ANNUAL REPORT 2016

THE BUSINESS in figures

POSSEHL

The Entrepreneurs' Group

Possehl Annual Report 2016

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 169 years now, the Possehl name stands for entrepreneurship, tradition and responsibility.

Contents

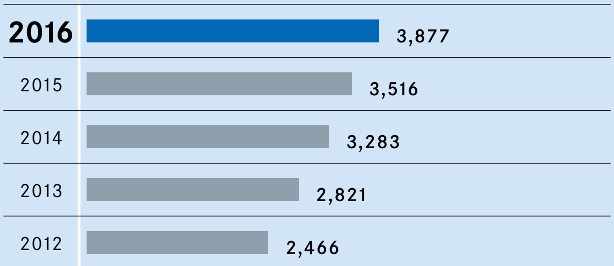
Possehl – at a glance

Key figures

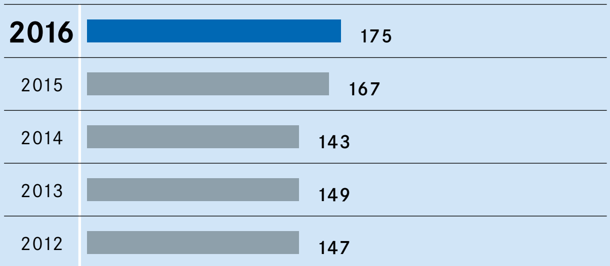
		2012	2013	2014	2015	2016
Earnings						
Sales	€ million	2,466	2,821	3,283	3,516	3,877
thereof sales from precious metal trading	€ million	619	915	1,233	1,311	1,682
Sales adjusted for the effects of sales from precious metal trading	€ million	1,847	1,906	2,050	2,205	2,195
Result from ordinary operations (EBIT) before one-off income	€ million	147	149	143	167	175
Result from ordinary operations (EBIT)	€ million	175	149	143	167	256
Earnings before taxes (EBT)	€ million	158	132	125	145	243
Consolidated net profit	€ million	123	94	86	89	188
Dividends	€ million	20	22	27	24	57
EBIT ratio*	%	7.9	7.8	7.0	7.6	8.0
Return on equity before taxes	%	28.5	23.0	20.1	20.7	30.2
Net assets						
Balance sheet total	€ million	1,155	1,197	1,305	1,382	1,563
Economic equity	€ million	554	573	623	700	804
Equity ratio	%	48.6	49.7	49.9	52.3	53.4
Working capital	€ million	457	449	502	488	551
Financial data						
Net financial assets	€ million	123	136	149	264	352
Cash flow from operating activities	€ million	68	154	124	223	127
Investment in property, plant and equipment and intangible assets (excluding goodwill)	€ million	83	65	58	67	82
Depreciation of property, plant and equipment and intangible assets (excluding goodwill)	€ million	44	54	50	53	56
Employees						
Employees (yearly average)		10,695	11,210	11,954	12,164	12,443
Germany		6,668	6,680	6,906	6,865	6,896
International		4,027	4,530	5,048	5,299	5,547
Personnel expenses	€ million	527	571	617	643	672

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

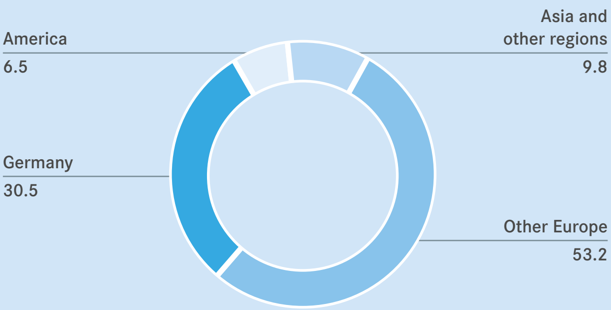
Net sales development
in € million



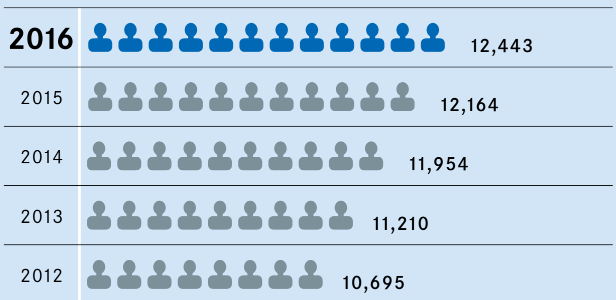
EBIT before one-off income
in € million



Net sales in 2016 by region
in %



Employees
yearly average



An overview of the divisions

Special-Purpose Construction

- Road and other surfaces
- Above-ground and underground construction
- Building restoration
- Construction chemicals

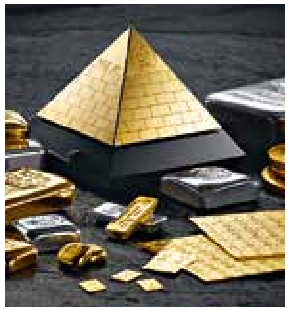
Document Management Systems

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

Printing Machines

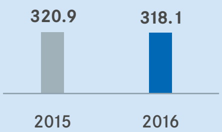
- Web-fed offset newspaper printing
- Web-fed offset commercial printing
- Digital printing (print finishing modules)

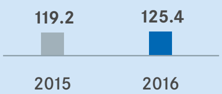
Precious Metals Processing

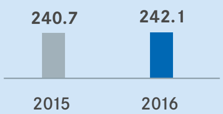


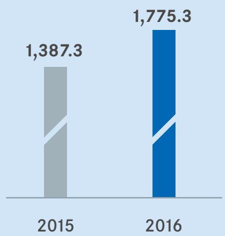
- Precious metals recycling
- Semi-finished precious metal products
- Chemical industry/electroplating
- Precious metals trading/investment products
- Industrial recycling

Net sales
in € milion









8.2% 

3.2%

6.2% 

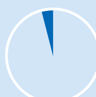
45.8% 

Share of total net sales 2016

14.5% 

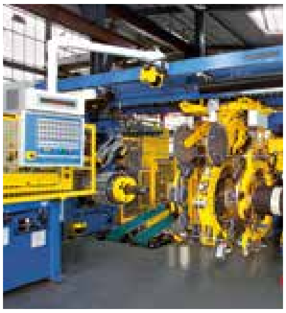
5.7% 

11.0% 

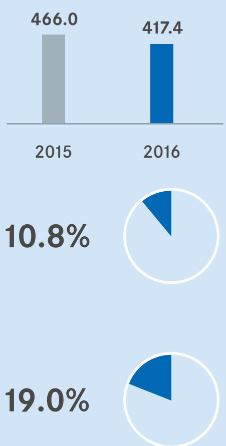
4.3% 

Share of adjusted total net sales 2016

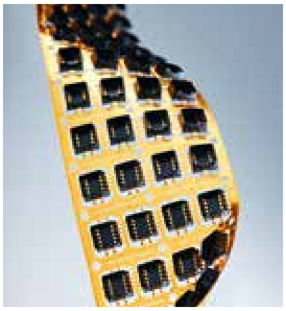
Elastomer Plants



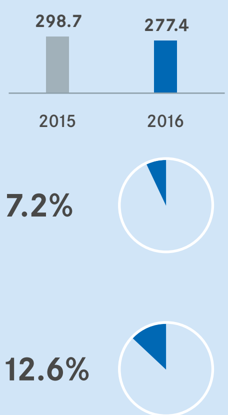
- Mixers and mixing room systems
- Tire-building machines
- Extrusion plants
- Heat presses
- Masterbatch compounder
- Screw extrusion presses and refinery plants



Electronics

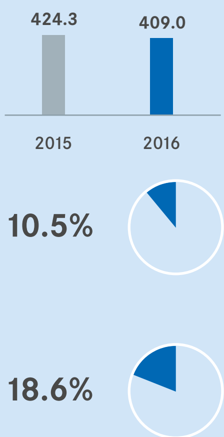


- Leadframes
- Electromechanical components
- Connectors



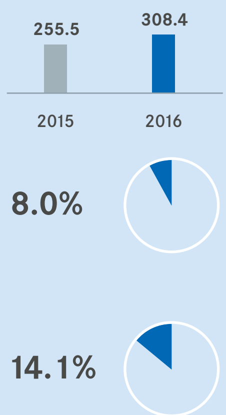
Cleaning Machines

- Cleaning technology
- Municipal technology



SME Investments

- Mechanical, plant and apparatus engineering
- Technical products
- Service companies



Management

Letter from the Executive Board

Dear business partners, dear readers,

2016 was the most successful year in our company's 169-year history. We were able to achieve new record results both in terms of sales and earnings, which strengthened our competitiveness significantly and created additional growth potential for the Group.

Our operative business units succeeded in surpassing the overall figures of the previous year and we were able to meet our objectives entirely or almost in full. Our economic key data provides an impressive testimony to this claim.

"In the company's 169-year history, 2016 was the most successful year. We achieved new records for sales and earnings."

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

Group sales increased by a double-digit 10% to nearly € 3.9 billion. The two main drivers of this significant growth in sales were the euro prices for precious metal, which were above the annual average, and a moderate increase in recycling volume. In order to reflect both the actual performance and the relative importance of this business segment for the Group as a whole more faithfully, our analyses in this report only show the net proceeds we achieved in the Precious Metal business. Without taking into account the precious metal price effect, consolidated sales remained more or less stable.

The Group earnings before taxes reached an all-time record high of € 243 million. Compared with the already very good result of the previous year, this is an increase of € 98 million, or 68%. The main earnings drivers were non-recurring deconsolidation proceeds as well as improved results achieved in the operating business units. All of our business units were profitable, achieving good to excellent results; none of the business segments fell behind in their development. This kind of wide and well-balanced attribution of profit is highly exceptional for conglomerates such as Possehl, given the fact that we operate in eight independent business segments. In that sense, now more than ever, our group of companies rests on various equally strong supporting pillars.

- In recent years, through acquisition and internal growth, we were able to expand both our Construction business and SME segment continuously. Last year, each of these two segments achieved a sales volume of more than € 300 million and therefore form an important part of our Group.

— We also strengthened the segment Document Management Systems – the smallest of our business segments – through acquisition. Acquiring a majority interest in the Dutch company Optimus Sorter, teamed with our know-how and international structure, laid the foundations for our long-term success in the growth markets e-commerce and parcel logistics.

— The Electronics segment disposed of the smart card business serving the chip card industry last year, which most recently generated annual sales of some € 40 million. The earnings resulting from the sale contributed significantly to the increase in the Group's profit. Gratifyingly, the loss of turnover and earnings contributions to the Group's revenues was largely compensated by operational improvements – mainly in the automotive business.

— Overall, the Printing Machine business at manroland web systems developed on a satisfactory note. In view of further declining market demands for new machines, the performance can in fact be considered positive. We practically satisfied the entire market demand for large 96-page commercial web presses.

"The many different and equally supporting pillars, on which our Group stands, provide the necessary stability."

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

— The Precious Metal segment, which also reported double-digit growth figures, was largely accountable for the sales growth within the Group; however, the price-adjusted proceeds increased only slightly. The excess capacities that have been felt in the precious metal recycling business for years and, as a result, the pressure on margins, also predominated the reporting period. Nonetheless, we were able to improve both the cost and competitive positions at individual business locations through targeted investments in new production plants and by expanding our online business.

— For years, when talking about our two business segments Cleaning Machines and Elastometer Plants, we have been doing so with joy and due pride – and last year was no exception. Both business units have succeeded in maintaining leading positions in their respective markets for a long time and once again achieved excellent results in 2016.

Possehl's economic success in recent years is also reflected in our financial key data. Our equity ratio climbed to over 54% and our available net liquidity reached a new record high of € 352 million. This very solid capital and liquidity base provides the necessary leeway for sustainable internal and external growth.

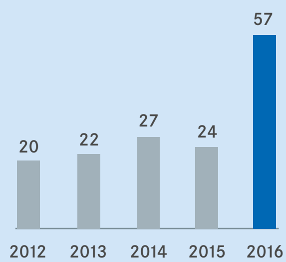
From a portfolio perspective, 2016 was a rather atypical year for Possehl. With ARBAprocessing in the SME segment and Optimus Sorter operating in the field of document management systems, we acquired another two well-positioned companies that fit our profile perfectly. On the other hand, we disposed of pretema and their smart card business, Hirtler Seifen (soaps) and Auer Formenbau (mould making). However, this does not imply, by any means, a change in our corporate philosophy. It is our intention for the future to continue to keep and develop companies under Possehl's corporate roof. We will continue to invest in existing operations as well as in new enterprises with attractive business models in the future to maintain a sustainable high-performance portfolio. Selling individual companies will remain an exceptional measure and will only come into question if we come to the conclusion that another owner can offer that particular company and its employees more added value than we can – something that has rarely occurred in recent years.

"For the further growth of our high-level portfolio, we will continue to invest in existing activities as well as in new companies with attractive business models."

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

Last year's success spurs us on and is also a challenge for the year 2017, as we are fully aware that we will not be able to achieve the same level of profit – the result of non-recurring earnings – again. However, despite global political tensions and economic imponderables, we are confident that we will be able to match up to the operative level of the financial year just ended. Achieving this goal also requires external growth through new acquisitions; however, we will not let ourselves be induced by low or even negative interest rates to act imprudently or pay excessive acquisition prices. Long-term success and increase in value are the only decisive factors that define the path for our future actions.

Dividend performance
in € million



As in previous years, a substantial portion of this year's earnings will flow to the non-profit Possehl Foundation. Already over the course of 2016, an additional special dividend of € 40 million was paid into the Possehl Foundation to support long-term foundation projects over the next few years. For the financial year 2016, we propose a regular dividend of € 17 million.

The outstanding success of recent years is the result of collaborative effort. We would therefore like to expressly thank all of Possehl's employees for their commitment and contribution to the outstanding development of our business. We would also like to take this opportunity to thank you, our esteemed business partners, for placing your trust in both our group of companies and our employees. In addition, we thank all readers for their interest in Possehl.

"Through acquisitions, we have been able to continuously expand our construction services and the SME segment in recent years."

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

We are confident that we will continue to achieve excellent results in the future while remaining in compliance with our SME corporate values.

Yours sincerely,

Uwe Lüders

Dr Joachim Brenk

Dr Henning von Klitzing

Mario Schreiber

SUPERVISORY BOARD

Dr Ernst F. Schröder
Chairman
Businessman

Peter Hlawaty
Regional District Manager for Hamburg of IG Metall Küste
Vice Chairman of the Supervisory Board of L. Possehl & Co. mbH

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

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

Dr Gregor Enke
(until March 31, 2017)
Head of Automation of manroland web systems GmbH

Dirk Kohrs
Chairman of the General 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
Engineer

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

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

Letter from the Supervisory Board

LADIES AND GENTLEMEN,

2016 was to date the best financial year for the Possehl Group in its 169-year company history. It is particularly encouraging that, alongside the non-recurring gains from deconsolidation measures, all of the operating business units have also contributed significantly to this record result. The financial success of recent years has allowed for the payment of an additional one-off dividend of € 40 million to the Possehl Foundation, without adversely affecting the financial strength and growth potential of the company.

In the 2016 financial year, the Supervisory Board diligently fulfilled the duties incumbent upon it according to law, the articles of incorporation and the rules of procedure, and continuously advised and monitored the company's Executive Board. At four ordinary meetings, the Executive Board informed the Supervisory Board about key acquisition projects, the course of business and the future prospects of the Group's individual business units, in addition to providing a summary assessment of the overall situation of the Group. All fundamental questions relating to Group policy were discussed in depth with the Executive Board, including, in particular, the Group's strategic development and risk situation, corporate planning and key investment decisions. Business transactions that require the approval of the Supervisory Board according to law or the articles of association were also reviewed and discussed at length. The Supervisory Board approved the proposed resolutions of the Executive Board after thorough review and extensive discussion.

The Chairman of the Supervisory Board also remained in constant and close contact with the Executive Board outside of the meetings. He was always informed promptly and comprehensively about key business transactions and recent events that were of importance for assessing the situation and performance of the Group, and supervised the Executive Board as it made entrepreneurial decisions, in particular those relating to company transactions.

The Supervisory Board performed in full its duty to continuously monitor the Executive Board during the reporting period.

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, 2016 in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), and issued them with an unqualified opinion. The financial statement documents and the audit reports were presented to all members of the Supervisory Board in a timely fashion and were discussed in detail in the presence of the auditor during the financial statements meeting on April 26, 2017. The auditor reported on the main findings of the audit, including updates and developments on the investigation into IT security in the Possehl Group as commissioned by the Supervisory Board, and also provided the members of the Supervisory Board with detailed explanations on the audit reports. He was also available to answer questions during the meeting.

The Supervisory Board approves the results of the audits. According to the final outcome of the Supervisory Board's own examination, no objections are to be raised. The Supervisory Board approved the annual financial statements of L. Possehl & Co. mbH as of December 31, 2016 and recommends that the shareholder adopt them. The Supervisory Board also recommends that the shareholder approve the consolidated financial statements of L. Possehl & Co. mbH as of December 31, 2016.

The appropriation of profit proposed by the Executive Board has been reviewed and endorsed by the Supervisory Board.

The Supervisory Board thanks all employees of the Possehl Group companies as well as the company management for their personal contribution to the outstanding performance in the 2016 financial year.

Lübeck, Germany, April 2017

On behalf of the Supervisory Board

Dr Ernst F. Schröder
Chairman of the Supervisory Board

Group Management Report

INFORMATION GRAPHICS

Principles of the Group

Possehl is a company of long-standing tradition with a history stretching back what is now 169 years. We are a diversified, globally active group of companies with headquarters in Lübeck. We hold leading positions in the markets that we occupy. Alongside diversification and risk spreading, a focus on mature industries and niche markets also plays a key role in our strategic orientation. Within our companies, we place great value on achieving a consistent cash flow and on the ability to distribute continuous dividends. Over the past few years, Possehl has continually grown, having undergone a transformation into a production company with a focus on mechanical engineering. However, we consider ourselves to be a conglomerate with a deliberately broadly diversified portfolio of companies.

The Possehl Group operates in a largely decentralised way. Operational decisions are taken within the individual divisions, which have a great deal of independence in all of their market- and customerfocussed activities. All of the companies are united by their being part of the Possehl Group and by common values. One of the core duties of the parent company, L. Possehl & Co. mbH, in its function as the management holding company, is to establish corporate strategy and the approach to portfolio management, which includes mergers and acquisitions, risk and opportunity management, the development of management personnel and management trainees, the central financing of the Group as well as Group accounting and controlling. The holding company presently employs a team of 23, including four members of the Executive Board, who also work operationally. We have largely dispensed with centralised administration and service departments.

