ANNUAL REPORT 2015

THE BUSINESS
in figures

POSSEHL

The Entrepreneurs' Group

Possehl Annual Report 2015

L. Possehl & Co. mbH is a group of medium-sized industrial companies managed in Hanseatic tradition. In our more than 160 companies we employ more than 12,000 people worldwide, with over half of them based in Germany. Our companies preserve and maintain their unique identity and continue to develop independently within our Group. As a successful and diversely positioned Group with a history spanning across 168 years now, the Possehl name stands for entrepreneurship, tradition, and responsibility.

Contents

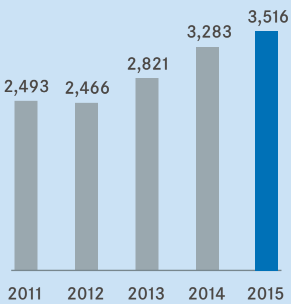
Possehl – At a glance

Key figures

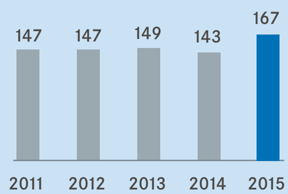
		2011	2012	2013	2014	2015
Earnings						
Sales	€ million	2,493	2,466	2,820	3,283	3,516
thereof sales from precious metal trading	€ million	651	619	915	1,232	1,311
Sales adjusted for the effects of sales from precious metal trading	€ million	1,842	1,847	1,904	2,051	2,205
Result from ordinary operations (EBIT) before one-off income	€ million	147	147	149	143	167
Result from ordinary operations (EBIT)	€ million	165	175	149	143	167
Earnings before taxes (EBT)	€ million	145	158	132	125	145
Consolidated net profit	€ million	102	123	94	86	89
Dividends declared	€ million	16	20	22	27	24
EBIT ratio in % *	%	8.0	7.9	7.8	7.0	7.6
Return on equity before taxes in %	%	33.5	28.5	23.0	20.1	20.7
Net assets						
Balance sheet total	€ million	1,146	1,155	1,197	1,305	1,382
Economic equity	€ million	433	554	573	623	700
Equity ratio in %	%	38.5	48.6	49.7	49.9	52.3
Working capital	€ million	490	457	449	502	488
Financial data						
Net financial assets	€ million	48	123	136	149	264
Cash flow from operating activities	€ million	68	68	154	124	223
Investment in property, plant, and equipment and intangible assets (excluding goodwill)	€ million	59	83	65	58	67
Depreciation of property, plant, and equipment and intangible assets (excluding goodwill)	€ million	39	44	54	50	53
Employees						
Employees (yearly average)		9,310	10,695	11,210	11,954	12,164
Germany		5,210	6,668	6,680	6,906	6,865
International		4,100	4,027	4,530	5,048	5,299
Personnel expenses	€ million	415	527	571	617	643

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

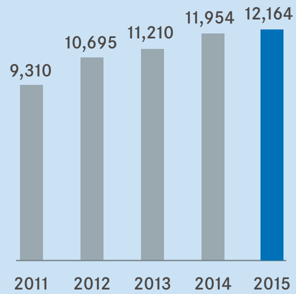
Net sales
in € million



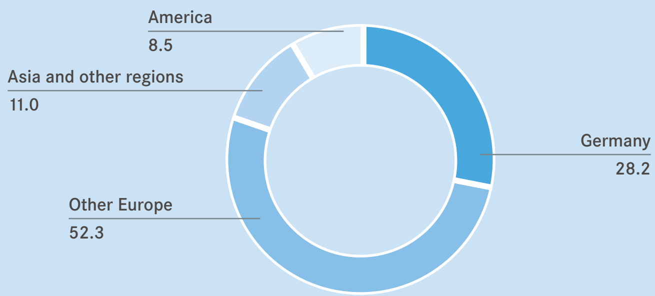
EBIT before one-off income
in € million



Employees
yearly average



Net sales in 2015 by region
in %



An overview of the 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

Document Management Systems

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

Printing Machines

- Web-fed offset newspaper printing
- Web-fed offset publication printing
- Digital printing (Print finishing modules)

Precious Metals Processing

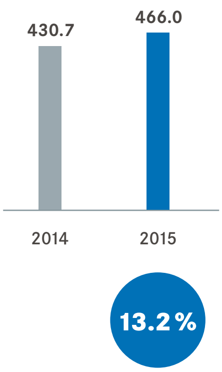
- Precious metals recycling
- Semi-finished precious metal products
- Chemical industry/electroplating
- Precious metals trading/investment products

Net sales in € million

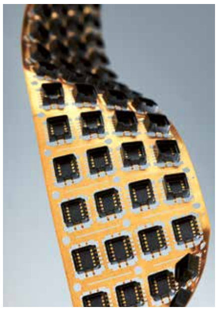
	Special Purpose Construction	Document Management Systems	Printing Machines	Precious Metals Processing
2014	294.5	114.3	256.3	1,320.7
2015	320.9	119.2	240.7	1,387.3
Share of Total Net Sales 2015	9.1 %	3.4 %	6.8 %	39.5 %

Elastomer Plants

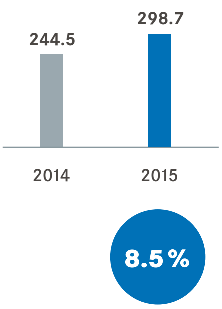
- Mixers and mixing room systems
- Tire-building machines
- Extrusion plants
- Heat presses
- Screw extrusion presses & refinery plants



Electronics

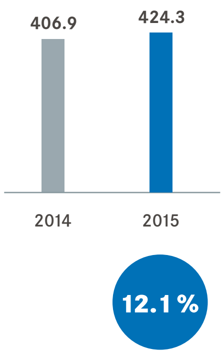


- Leadframes
- Smartcards and Lamframes
- Electromechanical components
- Connectors



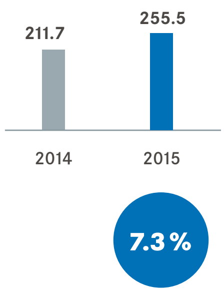
Cleaning Machines

- Commercial cleaning devices
- City cleaning vehicles
- Municipal vehicles



SME Investments

- Mechanical and plant engineering
- Specialized products
- Environmental protection



Management

Letter from the Executive Board

Dear Business Partners,
Dear Readers

The success of Possehl in 2015, which was beyond our expectations, was a result that we achieved as a Group.

Every individual success that we achieve each year contributes towards our collective success as a Group. Here in the holding company, this gives us the strength to assist those divisions in need of support in difficult times. The latter paid off in particular in 2015.

In the previous year, we told you about the challenging situation in the two divisions **Document Management Systems** and **Printing Machines.** Both Böwe Systec and manroland web systems have had to prevail in the face of intense competition for some years now, which is why shrinking markets and excess capacity ultimately made it necessary to make some very fundamental changes – in terms of structure, workforce, and also strategy. These changes already generated significant effects in 2015, faster than expected, with both divisions reporting successes after years of decline.

“On the whole, we can be very satisfied with the past fiscal year. Possehl is fundamentally in an economically robust position and can even prevail in what remain volatile markets.”

Uwe Lüders, Chairman
Diplom-Volkswirt (Master in Economics)
CEO since 2004.

Böwe Systec grew its sales year over year by 4%, an achievement that is made all the more impressive considering that the international market for personalized mailings continues to decline. The company also generated a mild increase in earnings once again. Due to the good order situation, we expect business to further improve in 2016. The successful market launch of an innovative enveloping machine, which enables different document formats to be processed in a single work step, made a particular contribution to the positive outlook for Böwe Systec.

manroland web systems also improved its performance figures remarkably in 2015. Though the market for newspaper printing machinery continues to weaken, the Company enjoyed a substantial boost in its performance – especially in the field of commercial presses – and posted an EBIT profit to sales ratio of nearly 3%, which is highly impressive for this industry. The good order situation here also gives cause to expect further growth in earnings in 2016. The reason for the positive outlook is that manroland web systems has been able to improve its competitive standing and thereby prevail in the struggle for additional market share once again.

Largely due to the recovery of the two divisions, the performance figures for our Group also improved, with our **Group net sales** rising 7% to € 3.5 billion, a new record. Adjusted for portfolio effects and price factors for precious metals, sales growth came in at more than 2%. Earnings before taxes stood at € 145 million, up 16% on the previous year's figure. Adjusted for precious metal sales, the EBIT profit to sales ratio also improved, coming in well above that of the previous year at 7.6%.

In addition to the aforementioned divisions, all other divisions in the last fiscal year generated good to very good results. Some of them even broke records.

The **Special-purpose Construction** division performed particularly well. This division is currently operating in a strong market environment and is in part benefiting from increased public investment in road maintenance. We have invested considerably in recent years in the construction division, from which we have now been able to profit. The division was joined by a new addition in 2015, Thiendorfer Fräsdienst GmbH & Co. KG, which specializes in road rehabilitation and repair. We believe that the outlook for the industry remains very good for the future, meaning that we expect our construction services to continue to grow, both organically and through acquisitions.

"We are particularly pleased about the turnarounds of Böwe Systec and manroland web systems. We have proven that focusing on long-term goals pays off. "

Dr Joachim Brenk
Diplom-Ingenieur (Master in Engineering)
Member of the Board since 2009.

The **Cleaning Machines** and **Elastomer Plants** divisions once again achieved very good results. Both Hako and Harburg-Freudenberger are ideally positioned for the future in their respective markets. The market for cleaning machines is a very attractive and stable market, and Hako has established itself as an international leader in this field with its quality products. The same applies to Harburg-Freudenberger with its extensive range of machinery, primarily for the tire industry. Both companies operate on the basis of efficient structures, making effective use of their international positioning.

In the **Precious Metals Processing** division, we had to follow the changes in the market, with excess capacity in the refineries causing processing prices to fall on multiple occasions. With process improvements, intelligent solutions, and an expansion of our machinery business, we were able to generate a good, stable result despite the challenging market conditions. At the beginning of the new year the business environment started to recover slightly due to the rises in precious metal prices.

The situation remains challenging in the **Electronics** division. This is a market that is very sensitive to pricing, and with our supplier products for automotive electronics, we are currently in a high-cost start-up phase. We adapted the acquisition of TPS Technical Plastic Systems for the automotive supplier segment to the market conditions and wasted no time in integrating it into our existing business. The very strong demand for smart-cards had an offsetting effect. Our business in leadframes for the semiconductor industry also performed better than in the previous year.

Our **SME Investments** division once again performed encouragingly, with repeated growth. We acquired the labeling systems and accessories business for industrial applications from US group Avery Dennison and have integrated it into this division under the name Novexx Solutions. The SME Investments division has generated remarkable sales of € 256 million. Since it was founded in 2009, this division has seen double-digit growth each year.

It is not just our Group's earnings position that has seen improvement; its **financial figures** are also better. The economic equity ratio increased by 2 percentage points to 52%. The same applies to the positive net cash position, which also grew considerably to € 264 million. As a result, Possehl has at its disposal impressive financial resources for additional buy-ups and sustained growth.

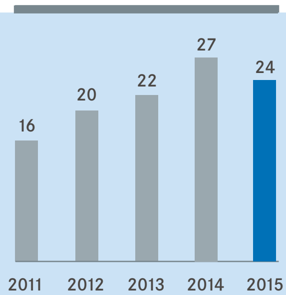
"Our SME Investments division has performed outstandingly, and will continue to become ever more important to our Group in future."

Mario Schreiber
Diplom-Betriebswirt
(Master in Business Administration)
At the Possehl Group since 2004,
Member of the Board since 2013.

On the whole, we can be very satisfied with the performance of the past fiscal year – both operationally and economically. Among other achievements, we were able to more than compensate for the negative effects arising from pensions and higher goodwill amortization with operational improvements.

As in past years, much of the revenue generated in this year will once again be donated to the sole shareholder, the charitable Possehl-Stiftung foundation. To this end, we propose the distribution of a **dividend** of € 24 million, which we intend to use to address the escalating need for support of social projects in the Hanseatic City of Lübeck.

Dividend performance
in € million



In 2016, we expect our companies to see overall stable performance, even if the economy is expected to see a further downturn. Our trademark cautious and conservative accounting policies mean that we will remain in a position to tackle risks that might unexpectedly arise from an international economy that is in slowdown. While Russia, China, and South America are witnessing a dramatic deterioration in their economies, there has so far been no significant knock-on effect on any Possehl company. But even Possehl as an internationally aligned business is unable to detach itself from the general shifts in the economy.

Regardless of the high price levels, we remain on the lookout for sustainably profitable companies that we can integrate into our Group. Even though we may not always pay the highest price, we can offer our companies something that is not possible in other circumstances – namely long-term perspectives in an economically healthy and diversified group of companies.

"The transaction market is currently in an overheated state. We have time and can wait until we believe that prices are reasonable again."

Dr Henning von Klitzing
Diplom-Volkswirt (Master in Economics), Lawyer
At the Possehl Group since 2006,
Member of the Board since 2013.

We at Possehl are a company that plans and works for the long term, a philosophy that we also put into practice when cooperating with others. On this note, we thank you, our corporate partners, for your excellent partnership in this past year. We thank you, our employees at Possehl, for your considerable commitment, with which you once again contributed decisively to our business success. We look forward to being able to count on you once again in 2016 to overcome new challenges together.

Yours truly,

Uwe Lüders

Dr Joachim Brenk

Dr Henning von Klitzing

Mario Schreiber

SUPERVISORY BOARD

Dr Ernst F. Schröder
Chairman
Businessman

Peter Hlawaty
Vice Chairman
Managing Director and first authorized representative of IG Metall Rostock-Schwerin

Renate Menken
(until December 31, 2015)
Additional Vice Chairwoman
Chairwoman of the Possehl Foundation's Management Board

Hanno Brüggen
Personally liable shareholder of H. & J. Brüggen KG

Claus Bunk
Head of plant assembly of Böwe Systec GmbH
Chairman of the Full Works Council of Böwe Systec GmbH
Chairman of the Group Works Council of L. Possehl & Co. mbH

Dr Gregor Enke
Head of Automation of manroland web systems GmbH

Dirk Kohrs
Chairman of the Works Council of Hako GmbH, Bad Oldesloe plant
Member of the Group Works Council of L. Possehl & Co. mbH
Vice Chairman of the Supervisory Board of Hako GmbH

Dr Werner Redeker
Supervisory Board Chairman of Körber AG

Martin Salzmann
(until December 31, 2015)
Personally liable shareholder of Pressegroßvertrieb Franz Maurer Nachf. GmbH & Co. KG

Max Schön
(since January 1, 2016)
Entrepreneur
Chairman of the Possehl Foundation's Management Board

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

Peter Seeger
Managing Director of IG Metall Kiel-Neumünster

Angelika Strait-Binder
(since January 1, 2016)
Personally liable shareholder of J.G. Niederegger GmbH & Co. KG

Anton Zehentner
Chairman of the Works Council of Heimerle + Meule GmbH
Fleet Manager and Team Leader Logistics/Shipping of Heimerle + Meule GmbH
Member of the Group Works Council of L. Possehl & Co. mbH

Letter from the Supervisory Board

LADIES AND GENTLEMEN,

2015 was a very successful fiscal year for the Possehl Group. Not only did manroland web systems and Böwe Systec, two companies that were particularly affected by the structural shift, achieve the turnaround in just a short time, but all of the other divisions also managed to repeat the good business performance of the previous year or even exceed it in some cases. With a consolidated net operating profit before taxes of € 144.8 million, the highest operative result in the Company's history to date has been achieved.

While continuously advising and monitoring the Company's Executive Board, the Supervisory Board diligently fulfilled the duties incumbent upon it according to the law, articles of incorporation, and rules of procedure in the 2015 fiscal year. At four regular meetings, the Executive Board informed the Supervisory Board about key acquisition projects, the business performance, and future opportunities of the Group's individual divisions as well as on the overall situation of the Group. All fundamental questions on Group policy were intensively discussed with the Executive Board at these meetings. This especially included the Group's strategic development and risk situation as well as corporate planning and substantial investment decisions. Business transactions that require Supervisory Board approval according to the law or articles of incorporation were also reviewed and discussed at length. The Supervisory Board approved the Executive Board's proposed resolutions after detailed examination and consultation.

Beyond the scheduled meetings, the Chairman of the Supervisory Board also remained in close contact with the Executive Board. He was promptly and comprehensively informed about significant business transactions and current events that were necessary for evaluating the Group's situation and development and supervised the Executive Board in its entrepreneurial decisions, particularly those pertaining to Company transactions.

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

The annual and consolidated financial statements

BDO AG Wirtschaftsprüfungsgesellschaft audited the annual 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, 2015, according to the rules of the German Commercial Code (Handelsgesetzbuch), and issued them with an unqualified audit opinion. 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 15, 2016. The auditor reported on the main findings of the audit, including an update on the investigation on IT security in the Possehl Group, which was authorized by the Supervisory Board, and provided the members of the Supervisory Board with detailed explanations on the audit reports. He was also available to take questions during the meeting.
The Supervisory Board concurs with the results of the audits. Based on the final outcome of the Supervisory Board's own examination, no objections are raised. The Supervisory Board approved the annual financial statements of L. Possehl & Co. mbH as of December 31, 2015, and recommends that the shareholder adopt them. Furthermore, the Supervisory Board recommends that the shareholder approves the consolidated financial statements of L. Possehl & Co. mbH as of December 31, 2015.

