HANSA GROUP AG

ANNUAL REPORT 2011

HANSA Group

THE YEAR 2011 AT A GLANCE

	2011 in EUR thou.*	2010 in EUR thou.*
Revenue	383,459	356,140
EBITDA	25,551	21,570
EBIT	12,232	10,215
Equity as of 31 December	97,957	93,976
Number of employees as of 31 December	622	644

*) unless otherwise specified

CONTENTS

GENERAL PART 4

About this report 4

HANSA GROUP today 5

LETTER FROM THE MANAGEMENT BOARD 6

COMPANY PROFILE 11

HANSA GROUP AG 12

CHEMISCHE FABRIK WIBARCO GmbH 15

WASCHMITTELWERK GENTHIN GmbH 16

LUHNS GmbH 18

Certifications and management systems 20

Shares 23

CORPORATE GOVERRNANCE REPORT 24

Corporate governance declaration 24

German Corporate Governance Code 25

Declaration of conformity 25

Report of the Supervisory Board 28

CONSOLIDATED FINANCIAL STATEMENTS 2011 33

Group management report 34

Consolidated balance sheet 54

Consolidated income statement 55

Consolidated statement of comprehensive income 55

Consolidated cash flow statement 56

Statement of changes in shareholders' equity 57

Notes to the consolidated financial statements 58

Auditor's report 104

Statement by legal representatives 105

ANNUAL ACCOUNTS 2011 107

Management report 108

Balance sheet 128

Income statement 130

Statement of changes in fixed assets 131

Notes to the annual accounts 132

Auditor's report 142

Statement by legal representatives 143

CONTACT / PUBLISHING DETAILS 144

ABOUT THIS REPORT

This annual report provides shareholders, customers and other interested persons with information on the economic, ecological and social performance of HANSA GROUP AG in 2011.

The period under review covers the months of January to December of the 2011 business year. Information available by the editorial deadline of 16 May 2012 has also been included, in order to ensure that the report is as up-to-date as possible.

All the data and facts concerning HANSA GROUP's assets, financial and profit status published in this report are orientated around international standards, and are based on the requirements of German commercial law and of the International Financial Reporting Standards (IFRS).

The contents of this report have been compiled and checked by the employees technically responsible and approved by the Management Board of HANSA GROUP. All information used has been obtained from official Company documents and from the relevant spheres of responsibility within the Company. The CROWE HORWATH Deutschland GmbH firm of auditors and accountants has audited the HANSA GROUP AG and consolidated annual statements of accounts, including the management reports, and has appended its unqualified auditor's opinion (see Pages 104 and 142).

The HANSA GROUP Investor Relations and Finance departments bear editorial responsibility for this report. Please address all questions concerning the criteria which form the basis for the reporting in this publication to HANSA GROUP, Investor Relations department.

HANSA GROUP TODAY

The HANSA GROUP AG is an innovative chemicals industry company active in the fields of production, services and trade. It supplies high-quality end products for the detergents and cleaning agents markets, and for the cosmetics industry. It also produces corresponding feed and intermediate products, enabling it, even now, to cover a substantial portion of the value chain in detergent substances.

In addition to production, the Company's activities also include services for both German and international chemicals industry customers; these include contract production, logistics and laboratory services.

HANSA GROUP also trades in a range of chemical substances, with a focus on feed and intermediate products and facility components. The Company's portfolio comprises some 2,000 items, which are supplied to customers both in Germany and abroad.

HANSA GROUP operates production facilities at Düren, Genthin, Greven and Ibbenbüren, with marketing, logistics and contract production based in Duisburg, and Research & Development in Wuppertal.

HANSA GROUP TOMORROW

HANSA GROUP is steadily developing into one of Europe's leading suppliers of the Care Chemicals used in cleaning, care, cosmetic and hygiene products. Our intention in the next few years is that of expanding our volume of business and market shares by means of both organic and external growth. Our mid- and long-term strategy is one of successively extending our coverage of the value chain and promoting high-margin business.

Economic success and responsibility for humanity and the environment enjoy equal ranking at HANSA GROUP. Our overriding aim is therefore that of increasing our sales and profits with the most economical and responsible use of resources possible.

LETTER FROM THE MANAGEMENT BOARD

Dear shareholders, business partners and employees,

HANSA GROUP AG again significantly increased sales in fiscal year 2011 and mastered the major challenges. These challenges mainly included the expansion of our product portfolio and the increase of production capacities. Additionally, we have tapped into new markets and have won further customers. The integration of LUHNS GmbH, acquired in 2010, also had a positive effect: for the first time, the sales of the detergents, body care and cosmetics maker flowed onto our books for a full reporting year. In the Group, sales increased by 27 percent, to 383 million euro.