Key financial figures

in € million	2016	2015	Change in %
Net sales	3,877	3,516	10.3
Adjusted net sales*	2,195	2,205	-0.5
Earnings before taxes (EBT)	243	145	67.6
Net financial assets	352	264	33.3
Economic equity	804	700	14.9
Economic equity ratio (in %)	53.4	52.3	2.1

*Group sales less precious metals effects

The Group's portfolio of companies has not fundamentally changed in comparison to the previous year. In the reporting year, the Group consisted of eight operating divisions with the following segments and customer groups:

DIVISION	SEGMENT/PRODUCTS	CUSTOMER GROUP
SPECIAL-PURPOSE CONSTRUCTION	• Road and other surfaces • Above-ground and underground construction • Building restoration • Construction chemicals/specialised mortar	• Public services • Airports • Logistics • Trading companies • Construction industry • General industry
DOCUMENT MANAGEMENT SYSTEMS	• Enveloping machines • Card mailing systems • Personalised mailing systems • Letter and parcel sorting equipment as well as logistics applications	• Banks/insurance companies • Telecommunications companies • Mass mail services • Public authorities
PRINTING MACHINES	• Web-fed offset newspaper printing • Web-fed offset commercial printing • Digital printing (print finishing modules)	• Newspaper and magazine publishers • Printing industry
PRECIOUS METALS PROCESSING	• Precious metals recycling • Semi-finished precious metal products/jewellery • Chemical industry/electroplating • Precious metals trading/investment products • Industrial recycling	• Jewellery 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 • Masterbatch compounder • Screw presses and refinery plants	• Tire manufacturers • Plastics industry • Technical rubber goods industry • Oil mill and food industries
ELECTRONICS	• Leadframes • Smart cards and LamFrames (until 31/7/2016) • Electromechanical components • Connectors	• Automotive suppliers • Semiconductor and electronics industry • LED manufacturers • Smart card producers
CLEANING MACHINES	• Cleaning technology • Municipal technology	• Professional cleaning companies • Trading companies • Public services • General industry
SME INVESTMENTS	• Mechanical, plant and apparatus engineering • Technical products • Service companies	• Food industry • General industry • Municipal authorities • End consumers

Possehl is active in around 30 countries via its subsidiaries and shareholdings. The L. Possehl & Co. mbH group of companies comprises 167 (previous year: 162) associated companies, of which ten were not consolidated due to their lesser significance. Moreover, three companies were consolidated using the equity method, as in the previous year. A detailed overview of the companies and their locations can be found in the list of shareholdings.

The following noteworthy changes were made to the portfolio in the reporting year:

- The SME Investments division made progress in its strategic growth with the acquisition of the ARBAprocessing Group. The ARBAprocessing companies generated sales of € 51.9 million in the reporting year, thereby contributing significantly to the growth of the SME Investments division. ARBAprocessing is a leading manufacturer and supplier of vehicle superstructures used in the milk logistics industry, as well as of stainless-steel receptacles and apparatus, used mostly in the milk-processing industry. The company has five operational sites, two in Germany and Poland respectively, and one in Austria. Production takes place mostly at the two Polish plants.

- Towards the middle of the 2016 financial year, Böwe Systec GmbH acquired a majority share of 70% in Optimus Sorter Holding B.V., based in Beuningen, the Netherlands. This SME company specialises in the development, design and manufacture of sorter and conveyor systems for the logistics and postal industries. Other major customer industries include wholesale, retail and e-commerce. For the Document Management Systems division, the acquisition of Optimus Sorter promises good opportunities for success and development in a rapidly growing market segment.

- The two aforementioned acquisitions were offset by three divestments in the reporting period: in the SME Investments division, we sold our investment in Hirtler Seifen GmbH to a strategic competitor due to the sustained decline in the market and the very intense competition. The Electronics division sold its business in laminated leadframes for the chip and telephone card industry. The main reasons behind this strategic decision were the very high level of innovation in this market and the associated substitution risks. Also in the Electronics division, the investment in Auer Formenbau GmbH was sold due to our wish to focus our tool business at the Niefern site.

Alongside profitability and consistency of dividends, our portfolio of companies is also geared towards long-term prospects, stability and risk distribution. We ensure that our divisions are in as many different industries as possible and that they are largely subject to a variety of economic cycles and regional developments. This strategy also serves the long-term focus of our sole shareholder, the charitable Possehl Foundation.

The independence of the Possehl Group plays a key role in our decision making. This is particularly true for company acquisitions, which we regularly engage in without external financing. We also avoid inappropriate levels of risk and, if possible, high levels of goodwill in our acquisitions.

The Possehl Group is on a course of growth with a long-term outlook, one which we have pursued consistently over the years and have successfully implemented, with average sales growth reaching around 9% over the past five years and exceeding 10% in the year under review. We aim to continue pursuing this course of growth and, in doing so, to increase the value of the company and its ability to distribute dividends. Business activities are expanded both by way of organic growth and through acquisitions, specifically additions to existing divisions, the expansion of the SME Investments division and the acquisition of new divisions. We do not believe that growth is an end in itself, but rather we consider sustainable, profitable growth to be a prerequisite for independence and stability.

The Possehl Group is largely managed using financial performance and liquidity indicators. We greatly value transparency, the clear accountability of income and expenses, a lack of overlap between individual divisions as well as “bottom line accountability” for each individual Group company. This is why we use earnings before taxes (EBT) as our key metric for the assessment and management of profitability.

To manage the growth of both the Group and of the individual divisions, we use net sales as a metric, adjusted for the precious metals effects and, where appropriate, for portfolio effects.

A sustainable performance of net sales and the net result is backed up by a robust capital structure. We use the economic equity ratio (equity +/- capitalised/liability differences from capital consolidation) and changes in net liquidity/net debt as our main indicator for management of the capital structure. We do not recognise the settlement account with the Possehl Foundation shareholder as equity here.

Due to the very broad diversity of divisions and activities within the Group, we work not only using generally applicable management indicators, but also with division-specific metrics. For instance, we pay very close attention to incoming orders and to the order backlog in our mechanical engineering and construction activities. We only register an order as “received” when the underlying contract is legally valid and binding. The order backlog represents an indicator of future sales proceeds from already registered orders. When assessing the order backlog, we also take into account the respective percentage of completion. Where possible, we compare the earnings position and market share of our subsidiaries with those of relevant competitors.

In addition to the indicators used to assess financial performance, non-financial indicators also play a key role in Possehl’s success. From a Group perspective, research and development efforts as well as the appeal to and retention of highly qualified personnel are of crucial importance.

For all of our divisions and companies, it remains the case that Possehl thinks and acts from a very long-term perspective and with a great deal of foresight, and preserves the identity of its businesses.

We consider ourselves to be a group of companies and, unlike many private equity firms, we do not pursue exit strategies which aim for a subsequent sale.

RESEARCH AND DEVELOPMENT

The profitable growth and long-term success of Possehl are significantly dependent on the level of innovation of our products, services and manufacturing processes. This is why we go to considerable lengths and expense to innovate. Our activities in the field of research and development are largely market- and customer-driven. Technical innovations and new products and applications are regularly developed in partnership with our customers. Our activities here focus on the development of more efficient and more environmentally friendly products and processes as well as on quality improvements. With our innovative products and processes, we supply solutions to many branches of industry. The focal aspects of development in the individual divisions are described below.

The Special-Purpose Construction division largely limits its research and development activities to the enhancement of existing products and processes. Accordingly, the division focussed in the reporting year on processes for the sustainable renovation and repair of road surface seals and cracks, for which there is strong market demand. Considerable expenditure once again went on asphalt preservation. In the product area of construction chemicals, the existing products were continuously further developed and optimised in terms of their use.

In the Document Management Systems division, considerable investments have been made in recent years in the development of new enveloping systems and in the enhancement of existing enveloping facilities. The focus has been on the entirely redesigned Fusion Cross enveloping system, which enables the user to process different envelope formats and content thickness in a single enveloping process, thereby lowering costs significantly. The flow principle developed by Böwe Systec enables handling in a more material-friendly manner and with more process reliability. The required stability is provided by an intelligent system for plant control and monitoring, as well as continuous tracking of the processed goods during the production process by means of integration with the software developed in-house. During the reporting year, other components were developed for this system, thereby further expanding the range of potential applications. The system's functionality was also optimised in collaboration with our customers.

One of the focusses of development in the Printing Machines division was the automation of the workflow and the reduction of life cycle costs. These developments were undertaken in close collaboration with our customers. In terms of service, we have increased our commitment to developing and trialling innovative service and press-update products. In this context, elements from digital printing are increasingly being integrated into the solutions to enable greater personalisation of print products and thereby the opening up of new business areas for our customers. To further increase our service volume, we have developed our online sales channels. As a platform for other market participants and their products and services, we presented our new web store at drupa, the leading trade fair for printing equipment. In order to be able to cater to demand for systems for flexible package printing, we began to develop application-oriented complete solutions in this market segment in conjunction with our partners in the reporting year.

In Precious Metals Processing, development efforts focussed in part on the expansion of our e-commerce activities ("cooksongold"), the development of webshops and measures to streamline and automate production processes. At Sempsa in Spain, for instance, the production process for blanks was optimised thanks to investments in the expansion of the production line. Across the Group, the industrial recycling business was reorganised and additional production capacities were created at the Pforzheim site. Together with a cooperation partner, development efforts also focussed on the enhancement of a "direct metal laser sintering" (DMLS) process – 3D printing – for precious metals.

In the Elastomer Plants division, the tire-building machines product area has been very successful in marketing the newly developed modular tire-building machine for high-performance passenger vehicle tires, and continues to develop this machine to enable it to include, in equal measure, various production processes in the creation of the tire carcass. In the heat presses product area, several projects have been initiated to optimise the energy management of the press itself, of the surrounding plant infrastructure and of the vulcanisation process, using funding received from the City of Hamburg's innovation fund, among others. Press+Lipid Tech is currently developing a controller-independent "HF app" that not only provides online monitoring of operating conditions, but also helps plant operators to make decisions, offering a point of entry into the world of networked Industry 4.0 technologies. The HF Mixing Group has drawn up a comprehensive model for complex mixing-room systems that enables the all-encompassing design of every major component in the mixer lines on the basis of the customer's throughput and production requirements. In addition, a program has been created to manage all of the logistics processes during mixing, and has been successfully put into operation at a renowned tire manufacturer.

Research and development activities in the Electronics division largely take place at the Niefern-Öschelbronn site for the automotive business. In 2016, development on the pretPin® range of push-in contacts continued as before. This allowed for the completion of work on a geometric form used for signal current and for power output using a new metal alloy internally for two customers in the automotive supply industry. This metal alloy is suitable for applications at high temperatures and is therefore an ideal addition to the product range. In addition to the established ReHot solution, a partnership with several suppliers and a German OEM was initiated. For future generations of chip packaging, the division has developed a new, innovative concept under the acronym SCP (Smart Chip Package). In addition to the considerable savings potential in terms of raw materials and production costs, it also reflects further technical innovations that enable future demands to be met in relation to miniaturisation, sensor systems modularity (building-block principle), 3D packaging and integrated, wireless communication interfaces (antenna technology). Applications are identified not only in the automotive segment, but also in the growing IoT area, also known as Industry 4.0, while developments are also taking place in the field of additive production technologies. These methods enable three-dimensional surfaces to be coated and filigree conductor tracks to be produced, in order to create antenna structures, for instance.

In the Cleaning Machines division, the 2016 financial year was shaped by numerous product innovations, which were presented at the Interclean trade fair in Amsterdam as well as at the IFAT in Munich and the GaLaBau in Nuremberg. The high pace of innovation concerns all four product areas. To cater to the growing market for smaller ride-on machines, more versions with different working widths have been developed and engineered on the basis of the "small rider platform". Series production of these new machines will begin in 2017. In outdoor cleaning, the Sweepmaster product area saw the launch of alternative engine variants, including new combustion engines and other additional options. The Citymaster 1600, which was newly launched onto the market in the previous year, saw the introduction of new ranges of accessory equipment as well as product optimisations. The entirely redeveloped Citymaster 2200 is compliant with the stringent Euro 6 emissions standards. It also has a much larger sweeper container and a higher top speed, meaning that it can also be driven on dual carriageways and motorways. The switch to the more stringent emissions standards had a decisive effect on expenditure in the reporting year, including for the multi-car vehicles.

In the SME Investments division, we concentrated on the optimisation of production processes and of working capital at our mechanical engineering companies. The resulting improvement potential will be realised gradually over the coming years.

Economic report

OVERALL STATEMENT ON THE GROUP'S POSITION

The global economy saw only moderate growth in the 2016 financial year. In such a complex and challenging macroeconomic environment, the Possehl Group performed well. All of the Group's divisions have reported positive earnings before taxes (EBT). In the Printing Machines (manroland web systems) and Document Management Systems (Böwe Systec) divisions, which have been particularly affected by structural change, the turnaround in the previous year has proven to be sustainable.

With Group sales of € 3.88 billion, the record sales of the previous year have once again been surpassed, this time by more than 10%. The considerable year-on-year sales growth is, for the most part, due to the higher precious metal prices on average over the year, but also, to a lesser extent, to the changes in the group of consolidated companies, which, on a net basis, had a positive effect on Group sales. We generated operational growth in the Printing Machines and Document Management Systems divisions, while the growth in sales in the SME Investments unit was due to acquisitions. In the other Group segments, revenue was slightly below that of the previous year. Adjusted for changes in the price of precious metals and changes in the group of consolidated companies, Group sales amounted to € 2.15 billion, representing a slight drop against the previous year.

The consolidated result before taxes came to € 242.6 million in the reporting period, significantly exceeding the previous year's result of € 144.8 million. Operational improvements in a number of divisions, the positive effect of the statutory change regarding the recognition of pension provisions as well as non-recurring unprecedented deconsolidation gains were the main factors behind this jump in the result. This increase was offset by higher goodwill amortisations due to the previous years' acquisitions. EBITA – the operating result excluding goodwill amortisations and income from the release of negative consolidation differences – came to € 267.9 million in the reporting period, representing a year-on-year improvement of around 43%.

Not only the earnings position, but also the net assets and financial position have continued to improve significantly. Net financial assets grew to € 352.0 million, due, in particular, to a good operating cash flow and to high receipts of payments from divestments. The economic equity ratio also rose to 53.4%.

MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

Global economy sees only tepid growth

Expectations regarding global economic growth were once again not fully met in 2016. Following a weak first half to the year, growth rates towards the end of the year did begin to rise again, to which an upturn in production in the United States and the emerging markets contributed significantly, with the Chinese economy once again reporting a stronger growth. Despite this, growth in global production for 2016 was just 3.1%, representing a further drop on the already weak previous year and the smallest rise since the crisis year of 2009.

The US economy began to pick up pace towards the end of the year after very restrained growth in the first half. Both an upturn in warehouse investment and a sharp rise in exports were the determining factors behind the acceleration in the second half of the year. Private spending continued to see strong growth and remained a principal pillar of the economy. Business investment, on the other hand, has been rather slack until recently.

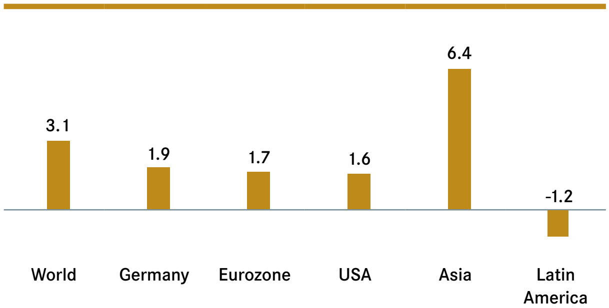
The moderate economic upswing of the eurozone continued in 2016, in which both private and government spending played a key role. From a regional perspective, the economic growth had a broad basis, with economic output increasing in all of the eurozone's member states. The recovery was strongest in some of those countries to experience relatively major economic problems recently. The Italian and French economies continued to be a burden on the eurozone as a whole, although the negative impact of the decision taken by the British in favour of Brexit has so far been less pronounced than expected.

Overall, the negative effects were once again the outweighing factor in the performance of the global economy. At the same time, uncertainty grew due to global political tension and instability.

German economy continues to grow

The German economy proved very robust in the past financial year, growing by 1.9% after adjustment for pricing. Growth was primarily driven by domestic demand, with private spending rising by 2% after adjustment for pricing. Government spending also rose significantly, especially due to the added expenditure for refugees. Capital expenditure, in particular investment in construction, also rose noticeably as against the previous year.

Preliminary gross domestic product 2016
Real change vs previous year in %



Differing performance of the relevant markets

The Possehl Group companies operate in different industries and their products and services are offered in a variety of regional markets – some national, some global. Accordingly, the business of the individual companies and divisions is affected to very different degrees by macroeconomic trends. The industries and markets of particular relevance to us performed as follows during the reporting period:

Automotive engineering – Global automotive production for passenger vehicles and light commercial vehicles grew by around 3% in 2016. Growth continues to be subject to regional differences. The strongest increase in growth was once again in China, but production also rose by just under 4% in Western Europe, which was somewhat higher than in Germany. Automotive production in the USA saw only slight growth, while in Mexico, it reported much stronger growth. However, the future significance of Mexico as an automotive production location in the NAFTA region is uncertain in light of protectionist measures in the United States.

Mechanical engineering – Global mechanical engineering output faltered in 2016. Moderate growth was recorded in Asia, but production in the rest of the world stagnated or even declined slightly. The German mechanical engineering market, which is highly export-focussed, saw production volumes remain at the previous year's level in view of the rather weak global economy and considerable economic uncertainties. The significant rise in demand towards the end of the year changed nothing in this regard.

Construction industry – Construction activities in the eurozone grew by around 2% in the past year. Production in the German construction industry even reported a much more pronounced increase. The strongest growth was reported in residential construction, although public-sector and commercial construction also grew noticeably. Growth in the real income of private households, the persistently low mortgage interest rates and the high number of refugees boosted residential construction. In addition, there was increased public investment in roads, rail and waterways.

Precious metals – After the continuing upturn in the price of gold in the first half of 2016, it came under pressure in the second half of the year due to higher interest rates in the United States, and fell to US$1,151 per troy ounce at year-end. Potential import restrictions on the world's two largest sources of physical demand, China and India, depressed the price of gold towards the end of the past year. On average throughout the year, the price of gold in US dollars was just under 8% above the previous year. The price of silver bottomed out at the start of 2016 and gained a significant 15% in value over the course of the year.

Course of business and earnings position

THE GROUP AS A WHOLE

Group sales rise to new record of € 3.88 billion

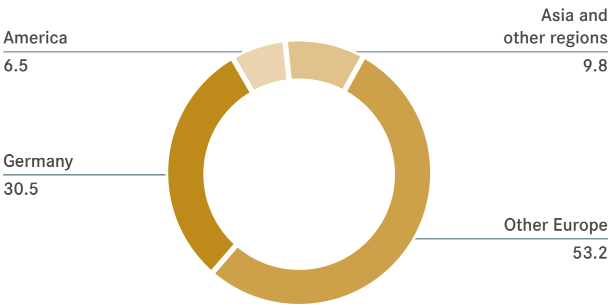
In the 2016 financial year, the Possehl Group generated sales of € 3,876.8 million, which represents a year-on-year rise of € 360.5 million, or 10.3%. This increase is almost exclusively attributable to the precious metals business and is largely due to higher precious metals prices. Positive effects from changes in the group of consolidated companies in the reporting period amounted to around € 44 million and were therefore of lesser significance overall. After adjustment for these two effects, Group net sales declined slightly by around 3% year on year.