The Supervisory Board evaluated and approved the Executive Board's proposal on the appropriation of profit.

Personnel changes on the Supervisory Board
Ms. Renate Menken and Mr. Martin Salzmann resigned from the Supervisory Board as shareholder representatives as of December 31, 2015, for age-related reasons. The Supervisory Board offers Ms. Menken and Mr. Salzmann its sincerest thanks for their many years of outstanding commitment for the benefit of the Company. Based on a shareholder resolution dated December 21, 2015, and with effect from December 31, 2015, Ms. Angelika Strait-Binder and Mr. Max Schön have been appointed as their successors on the Supervisory Board.

The Supervisory Board thanks all employees of the Possehl Group companies as well as the management for their personal contribution to a successful 2015 fiscal year.

Lübeck, Germany, April 2016

On behalf of the Supervisory Board

Dr Ernst F. Schröder
Chairman of the Supervisory Board

Group Management Report

INFORMATION GRAPHICS

Key facts about the Group

Possehl has a long tradition and looks back on a 168-year company history. We are 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. In addition, at our Company we value a steady cash flow and the ability to pay a high dividend. Over the past years, Possehl has grown steadily and has completed the transformation into a production company with a focus on mechanical engineering, although we continue to identify as a multi-industry company with a consciously broadly diversified investment portfolio.

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. All of the companies share a common identity as part of the Possehl Group and common values. The most important tasks for the parent company L. Possehl & Co. mbH as a holding company are corporate strategy and portfolio management (including mergers and acquisitions), risk and opportunity management, the development of current and future managers, the Group's central financing, and Group accounting and controlling. The holding company currently has 23 employees, four of whom are board members who are also operationally active. We do not establish centralized administrative or service departments.

Key Financial Figures

in € million	2015	2014	Change in %
Net sales	3,516	3,283	7.1
Adjusted net sales*	2,205	2,050	7.6
Result from ordinary operations (EBIT)	167	143	16.8
Net financial assets	264	149	77.2
Economic equity	700	623	12.4
Equity ratio (in %)	52.3	49.9	4.8

*Group net sales minus precious metal trading effects

The Group's investment portfolio has not materially changed compared to the previous year. The Group comprises eight operating divisions with the following 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 publication printing • Digital printing (Print finishing modules)	• Newspaper and magazine publishers • Printing industry
PRECIOUS METALS PROCESSING	• Precious metals recycling • Semi-finished precious metal products • Chemical industry / electroplating • Precious metals trading / investment products	• Jewelry industry • Electronics industry • Dental laboratories • End-consumers

DIVISION	SEGMENT / PRODUCTS	CUSTOMER GROUP
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 • LED manufacturers • Smart card producers
CLEANING MACHINES	• Commercial cleaning devices • City cleaning vehicles • Municipal vehicles	• Professional cleaning companies • Trading companies • Public services • General industry
SME INVESTMENTS	• Mechanical and plant engineering • Special consumable products • Environmental protection	• Food industry • General industry • Municipal authorities • End-consumers

With its subsidiaries and holdings, Possehl operates in more than 30 countries. A total of 162 associated companies (previous year: 159) belong to the Possehl Group, of which 16 are not consolidated due to their minor importance to the Group. Another 3 (previous year: 4) are accounted for using the equity method. A detailed summary of the companies and their locations is provided in the shareholdings list.

The following changes to the portfolio took place in the reporting year:

- Possehl Mittelstandsbeteiligungen GmbH has acquired the worldwide "Industrial Print and Apply" business from the publicly listed US-based Avery Dennison Corporation by way of an asset deal. Since the acquisition, it has been operating under the name Novexx Solutions and is based in Eching near Munich. With Logopak, this division has been operating in the field of the development and manufacture of labeling systems for years, making this acquisition an ideal addition to the existing business.

- With the acquisition of Thiendorfer Fräsdienst GmbH & Co. KG and P+S Pflaster- und Straßenbau GmbH at the end of the reporting period, we have further expanded our Special-purpose

Construction division, both geographically and in terms of products. Both companies will be fully consolidated as of next year.

- Moreover, in the reporting year we were able to acquire the remaining shares in Possehl Kehrmann GmbH, which operates in the field of industrial waste treatment, reclamation, and recycling. The company is fully included in the consolidated financial statements for the full 2015 fiscal year.

Our investment portfolio is geared toward profitability, dividend consistency, 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 reflects the long-term orientation of our sole shareholder, the charitable foundation Possehl-Stiftung.

The independence of the Possehl Group plays a central role in our decision-making. This is especially true of company acquisitions, which we regularly perform without the use of external financing. We also avoid unnecessary risks and high levels of goodwill with our acquisition strategy. In accordance with our fundamentally cautious approach, we amortize goodwill resulting from company acquisitions over as short a period as possible.

The Possehl Group is currently on a long-term growth path that we have consistently followed and successfully implemented in recent years. In this regard, the average rate of sales growth over the past five years was more than 7%. We intend to continue to follow this growth path in the future 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. We do not see growth as a means to its own end, but rather consider sustainable and profitable growth as a prerequisite for independence and stability.

The Possehl group of companies is predominantly managed based on the key figures for financial performance and liquidity. In doing so, we place great value on transparency, clear accountability regarding income and expenses, clear boundaries between the divisions, and bottom-line accountability for every individual company. Therefore, in order to assess and manage profitability, we use earnings before taxes (EBT) as our key metric.

In order to manage the growth both of the Group and the individual divisions, we use net sales adjusted for precious metals trading sales and portfolio effects as the metric.

A solid capital structure supports the sustainable development of net sales and earnings. We use the economic equity ratio (equity + liability differences from capital consolidation - goodwill) as well as the development of net liquidity or net debt as the key metrics to manage the capital structure. We do not recognize the settlement account with the Possehl-Stiftung foundation as a shareholder as part of equity.

Due to the broadly diversified divisions and activities in the Group, we work not only with generally accepted metrics but also with division-specific metrics. For example, for our mechanical engineering and construction activities, we pay close attention to incoming orders and order backlog. We recognize incoming orders only when the underlying contract is legally valid and binding. The order backlog represents an indicator for future net sales from already recognized orders. In evaluating the order backlog, we take into account the respective percentage of completion. Wherever possible, we compare the earnings position and the market shares of our subsidiaries to the respective relevant competitors.

In addition to indicators used to evaluate the financial performance of business, nonfinancial metrics also play a key role in Possehl's success. From a Group perspective, the Company's research and development efforts and its attractiveness to highly qualified employees as well as its ability to retain them within the Company are also of key importance.

For all our divisions and companies, it holds true that Possehl takes a very long-term perspective, focusing on possible future developments, and acts to preserve the identity of its companies. We consider ourselves to be entrepreneurs, and in contrast to many private equity companies, we do not pursue an exit strategy aimed at a later sale.

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 regularly 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 development focuses of the individual divisions are described below.

The Special-purpose Construction division focused during the reporting year on the refinement of processes for the sustainable repair of road surface seals and cracks. An application was also developed for the quick-drying concrete that ensures quality on construction sites, even when night shift operations are in effect. In the area of monument restoration, a concept aimed at making previously unusable attics accessible in existing multi-floor residential buildings was developed further. Otherwise, particularly in the product area of construction chemicals, the existing products were further refined and optimized in their respective applications.

The focus of development activities in the Document Management Systems division was on the further development of several different types of equipment, which should help fill gaps in its product portfolio. Further components were developed for the completely newly developed enveloping system FUSION Cross, therefore further expanding the spectrum of application areas. In addition, the functionality of the system was optimized in cooperation with our customers. All hardware developments are accompanied by corresponding software solutions, whereby a comprehensive refocus is being applied here to expand the potential for tailoring software to individual customer needs. Software activities in this segment cover both inserting and sorting.

In the Printing Machines division, a focus of development activities was on the automation of the work flow as well as the reduction of life cycle costs. In the newspaper portfolio, particular attention was paid to closing gaps in the product range in order to set the stage for expanding market share. In the service segment, we further reinforced our commitment to developing and testing innovative service and press update products. Elements from digital printing are increasingly being integrated into the solutions here in order to enable further customization for print products and open new fields of business for our customers. The digital folding systems have been further developed in such a way that they can be adapted for use with other digital printing solutions or offline as stand-alone systems.

In the Precious Metals Processing division, the rationalization and automation of production processes constituted one of the focus points of development activities. In Sempsa, Spain, for instance, the manufacturing process of blanks was optimized by investing in the expansion of the production line. At Heimerle + Meule in Pforzheim, the production technologies for the production of standard and special-purpose gold and platinum bars were further developed. In addition, our e-commerce activities with online shops for bars and coins were expanded from the development center in Birmingham to other sites and companies of the division. Another focus of the development activity – together with a cooperation partner – was on the development of a direct metal laser sintering process (DMLS) for precious metals. In conjunction with this, two precious metal alloys in powder form were developed for this production process.

In the Elastomer Processing division, new modular product portfolios were developed in the product areas of heat presses, extrusion, and tire-building machines. Basic machines and equipment can now be configured and expanded with various standardized options as needed by each customer, enabling all machine modules to be shipped worldwide in standard containers, allowing for savings in transport costs. The focus of the development efforts of the HF Mixing Group has been on a successfully developed simulation tool that abstracts all control processes within a mixing room. This enables the control software to extensively check for any logical errors prior to delivery, allowing operation times to be significantly reduced.

The research and development work at Possehl Electronics centers 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 surface. This has a corresponding effect on the products we have to develop. Beyond this, we are intensively involved in the development of environmentally friendly production processes. In the Automotive product area, we have continued to work on enhancing the "pret-Pin" range of Press-Fit products, which is now a protected trademark. This contact system enables the solderless connection of electronic circuit boards by means of a purely mechanical push-in socket mechanism. This very economical connecting solution is regarded as one of the key technologies for mechatronic components in the automotive industry. As the market leader in the punching of laminated leadframes for smartcard applications, an additive technology was tested for the first time to enable solutions to be offered for more flexible, smaller-sized mechatronic components and for chip packaging. The goal is to reduce production costs using this technology and open up new markets with product designs of greater complexity.

In the Cleaning Machines division, additional rationalization and process optimization steps were successfully performed. In addition, numerous new developments were realized in all product areas and introduced at the leading international trade fair CMS in Berlin. In order to account for the growing market for small ride-on machines, the Small Rider platform was implemented as a modular platform. The product program was expanded in the reporting year to accommodate other variants. Along with adding functions, it was also possible to reduce the production costs. In the external cleaning segment, the developmental focus was on the serial production phase for the new Citymaster 1600, which was introduced at the IFAT trade fair in Munich in the previous year. The official launch for serial production of the vehicle was in January 2015. It has a great deal of functionality and many patented innovations, notably the quick-change ability for the rear section and for the front accessory equipment as well as an intuitive operating concept. In the "Multicar" product area, one developmental focus was compliance with the Euro 6 standards, for which it is necessary to install a completely new motor in the existing vehicle pallet.

In the SME segment, we have concentrated on optimizing production flows and working capital at our mechanical engineering companies. The potential improvements will be implemented gradually in the coming years.

Economic report

OVERVIEW OF THE ECONOMIC SITUATION OF THE GROUP

In a complex and challenging overall economic environment, the Possehl Group performed successfully in the past year. The Printing Machines (manroland web systems) and Document Management Systems (Böwe Systec) divisions particularly affected by the structural transitions were especially notable in achieving their turnaround in the reporting year.

With Group net sales of € 3.52 billion, we once again topped the record sales of the past year by more than 7%, although the strong growth of the previous year of over 16% was not achieved. This, however, was largely driven by company acquisitions. Strong growth was once again achieved in Precious Metals Processing, in which the euro-denominated precious metals prices were higher on average over the year. Growth in operations was generated in the divisions Elastomer Plants and Cleaning Machines, while the rise in sales in Electronics, Special-purpose Construction and the SME segment came about through acquisitions. Both in the Printing Machines segment and in Document Management Systems, the decline in sales in recent years was encouragingly slowed significantly or even stopped entirely. In addition to stabilizing their respective markets, both divisions managed to increase their market share.

Consistently with the growth in sales and a significant improvement in earnings, especially at Böwe Systec and manroland web systems, consolidated earnings before taxes rose from € 124.7 million in the previous year to € 144.8 million in the reporting year. The fact that these consolidated earnings did not see even stronger growth due to the improvements in operations was attributable in part to higher goodwill amortization as a result of the acquisitions of recent years as well as to significantly higher interest expense for the provisions for pensions. These two effects additionally reduced the earnings in the reporting year compared to the previous year by around € 11 million. The EBITA (earnings before interest, taxes and goodwill amortization) saw even more significant improvement of 19% to € 188 million.

It is not just the earnings position that has seen improvement; the net assets and financial positions are also significantly better. Net financial receivables grew in particular due to a strong operating cash flow and higher advance payments received by € 114.9 million to € 264.0 million. The economic equity ratio increased by 2.4 percentage points to 52.3%.

ECONOMIC AND INDUSTRY-RELATED CONDITIONS

Global economy held back by emerging markets

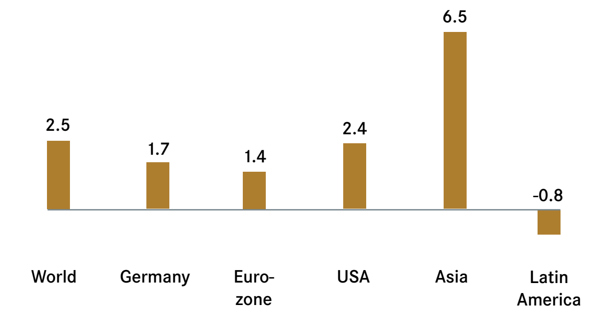
The forecasts for the global economy deteriorated over the course of 2015, something that was particularly apparent in numerous emerging markets. The main reasons for slower growth in the commodity-exporting countries were the global decline in demand for commodities and a continuing slowdown of the Chinese economy. Outflows of capital and the depreciation of currencies were also a burden on many emerging markets. Russia and Brazil experienced severe recessions.

In the United States, the economy saw a revival after a weak start to the year resulting from the very harsh winter. The economic upswing was primarily on the back of strong domestic demand. Capital investment in particular performed better than the economy as a whole, despite investments in the oil and gas sector falling due to the significantly lower oil price. The sustained improvements on the job market also resulted in growth in consumer spending.

The eurozone economy generated a light momentum over the course of 2015. Uncertainty surrounding developments in Greece and the deep recession in the country have only had a minor effect on the economy outside of Greece. Looking forward, private consumption is likely to benefit from a slowly increasing employment rate, higher wages and energy price-linked growth in purchasing power.

The negative effects outweighed these on the whole, however, causing the growth in the global gross domestic product (GDP) for 2015 over the course of the year to decline to 2.5%, after growth of 3.2% was forecast just at the end of last year.

Gross domestic growth 2015
Real change vs. previous year in %



Upswing in Germany continues

the German economy saw solid growth of 1.7% in the reporting year, with positive signs coming particularly from government and private consumer spending. The latter was buoyed by the good job market situation as well as low price increases. Capital investments also saw above-average growth of 2.4%. Although the economic momentum has since weakened due to stagnating foreign business, exports – buoyed by the depreciation of the euro – also grew moderately.

Industry showed inconsistent performance

the companies of the Possehl Group operate in various sectors, and their products and services are offered in various regional markets – some nationally, others internationally. As a result, the businesses of the individual companies and divisions are influenced by macroeconomic trends to widely varying degrees. The industries and markets of relevance to us performed as follows in the reporting period:

Automotive engineering - Global demand for passenger vehicles and light commercial vehicles has continued to grow on the whole. Sales in the USA rose by around 5%. The overall European market also performed better than expected, recording growth of just over 4%. However, regional performance varied greatly. While some countries saw growth rates in double digits, new registrations in Russia fell by around a third. The important Chinese market only grew slightly.

Mechanical engineering – Global mechanical engineering services grew more slowly in 2015 than in the previous year. A primary cause of this was the reduced machinery production in China, and also in Japan. The highly export-centric German machine and plant engineering industries also stagnated, albeit on a high level. A particular cause of this was the weak performance of the economies of many emerging markets, especially Latin America and Russia, as well as the only mediocre performance of investments in machinery in the European Union.

Construction industry – Construction operations in the eurozone grew moderately in the past year. Production in the German construction industry also saw slight growth. This generally positive performance affected all segments of the construction industry, in which the public construction segment – which is of great relevance to us – benefited as well. The continued strong level of immigration to Germany, a robust job market and the maintenance of low interest rates also supported construction operations.

Precious metals – The price of gold has been declining for some years now, although the momentum of this decline has weakened over the last two years. The volatility of the fluctuation has also eased off. Due to the significant declines in the euro against the US dollar over the course of the year, the gold price as denominated in euros even rose 9% on average over the past year. Other precious metals – among them silver and platinum – continued their sometimes significant downward trend. Only at the start of 2016 did the price of gold show signs of growth as a result of receding share prices.

