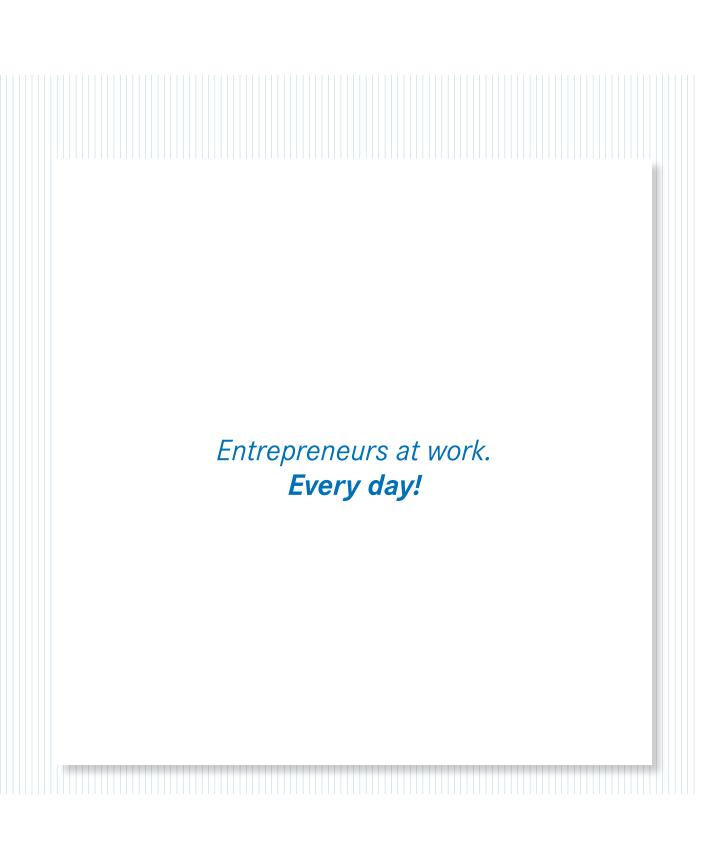
# **Entrepreneurs AT WORK**

**BUSINESS REPORT 2017** 





L. Possehl & Co. mbH is a Group of medium-sized industrial companies managed in Hanseatic tradition. In our more than 170 companies we employ around 12,500 people worldwide, with over half being based in Germany. Our companies preserve and maintain their unique identity and continue to develop independently within the Group. As a successful and diversely positioned Group with a history spanning 170 years, the name Possehl stands for entrepreneurial spirit, tradition and responsibility.



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# Dear Business Partners, Dear Readers,

**2017** was yet another successful year for the Possehl Group. We were able to meet both our operative and economic goals in almost every business segment and also managed to refine our group of companies strategically, inter alia by making promising acquisitions.

Driven by the booming global economy and a strong domestic demand, our Group achieved consolidated sales of  $\mathfrak{S}3.8$  billion. Sales revenues, adjusted for precious metals proceeds and portfolio changes, increased by more than 6%. At  $\mathfrak{S}158$  million, after factoring out the smartcard business we sold last year, earnings before taxes were slightly higher than in the previous year. This is all the more gratifying given the fact that we were able to more than compensate increased financial burdens resulting from the valuation of pension obligations by improving our operative business.

All of the Group's nine divisions contributed to this positive result. Some of our divisions would in fact have been able to report even better results if it hadn't been for the economic boom preventing us from filling vacancies as quickly as would have been required. This holds true for qualified engineers as well as for vacant positions in both the technical and commercial sectors. To counteract the shortage of qualified staff, we launched a Group-wide trainee programme last year in addition to personnel development and qualification measures run at the affiliate companies.

The positive development of our business put us in a position to pay out the stately sum of €18 million to our shareholder, the Possehl Foundation, again this year. As, in addition to the regular dividend payment, we paid out a surplus dividend of €40 million last year for major future projects funded by the Possehl Foundation, the remaining profit can remain within the Group this year to allow value-adding investment in new or existing companies in order to both maintain and further consolidate our Group's competitiveness in the long term.

In our efforts to acquire new companies, we are currently focussing on expanding our existing business segments. The extensive experience that we have gained in these segments over the years has enabled us to assess both the opportunities and risks of a potential acquisition candidate very well. Moreover, the price level on the M&A market is still particularly high so that our endeavours often conflict with our philosophy as an investor operating on a no-exit strategy. It is our aim to have companies on board with a business model we believe will be successful in the long term. This also includes supporting them during downward phases without exercising any pressure. The past 15 months saw six such companies joining our Group.

In May 2017, we acquired the companies Eidos S.p.A. based in Chieri/Italy and Nordvalls Etikett AB, headquartered in Sjöbo/Sweden. Together with the two existing corporate groups Logopak Systeme and Novexx Solutions, these two acquisitions form the ninth independent division "Identification Solutions", which currently employs 672 staff in eleven different countries achieving annual sales of €140 million. We are confident that the new division will succeed in consolidating both their sales and earnings in the coming years.

Also in May 2017 we acquired 50% of the shares in the Lübeck-based company cbb software GmbH. Employing more than 50 staff, cbb not only provides IT services to the automotive industry but also focusses on offering software solutions for digitisation in the energy sector as well as in the fields of industrial engineering, production- and testing technology.

Acquiring the company nordrohr GmbH headquartered in Reinfeld in the summer of last year enabled us to expand our locally offered environmental services in Lübeck and provide the business with a broader base. By involving the managing director and former owner of nordrohr and making his company part of our environmental protection business, we were able to establish a long-term relationship with him while demonstrating our high level of flexibility in terms of corporate transactions.

In September, our division Elastomer Plants acquired the US American family enterprise Mesabi Control Engineering Ltd., which has enabled the HF Mixing Group to upgrade their competencies in the field of machine control systems while simultaneously strengthening their presence on the important American market. The autumn also saw the HF Mixing Group entering into a cooperation agreement in the business area of raw material weighing and dosing for mixing plants by acquiring 30% of the shares in the Hamm-based company B & K Wägetechnik GmbH.



Mario Schreiber
Member of the Board

**Dr Joachim Brenk**Chairman of the Board

**Dr Henning von Klitzing**Member of the Board

In January 2018, we continued in this vein by acquiring the English company Weston Beamor, a manufacturer and supplier for the jewellery industry. Extensive business relations between Weston Beamor and the companies belonging to our Precious Metals Processing division had already been established in the past, which made this acquisition a particularly successful transaction.

What all of these transactions have in common is the fact that all companies were acquired from private ownership whilst each acquisition provides proof of just how attractive Possehl is as a successor company in the mid-tier market, both in Germany and abroad.

One special event of the past year was the handing-over-thebaton procedure at our Group's top executive level: After more than 13 years of successfully leading our group of companies, "Everything

stays as it was,

but a lot will

change."

Uwe Lüders resigned from his management responsibilities to enter into retirement. As is his wont, he did so in a quiet and well-prepared manner. We are deeply grateful to him for his collegial and constructive leadership as Chairman of the Executive Board.

What's next? Will everything simply continue as before? The answer is: Yes and no. Yes, because we will both continue to pursue our path of further growth without putting ourselves under pressure and keep following our proven principles. Both our diversification strategy and orientation focussing on long-term success have truly demonstrated their effectiveness. These two mainstays will continue to provide future stability for our Group.

And no, because the world we live in is rapidly changing, and increased networking resulting from modern digitisation processes has a strong impact on almost all sectors of industry – and therefore also on most of our Group's divisions.

Today, manufacturing excellent machines and top-of-the-range systems simply is no longer sufficient. Our customers are increasingly more interested in integral solutions. For us, this means that we need to apply a more flexible and

creative approach when developing new solutions. As we have done in the past, it remains our aim for the future to actively participate in shaping the process of change as a technological leader rather than being driven by the changes going on around us.

For the current year 2018 we are optimistic about the development of our business: Supported by the economic upward trend, we are confident that our companies will continue their positive development, despite ongoing political imponderables and looming signs of overheating in certain sectors of industry. However, from our point of view, the positive signals clearly predominate. The order books of our divisions are nicely filled and the demand for our products remains high.

In a widely diversified Group such as Possehl, the fact that some companies have to prove themselves more than others can hardly be avoided. Our division Printing Machines operates in an overall declining market. Our company manroland web systems has already achieved a great deal by gaining additional market shares in this sector. However, the print market is currently undergoing such a fundamental change that, in cooperation with manroland web systems,

we will be implementing some additional changes in the near future. This is important in order to quickly put this business segment back on a sustainable footing, which allows the company to shape a new ambitious path leading to the future.

In addition to our target-oriented investment focussing on acquisitions, we have invested heavily in our production sites in the past years. For 2018, we have again increased our investment budget considerably. As for our division Elastomer Plants, we will invest tens of millions of euros in the construction, expansion and modernisation of our factories and office buildings at the business sites located in Hamburg-Harburg and Freudenberg. Additional funds will flow into

maintaining, modernising and expanding both our domestic and foreign production sites. We have also raised our R&D budget across the Group.

Our large-scale domestic investment affirms our conviction that we are capable of producing in Germany on a sustainable and competitive basis. Modern plants ensure the required degree of efficiency and offering an attractive working environment assures our success in the competition for the best employees.

We would like to take this opportunity to thank you, our managing directors and employees for your great commitment and contribution to our corporate success in the past year. We also thank you, our business partners, for once again placing your trust in our group of companies. We look forward to continuing our successful business cooperation throughout the current year.

Yours sincerely,

Joadin Much
Dr Joachim Brenk
Lorio Shibe H. V. Khring

Mario Schreiber Dr Henning v

# **Supervisory Board**

#### Ernst F. Schröder

Dr rer.-pol.

Chairman

Businessman

#### Peter Hlawaty

Vice Chairman

Regional District Manager for Hamburg of IG Metall Küste

#### Max Schön

Entrepreneur

Second Vice Chairman

Chairman of the Possehl Foundation's Management Board

#### Hanno Brüggen

Personally liable shareholder of H. & J. Brüggen KG

#### Claus Bunk

Head of Plant Assembly at BÖWE SYSTEC GmbH

Chairman of the General Works Council of BÖWE SYSTEC GmbH Chairman of the Group Works Council of L. Possehl & Co. mbH

#### Gregor Enke (until 31 March 2017)

Dr-Ing

Head of Automation at manroland web systems GmbH

#### Michael Hinrichsen (since 1 April 2017)

Insurance Broker at Lubeca Versicherungskontor 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

#### Werner Redeker

Dr-Ing.

#### Rolf Schmidt-Holtz

Co-founder and Chairman of the Supervisory Board 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

Chairman of the Works Council of Heimerle + Meule GmbH

Fleet Manager and Team Leader Logistics/Shipping

at Heimerle + Meule GmbH

Member of the Group Works Council of L. Possehl & Co. mbH

### Dear Sir or Madam,

2017 was a positive year for the Possehl Group. Earnings before taxes amounted to €158 million and therefore even exceeded the record operating result of the previous year. This result, along with all the other financial performance data, impressively demonstrates both the solidity and strength of the Possehl group of companies. When, in the summer of last year, the baton at Executive-Board-level was handed over smoothly and quietly, we did so to ensure a high degree of continuity and reliability in our corporate management.

During the financial year 2017, the Supervisory Board fulfilled the obligations incumbent on it in accordance with the relevant statutory provisions, the articles of association and its by-laws with great diligence. We regularly advised the Executive Board in its man-

agement of the Group and closely monitored its activities. The Supervisory Board was directly involved in all decisions of fundamental importance at an early stage. In four ordinary meetings, the Executive Board provided us with information about major acquisition projects, the course of business, the future prospects of each individual division as well as the general situation of the Group. In the course of these meetings, we intensively discussed with the Executive Board all fundamental issues concerning corporate policy, including and in particular the strategic development and the risk situation of the Group as well as issues regarding corporate planning and key investment decisions. We conducted in-depth reviews of all business transac-

tions requiring our approval to comply with statutory regulations and company by-laws. Following intensive discussion and examination, the Supervisory Board approved the Executive Board's proposed resolutions.

Outside the Supervisory Board meetings, the Chairman of the Supervisory Board was also in regular close contact with the Executive Board, in particular with the Chairman of the Executive Board. He was regularly and comprehensively informed of significant busi-

ness transactions and current events of importance for assessing the situation and development of the Group. The Chairman of the Supervisory Board advised the Executive Board in its entrepreneurial decisions, especially with regard to corporate transactions.

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



# ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements and the management report of L. Possehl & Co. mbH as well as the consolidated financial statements and the Group management report for

the financial year as of 31 December 2017 in accordance with German statutory provisions and issued an unqualified audit opinion. The audit reports of the auditor were made available to all members of the Supervisory Board in due time and were discussed

in detail in the presence of the auditor at the accounts meeting held on 25 April 2018. The auditor reported on the scope, the focal points and essential results of the auditing, highlighting both particularly important audit issues and audit activities performed. He provided comprehensive information on the audit reports to the members of the Supervisory Board and answered their questions in detail.

The Supervisory Board concurred with the results of the audit. Following the conclusion of its own examination, the Supervisory Board raised no objections to the findings. The Supervisory Board approved the financial statements of L. Possehl & Co. mbH for the financial year as of 31 December 2017 and recommends to the shareholder, the Possehl Foundation, to approve the financial statements. Furthermore, the Supervisory Board recommends to the shareholder to approve the consolidated financial statements of L. Possehl & Co. mbH for the financial year as of 31 December 2017.

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

#### **CHANGES TO THE EXECUTIVE BOARD**

On 31 July 2017, Uwe Lüders resigned from his position as Chairman of the Executive Board at L. Possehl & Co. mbH to enter into retirement. In his more than 13 years of working at the helm of the Group, leading the business with determination, great skill and entrepreneurial foresight, he played a key role in Possehl's successful development, leaving behind an impressive legacy: During his leadership, the Group grew from 55 to 170 companies. The number of employees increased 3.5-fold to nearly 12,500. The sales climbed 5-fold and earnings before taxes rose more than 7-fold – with all the positive consequences these results have had on the Group's dividend distribution capability towards the Possehl Foundation.

Six out of the Group's nine independent divisions were formed during Mr Lüders' period of office. The three already existing divisions Special Purpose Construction, Precious Metals Processing and Electronics also underwent fundamental changes through

acquisitions and restructuring during his tenure. In summary it can be said that the Possehl Group as we know it today has little in common with the Group of 13 years ago.