The Group's overall performance, adjusted for changes in the group of consolidated companies and precious metals sales (i.e. sales including changes in inventories and own work capitalised), grew slightly.

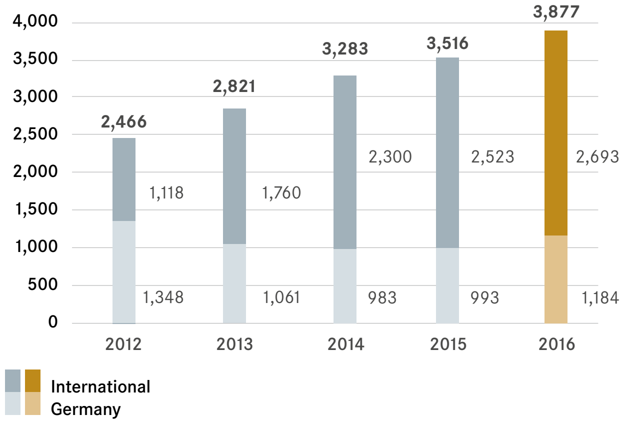
The change in net sales in the individual divisions is shown in the following overview:

in € million	2016	2015	Change in € million	Change in %
Special-Purpose Construction	318.1	320.9	-2.8	-0.9
Document Management Systems	125.4	119.2	6.2	5.2
Printing Machines	242.1	240.7	1.4	0.6
Precious Metals Processing	1,775.3	1,387.3	388.0	28.0
Elastomer Plants	417.4	466.0	-48.6	-10.4
Electronics	277.4	298.7	-21.3	-7.1
Cleaning Machines	409.0	424.3	-15.3	-3.6
SME Investments	308.4	255.5	52.9	20.7
Holdings/other equity investments	3.7	3.7	0.0	0.0
	3,876.8	**3,516.3**	**360.5**	**10.3**

Net sales in 2016 by region
in %



Net sales in 2016 Germany/International
in € million

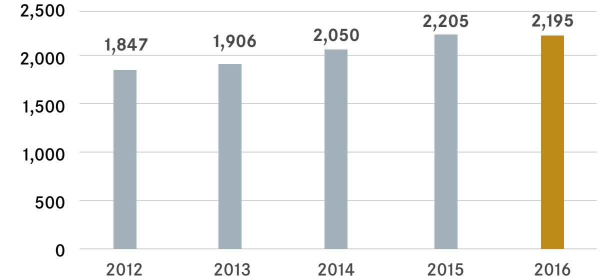


The trend of recent years towards a stronger focus on foreign sales did not continue in the reporting year. The share of foreign sales fell from 72% to 69%. The stronger growth of domestic sales, which rose by 19% year on year, was the decisive factor for this shift. Domestic sales in the precious metals business increased by more than 40%. The domestic business of the SME Investments division grew as a result of acquisitions, while sales in cleaning machines declined.

Foreign business grew by 7% in the reporting period. As was the case domestically, growth here was also primarily attributable to the precious metals business and, regionally, to the European Union. While considerable growth rates had still been achieved on the American continent in the previous year, sales there saw a double-digit drop in the reporting year. A significant share of this movement is attributable to the Elastomer Plants division and is due to a major order in the previous year that could not be repeated again. Sales on the South American continent also declined for economic reasons, while sales on the Asian market saw a slight decline on the previous year.

The price of precious metals is of major significance to Group sales, but it had no direct impact on the consolidated net result, as sales of precious metals are largely offset by a correspondingly high cost of materials used. Group net sales are therefore subject, to a large extent, to the volatility of precious metals prices, especially of gold. The price in euros is of major significance to the Possehl companies. On average over 2016, the price of gold as denominated in both US dollars and euros grew by almost 8% year on year. To adjust for this effect, the Group net sales from the past five years are shown below, adjusted for precious metals effects:

Net sales 2012–2016 (adjusted for the effects of sales from precious metal trading) in € million



These adjusted net sales figures show that the continuous upwards trend of recent years in adjusted Group net sales did not persist in the reporting period. Instead, sales have stagnated at the level of the previous year. This trend is a better reflection of the Group's actual performance. Over the period of the last five years, the adjusted sales growth was an average of nearly 4% per year.

Where sales-related earnings indicators are shown below, these are all based on the sales adjusted for precious metals effects.

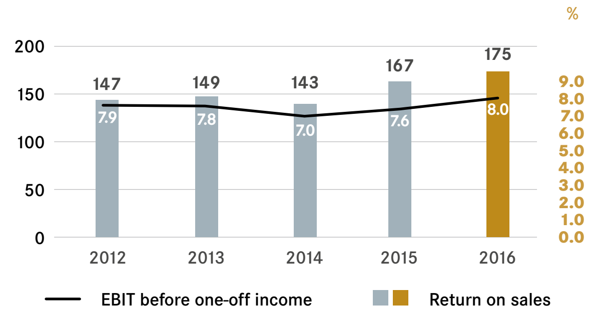
Earnings before taxes climb significantly to € 242.6 million

Earnings before taxes (EBT) increased year on year by € 97.8 million, or 67.5%, to € 242.6 million. This significant jump in earnings is largely due to the gains from the deconsolidation of Group companies, in particular from the sale of the smart card business in the Electronics division. Alongside this one-time gain, the operating companies also performed well and contributed decisively to the increase in profits. The lower interest expenses for pension provisions compared to the previous year also had a positive earnings effect. Both the Document Management Systems and Printing Machines divisions achieved noticeable productivity improvements after the turnaround of the previous year and generated earnings increases as a result of this. The other divisions remained at the high level of the previous year or even exceeded it, with some of them achieving new record results.

The distribution of the Group net result over the various divisions was more balanced than ever in the year under review, due, in part, to the profitable growth of the Special-Purpose Construction and SME Investments divisions in recent years. The significant increase in earnings at Böwe Systec also contributed to spreading this more evenly and to better stability. All of the Group's divisions were profitable in the reporting year. None of them contributed more than one third to the consolidated net result in the year under review. The Possehl Group therefore enjoys a diversified, strong and stable basis and is largely not dependent on the performance of individual divisions or industries.

The following chart illustrates – after three years of constant performance – the significant upwards trend, in absolute and relative terms, of the previous year, along with the repeated increase in the year under review:

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



Gross profit up 9.8%

Gross profit is not dependent on precious metals prices and is therefore a better indicator of the Possehl Group's performance. It developed largely in line with sales in the reporting year. However, in relation to the adjusted Group net sales, it developed much more positively. While adjusted sales fell slightly, gross profit even saw a noticeable increase. However, it should be noted that gross profit includes the results of deconsolidation. Without this effect, the increase in performance would have been around 3%. This growth is attributable to the increase in inventories in many of the divisions, especially in Special-Purpose Construction, Printing Machines and Document Management Systems.

Personnel costs rise by 4.6%

Personnel expenses rose year on year by € 29.3 million, or 4.6%. Around half of this increase is attributable to the higher average number of employees (including trainees), which grew by 279, or 2.3%, in the reporting year. The higher number of employees is largely due to the changes in portfolio and, primarily in this context, to the ARBAprocessing Group. The increase in costs was also caused by wage and salary increases applied by regular means or through collective agreements, as well as increases in variable pay components due to the improvement in earnings. Pension expenses, on the other hand, fell year on year by € 1.8 million.

Amortisation, depreciation and impairment rise moderately to € 74.8 million

Amortisation, depreciation and impairment rose only slightly by € 0.5 million, or 0.7%, even though capital expenditure in material assets increased significantly. While amortisation of goodwill rose significantly again in the previous year, this item saw a decline of just under € 2.0 million in the reporting year. Goodwill did not need to be impaired. Statutory amendments mean that goodwill will tend to be regularly amortised over a longer period of time in future. A number of new additions in the year under review are already amortised on a straight-line basis over a longer period of up to ten years. Amortisation of goodwill is offset by income from the release of negative consolidation differences of € 6.6 million, which amounted to € 10.2 million in the previous year. The balance of goodwill amortisations and income from the release of negative consolidation differences resulted in additional expenses of around € 1.7 million compared with the previous year.

Net investment income falls to € 1.0 million

The net investment result is only of lesser importance to the Possehl Group, as we generally aim to hold majority participations. The result in the 2016 financial year was largely attributable to the two joint ventures in the Cleaning Machines and Special-Purpose Construction divisions, which were included in the consolidated financial statements using the equity method.

Interest result significantly improved

The interest result has improved significantly on the previous year. While net interest expense of € 22.5 million was reported in the previous year, the net interest expense in the reporting year was € 13.1 million. The improvement of € 9.4 million is almost entirely due to reduced expenses in connection with the valuation of pension provisions. While considerable expense was incurred in the previous year due to the reduction of the discount factor, there was a slightly positive effect in the reporting year. The year-on-year reduction came to a total of € 9.2 million.

Without this effect, the interest result would have remained largely unchanged. Interest income from financial investments continued to decline due to market conditions and now plays practically no significant role. Where possible, we have therefore further reduced liabilities to third parties, including leases, in the reporting year, and aim to continue doing so in future. Only expenses for precious metals loans increased slightly, although this is solely due to a higher volume, with the lending rates themselves falling slightly over the course of the year.

Income tax ratio of 22.0%

The income tax ratio in the reporting year was 22.0%, falling significantly compared to the previous year. It is also well under the ordinarily expected income tax ratio of at least 30%. The main factor here lies in the deconsolidation gains, which for the most part are untaxed. These were offset in part by higher tax expenses for prior reporting periods. The ratio after adjustment for these effects is around 32%, putting it at the level of the previous year. We continue to refrain from recognising any deferred tax asset surplus that is attributable to tax loss carryforwards or is the result of individual financial statements. This conservative accounting approach means that the income tax expense for the reporting year is € 5.0 million higher than if this option for recognition were not exercised.

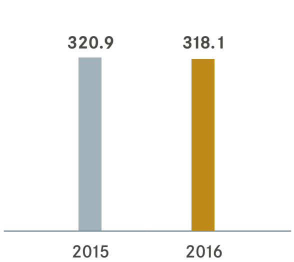
Consolidated annual result rises to € 188.4 million

The consolidated annual result for the reporting year is € 188.4 million, as against a net profit of € 89.3 million in the previous year. The significant improvement in the pre-tax result is therefore also reflected in the result after taxes and has increased the Group's equity accordingly.

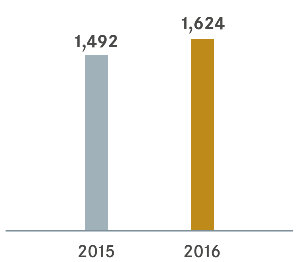
DIVISIONS

Special-Purpose Construction

Net sales
in € million



Employees
yearly average



This division largely operates in niche markets with mainly small and medium-sized enterprises.

It is broken down by individual product/construction service segments as follows:

- Road and other surfaces (Possehl Spezialbau, DFT Deutsche Flächen-Technik, Thiendorfer Fräsdienst, P+S Pflaster- und Straßenbau)
- Above-ground and underground construction (Mickan)
- Building restoration (Bennert, Nüthen)
- Construction chemicals (Pagel, Euroquarz, cds Polymere, Gremmler – as joint venture)

The division was able to continue the good performance of the past years in the year under review, even though sales remained slightly below those of the previous year. The positive mood in the construction sector, especially domestically, and the high level of public investment in new buildings, preservation and maintenance have played a decisive role in the stable and positive state of business. In such a positive environment, the division has been able to grow in recent years, both organically and with the acquisition of new companies. With Thiendorfer Fräsdienst and P+S Pflaster- und Straßenbau, we strengthened our road and other surfaces product area at the end of last year with both more premises and more products. We are now in a position to process and maintain road surfaces using our own milling machinery. Both companies were consolidated for the first time in the reporting year and contributed to the stable and positive overall situation for this division.

Possehl's construction activities are significantly determined by developments in the German construction industry. Around 85% of construction services are provided within Germany. Having seen positive growth in the previous year, the market in the reporting year was characterised by strong demand. After the construction industry reported slight declines at the start of the year, it was able to recover considerably as the year went on. According to provisional figures, sales in the construction industry in Germany were around 5% up on the previous year, representing the strongest sales growth for a long time. The overall positive performance has affected all construction segments, with residential construction seeing the strongest growth, although commercial and public-sector construction, which are key to us, have also seen strong growth rates.

Thanks to the overall positive environment, the 2016 financial year was once again very successful for the Special-Purpose Construction division, despite sales falling slightly by 0.9%, while construction services rose year on year by 3.3%. Adjusted for the companies consolidated for the first time in the year under review, sales declined by 6.6%, and construction services by just 2.2%. The drop in sales is primarily attributable to both Mickan and to the Bennert Group, which operates in the field of monument renovation. Among many of the other companies, we have been able to generate sales increases.

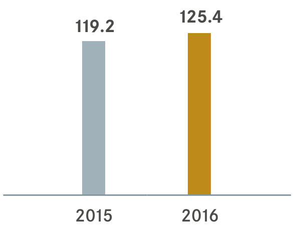
The monument restoration product area (Bennert and Nüthen) was not quite able to build on the very good figures of the previous year because it was not possible to complete the billing process for a number of construction projects in time or because construction changes have resulted in additional expense. In the road and other surfaces product area, significant growth was achieved in the reporting year, largely due to the first-time consolidation of Thiendorfer Fräsdienst and P+S Straßenbau. However, even without this external growth effect, increases were generated here, particularly in the Netherlands and Austria. No major orders were received for the coating of take-off and landing runways at airports in the reporting year, contrary to previous years. Further growth is also impeded by the limited capacity of the public highways authorities to award new contracts and also by a lack of qualified personnel, particularly in certain regions.

However, the performance of the construction chemicals product area, which is represented by the Euroquarz, Pagel and cds Polymere companies as well as the Gremmler joint venture, was once again highly satisfactory. Pagel, in particular, was able to significantly expand its business with its grouting mortar for offshore wind farms. Above-ground and underground construction saw a slight year-on-year drop for billing reasons, but in terms of output, the business proved to be stable. We are also reaching the limits of growth in this segment despite the good market conditions because there is a lack of qualified personnel in many areas.

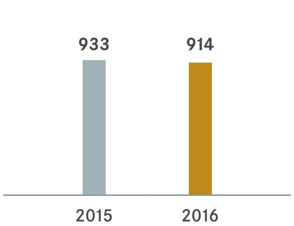
The prospects for the German construction industry are considered to be very positive due to the continued low interest rate level, the catch-up effects in many areas and the high public spending. There is also increased investment in affordable living space due to the refugee crisis, although we will only be able to benefit from this to a small degree. Public investment in the preservation and restoration of dilapidated roads is also expected to have a positive effect. In light of this, we expect construction output to remain high for the coming year. However, we will only be able to achieve significant growth by way of further acquisitions, as stronger growth in individual niches is inhibited by the persistent lack of qualified personnel, which is why we see the need to acquire, continuously train and retain qualified personnel as one of the major challenges for long-term growth. We continue to see good opportunities for external growth through further acquisitions, in part because the Possehl Group has a good reputation as an investor.

Document Management Systems

Net sales
in € million



Employees
yearly average



Böwe Systec is one of the world's leading manufacturers of mailroom hardware and software solutions. Its range of products includes enveloping, cutting and mail-sorting systems, as well as various other systems for automated post delivery and for plastic cards. In addition to its production and management company in Augsburg, this division also has numerous foreign sales and service companies. In the 2016 financial year, Böwe Systec acquired a majority shareholding in the Dutch company Optimus Sorter, which is primarily active in the manufacture of parcel sorting systems.

Böwe Systec's economic environment has not fundamentally changed since the previous year. The moderate growth in sales is almost entirely due to acquisitions, although Optimus Sorter was only consolidated from the middle of the year, meaning that only half of its annual sales are recognised in the overall figures for the product area. Without this consolidation effect, sales would have been at the previous year's level. Accordingly, the division has reinforced the turnaround of the previous year and successfully resisted the downward market trend. This is because the company operates in a market that has been in decline for several years and in which there are, essentially, just four providers who are significant on a global scale. The trend towards sending non-confidential information digitally as opposed to in print form continued in the reporting period. The global mailroom market continues to be characterised by a reluctance to invest and by concentration. A slight recovery was only registered in individual regions, in particular the US market, where the company saw notable growth in the reporting year.

The combination of company premises with previously independent mailrooms, more active use of existing systems in multi-shift operation and the continued increases in systems performance once again led to a reduction in the potential placements for new machinery in the reporting year. In comparison with the overall market for mailings, however, the market of particular relevance to Böwe Systec, namely personalised mailings, is somewhat less affected by this development. However, competitors aim to push one another out of an overall market that is in persistent decline. In the midst of such a difficult environment, the company has succeeded in gaining market share thanks to the innovations of recent years, although has not seen tangible growth as a result.

Sales in this division grew year on year and contrary to the market trend, by 5.2% to € 125.4 million. Without the consolidation effect, growth came to just under 2%, thereby meeting the defined sales targets. Operational output, including changes to inventories, also increased during the reporting period, by € 6.9 million to € 129.0 million. Consequently, not only was the sales target achieved, but a somewhat higher amount of orders in progress was also carried over into the current year. Incoming orders rose slightly year on year to € 132.0 million, although the adjusted figure declined slightly.

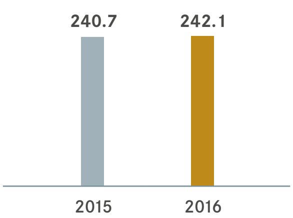
As the market continues to decline and customers remain reluctant to invest, we are cautiously optimistic for 2017. We also anticipate positive effects from the collaboration between Böwe Systec and Optimus Sorter. The international positioning of the division, the high level of expertise in software solutions, and joint projects in mail and parcel sorting provide great potential for growth and efficiency. Even though we may not ordinarily calculate synergistic benefits into the rationale behind our acquisitions, we do see numerous collaborative opportunities through the acquisition of Optimus Sorter.

Böwe Systec has made considerable progress in both its product line and its cost structure in recent years. With the development and successful launch of the Fusion Cross enveloping system, the company has positioned itself again as a technology leader and has established itself on the market. The initial expenditure affected the previous year, in particular, but also, to a lesser extent, the reporting year as well. Fusion Cross is a high-performance enveloping system that caters to almost every application. It can flexibly process a wide range of envelope formats and content thicknesses, thereby satisfying in a single system any requirement that might be imposed upon a modern mailroom. With this new system, which has since become established on the market, we have used our highly complex equipment to demonstrate that we have recognised the needs of the market and of our customers.