Business performance and earnings position

OVERALL GROUP

Group net sales increase to a record € 3.52 billion

The Possehl Group generated sales totaling € 3,516.3 million in the 2015 fiscal year, corresponding to growth of € 233.1 million or 7.1% compared to the previous year. This rise is largely due to the precious metals business and is solely attributable to price developments there. In addition, there were still positive impacts from changes in the group of consolidated companies due to acquisitions in the current year of € 109.1 million. Adjusted for both effects, Group net sales declined only slightly by € 43.2 million or 2.2%.

When including changes in inventories, overall performance increased compared to the previous year by 6.9%, largely consistent with the increase in sales.

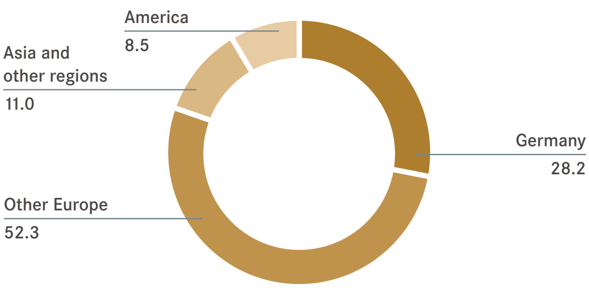
The change in net sales for the individual divisions is summarized in the following table:

in € million	2015	2014	Change in € million	Change in %
Special-purpose Construction	320.9	294.5	26.4	9.0
Document Management Systems	119.2	114.3	4.9	4.3
Printing Machines	240.7	256.3	-15.6	-6.1
Precious Metals Processing	1,387.3	1,320.7	66.6	5.0
Elastomer Plants	466.0	430.7	35.3	8.2
Electronics	298.7	244.5	54.2	22.2
Cleaning Machines	424.3	406.9	17.4	4.3
SME Investments	255.5	211.7	43.8	20.7
Holdings/Other Equity Investments	3.7	3.6	0.1	2.8
	3,516.3	**3,283.2**	**233.1**	**7.1**

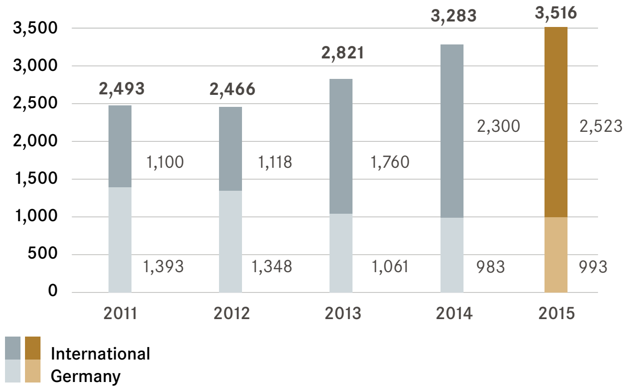
The shift of recent years toward a stronger focus on foreign sales continued in the reporting year to a moderate degree, with the share of foreign sales rising from 70% to 72%. While sales stagnated in Germany, some significant growth rates were generated in both the American market and in other European markets. At a rate of around 47%, growth in the United States was particularly pronounced. Growth of just under 17% was also achieved on the Chinese market. Sales in Russia and Brazil, which were particularly affected by the economic crisis, fell significantly. For Possehl, however, these two markets are of lesser importance.

The price of precious metals is of major significance to Group net sales, but it has no effect on the consolidated net profit, because precious metals sales are offset by a correspondingly high cost of materials used, meaning that consolidated net sales are to a large extent subject to the volatility of precious metals prices. On average over 2015, the price of gold in US dollars was around 8% below that of the previous year. Due to changes in exchange rates, the average price of gold denominated in euros on the other hand rose by around 9% above the previous year's price.

Net sales in 2015 by region
in %

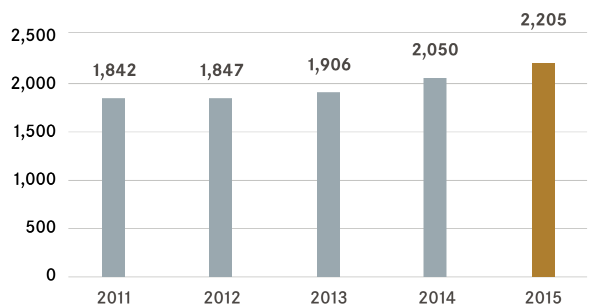


Net sales in 2015 Germany/International
in € million



In order to account for this effect, the Group net sales adjusted for precious metals trading sales for the past five years are shown below:

Net sales 2011–2015 (adjusted for the effects of sales from precious metal trading) in € million



The net sales adjusted in this way show the same sustained upward trend, albeit at an overall lower level. This representation better reflects the actual growth of the Group. Over the period under review, the adjusted sales growth came to an average of around 4%.

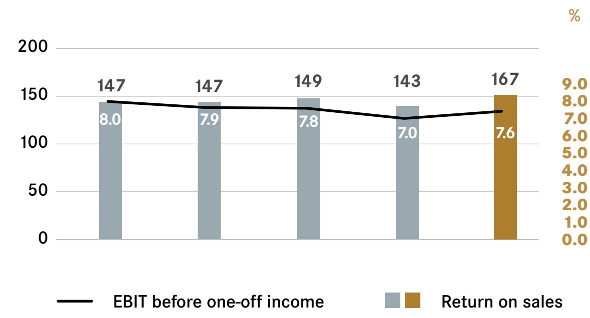
All sales-related earnings indicators that appear from this point on relate to sales adjusted for precious metals trading sales.

Earnings before taxes climb significantly to € 144.8 million
Earnings before taxes (EBT) were up by € 20.1 million or 16.1% compared to the previous year, totaling € 144.8 million. This substantial improvement is based very significantly on the turnaround in the two divisions Document Management Systems and Printing Machines, both of which had recorded high losses in the previous year due to operational performance as well as the cost of restructuring. The Electronics division also generated a noticeable increase in earnings, especially in light of the great success of the smartcard business. The other divisions remained at the previous year's high level or slightly above it, some of them generating record earnings.

The consolidated net profit is very evenly distributed across the various divisions. This is in part attributable to profitable growth in previous years in Special-purpose Construction and the SME segment. The significant growth in earnings at Böwe Systec and manroland web systems also contributed further to this even spread and stabilization. All of the Group's divisions were profitable in the past year. No division in the reporting year had an earnings share greater than a third of consolidated net profit. The Possehl Group therefore enjoys a diversified, strong and stable basis, and its success is largely independent of the development of individual divisions or industries.

The following depiction shows – after four years of constant development – the significant absolute and also relative upward trend in the reporting year:

EBIT before one-off income/return on sales
in € million/in %



Gross profit up 8.4%

Gross profit is independent of the precious metals prices and is therefore a good indicator of the Possehl Group's performance. It grew disproportionately by 8.4% compared to the rise in sales of 7.1%. The relative growth in the Group's performance was therefore even higher than the rise in sales. Of the increased gross profit, around half was attributable to newly acquired companies and operational improvements. The latter was particularly due to the Document Management Systems and Electronics divisions.

Personnel costs rise by 4.2%

Personnel expenses increased by € 25.6 million or 4.2% compared to the previous year. Their share of overall performance, however, was down slightly at 18.0%. Just under half of the absolute rise in personnel costs is attributable to the higher average number of employees (including apprentices), which amounted to an increase in 211 employees and represents an increase of 1.8%. Increases in wages and salaries as a result of collective bargaining and ordinary pay rises as well as increases in variable pay due to increases in earnings also contributed to the rise in costs. Similarly, expenses for pensions also increased slightly from the previous year by € 0.8 million. Beyond the above, the changes to the group of consolidated companies also contributed to the increased expense.

Increase in amortization, depreciation and impairment to € 74.2 million

amortization and depreciation rose significantly – with the volume of capital expenditure in material assets remaining largely constant – by € 8.3 million or 12.7%. A key factor in this increase was the higher write-downs of goodwill, which rose by € 5.4 million to € 20.8 million. This includes impairment of € 1.1 million on one item of goodwill. Goodwill write-downs are offset by income from the reversal of equity and liability differences of € 10.2 million arising from capital consolidation. The expansionary investment policy of recent years also increased amortization, depreciation, and impairments.

Net investment income down to € 1.3 million

Net investment income or expense plays a lesser role for the Possehl Group, because we generally strive to acquire majority shareholdings. Earnings halved year over year due to the acquisition of the outstanding shares in Possehl Kehrmann GmbH.

Pensions reduce interest result

The interest result deteriorated year over year by € 4.3 million to generate an interest result of € -22.5 million. Consistently higher expenses arising from the application of interest to noncurrent provisions, mainly for pensions, caused the reduction in earnings. The interest expense arising from the measurement of noncurrent provisions rose by € 5.8 million due to the reduction of the discount rate to 3.91% as against the previous year.

Without this effect, the remaining interest result would have improved by € 1.5 million. Interest income from financial investments continued to decline as a result of market conditions. It is hardly possible any more to generate income from a reliable or semi-reliable financial investment. Given this, we heavily reduced our liabilities with banks and other forms of borrowing in the reporting year, thereby reducing our interest expense. We will continue with this strategy in the coming year. Only the precious metal loan interest is uncoupled from the general interest performance and increased year over year.

Income tax ratio increases to 36.4%

The income tax ratio came to 36.4% in the reporting year, putting it above the ratio of the previous year as well as the regular income tax ratio of around 30%. A main reason for this is the higher amortization and impairment of goodwill at Group level as well as the fact that we refrain from recognizing deferred tax asset surpluses where attributable to tax carryforwards or the result of separate financial statements. A continued divergence of the pension valuation in the financial statements prepared under the German Commercial Code and in the tax balance sheet would have resulted in higher deferred tax assets. Such presently applicable effects that increase the tax expense will gradually reverse in the coming years. With this conservative accounting approach, the income tax expense for the year under review was around € 9 million higher than it would be by not exercising this option.

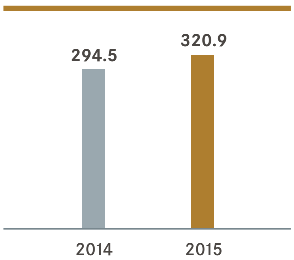
Consolidated net profit increases to € 89.3 million

the consolidated net profit for the reporting year came to € 89.3 million after a net profit in the previous year of € 85.9 million. The significant increase in the earnings before tax was therefore consumed for the largest part by increased income taxes.

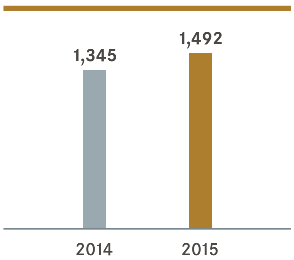
DIVISIONS

Special-purpose Construction

Net sales
in € million



Employees
yearly average



The division is primarily active in niche markets, particularly surface treatment (Possehl Spezialbau and DFT Deutsche Flächen-Technik) as well as above-ground and underground construction (Mickan), here specifically for the US Army in Germany. It also operates in the restoration of monuments and historical buildings (Bennert along with Nüthen beginning in 2015) as well as the extraction and processing of silica sand and quartz gravel (Euroquarz) and the manufacture of mortar casting systems (Pagel). Furthermore, a joint venture is in effect in the area of construction chemicals.

This division maintained its good performance of past years in the reporting year, which is all the more encouraging due to the fact that the previous year was already boosted by two major orders. This effect was more than compensated by the acquisition of numerous new orders and awarded contracts. The companies newly acquired in the reporting year also had a positive effect.

Possehl's construction activities are driven primarily by the development of the German construction industry. Around 85% of the construction services are provided within Germany. After experiencing good growth in the previous year, the situation in the reporting year was characterized by continued positive development. Following mild drop-offs for the construction industry in the early part of the year, the sector managed to recover significantly over the remainder of the year. According to preliminary figures, sales in the construction industry in Germany were approximately 3% higher than in the previous year. The overall positive performance affected all segments, with residential construction generating the most significant growth. That being the case, the most important segments for us – commercial and public sector construction – also generated mild growth.

As a result of the overall positive conditions, the 2015 fiscal year was again very successful for the Special-purpose Construction division, significantly exceeding expectations. Net sales increased by € 26.4 million or 9.0% from the previous year. Construction services were up by 15.7% compared to the previous year. Adjusted for the companies consolidated for the first time in the reporting year, sales and construction services remained at the very good level of the previous year. Many of our companies achieved sales increases, and this was also the case for the business with the US Army as well as the civil engineering services of Mickan, in which we were also able to benefit from public sector construction projects for affordable housing.

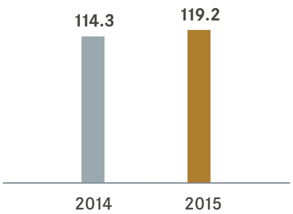
We have also been able to maintain the good figures of the previous year in monument restoration (Bennert and Nüthen). Sales remained stable at Possehl Spezialbau despite the billing of a major job in the previous year due to the acquisition of several major projects aimed at improving the traction of take-off and landing runways, in particular at the airports in Berlin. With the acquisition of Thiendorfer Fräsdienst GmbH & Co. KG and P+S Pflaster- und Straßenbau GmbH, we have expanded our road rehabilitation and repair business, both in terms of company premises and services offered, and will be ensuring that the entire construction business now performs accordingly with these investments. For the future, we continue to see positive opportunities through further corporate acquisitions in this area.

The companies Euroquarz and Pagel as well as the joint venture Gremmler Bauchemie experienced stable development at a high level in the reporting year.

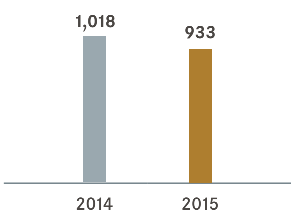
The outlook for the German construction industry is generally deemed to be positive given the sustained low interest rate level. The refugee crisis has also resulted in increased investment in affordable housing, from which we will only be able to benefit to a minor extent, however. The public sector investments in the maintenance and rehabilitation of dilapidated roads is expected to have a positive effect. Given this, we expect a mild economic upswing in the construction industry for the coming year, and in this environment we expect mild growth in construction services for our division when adjusted for acquisitions. Stronger growth in individual niches will also be held back by the persistent lack of qualified personnel, which is why we consider it a major challenge for long-term growth to acquire qualified staff, educate them on an ongoing basis, and retain them.

Document Management Systems

Net sales
in € million



Employees
yearly average



Böwe Systec is one of the world's leading manufacturers 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 and plastic cards. Along with the production and management company in Augsburg, the division contains another 17 foreign sales and service companies around the world.

The basic conditions have not fundamentally improved since the previous year. However, the division has managed to halt the downward trend of recent years and has generated sales growth for the first time in years. Böwe Systec operates in a market that has four major global providers and has been shrinking now for several years. The trend toward sending non-confidential information in digital rather than printed form continued during the reporting period. The global mailroom market remains characterized by reluctance to invest and by concentration. Only in isolated regions, primarily in the US market, has a slight revival been reported. The merger of locations with previously independent mailrooms, a more intensive use of existing machinery in multi-shift operation, and a further increase in the productivity of the machinery once again resulted in a reduction of potential placements for new machines in the reporting year. The personalized mailing market, however, which is the most relevant market for Böwe Systec, has been somewhat less impacted by this development than the general mail market. Nonetheless, in a shrinking market, any and all competition is fierce. In such a challenging environment, the company has succeeded in gaining market share as a result of the innovations over recent years.

The division's sales rose compared to the previous year and against market trends by 4.3% to € 119.2 million, thereby achieving the set sales targets. Operational output, including changes to inventory, was also up € 12.8 million to € 122.1 million in the reporting period. This represented not only an achievement of the sales target, but also allowed for higher inventories to be carried over to the following year. Incoming orders rose year over year by 13.7% to € 128.8 million, putting the incoming orders well above net sales, such that the order backlog, which is converted to sales in the following year, has grown. Against this backdrop, we have an optimistic view of 2016, despite a market that continues to trend toward decline and reluctance to invest.

Böwe Systec has made considerable progress in recent years in both its products and its cost structure. With the development and successful market launch of the enveloping system Fusion Cross, the company has regained its position as a technological leader and established itself on the market. The initial expense affected the previous year in particular, but also affects to a lesser extent the current year. The Fusion Cross is a high-performance enveloping system that covers practically all applications. This enables it to process a broad range of envelope formats and content thicknesses, allowing a single system to meet all requirements placed upon a modern mailroom.

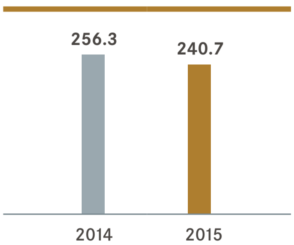
Due to the constantly falling market volumes and the corresponding pricing pressure, both with new machines as well as in the spare parts and service business, restructuring measures were once again carried out at the main site in Augsburg toward the end of the first quarter of 2015, which entailed additional downsizing. Wage and salary adjustments among the workforce caused personnel costs to decline. The implementation of these measures was necessary to adjust capacities to the market conditions and permanently lower fixed costs. The expenses incurred in connection with this were already recognized in the previous consolidated financial statements, meaning that no charges were recognized in the result for these statements.

The moderate sales growth, the reduction of costs and the optimization of production processes and other work flows generated a significant improvement in earnings in the reporting year, enabling a slightly positive result to be generated.