Today, as a result, Possehl stands on an exceptionally sound footing. Our Group unites under its umbrella nine fundamentally different and independently operating divisions. We have an excellent credit rating as well as very solid capital and liquidity resources.

The Supervisory Board would like to thank Mr Lüders – also on behalf of the Possehl Foundation – for his outstanding achievements. With effect of 1 August 2017, the Executive Board member Dr Joachim Brenk was appointed the new Chairman of L. Possehl & Co. mbH's Executive Board. The appointment of Dr Brenk ensures that we maintain both continuity and stability in the management of the Possehl Group.

#### **CHANGES TO THE SUPERVISORY BOARD**

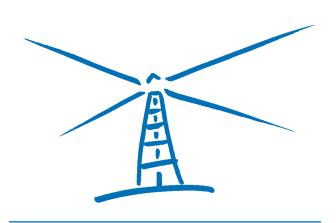
With effect from the end of 31 March 2017, Dr Gregor Enke resigned from the Supervisory Board. The Supervisory Board would like to thank Dr Enke for his dedicated and constructive cooperation. Michael Hinrichsen was appointed a member of the Supervisory Board by order of the Local Court Lübeck.

The Supervisory Board wishes to express its thanks to all employees and the management of the companies of the Possehl Group for their hard work and commitment over the past business year.

Lübeck, April 2018 On behalf of the Supervisory Board

Dr Ernst F. Schröder

Chairman of the Supervisory Board



# Providing orientation and acting as a role model

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

# 01 THE ENTREPRENEUR'S GROUP

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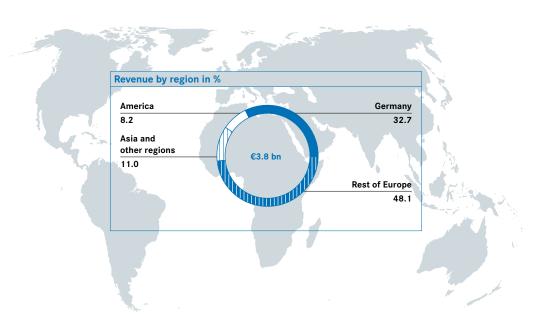
# Possehl at a glance Key figures

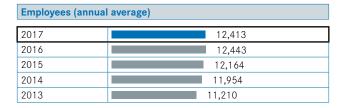
		2013	2014	2015	2016	2017
Earnings						
Sales	€ million	2,821	3,283	3,516	3,877	3,809
thereof sales from precious metal trading	€ million	915	1,233	1,311	1,682	1,466
Sales adjusted for the proceeds from precious metals trading	€ million	1,906	2,050	2,205	2,195	2,343
Earnings result from ordinary operations (EBIT) before one-off income	€ million	149	143	167	175	176
Earnings before taxes (EBT)	€ million	132	125	145	243	158
Consolidated net profit	€ million	94	86	89	188	100
Dividends	€ million	22	27	24	57	18
EBIT ratio*	%	7.8	7.0	7.6	8.0	7.5
Return on equity before taxes	%	23.0	20.1	20.7	30.2	17.9
Net assets						
Balance sheet total	€ million	1,197	1,305	1,382	1,563	1,619
Economic equity	€ million	573	623	700	804	885
Equity ratio	%	49.7	49.9	52.3	53.4	56.1
Working capital	€ million	449	502	488	551	600
Financial position						
Net financial assets	€ million	136	149	264	352	366
Cash flow from operating activities	€ million	154	124	223	127	121
Investment in property, plant and equipment and intangible assets (excluding goodwill)	€ million	65	58	67	82	71
Depreciation of property, plant and equipment and intangible assets (excluding goodwill)	€ million	54	50	53	56	58
Employees						
Employees, annual average		11,210	11,954	12,164	12,443	12,413
thereof domestic		6,680	6,906	6,865	6,896	6,708
thereof abroad		4,530	5,048	5,299	5,547	5,705
Personnel expenses	€ million	572	617	643	672	676

#### Possehl at a glance

Sales trends in € million		
2017		3,809
2016		3,877
2015		3,516
2014		3,283
2013		2 821

EBT before one-off income in € million		
2017	176	
2016	175	
2015	167	
2014	143	
2013	149	





### **Our ambition**

Targets and strategy



It is our aim to constantly increase our Group's earnings and enhance our corporate value sustainably.

To achieve this, we need suitable entrepreneurs, who enjoy a high level of entrepreneurial freedom within the framework of our corporate values, to manage each of our many companies. It is our aim to pay our proprietor, the Possehl Foundation, an attractive regular dividend.

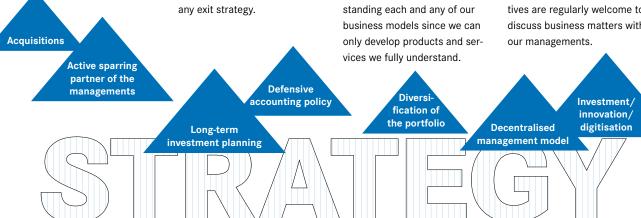
We regard this ability as our raison d'être achieved through long-term income and investment planning and a conservative interpretation of accounting flexibility. When taking major decisions, we always include our capability of fulfilling dividend promises on a sustained basis into our considerations.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

It is our aim to secure the entrepreneurial activities of our individual companies by ensuring the strength of the Group as a whole.

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

In our aim of achieving our targets, it is important to us to be fully aware of our social responsibilities since we feel obliged to fulfil our shareholders' high standards in this respect.

This is why people in their individuality always play a key role in all our decisions. Within the mid-tier segment, we communicate, openly and honestly, on an equal footing. Both employee representatives and works councils as well as union representatives are regularly welcome to discuss business matters with our managements.



# How we manage our group of companies

Our leadership philosophy

# LEAN STRUCTURES AND FAST DECISION-MAKING PROCESSES

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

# COOPERATIVE LEADERSHIP

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

# VENTURING INTO NEW TERRITORY

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



#### **REGULAR COMMUNICATION**

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

# CLEAR TARGETS AND HONEST FEEDBACK

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

# BOTTOM-LINE ACCOUNTABILITY

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



### Challenge and encouragement

"We support both our mid-sized companies and their employees in their effort to successfully continue their development."

# <u>02</u> <u>M & A:</u> BEST-OWNER APPROACH

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# How we aspire to grow through acquisitions

M&A strategy

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

#### Our philosophy

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

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

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

#### Our offer

#### #1

#### Transaction security

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

#### #2

#### **Prospect**

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

#### #3

#### Safeguarding of identity

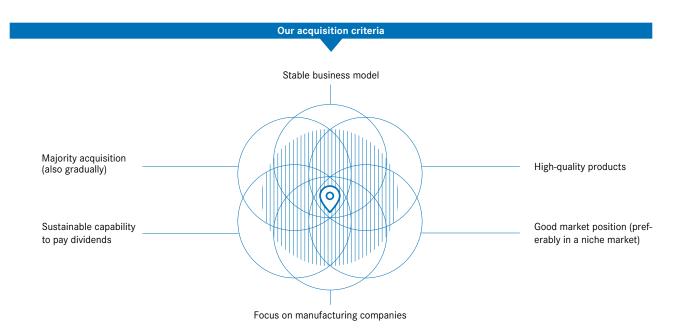
Our companies can preserve and develop their own culture.

#### #4

#### Security

We actively support our companies in times of need.

#### How we aspire to grow through acquisitions



#### In general, we would consider the following acquisitions

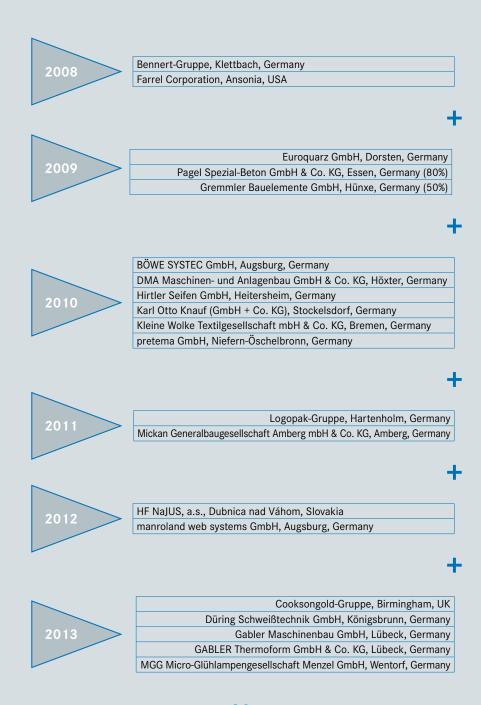
New business segment (annual sales of €80 million or more) Supplementary acquisitions for our existing divisions SME acquisitions (annual sales of between €10 million and €80 million)

"We are an experienced and reliable partner when it comes to both succession planning in family-owned businesses and carve-out transactions in large corporations."

Dr Henning von Klitzing



# Our acquisitions from 2008 to 2018



#### Our acquisitions from 2008 to 2018



LSS Etikettering A/S, Randers, Denmark

Nüthen Restaurierungen GmbH + Co. KG, Erfurt, Germany

SAVO-TECHNIK ROTATIONSGUSS GmbH, Valluhn, Germany (60%)

TPS Technical Systems GmbH, Wackersdorf, Germany

2014



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

2015



Arba Processing-Gruppe, Emsdetten, Germany Optimus Sorter Gruppe, Beuningen, Netherlands

2016



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

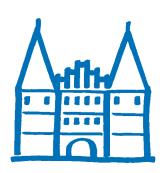
2017



Weston Beamor Holdings Ltd., Birmingham, UK

2018





### Making a contribution to society

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

# 03 THE POSSEHL FOUNDATION

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- Projects and events in 2017



# Promoting the common good

L. Possehl & Co. mbH, a group of companies focused on economic success, is embedded in a non-profit context. The Lübeck-based Possehl Foundation is the Group's sole shareholder.

The foundation manages the proceeds the Possehl Group pays out annually and uses the funds to support exclusively non-profit aims in Lübeck in accordance with the purpose of the foundation:

- For the cityscape
- For charities
- For the youth
- For the arts and sciences
- For those in need

#### **SELECTED AREAS OF FUNDING**

Cityscape: In 1987, the historic town of Lübeck was awarded World Cultural Heritage status by UNESCO. The old town island counts more than 1,400 listed monuments. Preserving the cityscape and its buildings is a particularly multi-faceted objective for the foundation, especially in a city as rich in possessing listed historical structures worthy of preservation as Lübeck. Since 1950, the Possehl Foundation has supported the restoration of almost 600 historical buildings that contribute to shaping the cityscape. Furthermore, the Possehl Foundation participates in projects promoting the contemporary redesign of Lübeck's inner-city streets and town squares. The European Hansemuseum, which opened in 2015 to allow visitors the experience of immersing themselves in the fascinating history of the former superpower Hanse, was one of the most significant funding projects of recent years.

Youth: Tight budgets lead to schools and other educational institutions often facing considerable financial challenges. In its aim to respond to this challenge, the Lübeck Education Fund (Lübecker Bildungsfonds), whose members include the network of Lübeck-based foundations (Stiftungsverbund Lübecker Bildungsfonds) as well as local municipal and county authorities, pursues the goal of safeguarding education facilities and fighting educational poverty. The spectrum of funded projects ranges from designing and building the outdoor grounds of schools and nursery schools to providing financial contributions to school lunches, school trips and educational material or subsidising afternoon activities taking place at the schools. Lübeck's foundations, together with the Hanseatic city of Lübeck, are pioneers in this field. Municipalities and foundations from all over Germany have shown their interest in the Lübeck model of providing nonbureaucratic support and are looking for ways to transfer this model to their own regions.

#### Promoting the common good



Emil Possehl

Sciences: The Possehl Foundation promotes excellence in research and teaching at the University of Lübeck and the city's technical colleges to strengthen their position in the competition for both highly qualified scientists and students. The University of Lübeck and the University of Applied Sciences, which are located in close proximity, cooperate in many different fields, thus contributing substantially to the fact that the worlds of science, business and engineering complement each other in a sensible manner in Lübeck as a base location for tertiary education. The fight to preserve the University of Lübeck, which is threatened with closure, has been a particularly special project of the Possehl Foundation over recent years. Close cooperation with other institutions made it possible for Lübeck to be awarded the title of "City of Science 2012" by Stifterverband für die Deutsche Wissenschaft, a German organisation seeking to address challenges in higher education, science and research.

Arts and Culture: Lübeck, a city boasting a wealth of history, is greatly interested in preserving its rich cultural heritage. This includes presenting both contemporary and ancient art to all population groups in a stimulating and appealing manner. In addition to major cultural institutions such as the Cultural Foundation of the Hanseatic City of Lübeck (Kulturstiftung Hansestadt Lübeck), the Lübeck Theatre (Theater Lübeck), the Music College Lübeck (Musikhochschule Lübeck) and the Schleswig-Holstein Music Festival

(Schleswig-Holstein Musik Festival) receiving regular funding by the Possehl Foundation, there are numerous smaller initiatives that also contribute to Lübeck's vibrant cultural life. Thanks to our founder Emil Possehl's dedicated commitment during his lifetime, the Lübeck Theatre is still based in its original location in Beckergrube right in the town centre and the Possehl Foundation continues to support the valuable work of the theatre.

Charities: There are some 300 registered associations in Lübeck dedicated to a broad range of different objectives. Supporting the voluntary commitment of Lübeck's citizens is one of the Possehl Foundation's central concerns, since it brings people closer together and is a valuable supplement to the tasks carried out by the public sector. The Possehl Foundation, for example, sponsors the Sports Federation (Lübecker Turn- und Sportbund), consisting of 142 local clubs and associations with more than 40,000 members as well as funding a scholarship programme providing students with micro-grants that help them to bridge gaps in financing their studies in order to minimise their risk of getting into debt.