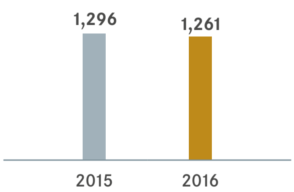
We have had to undertake restructuring measures in the main Augsburg facility in recent years, which has involved a considerable downsizing of the workforce. After two years of constant development and a cost base that enables profitable operations, we have now reached a workforce size with which we can remain profitable in the long term, provided that the market continues to perform consistently. Based on the order backlog and market prospects, we expect sales to remain constant for the coming year. The full-year effect of Optimus Sorter will also have a positive impact.

Printing Machines

Net sales
in € million



Employees
yearly average



manroland web systems is one of the world's three leading manufacturers of web-fed offset printing machines for newspaper and commercial printing. The company's range of products includes newspaper printing systems for all circulations as well as commercial printing machines for high-quality printing and the folding of brochures, supplements, catalogues, magazines and books.

The printing industry has already been undergoing fundamental structural change for years, with newspaper circulation in developed markets in constant decline. Media-related print products also increasingly need to share marketing budgets with online outlets, thereby losing essential income. Expectations of positive signals from emerging markets such as India and Brazil to offset this development have so far not been borne out. The global market for printing machines thus saw a strong decline in the year under review. The global market for newspaper and commercial printing machines – not including processing systems and inkjet printing systems – has fallen in recent years by an average of more than 10% per year to a market volume for new machines of just over € 300 million. In such an extremely challenging market environment, manroland web systems performed well overall in the year under review.

At € 242.1 million, net sales were slightly up on the previous year and therefore in line with expectations. Of the total sales, around 60% were attributable to machine sales, with the rest attributable to the service business, which includes printer services (repairs, revisions, maintenance, supply of spare parts) and press updates (upgrades, retrofits and machine relocations).

manroland web systems has continually increased its market share in commercial printing machines. This is especially true for the advertising and supplements printing market, in which the company essentially has a unique selling proposition in the form of its 96-page presses. There has been a considerable build-up of demand among customers for these machines in the last two years due to the high pricing pressure in advertising print products.

However, at around € 100 million, incoming orders for new machinery were well below the previous year. manroland web systems has been able to preserve the market share in commercial printing machines built up continuously in recent years to over 50%, and in overall web-fed offset printing operations to around 45%, but the market on the whole continues to decline.

The service and spare parts business saw only a slight decline on the previous year. Most of the larger machine relocations of longer duration, the consolidation of machinery, and retrofits were billed in the reporting year. Instead of making costly investments in new printing machines, many printers are having their existing systems upgraded to accommodate the latest technology, to enable them to produce more cost-effectively. In this area, and in our service and spare parts business in general, we continue to see growth potential for the future with correspondingly good margins. By approaching customers in our service and spare parts business in a targeted manner, some noteworthy achievements were made in the year under review. Nevertheless, shorter running times for machinery in newspaper printing have resulted in reduced wear, and consequently in a decline in the service and spare parts business.

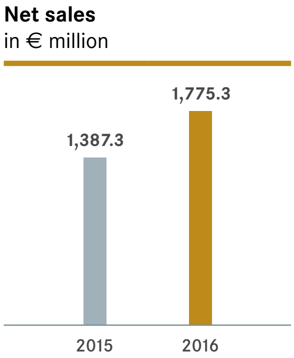
Due to the persistently intense competition, it has not been possible to significantly improve the pricing of new machinery, meaning that margins remain unsatisfactory. Business with new machinery was therefore also not profitable in the reporting year.

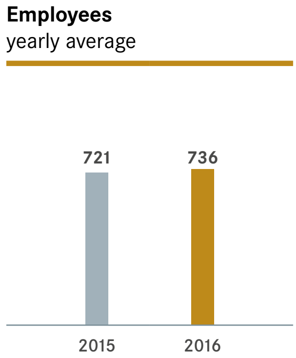
We have had to downsize the workforce several times over the past few years and apply additional cost-cutting measures to ensure that the division was profitable in the year under review. It should be noted here, however, that the lion's share of the result was generated by the subsidiaries, in particular grapho metronics. Due to the continued market decline and the reduction in incoming orders for new machinery, it will be necessary in future to further reduce the cost base and to increase flexibility. The aim is also to acquire third-party customers to ensure that the production capacities remain fully utilised more consistently.

We have identified long-term development opportunities in the continual expansion of our service and material business, in particular; this is much less volatile than the new machinery business. This is particularly true for markets with a high installed machine base, especially the US market, in which we made considerable progress in the year under review. In general, we pursue a strategy of being represented in key regions with our own market and service organisations.

Based on the orders already received and on current projects, in the following year we anticipate sales to decline slightly and the result to be adequate. For the time thereafter, however, we expect the printing machines market to continue to decline, which is already apparent from the reduced number of orders in the new machinery business. We must therefore continue to optimise processes on an ongoing basis while analysing and generating savings potential, in order to reduce production costs and to increase flexibility.

Precious Metals Processing





The Heimerle + Meule Group has been one of Europe's leading precious metals companies since the acquisition of Cookson Precious Metals in mid 2013. At the two sites in Pforzheim and Madrid, precious metals are extracted from residues and processed into high-quality products. Heimerle + Meule itself is recognised as one of Germany's oldest gold and silversmiths, with a company history stretching back more than 170 years. Alongside its recycling activities, Cookson Precious Metals is also a major European supplier for the jewellery and dental industry, and also operates a mail-order service and online shop.

The 2016 financial year was characterised by significant sales growth. Adjusted for the changes in precious metals prices, however, the division's performance was merely stable overall. In a year-on-year comparison, the price of gold denominated in US dollars and euros each recovered by more than 8%. The prices of the other precious metals also recovered. But as precious metals prices saw a sharp upturn in the first half of the year, they also dropped back down significantly at the end of the year under review. Only at the start of the new year did the prices for precious metals begin to move back up again slightly. Gold has not yet regained its status as a safe-haven currency, however.

In the reporting period, we further advanced the partnership between Heimerle + Meule and the Cookson companies at both management and operational level, with the aim of exploiting synergies. This includes receiving and profiting from the knowledge of the other party.

The significant growth in sales of € 388.0 million, or 28%, is almost entirely related to pricing, while the recycling volume in a year-on-year comparison remained largely stable at a still-satisfactory level.

The French market was also able to recover slightly. In terms of expenditure, savings at the French company in particular resulted in a further moderate improvement in the result. The process optimisations implemented at the Spanish production company over the last two years and investments in modernisation have already proven fruitful. Further steps in the interest of quality optimisation and unit-cost reduction are being pursued with the aim of achieving profitability comparable to that at the Pforzheim site.

The semi-finished industrial goods business at Heimerle + Meule proved to be robust thanks to the healthy state of German industry. Physical demand from industrial buyers for silver products only recovered slightly. We aim to continue expanding the entire industrial business in Pforzheim and at the other sites, as doing so will result in greater stability overall. To this end, we began with the renovation and expansion of the Pforzheim site in the year under review and have already invested a considerable amount.

Gold price development in 2016
in €/gram

Due to the continued high demand for physical investment products such as coins, safe bags and bars, the investment business performed well, albeit with rather poor margins. The successful diversification of the customer base undertaken in recent years and the development of new products and applications – in particular for investment products with new alloys – as well as the online business have had a positive effect here. The low gold price has driven demand for physical investment products, in particular investment bars. At the same time, the supply of recycled gold was restrained due to the low price.

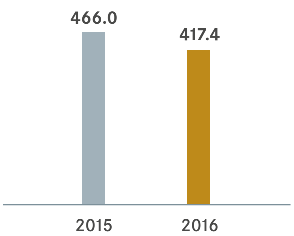
At the Cookson companies, the mail-order service and online shop, which are largely operated by the English company, were further expanded in the reporting year. This company benefited from the low precious metals prices in the year under review.

The market for dental alloys has been under pressure for years due to the increasing substitution with non-precious metal alloys and full ceramics. Despite this, the performance of this part of our business was largely stable.

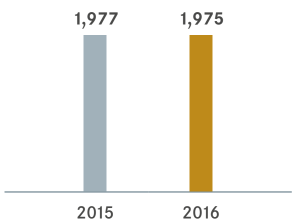
For the following year, we expect a moderate recovery of precious metals prices. Changes in the price of gold at the start of the year give cause to be mildly optimistic. We also see good development potential in further intensifying the partnership among the Group companies. Among the Cookson companies, we also aim to further expand the industrial business, which provides a basis for stability, as well as the mail-order and online shop business across the Group. We also anticipate further profitable growth from the modernisation and expansion of the coin blank business at the site in Spain, and have identified good development opportunities in the expansion of our recycling activities to include further materials.

Elastomer Plants

Net sales
in € million



Employees
yearly average



In this segment, we largely produce a range of machinery for all major production stages in the rubber processing industry – the tire industry in particular – ranging from the preparation of raw materials to tire manufacturing and vulcanisation. This division comprises the following three business units:

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

The growth in global automotive demand continued in the reporting year at a similar rate to that of the previous year, meaning that the high growth rates of earlier years could once again not be repeated in the reporting year. This is also reflected in the figures for the Elastomer Plants division.

Registrations of new passenger cars rose worldwide by just under 3% year on year, according to preliminary figures. However, there were very distinct regional differences. The highest production growth rates continued to be reported in Asia, although demand also grew in Western Europe, while automotive production in the USA only grew slightly. By contrast, stronger growth was recorded in Mexico. Global demand for passenger vehicle spare tires also saw moderate year-on-year growth. The division was unable to benefit from the continued positive nature of the overall environment as it had done in previous years.

Net sales fell by around 10%, as against growth of around 8% in the previous year, which represents a break in the constant and noteworthy sales growth of the previous years. The billing of major orders in the past and a cooling of demand in individual product areas were the main causes for the normalisation. In addition to this, a number of orders were reallocated to the new year, in particular at the US company Farrel Corp. Relative to output, the decline was around 7%. The decline in sales in the year under review is not a long-term development, however. Incoming orders in the 2016 financial year came to € 431 million, putting them at 3.3% above the reported sales and at the same level as the previous year. In fact, the order backlog grew year on year by 4.5% to € 343 million, meaning that the order buffer for the coming years has even grown.

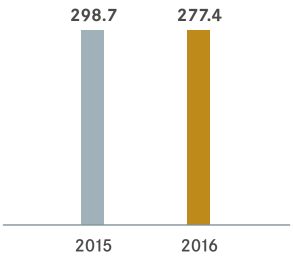
The rubber mixing technology brands HF Mixing Group, Farrel and Pomini were able to maintain their position as global leaders in rubber mixers. In the tire-heating press segment, the TireTech business unit was also able to affirm its outstanding market position, while the tire-building machine and extrusion systems product areas managed to continue the encouraging performance of the previous year. For the tire-building machines, which are produced at the Hamburg-Harburg facility, the incoming orders have more than doubled year on year. Although this increase is the result of a major order, it does indicate the ability of this product area to perform and compete. In addition to the successful implementation of development projects, production costs and, consequently, the profitability threshold, have also been successfully lowered.

The capacities of all production facilities were utilised in full during the reporting period. Due to the relocation of extrusion systems manufacturing to the Slovakian plant in the previous year, additional investment was made in expanding capacity at this location in order to accommodate demand for our systems. As a result of the strong demand for tire-heating presses, production capacities at the Croatian plant were also further expanded. This site is capable of producing up to 50 heating presses a month. These two Eastern European facilities put the division in a position to establish the cost structures needed to compete internationally. These two production sites now employ a workforce of around 950. 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.

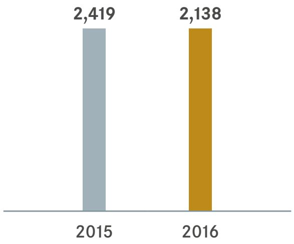
Thanks to the good performance and positive outlook for the mixers produced at the site in Ansonia, USA, we commenced construction of a new facility in the previous year, which was then ready for use and commenced operation in the reporting year. The total investment was around US$ 10 million. From this relocation, we anticipate a boost in productivity and long-term cost savings. The working conditions will also noticeably improve for all employees at the facility because despite the economic uncertainty that has arisen since the start of the new year, the US market remains a core market for the Elastomer Plants division.

Electronics

Net sales
in € million



Employees
yearly average



In the reporting year, this segment was divided into the three product areas "leadframes" for the semiconductor and chip card industry (Possehl Electronics), "automotive" (pretema and TPS) and "smart cards" (pretema and Possehl Electronics Hong Kong). With effect from July 31, 2016, the smart card business was sold along with pretema GmbH. The automotive business had previously spun off to Possehl Electronics Deutschland GmbH (PED). Since then, this division has only consisted of two product areas.

The year-on-year decline in net sales of € 21.3 million, or 7.1%, is solely due to the sale of the smart card business in the course of the year. After adjustment for this effect, the division saw a stable performance.

Leadframes

The global semiconductor market is highly fragmented and is characterised by strong volatility with short product life cycles and high fluctuations in product supply and demand. Possehl Electronics is represented on the market with two sites in Europe, one in the USA and three production facilities in Asia. The global semiconductor market grew slightly in the 2016 calendar year, although Possehl Electronics was only able to benefit from the overall positive environment to a limited extent. In addition to further consolidation at the two Asian facilities in China and Malaysia, the interface business in the USA also declined. The site in China, in particular, has proven to be a consistent loss-maker, while the plant in Malaysia, which plays a key role for the product area, roughly breaks even, although this is a situation that is not satisfactory in the long term. Because the product margins are still too low, we will take further action towards consolidation and outsourcing at these two Asian sites. By contrast, the business with LEDs for vehicle headlights in the Netherlands and France performed well, with the product area growing by more than 5% following a slight decline in the previous year.

Automotive

PED and TPS develop and produce customised electromechanical components for the automotive supplier industry using stamping, injection moulding, electroplating and automated assembly process technologies. Production is divided among three sites in Germany, as well as other production facilities in the Czech Republic and Mexico.

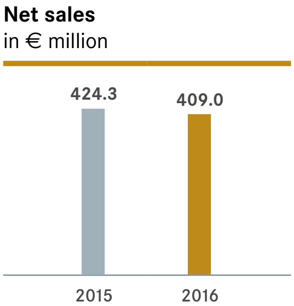
Global automotive production continued to grow in the year under review. We were able to benefit from this trend with our new products, primarily at the site in Niefern and at TPS in Mexico, generating double-digit growth rates. Some of the newly acquired projects are still in the start-up phase or at the beginning of their product life cycle and have only just entered series production. As expected, sales for the Czech company have fallen sharply, with its main revenue provider – the DQ 200 for dual-clutch transmissions – reaching the end of its product life cycle. We were therefore forced at the end of the previous year to cut back production capacity significantly and downsize the majority of the workforce. These measures are reflected in the sales figures for 2016. We have since managed to acquire new projects for the Czech site, meaning that we can gradually make full use of the capacities again, although this will take some time.

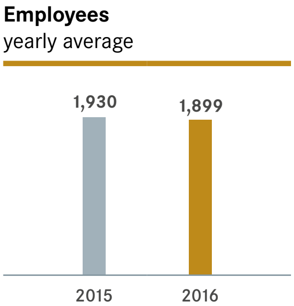
Due to the tool business long being exposed to considerable margin pressure and tough competition, we took the decision in the reporting year to pool our tool construction operations in Niefern. In connection with this, we disposed of Auer Formenbau GmbH at the end of the year.

Smart cards

The smart card interface business was sold to our main competitor and the market leader with effect from July 31, 2016. By that time, business was running at a positive, but slightly weakened level. With the sale of the smart card business in Niefern, the remaining supplier business in Hong Kong will also expire in the course of the coming year. Combined with the full-year effect of the coming year, this will once again have a negative impact on the division's sales and earnings, which can only partly be compensated for by increases in the automotive business.

Cleaning Machines





Hako is a leading global manufacturer of high-quality machinery and vehicles for cleaning and municipal technology. With its products and services, the company serves a broad range of target groups around the world. The products and services stand for high quality, cost-effectiveness and sustainability. The range of products includes

- Scrubmaster (scrubber-dryers)
- Sweepmaster (sweeper and vacuum sweeper machines)
- Citymaster (outdoor cleaning machines)
- Multicar (multifunctional equipment carriers and transporters)
- Used machinery
- Service and spare parts

This division encompasses not only the Hako brand, but also Minuteman, PowerBoss and Multiclean.

Sales in cleaning machines fell by € 15.3 million, or 3.6%, in the reporting year, meaning that the division's performance was below that of the market as a whole. The primary factor behind this performance was the diminished domestic business. Another mild winter and the associated decline in the spare parts business, combined with lower sales with authorised dealers, led to a fall in sales. The foreign business proved to be mostly stable during the reporting year. However, it was not possible to repeat the high growth rates in the US market and in individual Asian countries. Regardless of this, the long-term growth markets continue to be Asia and Eastern Europe, with the developed markets of Western Europe and North America in a phase of saturation. The largest single market by far continues to be the United States.

Possehl's Cleaning Machines division is heavily focussed on the domestic and other European markets, while the Asian market – despite its particularly strong growth in recent years – still plays a secondary role. In the year under review, around 81% of total sales were generated in Europe, representing a drop of around two percentage points against the previous year. The main reason for this was the decline in domestic sales, while in the previous year, the shift was caused by the strong growth in the Asian market, which was just 2% in the reporting year. The domestic market continues to be the largest single market for the division, although the sales of € 131.3 million generated in this market represented a year-on-year decline of nearly 5%.

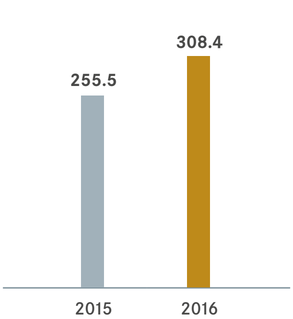
When reviewing individual product areas, there was growth in new machinery, especially in indoor cleaning, while the business in outdoor cleaning machines and the after-sales business saw no further growth due to the mild winter in Europe. In the area of municipal technology, the number of units sold under the Multicar brand dropped noticeably. The used machinery business proved to be largely stable in the reporting year, although the rentals business continued to decline slightly due to the changes in the rental fleet. The rental of new machines is now only handled by external rental or leasing companies. Trading in third-party products also declined slightly.

The decline in sales had no negative impact, either on the result or on the division's profitability. The gross margin remained largely unchanged against the previous year at around 50%. Thanks to the ongoing process optimisation in production, it was also possible to absorb the general cost increases. Achievements were also made thanks to an improved product mix and the successful launch of new and enhanced machines. With slight sales growth, profitability remained at a consistently good level. The new products launched onto the market over the past years have also had a positive impact on sales volumes and contribution margins. The component and platform designs have enabled production costs to be significantly reduced.

