies	3,402	0	-3,296	0	0	0	106
2. Loans to affiliated companies	3,025	0	913	0	0	-196	3,742
3. Equity investments in associated companies	17,999	959	-2,018	6,099	0	-5,605	17,434
4. Other equity investments	727	0	402	249	0	0	1,378
5. Loans to companies in which equity is held	4,617	0	319	834	0	0	5,770
6. Securities held as noncurrent assets	11,444	0	2,138	0	0	-11,243	2,339
7. Other loans	1,270	10	0	219	0	-363	1,136
Total financial assets	**42,484**	**969**	**-1,542**	**7,401**	**0**	**-17,407**	**31,905**
	623,596	**5,828**	**43,269**	**66,438**	**0**	**-51,727**	**687,404**

Depreciation and amortization								Carrying amount	
01/01/2011	Exchange rate changes	Changes in group of consoli-dated companies	Additions	Reclassified	Disposals	Write-backs	12/31/2011	12/31/2011	12/31/2010
20,025	47	302	2,578	-438	-1,014	0	21,500	7,841	8,335
3,529	9	0	3,242	0	-296	0	6,484	20,147	600
0	0	0	1	0	0	0	1	99	1
23,554	**56**	**302**	**5,821**	**-438**	**-1,310**	**0**	**27,985**	**28,087**	**8,936**
69,166	792	3,277	5,210	3	-387	0	78,061	90,958	82,373
199,179	2,805	-4,455	17,262	342	-16,814	0	198,319	60,232	59,336
94,156	318	9,331	13,475	133	-7,621	0	109,792	57,048	40,801
56	20	40	192	-40	-3	0	265	4,752	3,555
362,557	**3,935**	**8,193**	**36,139**	**438**	**-24,825**	**0**	**386,437**	**212,990**	**186,065**
0	0	0	0	0	0	0	0	106	3,402
0	0	634	0	0	0	0	634	3,108	3,025
296	0	0	0	0	0	-76	220	17,214	17,703
60	0	0	17	0	0	0	77	1,301	667
0	0	0	0	0	0	0	0	5,770	4,617
24	0	119	29	0	0	0	172	2,167	11,420
0	0	0	0	0	0	0	0	1,136	1,270
380	**0**	**753**	**46**	**0**	**0**	**-76**	**1,103**	**30,802**	**42,104**
386,491	**3,991**	**9,248**	**42,006**	**0**	**-26,135**	**-76**	**415,525**	**271,879**	**237,105**

CHANGES IN SHAREHOLDERS' EQUITY

from January 1 to December 31, 2011

in € '000	Subscribed capital	Retained earnings
12/31/2009	**30,678**	**413,242**
Consolidated net profit		57,753
Dividend payment		-8,000
Changes in equity due to currency translation		-62
Other changes in shareholders' equity		-9,398
12/31/2010	**30,678**	**453,535**
Consolidated net profit		**100,187**
Dividend payment		-10,000
Changes in equity due to currency translation		298
Other changes in shareholders' equity		-2,383
12/31/2011	**30,678**	**541,637**

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	**Shareholders' equity**
-156,836	**287,084**	**3,554**	**-66**	**3,488**	**290,572**
	57,753	160		160	57,913
	-8,000	-1,045		-1,045	-9,045
15,940	15,878	-3	201	198	16,076
-10,005	-19,403	-641		-641	-20,044
-150,901	**333,312**	**2,025**	**135**	**2,160**	**335,472**
	100,187	**1,531**		**1,531**	**101,718**
	-10,000	-1,205		-1,205	-11,205
3,468	3,766	-1	-134	-135	3,631
362	-2,021	-562		-562	-2,583
-147,071	**425,244**	**1,788**	**1**	**1,789**	**427,033**

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 2011 fiscal year have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB).

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 53 domestic and 83 foreign companies in which L. Possehl can directly or indirectly exercise a controlling influence on financial and business policy. The option of not including certain subsidiaries per Section 296 (2) HGB was chosen for nine 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.