Contributions 1950–2	017

in € million	1950-2017
Cityscape	49.5
Youth	69.8
Sciences, arts and culture	129.0
Charities	63.2
Other social areas	13.7
	325.2



# **Projects and events in 2017**



Hansemuseum Cultural Summer

#### **European Hanse Museum Lübeck**

The museum of economic history forges a bridge from the Middle Ages to the present, linking history to topical issues in economic policy and the pressing questions of our time. Since its opening in May 2015, the museum has been enriching the national cultural landscape with its extraordinary architecture and permanent interactive exhibition based on the latest scientific knowledge. The diversity of events that took place in 2017 ensured that the museum as a venue for cultural life and exchange was anchored even more firmly within the city as well as supra-regionally.

# The Museum of Theatre Puppets in Lübeck

The Museum of Theatre Puppets (Theater-FigurenMuseum) owns a world-class collection of theatre puppets, requisites, theatre backdrops and posters originating from Asia, Africa and Europe. All year round, the adjacent puppet theatre shows theatre puppets of all genres "performing" in imaginative and exciting stage plays suitable for families or, in the evenings, for adults. 2017 was a year of anniversaries for the theatre puppets "living" in the Lübeck street Kolk: 40 years ago, the Lübeck Puppet Theatre directed by Fritz Fey, Sr, moved into its own premises in Kolk to commence its now long-established tradition. Five years later, the director's son Fritz Fey, Jr opened up

#### Projects and events in 2017



The Hanse Cultural Summer, which took place for the first time in 2017, attracted some 8,000 people to make a visit to one of the many concerts.



Handball days in Lübeck

the museum and for ten years now, both German and international guest performers have been showing modern stage productions at the Lübeck Puppet Theatre. The jubilation accompanying these anniversaries was reflected in numerous exhibitions and activities that took place last year. In January, the Puppet Theatre, in cooperation with

the Association of German Puppet Theatres (Berufsverband Deutscher Puppentheater e.V.), organised the association's 49<sup>th</sup> federal congress, which took place at the European Hanse Museum and was marked by meetings, lively discussions and performances on stage.

#### **Awards**

The Possehl Foundation regularly honours students and graduates in the fields of engineering and music for their outstanding achievements. Two laureates were chosen again last year. The prize money which they are awarded is to be put towards promoting the further development of their special abilities.

In 2017, the foundation decided to launch two new art prizes promoting the work of fine artists: As of 2019, the International Possehl Art Prize will be awarded every three years, and, starting in 2018, the Possehl Art Prize will be awarded to Lübeck-based artists in the years between awarding the International Possehl Art Prize.



The Lübeck "Healthmobile" – healthcare on wheels for people in need

#### Contributions 2017

in € million	2017
Cityscape	1.0
Youth	4.9
Science, arts and culture	9.1
Charities	3.2
Other social areas	1.8
	20.0



# Taking decisions. Assuming responsibility

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

# 04 HIGHLIGHTS 2017

# Highlights 2017

Once again in 2017, the Possehl Group was able to develop and strengthen their operative business through additional acquisitions. At our group companies, both finding qualified junior executives and innovations are issues that are increasingly shifting into focus.



# February/ March

In Ansonia/USA, the newly built production plant for plastic and rubber mixers, part of our Elastomer Plants division, was put into operation as scheduled.

The US\$10 million investment was already marked by an upward surge in production in the Farrel Corporation's inaugural year.

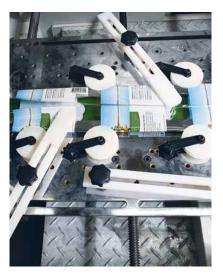
### → May

Possehl acquired the two companies Eidos S.p.A. based in Chieri/Italy and Nordvalls Eitikett AB headquartered in Sjöbo/Sweden.

The two new companies Eidos and Nordvalls, together with the two existing corporate groups Logopak Systeme and Novexx Solutions, form the new independent division "Identification Solutions".













After more than 13 years of successfully leading the Group, Uwe Lüders handed over the baton to his former deputy Joachim Brenk.

Together with his two fellow Executive Board members, the new Chairman will continue to pursue the Group's stable growth.

# **August**



Possehl Umweltschutz GmbH expanded its Environmental Services business segment. The core services provided by nordrohr GmbH are the cleaning and rehabilitation of piping and sewer systems as well as developing concepts that sustainably

solve drainage system problems.

By acquiring nordrohr GmbH,

### **September**

HF Mixing Group acquired the US American company Mesabi Control Engineering Ltd.,

a leading manufacturer of machine control systems for the rubberprocessing industry, to strengthen their presence on the American market.

Harburg-Freudenberger Maschinenbau GmbH acquired 30% of the shares in the mid-tier company B & K Wäge- und Anlagentechnik GmbH. As a result, the company gains additional competencies in the field of raw material weighing for rubber mixing plants.



### October

The first four trainees started a fifteen-month training course for junior executives.

The participants will gain insight into different tasks within the Group with the objective of gradually assuming responsibility for their own projects and topics.

#### November

Harburg-Freudenberger
Maschinenbau GmbH invests in
the future. Possehl released tens
of millions of euros for construction and extension projects at the
Group's two German-based plants
located in Hamburg-Harburg and
Freudenberg.



nordrohr\*



### Keeping an open mind

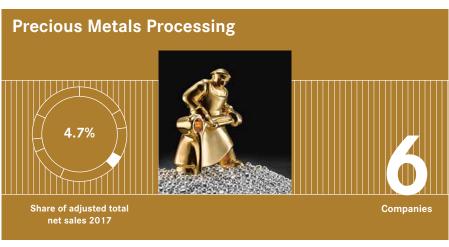
"We consider new paths and ideas with an open mind and regard digitisation as an opportunity to make our products and services even more competitive."

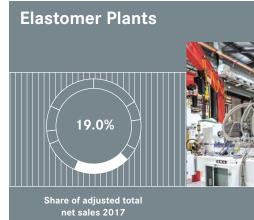
# 05 THE DIVISIONS

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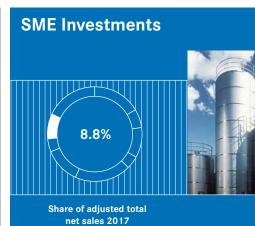




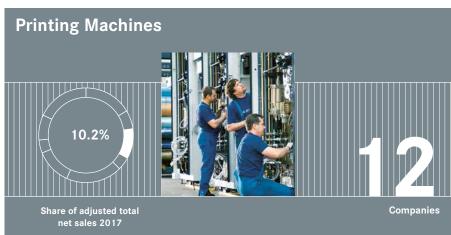




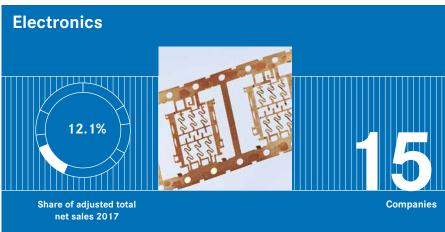
















## **Special Purpose Construction**

The companies in this division concentrate on selected niches in four different business segments focussing on surface treatment, construction and civil engineering, the restoration of buildings as well as construction chemicals. Their customer groups include both the public and private sector, the construction industry and airports.

#### Sales in € million

#### Scope of activities/products

2017	381.5
2016	318.1

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

#### Roads and other surfaces



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

www.possehl-spezialbau.de



### THIENDORFER FRÄSDIENST

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

www.thiendorfer.de www.punds-bau.de



Deutsche Flächen-Technik

DFT: The wholly-owned subsidiary of Possehl Spezialbau specialises in manufacturing seamless industrial floor systems and works in close cooperation with general contractors and architects. Every year, the company's employees lay around 1 million m² of industrial floors all across Europe.

www.dft-bremen.de

#### Construction and civil engineering



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





#### **Special Purpose Construction**







MICKAN Generalbaugesellschaft Amberg mbH & Co. KG

#### **Customer groups**

#### Number of employees in 2017 (annual average)

- Public authorities
- Airports
- Logistics companies
- Trading companies
- Construction industry
- General industry

1,644

#### **Building restoration**

## BENNERT

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

www.bennert.de



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

www.nuethen.de

#### **Construction chemicals**



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

www.cds-polymere.de



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

www.euroquarz.de

www.pk-rohstoffe.de



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



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

www.gremmler.de

## **Document Management Systems**

The division provides highly advanced hardware and software solutions to mailrooms around the world. Their key customers include banks, insurance companies, telecommunication businesses, bulk mailing service providers and public authorities. In addition, our divisional companies manufacture parcel sorting and conveyor systems for the logistics and postal industry.





## BÖWE SYSTEC 💸

Böwe Systec, part of the Possehl Group since 2010, has been in business for more than 65 years. Founded by Max Böhler and Ferdinand Weber after the end of the Second World War, the company has developed into a globally operating full-range supplier for highly automated mailrooms and, with their main product inserting machines, is the market leader in



#### **Document Management Systems**





#### **Customer groups**

#### Number of employees in 2017 (annual average)

- Banks/insurance companies
- Public authorities
- e-commerce

- Logistics companies
- Bulk mailing service providers
- **■** Telecommunication businesses

915

Europe. The company's product portfolio also includes mailing systems for plastic cards, efficient software for controlling and monitoring document management systems and processes as well as providing the entire range of product-related services.

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

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

well as Optimus' production companies in the Netherlands.

www.boewe-systec.com www.optimussorters.com





# **Printing Machines**

The product portfolio of manroland web systems comprises highly efficient customised solutions for the industrial web offset printing of newspapers, magazines and advertising matter. In digital printing, the company offers post press processing systems. More recently, manroland web systems has also put its own packaging-printing presses onto the market.





#### **Printing Machines**





**Customer groups** 

Number of employees in 2017 (annual average)

- Newspaper and magazine publishers
- Printing industry
- Packaging industry

1,248







manroland web systems can look back on a history spanning more than 170 years. The global market leader in web offset printing provides its customers with tailored solutions for the segments of newspaper-, publishing- and commercial printing. With currently 50% of market shares in the new machines newspaper business and just short of 80% in the illustration web offset market, manroland web systems bucked the trend in the shrinking market for web offset printing presses with a noticeable increase in order volume. As an innovator in the fields of both digital inline finishing and packaging printing, the company's wide range of services combined with a strong customer orientation provides additional added value to make clients successful.

The company's international sales and service network ensures global availability of new machines, services and spare parts. Since the middle of 2017, the company manroland web produktionsgesellschaft mbh has also been operating independently as a production partner for numerous sectors of industry outside of the printing industry. Employing a workforce of around 1,250 people, manroland web systems fulfils its role as a strong partner for its customers from the printing and media industry. The company's subsidiary grapho metronic offers measurement and control systems as an independent system partner.

www.manroland-web.com www.manroland-wp.com www.grapho-metronic.com



# **Precious Metals Processing**

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



#### **Precious Metals Processing**





**Customer groups** 

Number of employees in 2017 (annual average)

Jewellery industry

- Dental laboratories
- Electrical engineering industry
- End consumers

756











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

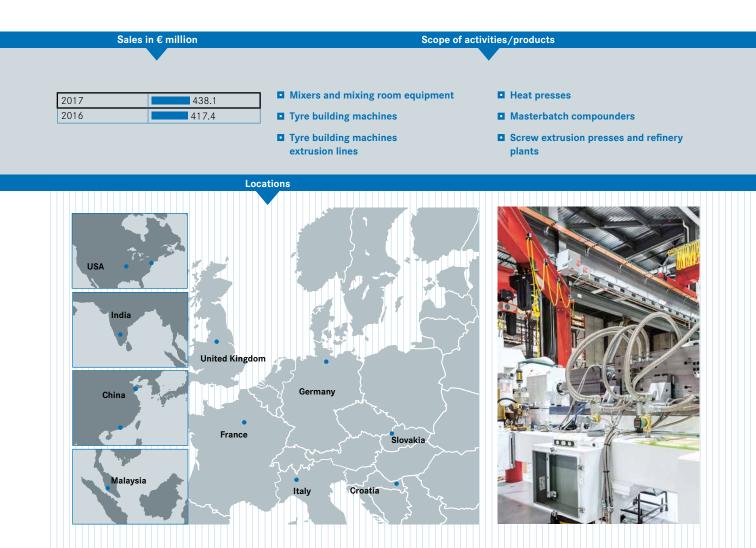
In the process of expanding the supplier business for the jewellery industry, the British-based family business Weston Beamor was acquired in early 2018, which contributed to the fact that the company is now perfectly lined up for a bright future in the international precious metals market. In addition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

All of the companies enjoy leading positions in their regional markets. The Heimerle + Meule Group is a reliable partner in the precious metals recycling sector for both national and international jewellery enterprises and industrial companies as well as dental laboratories and runs four production sites including two modern precious metals refineries recovering fine metals (gold, silver, platinum and palladium) to the highest levels of purity. From its offices in Birmingham, the company conducts online trading of precious metal products in many European countries.

ww.heimerle-meule.com

## **Elastomer Plants**

The independently run business units "HF Mixing Group" and "HF TireTech" provide the rubber and rubber-processing industry with a range of machines for all key stages of production – from raw material processing to rubber processing and vulcanisation. In addition, the business unit "HF Press+LipidTech" develops and manufactures machines and systems for the cooking oil industry.



#### **Elastomer Plants**





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

#### **Customer groups**

Number of employees in 2017 (annual average)

- **■** Tyre manufacturers
- Plastics industry

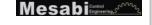
- Technical rubber goods industry
- Oil mill and food industry

2,096



#### **FARREL**





Ten companies, five product areas and three business units are united under the umbrella of HF Group, which, together with the parent company Harburg-Freudenberger Maschinenbau GmbH, has been a wholly-owned subsidiary of L. Possehl & Co. mbH since 2004. With Harburger Eisenwerke AG founded more than 155 years ago, the group with its business units HF Mixing Group, HF TireTech Group and HF Press+LipidTech can look back on a longer history than most other mechanical engineering companies in the market.