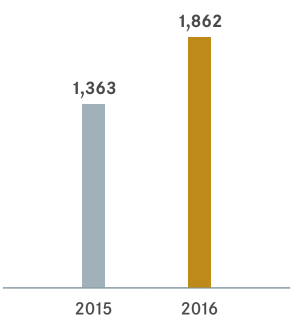
With the establishment of a sales and service centre in Thailand as well as a local sales company in China, cautious but crucial steps have been taken in recent years towards further expansion in the Asian market, although despite high growth rates, this market continues to be of lesser importance for Hako. We will continue to open up new markets consistently but with due care, not only with the Hako brand but also with the US brands Minuteman and PowerBoss. By further expanding our network of dealerships, we expect additional growth in market share for the future.

SME Investments

Net sales
in € million



Employees
yearly average



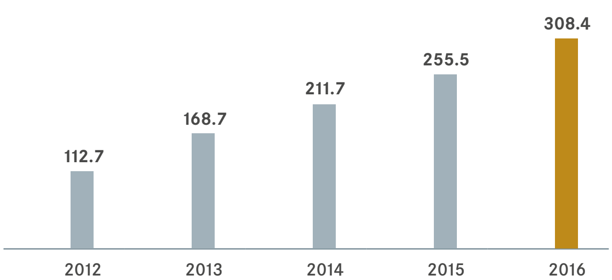
The SME Investments division currently comprises 12 (previous year: 12) companies or groups of companies in the German Mittelstand (including the acquisitions in the reporting year), with business activities that are independent of one another and are largely disparate. One of the focal points lies in small and medium-sized mechanical and plant engineering companies. With the establishment of this division in 2009, we created a “mini Possehl” that would concentrate on small and medium-sized Mittelstand enterprises with annual sales of € 10–50 million. In the meantime, the division has transformed into one of the Possehl Group’s supporting pillars. Our goal is to continue growing the portfolio in the years to come.

The division includes the following activities and companies:

Field of business	Company
Oil spill clean-up, tank cleaning	Possehl Umweltschutz GmbH
Bar soap	Hirtler Seifen GmbH (sold in the financial year)
Ice lolly sticks	Karl Otto Knauf (GmbH + Co. KG)
Bathroom rugs, bed linen, accessories	Kleine Wolke Textilgesellschaft mbH & Co. KG
Conveyor systems	DMA Maschinen- und Anlagenbau GmbH & Co. KG
Labelling systems	LOGOPAK Systeme GmbH & Co. KG
	Novexx Solutions GmbH
Miniature light bulbs	MGG Micro-Glühlampen Gesellschaft Menzel GmbH
Hoistable masts	GABLER Maschinenbau GmbH
Thermoforming machines	GABLER Thermoform GmbH & Co. KG
Robot welding tongs	Düring Schweißtechnik GmbH
Technical hollow bodies	SAVO-TECHNIK Rotationsguss GmbH
Equipment for milk logistics	ARBAprocessing GmbH

The SME Investments division continued to grow strongly in the reporting year. Net sales rose year on year by € 52.9 million, or 20.7%, although this was almost exclusively caused by changes in the portfolio – the division was not able to grow organically. Over the past five years, net sales have developed as follows:

Net sales development
in € million



The SME Investments division has seen considerable annual double-digit growth over the past few years. Average growth in the past five years was more than 20%, which met our growth expectations to date for the division, even though we only acquired one new group of companies in the reporting year in the form of ARBAprocessing. Possehl is viewed as a suitable successor enterprise among the German Mittelstand, in particular, and enjoys high esteem based on its reliability and the long-term and sustainable focus of its business model.

The ARBAprocessing companies generated sales of € 52 million in the reporting year, thereby contributing significantly to the division's total sales. Even if the company has been unable to fully meet expectations, this is an indication that we have made strategic progress with this acquisition. We also consider this acquisition to be a stabilising factor for the SME Investments division, as the milk logistics business is subject to varying cycles and market changes.

The existing portfolio has proved stable on the whole. The labelling systems business (Logopak), in particular, reported growth. In this segment, we have specialised in sophisticated and individualised customer solutions. With the acquisition of Novexx Solutions in the previous year, we took another big development step and significantly expanded our market share, particularly in Europe. In the reporting year, we took another step towards a global orientation for our business with the formation of a subsidiary in China. We currently see good potential for regional and product expansion, whether vertically or horizontally.

There were various reasons why we were unable to achieve internal growth in the reporting year. Some of our companies were very successful in the past year, such as in the business with robotic welding tongs for use in automotive production. Due to changes in the market in the reporting year, we were unable to repeat the strong sales of the previous year. At the other companies, particularly the two Gabler companies, we were unable to meet expectations. The shifting of orders into the new year and a level of output that was too low overall were the main factors in this.

Some of our companies also operate in highly competitive markets. This is the case for Kleine Wolke, for instance, with its bathroom rugs and accessories. The rise in the US dollar over the year caused purchase prices to increase, thereby depressing sales margins. In such a demanding environment, the company still performed admirably by stabilising sales. SAVO-TECHNIK, which is a Possehl majority shareholding, also pursued its successful course of growth and was able to further expand its customer base.

The conveyor systems business at DMA performed much better, if not yet to a wholly satisfactory degree. For this company, the main challenge is to produce their technically sophisticated and complex customer solutions at lower cost.

The other companies in the division proved to be robust in the reporting year, largely maintaining their sales and results.

In the 2016 financial year, we disposed of a company – Hirtler Seifen – in the SME Investments division for the first time, selling all shares in the company to a strategic competitor. The main reason behind this decision was the increasingly difficult market conditions that prevent the company from being successful in isolation in the long term. Regardless of this, we aim to continue growing the SME segment in the future through further acquisitions, and continue to see good opportunities to do so.

Net assets and financial position

Analysis of the balance sheet structure

The balance sheet total rose year on year by 13.1% to € 1,563.1 million, with only a slight change to the structure. Under assets, current assets grew by 1.6 percentage points, largely due to the higher liquidity reserve. The growth in assets is primarily offset by higher equity and increased liabilities to shareholders under equity and liabilities.

Intangible assets and property, plant and equipment grew by a total of € 36.6 million. Of this increase, € 16.3 million is attributable to intangible assets, while the other € 20.3 million falls to property, plant and equipment. The rise in intangible non-current assets, at € 13.3 million, is due to goodwill from capital consolidation, which grew as a result of acquisitions in the reporting year. Around half of the increase in property, plant and equipment is due to changes in the group of consolidated companies and to increased investment in the replacement and expansion of capacities. Financial assets fell year on year by € 9.2 million to € 20.1 million. The reason for this lies in the first-time consolidation of Thiendorfer Fräsdienst and P+S Pflaster- und Straßenbau as of January 1, 2016. In the previous year, these two companies were reported at cost.

Working capital or net current assets (inventories plus trade receivables minus trade payables) came to € 551.2 million at year-end, marking a year-on-year increase of € 63.5 million, or 13.0%. Including a comparison against the previous year's figures, gross inventories before deduction of advance payments received was as follows:

in € million	31/12/2016	31/12/2015
Gross inventories	623.1	575.3
Advance payments received	-325.3	-308.2
Net inventories	297.8	267.1
Advance payment ratio (in %)	52.2	53.6

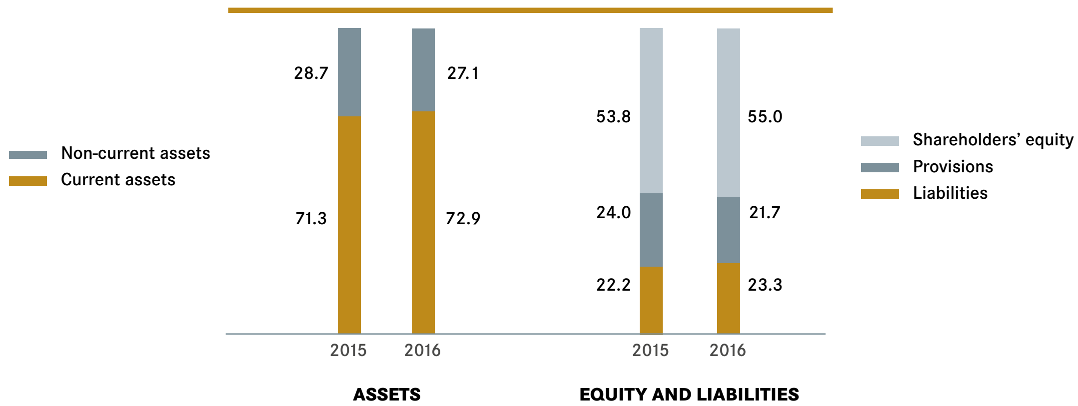
The 8.3% increase in inventories before deduction of advance payments received is largely due to a high level of invoicing at the end of the financial year and to the newly added companies. In some companies, there were also time delays in the acceptance or billing of orders, meaning that more work in progress was carried over to the new financial year. The advance payment ratio, relative to the overall inventories, fell slightly by 1.4 percentage points, but is still high at 52.2%. However, the trend that was partly observed among some customers in the year before to secure production capacity with high advance payments ceased in the year under review.

With a largely unchanged volume of business – when adjusted for precious metals sales – trade receivables rose year on year by 10.1% to € 374.4 million. This increase is due both to changes in the group of consolidated companies and to higher operating receivables, mainly in the Cleaning Machines and Elastomer Plants divisions, which both issued substantial project invoices at the end of the year. The average receivables duration in the reporting period was around 34 days, a slight drop on the previous year.

Cash and cash equivalents, including current securities, rose significantly year on year by € 79.4 million to € 404.1 million as of the balance sheet date. This considerable increase is mainly due to the surplus of payments received from the changes in the portfolio and to a positive cash flow from operating activities. In addition, only part of the dividend payments at year-end were recognised in the cash flow. At the same time, liabilities to banks of € 8.5 million were reduced. Cash and cash equivalents are largely attributable to the Group holding company, L. Possehl, whose cash pool incorporates most of the domestic and some of the foreign Group companies.

Group equity rose by € 121.6 million to € 848.4 million. Taking into account the difference from capital consolidation, which was treated solely as equity as at year-end, and after the deduction of goodwill from capital consolidation, the Group's economic equity rose to € 803.6 million. The goodwill at the end of the reporting year was € 44.8 million more than the liability differences, while the difference from the year before was just € 26.4 million. The increase in shareholders' equity is attributable to the consolidated annual result of € 188.4 million, which was offset by dividend payments totalling € 64.0 million to the Possehl Foundation. The economic equity ratio rose to just 53.4% due to the increased balance sheet total and the additions under goodwill. The balance

Balance sheet structure
in %



sheet equity ratio was somewhat higher at 55.0%. Non-current assets continue to be fully covered by equity.

Pension provisions fell noticeably for the first time in years. With a liability at year-end of € 113.3 million, the year-on-year decline is € 6.8 million. The constant rise over the past few years was due to the continually falling discount factor, which saw an unplanned increase from 3.91% to 4.00% in the reporting year, primarily due to the statutory change. The obligations are accrued at their full required amount to guard against shortfalls.

Other provisions have grown by € 13.9 million to € 225.2 million with a largely constant volume of business. The rise is mostly due to higher variable result-linked remuneration and other personnel-related obligations. This was offset by the reversal of a tax provision, as the underlying legal proceedings were won.

Liabilities towards banks in the reporting year were further reduced, coming to € 52.1 million at year-end. Around half of these were attributable to the Cleaning Machines division, the rest to the other operating divisions. The adopted strategy of reducing financial liabilities as a matter of policy and in particular in the eurozone is one that we will continue to pursue in the following year.

Other liabilities rose significantly year on year. A determining factor in this was the higher settlement balance with the Possehl Foundation due to the increased dividend payments in the reporting year, only some of which had actually been spent. The Possehl Foundation provides the L. Possehl parent company with access to its available liquidity via an interest-bearing settlement account. The increase in other liabilities is largely due to higher tax payment obligations.

Financial strategy

The Possehl Group is managed financially overall by the Group holding company, L. Possehl. The primary aim of this centralised financial management is to secure liquidity at all times and to protect the Group's creditworthiness. A reduction in capital costs, the optimisation of the capital structure and effective risk management are further elements of the Possehl Group's centralised financial and liquidity management. We also ensure that we remain independent from individual banks and financial institutions. Overall, we see financing as a method of assisting our operating business and of securing the Group's long-term growth.

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 into the Group's financial transfers via physical cash pooling. Foreign companies largely arrange their finances locally.

The Group's debt policy is conservative and geared towards 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 especially proven its value in previous acquisition processes.

Cash flow development

in € million	2016	2015
Cash flow from operating activities	126.7	223.0
Cash flow from investing activities	-15.3	-58.8
Cash flow from financing activities	-30.4	-70.4
Change in cash and cash equivalents over the period	81.0	93.8
Cash and cash equivalents on December 31	380.2	299.4

The figures above are consistent with the definition of DRS 21. Cash and cash equivalents include the demand deposits due daily, available funds and bank liabilities due on demand.

With a consolidated annual result of € 188.4 million, the *cash flow from operating activities* came to just € 126.7 million, which represents a year-on-year decline of € 96.3 million. This was most prominently due to higher working capital (after adjustments following the change in the group of consolidated companies), and also to the increased overall performance, whereas a drop in net current assets was observed in the previous year. The difference in the change in working capital totalled € 74.5 million. Amortisation, depreciation and impairment were at the level of the previous year.

The *cash flow from investing activities* amounted to € -15.3 million during the reporting period and therefore significantly increased by € 43.5 million on the previous year. This is solely attributable to substantial proceeds from the disposal of consolidated business units, which exceeded payments made for acquisitions.

In the reporting year, a sum of € 82.1 million was invested in property, plant and equipment and intangible non-current assets, not including goodwill. A total of € 66.6 million was invested in the previous year. Individual investments of significance were made in production machinery for new products in the automotive business, the continued expansion of the production facility in Croatia, the modernisation of coin production in Spain in Precious Metals Processing, and the expansion and modernisation of two sites in Special-Purpose Construction. Possehl Spezialbau has also bought back the administration building in Sprendlingen under a sale-and-leaseback agreement. We engaged in further expenditure of note in the reporting year for the expansion of the industrial recycling business at Heimerle + Meule. The process of modernisation and expanding the production facility in Poland for the Cleaning Machines division was also started, although most of the expenditure in this connection will not be incurred until the coming year.

Investments were financed from ongoing cash flow or available funds. In individual cases, they were financed with the aid of banks or leasing institutes – in this case, mostly in the Special-Purpose Construction division and in Electronics.

Cash flow from financing activities was negative in the reporting year at € -30.4 million. The lower negative balance compared to the previous year is largely due to the increased distribution of profit to the Possehl Foundation, although most of this has not yet been spent and is therefore still available for the company's use via the settlement account. The repayment of liabilities towards banks, at € 8.5 million, was around half of that in the previous year.

Net financial assets rise to € 352.0 million

The Possehl Group posted net financial assets of € 352.0 million at the end of the reporting year, representing a year-on-year rise of € 87.8 million. As a result of a reduced payments balance under financing and the cash flow from operating activities, payments for investments were covered, leading overall to the much improved liquidity at the balance sheet 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 employees are the most important contributors to Possehl's success, which is why we aim to recruit committed, performance-oriented staff around the world and to retain them within our company in the long term. We invest in our attractiveness as an employer and support our employees with targeted personnel development measures. Especially in light of the lack of specialist and management personnel, this is one of the management's most important tasks.

At year-end 2016, Possehl employed 12,354 staff around the world, which is almost 300 more than in the previous year. The growth in the workforce is, for the most part, attributable to the two divisions

Special-Purpose Construction and SME Investments, and is mainly due to the companies that were acquired or consolidated for the first time in the reporting year. In the other divisions, the number of employees remained largely constant. The Electronics division is an exception in this case, with the number of employees falling by around 250, due mainly to the sale of companies.

On average over the year, the Possehl Group had 12,443 employees, or around 2% more than the previous year. The slightly higher average number of employees as against the number at year-end concerns almost all divisions. In Germany, the average number of staff employed rose slightly, by 0.5% to 6,896. As a result, a good 55% of the Group's workforce was employed in Germany on average throughout the year, an unchanged figure. There were no material changes in the individual divisions, with the exception of the portfolio changes.

Personnel expenses and social security contributions

For wages, salaries, social security contributions, pension expenses (not including application of interest to pension provisions) and support, the Possehl Group spent € 671.8 million in the reporting period, which was a year-on-year rise in personnel expenses of 4.6%. On a comparable basis – i.e. not including changes to the company portfolio – there was a moderate increase of almost 3%.

Continued support for management personnel and talents

We place great value in the long-term, systematic development of employees and management personnel and will also continue to expand this professionally. For instance, as part of our integrated personnel development system, the management development and qualification scheme in the Possehl Academy has been combined and a number of key offerings have been added in order to better support the divisions in management development and in the harnessing of identified potential, as well as to establish an even stronger bond between supporting talents and ongoing education.

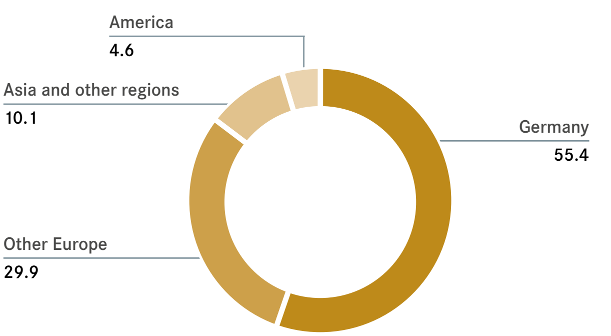
Vocational and professional training

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 programmes for individual employees as well as for certain categories of staff.

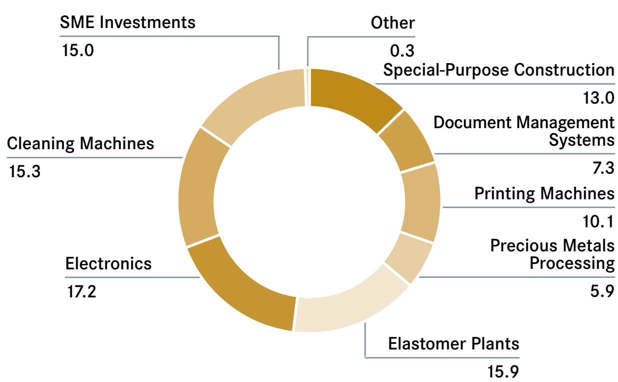
Expenditure on vocational and professional training remained at a high level in 2016 in the interest of improving the competitiveness of our workforce. Education focussed on new technologies and on state-of-the-art production methods.

We have continued to invest in vocational training and, as an attractive employer, we are currently training 429 young people in a variety of professions, mainly in Germany, and more than in the previous

Distribution of employees in 2016 by region
in %



Distribution of employees in 2016 by division
in %



year. This, too, is an important contribution towards meeting the rising demand for qualified personnel in an increasingly competitive job market.

Reaching new target groups

A further focus is on people who have arrived in our country as refugees. In partnership with the relevant authorities, we have created opportunities in the Possehl Group aimed at facilitating the entry of asylum seekers into the job market following their legal recognition and enabling them to develop long-term career prospects. Such opportunities for joining the Possehl Group range from internships to vocational training to direct employment of specialist personnel.