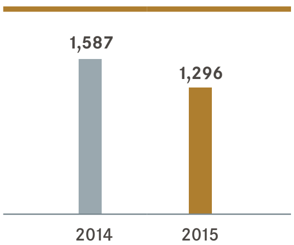
With the measures implemented in the reporting year, the division is now in a position to sustainably succeed in the current market and competition conditions. Based on prudent sales planning for the coming fiscal year, the result from ordinary operations is expected to again improve. Therefore, given the sustained challenging market and competitive conditions, rationalization and process optimization measures will be continuously necessary in the future in order to adapt production costs to the sales level.

Printing Machines

Net sales
in € million



Employees
yearly average



manroland web systems is one of the world's top three manufacturers of web-fed offset printing machines for newspaper and commercial presses. The company's product range includes newspaper printing systems for every circulation size as well as commercial printing systems for high-quality printing as well as fold processing for brochures, inserts, catalogs, magazines, and books. The company has belonged to the Possehl Group since February 1, 2012.

The printing industry has been undergoing fundamental structural changes for years. Circulation figures for magazines and newspapers have been steadily dropping in developed countries. Media-related print products also are having to share their advertising budgets with online channels – thereby losing crucial income. Positive signals from emerging markets such as India and Brazil that might compensate for this development have not materialized so far. Therefore, the global market for printing machines contracted again in the past year, albeit less severely than in previous years. The global market for newspaper and commercial presses – not including processing systems and inkjet printing systems – has contracted by more than 10% annually on average to a market volume for new machines of barely € 300 million. In such an extremely challenging market environment, manroland web systems has managed to fare well on the whole.

While net sales at € 240.7 million remained slightly below that of the previous year, it still exceeded internal expectations. Of the overall revenue, a little more than half was attributable to machine sales, with the rest falling upon the service business. These include printing services (repairs, revisions, maintenance, spare parts procurement) as well as press updates (upgrades, retrofits and machine relocations). The decline in sales was primarily due to the completion of machine orders from previous years. With commercial presses, manroland web systems has been able to expand its market share continuously. This particularly applies to the market for advertising printing and enclosures, for which the company with its 96-page presses has an almost exclusive unique selling point. There was major follow-up demand among customers for these machines in the reporting year due to the high pricing pressure for advertising print products. Incoming orders for new machines came in at around € 150 million and was well above the previous year's value. In past years, manroland web systems has been able to continuously increase its market share in commercial presses to over 50% and in the overall web printing operations to around 45%.

The service and spare parts business remained largely unchanged from the previous year. Many of the larger, longer-term machine relocations, machinery consolidations, and retrofits were billed in the reporting year. Instead of expensive investments in new printing machines, many printing companies update their existing equipment in order to produce more inexpensively. Here, and in the service and spare parts business in general, we see growth potential moving forward with accordingly solid margins. By strategically approaching customers in the service and spare parts business, it was also possible to generate noteworthy gains in the reporting year once again. Regardless of this, shorter machine operating times in the newspaper printing industry have resulted in reduced wear and consequently to a decline in the service and spare parts business.

Due to the sustained heavy competition, however, it was not possible to significantly improve the price level for new machinery, meaning that margins continue to be unsatisfactory. Therefore, the new machine business was also not profitable in the past year.

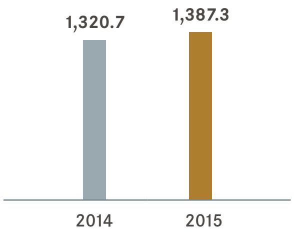
As a result of the constant market decline, further staff downsizing at the Augsburg site became unavoidable at the end of last year to enable long-term cost reductions. Alongside this downsizing, the workforce also accepted temporary wage and salary cuts. The division returned to profitability in the reporting year on the basis of this significantly reduced cost basis, even though the EBIT profit to sales ratio of just under 3% still does not quite reach the target ratio of 5%.

We see long-term growth opportunities in the continuous expansion of our service and material business in particular, which is considerably less volatile than the new machine business. This is especially true for those markets with a high basis of installed machines, particularly the US market. We already made great progress here last year. In general, we are pursuing the strategy of being represented in important regions with our own market and service organizations.

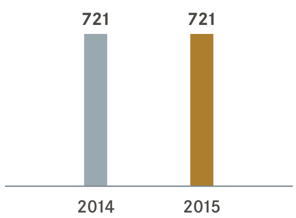
For the following year, we expect moderate growth in sales as well as further increases to earnings based on previously acquired orders and current projects. In the long term, however, we expect the printing machine market to continue its decline. We must therefore continuously optimize processes while analyzing and applying potential for savings to cut production costs.

Precious Metals Processing

Net sales
in € million



Employees
yearly average



Since the acquisition of Cookson Precious Metals in mid-2013, the Heimerle + Meule Group has been one of the leading precious metal companies in Europe. At the sites in Pforzheim and Madrid, precious metal residues are recovered and processed into high-quality products. Heimerle + Meule GmbH is one of the oldest gold and silver refineries in Germany with a company history stretching back over 170 years. In addition to its recycling activities, Cookson Precious Metals is a significant European supplier to the jewelry and dental industry and also operates a catalog and online business.

The 2015 fiscal year was characterized by the overall stable development of the operating business. However, the price of gold measured in US dollars fell again by a little over 8% from the previous year. The prices for other precious metals also dropped. Despite this, the gold price denominated in euros was around 9% above the previous year's rate due to the weakness of the euro against the US dollar. Only at the start of 2016 did the price of gold in US dollars recover as a result of growing economic and political uncertainty and price declines on the stock market. Even so, it has not regained its status as a safe haven currency.

Gold price development in 2015
in €/gram

Source: www.heraeus-edelmetallhandel.de

During the reporting period, we continued to promote the cooperation of Heimerle + Meule and the Cookson companies at both the management and working levels. The goal is to leverage available synergies. Part of this involves acquiring the know-how of the other and profiting from it.

The reported sales growth of € 66.6 million is solely attributable to prices, while the recycling volume in a year-over-year comparison remained largely stable at a still-satisfactory level. The French market also recovered slightly. In terms of costs, the savings in France and Spain resulted in a noticeable improvement in earnings at both sites.

The semi-finished industrial goods segment at Heimerle + Meule proved to be resilient due to the good condition of German industry. However, demand for physical silver products from industry has not recovered despite the low price. We aim to expand this business both in Pforzheim and at the other sites, because the business is also stabilizing.

Due to the sustained high demand for physical investment products like coins, safe bags, and precious metal bars, the investment business operated at a good level, despite rather low margins. Here, the successful expansion of the customer base from the past few years, the development of new products and applications, particularly in the investment segment with new alloys, and online business had a positive impact. The low gold price drove demand for physical investment products, especially investment bars. At the same time, the supply of scrap gold was constricted by the low price.

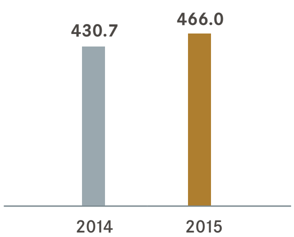
At the Cookson companies, the catalog and online business, which is mainly operated by the English company, could be further expanded during the reporting year. This business benefited from the low precious metal prices in the reporting year.

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. A small relief was seen in the lower price for gold. The business showed stable performance on the whole.

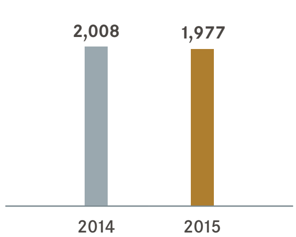
For the following year, we expect moderate recovery of the precious metal prices. We also see good potential for development in a more active cooperation between the Group companies. We also want to further expand the stabilizing industrial business with the Cookson companies as well as the catalog and online business across the Group. Moreover, we expect further profitable growth from the modernization and expansion of the coin blank business at the site in Spain. We also see good potential for development in expanding our recycling activities to incorporate other materials.

Elastomer Plants

Net sales
in € million



Employees
yearly average



In this segment, we primarily 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 not at the same pace as in the previous years. Automobile registrations increased by just under 3% worldwide from the previous year, according to preliminary data. Regional differences were highly pronounced, however. The highest production growth rates were – despite the economic downturn in China – once again seen in Asia and the USA. Demand in Europe also recovered, while demand in a number of major emerging markets was very weak. Demand for replacement tires for passenger cars was also up moderately compared to the previous year. In this overall positive environment, the Elastomer Plants division continued its growth path from the previous years.

Net sales rose compared to the previous year by approximately 8% and once again achieved a new record level. Growth also amounted to 8% in the previous year. As a result, the division was able to continue the impressive growth of recent years unabatedly. That incoming orders have continued at a very high level and order backlogs for some product segments have even further increased, with some orders stretching beyond 2016, is particularly pleasing news. The order backlog as of the end of the fiscal year came to around € 330 million.

In particular, the rubber mixing technology segment with the HF Mixing Group, Farrel, and Pomini brands managed to defend its position as the world leader in the rubber mixing market. The TireTech division was also able to affirm its outstanding market position in tire-heating presses. The tire-building machine and extrusion system product areas also saw encouraging performance. In addition to the successful implementation of performance projects, efforts to sustainably reduce production costs and thereby the break-even point have also been successful.

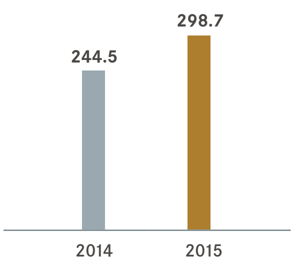
Capacity was completely utilized at all production sites during the reporting period. As a result of moving manufacturing of extrusion systems to the Slovakian plant, the required investments to expand capacity were undertaken at this site in order to cover the demand for our equipment. Due to the high demand for tire-heating presses, the production capacity in our Croatian plant was also further increased. This site is now capable of manufacturing up to 50 heating presses a month. With these two Eastern European plants, the division is now capable of establishing the necessary cost structures in the midst of international competition. By now, approximately 950 employees are employed at both production sites in Eastern Europe. Thanks to the close relationship these two production sites have with our main German plants in Hamburg-Harburg and Freudenberg, we can benefit from cost advantages without any loss of expertise.

Due to the good performance and positive outlook for the mixing rooms manufactured at the site in Ansonia, Connecticut, USA, construction of a new plant commenced in the reporting year. The new building is expected to be ready for use as early as the middle of next year. The amount invested is around USD 10 million, and from this investment, we expect not only a boost to productivity but also sustainable cost reductions. The work conditions for all of the staff at the site will also be noticeably improved.

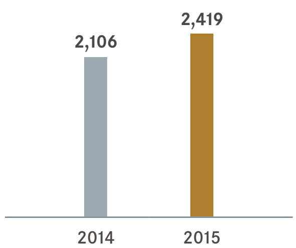
The new plant at the Ansonia site, USA (3D-simulation)

Electronics

Net sales
in € million



Employees
yearly average



This segment is broken down into three product areas: leadframes for the semiconductor and smartcard industry (Possehl Electronics), automotive industry (pretema and TPS), and smartcards (pretema and Possehl Electronics Hong Kong).

Net sales saw a significant increase of € 54.2 million or 22% compared to the previous year. However, much of this growth is attributable to the full-year effect from the consolidation of the TPS companies. Without this consolidation effect, sales also rose by around 5% as a result of a positive exchange rate effect. The individual product areas performed very differently in the 2015 fiscal year.

Leadframes

The global semiconductor market is highly fragmented and characterized by high volatility with short product life cycles and strong fluctuations in product supply and demand. Possehl Electronics is established in this market with two sites in Europe, one in the USA, and three production facilities in Asia. The global semiconductor market proved to be stable in 2015. However, Possehl Electronics was unable to benefit from the generally positive conditions. In addition to further consolidation at the two Asian sites in China and Malaysia, the interface business in the USA also declined. The site in China has been a particularly long-term source of deficits, while the plant in Malaysia, which plays a key role in the product area, has successfully been returned to profitability. However, the generated product margins remain too low. On the other hand, the automotive headlight LED business in the Netherlands and France performed positively after a slight decline in the previous year, with the product area increasing its sales by over 7%.

Automotive

pretema and TPS develop and produce customized electromechanical components for the automotive supplier industry using stamping, injection molding, electroplating, and automatic assembly process technologies. Production is spread over three sites in Germany as well as further production facilities in the Czech Republic and Mexico.

Global automotive production continued to grow in the past year. We were able to benefit from this development with our new products, primarily through pretema and TPS in Mexico, generating double-digit rates of growth. Many of the projects newly acquired by pretema are in the starting phase or have only just entered serial production, meaning that they have not yet contributed significantly to earnings in this year. Sales performance at the Czech site was unsatisfactory. Demand for the main seller, the DQ 200 for dual-clutch transmissions, unexpectedly saw a sharp drop in the first half of the year. We were therefore compelled to cut production capacity significantly and downsize the workforce by a large proportion. In the reporting period, new projects were successfully acquired for the Czech site, enabling the capacity to be gradually fully utilized again.

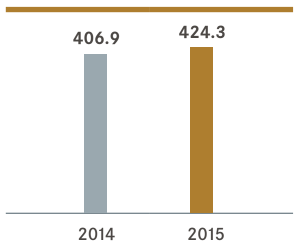
Smartcards

The business with smartcard interfaces also performed very encouragingly in the past fiscal year, even better than in the previous year. Market share was once again successfully gained, especially among existing customers. In addition to general growth in demand, the growth was also favored by the beneficial exchange rate relative to the US dollar. Added to this was the successful implementation of a new, technically highly sophisticated product line in close cooperation between the two companies pretema and Possehl Electronics Hong Kong.

Cleaning Machines

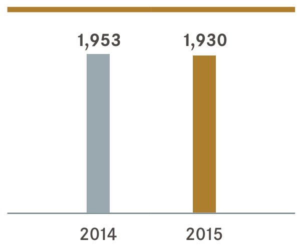
Net sales

in € million



Employees

yearly average



Hako is a global leader in the production of high-performance technology for indoor and outdoor cleaning and site maintenance. The company's product range also includes multipurpose special vehicles and municipal vehicles marketed under the Multicar brand. Moreover, the brands Minuteman, PowerBoss, and Multiclean belong to the division. Hako's offerings also include a comprehensive package of product-related services.

The worldwide market for professional cleaning machines once again grew moderately during the reporting year. In this overall favorable environment, the Hako Group succeeded in following the market trend in maintaining its long-term and profitable growth path in the reporting year. Sales saw year-over-year growth of 4.3% and were thus twice as strong as the previous year. A major share of the growth in sales was generated on the US market and is attributable to the stronger US dollar. In individual markets, Hako was able to further expand its market share. Asia and Eastern Europe are the long-term growth markets, while the developed markets in Western Europe and North America are in a saturation phase. The US remains the largest single market by a good margin. Due to the recovery of the US economy, the market there for cleaning machines grew much more strongly in the past year.

Possehl's Cleaning Machines division is sharply focused on Germany and the other European markets, while the Asian market in particular still has no notable significance for us, despite strong growth. 83% of annual sales were generated in Europe in the reporting year. This is around 2 percentage points fewer than in the previous year and is due to the strong growth on the North American continent, where the company achieved year-over-year growth of 30%. The domestic market continues to represent the largest single market for Hako, although the sales generated in this market of € 140.6 million represented a slight decline over the previous year.

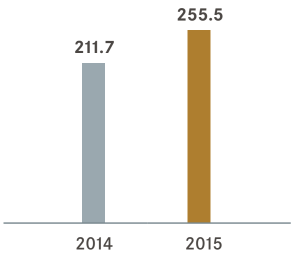
An analysis of individual product areas indicated growth in new machines, particularly for internal cleaning, while the external cleaning and after-sales business saw no further growth due to the mild winter in Europe. In the area of municipal technology, the Multicar brand generated mild growth in sales. The used machine business was mostly stable during the reporting year. By contrast, the rentals business was slightly lower, reflecting the conversion of the rental fleet. New machines are now only rented out via external rental or leasing companies. The business of trading in third-party products also declined slightly.

The overall cost increases were offset by continuous process optimization in production. Progress was also achieved thanks to a better product mix and the successful launch of new and further improved machines. Profitability was kept at a consistent good level with mild growth in sales. New products launched in the market in recent years had a positive impact both on sales and the contribution margin. The component and platform designs led to a significant reduction in manufacturing costs.

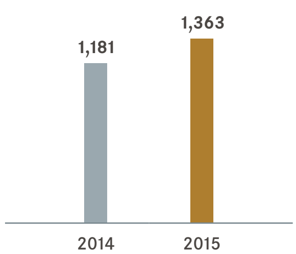
With the establishment of a competence center in Thailand as well as a local distribution company in China, some cautious but long-term steps have been taken toward further expanding in the Asian market over the last few years. However, this market is still of minimal significance for Hako despite the high growth rates. We will continue to tap into these markets systematically, but prudently, and do so not only with the Hako brand but also with the US brands Minuteman and PowerBoss. The expansion of the dealership network has helped to achieve further growth in market share in this region.