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

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

Within the framework of increasing its technologies and expanding its competencies, the business unit HF Mixing Group was able to acquire Mesabi Control Engineering Ltd. USA, a leading manufacturer of machine control systems, in 2017. By acquiring 30% of the shares in B & K Wäge- und Anlagentechnik GmbH based in Hamm/Westphalia, Harburg-Freudenberger

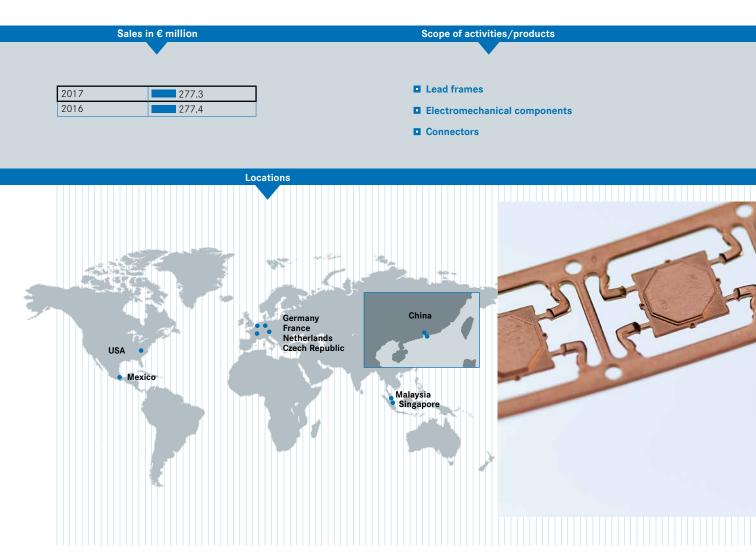
Maschinenbau GmbH managed to expand its competencies in the field of raw material weighing for rubber mixing plants.

At its business location in Hamburg-Harburg, the group is investing in additional growth until 2020. On a total area of 20,000 square metres, a 7,700-square-metre office building with an adjacent assembly and technology centre of 5,500 square metres are under construction. In Freudenberg, several tens of millions of euros will be invested in modernising and extending the HF Mixing Group's headquarters in the coming years.

www.hf-group.com

## **Electronics**

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



#### Electronics



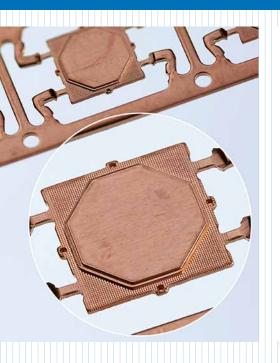


**Customer groups** 

Number of employees in 2017 (annual average)

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

1,952





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

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

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

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

www.possehlelectronics.de

## **Identification Solutions**

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



#### **Identification Solutions**







**Customer groups** 

Number of employees in 2017 (annual average)

- Food industry
- Pharmaceutical industry
- Chemical industry
- Logistics companies

672











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

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

printers, self-adhesive labels and thermal-transfer films.

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

www.logopak.de www.lss-dk.com www.novexx.com www.eidos.eu www.nordvalls.se

### **SME Investments**

Established in 2009, the division offers mid-tier companies the reliable prospect of long-term development under the umbrella of the Possehl Group. In addition, the division SME Investments describes itself as a platform facilitating the development of new and independently operating divisions.



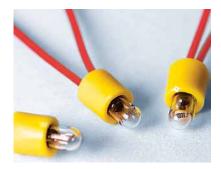


SME companies are one of the most important pillars of the German economy. With their innovative energy and high degree of flexibility, they make an important contribution to the country's economic dynamics. Being able to develop long-term perspectives is a decisive success factor for German SME companies,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

#### SME Investments







MGG Micro-Glühlampen Gesellschaft Menzel GmbH



Düring Schweißtechnik GmbH

**Customer groups** 

Number of employees in 2017 (annual average)

- Food industry
- General industry

- Municipalities
- End consumers

1,213

It is very important to us that the companies preserve their identity as mid-tier businesses and that the sole responsibility for operational decisions remains with the companies' managements after being incorporated into the Group's portfolio. At the same time, they profit from being a member of the financially sound Possehl Alliance. The Possehl Alliance pursues the philosophy of long-term investments in their portfolio companies and developing new independently operating divisions for the Possehl Group through applying the buy-and-build strategy – as we did most re-

cently when we formed Possehl's ninth independent division "Identification Solutions" in early 2017 (see page 48/49). Our SME portfolio currently comprises the following nine companies or groups.

ARBAprocessing

ARBAprocessing GmbH

www.arba-processing.com

mas

MGG Micro-Glühlampen Gesellschaft Menzel GmbH

www.mgg-lamps.de

SA VO

SAVO TECHNIK ROTATIONSGUSS GmbH

www.rotationsguss.com

GABLER\*
Neval Technology

Gabler Maschinenbau GmbH

www.gabler-maschinenbau.de

GABLER'
the art
of thermoforming

GABLER Thermoform GmbH & Co. KG

www.gabler-thermoform.com

Erfolgreich fertigen mit Düring

Düring Schweißtechnik GmbH

www.duering-schweisstechnik.de

<mark>rd</mark>rohi

Kleine Wolke

Kleine Wolke Textilgesellschaft mbH & Co. KG www.kleinewolke.de DMA Maschinen- und Anlagenbau GmbH & Co. KG

www.dma.de

POSSEHL

Possehl Umweltschutz GmbH/ nordrohr GmbH

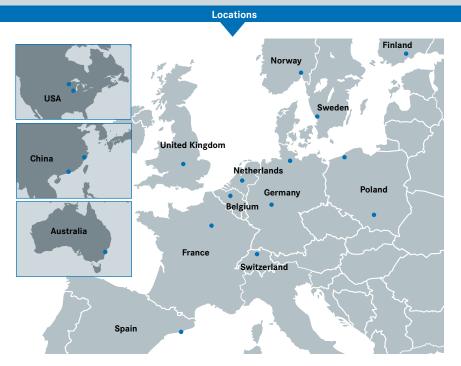
www.possehl-umweltschutz.de

www.nordrohr.de

# **Cleaning Machines**

Hako, a pioneer in European cleaning technology, can look back on 69 years of company history. The transition into the Possehl Group took place in the years between 2004 and 2007. Today, employing some 1,900 people in more than 60 countries around the world, Hako manufactures products providing excellent cleaning results for clean cities and municipalities, and perfectly maintained green areas.







#### **Cleaning Machines**





**Customer groups** 

Number of employees in 2017 (annual average)

- Professional contract cleaners
- Trading companies

- Public authorities
- General industry

1,883









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

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

In addition to providing tailor-made solutions for a wide range of applications and diversified requirements, the company offers comprehensive global after-sales services for increased efficiency and optimal cleaning results. Hako's close-knit global sales and service network is one of the key factors that contribute to the company's success. Employing just short of 1,900 people worldwide, the company generates annual sales of more than €400 million.

www.hako.com



### Entrepreneurs ...

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

# 06 BUSINESS DEVELOPMENT IN 2017

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# Business development in 2017\*

#### **OVERALL DEVELOPMENT**

#### Group continues its successful development

The Possehl Group is moving along the track of long-term economic growth that we have been following consistently and been implementing successfully during recent years. For example, the average increase in sales during the last five years amounted to over 6%. Despite a slight slump in gross proceeds in 2017, adjusted net sales this year were again higher than last year.

Our intention is to continue along the long-term path of growth this year and to subsequently increase the corporate value and the Group's ability to distribute dividends. We expand our business activities both by organic growth and by acquisitions, making the existing divisions stronger by adding supplementary acquisitions, expanding our SME segment and acquiring new business segments. Growth, to us, is not an end in itself; we consider sustainable and profitable growth a precondition for independence and stability.

#### Portfolio strength increased

In 2017, we successfully strengthened our Group portfolio by structural rearrangements and additional purchases: Right at the beginning of the year, we separated the two companies Logopak and Novexx from the SME segment and established our new growth-oriented ninth division Identification Solutions. In the course of the year, we acquired two companies for the new division, Eidos S.p.A., Chieri, Italy, and Nordvalls AB, Sjöbo, Sweden.

In May 2017, we acquired a 50% interest in the Lübeck-based software company cbb-software GmbH, a service provider for the automotive and general industries as well as for municipal utility companies and municipal energy suppliers. With this acquisition, Possehl stays abreast of the rapid advance in digitisation and networking taking place in the field of mechanical and plant engineering. In addition to third-party business, cbb acts as an advisor to Group companies and their customers in the field of data management and data processing.

Key financial data			
in € million			
	2017	2016	Change (%)
Sales	3,809	3,877	-1.8
Adjusted sales <sup>1)</sup>	2,294	2,161	6.1
Consolidated operating result (EBITA)	189	187	1.0
Net financial assets	366	352	4.0
Economic equity	885	804	10.1
Economic equity ratio (in %)	56.1	53.4	5.2
adjusted for precious metals and portfolio changes	-		

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

The acquisition of nordrohr GmbH in August 2017 was an ideal addition to our Lübeck-based environmental services business. The former sole shareholder of nordrohr continues as manager of both companies, and as a minority shareholder participates in the joint economic success.

In the autumn of 2017, the HF Mixing Group from the Elastomer Plants division acquired, from private ownership, the US company Mesabi Control Engineering Ltd., a leading supplier of machine control systems for the rubber and tyre production industry. This purchase strengthens our position in the important American market. In addition, Harburg-Freudenberger adds to its competence in the growing area of machine and mixing room control systems.

Also in autumn, Harburg-Freudenberger Maschinenbau GmbH agreed with the Hamm-based mid-tier company B & K Wäge- und Anlagentechnik GmbH on a 30% participation in the company. With this minority interest, which is rather untypical of Possehl, we started a strategic cooperation in the important field of raw material weighing for our rubber mixers.

#### **EARNINGS PERFORMANCE**

#### TOTAL GROUP

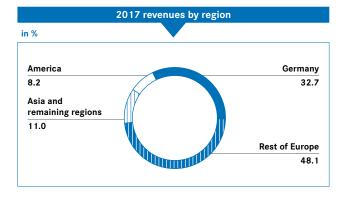
#### Group sales of €3.81 billion

Backed by a generally favourable economic environment, the development of the Possehl Group in 2017 was good. All divisions reported positive operating results before interest and tax (EBIT). In many fields, the good results of the previous year were improved again even if we failed to reach the all-time-high sales result the year before. With €3,808.9 million, the Group earnings nonetheless remained on a high level. The decline against the previous year is almost wholly due to the precious metals business and there again mainly to the lower trading turnover abroad. Whereas, in 2016, a distinct positive price effect was noted particularly for gold, prices did not change appreciably in the reporting year.

The impact from changes in the scope of consolidation on sales was negative at €-16.0 and as such remained rather low-key. Group sales adjusted for the impacts of precious metals and portfolio changes increased by more than 6% compared with the previous year. In contrast, the adjusted consolidated overall performance, i.e. sales plus changes in inventories and own work capitalised, increased by a mere 2% because a part of the adjusted growth in sales is the result of the drop in internally generated products. The changes in revenue of the individual divisions can be seen in the table below:

Net sales by division				
in € million				
	2017	2016	Change	
Division				in %
Special Purpose Construction	381.5	318.1	63.4	19.9
Document Management Systems	145.9	125.4	20.5	16.3
Printing Machines	234.5	242.1	-7.6	-3.1
Precious Metals Processing	1,573.4	1,775.3	-201.9	-11.4
Elastomer Plants	438.1	417.4	20.7	5.0
Electronics	277.3	277.4	-0.1	0.0
Identification Solutions	141.3	103.0*	38.3	37.2
SME Investments	205.3	205.4*	-0.1	0.0
Cleaning Machines	408.1	409.0	-0.9	-0.2
Holding/Other investments	3.5	3.7	-0.2	-5.4
	3,808.9	3,876.8	-67.9	-1.8
* To make figures comparable, the previous year's figures were split between the two				

divisions



#### Domestic sales slightly up

Domestic sales during the 2017 financial year amounted to 32.7%, which is 2.2 percentage points higher than last year's result. In absolute figures, sales in Germany went up by €61.7 million. This growth came primarily from the Special Purpose Construction and Precious Metals Processing divisions, the latter – unlike foreign development – with higher domestic results than last year.

#### Foreign sales slump

Foreign sales in the reporting period were retrograde, both in absolute and in percentage terms. The main reason was the distinctly lower precious metal sales in the UK due, on the one hand, to exchange rate changes and, on the other hand, to lower online and precious metals trading volumes. Last year, precious metal sales in Birmingham still recorded a two-digit rise. Distinctly higher sales on the North American continent were reported by the Elastomer Plants division. In general, sales volumes in the other regional markets remained stable.

## Price changes for precious metals have little impact on Group sales

The prices of precious metals and the precious metal business generally have a substantial impact on Group sales. However, neither affects the consolidated result directly, and if at all marginally, because precious metal sales are offset by cost of sales on almost the same level. As a result, Group sales are largely exposed to the volatility of precious metal prices, particularly the price of gold. The euro price of precious metals is of greater importance to the Possehl companies than the listing in US dollars. On average, the

price of gold registered a slight rise in the USA during 2017, whereas it dropped by a little over 1% in euro. Unlike the year before, the change in the precious metal prices had no significant effect on Group sales this year.

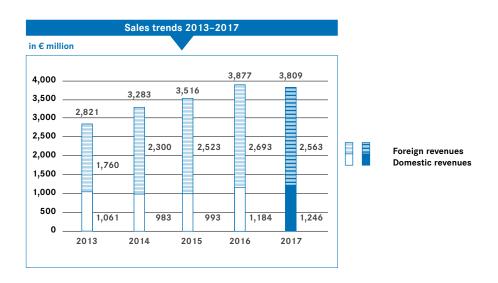
#### Significant increase in adjusted revenues

Sales by division adjusted for precious metal sales and portfolio changes clearly indicate the appreciable organic growth of the Possehl Group despite negative exchange rate effects during the year ended. However, the higher sales, in part, were the result of destocking activities.

# Earnings before taxes drop to €158.0 million as a result of a one-off effect the previous year

The earnings before tax (EBT) dropped by 34.9% to €158.0 million. This distinct decline is due to the disposal of, and loss from, the smartcard business in the Electronics division last year. In addition to this non-recurring profit, interest expenses for pension provisions also rose by about €4 million compared with last year. These negative impacts on the result are offset by higher operating results in all divisions. Higher results were reported, in particular, by the Document Management Systems, Electronics and Elastomer Plants divisions. Lower results were reported by manroland web systems as a result of the strong fluctuations in capacity utilisation and the associated temporary underutilisation. The other divisions remained more or less on the previous year`s level.

The operating EBITA – i.e. earnings before interest, taxes and the changes of goodwill or badwill recognised as profit or loss – showed



#### Earnings performance

a slight improvement by €1.8 million to €189.0 million when compared to the previous year. The appropriate adjusted return on sales for the Group sales less precious metal sales amounts to 8.1% for the reporting period compared with last year's figure of 8.5%.