Changes to the Group of Consolidated Companies

The significant changes in the group of consolidated companies include:

- Mickan Generalbaugesellschaft Amberg mbH & Co. KG, complete with its general partner, which was purchased during the reporting year, was initially consolidated May 1, 2011, and belongs to the Special-purpose Construction division.
- The companies founded in the International Trading division respectively on January 1 and April 1, 2011, Possehl Erzkontor do Brasil Importaco, Exportaco e Assessoria Technica Commercial Ltda., Possehl Erzkontor Argentina S.A. and EZ Shipping Co., Inc. were consolidated for the first time.
- In the SME Investments division, a total of six new companies were consolidated during the reporting year:
  - DMA Maschinen und Anlagenbau GmbH & Co. KG and its general partner – from January 1, 2011
  - LOGOPAK Systeme GmbH + Co. KG and its general partner as well as LOGOPAK Vertriebsgesellschaft West mbH and LOGOPAK Vertriebsgesellschaft Süd mbH – from July 01, 2011
- As a result of mergers regarding other associated companies, the number of companies in the group of consolidated companies was reduced by seven, while both sales and deconsolidation due to minor importance led to the reduction of one company each.

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 26 associated companies. 16 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	2011	2010	2011	2010
USA	USD	0.77286	0.74839	0.71846	0.75374
Great Britain	GBP	1.19717	1.16178	1.15218	1.16511
China	RMB	0.12257	0.11335	0.11115	0.11136
Hong Kong	HKD	0.09949	0.09629	0.09229	0.09703
Malaysia	MYR	0.24358	0.24420	0.23500	0.23401
Singapore	SGD	0.59457	0.58357	0.57173	0.55290

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 remaining difference from the initial application of the German Accounting Law Reform Act (BilMoG) was fully recognized in the fiscal year. The measurement of pension provisions is determined according to 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:

	12/31/2011	12/31/2010
Actuarial interest rate	5.13 %	5.17 %
Salary growth	2.50 %	2.50 %
Pension growth	1.75 %	1.75 %
Increase in assessment basis	2.00 %	2.00 %

Liabilities are carried at their fulfillment amount.

Current **receivables and liabilities in foreign currencies** are translated at the rate applicable as of the balance sheet date. Noncurrent receivables 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	12/31/2011	12/31/2010
1. Purchased concessions, trademarks, and similar rights and assets as well as licenses to such rights and assets	7,841	8,335
2. Goodwill	20,147	600
3. Advance payments made	99	1
	28,087	**8,936**

In addition to amounts recognized as goodwill by individual subsidiaries, goodwill resulting from consolidation of equity is also recognized. The main portion is attributed to the initial inclusion of Mickan Generalbaugesellschaft Amberg mbH & Co. KG in the consolidated financial statements. The useful life for amortization purposes amounts to five years.

The assets include extraordinary write-offs amounting to € 13,000 (previous year: € 0).

2. Property, Plant, and Equipment

in € '000	12/31/2011	12/31/2010
1. Land, equivalent titles, and buildings including buildings on third-party land	90,958	82,373
2. Technical plant and machinery	60,232	59,336
3. Other plant, operating, and office equipment	57,048	40,801
4. Advance payments made and plant under construction	4,752	3,555
	212,990	**186,065**

Impairments of € 472,000 (previous year: € 123,000) were made on property, plant, and equipment.

3. Financial Assets

in € '000	12/31/2011	12/31/2010
1. Shares in affiliated companies	106	3,402
2. Loans to affiliated companies	3,108	3,025
3. Equity investments in associated companies	17,214	17,703
4. Other equity investments	1,301	667
5. Loans to companies in which equity is held	5,770	4,617
6. Securities held as noncurrent assets	2,167	11,420
7. Other loans	1,136	1,270
	30,802	**42,104**

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 make use of the exemption provided by Section 264 (3) HGB this fiscal 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 make use of the exemption provided by Section 264b HGB this fiscal 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
- Mickan Generalbaugesellschaft Amberg mbH & Co. KG, Amberg
- DMA Maschinen und Anlagenbau GmbH & Co. KG, Höxter
- LOGOPAK Systeme GmbH & Co. KG, Hartenholm

Current Assets

4. Inventories

in € '000	12/31/2011	12/31/2010
1. Raw materials, consumables, and supplies	94,607	82,713
2. Work in progress	183,303	92,932
3. Finished goods and merchandise	180,011	146,982
4. Advance payments made	11,419	5,395
5. Advance payments received on orders	-168,789	-95,862
	300,551	**232,160**

As of December 31, 2011, inventories in the amount of € 14,581,00 resulted from the initial consolidation of certain companies.