SME Investments

Net sales
in € million



Employees
yearly average



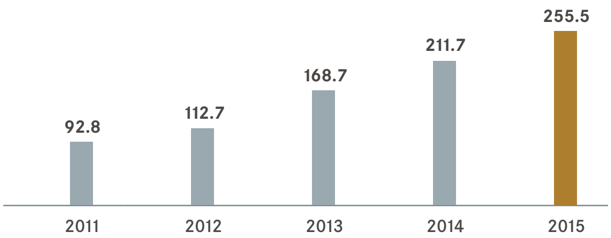
With the acquisitions in the reporting year, the SME Investments division currently encompasses 12 (previous year: 11) companies or groups of companies from the German SME sector, operating in mutually independent and distinct areas of business. A particular focus here is on small and medium-sized mechanical and plant engineering companies. With the founding of this division in 2009, we created a kind of "mini Possehl" that specializes in small and medium-sized enterprises with annual sales of € 10 to € 50 million. Since then, the division has grown into a key pillar in the Possehl Group. Our goal is to continue expanding the portfolio in the coming years.

The division includes the following activities and companies:

Field of business	Company
Oil spill cleanup, tank cleaning	Possehl Umweltschutz GmbH
Bar soap	Hirtler Seifen GmbH
Popsicle sticks	Karl Otto Knauf (GmbH + Co. KG)
Bathroom rugs, bed linens, accessories	Kleine Wolke Textilgesellschaft mbH & Co. KG
Conveyor systems	DMA Maschinen und Anlagenbau GmbH & Co. KG
Labeling systems	LOGOPAK Systeme GmbH & Co. KG
	Novexx Solutions GmbH
Miniature lightbulbs	MGG Micro-Glühlampen Gesellschaft Menzel GmbH
Hoistable masts	Gabler Maschinenbau GmbH
Thermoforming machines	GABLER Thermoform GmbH & Co. KG
Robot welding tongs	Düring Schweißtechnik GmbH
Technical hollow-bodies	SAVO-TECHNIK Rotationsguss GmbH

The SME Investments division grew significantly again during the reporting period. Net sales were up € 43.8 million or 20.7% compared to the previous year. Crucial to this increase were the acquisitions made during the reporting year and the previous year. Net sales have developed in the past five years as follows:

Net sales development
in € million



The SME segment has grown at a significant double-digit annual rate in recent years. The average rate of growth over the past five years was more than 22%. This means that our previous growth expectations for the division have been completely fulfilled. Especially in the German Mittelstand SME segment, Possehl is perceived as a suitable successor enterprise, enjoying high esteem due to the reliability and long-term, sustainable focus of its business model.

The existing portfolio has shown largely stable development. The business with labeling systems saw particularly large growth (Logopak). In this segment, we have specialized in sophisticated and individualized customer solutions. Following the acquisition of LSS Etikettering in Denmark in the previous year, we took a further major development step in the reporting year with the acquisition of the “Industrial Print and Apply” business of Avery Dennison and significantly expanded our market share in Europe in particular. This recently acquired company now operates under the name Novexx Solutions. In addition to the main office in Eching near Munich, there are other subsidiaries in France, the Netherlands, and Turkey.

The business with manual and robotic welding tongs for the automotive industry at Düring Schweißtechnik also saw encouraging performance. The company benefited once again in the reporting year from its international focus and from close ties with the company’s main customers. The weakening of automobile demand in China has to date had no negative impact on demand for welding tongs. SAVO-TECHNIK, which is a majority shareholding of Possehl, also continued along its successful growth path and was able to further expand its customer base.

By contrast, the business with conveyor systems at DMA was unsatisfactory. The primary challenge for this company is to manufacture the technically sophisticated and complex customer solutions at lower cost. The business with soaps at Hirtler also recorded a decline. A declining market in Western Europe and greater competitive pressure from Turkey and Eastern Europe often provide scope for only inadequate margins. We reacted to this performance in the reporting year by cutting personnel and material costs. At Kleine Wolke, sales remained consistent, although the weakness of the euro on average over the year increased procurement prices in US dollars, thereby reducing the company’s earnings.

The remaining companies in the division demonstrated robustness during the reporting year and were able to maintain their good sales and earnings.

We expect continued growth in the coming year. The effect of the full-year recognition following the acquisition of Novexx Solutions will also contribute to this.

Net assets and financial position

Balance sheet structure analysis

With a largely unchanged structure, the balance sheet total grew by 6.0% from the previous year to € 1,382.4 million.

Under assets, current assets grew by 0.8 percentage points due to the higher liquidity reserve. Under equity and liabilities, this rise is offset by higher equity, primarily due to the consolidated net profit along with increased provisions, while liabilities fell.

Intangible assets along with property, plant, and equipment increased by a total of € 9.8 million. This rise is solely attributable to property, plant, and equipment, with intangible assets declining by

€ 6.3 million. This decline is attributable to the amortization of the goodwill from the acquired companies. The growth in property, plant, and equipment is due both to the changes in the group of consolidated companies and to the increased investments in replacement and expanded capacities.

Noncurrent financial assets increased from the previous year by € 1.1 million to € 29.3 million. There were two effects that largely offset each other, with the first-time consolidation of Nüthen Restaurierungen and Possehl Kehrmann causing a reduction, which in turn was compensated for by the acquisition of Thiendorfer Fräsdienst and P+S Pflaster- und Straßenbau, both of which are consolidated as of January 1, 2016.

Working capital or net current assets amounted to € 487.7 million at year end and were therefore down by € 13.9 million or 2.8% on the previous year. The following chart shows gross inventories before deducting advance payments received and the figures from the previous year:

in € million	12/31/2015	12/31/2014
Gross inventories	575.3	594.1
Advance payments received	-308.2	-295.1
Net inventories	267.1	299.0
Advance payment ratio (in %)	53.6	49.7

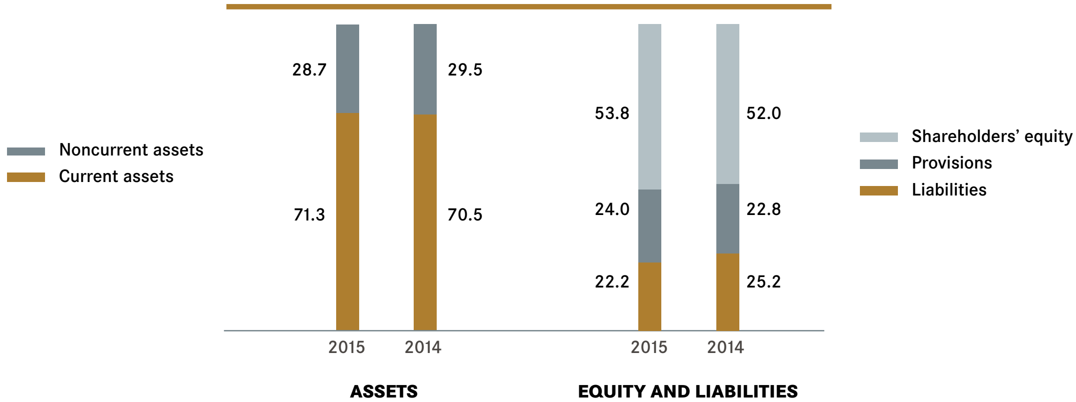
The reduction in inventories by 3.2% before deduction of advance payments is largely due to a high level of invoicing toward the end of the fiscal year. Measures initiated with the aim of inventory optimization in a number of divisions were also successful. The advance payment ratio relative to the overall inventories also improved considerably. High advance payments were recorded in particular at the end of the year in the Printing Machines and Elastomer Plants divisions. Therein also lies one of the reasons for the significant improvement in net liquidity.

Trade receivables – when adjusted for precious metals sales – remained largely unchanged compared to the previous year, with only a mild increase in the volume of business. This small increase is solely due to the changes in the group of consolidated companies. The average duration of a receivable is around 35 days.

Cash and cash equivalents increased significantly by € 102.6 million from the previous year to € 324.5 million on the reporting date. A higher operating cash flow, higher advance payments as of the end of the year, and only moderate payments for company acquisitions were the key reasons for this significant rise. At the same time, financial liabilities were reduced by € 12.3 million. Cash and cash equivalents can mainly be attributed to the Group holding company L. Possehl, whose cash pool includes most of the companies located in Germany as well as a number of companies abroad.

Group equity rose by € 68.0 million to € 726.8 million. Taking into account the difference from capital consolidation, which was exclu-

Balance sheet structure
in %



sively treated as equity at the end of the year, and deducting goodwill from capital consolidation, the Group's economic equity increased to € 700.4 million, with the goodwill as of the end of the reporting year exceeding the liability differences by € 26.4 million. This rise in shareholders' equity was mainly due to the consolidated net profit of € 89.3 million. In addition, the weaker euro led to a positive currency effect of € 8.4 million. This was offset in particular by the dividend payment of € 27.0 million to the Possehl-Stiftung foundation. The economic equity ratio increased to 52.3%. Noncurrent assets continue to be completely covered by equity.

Pension provisions grew significantly once again to € 120.1 million even though the pension funds within the Possehl Group are nearly fully closed. This growth is solely attributable to the discount factor, which fell to 3.91%. The obligations are accrued at their full required amount to guard against shortfalls.

Other provisions increased by € 20.1 million to € 211.3 million with a slightly higher volume of business. While severance provisions at Böwe Systec and manroland web systems were utilized, the rise is mainly due to increased tax and other personnel-related obligations.

Bank loans were further repaid during the reporting year and amounted to € 60.5 million as of the reporting date. The Cleaning Machines division accounts for about half of this amount with the rest divided up among the remaining divisions. We will continue with the applied strategy of reducing borrowings within the eurozone in the following year.

At € 39.5 million (previous year: € 52.6 million), other liabilities include the settlement account with the Possehl-Stiftung foundation, which provides its free liquidity to the parent company L. Possehl. The increase in other liabilities was mainly due to higher tax obligations.

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 constant liquidity and creditworthiness of the Group. The reduction in the cost of capital, the optimization of the capital structure, and effective risk management are additional elements of Possehl Group's centralized financial and liquidity management. We also ensure that we remain independent from individual banks and financial institutions. On the whole, we see financing as a supporting function for the operational business and for ensuring the Group's sustainable growth path.

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, the currency in which funds are to be raised, and the creditworthiness of the Group company are some of the factors that play a role in the decision. Domestic companies are for the most part integrated in the Group's financial transfers via physical cash pooling. Foreign companies largely arrange their finances locally.

The Group's policy on assuming debt is conservative and designed for flexibility. In addition to a few long-term loans, we make use of short-term credit lines from banks to finance our working capital. In addition to arranging sufficient credit lines from banks, 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 is an element of our business model and has proven itself in acquisition processes to date.

Cash-flow development

in € million	2015	2014
Cash flow from operating activities	223.0	124.3
Cash flow from investing activities	-58.8	-57.3
Cash flow from financing activities	-70.4	-62.0
Change in cash and cash equivalents over the period	93.8	5.0
Cash and cash equivalents on December 31	299.4	200.8

In the above overview, the previous year's figures have been adapted to DRS 21. Cash and cash equivalents now include the demand deposits due daily, available funds, and bank liabilities due on demand.

Cash flow from operating activities increased by € 98.7 million with a € 3.3 million higher consolidated net profit. A key factor behind the significant improvement was the lower working capital (after correcting for changes in the group of consolidated companies), whereas there was growth in net current assets in the previous year. The higher amortization, depreciation, and impairment also positively affected the cash flow.

The *cash flow from investing activities* amounted to € -58.8 million during the reporting period and therefore declined by € 1.5 million from the previous year. Payments for investments in intangible assets and property, plant, and equipment grew in comparison to the previous year by € 9.3 million, while expenditure for company acquisitions declined. Receipts from the sale of financial investments in the reporting year primarily concerned the final purchase price tranche for the former textile machines division.

In the reporting year, a sum of € 66.6 million was invested in property, plant, and equipment and intangible noncurrent assets, not including goodwill. A total of € 57.3 million was invested in the previous year. Key individual investments related to production plants for new products at pretema, the expansion of the production facility in Croatia, and the new development in Ansonia, Connecticut, USA, in the Elastomer Plants division, as well as the modernization of the coin production in Spain for Precious Metals Processing.

Capital expenditure was financed from ongoing cash flow or available funds. In certain cases, financing was performed via banks or leasing institutes.

Cash flow from financing activities was negative in the reporting year at € -70.4 million. Payments increased by € 8.4 million compared to the previous year. This reflects the continued reduction of bank liabilities and of the settlement account with the Possehl-Stiftung foundation, as well as the higher dividend payments.

Net liquidity improved considerably despite higher investments

The Possehl Group posted net financial receivables of € 264.0 million at the end of the reporting year. Compared to the previous year, this represents an increase of € 114.9 million. In particular, the significantly improved cash flow from operating activities exceeded advance payments for investments and led to the reported improvement in liquidity as of the reporting date. This cash balance is largely held by the Group holding company L. Possehl in short-term, low-risk investments.

Non-financial performance indicators

EMPLOYEES

Our staff make the most important contribution to Possehl's success. We therefore aim to attract dedicated, hard-working employees around the world 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 measures. This is an important management responsibility, particularly given the shortage of specialists and managers in some of our divisions.

As of the end of 2015, Possehl employed 12,065 people worldwide, around 300 fewer than the year before. The personnel decline is almost solely attributable to the divisions Electronics, Printing Machines, and Document Management Systems. We acquired new personnel in the SME segment and in Special-purpose Construction, largely due to the acquisitions. On average over the year, the Possehl Group had 12,164 employees or around 2% more than the previous year. The significant difference between the average number of employees and those as of the end of the year is due to the workforce downsizing at Böwe Systec and TPS in the Czech Republic, which took place during the course of the year.

In Germany, the average number of staff employed fell only slightly by 0.6% to 6,865. This means that an average of 56% of the Group's workforce was employed in Germany over the course of the year. There were noticeable declines at the two production facilities in Augsburg. However, from a Group perspective this workforce downsizing is largely compensated for by the newly added companies.

Personnel expenses and social security

The Possehl Group spent € 642.5 million on wages and salaries, social security contributions, expenses for pensions (without discounting pension provisions), and support during the reporting period. Personnel expenses therefore increased 4.2% compared to the previous year. On a comparable basis – i.e., not including changes to the company portfolio – there was a moderate increase of € 1.2 million.

Developing managers with help from "Formula P"

In order to sustain success as a diversified group of companies with a high level of innovation and manufacturing expertise, we need committed and highly qualified employees and managers. Possehl therefore positions itself as an attractive employer and works to promote long-term employee retention within the Group. This includes measures such as focused management development, career prospects, and attractive incentive systems for managers. Together with a renowned management consulting firm, we offer an internal training and development program ("Formula P") for the current and future generations of managers with the goal of promoting their strengths and optimally preparing them for future tasks within the Possehl Group.

Vocational and professional training

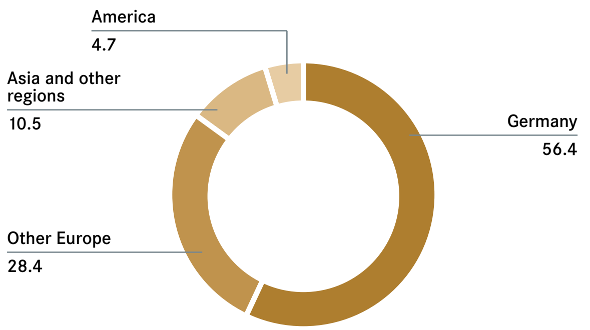
We are engaged in a constant global competition for qualified specialists and executives and therefore strive to advance and expand the qualifications and professional knowledge of our employees at all of our locations. Acquiring and developing trained and qualified young professionals is one of the keys to Possehl's future success, which is why we 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.

In addition, we provided vocational training to 377 young people in various occupations over the reporting year, mainly at our German locations. Despite the falling student numbers, the training positions were filled and the number of apprentices remained at a high level.

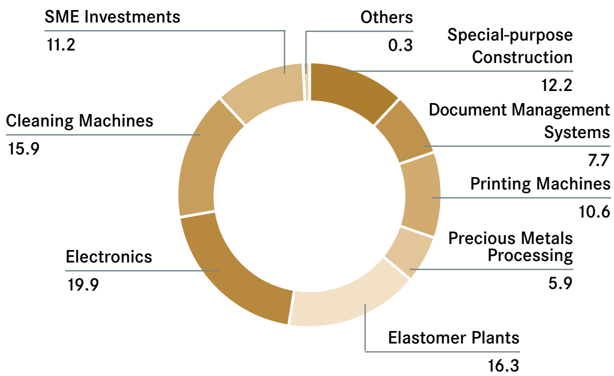
Requirement for the purpose of encouraging the participation of women in management positions

As a result of the law on the equality of women and men in management positions in private enterprise and public service from May 2015, certain companies in Germany are required for the first time to set target quotas for a share of female representation on the Supervisory Board, the Executive Board, and the two management levels below them, and to determine when this share of female representation is to be achieved. The affected companies must have established their target quotas, along with their implementation deadlines, by September 30, 2015. It is stipulated by law that as part of the first-time establishment of these quotas, the implemen-

Distribution of employees in 2015 by region
in %



Distribution of employees in 2015 by division
number of individuals, yearly average



tation deadline must be no later than June 30, 2017. When next setting a deadline for implementation, this may be up to five years in the future. As a company in which employees have codetermination rights, L. Possehl & Co. mbH is affected by these changes.