The distribution of the Group result to the different divisions has again been fairly balanced during the reporting period. This is due, among other factors, to the profitable growth of construction services during recent years, the sustainable improvement of the result of Böwe Systec, and the establishment and expansion of the new Identification Solutions division. All divisions of the Group reported operating profits during the year ended. As in the previous year, no individual division contributed more than one third to the Group result. Thus, the Possehl Group rests on many strong pillars and is largely independent of the development in any single division or segment.

#### Gross profits only by 1.4% higher

Gross profits do not, by and large, depend on the level of the precious metal prices and are therefore a proper standard to gauge performance. The increase in gross profits by merely 1.4% shows that the rise in sales was to some extent due to destocking measures. This is particularly true for the Printing Machines and Special Purpose Construction divisions.

#### Personnel expenses with hardly any change

Personnel expenses amounted to €676.1 million, after €671.8 million the year before, which means they have more or less remained on the same level. The average number of employees was

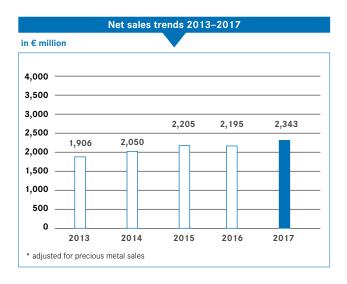
also almost stable at 12,413 (previous year: 12,443). The number of employees went down particularly at the two Electronics sites in Malaysia and China. Besides, the number of employees of manroland web systems in Augsburg, Germany, again was slightly retrograde due to more partial retirement agreements. The regular pay increases, quite distinct in different industries and regions, as well as higher social security contributions were compensated for by lower variable payments as a result of the drop in earnings.

#### Moderate increase in depreciations to €76.3 million

Depreciations went up by  $\leq$ 1.6 million or 2.1% while investment in tangible assets declined. The depreciation item includes amortisations of goodwill from the consolidation of investments. These amounted to  $\leq$ 17.9 million in the reporting year and remained  $\leq$ 0.9 million below the previous year's amount. With regard to the scheduled release of the negative differences from the consolidation of investments shown under other operating income, this had an additional negative impact on earnings of  $\leq$ 0.9 million. Impairment of goodwill was not required.

#### Income from investment goes up to €1.4 million

The income from investment plays a minor role within the Possehl Group because our primary concern is to hold majority interests. The result in the financial year 2017 comes mainly from the joint venture companies included at equity in the consolidated financial statement



#### Interest down to €-16.8 million

The interest result dropped to €-16.8 million, which is €3.7 million less than during the previous year. This drop is a result of higher expenses from interest added back to pension provisions. Whereas last year saw a non-recurring positive effect in interest rates due to legislative changes, the discount rate this year went down by 0.32 percentage points to 3.68%. The related extra expenses amounted to €3.9 million in comparison with last year. Without taking this effect into account, the interest result improved, primarily as a result of lower interest rates on precious metal loans and lower guarantee commissions.

#### Income tax rate up to 34%

The income tax rate in the reporting year amounts to 34% – of which €1.6 million are attributable to previous years – after a significantly lower rate last year. Furthermore, the tax reform in the United States created an additional tax burden of about €2.3 million. The unusually low rate last year was the result of deconsolidation gains, most of which were tax-exempt. In our balance sheet, we still do not include a deferred tax asset surplus as far as it is due to tax loss carry forwards or from separate financial statements.

#### Other taxes remain normal at €4.2 million

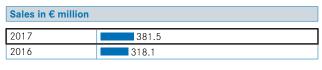
After other taxes had gone down to €0.8 million last year owing to the reversal of a risk reserve for possible subsequent payment of sales tax, they returned to normal in the reporting period.

#### Consolidated annual net profit of €99.9 million

The consolidated net profit in the reporting year amounted to  $\leqslant$ 99.9 million after the previous year's figure of  $\leqslant$ 188.4 million. As stated above, this drop is explained by the non-recurring deconsolidation profit last year.

#### **DIVISIONS**

#### SPECIAL PURPOSE CONSTRUCTION



Employees (annual average)		
2017	1,644	
2016	1,624	

The Special Purpose Construction division provides a wide range of services which has consistently been added to during recent years. Dominated by small and medium-sized businesses, it is active mainly in niche markets.

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

## Positive general conditions encourage business performance

After the good results of the previous years there was a brisk demand again in 2017. According to provisional figures, sales in the mainstream construction industry in Germany were a little less than 5% over the previous year's level; so the growth rate is almost as high as in the year before. This generally positive development can be seen in all segments of the construction industry. This is true, in particular, for the commercial construction sector and public-sector construction, both of which are very important. The commercial construction sector profits from both the continuing high level of capacity utilisation in the German construction industry – which is still on the rise – and the associated investments in the industry. In public-sector construction, the positive effects of subsidy programmes for the construction and reconstruction of traffic routes are increasingly filtering through.

#### Sales up by 20 %

Under these very favourable conditions, the Special Purpose Construction division continued its successful development in 2017. The division's sales increased by €63.4 million over the last year, which is a rise of nearly 20%. Construction services, i.e. sales plus inventory changes, also rose by 3.5%, even if this was slightly less than the year before. The high annual sales are the result of completing orders commenced earlier. The total backlog of orders at the end of the financial year, however, is once more above that of the previous year, which was already high.

# Building construction and civil engineering as growth drivers

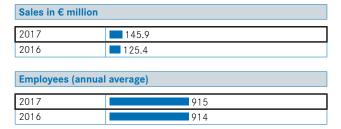
The contributions to the strong growth during the reporting year were not the same for all construction sectors. Building construction and civil engineering profited most from the high backlog of orders whereas all other construction segments did not record a noticeable rise. The reason was not so much the general market conditions or the number of orders received – merely the reconstruction of runways on airports recorded less depreciation last year – but more the fact that the final invoice for a sizable number of current orders could not be submitted as scheduled and had to be carried forward into the current year. The high level of capacity utilisation, the limited awarding capacities on the part of the public road construction authorities and a lack of skilled construction workers and subcontractors were perceived as additional negative factors.

#### The outlook is positive

The outlook in the German construction industry continues to be favourable due to an invariably low level of interest, the catch-up effects in many sectors and the high public spending. With this in mind, we presume that services in the construction industry will also increase next year.

However, significant growth will only be achieved by purchasing further businesses because the lack of skilled labour is slowing down potential growth in individual niche markets. We see good prospects for external growth resulting from further acquisitions – also because the Possehl Group of companies enjoys a good reputation as a reliable and long-term investor.

#### **DOCUMENT MANAGEMENT SYSTEMS**



Böwe Systec is one of the world's leading manufacturers of hardware and software solutions for the mailroom. Its range of products includes enveloping, cutting and mail sorting systems for automatic mail delivery and for plastic cards. Böwe Systec has also been active in the manufacture of parcel sorting systems through its subsidiary Optimus Sorter since 2016.

#### High potential in the market for parcel sorting systems

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

In comparison with the general letter post market, the personalised mailings market, a segment of particular significance to Böwe Systec, has been less affected by this development. However, competitors aim to push one another out of a market that is in persistent decline. In the midst of such a very difficult development, the company succeeded in gaining market shares thanks to the innovations of recent years, first and foremost, the high-speed enveloping machine Fusion Cross.

In contrast, the market for parcel sorting systems is growing thanks to increasing online sales. Here, Böwe Systec, in cooperation with its subsidiary Optimus Sorter, offers a wide range of sorting machines that can handle all mailed items, including large and small parcels and large-format letters. The combination of the excellent software solution competence of Böwe Systec and Optimus Sorter's know-how in mechanical and system engineering generated a distinct positive effect during the reporting year.

## Sales grow contrary to the trend by 16.3%; the future also looks bright

Compared with the previous year, sales in this division rose by 16.3% to €145.9 million. Without the consolidation effect – Optimus Sorter was included in the previous-year statistics only for part of the reporting period – growth still came to 13.2%. Thus, the division grew contrary to the trend in the mail market and further market shares have been won. In addition to the rise in sales, the division's performance, including inventory changes, increased by 11.6%. Consequently, not only was the sales target achieved, but a high amount of orders in progress was also carried forward into the current year. Incoming orders also rose slightly by 10% to €145.8 million year on year.

As the mail market continues to decline and customers remain reluctant to invest, we are still optimistic for the year 2018 since the synergy from the cooperation between Böwe Systec and Optimus Sorter promises further positive growth in the parcels market. The international positioning of the division, the high level of expertise in software solutions and joint projects in mail and parcel sorting provide high potential for growth and efficiency.

#### PRINTING MACHINES

Sales in € million			
2017	234.5		
2016	242.1		
Employees (annual average)			
2017		1,248	
2016		1,261	

manroland web systems is the world's leading manufacturer of web-fed offset printing machines for newspaper and commercial printing. The company's range of products includes newspaper printing systems for all runs as well as commercial printing machines for high-quality printing and the folding of brochures, supplements, catalogues, magazines and books. Through graphometronic, the division is also a system partner for measuring and control systems throughout the printing industry.

#### Sales drop by 3.1% despite a higher market share

The printing industry has been undergoing fundamental structural changes for years. Newspaper circulations in developed countries are in constant decline. Media-related print products increasingly

need to share marketing budgets with online outlets, which means they lose essential income. The global market for printing machines therefore experienced a strong decline in the reporting period. The global market for newspaper and commercial printing machines – not including perfecting systems and inkjet printing systems – has fallen in recent years by an average of more than 10% p.a. to a market volume for new machines of less than €250 million. This extremely challenging market environment caused manroland web systems to shrink despite gaining a higher market share.

At  $\ensuremath{\in} 234.5$  million, sales were lower by  $\ensuremath{\in} 7.6$  million or 3.1% than last year. Of total sales, about 60% were attributable to machine sales, with the rest going to the services business, which includes spare part sales. This extends to print services (repairs, inspections, maintenance and spare part supplies) and press updates (upgrades, retrofits and machine relocations). The overall performance dropped even more significantly to  $\ensuremath{\in} 211.8$  million.

## High demand for new machines, services behind expecta-

manroland web systems has continually increased its market share of new machine sales to well over 50% in the past few years. As far as the market for advertising and supplement printing is concerned, the company essentially has a unique selling proposition in the form of its 96-page presses. The number of incoming orders for new machines has been distinctly positive. At €127 million, it was almost 30% higher than the previous year's figure, thus ensuring capacity utilisation at the division's production sites during the coming year. At the same time, the figure underlines the high volatility and the related strong fluctuation of the capacity utilisation in the new machine sales market.

The service and spare parts business saw a slight decline compared with the previous year. The main reason for this was the decline in the number of incoming orders and larger machine relocations of longer duration, the consolidation of machinery and retrofits. Instead of making costly investments in new printing machines, many customers have had their existing systems upgraded to accommodate the latest printing technology to enable them to print more cost-effectively. Both in this segment and in the services and spare parts market, we generally see future potential growth with appropriate margins.

This is particularly true for markets with a large base of installed machines, in particular the US market. The services and spare part

#### Divisions

business made considerable progress during the reporting period by addressing customers systematically. However, shorter machine run times in newspaper printing cause less wear and tear, which has resulted in machines needing fewer services and spare parts.

We see good growth and development opportunities outside the newspaper and commercial printing business. With the development of the offset-gravure hybrid printing machine Varioman, we now have a high-performing and cost-effective system for the flexible printing of packaging materials on our selling range and are therefore active in a growth segment.

#### PRECIOUS METALS PROCESSING

Sales in € million		
2017	1,573.4	
2016	1,775.3	
Employees (annual average)		
2017	756	
2016	736	

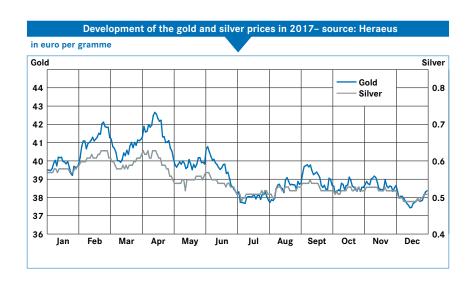
The Precious Metals Processing division is represented by the Heimerle + Meule Group, a leading precious metals company in Europe. At the two principal production sites in Pforzheim and Madrid, precious metals are extracted from residues and processed into high-quality

products. In addition to recycling activities, the Group is a major European supplier to the jewellery and dental industries and also operates a mail order service and an online shop.

#### Gross proceeds drop by 11 %

Whereas the division recorded constantly rising sales during recent years, backed by rising precious metal prices, gross proceeds during the reporting period dropped by €201.9 million or 11.4%. The main reasons for this development were – on the one hand – the downturn in trading sales of the UK company, which had seen a particularly sharp upturn the year before and – on the other hand – exchange rate effects caused by a 7% annual average loss of the British pound to the euro. Unlike the year before, changes in the prices of precious metals had no considerable effect on gross sales. For example, the annual average gold price in euro was only slightly more than 1% below the previous year's level. The prices of other precious metals, which are less significant to our business than gold, registered a slight average rise.

The performance, i.e. gross sales including precious metals and precious metals contained in the materials input rose by 15.9% to €107.9 million during the reporting year. This growth is mainly due to a higher recycling volume of the Pforzheim facility. On account of the strong competition and the continued excess capacities of the refineries, the earnings from processing remain under high pressure. To provide some relief, a project for procuring recycling material from primary gold was initiated in the reporting year.



#### Semi-finished industrial products and investments development is robust

The semi-finished industrial products business at Heimerle + Meule proved to be robust thanks to the healthy state of the German industry. Physical demand from industrial buyers of silver products only recovered slightly. We aim to continue expanding the entire industrial business both in Pforzheim and at the other sites to achieve greater overall stability. Last year, by renovating and expanding the Pforzheim site, we already created the required preconditions.

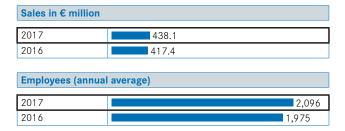
Due to the continued high demand for physical investment products such as coins, safe bags and bars, the investment business performed well albeit with rather poor margins. The successful diversification of the customer base undertaken in recent years and the development of new products and applications – in particular also for investment products with new alloys – as well as the online business have had a positive effect. The demand for silver coins declined as the year progressed and generated negative effects for the site in Spain.