5. Receivables and Other Assets

in € '000	12/31/2011	12/31/2010
1. Trade receivables	**299,524**	**252,887**
of which with a remaining term of more than 1 year	1,898	2,817
2. Other receivables and other assets		
Receivables from affiliated companies	274	421
Receivables from companies in which equity is held	4,576	2,323
Other assets	39,019	32,238
of which with a remaining term of more than 1 year	4,052	3,650
	43,869	**34,982**

Receivables and other assets include individual write-downs of € 19,674,000 (previous year: € 20,192,000) and a general write-down of € 4,337,000 (previous year: € 3,683,000).

As of December 31, 2011, trade receivables in the amount of € 16,638,000 resulted from the initial consolidation of acquired companies.

6. Cash and Cash Equivalents

in € '000	12/31/2011	12/31/2010
Bank balances	201,344	181,638
Cash in hand and checks	426	455
	201,770	**182,093**

7. Deferred Tax Assets

As of December 31, 2011 deferred taxes were net positive, breaking down as follows:

in € '000	12/31/2011	12/31/2010
Deferred tax assets	29,170	24,987
Deferred tax liabilities	-6,668	-7,297
Net balance	**22,502**	**17,690**

Of the net amount shown as of the reporting date, € 1,338,000 (previous year: € 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 & Co. mbH, 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 01, 2011	31,296
Additions	1,982
Disposals	-412
Reversals	-6,858
December 31, 2011	**26,008**

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	12/31/2011
Fulfillment amount of pension obligations	117,990
Time value of plan/funding assets	-19,808
Net balance	**98,182**

The cost of plan and funding assets is € 18,601,000 (previous year: € 18,778,000). Income of € 654,000 (previous year: € 2,314,000) and expenses of € 65,000 (previous year: € 42,000) were offset in the income statement.

11. Other Provisions

in € '000	12/31/2011	12/31/2010
1. Provisions for taxes	28,715	12,810
2. Other provisions	135,632	110,513
	164,347	**123,323**

Other provisions increased by € 8,100,000 due to the change in the group of consolidated companies.

The overfunded amount of € 42,000 (previous year: € 27,000) is not being written back, with reference to Section 67 (1) sentence 4 EGHGB (German Commercial Code Implementation Act). Funding assets of € 738,000 (previous year: € 639,000) have been deducted from the fulfillment amounts for partial retirement obligations. The cost of funding assets is € 730,000 (previous year: € 632,000). Income of € 220,000 (previous year: € 7,000) and expenses of € 110,000 (previous year: € 0) were also offset.

12. Liabilities

in € '000	Up to 1 year	1 to 5 years	Over 5 years	12/31/2011 Total
1. Bank loans	**126,603**	**44,174**	**3,349**	**174,126**
(Previous year)	(77,913)	(72,833)	(2,364)	(153,110)
2. Trade payables	**108,878**	**1,085**	**0**	**109,963**
(Previous year)	(93,377)	(95)	(0)	(93,472)
3. Other liabilities				
Liabilities from bills drawn	254	0	0	254
(Previous year)	(126)	(0)	(0)	(126)
Liabilities to companies in which equity is held	1,444	0	0	1,444
(Previous year)	(2,509)	(0)	(0)	(2,509)
Other liabilities	134,740	4,334	0	139,074
(Previous year)	(122,067)	(3,740)	(651)	(126,458)
Liabilities	**136,438**	**4,334**	**0**	**140,772**
(Previous year)	(124,702)	(3,740)	(651)	(129,093)

Liabilities of € 26,877,000 (previous year: € 13,129,000) are secured by liens and similar rights.

As of December 31, 2011, trade payables in the amount of € 7,956,000 derived from the initial consolidation of certain companies.