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 the private sector 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 implementation 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 co-determination 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 on the Supervisory Board of 16.67%, and on the Executive Board of 0%, 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 unchanged.

Due to its flat hierarchies, L. Possehl & Co. mbH only has a single management level below its Executive Board, for which a target quota of 0% has been adopted, thereby preserving 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, the Executive Board 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 requirements. As a leading precious metals recycling company, we place great emphasis on the general reuse of consumable goods. Over the coming years, we aim to further expand our industrial recycling efforts. With two other Group companies, we are active in environmental protection and in the recycling of raw materials.

Many of our production sites are certified in accordance with current energy and environmental management standards. Energy audits have also been performed at all domestic companies. 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 – gradually implemented.

Energy consumption is increasingly becoming a key determining factor in the total cost of ownership over the useful life of a machine. Especially in our mechanical engineering activities, we go to great lengths and invest considerable sums in research and development in order to exploit potential for energy efficiency. We not only consider ourselves to be obligated to protect the environment, but also recognise economic development potential.

The environmental protection requirements and the associated demands on sustainable business and operations are strictest in the Precious Metals Recycling and Electronics divisions. We therefore completely overhauled the waste-water purification system at the Niefern site in the reporting year, bringing it up to date with the latest technological developments. Around € 2.5 million was spent for this purpose. All of the required audits were performed and renewed in both of the divisions. We have extensive certifications for our Precious Metals Recycling operations. We particularly value our LBMA certification for gold, which is an especially important seal of quality.

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 minimise 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 to manage unavoidable risks. The long-term perspective of our shareholder, the charitable Possehl Foundation, does not allow the company to be aligned solely to short-term goals. There is no speculative trading or other activities of a speculative nature conducted anywhere in the Group. We only utilise derivative financial instruments to hedge interest-rate risks and commodity price volatility or to limit the risks related to 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 a core element of the planning and implementation of our business strategies. Risk policy is determined throughout the Group by the Executive Board. In line with the organisation of the Possehl Group into individual operating divisions, the respective company management is required to implement a system of risk management that is tailored to their specific business and responsibilities and is in keeping with the overarching principles.

We also take great care to ensure that all of the risks that we assume bear adequate opportunities. We systematically identify, assess and manage these risks and opportunities. We are aware that it is only our willingness to take entrepreneurial risks that enables us to exploit the opportunities that arise. As part of a defined level of willingness to assume risk, we therefore consciously adopt reasonable risks, where these are offset by at least equal opportunities.

The Possehl Group has a range of coordinated risk management and control systems that enable significant risks to be detected early and suitable countermeasures to be taken. We place particular importance on corporate planning, actual/target value comparisons, interim controls throughout the year and monitoring of liquidity development in each of the companies. This corporate planning helps us in assessing potential risks even before major business decisions are made, while any countermeasures initiated are monitored during interim controlling processes throughout the year. Risks that are a direct result of business performance are quickly recorded and assessed in monthly reports by our systematic reporting processes, which cover all divisions and companies in the Group. Due to the heterogeneous structure of the Possehl Group, we have added division-specific information, data and performance indicators to the reporting system that applies to all Group companies.

Investment controlling comprises the annual budgeting process along with monitoring of amounts that are actually invested. All investments are assessed using returns calculations based on a uniform methodology, and minimum risk-adjusted returns are set regularly. For divisions with longer production times, reports on incoming orders and the order backlog, as well as pre-costing reviews for orders above a certain size, are also the focus of the centralised risk management.

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

Risks are transferred to insurers – where possible and economically viable – by concluding Group-wide insurance policies through our own insurance broker, Lubeca Versicherungskontor GmbH, in coordination with the Executive Board of the holding company.

As a global group of companies with such a heterogeneous portfolio, the Possehl Group is, by nature, exposed to a variety of risks, the most material of which are described below.

Individual material risks

Liquidity risks

In its role as the management holding company, one of L. Possehl's principal duties is to ensure the sustainable and long-term financial independence of the Group. Its main duty is not only to optimise Group financing, but also to limit financial risks.

To ensure solvency at all times, cash and cash equivalents are retained to a sufficient degree to enable all payment obligations throughout the Group to always be paid when due. A reserve is maintained for unplanned reductions in receipts or unexpected increases in cash outflows. Substantial lines of credit are also in place with banks and can be used for guarantees. Liquidity is largely obtained in euros and US dollars with varying terms. Interest-rate risks are regularly analysed and any risks are limited by corresponding hedges.

Credit and default risks

There is a risk of business partners defaulting and not paying outstanding invoices. To effectively manage credit risks from outstanding receivables, credit rating analyses are regularly carried out in each division and individual credit limits are set. To minimise credit risks, transactions are only conducted within the defined limits. Receivables and default risks are continually monitored by the Group companies and secured by means of commercial credit insurance policies in individual divisions. We also strive to obtain substantial advance payments from customers in relation to orders with longer production times, or to secure payment by means of letters of credit and similar guarantee instruments.

Risks from pension plans

In the Possehl Group, there is a larger number of various pension commitments, some of which are assumed when companies are acquired. The individual pension funds have since almost entirely closed down. With the exception of the US and British Elastomer Plants subsidiary, there are no noteworthy reinsurance policies or plan assets. With direct pension commitments, there is the particular risk that the pension provisions may continue to rise in the following years due to the persistently low interest rate, thereby adversely affecting the consolidated annual result. As a result of the change in discounting regulations, there was a non-recurring reduction in the charge on the annual result in the year under review, which will lead to a smoothing effect over the longer term. Beyond this effect on the earnings, the provisions recognised for future pension entitlements will also have an effect on cash flows in later years. We have accounted for this future cash outflow accordingly in our financial planning.

Currency risks

By the very nature of the global focus of the Group's business activities, it is inevitable that the operating business and financial transactions will be exposed to risks from changes in exchange rates, especially that of the US dollar against the euro. Currency risks arise, in particular, when net sales are generated in a different currency to the costs associated with it. This affects the Electronics division, in particular, as well as the mechanical engineering activities in part. To limit the risks from a variety of cash flows in different currencies, foreign currency positions are regularly hedged at the time that they arise. Foreign currency transactions that are expected to have a high likelihood of occurring are sometimes also hedged. For this purpose, unconditional derivative financial instruments are primarily used – in isolated cases, conditional instruments as well.

Risks from acquisitions

In addition to organic growth in the existing business fields, the company also develops by means of acquisitions. These are ordinarily associated with risks, as it is impossible to guarantee that each acquired company will perform successfully in line with the original planning. We attempt to limit such risks substantially by conducting due diligence reviews during the acquisition process. We strive to identify these strategic risks as early as possible by conducting regular and intensive market and competition surveys and by taking suitable measures to avoid or minimise the risks. In assessing potential acquisitions, we do not ordinarily take into account any potential synergy effects.

Portfolio-related measures may also result in a need for additional financing and have a long-term effect on the Group's debt and financing structure. Acquisitions may also result in a significant increase in goodwill. To limit this risk, we ensure that inappropriately high levels of goodwill are avoided in our acquisitions. We generally pursue a conservative approach to accounting, refraining, for instance, from the capitalisation of deferred taxes from individual financial statements and from loss carryforwards.

Main industry and company-specific risks

The Possehl Group operates as a conglomerate in various industry segments with different risk structures and specific risk characteristics. The main potential risks in individual divisions are as follows:

Special-Purpose Construction
One of the main risks is that misjudgements may be made during the pre-costing of larger construction orders and that the actual expense cannot be billed on to the client. This risk has a particular bearing in the area of monument restoration, as this type of order frequently involves unique and complex construction work.

Mechanical engineering activities and Electronics
The high intensity of competition presents the constant challenge of increasing production efficiency and reducing production costs. Moreover, a decline in the US dollar could jeopardise the earnings of the Electronics division. In some divisions, there is also a certain dependency on major customers. It is our goal here to reduce existing dependencies by acquiring additional customers and thereby broadening the customer base. In the Printing Machines and Document Management Systems divisions, we are operating in markets that are in long-term decline. This requires ongoing monitoring and, if necessary, adjustment of capacities while also improving efficiency.

Our production processes in the Electronics division expose us to the risk of soil and groundwater contamination. Intensive and ongoing environmental protection measures and investment in environmentally friendly processes at our production sites contribute to largely mitigating these risks. Environmental audits are also conducted on a regular basis.

In the automotive industry, shorter development times with systems of increasing complexity are indicative of higher quality risk potential. This is compounded by ever-increasing requirements regarding product liability. We address this situation by applying extensive quality control measures along the entire value chain in order to reduce the quality risk. In this division, in particular, we have also taken out insurance policies with substantial coverage amounts for product liability risks.

Precious Metals Processing
The companies of the Precious Metals Processing division either have no or very little precious metals stocks of their own. The precious metals required for the recycling business – gold in particular – are borrowed by the companies largely from banks. Adequate precious metals lines are available from various banks for this purpose.

No existential risks for the Possehl Group

With its eight independent divisions, the Possehl Group has a very broad and stable basis. The opportunities and risk profile is very balanced, so adverse developments in individual industries, regions or divisions will not impact the overall Group as severely. From a current perspective, there are no identifiable risks that could endanger the Possehl Group's continued existence.

OPPORTUNITIES

Most of the risks described above are offset by opportunities that may be fulfilled should the relevant external parameters be satisfied. A sustained period of economic recovery can also present the Possehl companies with opportunities for growth. In addition to the strong market position of our operating business units and their global presence, the high-quality product programme forms the basis for exploiting these numerous opportunities.

The expansion of capacities – such as the recent acquisition of a production site in Slovakia and the expansion of the plant in Croatia in the Elastomer Plants division – enables us to satisfy the rising demand for our products and to produce them cost-effectively. The new factory in the USA also provides us with strong development potential in this division.

We can also benefit in future from the good state of the construction industry, especially within Germany, and from increased public investment. This applies equally to the maintenance and repair of public highways, a field in which there is presently a considerable backlog of necessary work.

With our majority acquisition of Optimus Sorter in the Document Management Systems division, we have opened up opportunities to grow in the future markets of e-commerce and parcel logistics. We have already established that Böwe Systec and Optimus Sorter complement one another perfectly and can profit from one another.

The robust equity and financial resources of the Possehl Group, with a high level of available cash and cash equivalents, also provide us with the opportunity to make further acquisitions without decisively being dependent on lenders. In addition, the tightly meshed Possehl network provides our operating divisions with a solid foundation for withstanding economic downturns. This also enables us to make decisions based on long-term success and not on short-term goals or performance indicators.

OUTLOOK

Group strategy

The core elements of our Group strategy – in particular the focus on long-term growth and ROI goals and the avoidance of unnecessary risk – remain unchanged.

Expected economic environment

The global economy is currently facing a period of political uncertainty, not least due to the change of occupant in the US Oval Office and to Brexit. There are also increasingly protectionist tendencies that may have an adverse effect on global trade and that could thereby weaken the German export industry. The collapse of the European Union is also no longer an entire impossibility.

For 2017, global economic growth is generally expected to be at the same level as in the previous year, although it is likely to fall short of the long-term trend. According to current forecasts, the upturn in the developed markets will be boosted slightly. The continued expansionary monetary policy and, increasingly, government investment as well – not least in the United States – will have a stimulating effect. There are also positive signals from the wage increases of recent years. With demand from the developing and emerging markets becoming somewhat stronger again, this will have a beneficial effect on production in the developed markets. These positive effects are expected to be offset by a renewed rise in energy costs, which will have a negative impact on purchasing power, although a recovery in commodities prices will result in greater investment in commodities extraction and the associated industries.

The German economy, which is the key sector for the Possehl Group, has been undergoing a protracted upturn for the past three years and this is likely to continue in the coming year. At 1.7%, the growth rate is expected to be only slightly below the previous year's 1.9%. The upturn continues to be largely driven by private spending, even if this is unlikely to entirely maintain its considerable momentum. Public spending is likely to see much stronger growth, particularly in infrastructure and residential construction. The construction industry is becoming more and more a pillar of the upturn. The expenditure related to refugee migration is unlikely to continue rising, meaning that there is unlikely to be any noteworthy momentum from this area. By contrast, capital investments should increase slightly again, despite the considerable uncertainty due to high capacity utilisation. This is also true of exports, which are likely to pick up again after a more restrained performance in the year under review.

Review of the previous year's forecast

For the year under review, we expected moderate sales and earnings growth. Due to the restructuring measures in the Printing Machines and Document Management Systems divisions, we also forecast a noticeable improvement in the operating result in these two divisions. From a current perspective, we find that our earnings expectations have been realised and, in places, even exceeded. Even without the effects from the changes in the group of consolidated companies, our sales forecast was still accurate. Our forecasts regarding performance in the other divisions were also largely accurate.

However, we did not account for two positive effects in our previous year's forecast: the statutory change regarding the discount factor for pension provisions had a positive effect on earnings. We also did not account for gains from deconsolidation in our planning.

Forecast performance of the Possehl Group

A forecast of future performance is more difficult than ever. The forecasts relating to the macroeconomic performance for the coming year are cautiously positive. On the other hand, the risks and uncertainties have grown significantly on both a global scale and within Europe, especially in recent months. Due to these uncertainties, we are also taking a cautiously optimistic approach to the new year. Adjusted for exchange rate and pricing effects for precious metals, we are only expecting marginal nominal growth in net sales for 2017. In real terms, we are therefore anticipating no further growth in sales for the coming year.

We are not expecting any fundamental changes to the Group's individual industrial segments. At best, there is good growth potential in the Special-Purpose Construction division thanks to the very good state of the construction industry in Germany. While our mechanical engineering activities are likely to benefit from the lower exchange rate between the euro and the US dollar, there may be negative effects from Brexit and from potential protectionist policies in the United States. With the order backlog of some of our mechanical engineering activities being substantial and also diversified, many of the planned sales for 2017 are already assured, meaning that the effects of an unexpected downturn in the coming year would be manageable. In the Electronics division, our supply business for automotive electronics is expected to grow due to key products being in the start-up phase.

Based on the flat performance of sales, we forecast that our operating result will remain constant or decrease slightly without any non-recurring effects. The profitability of the Group as a whole, measured on the basis of the adjusted EBIT ratio, is likely to be in the 6% to 8% range in 2017. We do not anticipate any substantial changes to the individual Group divisions in comparison to the reporting year. The high deconsolidation gains from the past year will not be repeated.

As in the previous year, earnings will also be affected by the amortisation of goodwill and the release of negative consoldiation differences from previous years' acquisitions. These figures are expected to be slightly above those of the 2016 financial year. In view of the interest expense from the discounting of pension provisions, we anticipate a negative earnings effect of around € 4–5 million for the coming year.

We have not taken into account further external growth through new acquisitions in our forecast. The high level of available liquidity and the low interest rates caused prices for companies to see a further substantial rise in the reporting year. As a long-term investor without sales ambitions, these high prices for companies are often not viable for us. We do, however, currently believe that the prices for these companies have reached their peak. Our acquisition activities are therefore increasingly being focussed on SMEs, for which the determining factors are not only the purchase price, but increasingly also qualitative factors such as reliability as well as long-term, stable prospects for the respective individual company. We also see good growth opportunities through additional acquisitions in existing divisions, especially the construction area, in which 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, 2016

in € '000	Notes	31/12/2016	31/12/2015
Assets			
A. Non-current assets			
I. Intangible assets	(1)	74,778	58,485
II. Property, plant and equipment	(2)	328,594	308,336
III. Financial assets	(3)	20,114	29,275
		423,486	**396,096**
B. Current assets			
I. Inventories	(4)	297,849	267,068
II. Receivables and other assets	(5)		
1. Trade receivables		374,369	339,844
2. Other receivables and other assets		52,202	43,060
		426,571	**382,904**
III. Other securities		1,551	265
IV. Cash and cash equivalents	(6)	402,579	324,463
		1,128,550	**974,700**
C. Prepaid expenses		**8,498**	**9,176**
D. Deferred tax assets	(7)	**2,569**	**2,385**
Total assets		**1,563,103**	**1,382,357**
EQUITY & LIABILITIES			
A. Equity	(8)		
I. Subscribed capital		30,678	30,678
II. Other reserves		354,376	344,197
III. Changes in equity due to currency translation		5,647	7,260
IV. Retained earnings		450,726	338,781
V. Non-controlling interests		6,976	5,844
		848,403	**726,760**
B. Difference from the consolidation of equity	(9)	**12,376**	**17,504**
C. Provisions			
1. Pension provisions	(10)	113,311	120,129
2. Miscellaneous provisions	(11)	225,163	211,258
		338,474	**331,387**
D. Liabilities	(12)		
1. Liabilities to banks		52,110	60,460
2. Trade payables		120,999	119,226
3. Miscellaneous liabilities		176,914	112,402
		350,023	**292,088**
E. Deferred income		**13,827**	**14,618**
Total equity and liabilities		**1,563,103**	**1,382,357**

Consolidated Income Statement

from January 1 to December 31, 2016

in € '000	Notes	2016	2015
Net sales	(13)	3,876,822	3,516,340
Changes in finished goods, work in progress and capitalised own work	(14)	37,763	-11,463
Other operating income	(15)	134,237	64,212
Cost of materials	(16)	2,738,634	2,375,913
Gross profit		**1,310,188**	**1,193,176**
Personnel expenses	(17)	671,829	642,500
Depreciation and amortisation		74,750	74,245
Other operating expenses	(18)	308,857	310,263
Net investment result	(19)	1,004	1,278
Net interest result	(20)	-13,066	-22,468
Other financial result	(21)	-79	-160
Earnings before taxes		**242,611**	**144,818**
Income taxes	(22)	53,366	51,043
Earnings after income taxes		**189,245**	**93,775**
Other taxes		847	4,493
Consolidated net profit for the period		**188,398**	**89,282**
of which attributable to non-controlling interests		2,841	2,682

Consolidated Cash Flow Statement

from January 1 to December 31, 2016

in € '000	2016	2015
Consolidated net profit for the period	**188,398**	**89,282**
Write-ups/write-downs on non-current assets	74,381	74,405
Changes in accruals and provisions	4,666	16,927
Other non-cash expenses and income	-1,393	-9,313
Change in working capital	-74,472	14,122
Gains and losses on the disposal of non-current assets and from the sale of consolidated companies and business units	-86,982	-997
Interest expenses/income	13,066	22,468
Income from investments	-1,004	-1,278
Income tax expense/income	53,365	51,043
Income tax payments	-43,331	-33,634
Cash flow from operating activities	**126,694**	**223,025**
Proceeds from the disposal of intangible assets and property, plant and equipment	11,712	8,757
Proceeds from the disposal of non-current financial assets and from the sale of consolidated companies and business units	95,199	13,133
Payments for investments in intangible assets and property, plant and equipment	-82,133	-66,561
Payments for investments in non-current financial assets and for the acquisition of consolidated companies and business units	-39,099	-14,977
Payments for the acquisition of funding assets	-2,769	-3,077
Interest received	1,343	1,784
Dividends received	417	2,144
Cash flow from investing activities	**-15,330**	**-58,797**
Payments to shareholders (including minority interests)	-66,476	-29,086
Change in bank loans	-8,487	-16,666
Change in other financial receivables/liabilities	53,563	-14,420
Proceeds from subsidies/contributions received	212	432
Interest paid	-9,144	-10,664
Cash flow from financing activities	**-30,332**	**-70,404**
Cash-relevant changes	**81,032**	**93,824**
Net change in cash and cash equivalents due to exchange rate differences and valuation changes	-2,526	3,373
Net change in cash and cash equivalents due to changes in the group of consolidated companies	2,303	1,419
Cash funds at the beginning of the period	299,379	200,763
Cash funds at the end of the period	**380,188**	**299,379**
Composition of cash funds		
Cash and cash equivalents at the end of the year	402,579	324,463
Bank liabilities due on demand at the end of the year	-22,391	-25,084