On July 24, 2015, the Supervisory Board of L. Possehl & Co. mbH adopted a target quota for female representation of 16.67% on the Supervisory Board and 0% on the Executive Board, as well as a general implementation deadline of June 30, 2017. The target quota for the Supervisory Board represents a doubling of the proportion of female representation. For the Executive Board, it remains as is.
Due to its flat hierarchies, L. Possehl & Co. mbH only has a single management level beneath its Executive Board. For this, a target quota of 0% has been set, thereby retaining the status quo. This target of course does not preclude the possibility of increasing the proportion of female representation at this management level. The implementation deadline falls within the permitted scope for the first-time setting of the implementation deadline.

The target quotas for female representation on the Supervisory Board, in management, and the two management levels below them, as well as the relevant implementation deadlines were set by September 30, 2015, for all other affected companies within the Possehl Group.

Environmental protection
All of the Possehl Group companies are required to limit their emissions and consumption, and to continuously improve their production processes by reducing energy, material, and resource utilization. As a leading precious metal recycling company, we place great emphasis on the general reuse of consumable goods. With two other Group companies, we are active in environmental protection and in the recycling of raw materials.

Many of our production facilities are certified in accordance with current energy and environmental management standards. Energy audits were also performed at all of our companies located in Germany in the reporting year. Recommendations from these audits that could be quickly implemented, such as the replacement of fluorescent tubes with energy-saving bulbs or LEDs, have already been accepted in many cases, enabling us to very quickly reduce our energy consumption and consequently our CO_2 emissions. Further recommendations and suggestions for improvement are assessed within each of the companies and – where deemed advisable – have been gradually implemented.

Significant energy savings measures included the performance of several measures supported by the EU in the Elastomer Plants division to modernize the energy use of the production facility in Croatia. We are also paying particular attention to ensuring a high level of energy efficiency with the new construction in the USA, which will be ready for use in mid-2016. This will allow us to reduce our energy consumption considerably while also significantly improving the working conditions for all employees on the site. In the Electronics division, we completely overhauled the wastewater purification system at the Niefern site in the reporting year, bringing it up to date with the latest technological developments.

Subsequent events

PARTICULAR EVENTS AFTER THE BALANCE SHEET DATE

No circumstances have arisen from the end of fiscal year until the preparation of the consolidated financial statements that would have a material effect on the Possehl Group's net assets, financial, and earnings position.

Risks, opportunities, and outlook

RISK REPORT

Risk principles and management system
We pursue a long-term corporate strategy. 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 over the long term. In doing so, we work to avoid incommensurate risks and manage unavoidable risks. The long-term perspective of our shareholder, the charitable Possehl-Stiftung foundation, does not allow the Company to be aligned solely to short-term goals. No speculative trading or other speculative business transactions are conducted anywhere in the Group. We use derivative financial instruments 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 and controlling is an integral component of the planning and execution of 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 system of risk management tailored to their specific businesses and responsibilities, 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. We are aware that we can only make use of the available opportunities if we are willing to take entrepreneurial risks. As part of a defined risk-taking system, we therefore take reasonable risks with due consideration if the risk is balanced out by opportunities that are at least as great.

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. We place particular importance on corporate planning, comparisons of target/actual values, interim controls throughout the year, and the liquidity development of the individual companies. 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. Risks that arise directly from business developments are quickly recorded and evaluated in monthly reports as part of our systematic controlling processes, which stretch across every division and company within the Group. 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 expenditure is measured 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 order sizes.

We review the effectiveness and functional capability of our early-warning risk detection system at regular intervals. Where we detect flaws or potential for improvement, suitable measures are initiated immediately to eliminate the flaws or leverage the potential for improvement.

The transfer of risks to insurers is managed – to the extent feasible and economically responsible – by our own 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 internationally active group of companies with a heterogeneous portfolio, the Possehl Group is fundamentally subject 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 solvency at all times, sufficient reserves of cash and cash equivalents are maintained to meet all of the Group's payment obligations when they are due. A reserve is maintained for unplanned cash flow irregularities. Bank credit lines of adequate scope are also in effect, and these can also be used for guarantees. Liquidity is mainly obtained in euros 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 perform creditworthiness analyses and set individual credit limits. 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 individual divisions 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.

Risks from pension plans

The Possehl Group has a rather large number of different pension commitments, which were assumed in part as a result of company acquisitions. In the interim, the pension funds are nearly fully closed. With the exception of the US and English subsidiary in the area of elastomer plants, there are no noteworthy reinsurance policies or plan assets. For direct pension commitments, the particular risk exists that the pension provisions can continue to climb in subsequent years due to the sustained low interest rate level. In this case, the consolidated net profit would suffer. However, the planned change to the discounting rules would result in a reduced burden on earnings in the short term and a smoother distribution over the long term. Beyond this effect on earnings, the recognized provisions for future pensions will also affect cash flow in later years. We have accommodated this future cash outflow accordingly in our financial planning.

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 net sales are generated in a different currency than the associated costs. This applies particularly to the Electronics division and in part to mechanical engineering activities. To limit the risks of multiple cash flows in different currencies, foreign currency positions are normally hedged when they arise. Some foreign currency transactions that have a high likelihood of occurring are also hedged. This mainly involves the use of unconditional (in some cases conditional) derivative financial instruments.

Acquisition risks

In addition to organic growth in the existing divisions, the company also develops through 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 due diligence during the acquisition process. We strive to detect such corporate strategy risks as early as possible by regularly and intensively monitoring the market and competition, and taking suitable measures to avoid or minimize these risks. 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. In order to limit this risk, we are careful to avoid paying high amounts of goodwill in our acquisitions when possible. We also amortize such goodwill over as short a period of time as possible. Moreover, we adhere to conservative accounting policies and, for instance, do not recognize deferred tax assets from separate financial statements for tax loss carryforwards.

Major industry and company-specific risks

As a multi-industry company, 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 be important for the area of monument restoration in particular, because these types of orders are frequently unique and complex construction projects.

Mechanical Engineering activities and Electronics

Intense competition creates an ongoing challenge 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. In the Printing Machines and Document Management Systems divisions, we are operating in markets that are expected to shrink slowly over the long term. This requires constant monitoring and, when necessary, adjustment of capacities as well as simultaneous improvements in efficiency.

The manufacturing 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 result in a higher potential for risk with regard to quality. Alongside 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. We have maintained high levels of insurance coverage for the product liability risks in this division in particular.

Precious Metals Processing

The companies of the Precious Metals Processing division have no or only limited stocks of precious metals of their own. The precious metals required for the performance of the recycling business – gold in particular – are borrowed by the companies mainly from banks, for which adequate precious metal lines are available with various banks.

No existential risks for the Possehl Group

Now with eight independently operating divisions, the Possehl Group is positioned very broadly and stably. 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.

OPPORTUNITY REPORT

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. In addition to the strong market position of our operating business units and their global presence, the high-quality product program forms the basis for exploiting these numerous opportunities.

Capacity expansions – such as the recent acquisition of a production site in Slovakia and the expansion of the plant in Croatia for the Elastomer Plants division – enable us to satisfy the increasing demand for our products and manufacture them in a cost-effective manner.

The solid equity and financial situation of the Possehl Group, with a high amount of available cash and cash equivalents, enables us to take advantage of further opportunities for acquisitions without having to borrow significant funds. The Possehl Group offers our operating business units a solid foundation for withstanding economic downturns. This also allows us to remain focused on our commitment to long-term success and not become distracted by short-term goals and figures.

OUTLOOK

Group strategy

The core elements of our Group strategy – namely the focus on long-term growth and return goals and the avoidance of incommensurate risk – remain unchanged.

Expected economic conditions

The poor economic performance of many emerging markets, especially China, have put pressure on the outlook for 2016. The global gross domestic product is expected to grow by 3.0%, with noncurrent assets increasing by 3.4%. Noncurrent assets are likely to see stronger growth in the developed countries than in the emerging markets. The reason for this is built-up demand in the industrialized nations, while surplus capacity has already developed in many emerging markets. Especially in the United States, corporate investments will continue to grow due to better sales prospects both domestically and internationally. The eurozone economy on the other hand is estimated to only see moderate growth of 1.7% due to some countries continuing to suffer from persistent structural problems.

Despite a number of expected positive developments for the global economy in 2016, the risks currently still dominate. Geopolitical risks in particular can inhibit the will to invest. There is also the risk that growing trends toward greater protectionism in trading policies will further intensify, thereby slowing the momentum of the global economy.

A continued moderate upturn is forecast this year for the German economy, which is important for the Possehl Group. Growth is expected to increase from the previous year's 1.7% to 2.2%. While growth in industrial production initially declined during the fall – in part because exports almost stagnated – the economic momentum regained something of its pace in the last months of the reporting year. This upturn remains significantly driven by private consumption as before. In addition, the overall investment-friendly conditions are likely to result in higher investments in noncurrent assets.

Reflections on the previous year's outlook

We expected moderate growth in sales and earnings for the past year. As a result of the restructuring measures in the Printing Machines and Document Management Systems divisions, we also forecast a noticeable improvement in the operating earnings of these two divisions. From a current perspective, we see that our earnings expectations have proven to be true and in some cases even exceeded. When not considering the changes in the group of consolidated companies, we have also been correct in our sales forecast. We also largely correctly predicted the performance of the other divisions. Only in the Electronics division were our expectations at the beginning of the year too optimistic. While sales expectations were largely fulfilled, the division's actual performance fell slightly behind predictions in terms of earnings.

Expected development of the Possehl Group

Although we expect the overall economic situation to continue to decline and the geopolitical environment to remain complex, we remain optimistic about the new year. For the 2016 fiscal year, we expect moderate growth in net sales of 1–2%, adjusted for exchange rate and price effects in precious metals. We consider mild growth in sales to be achievable for the divisions Precious Metals Processing, Cleaning Machines, and SME Investments. For the other divisions, we expect sales to largely remain constant. Due to the somewhat high and also extensive order backlog in some of our mechanical engineering activities, much of the planned sales amount for 2016 is already assured. In the Special-purpose Construction division, we can also benefit from the announced increase in infrastructural spending in Germany for the maintenance of roads.

Consistent with a mild increase in sales, our forecast predicts consolidated earnings before taxes to remain constant. With a once again normalized tax rate, profit after tax is also likely to increase. We expect earnings to perform well at Böwe Systec and manroland web systems in particular. In the other divisions, earnings will largely remain at the good level of the previous year.

As in the previous fiscal year, the amortization of goodwill and the reversals of equity and liability differences from the acquisitions of past years will have an effect on earnings in the following year. These are expected to be slightly above those of the 2015 fiscal year. In terms of the interest charge from the discounting of the noncurrent provisions, especially those for pensions, we expect a reduction in the burden on earnings due to the intended legal change. If, contrary to expectations, the interest rate is not smoothed, we expect the burden on earnings to remain largely constant.

In our outlook, we have not taken into account additional external growth through new acquisitions. Given high free liquidity and low interest rates, the prices for companies have risen sharply in the last year. As a long-term investor with no intention to sell, we believe that these company prices – sometimes too high in our view – would not pay off for us in many cases. Therefore, we are currently focusing our acquisition activities on SME companies that value not only the amount of the purchase price but also more actively reliability and long-term and stable prospects for the individual company. We also anticipate good opportunities for growth from supplementary acquisitions in existing divisions, especially in the construction area, where we have been able to acquire numerous well-positioned construction companies in Germany for Possehl in recent years.

Consolidated Financial Statements

Consolidated Balance Sheet as of December 31, 2015

in € '000	Notes	12/31/2015	12/31/2014
ASSETS			
A. Noncurrent assets			
I. Intangible assets	(1)	58,485	64,816
II. Property, plant, and equipment	(2)	308,336	292,201
III. Financial assets	(3)	29,275	28,231
		396,096	**385,248**
B. Current assets			
I. Inventories	(4)	267,068	299,006
II. Receivables and other assets	(5)		
1. Trade receivables		339,844	331,529
2. Other receivables and other assets		43,060	56,901
		382,904	**388,430**
III. Other securities		265	118
IV. Cash and cash equivalents	(6)	324,463	221,927
		974,700	**909,481**
C. Pre-paid expenses		**9,176**	**7,395**
D. Deferred tax assets	(7)	**2,385**	**2,471**
Total assets		**1,382,357**	**1,304,595**
EQUITY & LIABILITIES			
A. Equity	(8)		
I. Subscribed capital		30,678	30,678
II. Other reserves		344,197	319,555
III. Changes in equity due to currency translation		7,260	-1,154
IV. Retained earnings		338,781	304,046
V. Minority interests		5,844	5,644
		726,760	**658,769**
B. Difference from the consolidation of equity	(9)	**17,504**	**19,333**
C. Provisions			
1. Pension provisions	(10)	120,129	106,753
2. Miscellaneous provisions	(11)	211,258	191,145
		331,387	**297,898**
D. Liabilities	(12)		
1. Liabilities to banks		60,460	72,784
2. Trade payables		119,226	128,975
3. Miscellaneous liabilities		112,402	116,496
		292,088	**318,255**
E. Deferred income		**14,618**	**10,340**
Total equity and liabilities		**1,382,357**	**1,304,595**

Consolidated Income Statement

from January 1 to December 31, 2015

in € '000	Notes	2015	2014
Net sales	(13)	3,516,340	3,283,165
Changes in finished goods, work in progress, and capitalized own work	(14)	-11,463	-5,613
Other operating income	(15)	64,212	61,206
Cost of materials	(16)	2,375,913	2,238,415
Gross profit		**1,193,176**	**1,100,343**
Personnel expenses	(17)	642,500	616,887
Depreciation and amortization		74,245	65,898
Other operating expenses	(18)	310,263	279,358
Net investment result	(19)	1,278	2,354
Net interest result	(20)	-22,468	-18,128
Other financial result	(21)	-160	2,291
Result from ordinary operations		**144,818**	**124,717**
Income taxes	(22)	51,043	34,700
Other taxes		4,493	4,079
Consolidated net profit for the period		**89,282**	**85,938**
thereof attributable to minority interests		2,682	2,690

Consolidated Cash Flow Statement

from January 1 to December 31, 2015

in € '000	2015	2014
Consolidated net profit for the period	89,282	85,938
Write-ups/write-downs on noncurrent assets	74,405	65,819
Changes in accruals and provisions	16,927	18,982
Other non-cash expenses and income	-9,313	-15,863
Change in working capital	14,122	-39,551
Gains and losses on the disposal of noncurrent assets and from sale of consolidated companies and business units	-997	-5,588
Interest expenses/income	22,468	18,128
Income from investments	-1,278	-2,354
Income tax expense/income	51,043	34,700
Income tax payments	-33,634	-35,929
Cash flow from operating activities	**223,025**	**124,282**
Proceeds from disposal of intangible assets and property, plant, and equipment	8,757	11,993
Proceeds from disposal of noncurrent financial assets and from sale of consolidated companies and business units	13,133	20,148
Payments for investments in intangible assets and property, plant, and equipment	-66,561	-57,311
Payments for investments in noncurrent financial assets and for the acquisition of consolidated companies and business units	-14,977	-33,424
Payments for the acquisition of funding assets	-3,077	-2,668
Interest received	1,784	2,143
Dividends received	2,144	1,849
Cash flow from investing activities	**-58,797**	**-57,270**
Payments to shareholders (including minority interests)	-29,086	-22,826
Change in bank loans	-16,666	-17,650
Change in other financial receivables/liabilities	-14,420	-9,966
Proceeds from subsidies/contributions received	432	231
Interest paid	-10,664	-11,839
Cash flow from financing activities	**-70,404**	**-62,050**
Cash-relevant changes	**93,824**	**4,962**
Net change in cash and cash equivalents due to exchange rate differences and valuation changes	3,373	3,305
Net change in cash and cash equivalents due to changes in group of consolidated companies	1,419	530
Cash funds at the beginning of the period	200,763	191,966
Cash funds at the end of the period	**299,379**	**200,763**
Composition of cash funds		
Cash and cash equivalents at the end of the year	324,463	221,927
Bank liabilities due on demand at the end of the year	-25,084	-21,164

Changes in Noncurrent Group Assets

from January 1 to December 31, 2015

	Acquisition or manufacturing costs						
in € '000	01/01/2015	Exchange rate changes	Changes in group of consolidated companies	Additions	Reclassified	Disposals	12/31/2015
I. Intangible assets							
1. Purchased concessions, trademarks, and similar rights and assets as well as licenses to such rights and assets	41,965	192	1,002	3,580	5,826	-2,115	50,450
2. Goodwill	91,167	23	0	9,476	0	-31	100,635
3. Advance payments	226	0	0	8	-2	-1	231
Total intangible assets	**133,358**	**215**	**1,002**	**13,064**	**5,824**	**-2,147**	**151,316**
II. Property, plant, and equipment							
1. Land, equivalent titles, and buildings including buildings on third-party land	221,580	2,575	10,850	2,297	583	-1,263	236,622
2. Technical plant and machinery	353,402	1,745	1,755	19,708	4,317	-11,656	369,271
3. Other plant, operating, and office equipment	206,975	1,763	3,081	20,206	878	-12,448	220,455
4. Advance payments and plant under construction	13,868	14	0	20,762	-11,602	-1,379	21,663
Total property, plant, and equipment	**795,825**	**6,097**	**15,686**	**62,973**	**-5,824**	**-26,746**	**848,011**
III. Financial assets							
1. Shares in affiliated companies	6,205	0	-5,929	9,835	0	0	10,111
2. Loans to affiliated companies	2,358	0	0	0	0	-174	2,184
3. Equity investments in associated companies	8,325	108	-4,134	634	0	-250	4,683
4. Other equity investments	1,100	0	0	0	0	-6	1,094
5. Loans to companies in which equity is held	9,080	0	0	1,044	0	-173	9,951
6. Securities held as noncurrent assets	179	1	0	16	0	0	196
7. Other loans	1,108	0	193	66	0	-26	1,341
Total financial assets	**28,355**	**109**	**-9,870**	**11,595**	**0**	**-629**	**29,560**
	957,538	**6,421**	**6,818**	**87,632**	**0**	**-29,522**	**1,028,887**