The market for dental alloys has been under pressure and constantly been losing importance for years since metal alloys are substituted more and more by non-precious metal alloys and full ceramics.

#### Acquisition at the start of 2018 will boost business in the UK

The increased US dollar price of gold at the beginning of the new year was compensated by a stronger euro, and thus failed to generate any new impulses. Positive effects are expected for our business in the UK thanks to the acquisition of Weston Beamor at the beginning of the new year. With this acquisition, we have taken a step towards both further processing and jewellery production, which will enable us to expand our local business in the UK market.

#### **ELASTOMER PLANTS**



Under the umbrella of Harburg-Freudenberger Maschinenbau GmbH, this division brings together a range of machinery for all major production stages in the rubber processing industry, the tyre industry in particular, from the preparation of raw materials to tyre manufacturing and vulcanisation. The division comprises the following three business segments: TireTech (rubber technology), Mixing Group (rubber mixing technology) and Press+Lipid Tech (cooking oil technology).

#### Sales rise by 5%, incoming orders even 8% higher

The growth in global automotive demand continued in the reporting year. The global output of passenger cars and light commercial trucks increased by about 3%. The demand for spare tyres increased moderately by approximately 2%. This means that the high growth rates of previous years could not be repeated but the market conditions in general remained satisfactory.

The sales of the division rose by €20.7 million or 5.0% year-on-year. Adjusted for exchange rates, the growth was even about 2 percentage points higher. Thus, the division continued its long-term path of profitable growth after a slight recess last year. The positive development is reported by almost all product areas, with HF Mixing Group with its mixers and mixing room systems in the lead.

The overall performance of €437.2 million was only insignificantly lower than sales and was also 5% above the previous year's figure. Hence, the higher sales were not due to a decrease in stocks. The value of incoming orders in all production segments amounted to €475 million. This was distinctly higher than reported sales and about 10% above the level of orders received the year before. In fact, the order backlog grew year on year by over 8% to €372 million. The order buffer for the coming years has grown once again.

#### Divisions

The rubber mixing technology segment with the brands HF Mixing Group, Farrel and Pomini was able to maintain its position as global leader in rubber mixers. In the tyre heating press segment, the Tire-Tech business unit was also able to affirm its outstanding market position. The tyre building machine and extrusion systems product areas managed to continue the encouraging development of the previous year.

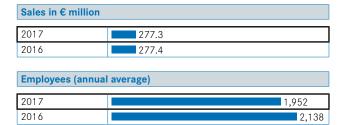
## Production expanded by investments, further investments in the pipeline

During recent years, we have invested tens of millions of euros in the new construction, expansion and modernisation of our sites in Slovakia, Croatia and the US. Built with an investment volume of US\$10 million, our new factory in Ansonia will start production early in 2018. The working and production conditions in the newly constructed facility have clearly improved. In the years to come, we will continue to expand the two German sites in Hamburg-Harburg and Freudenberg. For example, we plan to construct a new production facility and a modern administration building on a 20,000 square-meter plot directly adjacent to our existing factory in Hamburg-Harburg by 2020. Based on the growth level of recent years and the outstanding prospects for the future, we will also invest another two-digit million sum to expand and modernise the headquarters of the HF Mixing Group in Freudenberg. In doing so, we will have done everything to create the most modern working conditions at both locations and form the basis necessary to enable the division to continue its successful business development.

#### Stronger innovation driven by acquisitions

In addition to our future-oriented investments into assets, we will continue to invest in new companies and technologies. The acquisition of Mesabi Control Engineering Ltd. in the second half of 2017 strengthened the mixing room automation business, including documentation of processes and material flows, which are constantly gaining more importance. Likewise, we successfully acquired a 30% interest in B & K Wäge- und Anlagentechnik GmbH, a local SME. Investments in these areas match the business model of the HF Mixing Group perfectly since we see ourselves as a mixing room full-service provider.

#### **ELECTRONICS**



The Electronics division is divided into the two business segments "Automotive" and "Semicon". In the Automotive business, customised electromechanical components for automotive suppliers are produced by the process technologies punching, plastic injection moulding, plating and automated assembly. The focus in the Semicon business is on the production of lead frames as top products for the production of semiconductor chips and other electronic components. These are used by our customers mainly in the semiconductor, LED and automotive industries.

#### Division with positive overall development

The development of the division as a whole has been encouraging in the reporting period. At first glance, sales only remained stable. It should be noted, however, that the previous year sales figures contained seven months of the sold smartcard business. Considering this deconsolidation effect, sales rose by €21.6 million or 8.4% over the previous year.

#### Automotive: Sales rise by 7 %

Global automotive production continued to grow at a moderate rate in the reporting year while automotive suppliers had to meet increased requirements. Innovation pressure, in particular fuelled by new drive technologies and autonomous driving, continues to grow. The automotive section performed well under these market conditions. Compared with the previous year, sales went up by about 7%. A two-digit increase was recorded particularly in the series production business. The numerous projects won in recent years made a very positive impact. They are now in the growth phase of the product life cycle. In addition, the capacity utilisation of the production sites improved distinctly whereas quality costs clearly fell. The tool business with poor margins is cyclically retrograde.

#### Semicon: Sales up by 3%

The global semiconductor market is highly fragmented and characterised by strong volatility with short product life cycles and high fluctuations in product supply and demand. Many of the products made by Possehl Electronics also go into automotive applications. The division is represented in the market by two sites in Europe, one in the United States and three production sites in Asia.

The global market for semiconductors registered a two-digit rise in the 2017 calendar year. The global market for automotive semi-conductors also rose significantly, again with the highest growth rate in China. The Semicon business segment took advantage of these favourable general conditions and – after years of consolidation – achieved a growth of over 3%. Adjusted for foreign exchange effects, the growth was even of the order of 5%.

This growth has been achieved by the US company and the two sites in Singapore and Malaysia; the latter achieving the turnaround after undergoing a process of decline. The Chinese company, which had also not been profitable for several years, recorded a distinct growth after the plating process had been outsourced to another party. This growth clearly improved the earnings situation of the Semicon segment.

After a slight decline the year before, the LED business for vehicle headlights in the Netherlands and France remained on a high stable level. As expected, sales in Hong Kong dropped, but less dramatically than planned, since the sale of the smartcard business also meant the end of the supplier business in this segment.

#### **IDENTIFICATION SOLUTIONS**

Sales in € million		
2017	141.3	
2016	<b>1</b> 03.0	
Employees (annual average)		
2017	672	
2016	545	

This division comprises the development, production and sale of logistically integrated labelling systems as interface between production and logistics as well as of digital thermal transfer printers,

self-adhesive labels and thermal transfer film. The division is divided into

- Logopak systems,
- Novexx Solutions and Eidos and
- Nordvalls.

#### Established as a new division in 2017

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

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

The sales and employee figures of the previous year were adapted to the new organisation. Accordingly, the division's sales went up by 37% and the number of employees rose by 23%. However, these growth figures are exclusively due to the two acquisitions Nordvalls Etikett AB and Eidos S.p.A. Without taking these two acquisitions into account, sales dropped slightly by 1.5%, whereas the number of employees remained comparably stable.

#### **Business development lacks uniformity**

The development of the different companies within the division was not uniform. Whereas the Novexx Solutions Group was able to increase sales organically by well over 2%, the business at Logopak went down by about 5%. The main cause was primarily the reorganisation of production at the Hartenholm site. Besides, the Danish LSS Etikettering Group member failed to sell as many machines as it had before due to changes in demand on the part of a large pharmaceuticals customer. The other non-German companies remained stable.

Eidos S.p.A. is a part of Novexx Solutions. Already in the first year of membership in the Possehl Group, the company achieved annual sales of €15.4 million, which was a significant contribution to the corporate result. Subsequently, the company's development was clearly more positive than expected.

#### Divisions

This can also be stated for Nordvalls AB, which clocked up sales of the order of €24.4 million in the reporting year. By concentrating the production of labels in this company and investing in new printing machines, we also expect the company to grow profitably in the future.

#### SME INVESTMENTS

Sales in € million			
2017	205.3		
2016	205.4		
Employees (annual average)			
2017		1,213	
2016		1,317	

The business model of Possehl SME Investment comprises the acquisition as well as the management and development of companies primarily from among German SMEs with annual sales between €10 and €80 million. One focus is on mid-tier mechanical and system production companies. Since its establishment in 2009, the division has become a main pillar within the Possehl Group of companies. Our target is to keep expanding the portfolio in the years to come.

At present, the division includes the companies listed below.

#### Division reorganisation successful

The division underwent many major changes last year. The organisations of the companies Logopak and Novexx were merged and have since been known as the independent "Identification Solutions" division. We implemented part of the business model and the strategy of our SME Investments division, namely to develop independent business divisions for the Possehl Group by the systematic acquisition of companies under a buy-and-build approach.

The business of producing ice lolly sticks was sold to a strategic competitor at the beginning of the year. In the light of market conditions and from our point of view, it was reasonable and absolutely necessary for the company and its employees to go ahead with consolidation efforts at the supplier's end.

A small but noteworthy growth-driving measure was the acquisition of nordrohr GmbH by Possehl Umweltschutz. This added to our local business in environmental services. At the same time, we underlined our attractiveness and flexibility in acquiring SMEs: the former sole shareholder of nordrohr holds a 20% interest in Possehl Umweltschutz and now manages the joint business activities.

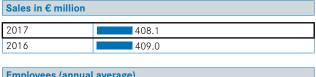
#### Sales up by 5% despite heterogeneous growth

The business development in 2017 was stable across all companies; adjusted sales even went up by just under 5%. The development of the different companies was not uniform. Whereas the two Gabler companies, SAVO-Technik and Düring Schweißtechnik, reported encouraging growth rates, the business of DMA and particularly that of ARBA was not satisfactory. We expect a clear improvement for

Companies of the SME Investments division			
Field of business	Company/Head company		
Equipment for milk logistics	ARBAprocessing GmbH (in future: Schwarte Group)		
Conveyor systems	DMA Maschinen- und Anlagenbau GmbH & Co. KG		
Robot welding tongs	Düring Schweißtechnik GmbH		
Hoistable masts	Gabler Maschinenbau GmbH		
Thermoforming machines	GABLER Thermoform GmbH & Co. KG		
Bathroom rugs, bed linen, accessories	Kleine Wolke Textilgesellschaft mbH & Co. KG		
Miniature light bulbs	MGG Micro-Glühlampen Gesellschaft Menzel GmbH		
Oil spill clean-up, tank and pipeline cleaning	Possehl Umweltschutz GmbH; nordrohr GmbH		
Technical hollow bodies	SAVO-TECHNIK ROTATIONSGUSS GmbH		

both companies next year. The development of the other companies in the division was stable.

#### **CLEANING MACHINES**



Employees (annual average)		
2017	1,883	
2016	1,899	

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

- Scrubmaster (scrubber-driers),
- **≡** Sweepmaster (sweepers and vacuum sweepers),
- **≡** Citymaster (outdoor cleaning machines),
- Multicar (multi-functional implement carriers and transporters),
- **≡** Used machines,
- **≡** Service and spare parts.

In addition to Hako, the brands Minuteman, PowerBoss and Multiclean are also encompassed by this division.

#### Sales remain at the previous year's level, high order backlog

Sales of cleaning machines remained more or less stable during the reporting period, meaning that the division's performance remained below that of the slightly growing market. The primary factor for this development was the delay in the completion of machines at nearly all production sites. In addition, the very high capacity utilisation in the factories was increasingly perceived as a limiting factor.

The delay in delivery also meant that work in progress grew. Consequently, the overall performance rose by just under 2% compared with the previous year. The order backlog rose by a two-digit figure, which indicates a corresponding sales and result potential for the year ahead.

In the domestic market, lower transactions to contract dealers resulted in a drop in sales. Foreign sales were essentially stable throughout the reporting period. The high growth rates of the previous year in the US American market and in several Asian countries could not be repeated. Barring this, the long-term growth rates are regarded to be located in Asia and East Europe whereas the developed markets in West Europe and North America are becoming increasingly saturated. The largest single foreign market by far remains that of the United States.

The cleaning machines segment is heavily focused on both the domestic and other European markets, whereas the Asian market – despite its particularly strong growth in recent years – still plays a secondary role. In the reporting year, about 83% of total sales were generated in Europe, representing about two percentage points more than in the previous year. The main reason for the higher demand in the South European countries is a result of the economic progress achieved there. Sales in the American market dropped slightly mainly due to exchange rates. The domestic market remains the largest single market for the division.

When reviewing individual product areas, there was a growth in new machines particularly for indoor cleaning and for the Citymasters as well as in spare parts sales whereas in municipal technology, sales were distinctly retrograde. Sales of used machines were more or less stable.

#### Efficiency ensures stable profits; product mix improved

The stagnant sales and the delayed delivery of machines and vehicles had no negative impact on the profitability of the division. Thanks to the ongoing process optimisation in production it was possible to absorb the general cost increase. Achievements were also made due to an improved product mix and the successful launch of both new and further developed machines. The new products launched onto the market over the past few years also had a positive effect on sales volumes and contribution margins. The component and platform designs have enabled production costs to be reduced significantly.

### ASSETS AND FINANCIAL POSITION

#### Total assets rise slightly by 3.6%

The Group's total assets rose by 3.6% to €1,618.8 million. As far as assets are concerned, current assets went up slightly to 73.8%, largely due to higher receivables and a slight increase in net inventories as a result of lower advance payments. The growth in assets is offset by higher Group equity.

Intangible assets and property, plant and equipment dropped by  $\in$ 10.1 million as a result of lower goodwill from acquisitions. Goodwill dropped by  $\in$ 14.3 million in total, also because no sizable goodwill was added during the reporting period. Property, plant and equipment rose by  $\in$ 3.8 million. Investments in property, plant and equipment were  $\in$ 11.9 million lower than last year's all-time high.

Financial assets increased year on year by  $\in 10.1$  million to  $\in 30.2$  million. The main reason for this development was the acquisition of Mesabi Control Engineering Ltd. that will be fully consolidated only at the beginning of the new year. In addition, both equity and other minority interests rose in total by  $\in 3.7$  million.