Changes in Non-current Group Assets

from January 1 to December 31, 2016

in € '000	Acquisition or manufacturing costs						
	1/1/2016	Exchange rate changes	Changes in group of consolidated companies	Additions	Reclassi-fications	Disposals	31/12/2016
I. Intangible assets							
1. Purchased concessions, trademarks and similar rights and assets as well as licences to such rights and assets	50,450	-301	4,393	4,090	510	-787	58,355
2. Goodwill	100,635	3	-295	35,822	0	-3,708	132,457
3. Advance payments	231	0	0	53	-34	0	250
Total intangible assets	**151,316**	**-298**	**4,098**	**39,965**	**476**	**-4,495**	**191,062**
II. Property, plant and equipment							
1. Land, equivalent titles and buildings, including buildings on third-party land	236,622	-1,096	7,771	13,863	5,517	-473	262,204
2. Technical plant and machinery	369,271	-1,866	4,300	32,984	27,051	-21,919	409,821
3. Other plant, operating and office equipment	220,455	-1,331	3,422	16,217	-15,395	-13,500	209,868
4. Advance payments and assets under construction	21,663	-39	-480	14,926	-17,649	-1,413	17,008
Total property, plant, and equipment	**848,011**	**-4,332**	**15,013**	**77,990**	**-476**	**-37,305**	**898,901**
III. Financial assets							
1. Shares in affiliated companies	10,111	0	-9,815	470	308	0	1,074
2. Loans to affiliated companies	2,184	0	0	0	0	-817	1,367
3. Equity investments in associated companies	4,683	15	0	888	0	-303	5,283
4. Other equity investments	1,094	0	-343	8	-308	0	451
5. Loans to companies in which equity is held	9,951	0	-249	1,107	0	-179	10,630
6. Securities held as non-current assets	196	0	0	0	0	-17	179
7. Other loans	1,341	0	0	146	0	-41	1,446
Total financial assets	**29,560**	**15**	**-10,407**	**2,619**	**0**	**-1,357**	**20,430**
	1,028,887	**-4,615**	**8,704**	**120,574**	**0**	**-43,157**	**1,110,393**

Depreciation and amortisation								Carrying amount	
1/1/2016	Exchange rate changes	Changes in group of consolidated companies	Additions	Reclassi-fications	Disposals	Reversals	31/12/2016	**31/12/2016**	31/12/2015
36,432	-252	1,606	5,447	-4	-733	0	42,496	15,859	14,018
56,206	2	-1,676	19,063	0	0	0	73,595	58,862	44,429
193	0	0	0	0	0	0	193	57	38
92,831	**-250**	**-70**	**24,510**	**-4**	**-733**	**0**	**116,284**	**74,778**	**58,485**
104,052	-683	3,661	5,997	6	-322	0	112,711	149,493	132,570
272,487	-1,370	4,896	29,352	5,581	-18,893	-400	291,653	118,168	96,784
163,135	-695	2,749	14,861	-5,466	-8,556	0	166,028	43,840	57,320
1	1	0	30	-117	0	0	-85	17,093	21,662
539,675	**-2,747**	**11,306**	**50,240**	**4**	**-27,771**	**-400**	**570,307**	**328,594**	**308,336**
16	0	0	0	0	0	0	16	1,058	10,095
0	0	0	0	0	0	0	0	1,367	2,184
0	0	0	0	0	0	0	0	5,283	4,683
41	0	0	0	0	0	0	**41**	410	1,053
0	0	0	0	0	0	0	0	10,630	9,951
68	0	0	0	0	0	0	68	111	128
160	0	0	31	0	0	0	191	1,255	1,181
285	**0**	**0**	**31**	**0**	**0**	**0**	**316**	**20,114**	**29,275**
632,791	**-2,997**	**11,236**	**74,781**	**0**	**-28,504**	**-400**	**686,907**	**423,486**	**396,096**

Changes in Shareholders' Equity

from January 1 to December 31, 2016

in € '000	Subscribed capital	Retained earnings	Accumulated other Group earnings	Group shareholders' equity without minority interests
31/12/2014	**30,678**	**693,242**	**-70,795**	**653,125**
Consolidated net profit for the period		86,600		86,600
Dividend payments		-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
31/12/2015	**30,678**	**754,643**	**-64,405**	**720,916**
Consolidated net profit for the period		185,557		185,557
Dividend payments		-64,000		-64,000
Changes in equity due to currency translation		-1,382	-231	-1,613
Other changes in shareholders' equity		567		567
31/12/2016	**30,678**	**875,385**	**-64,636**	**841,427**

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**
31/12/2014	**5,637**	**7**	**5,644**	**658,769**
Consolidated net profit for the period	2,682		2,682	89,282
Dividend payments	-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
31/12/2015	**5,844**	**0**	**5,844**	**726,760**
Consolidated net profit for the period	2,841		2,841	188,398
Dividend payments	-2,476		-2,476	-66,476
Changes in equity due to currency translation	0		0	-1,613
Other changes in shareholders' equity	767		767	1,334
31/12/2016	**6,976**	**0**	**6,976**	**848,403**

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

L. Possehl & Co. mit beschränkter Haftung, Lübeck, Germany (hereinafter referred to as L. Possehl), is registered with the Local Court of Lübeck in Commercial Register B under number 9. The consolidated financial statements for the 2016 financial year have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) with due consideration of the amendments enacted by the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG) and the German Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG).

The income statement is structured according to the nature of expense method. The consolidated financial statements are prepared in euros. With the exception of the proposal on the appropriation of profit made by the parent company, all amounts are reported in currency units of thousands.

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

Group of consolidated companies

The consolidated financial statements as of the reporting date include the parent company, L. Possehl, as well as 61 domestic and 96 foreign companies in which L. Possehl – either directly or indirectly – has a controlling influence over the financial and business policies. Due to their lesser significance for the company's net assets, financial and earnings position, the discretionary scope granted by Section 296 (2) HGB to exclude a company from consolidation has been exercised for a total of 10 subsidiaries, including one Special-Purpose company. These companies collectively account for less than 3% of net sales, the balance sheet total and the consolidated net result. Please refer to the attached list of investments for more details.

Changes to the group of consolidated companies

The main changes to the group of consolidated companies concern:

- Thiendorfer Fräsdienst GmbH & Co. KG together with its general partner, as well as P+S Pflaster- und Straßenbau GmbH, which were acquired at the end of the previous year, were included in the group of consolidated companies for the first time as of January 1, 2016.
- In the Document Management Systems business unit, 70% of the shares were acquired in Dutch company Optimus Sorter Holding B.V., which is active in the development and manufacture of sorter and conveyor systems. Optimus Sorter and two of its subsidiaries have been included in the group of consolidated companies with effect from July 1, 2016.
- In the SME Investments division, three domestic and two foreign companies were fully consolidated as of January 1, 2016 following the acquisition of the ARBA Group.
- In the Electronics division, pretema GmbH with its smart card business was deconsolidated following its sale on July 31, 2016.
- Other sales have meant that the number of companies in the group of consolidated companies has been reduced by two, while newly founded companies have increased it by two.

Changes in the group of consolidated companies have no material impact on the net assets, financial and earnings position of the Group, meaning that comparability with the previous year is not impeded.

Associated companies

There are 12 associated companies. Nine of them are not accounted for using the equity method due to their lack of significance for the Group's net assets, financial and earnings position in accordance with Section 311 (2) HGB.

Consolidation principles

Equity is consolidated using the revaluation method with the recognition of all undisclosed reserves and liabilities at the time of acquisition or at the time upon which the company became a subsidiary. Any remaining difference to be recognised as an asset is reported as goodwill in accordance with Section 309 (1) HGB and amortised over the expected useful life through profit or loss. If the remaining difference is to be recognised as a liability after distribution of the undisclosed reserves and liabilities, this is reported under a separate item on the liabilities side of the balance sheet and eliminated through profit or loss in accordance with Section 309 (2) HGB.

Goodwill that is disclosed as being offset against reserves up to December 31, 2009 in accordance with Section 309 (1) (3) HGB (old version) is reclassified under consolidated net profit carried forward upon deconsolidation and is not recognised in profit or loss.

Equity is offset for the associated companies using the book value method at the time of acquisition. Any difference that remains after distribution of undisclosed reserves and liabilities and that is recognisable as an asset is treated as goodwill and amortised through profit or loss. Any remaining difference to be recognised as a liability is also eliminated through profit or loss in line with its nature as equity or borrowings.

Receivables and liabilities, as well as sales, expenses and income, are offset against one another among the consolidated companies. In the case of supply or service provision relationships, interim profit is eliminated insofar as it is relevant. Internal sales from the supply of the company's own products are reclassified to own work capitalised or changes in inventories.

Deferred taxes are recognised for consolidation transactions that result in temporary or semi-permanent differences. Deferred tax assets and liabilities are offset against one another in the consolidated balance sheet.

Currency translation

The reporting currency of L. Possehl is the euro. Currency translation is performed using the modified closing rate method, in which the carrying amounts of subsidiaries in non-euro countries are uniformly translated at the average currency spot price on the reporting date, with the exception of equity, which is translated at historical rates. The differences arising as a result of exchange rate movements as against the reporting date of the previous year are reported under a separate equity item, “Changes in equity due to currency translation”, which is not recognised in profit or loss.

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

For the translation of the most significant foreign currencies within the Group, the following exchange rates are used:

		Closing rate in €		Average rate in €	
Country	Currency	2016	2015	2016	2015
USA	USD	0.94868	0.91853	0.90367	0.90105
United Kingdom	GBP	1.16798	1.36249	1.22488	1.37684
Poland	PLN	0.22674	0.23453	0.22913	0.23908
China	RMB	0.13661	0.14163	0.13606	0.14338
Hong Kong	HKD	0.12232	0.11852	0.11641	0.11621
Malaysia	MYR	0.21147	0.21295	0.21814	0.23082
Singapore	SGD	0.65643	0.64863	0.65455	0.65566
Japan	JPY	0.00810	0.00763	0.00831	0.00745

Accounting principles

Intangible assets acquired against payment are carried at cost less amortisation on a straight-line basis and any impairments as necessary. Amortisation normally takes place over the contractually agreed or expected useful life of the individual assets. Licences and similar rights are normally amortised over a useful life of 1 to 5 years.

Goodwill arising from first-time consolidation is reported separately and is regularly amortised using the straight-line method over its estimated and expected useful life. It may also be impaired if necessary. If the useful life cannot be reliably estimated, new additions from January 1, 2016 are assumed to have a useful life of 10 years for amortisation purposes.

Property, plant and equipment are carried at cost less pro rata depreciation and, in specific cases, usage-related write-downs and other impairments if necessary. Where the underlying conditions for impairment no longer exist, corresponding reversals are recognised.

The costs of internally generated property, plant and equipment include not only direct costs but also appropriate portions of the material and production overhead costs required, including depreciation of production equipment. Costs of borrowing are not included in production costs.

Public subsidies for the procurement or production of non-current assets are deducted from the procurement or production costs of the corresponding non-current assets.

Property, plant and equipment are usually depreciated on a straight-line basis over their expected useful life. 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 equipment and machinery	3–21 years
Tools	1–4 years
Operating and office equipment	3–21 years

The associated equity investments reported under **financial assets** are carried based on the pro rata share of their net result, taking into account dividend distributions. These adjustments are reported as additions or disposals under changes in non-current assets. Because associated companies are generally of lesser importance to the Group's net assets, financial and earnings position, no adjustment has been made to the Group's uniform accounting principles.

Investments in subsidiaries that are not fully consolidated and other investments are measured at cost – less any impairments where necessary. Non-interest-bearing or low-interest-bearing loans are recognised at their present value. Interest-bearing loans are always recognised at their nominal value. Securities held as non-current assets are recognised at cost.

Inventories are carried at the lower of cost, the quoted/market price or fair value on the reporting date. Alongside direct material and production costs, production-related overhead costs for materials and production and production-related depreciation of property, plant and equipment are also recognised. Financing costs are not included. Inventories are normally measured using the average cost method. Depending on the division-specific circumstances, exceptions are made for precious metals, which are also measured using the LIFO (last in, first out) method. Inventory risks arising from longer storage periods or reduced exploitability are accounted for with appropriate write-downs.

Advance payments received on inventories are disclosed as being offset against these.

Receivables and **other assets** are recognised at their nominal value or, where appropriate, at the lower of fair value as of the reporting date. Existing risks are accounted for by means of specific allowances and by a suitable general allowance for receivables not covered by specific allowances.

Current securities relate to share portfolios and are carried at their share price on the reporting date – but not exceeding their original acquisition cost, however.

Liability differences from capital consolidation are, where identifiable as borrowings, eliminated and taken to profit or loss if the expected expenses or losses are incurred, or if they no longer occur contrary to expectations. If the liability difference is due to a favourable chance acquisition, which makes it identifiable as equity, this difference is eliminated and taken to profit or loss using the weighted average remaining useful lives of the acquired depreciable assets. If the largest proportion consists of non-depreciable assets, the acquisition is recognised on the basis of the consumption or disposal of these assets. Technical liability differences that arise from profit retention due to the times of the establishment of the parent/subsidiary relationship differing and to the first-time consolidation are offset directly against retained earnings.

Pension provisions and similar non-current liabilities are discounted at the discount rate calculated by the German Bundesbank on the basis of a ten-year average for a fixed remaining period of 15 years. Pension provisions are measured using the projected unit credit method. The Heubeck 2005 G actuarial tables or country-specific biometric data are used for measurement purposes.

Funding and plan assets, if solely earmarked for the fulfilment of pension and similar obligations and if protected from utilisation by any other creditor, are offset against the associated obligations. Funding assets are measured at their fair value at the reporting date. Where there is an effective reinsurance policy, this is based on the asset value of the insurance. Other plan assets are recognised at the trading or market price of the financial instruments.

Pension provisions are calculated based on the following parameters:

in %	31/12/2016
Actuarial interest rate	4.00
Salary growth	2.50
Pension growth	1.75
Increase in assessment basis	2.00

Comparable non-current obligations in one case were measured at 1.30% (previous year: 1.90%).

Tax and other provisions account for all identifiable risks and contingent liabilities and are recognised at the amount that would be required to fulfil them based on prudent commercial judgement. Provisions that expire in more than one year are discounted at the market interest rates calculated by the German Bundesbank on the basis of a seven-year average and in accordance with their remaining period.

Liabilities are carried at their fulfilment amount.

Receivables and liabilities in foreign currencies are – if current – translated at the exchange rate in effect on the reporting date. Non-current 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 recognised at individual company level in relation to temporary and semi-permanent differences between the balance sheet prepared under the German Commercial Code and the balance sheet prepared for tax purposes. Deferred taxes are also recognised on tax loss carryforwards, provided that they have value. They are measured at the company's specific tax rates in effect at the time of the expected reversal. The applied tax rates are between 16.5% and 40%. For domestic business, the tax rate in effect is ordinarily 31%.

The deferred tax assets and liabilities of the individual companies are combined with the item arising from consolidation processes and offset against one another. Where such offsetting gives rise to a positive difference, use is made of the discretionary scope regarding capitalisation, in which case it is not recognised in the balance sheet – provided that the difference is not the result of deferred taxes from consolidation processes. Where such offsetting gives rise to a negative difference, it is reported separately as a liability on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Non-current assets

Detailed information can be found in the consolidated statement of changes in non-current assets.

1. Intangible assets

in € '000	31/12/2016	31/12/2015
1. Purchased concessions, trademarks and similar rights and assets as well as licences to such rights and assets	15,859	14,018
2. Goodwill	58,862	44,429
3. Advance payments	57	38
	74,778	**58,485**

This item includes impairment of € 4,000 (previous year: € 1,059,000).

In addition to amounts recognised as goodwill by individual subsidiaries of € 1,667,000 (previous year: € 556,000), which was written down over useful lives of 8 up to 15 years, goodwill resulting from consolidation of equity is also recognised and developed as follows during the reporting year:

in € '000	
January 1, 2016	43,873
Additions	35,822
Disposals	-3,708
Depreciation and amortisation	-18,792
December 31, 2016	**57,195**

Additions relate to the Optimus Sorter Group, the ARBA Group and to the two construction companies Thiendorfer Fräsdienst GmbH & Co. KG and P+S Pflaster- und Straßenbau GmbH. Further additions and disposals were reported on the basis of earn-out provisions from previous acquisitions. Other disposals related to retroactive purchase price reductions for companies acquired in previous years.

For the companies of the Optimus and ARBA groups, the expected useful life of the goodwill is ten years in each case. Regarding the Optimus Sorter Group, the company is operating in a growth sector that is not subject to rapid technological change and the company's products are largely still at the start of their life cycle. The assessment for the ARBA Group is primarily based on the company operating in a stable and largely non-cyclical sector, having a broad customer base and having established favourable cost structures for the long term thanks to its previous relocation of significant production capacities abroad.

For each of the construction companies, the useful life of the goodwill is estimated to be five years. The intense cross-regional competitive situation and the largely short-term orders are the main factors behind the relatively short useful lives.

The impairment of goodwill that was recognised before the BilRUG provisions came into effect is based on a useful life of five years.

2. Property, plant and equipment

in € '000	31/12/2016	31/12/2015
1. Land, equivalent titles and buildings, including buildings on third-party land	149,493	132,570
2. Technical equipment and machinery	118,168	96,784
3. Other plant, operating and office equipment	43,840	57,320
4. Advance payments and assets under construction	17,093	21,662
	328,594	**308,336**

This item includes impairment amounting to € 612,000 (previous year: € 301,000).

3. Financial assets

in € '000	31/12/2016	31/12/2015
1. Shares in affiliated companies	1,058	10,095
2. Loans to affiliated companies	1,367	2,184
3. Equity investments in associated companies	5,283	4,683
4. Other equity investments	410	1,053
5. Loans to companies in which equity is held	10,630	9,951
6. Securities held as non-current assets	111	128
7. Other loans	1,255	1,181
	20,114	**29,275**

The full list of equity investments is provided in a separate overview at the end of the Notes. The disclosure of equity investments in accordance with Section 313 (2) No. 4 HGB has been omitted due to these investments' lack of significance for the Group's net assets, financial and earnings position in accordance with Section 313 (3) HGB.