Other liabilities include:

in € '000	12/31/2011	12/31/2010
Taxes	41,383	18,310
Social security	4,677	3,915
Shareholders (of which Possehl-Stiftung € 58,739,000; previous year: € 65,070,000)	60,189	67,494
Other	32,825	36,739
	139,074	**126,458**

As of December 31, 2011, other liabilities included € 4,412,000 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	2011	2010
Special-purpose Construction	294,489	144,815
Document Management Systems	116,831	0
Precious Metals Processing	678,409	442,866
Elastomer Plants	304,603	235,697
Electronics	253,033	194,312
International Trading	288,361	230,055
Cleaning Machines	415,007	377,539
Textile Finishing Systems	44,992	47,113
SME Investments	96,793	45,045
	2,492,518	**1,717,442**

in € '000	2011	2010
Germany	1,391,737	864,615
European Union	525,205	412,378
Other Europe	58,137	47,514
Asia	279,424	228,801
America	193,561	126,571
Other regions	44,454	37,563
	2,492,518	**1,717,442**

This item includes net sales of € 293,878,000 from companies consolidated for the first time in 2011 and from the BÖWE 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	2011	2010
Changes in finished goods and work in progress	-10,923	-6,745
Other capitalized own work	1,815	1,467
	-9,108	**-5,278**

15. Other Operating Income

The reported amount includes € 24,868,000 (previous year: € 13,051,000) from previous years, consisting chiefly of reversed provisions, impairments, and disposals of noncurrent assets. This position also includes income of € 4,848,000 (previous year: € 2,967,000) from currency translation.

16. Cost of Materials

in € '000	2011	2010
Expenses for raw materials, consumables, supplies, and for purchased goods	1,587,418	1,126,998
Expenses for purchased services	117,541	48,711
	1,704,959	**1,175,709**

Changes in the group of consolidated companies resulted in expenses of € 104,149,000 in the year under review.

17. Personnel Expenses

in € '000	2011	2010
Wages and salaries	341,290	238,467
Social security contributions	67,559	45,289
Pension payments	6,597	2,370
	415,446	**286,126**

Personnel expenses of € 84,314,000 were attributable to changes in the group of consolidated companies.

The average number of employees by group was as follows:

	2011	2010
Manual workers	4,567	3,997
Salaried employees	4,434	3,283
Apprentices	309	252
	9,310	**7,532**

18. Other Operating Expenses

Of the amount reported, € 329,000 (previous year: € 118,000) 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 € 4,452,000 (previous year: € 3,200,000). Expenses amounting to € 33,241,000 can be attributed to changes to the group of consolidated companies.

19. Net Investment Income/Expense

in € '000	2011	2010
Earnings from affiliated companies	7	184
Earnings from equity investments in associates	6,141	10,220
Earnings from other equity investments	65	1
Earnings from securities (dividend income)	583	308
Expenses from equity investments in associates	0	-148
	6,796	**10,565**

20. Net Interest Income/Expense

in € '000	2011	2010
Interest income on loans and securities held as financial assets	239	145
of which from associated companies	128	119
Other interest and similar income	4,020	3,908
Interest paid and similar expenses	-21,071	-20,356
	-16,812	**-16,303**

The net interest income/expense includes € 5,823,000 (previous year: € 6,151,000) in interest deriving from the change in pension provisions and other noncurrent provisions.

21. Other Financial Result

in € '000	2011	2010
Income from disposal of associates	0	223
Income from disposal of securities	20,598	19
Expenses from disposal of associated companies	-819	0
Expenses from disposal of securities	0	-5
Write-downs on financial assets	-46	0
	19,733	**237**

22. Extraordinary Expenses/Result

The figure concerns differences allocated to pension provisions as per Section 67 (7) EGHGB which were fully recognized in the fiscal year.

23. Income Taxes

In addition to current taxes, the reported figure includes € 2,047,000 in back payments for previous years. Deferred tax expenses of € 129,000 (previous year: deferred tax income of € 190,000) is also included.