Depreciation and amortization							Carrying amount	
01/01/2015	Exchange rate changes	Changes in group of consolidated companies	Additions	Reclassified	Disposals	12/31/2015	**12/31/2015**	12/31/2014
33,077	169	9	4,431	790	-2,044	36,432	14,018	8,888
35,271	11	0	20,924	0	0	56,206	44,429	55,896
194	0	0	0	0	-1	193	38	32
68,542	**180**	**9**	**25,355**	**790**	**-2,045**	**92,831**	**58,485**	**64,816**
97,909	1,537	634	5,548	-1,095	-481	104,052	132,570	123,671
256,966	343	824	24,326	236	-10,208	272,487	96,784	96,436
148,711	1,415	2,252	19,016	109	-8,368	163,135	57,320	58,264
38	3	0	0	-40	0	1	21,662	13,830
503,624	**3,298**	**3,710**	**48,890**	**-790**	**-19,057**	**539,675**	**308,336**	**292,201**
16	0	0	0	0	0	16	10,095	6,189
0	0	0	0	0	0	0	2,184	2,358
0	0	0	0	0	0	0	4,683	8,325
41	0	0	0	0	0	41	1,053	1,059
0	0	0	0	0	0	0	9,951	9,080
67	1	0	0	0	0	68	128	112
0	0	0	160	0	0	160	1,181	1,108
124	**1**	**0**	**160**	**0**	**0**	**285**	**29,275**	**28,231**
572,290	**3,479**	**3,719**	**74,405**	**0**	**-21,102**	**632,791**	**396,096**	**385,248**

Changes in Shareholders' Equity

from January 1 to December 31, 2015

in € '000	Subscribed capital	Retained earnings	Accumulated other Group earnings	Group shareholders' equity without minority interests
12/31/2013	**30,678**	**634,297**	**-83,193**	**581,782**
Consolidated net profit for the period		83,248		83,248
Dividend payment		-22,000		-22,000
Changes in equity due to currency translation		476	10,800	11,276
Other changes in shareholders' equity		-2,779	1,598	-1,181
12/31/2014	**30,678**	**693,242**	**-70,795**	**653,125**
Consolidated net profit for the period		86,600		86,600
Dividend payment		-27,000		-27,000
Changes in equity due to currency translation		921	7,493	8,414
Other changes in shareholders' equity		880	-1,103	-223
12/31/2015	**30,678**	**754,643**	**-64,405**	**720,916**

in € '000	Share of equity of minority interests	Accumulated share of minority interests in other Group earnings	Share of minority interests in Group capital	**Shareholders' equity**
12/31/2013	**3,102**	**7**	**3,109**	**584,891**
Consolidated net profit for the period	2,690		2,690	85,938
Dividend payment	-826		-826	-22,826
Changes in equity due to currency translation	0		0	11,276
Other changes in shareholders' equity	671		671	-510
12/31/2014	**5,637**	**7**	**5,644**	**658,769**
Consolidated net profit for the period	2,682		2,682	89,282
Dividend payment	-2,086		-2,086	-29,086
Changes in equity due to currency translation	0		0	8,414
Other changes in shareholders' equity	-389	-7	-396	-619
12/31/2015	**5,844**	**0**	**5,844**	**726,760**

Notes to the consolidated financial statements

GENERAL INFORMATION

The consolidated financial statements of L. Possehl & Co. mit beschränkter Haftung, Lübeck, (subsequently referred to as L. Possehl) for the 2015 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 parent company.

Group and changes to the group of consolidated companies and associated companies

Group of consolidated companies
In addition to the parent company L. Possehl, the consolidated financial statements include 58 domestic and 88 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 16 subsidiaries, of which two are 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 participations.

Changes to the group of consolidated companies
The significant changes in the group of consolidated companies include:

- Nüthen Restaurierungen GmbH + Co. KG, which was acquired at the end of the previous year, was consolidated for the first time alongside its general partner with effect from January 1, 2015. Beyond this, following the acquisition of the remaining shares of the previously associated company Possehl Kehrmann GmbH in the Special-purpose Construction division, it is also fully consolidated for the first time with effect from the start of the year.
- In the SME Investments division, as a result of the acquisition by Novexx Solutions GmbH (formerly Possehl Mittelstandsbeteiligungen Verwaltungs-GmbH) of the labeling systems and accessories business of Avery Dennison for industrial applications ("Industrial Print and Apply"), three foreign companies were founded and were consolidated with effect from June 1, 2015.
- As a result of mergers with other affiliated companies, the number of companies included in the group of consolidated companies has been reduced by five, while liquidations and other deconsolidations brought about by the initiation of liquidation proceedings have reduced the number by three, and disposals have reduced the number by one.

Changes to the group of consolidated companies only have a minor influence on the net assets, financial, and earnings position of the Group, meaning that there is no impaired comparability with the previous year.

Associated companies
There are 12 associated companies. Nine companies are not accounted for using the equity method as they are of minor importance for the net assets, financial, and earnings position of the Group according to Section 311 (2) HGB.

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.

Goodwill that, pursuant to Section 309 (1) (3) (old version), has been openly offset against reserves by December 31, 2009, is reclassified in consolidated net profit carried forward upon deconsolidation without effect on net income.

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 reporting 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	2015	2014	2015	2014
USA	USD	0.91853	0.82366	0.90105	0.75244
Great Britain	GBP	1.36249	1.28386	1.37684	1.24006
China	RMB	0.14163	0.13270	0.14338	0.12212
Hong Kong	HKD	0.11852	0.10619	0.11621	0.09703
Malaysia	MYR	0.21295	0.23544	0.23082	0.23002
Singapore	SGD	0.64863	0.62274	0.65566	0.59416
Japan	JPY	0.00763	0.00689	0.00745	0.00712

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 regularly 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 depreciation and usage-related write-downs or other necessary impairments. If the basis for impairment no longer exists, the write-downs are reversed.

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.

Depreciation is based on the following assumptions of useful life:

Buildings	20 – 50 years
Technical plant and machinery	3 – 21 years
Tools	1 – 4 years
Operating and office equipment	3 – 21 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. Because the associated companies are generally of minor importance for the net assets, financial, and earnings position of the Group, no adjustment to the Group-wide accounting and valuation regulations will be made.

Equity investments in subsidiaries that are not fully consolidated and other equity investments are recognized at cost less any impairment losses.

Loans bearing no interest 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 reporting 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 reporting date. Any risks are accounted for via specific allowances and by an appropriate general allowance for receivables not covered by specific allowances. The corporation tax credit in accordance with Section 37 German Corporation Tax Law (Körperschaftsteuergesetz) was discounted at a rate of 1.5% p.a. (previous year: 1.5% p.a.).

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 measurement of pension provisions is determined according to the projected benefit credit method. The Heubeck actuarial tables 2005 G or country-specific biometric data is utilized for measurement.

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:

in %	12/31/2015
Actuarial interest rate	3.91
Salary growth	2.50
Pension growth	1.75
Increase in assessment basis	2.00

Comparable long-term obligations were measured in one case at a rate of 1.9%.

Liabilities are carried at their fulfillment amount.

Current **receivables and liabilities in foreign currencies** are translated at the rate applicable as of the reporting 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 – or in the case of liabilities, higher rate – as of the reporting 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, provided that they bear value.

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 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	12/31/2015	12/31/2014
1. Purchased concessions, trademarks, and similar rights and assets as well as licenses to such rights and assets	14,018	8,888
2. Goodwill	44,429	55,896
3. Advance payments	38	32
	58,485	**64,816**

This item includes impairment of € 1,059,000 (previous year: € 99,000) attributable to goodwill from capital consolidation.

In addition to amounts recognized as goodwill by individual subsidiaries of € 556,000 (previous year: € 707,000), goodwill resulting from consolidation of equity is also recognized and developed as follows during the reporting year:

in € '000	
January 1, 2015	55,189
Additions	9,476
Disposals	-31
Depreciation and amortization	-20,761
December 31, 2015	**43,873**

Additions are for the most part attributable to the initial consolidations into the Special-purpose Construction division and to an earn-out provision agreed as part of a previous acquisition in the SME Investments division. The disposals involve a subsequent reduction in purchase price for a company acquired in the previous year.

The useful life for amortization purposes amounts to five years.

2. Property, plant, and equipment

in € '000	12/31/2015	12/31/2014
1. Land, equivalent titles, and buildings including buildings on third-party land	132,570	123,671
2. Technical plant and machinery	96,784	96,436
3. Other plant, operating, and office equipment	57,320	58,264
4. Advance payments and plant under construction	21,662	13,830
	308,336	**292,201**

The item contains impairments amounting to € 301,000 (previous year: € 98,000).

3. Financial assets

in € '000	12/31/2015	12/31/2014
1. Shares in affiliated companies	10,095	6,189
2. Loans to affiliated companies	2,184	2,358
3. Equity investments in associated companies	4,683	8,325
4. Other equity investments	1,053	1,059
5. Loans to companies in which equity is held	9,951	9,080
6. Securities held as noncurrent assets	128	112
7. Other loans	1,181	1,108
	29,275	**28,231**

The complete list of equity investments pursuant to Section 313 (2) HGB can be viewed in a separate overview at the end of the Notes.

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
- BÖWE SYSTEC GmbH, Lübeck
- Deutscher Eisenhandel AG, Lübeck
- Possehl Mittelstandsbeteiligungen GmbH, Lübeck

The following domestic subsidiaries make use of the exemption provided by Section 264b HGB this fiscal year:

- Hako Holding GmbH & Co. KG, Bad Oldesloe
- PAGEL Spezial-Beton GmbH & Co. KG, Essen
- PAGEL Technische Mörtel GmbH & Co. KG, Essen
- 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
- cds Polymere GmbH & Co. KG, Sprendlingen
- Nüthen Restaurierungen GmbH + Co. KG, Erfurt
- GABLER Thermoform GmbH & Co. KG, Lübeck

Current assets

4. Inventories

in € '000	12/31/2015	12/31/2014
1. Raw materials, consumables, and supplies	115,292	124,234
2. Work in progress	321,895	333,734
3. Finished goods and merchandise	128,489	118,116
4. Advance payments	9,568	18,014
5. Advance payments received on orders	-308,176	-295,092
	267,068	**299,006**

5. Receivables and other assets

in € '000	12/31/2015	12/31/2014
1. Trade receivables	**339,844**	**331,529**
of which with a remaining term of more than 1 year	648	1,172
2. Other receivables and other assets		
Receivables from affiliated companies	5,009	1,945
Receivables from companies in which equity is held	1,729	2,224
Other assets	36,322	52,732
of which with a remaining term of more than 1 year	2,889	1,870
	43,060	**56,901**

For receivables and other assets, specific allowances of € 10,081,000 (previous year: € 15,701,000) and a general allowance of € 4,419,000 (previous year: € 4,386,000) have been established.

6. Cash and cash equivalents

in € '000	12/31/2015	12/31/2014
Bank balances	323,555	220,977
Cash in hand and checks	908	950
	324,463	**221,927**

7. Deferred tax assets

As of December 31, 2015, deferred taxes were net positive, breaking down as follows:

in € '000	12/31/2015	12/31/2014
Deferred tax assets	50,157	37,233
Deferred tax liabilities	-12,778	-10,165
Net balance	**37,379**	**27,068**

Of the net amount shown as of the reporting date, € 2,385,000 (previous year: € 2,471,000) 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) (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 parent company, L. Possehl, held by the sole shareholder, Possehl-Stiftung. The development of shareholders' equity is shown separately in the statement of changes in equity.

9. Difference from the consolidation of equity

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

in € '000	
Gross total as of January 1, 2015	68,485
Additions during the fiscal year	8,400
Gross total as of December 31, 2015	**76,885**
Cumulative reversals as of January 1, 2015	49,152
Reversals during the fiscal year	10,229
Cumulative reversals as of December 31, 2015	**59,381**
Total as of December 31, 2015	**17,504**

Equity and liability differences arising from capital consolidation are treated as equity. Reversals are performed on a scheduled basis over the useful life of five years in line with DRS 4.41.

Additions are the result of the initial consolidation of the Novexx Group companies. 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 is provided below:

in € '000	12/31/2015	12/31/2014
Fulfillment amount of pension obligations	144,809	130,295
Time value of plan/funding assets	-24,680	-23,542
Net balance	**120,129**	**106,753**

The cost of plan and funding assets is € 23,974,000 (previous year: € 21,955,000). Revenue of € 690,000 (previous year: € 1,345,000) and expenses of € 154,000 (previous year: € 198,000) were offset in the income statement.

11. Miscellaneous provisions

in € '000	12/31/2015	12/31/2014
1. Provisions for taxes	25,274	18,057
2. Other provisions	185,984	173,088
	211,258	**191,145**

Funding assets of € 1,578,000 have been deducted from the fulfillment amounts for partial retirement obligations (previous year: € 1,531,000). The cost of funding assets is € 1,518,000 (previous year: € 1,493,000). Revenue of € 71,000 (previous year: € 120,000) and expenses of € 92,000 (previous year: € 166,000) were offset.

12. Liabilities

in € '000	Up to 1 year	1 to 5 years	Over 5 years	12/31/2015 Total
1. Liabilities to banks (previous year)	**32,018** (34,083)	**25,737** (34,492)	**2,705** (4,209)	**60,460** (72,784)
2. Trade payables (previous year)	**118,918** (128,560)	**308** (415)	**0** (0)	**119,226** (128,975)
3. Miscellaneous liabilities				
Liabilities from bills drawn (previous year)	73 (292)	0 (0)	0 (0)	73 (292)
Liabilities to affiliated companies (previous year)	3,029 (29)	0 (0)	0 (0)	3,029 (29)
Liabilities to companies in which equity is held (previous year)	655 (592)	0 (0)	0 (0)	655 (592)
Other liabilities (previous year)	99,643 (106,830)	9,002 (8,753)	0 (0)	108,645 (115,583)
Miscellaneous liabilities (previous year)	**103,400** (107,743)	**9,002** (8,753)	**0** (0)	**112,402** (116,496)

Liabilities of € 18,192,000 are secured by liens and similar rights (previous year: € 32,902,000).

Other liabilities include:

in € '000	12/31/2015	12/31/2014
Taxes	26,923	21,979
Social security	5,638	5,536
Shareholders (of which Possehl-Stiftung € 39,506,000; previous year: € 52,601,000)	40,519	53,678
Other	35,565	34,390
	108,645	**115,583**

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	2015	2014
Special-purpose Construction	320,900	294,521
Document Management Systems	119,170	114,260
Printing Machines	240,681	256,324
Precious Metals Processing	1,387,306	1,320,707
Elastomer Plants	465,999	430,690
Electronics	298,683	244,506
Cleaning Machines	424,306	406,860
SME Investments	255,534	211,655
Other equity investments	3,761	3,642
	3,516,340	3,283,165

in € '000	2015	2014
Germany	992,698	983,432
European Union	1,722,298	1,604,285
Other Europe	117,342	123,289
Asia	334,252	290,090
America	298,497	220,535
Other regions	51,253	61,534
	3,516,340	**3,283,165**

14. Changes in finished goods, work in progress, and capitalized own work

in € '000	2015	2014
Changes in finished good and work in progress	-14,628	-7,252
Other capitalized own work	3,165	1,639
	-11,463	**-5,613**

15. Other operating income

The reported amount includes € 20,569,000 (previous year: € 28,714,000) from previous years, consisting primarily of the release of provisions and impairments as well as of disposals of noncurrent assets. This position also includes income of € 8,812,000 from currency translation (previous year: € 5,338,000).

16. Cost of materials

in € '000	2015	2014
Expenses for raw materials, consumables, supplies, and for purchased goods	2,190,802	2,068,983
Expenses for purchased services	185,111	169,432
	2,375,913	**2,238,415**

17. Personnel expenses

in € '000	2015	2014
Wages and salaries	528,761	506,930
Social security contributions	103,294	100,348
Pension payments	10,445	9,609
	642,500	**616,887**

The average number of employees by group was as follows:

	2015	2014
Manual workers	5,918	5,744
Salaried employees	5,869	5,838
Apprentices	377	372
	12,164	**11,954**

18. Other operating expenses

Of the amount shown, € 526,000 (previous year: € 448,000) stemmed from prior years. This related exclusively to disposals of noncurrent assets. The item also includes expenses from currency translation in the amount of € 8,888,000 (previous year: € 5,491,000).