The following domestic subsidiaries have made use of the exemption granted by Section 264 (3) HGB in the reporting 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 have made use of the exemption granted by Section 264b HGB in the reporting year:

- Hako Holding GmbH & Co. KG, Bad Oldesloe
- cds Polymere GmbH & Co. KG, Sprendlingen
- Thiendorfer Fräsdienst GmbH & Co. KG, Thiendorf
- Nüthen Restaurierungen GmbH + Co. KG, Erfurt
- PAGEL Spezial-Beton GmbH & Co. KG, Essen
- PAGEL Technische Mörtel GmbH & Co. KG, Essen
- Mickan Generalbaugesellschaft Amberg mbH & Co. KG, Amberg
- Karl Otto Knauf (GmbH + Co. KG), Stockelsdorf
- Kleine Wolke Textilgesellschaft mbH & Co. KG, Bremen
- DMA Maschinen- und Anlagenbau GmbH & Co. KG, Höxter
- LOGOPAK Systeme GmbH & Co. KG, Hartenholm
- GABLER Thermoform GmbH & Co. KG, Lübeck

Current assets

4. Inventories

in € '000	31/12/2016	31/12/2015
1. Raw materials, consumables and supplies	123,371	115,292
2. Work in progress	361,252	321,895
3. Finished goods and merchandise	128,427	128,489
4. Advance payments	10,063	9,568
5. Advance payments received on orders	-325,264	-308,176
	297,849	**267,068**

5. Receivables and other assets

in € '000	31/12/2016	31/12/2015
1. Trade receivables	374,369	339,844
of which with a remaining term of more than 1 year	1	648
2. Other receivables and other assets		
Receivables from affiliated companies	276	5,009
Receivables from companies in which equity is held	1,469	1,729
of which with a remaining term of more than 1 year	19	0
Other assets	50,457	36,322
of which with a remaining term of more than 1 year	2,133	2,889
	52,202	43,060

Specific allowances of € 11,067,000 (previous year: € 10,081,000) and a general allowance of € 3,713,000 (previous year: € 4,419,000) have been established for receivables and other assets.

6. Liquid assets

in € '000	31/12/2016	31/12/2015
Bank balances	401,743	323,555
Cash in hand and cheques	836	908
	402,579	**324,463**

7. Deferred tax assets

As of December 31, 2016, there were deferred tax items collectively comprising a net asset and individually comprising the following:

in € '000	31/12/2016	31/12/2015
Deferred tax assets	53,768	50,157
Deferred tax liabilities	-11,352	-12,778
Net balance	**42,416**	**37,379**

Of the reported balance at the reporting date, € 2,569,000 (previous year: € 2,385,000) is attributable to consolidation processes accounted for in the consolidated financial statements. The option is being taken of not capitalising the positive net balance in line with Section 274 (1) (2) HGB.

Deferred taxes are largely attributable to temporary differences between the financial statements prepared under the German Commercial Code and those prepared for tax purposes in relation to pension provisions and other provisions, to tax loss carryforwards and to additional individual tax-related balance sheets for non-incorporated domestic companies.

8. Equity

Subscribed capital consists of the common equity of the parent company, L. Possehl, held by the sole shareholder, the Possehl Foundation. The development of shareholders' equity is shown separately in the statement of changes in equity.

9. Difference from the consolidation of equity

This item developed during the reporting year as follows:

in € '000	
Gross total as of January 1, 2016	76,885
Additions during the financial year	1,460
Gross total as of December 31, 2016	**78,345**
Cumulative reversals as of January 1, 2016	59,381
Reversals during the financial year	6,588
Cumulative reversals as of December 31, 2016	**65,969**
Total as of December 31, 2016	**12,376**

Differences from equity consolidation reported under liabilities are treated as equity. Additions during the financial year are largely the result of the first-time consolidation of a company from the ARBA Group. The difference reported under liabilities is eliminated on the basis of the weighted average remaining useful life of the acquired depreciable assets of 10 years. The eliminated amount is reported under other operating income.

10. Pension provisions

Pension obligations and the funding/plan assets in place to fulfil these obligations comprise the following:

in € '000	31/12/2016	31/12/2015
Fulfilment amount of pension obligations	135,574	144,809
Fair value of funding/plan assets	-22,263	-24,680
Net balance	**113,311**	**120,129**

The cost of the plan and funding assets is € 21,645,000 (previous year: € 23,974,000). Income of € 1,381,000 (previous year: € 690,000) and expenses of € 189,000 (previous year: € 154,000) were offset in the income statement.

11. Miscellaneous provisions

in € '000	31/12/2016	31/12/2015
1. Provisions for taxes	26,577	25,274
2. Other provisions	198,586	185,984
	225,163	**211,258**

Funding assets of € 1,225,000 (previous year: € 1,578,000) have been deducted from the fulfilment amounts for partial retirement obligations. The cost of the funding assets is € 1,239,000 (previous year: € 1,518,000). Income of € 41,000 (previous year: € 71,000) and expenses of € 94,000 (previous year: € 92,000) were offset.

12. Liabilities

in € '000	Up to 1 year	1 to 5 years	Over 5 years	31/12/2016 Total
1. Liabilities to banks	**26,913**	**24,494**	**703**	**52,110**
(previous year)	(32,018)	(25,737)	(2,705)	(60,460)
2. Trade payables	**120,882**	**117**	**0**	**120,999**
(previous year)	(118,918)	(308)	(0)	(119,226)
3. Miscellaneous liabilities				
Liabilities from bills drawn	178	0	0	178
(previous year)	(73)	(0)	(0)	(73)
Liabilities to affiliated companies	100	0	0	100
(previous year)	(3,029)	(0)	(0)	(3,029)
Liabilities to companies in which equity is held	598	0	0	598
(previous year)	(655)	(0)	(0)	(655)
Other liabilities	139,585	36,453	0	176,038
(previous year)	(99,643)	(9,002)	(0)	(108,645)
Miscellaneous liabilities	**140,461**	**36,453**	**0**	**176,914**
(previous year)	(103,400)	(9,002)	(0)	(112,402)

Liens and similar rights are used to secure liabilities of € 16,337,000 (previous year: € 18,192,000).

Other liabilities include:

in € '000	31/12/2016	31/12/2015
Taxes	37,007	26,923
Social security	5,788	5,638
Shareholders (of which the Possehl Foundation: € 92,169,000; previous year: € 39,506,000)	93,370	40,519
Other	39,873	35,565
	176,038	**108,645**

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 overviews:

in € '000	2016	2015
Special-Purpose Construction	318,130	320,900
Document Management Systems	125,365	119,170
Printing Machines	242,123	240,681
Precious Metals Processing	1,775,269	1,387,306
Elastomer Plants	417,411	465,999
Electronics	277,364	298,683
Cleaning Machines	408,974	424,306
SME Investments	308,410	255,534
Other equity investments	3,776	3,761
	3,876,822	**3,516,340**

in € '000	2016	2015
Germany	1,183,887	992,698
European Union	1,960,684	1,722,298
Other Europe	100,205	117,342
Asia	325,924	334,252
America	252,275	298,497
Other regions	53,847	51,253
	3,876,822	**3,516,340**

Net sales from the previous year, adjusted to ensure comparability following the changes enacted by the German Accounting Directive Implementation Act, amount to € 3,520,544,000.

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

in € '000	2016	2015
Changes in finished goods and work in progress	31,462	-14,628
Other own work capitalised	6,301	3,165
	37,763	**-11,463**

15. Other operating income

The reported amount includes € 18,175,000 (previous year: € 20,569,000) in amounts attributable to previous years, largely from the reversal of provisions and impairments as well as from the disposal of non-current assets. This item also includes income from currency translation of € 6,540,000 (previous year: € 8,812,000). Moreover, exceptionally large income of € 86,131,000 resulting from deconsolidation is also shown under this item.

16. Cost of materials

in € '000	2016	2015
Expenses for raw materials, consumables and supplies, and for purchased goods	2,549,538	2,190,802
Expenses for purchased services	189,096	185,111
	2,738,634	**2,375,913**

17. Personnel expenses

in € '000	2016	2015
Wages and salaries	556,366	528,761
Social security contributions	106,797	103,294
Pension payments	8,666	10,445
	671,829	**642,500**

The average number of employees by group is:

	2016	2015
Manual workers	6,064	5,918
Salaried employees	5,991	5,869
Apprentices	388	377
	12,443	**12,164**

18. Other operating expenses

Of the reported amount, € 669,000 (previous year: € 526,000) is attributable to previous years. It solely concerns losses from the disposal of non-current assets. This item also includes expenses from currency translation of € 8,966,000 (previous year: € 8,888,000).

19. Net investment result

in € '000	2016	2015
Earnings from equity investments in associates	854	634
Earnings from other equity investments	95	95
Earnings from affiliated companies	55	549
	1,004	**1,278**

20. Net interest result

in € '000	2016	2015
Interest income on loans and securities held as financial assets	117	113
of which from affiliated companies	78	85
Other interest and similar income	1,450	1,883
of which from affiliated companies	82	40
Interest paid and similar expenses	-14,633	-24,464
	-13,066	**-22,468**

The net interest result includes € 4,262,000 (previous year: € 13,848,000) in interest from changes in pension provisions and other non-current provisions as well as from the discounting of other assets and liabilities.

21. Other financial result

in € '000	2016	2015
Write-downs on financial assets	-31	-160
Amortisation of securities held as current assets	-48	0
	-79	**-160**

22. Income taxes

This item includes not only current taxes, but also arrears payments for previous years amounting to € 4,749,000 (previous year: refunds of € 115,000). It also includes deferred tax income of € 183,000 (previous year: deferred tax expenses of € 86,000).

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash funds include bank balances, cash on hand and cheques, as well as due-on-demand liabilities to banks.

Other non-cash expenses mainly include additions to specific allowances as well as expenses from current assets due to impairment or disposals.

Other non-cash income is largely the result of the elimination of differences from equity consolidation reported under liabilities and from the reversal of specific and general allowances.

OTHER DISCLOSURES

Contingent liabilities

in € '000	31/12/2016	31/12/2015
Financial guarantees	1,634	1,558
Guarantees/warranties	3,771	5,670
Collateral for third-party liabilities	1,104	1,011
	6,509	**8,239**

The risk of a claim on any of the aforementioned contingent liabilities is deemed to be low, as the beneficiary companies have good credit ratings and no claims have been asserted on the liabilities in comparable cases in previous years.

Other financial obligations

in € '000	31/12/2016	31/12/2015
Rental/leasing and other contractual obligations (nominal value)	130,825	145,457
of which to affiliated companies	2,999	3,693
with term structures		
up to 1 year	41,592	46,490
1–5 years	67,940	72,169
over 5 years	21,293	26,798
Purchase commitments for capital expenditure	6,676	15,511
with term structures		
up to 1 year	6,676	15,511
	137,501	**160,968**

Derivative financial instruments

Derivative financial instruments are solely used within the Group to hedge currency, metal price and interest rate risks. Unconditional – in individual cases also conditional – forward contracts for currencies and precious metals are concluded, as are 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 cash inflows and outflows falling due no later than mid October 2018 are also hedged. The interest rate and currency swaps have maturities up until the end of June 2017 and the end of June 2018 respectively, while the currency options are long term, with maturities up until December 2020.

The nominal and market values of the derivative financial instruments are shown in the overview below:

in € '000	Nominal amount 31/12/2016	Market value 31/12/2016
Forward currency contracts	59,124	165
Currency options	1,570	118
Interest rate and currency swaps	10,366	-412

Derivative financial instruments are measured using the mark-to-market method. The market value is calculated on the basis of the measurement of all instruments as of the reporting date, not including their underlying transactions. The derivatives are solely used to hedge underlying transactions.

Valuation units

Micro-hedges and portfolio hedges within the meaning of Section 254 HGB were arranged with derivative and original financial instruments used to hedge currency and interest rate risks from underlying transactions. Forward currency contracts are used to hedge anticipated and previously agreed payments denominated in foreign currencies – mainly in US dollars and pound sterling – for sale and purchase agreements with a total volume of € 21,588,000, while interest rate and currency swaps are used to hedge receivables and liabilities of € 10,366,000, with maturities and due dates matching up to 100%. Receivables and liabilities with a nominal value of € 762,000 were also combined to form micro-hedges.

Auditors' fees

The total fee billed by the auditors of the consolidated financial statements for the financial year in accordance with Section 314 (1) No. 9 HGB comprises the following:

in € '000	
Audit-related services	980
Other audit-related services	0
Tax advisory services	65
Other services	82
Total fee	**1,127**

Total remuneration of the Executive Board and Supervisory Board

The total remuneration of the Executive Board of L. Possehl came to € 10,530,000 in the financial year (previous year: € 6,445,000). The total remuneration for the members of the Supervisory Board came to € 290,000 (previous year: € 290,000).

Former members of the Executive Board and their surviving dependants received € 701,000 (previous year: € 686,000). Obligations from current pensions and pension entitlements are covered by provisions totalling € 6,836,000 (previous year: € 7,040,000).

Proposal on appropriation of profit of the parent company

The Executive Board proposes appropriating the net profit totalling € 71,267,988.82 as follows: an amount of € 17,000,000.00 to be distributed to the sole shareholder, the Possehl Foundation, an amount of € 50,690,177.18 to be transferred to other reserves, and the remainder of € 3,577,811.64 to be carried forward.

Supplementary report

In the time between the close of the financial year and the preparation of the consolidated financial statements, no circumstances have arisen that would have a significant impact on the Possehl Group's net assets, financial and earnings position.

Lübeck, Germany, February 28, 2017

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 (limited company), Lübeck – comprising the balance sheet, income statement, notes, cash flow statement and statement of changes in equity – along with the Group management report for the financial year January 1, 2016 to December 31, 2016. The preparation of the consolidated financial statements and Group management report in accordance with the German Commercial Code is the responsibility of the company's legal representatives. Our duty is to submit an opinion on the consolidated financial statements and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and in line with the generally accepted auditing principles established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW), which stipulate that the audit must be planned and conducted in such a way that enables identification with adequate certainty of inaccuracies and violations that have a material impact on the presentation of the net assets, financial and earnings position as conveyed by the consolidated financial statements in line with generally accepted accounting principles and by the Group management report. In determining our audit activities, knowledge of the Group's business operations and economic and legal environment as well as expectations surrounding potential errors were taken into account. During the audit, the effectiveness of the internal accounting control system and evidence for the disclosures in the consolidated financial statements and Group management report were primarily assessed based on samples. The audit encompasses an assessment of the accounting data for the subdivisions consolidated in the consolidated financial statements, of the definition of the group of consolidated companies, of the applied accounting and consolidation methods and of the substantial estimates made by the legal representatives, and also an appraisal of the overall presentation of the consolidated financial statements and Group management report. We believe that our audit constitutes an adequately reliable basis for our opinion.

No objections were raised on the basis of our audit.

In our opinion, based on the findings of our audit, the consolidated financial statements are compliant with statutory requirements and convey a true and fair view of the Group's net assets, financial and earnings position in accordance with generally accepted accounting principles. The Group management report is consistent with the consolidated financial statements, is compliant with statutory requirements, conveys an overall accurate picture of the situation of the Group and accurately presents the opportunities and risks regarding future development.

Hamburg, Germany, March 16, 2017

BDO AG
Wirtschaftsprüfungsgesellschaft

Eckmann	Herbers
Auditor	Auditor

* Translation of the German Auditors' Report

Overview of participation as of December 31, 2016

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
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
EUROQUARZ GmbH	Dorsten, Germany	100.00
EUROQUARZ GmbH	Laußnitz, Germany	100.00
PAGEL Spezial-Beton GmbH & Co. KG	Essen, Germany	74.00
PAGEL Spezial-Beton Beteiligungs-GmbH	Essen, Germany	74.00
PAGEL Technische Mörtel GmbH & Co. KG	Essen, Germany	100.00
PAGEL S.A.S.	Poissy, France	70.00
PK Rohstoffe GmbH	Duisburg, Germany	100.00
Mickan Generalbaugesellschaft Amberg mbH & Co. KG	Amberg, Germany	100.00
Mickan Generalbaugesellschaft Amberg Verwaltungs-mbH	Amberg, Germany	100.00
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. i.L.	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

Name	Registered in	Share of capital (in %)
BÖWE SYSTEC S.A.	Madrid, Spain	100.00
BÖWE SYSTEC Comércio de Equipamentos 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
Optimus Sorter Holding B.V.	Beuningen, the Netherlands	70.00
Optimus Sorter Technology B.V.	Beuningen, the Netherlands	100.00
Optimus Sorter Projects B.V.	Beuningen, the Netherlands	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
manroland Web Printing Equipment (Beijing) Co. Ltd.	Beijing, China	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
Elektronics		
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
Technical Plastic Systems GmbH	Wackersdorf, Germany	100.00
Technické plastové systémy s.r.o.	Dýšna, 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
N.V. Hako Belgium S.A.	Erpe-Mere, Belgium	100.00
Labor Hako S.A.S.	Plaisir, France	100.00

Name	Registered in	Share of capital (in %)
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
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
LOGOPAK Systems AB	Göteborg, Sweden	100.00
LOGOPAK B.V.	Lijnden, the Netherlands	100.00
LOGOPAK East Sp. z o.o.	Warsaw, Poland	50.00

Name	Registered in	Share of capital (in %)
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.	Rungis, France	100.00
Novexx ETIKETLEME SISTEMLERI T.A.S.	Istanbul, Turkey	100.00
Novexx Solutions (Shanghai) Co., Ltd.	Shanghai, China	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
ARBA GmbH	Lübeck, Germany	100.00
ARBAprocessing GmbH	Emsdetten, Germany	100.00
ARBA Behälterbau und Service GmbH	Würzburg, Germany	100.00
Schwarte Jansky GmbH	Gmunden, Austria	100.00
Schwarte Milfor Sp. z o.o.	Olsztyn, Poland	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

Hako Group East Asia Ltd.	Bangkok, Thailand	100.00
Hako (Hong Kong) Co. Ltd.	Hong Kong, China	100.00
Optimus Sorter Inc.	Dover, USA	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
manroland Southern Africa Pty., Ltd.	Cape Town, South Africa	100.00
INDUS UTH HF Mixing Systems Pvt. Ltd.	Bangalore, India	66.66
HF Mixing Group Services (S.E.A.) Sdn. Bhd.	Kuala Lumpur, Malaysia	60.00
Aristo Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Halle KG	Mainz, Germany	95.65

Name	Registered in	Share of capital (in %)
III. Associated companies		
Gremmler Bauchemie GmbH	Essen, Germany	50.00
WST Quarz GmbH	Hünxe, Germany	50.00
Roots Multiclean Ltd.	Coimbatore, India	26.00

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Annotation

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