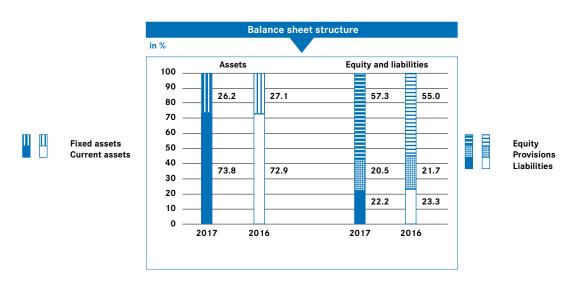
# Net current assets (net working capital) up by 8.8%

Net working capital or net current assets (inventories + trade receivables minus trade payables) came to €599.9 million at the year end, marking a year on year increase of 8.8%.

The distinct increase in inventories is the result of lower advance payments received which are deducted from inventories on the assets side. Inventories before deduction dropped by €35.6 million due to the lower level of work in progress. The essential element for this is the high order backlog at the end of last year due to the delay in order completion and high sales from the billing of orders, particularly in mechanical engineering segments at the end of the reporting period. The advance payment ratio relative to the overall inventories dropped to nearly 45%. However, if the advance payments received are related exclusively to the inventory of work in progress, the ratio is almost 84% in comparison with 90% the year before.

With a slightly higher volume of business, trade receivables rose year on year by 8.1% to €404.7 million. This corresponds to the decrease in work in progress and finished goods and is due to high invoices issued at the end of the financial year. The average duration of receivables increased to 37 days.

Cash and cash equivalents, including current securities, increased slightly by €11.4 million to €414.0 million. Liabilities to banks, most of which are longer-term, were reduced by another €4.2 million during the reporting period and amounted to €47.9 million at the end of the financial year. Cash and cash equivalents increased by 4.1% to €366.3 million.



#### Balance sheet Group equity ratio rises to 56.8%

#### Lower borrowings

After pension provisions had fallen as a result of statutory changes in determining the discount factor, they rose again by €0.8 million to €114.2 million in 2017. The plan assets required to cover part of the pension obligations amounted to €22.8 million as of the reporting date. Other provisions dropped by €7.5 million to €217.7 million with a largely constant volume of business.

Liabilities to banks were further reduced in the reporting year, amounting to  $\in$ 47.9 million at the end of the year. Other liabilities dropped by  $\in$ 8.3 million. In addition, tax provisions and tax liabilities dropped as well. The main item with  $\in$ 94.8 million is the clearing account with the Possehl Foundation, which makes its free liquidity available to the parent company L. Possehl.

#### We pursue a conservative financial strategy

The overall financial management of the Possehl Group is the responsibility of the Group's holding company; the primary target is to ensure the optimum financial stability and the Group's capacity to act.

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

The main objective of the central financial management is that both the liquidity and creditworthiness of the Group are ensured at all times. A reduction in capital costs, the optimisation of the capital structure and effective risk management are further elements of the centralised financial and liquidity management of the Possehl Group. We also ensure that we remain independent of individual banks or financial institutions.

Net inventories and advance payment ratio			
in € million			
	31/12/2017	31/12/2016	
Gross inventories	587.5	623.1	
Advance payments received	-262.7	-325.3	
Net inventories	324.8	297.8	
Advance payment ratio (in %)	44.7	52.2	

#### Assets and financial position

We decide on a case-to-case basis whether funds are obtained from a central source and held or distributed internally within the Group. Domestic companies are, for the most part, integrated into the Group's financial transfers via physical cash pooling. Foreign companies largely arrange their finances locally, whenever possible on a stand-alone basis.

Cash flow from operating activities came to €120.7 million and exceeded the Group net income of €99.9 million by €20.8 million year-on-year. The working capital, adjusted for changes in the scope of consolidation, rose again by €56.3 million. Income tax exceeded expenses by €7.7 million as a result of the utilisation of provisions generated the previous year. With €76.1 million, depreciation and appreciation were almost on the level of the previous year.

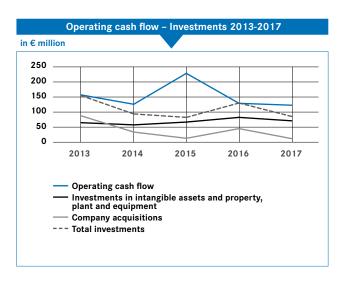
Cash flow from investing activities dropped in the reporting period by €58.4 million to €-73.7 million. This is attributable to the high payments from the outflow of financial assets the year before, whereas investment in property, plant and equipment as well as in intangible assets – not including goodwill – remained €10.7 million below the all-time-high of the previous year. Individual investments of significance included the modernisation and expansion of the production facility in Poland in the Cleaning Machines division and the acquisition of a paint shop in the Croatian factory in the Elastomer Plants division. The investments were mainly financed from the current cash flow or from cash and cash equivalents.

Cash flow from financing activities amounted to €-29.8 million and was almost on the level of the previous year. Profit distributions were distinctly lower in the reporting period, due to the special dividend paid out the year before, most of which are still not included in the balance sheet. The repayment of liabilities to banks at €4.8 million was around half that of the previous year.

#### Net financial assets rise to €366.3 million

The Possehl Group posts net financial assets of €366.3 million at the end of the reporting year. This represents a year-on-year rise of €14.3 million. Consequently, the cash flow from operating activities was almost completely allocated towards financing the current investments as well as dividend payments. The cash balance is largely held by the Group holding company, L. Possehl, and in short-term, low-risk investments.

Key data on liquidity		
in € million		
	2017	2016
Cash flow from operating activities	120.7	126.7
Cash flow from investing activities	-73.7	-15.3
Cash flow from financing activities	-29.8	-30.4
Net Changes in cash and cash equivalents	17.2	81.0
Cash and cash equivalents on 31 December	394.8	380.2



### NON-FINANCIAL PERFORMANCE INDICATORS

#### **EMPLOYEES**

### A strategic success factor for this Group

Our employees are the most important contributors to the success of Possehl. This is why we aim to recruit committed, performance-oriented staff around the world and to retain them within our company in the long term. We invest in our attractiveness as an employer and support our employees with systematic human resources development measures, which is in particular one of the management's most important tasks in view of the lack of skilled employees and management personnel.

# Number of employees remains at the previous year's level

At the end of the year 2017, Possehl employed 12,474 people around the world, which is 120 more than in the previous year. The slight increase in the workforce is attributable, for the most part, to the divisions Elastomer Plants (more employees) and Identification Solutions (increase due to company acquisitions). In the other divisions, the number of employees remained largely constant or dropped slightly, particularly at the two Electronics sites in Malaysia and China and at the Augsburg site in the Printing Machines division.

On annual average, the Possehl Group had 12,413 employees, which is slightly lower than the staffing level at the end of the year. In Germany, the average number of employees dropped by 188 to 6,708. This was mainly the result of the deconsolidation of compa-

nies with a relatively large number of employees in the course of the year before. As a result, the percentage of the Group's employees in Germany dropped to 54%. The number of foreign employees rose, primarily due to the acquisition of Eidos and Nordvalls.

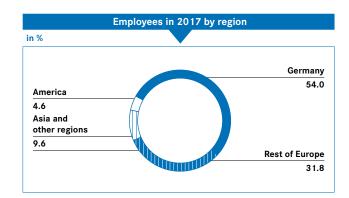
# Training, talent management and systematic recruiting of junior management staff

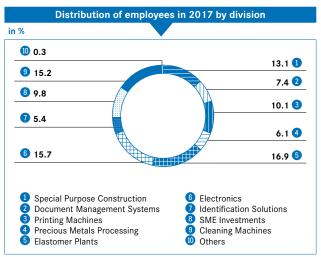
We place great value in the training and qualfication of our employees. Consequently, the companies of our Group organised specialist training courses, management personnel training and social skills development courses throughout 2017.

We also continued to invest in training: In 2017, a total number of 396 young people underwent vocational training in many different professions in our Group, primarily in Germany. This was a higher figure than in the year before.

To establish even stronger bonds with our regular employees and to be successful in the competition for skilled employees in the future, we expanded our human resources development in the individual companies as well as on Group level in 2017.

An important new module for winning junior professionals for the Possehl Group is the 15-month trainee programme focussing on management and operations. The interdivisional trainee programme is addressed primarily to graduates holding a master's degree in engineering disciplines. The challenging and at the same time attractive trainee programme, which also includes international place-





ments, strengthens our employer brand and provides access to best-trained young professionals.

# **ENVIRONMENTAL PROTECTION**

#### Environmental protection is an important innovation driver

Environmental protection enjoys high priority in our companies' day-to-day activities and is closely linked to our ongoing innovation processes – on the one hand, because the requirements on products and services are rising constantly and, on the other hand, because environmental factors have an increasing impact on costs. All companies of the Possehl Group are required to limit their emissions and consumption and to continuously improve their production processes by reducing energy, material and resource requirements.

As a leading precious metals recycler, we generally attach great importance to the recycling of consumer goods. For example, we have recently begun to expand our industrial recycling business. With two additional Group companies, we are active in environmental protection and the recovery of raw materials.

#### Guided by norms and certifications

Many of our production sites are certified in accordance with current energy and environmental management standards. Energy audits have also been performed at all domestic companies. Recommendations from these audits that could be implemented quickly, such as the replacement of fluorescent tubes with energy-saving bulbs or LEDs, have already been accepted in many cases, enabling us to reduce our energy consumption and consequently our CO2 emissions rapidly. Additional recommendations and suggestions for improvement are assessed within each company and gradually implemented where deemed advisable.

Energy consumption is becoming more and more a key determining factor when it comes to the total costs of ownership over the life cycle of a machine. Especially in our mechanical engineering activities, we undertake substantial efforts and invest considerable sums in research and development in order to exploit potential for energy efficiency. For example, in the Elastomer Plants division, we are currently developing a distinctly more energy efficient tyre heating press in cooperation with technical colleges. We consider this not only an environmental obligation but also an opportunity for developing economically.

# High investment in the environment in the Precious Metals Processing and Electronics divisions

Environmental protection and the associated demands on sustainable business and operations are subject to extremely strict requirements applicable in the Precious Metals Recycling and Electronics divisions. In recent years, we have therefore invested sizable amounts of money in environmental protection at the different production sites, for example the waste water treatment at the Niefern site, which has been completely reconstructed. We hold comprehensive certifications for our precious metals recycling operations. We particularly value our LBMA certification for gold, which is a particularly important quality label. Since this year, all companies of our Precious Metals division have been certified at least according to the RJC-CoP standard of the Responsible Jewellery Council.

# OUTLOOK

### Corporate strategy to continue

The long-term course for the Possehl Group will not change in 2018. The core elements of our Group strategy – in particular the focus on long-term growth and ROI goals and the avoidance of unnecessary risks – remain unchanged. We invest mainly in promising technologies and products without shying away from investments in mature industries if both the product and the company's market position are strong and promise success for the future.

# Framework conditions will remain favourable in 2018

The global economy was also in a good condition at the beginning of the new year. After global output increased by 3.7% last year, another slight rise to 3.9% is expected for 2018.

The German economy, which is important for the Possehl Group, is in the process of an extended upswing, which should gain additional momentum next year. In 2018, the gross domestic product is expected to rise by 2.5%. Generally, the economic upswing is broadly based. The boom in the construction industry will continue in the light of favourable financing terms even if lack of capacity will result in higher building prices. Exports are also expected to receive positive stimulation as a result of the strong upswing in the global economy. This means that corporate investments can be expected to increase significantly as a result of the high degree of capacity utilisation and the good general prospects for business.

In view of the aforementioned, our divisions can expect to operate in a generally favourable environment, even though general geopolitical uncertainties might slow down the propensity to invest. The euro, which has continued to be strong at the beginning of the new year, could also have a negative effect on earnings.

### Sales expected to increase slightly

We expect sales to increase slightly for the 2018 financial year. This applies both to gross proceeds and to sales adjusted for rate-of-exchange and price effects of precious metals. Incoming orders should be level with sales. We have significantly increased our budget for future investments. In addition to the expansion and modernisation of our production sites, more funds will be invested in research and development as well as in digitisation in 2018. Investments will exclusively be funded from assets.

Fundamental changes in the different industrial divisions of the Group are not expected. The healthy domestic construction market continues to provide good opportunities for growth in the construction industry. However, the lack of skilled manpower may limit the scope for growth in productivity. Even though the shortage of qualified labour varies from region to region, it is placing an increasingly heavy burden on the construction industry.

Our activities in the mechanical engineering sector should be able to take advantage of the global upswing and the higher demand for investment. Considering the high and also long-term backlog of orders with some of our mechanical engineering activities, most of the scheduled sales are already secure for 2018. In Electronics our supplies to manufacturers of automotive electronics should expand due to the run-up phase of essential products. A sustainable rise in the price of precious metals – of the type we saw at the beginning of the year – will have a moderate positive impact on our precious metals business at most since excess capacities in recycling continue to exist.

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

Accompanied by the subdued development in sales, our forecast assumes that – without one-off effects – the operating result will remain on the previous year's level or go up slightly. The profitability of the Group as a whole, gauged by the adjusted EBIT return on sales, should remain between 6% and 8% in 2018. We do not expect significant changes in the different divisions in comparison to the reporting year.

As in the financial year ended, earnings will also be affected by the amortisation of goodwill and the release of negative consolidation differences from acquisitions in previous years. These figures are expected to be on the level of the previous year. As regards interest expense from the discounting of pension provisions, we anticipate only a moderate negative effect on earnings.

In our forecast, we have not taken into account further external growth through new acquisitions.

# **Continued focus: Growth through acquisitions**

The high level of available liquidity and the low interest rates caused prices for companies to see yet another 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

#### Outlook

reached their peak. Our acquisition activities therefore increasingly focus on SMEs for which the determining factors are not only the purchase price but – more and more – also qualitative aspects such as reliability as well as long-term, stable prospects for the respective individual company.

We were very successful with this strategy both during the previous year and at the beginning of this year. Already in January, we were able to expand our precious metals business in the UK by the acquisition of Weston Beamor, yet another company we have acquired from private ownership.

We foresee good growth opportunities through additional acquisitions in existing divisions, especially the construction sector, in which we have been able to acquire numerous well-positioned construction companies in Germany for Possehl in recent years.