19. Net investment result

in € '000	2015	2014
Earnings from equity investments in associates	634	1,755
Earnings from affiliated companies	549	436
Earnings from other equity investments	95	163
	1,278	**2,354**

20. Net interest result

in € '000	2015	2014
Interest income on loans and securities held as financial assets	113	119
of which from affiliated companies	85	93
Other interest and similar income	1,883	2,350
of which from affiliated companies	40	0
Interest paid and similar expenses	-24,464	-20,597
	-22,468	**-18,128**

The net interest result includes € 13,848,000 (previous year: € 8,047,000) in interest deriving from the change in pension provisions and other noncurrent provisions as well as from the discounting of other assets and liabilities.

21. Other financial result

in € '000	2015	2014
Income from disposal of associated companies	0	2,570
Income from disposal of securities	0	10
Expenses from disposal of associated companies	0	-283
Expenses from disposal of other equity investments	0	-6
Write-downs on financial assets	-160	0
	-160	**2,291**

22. Income taxes

In addition to current taxes, the item includes € 115,000 in refunds for previous years (previous year: € 619,000). Deferred tax expenses of € 86,000 (previous year: deferred tax income of € 694,000) is also included.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash funds include bank balances, cash on hand, and checks, as well as due-on-demand overdrafts with banks.

Other non-cash expenses mainly include additions to specific allowances as well as expenses due to impairment or disposal of current assets. Other non-cash income primarily results from reversals of equity and liability differences arising from capital consolidation and reversals of both specific and general allowances.

OTHER DISCLOSURES

Contingent liabilities

in € '000	12/31/2015	12/31/2014
Financial guarantees	1,558	1,541
Guarantees/warranties	5,670	8,056
Collateral for third-party liabilities	1,011	800
	8,239	**10,397**

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

Other financial obligations

in € '000	12/31/2015	12/31/2014
Rental/leasing and other contractual obligations (nominal value)	145,457	130,378
of which to affiliated companies	3,693	4,226
with term structures		
up to 1 year	46,490	28,177
1 – 5 years	72,169	61,998
over 5 years	26,798	40,203
Purchase commitments for capital expenditures	15,511	11,186
with term structures		
up to 1 year	15,511	11,186
	160,968	**141,564**

Derivative financial instruments

Derivative financial instruments are used in the Group only to hedge currency, metal price, and interest rate risks. The instruments used consist of unconditional – in individual cases also conditional – 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, expected transactions generating cash inflows and outflows with settlement dates until 2017 are also hedged. The interest rate swaps have terms until 2018 and the currency swaps until 2016, while currency options are short-term.

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

in € '000	Nominal amount 12/31/2015	Market value 12/31/2015
Forward currency contracts	66,224	-1,035
Currency options	276	10
Interest rate and currency swaps	21,891	-808

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 reporting date, without accounting for the underlying transactions. Derivatives are used exclusively to hedge underlying transactions.

Valuation units

Micro-hedges and portfolio hedges were arranged pursuant to Section 254 HGB using derivative financial instruments that serve to hedge currency and interest rate risks from underlying transactions.

Expected and previously agreed payments in foreign currencies, mainly US dollars, from sales and purchase contracts amounting to € 14,260,000 were hedged up to 100% with the forward currency contracts with 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	960
Other audit-related services	7
Tax advisory services	106
Other services	185
Total fee	**1,258**

Total remuneration of the Executive Board and Supervisory Board

The total remuneration of the Executive Board of L. Possehl amounted to € 6,445,000 for the fiscal year (previous year: € 5,849,000). The total remuneration of members of the Supervisory Board amounted to € 290,000 (previous year: € 290,000).

Former members of the Executive Board and their surviving dependents received € 686,000 (previous year: € 703,000). Obligations from current pensions and pension entitlements are covered by provisions of € 7,040,000 (previous year: € 6,759,000).

Proposal on appropriation of profit of the parent company

Net profit for 2015	€	64,800,041.61
Profit carried forward from the previous year	€	3,509,781.21
	€	**68,309,822.82**

The Executive Board proposes appropriating the net profit and profit carried forward totaling € 68,309,822.82 as follows: an amount of € 24,000,000.00 to be distributed to the sole shareholder, Possehl-Stiftung, an amount of € 40,000,000.00 to be transferred to other reserves, and the remainder of € 4,309,822.82 to be carried forward.

Lübeck, Germany, February 29, 2016

L. Possehl & Co.
mit beschränkter Haftung

Uwe Lüders

Dr Joachim Brenk

Dr Henning von Klitzing

Mario Schreiber

Further Information

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, 2015 to December 31, 2015. 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 give a true and fair view 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 suitably presents the opportunities and risks of future development.

Hamburg, Germany, March 17, 2016

BDO AG
Wirtschaftsprüfungsgesellschaft

Eckmann	Herbers
Auditor	Auditor

* Translation of German Auditors' Report

Overview of participation as of December 31, 2015

Name	Registered in	Share of capital (in %)
I. Consolidated Group Companies		
Special-purpose Construction		
Possehl Spezialbau GmbH	Sprendlingen/Germany	100.00
cds Polymere GmbH & Co. KG	Sprendlingen/Germany	100.00
cds Polymere Verwaltungs GmbH	Sprendlingen/Germany	100.00
Possehl Aannemingsmaatschappij B.V.	Oosterhout/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	Klettbach/Germany	90.00
Bennert Restaurierungen GmbH	Klettbach/Germany	100.00
Bennert Dachsanierungen GmbH	Klettbach/Germany	100.00
Bennert Ingenieurbau GmbH	Klettbach/Germany	100.00
Nüthen Restaurierungen GmbH + Co. KG	Erfurt/Germany	100.00
Nüthen Verwaltungs GmbH	Erfurt/Germany	100.00
EUROQUARZ GmbH	Dorsten/Germany	100.00
EUROQUARZ GmbH	Laußnitz/Germany	100.00
PAGEL Spezial-Beton GmbH & Co. KG	Essen/Germany	74.00
PAGEL Spezial-Beton Beteiligungs-GmbH	Essen/Germany	74.00
PAGEL Technische Mörtel GmbH & Co. KG	Essen/Germany	100.00
PAGEL S.A.S.	Poissy/France	70.00
Possehl Kehrmann GmbH	Duisburg/Germany	100.00
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 SYSTEC POLSKA SP. Z O.O.	Warsaw/Poland	100.00
BÖWE SYSTEC AB	Sundbyberg/Sweden	100.00
BÖWE SYSTEC AS	Solrød Strand/Denmark	100.00
BÖWE SYSTEC S.A.S.	Noisy-le-Sec/France	100.00
BÖWE SYSTEC S.A.	Madrid/Spain	100.00

Name	Registered in	Share of capital (in %)
BÖWE SYSTEC Comércio de Equipamentos	Lisbon/Portugal	100.00
Para Escritório S.A.	Lisbon/Portugal	100.00
BÖWE SYSTEC S.p.A.	Rome/Italy	100.00
BÖWE SYSTEC BENELUX B.V.	Apeldoorn/The Netherlands	100.00
BÖWE SYSTEC NEDERLAND B.V.	Apeldoorn/The Netherlands	100.00
Secuserv B.V.	Apeldoorn/The Netherlands	100.00
N.V. BÖWE SYSTEC S.A.	Zellik/Belgium	100.00
BÖWE SYSTEC JAPAN Ltd.	Tokyo/Japan	100.00
BÖWE SYSTEC AUSTRIA GmbH	Vienna/Austria	100.00
BÖWE SYSTEC Ltd.	Maidenhead/United Kingdom	100.00
BÖWE SYSTEC (IR) Ltd.	Dublin/Ireland	100.00
BOWE SYSTEC North-America Inc.	Raleigh/USA	100.00
Printing Machines		
manroland web systems GmbH	Augsburg/Germany	100.00
mrws Grundstücksgesellschaft mbH	Augsburg/Germany	100.00
EUROGRAFICA GmbH	Augsburg/Germany	100.00
grapho metronic Mess- und Regeltechnik GmbH	Munich/Germany	100.00
manroland web ps GmbH	Darmstadt/Germany	100.00
manroland web systems (UK) Ltd.	Maidenhead/United Kingdom	100.00
manroland web systems Inc.	Lisle/USA	100.00
manroland India Pvt. Ltd.	New Delhi/India	100.00
manroland Australasia Pty. Ltd.	Regents Park/Australia	100.00
manroland web systems Canada Inc.	Mississauga/Canada	100.00
manroland web systems France S.A.S.	Noisy-le-Sec/France	100.00
Precious Metals Processing		
Heimerle + Meule GmbH	Pforzheim/Germany	100.00
Cookson Precious Metals Limited	Birmingham/United Kingdom	100.00
Cookson Drijfhout B.V.	Amsterdam/The Netherlands	100.00
Cookson Métaux Précieux S.A.	Paris/France	100.00
Sempsa Joyería Platería, S.A.	Madrid/Spain	100.00
Koutadly - Consultadoria Económica e Participações, S.A.	Porto/Portugal	100.00

Name	Registered in	Share of capital (in %)
Elastomer Plants		
Harburg-Freudenberger Maschinenbau GmbH	Hamburg/Germany	100.00
Harburg-Freudenberger (France) S.A.R.L.	Houilles/France	100.00
Harburg-Freudenberger Belišće d.o.o.	Belišće/Croatia	100.00
Pomini Rubber & Plastics S.r.l.	Rescaldina/Italy	100.00
Harburg-Freudenberger Machinery (China) Co., Ltd.	Qingdao/China	100.00
HF Rubber Machinery, Inc.	Topeka/USA	100.00
Farrel Corporation	Ansonia/USA	100.00
Farrel Limited	Rochdale/United Kingdom	100.00
Farrel Asia Limited	Hong Kong/China	100.00
HF NaJUS, a.s.	Dubnica nad Váhom/Slovakia	100.00
Electronics		
Possehl Electronics N.V.	’s-Hertogenbosch/The Netherlands	100.00
Possehl Electronics Nederland B.V.	’s-Hertogenbosch/The Netherlands	100.00
Possehl Electronics France S.A.S.	Roche la Molière/France	100.00
Possehl Electronics Hong Kong Ltd.	Hong Kong/China	100.00
Possehl Laminates Ltd.	Hong Kong/China	100.00
Dongguan Possehl Electronics Co. Ltd.	Dongguan/China	100.00
Possehl Electronics (Malaysia) Sdn. Bhd.	Malacca/Malaysia	100.00
Possehl (Malaysia) Sdn. Bhd.	Malacca/Malaysia	100.00
Possehl Electronics Singapore Pte. Ltd.	Singapore	100.00
Possehl Connector Services SC, Inc.	Rock Hill/USA	100.00
Possehl Electronics Deutschland GmbH	Niefern-Öschelbronn/Germany	100.00
pretema GmbH	Niefern-Öschelbronn/Germany	100.00
Technical Plastic Systems GmbH	Wackersdorf/Germany	100.00
Auer Formenbau GmbH	Veitsbronn/Germany	100.00
Technické plastové systémy s.r.o.	Dýšina/Czech Republic	100.00
Technical Plastic Systems S. de R.L. de C.V.	Puebla/Mexico	100.00
Technical Plastic Systems Servicios S. de R.L. de C.V.	Puebla/Mexico	100.00
Cleaning Machines		
Hako Holding GmbH & Co. KG	Bad Oldesloe/Germany	100.00
Hako Holding Verwaltungs-GmbH	Bad Oldesloe/Germany	100.00
Hako GmbH	Bad Oldesloe/Germany	100.00
Hako Service GmbH	Bad Oldesloe/Germany	100.00
Hako Benelux Holding B.V.	Andelst/The Netherlands	100.00
Hako B.V.	Andelst/The Netherlands	100.00
Hilco Chemie B.V.	Andelst/The Netherlands	100.00

Name	Registered in	Share of capital (in %)
N.V. Hako Belgium S.A.	Erpe-Mere/Belgium	100.00
Labor Hako S.A.S.	Plaisir/France	100.00
Solvert S.A.S.	Plaisir/France	99.00
Hako Espana S.A.	Barcelona/Spain	100.00
Hako Polska Sp. z o.o.	Krakow/Poland	100.00
Hako Technology Sp. z o.o.	Swieszyno/Poland	100.00
Hako Machines Ltd.	Crick/United Kingdom	100.00
Hako Ground & Garden AB	Halmstad/Sweden	100.00
Hako Ground & Garden A/S	Oslo/Norway	100.00
OY Hako Ground & Garden AB	Helsinki/Finland	100.00
Hako Schweiz AG	Sursee/Switzerland	100.00
Minuteman International, Inc.	Pingree Grove/USA	100.00
Minuteman PowerBoss Corporation	Pingree Grove/USA	100.00
Multiclean, Inc.	Shoreview/USA	100.00
I & B Cleaning Equipment Ltd.	Hong Kong/China	100.00
Hako (Macau) Company Ltd.	Macau/China	96.00
Hako Cleaning System (Shanghai) Co., Ltd.	Shanghai/China	100.00
Hako Australia Pty. Ltd.	Silverwater/Australia	100.00
SME Investments		
Possehl Mittelstandsbeteiligungen GmbH	Lübeck/Germany	100.00
Possehl Umweltschutz 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	Mägenwil/Switzerland	100.00
DMA Maschinen und Anlagenbau GmbH & Co. KG	Höxter/Germany	100.00
DMA Maschinen und Anlagenbau Verwaltungs GmbH	Höxter/Germany	100.00
MGG Micro-Glühlampen-Gesellschaft Menzel GmbH	Wentorf/Germany	100.00
Düring Schweißtechnik GmbH	Königsbrunn/Germany	100.00
Düring do Brasil Ltda.	Itatiba/Brasil	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	Auenwald/Germany	45.60
LOGOPAK International Ltd.	York/United Kingdom	60.00
LOGOPAK Corporation	Wilmington/USA	100.00

Name	Registered in	Share of capital (in %)
LOGOPAK Systems AB	Gothenburg/Sweden	100.00
LOGOPAK B.V.	Lijnden/The Netherlands	100.00
LSS Etikettering A/S	Randers/Denmark	100.00
RK Danmark ApS	Randers/Denmark	100.00
Novexx Solutions GmbH	Eching/Germany	100.00
Novexx Solutions B.V.	Utrecht/The Netherlands	100.00
Novexx Solutions S.A.S.	Massy/France	100.00
Novexx ETIKETLEME SISTEMLERI T.A.S.	Istanbul/Turkey	100.00
Gabler Maschinenbau GmbH	Lübeck/Germany	100.00
GABLER Thermoform GmbH & Co. KG	Lübeck/Germany	100.00
Thermoform GABLER GmbH	Lübeck/Germany	100.00
SAVO-TECHNIK ROTATIONSGUSS GmbH	Valluhn/Germany	60.00
PlasTec Technology GmbH	Trappenkamp/Germany	100.00
Investments		
Deutscher Eisenhandel AG	Lübeck/Germany	100.00
Teutonia Assekuranzkontor GmbH	Lübeck/Germany	100.00
Lubeca Versicherungskontor GmbH	Lübeck/Germany	100.00
Possehl Inc.	Park Ridge/USA	100.00

II. Non consolidated Group Companies

Thiendorfer Fräsdienst GmbH & Co. KG	Thiendorf/Germany	100.00
Thiendorfer Fräsdienst Verwaltungs GmbH	Thiendorf/Germany	100.00
P+S Pflaster- und Straßenbau GmbH	Wülknitz/Germany	100.00
Hako Group East Asia Ltd.	Bangkok/Thailand	100.00
Hako (Hong Kong) Co. Ltd.	Hong Kong/China	100.00
Qingdao Hako Cleaning Equipment Co. Ltd. i.L.	Qingdao/China	100.00
Düring MX S.A.	Puebla/Mexico	100.00
Düring (Shanghai) Welding Equipment Co., Ltd.	Shanghai/China	100.00
Possehl Connector Services, Inc.	Rock Hill/USA	100.00
Possehl Electronics Maroc S.A.R.L.	Casablanca/Morocco	100.00
manroland Southern Africa Pty., Ltd.	Cape Town/South Africa	100.00

Name	Registered in	Share of capital (in %)
BÖWE SYSTEC AS i.L.	Oslo/Norway	100.00
Oy BÖWE SYSTEC AB i.L.	Helsinki/Finland	100.00
HF Mixing Group Services (S.E.A.) Sdn. Bhd.	Kuala Lumpur/Malaysia	60.00
Aristo Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Halle KG	Mainz/Germany	95.65
Aravio Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Braunschweig KG	Mainz/Germany	90.00

III. Associated Companies

Gremmler Bauchemie GmbH	Essen/Germany	50.00
WST Quarz GmbH	Hünxe/Germany	50.00
Roots Multiclean Ltd.	Coimbatore/India	26.00

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

Pafravo Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Lockstedt/Germany	94.00
Patrimo Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Lockstedt/Germany	94.00
Parosso Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Lockstedt/Germany	94.00
di.hako.tec 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
INDUS UTH HF Mixing Systems Pvt. Ltd.	Bangalore/India	33.33
LOGOPAK East Sp. z o.o.	Warsaw/Poland	50.00
LOGOPAK S.A.	Wissous/France	34.00
S.A.R.L. BÖWE Algérie	El Mohammadia/Algeria	49.00
manroland IP GmbH	Offenbach a.M./Germany	50.00
Solcon Systemtechnik GmbH	Lübeck/Germany	24.85

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Annotation

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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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POSSEHL – The Entrepreneurs' Group

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