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	12/31/2011	12/31/2010
Acceptance liability for drafts	0	641
Financial guarantees	3,883	1,610
Guarantees/warranties	5,794	6,247
Collateral for third-party liabilities	403	1,405
	10,080	**9,903**

The risk of a claim on the above liabilities is viewed as unlikely, as no claims have been asserted in previous similar cases.

Guarantee liabilities to affiliated companies in the amount of € 939,000 are outstanding.

Other Financial Obligations

in € '000	12/31/2011	12/31/2010
Rental/leasing and other contractual obligations (nominal value)	124,369	121,943
of which to affiliated companies	9,872	10,532
with term structures		
up to 1 year	30,111	24,673
1–5 years	51,906	50,214
over 5 years	42,352	47,056
Purchase commitments for capital expenditures	3,534	3,792
with term structures		
up to 1 year	3,387	3,628
1–5 years	147	164
	127,903	**125,735**

Derivative Financial Instruments

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

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 interest rate options and interest rate caps have terms until 2015, while the interest rate swaps have terms until 2016. The currency swaps are current.

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

in € '000	Nominal amount 12/31/2011	Market value 12/31/2011
Forward currency contracts	69,450	965
Interest rate options/caps	26,364	-196
Interest rate and currency swaps	91,327	-567

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.

Valuation Units

Valuation units were arranged (micro and portfolio hedges) pursuant to Section 254 HGB with derivative financial instruments that serve to hedge currency and interest rate risks. Expected and previously agreed payments in foreign currencies, mainly US dollars, from sales and purchase contracts amounting to € 40,564,000 were hedged up to 100 % with the forward currency contracts with matching terms. Variable interest rate loan liabilities amounting to € 33,864,000 were 100 % hedged with interest rate swaps, options, and caps of matching terms.

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	748
Other certification services	12
Tax advisory services	65
Other services	41
Total fee	**866**

Total Remuneration of the Executive Board and Supervisory Board

L. Possehl & Co. mbH declines to disclose the total remuneration of the Executive Board in accor-dance with Section 314 (1) (6) in connection with Section 286 (4) HGB. The total remuneration of members of the Supervisory Board amounted to € 137,000 (previous year: € 140,000).

Former members of the Executive Board and their surviving dependents received € 832,000 (previous year: € 819,000). Obligations from current pensions and pension entitlements are covered by provisions of € 7,894,000 (previous year: € 7,649,000).

Proposal on Appropriation of Profit of the Proprietary Company

		2011
Net profit for 2011	€	38,332,792.98
Profit carried forward from the previous year	€	4,251,309.62
Balance sheet profit	€	**42,584,102.60**

The Executive Board proposes appropriating the balance sheet profit of € 42,584,102.60 as follows: an amount of € 16,000,000.00 to be distributed to the sole shareholder, Possehl-Stiftung, an amount of € 22,820,635.00 to be transferred to other retained earnings, and the remainder of € 3,763,467.60 to be carried forward.

Lübeck, Germany, March 29, 2012

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

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, 2011 to December 31, 2011. 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 29, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

Dyckerhoff	Herbers
Auditor	Auditor

* Translation of German Auditors' Report

Letter from the Supervisory Board

Dr Lutz Peters
Chairman of the Supervisory Board

Ladies and Gentlemen,

The Possehl Group closed the 2011 fiscal year with record figures in sales and earnings. Sound acquisitions from the past years contributed to this success in addition to the continuous, focused development of our existing divisions.

The Supervisory Board diligently fulfilled the duties incumbent upon it according to the law, articles of incorporation, and rules of procedure in the 2011 fiscal year. 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 comprehensively reported to us in four regular meetings and one special meeting, both in writing as well as orally, on corporate planning, business performance, strategic developments, and important investment decisions as well as the current condition of the Company and its subsidiaries. The Executive Board coordinated the Group's strategic planning with us and explained key situations where business performance deviated from projections. 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.

The Chairman of the Supervisory Board remained in regular contact with the Executive Board on the crucial developments regarding the Company and the Group as well as on upcoming decisions.

The Separate and Consolidated Financial Statements

BDO AG Wirtschaftsprüfungsgesellschaft 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, 2011, 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 statements meeting on April 27, 2012. The auditor reported on the main findings of the audit and provided the members of the Supervisory Board with detailed explanations on the audit reports.