# Entrepreneurs decide fast and plan for the long term

"With our decisions and actions we always strive to ensure our Group's long-term success."

# O7 CONSOLIDATED FINANCIAL STATEMENTS

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# Consolidated statement of financial position as of December 2017

in €	0000	31/12/2017	31/12/2016
ASS	SETS		
Α.	Non-current assets		
	I. Intangible assets	60,874	74,778
	II. Property, plant and equipment	332,416	328,594
	III. Financial assets	30,192	20,114
		423,482	423,486
B.	Current assets		
	I. Inventories	324,833	297,849
	II. Receivables and other assets		
	1. Trade receivables	404,720	374,369
	2. Other receivables and other assets	39,466	52,202
		444,186	426,571
	III. Other securities	215	1,551
	IV. Cash and cash equivalents	413,953	402,579
		1,183,187	1,128,550
C.	Prepaid expenses	8,721	8,498
D.	Deferred tax assets	3,397	2,569
Tot	tal assets	1,618,787	1,563,103
EQ	UITY & LIABILITIES		
A.	Equity		
	I. Subscribed capital	30,678	30,678
	II. Other reserves	409,295	354,376
	III. Changes in equity due to currency translation	-6,171	5,647
	IV. Retained earnings	477,036	450,726
	V. Non-controlling interests	7,967	6,976
		918,805	848,403
В.	Difference from the consolidation of equity	9,004	12,376
C.	Provisions		
	Pension provisions	114,151	113,311
	2. Miscellaneous provisions	217,715	225,163
		331,866	338,474
D.	Liabilities		
	1. Liabilities to banks	47,900	52,110
	2. Trade payables	129,616	120,999
	3. Miscellaneous liabilities	168,647	176,914
		346,163	350,023
E.	Deferred income	12,949	13,827
Tot	tal equity and liabilities	1,618,787	1,563,103

# **Consolidated income statement**

from January 1 to December 31, 2017

in € '000	2017	2016
Net sales	3,808,864	3,876,822
Changes in finished goods, work in progress and capitalised own work	-47,608	37,763
Other operating income	56,282	134,237
Cost of materials	2,568,788	2,738,634
Gross profit	1,248,750	1,310,188
Personnel expenses	676,094	671,829
Depreciation and amortisation	76,305	74,750
Other operating expenses	323,460	308,857
Net investment result	1,406	1,004
Net interest result	-16,823	-13,066
Other financial result	518	-79
Earnings before taxes	157,992	242,611
Income taxes	53,894	53,366
Earnings after income taxes	104,098	189,245
Other taxes	4,182	847
Consolidated net profit for the period	99,916	188,398
of which attributable to non-controlling interests	3,083	2,841

# **Consolidated cash flow statement**

from January 1 to December 31, 2017

in € '000	2017	2016
Consolidated net profit for the period	99,916	188,398
Appreciation/depreciation on non-current assets	76,145	74,381
Changes in accruals and provisions	-2,030	4,666
Other non-cash expenses and income	-1,398	-1,393
Change in working capital	-56,291	-74,472
Gains and losses on the disposal of non-current assets and the sale of consolidated companies and business units	-3,275	-86,982
Interest expenses/income	16,823	13,066
Income from investments	-1,406	-1,004
Income tax expense/income	53,894	53,365
Income tax payments	-61,633	-43,331
Cash flow from operating activities	120,745	126,694
Proceeds from the disposal of intangible assets and property, plant and equipment	9,040	11,712
Proceeds from the disposal of non-current financial assets and the sale of consolidated companies and business units	2,151	95,199
Payments for investments in intangible assets and property, plant and equipment	-71,455	-82,133
Payments for investments in non-current financial assets and for the acquisition of consolidated companies and business units	-12,835	-39,099
Payments for the acquisition of funding assets	-2,431	-2,769
Interest received	1,423	1,343
Dividends received	381	417
Cash flow from investing activities	-73,726	-15,330
Payments to shareholders (including minority interests)	-19,308	-66,476
Change in bank loans	-4,832	-8,487
Change in other financial receivables/liabilities	3,810	53,563
Proceeds from subsidies/contributions received	247	212
Interest paid	-9,724	-9,144
Cash flow from financing activities	-29,807	-30,332
Cash-relevant changes	17,212	81,032
Net change in cash and cash equivalents due to exchange rate differences and valuation changes	-2,786	-2,526
Net change in cash and cash equivalents due to changes in the group of consolidated companies	221	2,303
Cash funds at the beginning of the period	380,188	299,379
Cash funds at the end of the period	394,835	380,188
Composition of each funds		
Composition of cash funds  Cash and cash equivalents at the end of the year	413,953	402,579
	1 '	•
Bank liabilities due on demand at the end of the year	-19,118	-22,391

# Consolidated statement of changes in equity from January 1 to December 31, 2017

Parent company's equity						
in € '000	Share capital	Retained earnings	Equity differences from currency translation	Profit carried forward	Net income for the year/share of parent company	Total
As of December 31, 2015	30,678	344,197	7,260	252,181	86,600	720,916
Allocation to reserves		51,132		-51,132		0
Withdrawal from reserves		-36,708		36,708		0
Distribution				-64,000		-64,000
Currency translation			-1,613			-1,613
Other changes		-65		632		567
Changes in scope of consolidation		-4,180		4,180		0
Net income for the year				86,600	98,957	185,557
As of December 31, 2016	30,678	354,376	5,647	265,169	185,557	841,427
Allocation to reserves		55,479		-55,479		0
Withdrawal from reserves		-1,880		1,880		0
Distribution				-17,000		-17,000
Currency translation			-11,818			-11,818
Other changes		2,402		76		2,478
Changes in scope of consolidation		-1,082				-1,082
Net income for the year				185,557	-88,724	96,833
As of December 31, 2017	30,678	409,295	-6,171	380,203	96,833	910,838

	Non-controlling interests			
in € '000	Non-controlling interests	Net income for the year/ share of non-controlling interests	Total	Total
As of December 31, 2015	3,162	2,682	5,844	726,760
Allocation to reserves			0	0
Withdrawal from reserves			0	0
Distribution	-2,476		-2,476	-66,476
Currency translation			0	-1,613
Other changes	-46		-46	521
Changes in scope of consolidation	813		813	813
Net income for the year	2,682	159	2,841	188,398
As of December 31, 2016	4,135	2,841	6,976	848,403
Allocation to reserves			0	0
Withdrawal from reserves			0	0
Distribution	-2,308		-2,308	-19,308
Currency translation			0	-11,818
Other changes	-271		-271	2,207
Changes in scope of consolidation	487		487	-595
Net income for the year	2,841	242	3,083	99,916
As of December 31, 2017	4,884	3,083	7,967	918,805

# List of shareholdings as of Dezember 31, 2017

Name	Registered in	Share of capital (in %)
1. Consolidated Group companies		
Tr conconductor croup 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, 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

# List of shareholdings

Name	Registered in	Share of capital (in %)
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.	Warschau, Poland	100.00
BÖWE SYSTEC AB	Landskrona, Sweden	100.00
BÖWE SYSTEC A/S	Brøndby, Denmark	100.00
BÖWE SYSTEC S.A.S.	Noisy-le-Sec, France	100.00
BÖWE SYSTEC S.A.	Madrid, Spain	100.00
BÖWE SYSTEC Comércio de Equipamentos Para Escritório S.A.	Sintra, Portugal	100.00
BÖWE SYSTEC S.p.A.	Rome, Italy	100.00
BÖWE SYSTEC BENELUX B.V.	Apeldoorn, Netherlands	100.00
BÖWE SYSTEC NEDERLAND B.V.	Apeldoorn, Netherlands	100.00
N.V. BÖWE SYSTEC S.A.	Zellik, Belgium	100.00
BÖWE SYSTEC JAPAN Ltd.	Tokio, Japan	100.00
BÖWE SYSTEC AUSTRIA GmbH	Vienna, Austria	100.00
BÖWE SYSTEC Ltd.	Maidenhead, United Kingdom	100.00
BÖWE SYSTEC (IR) Ltd.	Dublin, Ireland	100.00
BOWE SYSTEC North-America Inc.	Raleigh, USA	100.00
Optimus Sorter Holding B.V.	Beuningen, Netherlands	70.00
Optimus Sorter Technology B.V.	Beuningen, Netherlands	100.00
Optimus Sorter Projects B.V.	Beuningen, Netherlands	100.00
Printing Machines		
manroland web systems GmbH	Augsburg, Germany	100.00
manroland web produktionsgesellschaft mbH	Augsburg, Germany	100.00
mrws Grundstücksgesellschaft mbH	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.	Peking, China	100.00

Name	Registered in	Share of capital (in %)
Parallel Marie Proceeds		
Precious Metals Processing Heimerle + Meule GmbH	Diarrhaim Cormony	100.00
Cookson Precious Metals Limited	Pforzheim, Germany	
	Birmingham, United Kingdom	100.00
Cookson Drijfhout B.V.	Amsterdam, Netherlands	100.00
Cookson Métaux Précieux S.A.	Paris, France	100.00
Sempsa Joyería Platería, S.A.	Madrid, Spain	100.00
Koutadly - Consultadoria Económica e Participações, S.A.	Porto, Portugal	100.00
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	Hongkong, China	100.00
HF NaJUS, a.s.	Dubnica nad Váhom, Slovakia	100.00
INDUS UTH HF Mixing Systems Pvt. Ltd.	Bangalore, India	66.66
HF Mixing Group Services (S.E.A.) Sdn. Bhd.	Kuala Lumpur, Malaysia	60.00
Electronics		
Possehl Electronics N.V.	's-Hertogenbosch, Netherlands	100.00
Possehl Electronics Nederland B.V.	's-Hertogenbosch, Netherlands	100.00
Possehl Electronics France S.A.S.	Roche la Molière, France	100.00
Possehl Electronics Hong Kong Ltd.	Hongkong, China	100.00
Possehl Laminates Ltd.	Hongkong, China	100.00
Dongguan Possehl Electronics Co. Ltd.	Dongguan, China	100.00
Possehl Electronics (Malaysia) Sdn. Bhd.	Malakka, Malaysia	100.00
Possehl (Malaysia) Sdn. Bhd.	Malakka, Malaysia	100.00
Possehl Electronics Singapore Pte. Ltd.	Singapore	100.00
Possehl Connector Services SC, Inc.	Rock Hill, USA	100.00
Possehl Electronics Deutschland GmbH	Niefern-Öschelbronn, Germany	100.00
Possehl Electronics Wackersdorf GmbH	Wackersdorf, Germany	100.00
Possehl Electronics Czech Republic s.r.o.	Dyśiňa, Czech Republic	100.00
Possehl Electronics Puebla S. de R.L. de C.V.	Puebla, Mexico	100.00
Possehl Electronics Puebla S. de R.L. de C.V.  Possehl Electronics Puebla Servicios S. de R.L. de C.V.	Puebla, Mexico Puebla. Mexico	100.00

# List of shareholdings

Name	Registered in	Share of capital (in %)
Identification Solutions		
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, Netherlands	100.00
LOGOPAK East Sp. z o.o.	Warschau, Poland	50.00
LSS Etikettering A/S	Randers, Denmark	100.00
RK Danmark ApS	Randers, Denmark	100.00
Nordvalls Etikett AB	Sjöbo, Sweden	100.00
Novexx Solutions GmbH	Eching, Germany	100.00
Novexx Solutions B.V.	Utrecht, Netherlands	100.00
Novexx Solutions S.A.S.	Rungis, France	100.00
Novexx ETIKETLEME SISTEMLERI T.A.S.	Istanbul, Turkey	100.00
Novexx Solutions (Shanghai) Co., Ltd.	Shanghai, China	100.00
Eidos S.r.l.	Chieri, Italy	100.00
	,,	
SME Investments		
Possehl Mittelstandsbeteiligungen GmbH	Lübeck, Germany	100.00
Possehl Umweltschutz GmbH	Lübeck, Germany	80.00
nordrohr GmbH	Reinfeld, Germany	100.00
Kleine Wolke Textilgesellschaft mbH & Co. KG	Bremen, Germany	100.00
KWV GmbH	Bremen, Germany	100.00
Kleine Wolke AG	Mägenwil, Switzerland	100.00
DMA Maschinen und Anlagenbau GmbH & Co. KG	Höxter, Germany	100.00
DMA Maschinen und Anlagenbau Verwaltungs GmbH	Höxter, Germany	100.00
MGG Micro-Glühlampen-Gesellschaft Menzel GmbH	Wentorf, Germany	100.00
Düring Schweißtechnik GmbH	Königsbrunn, Germany	100.00
Düring do Brasil Ltda.	Itatiba, Brazil	100.00
Gabler Maschinenbau GmbH	Lübeck, Germany	100.00
GABLER Thermoform GmbH & Co. KG	Lübeck, Germany	100.00
Thermoform GABLER GmbH	Lübeck, Germany	100.00
SAVO-TECHNIK ROTATIONSGUSS GmbH	Valluhn, Germany	60.00
PlasTec Technology GmbH	Trappenkamp, Germany	100.00
ARBA GmbH	Lübeck, Germany	100.00
		100.00
ARBAprocessing GmbH	Emsdetten, Germany	
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

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

# List of shareholdings

Name	Registered in	Share of capital (in %)
II. Non consolidated Group companies		
Hako Group East Asia Ltd.	Bangkok, Thailand	100.00
Hako (Hong Kong) Co. Ltd.	Hongkong, 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.	Kapstadt, South Africa	100.00
Nordvalls Etikett GmbH	Hamburg, Germany	100.00
Mesabi Control Engineering, Ltd.	Saint Paul, USA	100.00
HF Mixing Group Service (Thailand) Ltd.	Bangkok, Thailand	99.80
LOGOPAK SISTEMAS S.L.	Madrid, Spain	60.00
Aristo Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Halle KG	Mainz, Germany	95.65
III. Associated companies		
Gremmler Bauchemie GmbH	Essen, Germany	50.00
WST Quarz GmbH	Hünxe, Germany	50.00
cbb-Software GmbH	Lübeck, Germany	50.00
Roots Multiclean Ltd.	Coimbatore, India	26.00

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#### Annotation

The Business Report is published in German and English. For further information about the company please refer to Possehl's Group Company Report or visit the website at www.possehl.de

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