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, 2011. The Supervisory Board agrees to the Executive Board's proposal to use the balance sheet profit to pay a dividend of € 16,000,000.00 to Possehl-Stiftung.

The Supervisory Board thanks all the employees of the Possehl Group as well as the management for their hard work and dedication, which was decisive in helping the Group have its most successful year in its 164-year history.

For the Supervisory Board

Dr Lutz Peters
Chairman of the Supervisory Board
Lübeck, Germany, April 2012

OVERVIEW OF PARTICIPATION as of December 31, 2011

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
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 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
Mickan Generalbaugesellschaft Amberg mbH & Co. KG	Amberg, Germany	100.00
Mickan Generalbaugesellschaft Amberg Verwaltungs-mbH	Amberg, Germany	100.00
Document Management Systems		
BÖWE SYSTEC GmbH	Lübeck, Germany	100.00
BÖWE SYSTEC (Schweiz) AG	Volketswil, Switzerland	100.00
BÖWE 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
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

Name	Registered in	Share of capital (in %)
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.	Maidenhead, Great Britain	100.00
BÖWE SYSTEC (IR) Ltd.	Dublin, Ireland	100.00
BÖWE SYSTEC North-America Inc.	Wilmington, USA	100.00
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.	Beli e, 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
Electronics		
Possehl Electronics N.V.	’s-Hertogenbosch, The Netherlands	100.00
Possehl Electronics Deutschland GmbH	Niefern-Öschelbronn, 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	100.00
Dongguan Possehl Electronics Co. Ltd.	Dongguan, China	100.00
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

Name	Registered in	Share of capital (in %)
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 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
Possehl Erzkontor do Brasil Importaco, Exportaco e Assessoria Technica Comercial Ltda.	Campinas, Brazil	99.90
Possehl Erzkontor Argentina S.A.	Buenos Aires, Argentina	96.00
EZ Shipping Co., Inc.	Marshall Islands	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
Hako PlasTec 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 Espana 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

Name	Registered in	Share of capital (in %)
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
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
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
KWV GmbH	Bremen, Germany	100.00
Kleine Wolke AG	Berikon, Switzerland	100.00
DMA Maschinen und Anlagenbau GmbH & Co. KG	Höxter, Germany	80.00
DMA Maschinen und Anlagenbau Verwaltungs GmbH	Höxter, Germany	100.00
LOGOPAK Systeme GmbH & Co. KG	Hartenholm, Germany	100.00
LOGOPAK Systeme Verwaltungs GmbH	Hartenholm, Germany	100.00
LOGOPAK Vertriebsgesellschaft West mbH	Düsseldorf, Germany	50.00
LOGOPAK Vertriebsgesellschaft Süd mbH	Wimsheim, Germany	45.60
Investments		
Deutscher Eisenhandel AG	Lübeck, Germany	100.00

Name	Registered in	Share of capital (in %)
II. Non-Consolidated Group Companies		
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
Hako Group East Asia Ltd.	Bangkok/Thailand	74.00
GeoCrete B.V.	Schiedam, The Netherlands	100.00
IOOO Possehl Spezstroj	Minsk, Belarus	100.00
LOGOPAK International Ltd.	York, Great Britain	60.00
Aravio Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Braunschweig KG	Mainz, Germany	90.00
Aristo Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Halle KG	Mainz, Germany	95.65
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
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

Name	Registered in	Share of capital (in %)
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 Private 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
Indus UTH Engineering Pvt Ltd.	Bangalore, India	33.33
LOGOPAK East Sp. z o.o.	Warsaw, Poland	50.00
LOGOPAK S.A.	Wissous, France	34.00
LOGOPAK B.V.	Hoofddorp, The Netherlands	30.00
LOGOPAK Systems AB	Gothenburg, Sweden	25.00
LOGOPAK Corporation	Keene, USA	50.00
Hako Holding (Thailand) Ltd.	Bangkok / Thailand	49.00

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Notes

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For further information about the Company please refer to Possehl's Group Company Report or visit the website at www.possehl.de

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