As for Group earnings, we remained only slightly behind our expectations at 4.2 million euro. The reason for this was effects with a negative impact on earnings. The transfer of body care production from LUHNS' Bopfingen location to Genthin resulted in a one-off expense in 2011. However, we expect these measures to bring about synergy effects within a short period of time: the concentration at the Genthin location means that the feedstocks, intermediates and end products are now all produced at the same location. As a result, we can make efficient use of the production capacities and save logistics costs. The location in Genthin – also the headquarters of the HANSA GROUP since summer – is therefore of central importance for the strategy in the HANSA Group.

The delayed launch of the new surfactants plant in Genthin also had a negative effect on earnings for the year. Due to the delay of trials to the fourth quarter, the preproduction costs, including e.g. the provision of feedstocks, were not offset by sales. The facility is now producing high-quality surfactants following a successful launch. These form the basis for our own products, but are also resold to customers from the chemical industry as precursors. Together with subsidiary WASCHMITTELWERK GENTHIN GmbH and the relocated capacities from Bopfingen, we already cover large portions of the value added chain in the Care Chemicals sector. As a result, we have come a great deal closer to our goal of becoming a leading, integrated supplier.

Segment development follows strategy

The medium and long-term strategy's objective is to expand the value added chain and to strengthen the business in higher-margin products and services. We continued this line of approach in the 2011 business year and, by doing so, created a further transfer of sales to the higher-yield production and services sector. Additionally encouraged by the first-ever full consolidation of acquisitions from the previous year, the Production and Services segment contributed some 240 million euro the Group sales while the Trade segment contributed some 143 million euro.

In the Production and Services segment, we produce surfactants and a selection of further intermediate and end chemical products. Consumer Products – including detergents and body care products – are also part of this segment. The subsidiary LUHNS has allowed us to establish ourselves in a further growth market, that of the manufacturing of branded products, a move that has already seen us move to the number two spot in Germany. Services in the fields of logistics, laboratory analysis and contract manufacturing round out our portfolio in this business segment. The Trade segment is shaped worldwide by the purchase and sale of chemical products and facility components.

Our business is influenced by both the economic situation in the chemicals industry and the stability of the detergents and body care products market. These areas are very strong. In 2011, total chemical industry sales in Germany exceeded 186 billion euro, while sales in the beauty care market were just under 13 billion euro and approximately 4.3 billion euro for the cleaning products market – and rising. These figures are evidence of our Company's massive potential.

Outlook

Group structures were improved in fiscal year 2011, making HANSA GROUP's operations more efficient. Thanks to the consolidation of key functional sectors, such as in purchasing, and the successful integration of the subsidiary LUHNS, acquired in 2010, we are looking to make even greater use of the existing synergies in the future.

We aim to expand our product portfolio and further increase capacities. By swiftly integrating acquired companies into our own, we laid the foundations to tap into new markets with large batch sizes and a broadly-diversified range of products. We reached an important milestone following the start of trials at the new surfactants plant in Genthin in late 2011 and can now increase surfactants production four-fold. We aim to use these significantly higher capacities to noticeably increase our share of the surfactants market. Correspondingly, we also strengthened our Management Board in the person of Dr. Volker Bauer. Since the start of 2012, he has been responsible for production at HANSA GROUP.

We also aim to expand the Genthin location into a high-performance chemical plant. The first cooperation agreements were already signed with chemical companies in 2010. Additionally, we also intend to encourage some of our suppliers to move to Genthin. This will shorten delivery channels and create an even closer connection to our partners.

We believe that we are well equipped to again increase sales and Group earnings in fiscal year 2012 given the positive outlook for the chemical industry and our emphasis on the detergents market, a market which is hardly affected by economic cycles and life-style trends. Our business model ensures growth. Because the basic ability to pay a dividend already exists, it is also our goal to distribute dividends to our shareholders in the foreseeable future.

The Management Board of HANSA GROUP AG
f.l.t.r.: Thomas Pfisterer, Zolfaghar Alambeigi, Dr. Volker Bauer

We would like to express our heartfelt thanks to our customers, business partners, shareholders and employees for the excellent cooperation in the 2011 business year. We look forward to having you on board as the development of HANSA GROUP AG continues.

May 2012
HANSA GROUP AG
The Management Board

Zolfaghar Alambeigi   Dr. Volker Bauer   Thomas Pfisterer

COMPANY PROFILE

HANSA GROUP AG

Services complement trading activities

From A for acetone to Z for zeolites – manufacturing industry needs chemicals as feed materials, intermediate products and solvents. According to information supplied by the German Association of Chemical Trade and Distribution (VCH), the German chemicals trade handles some four million tonnes of acids and alkalis, 830,000 tonnes of solvents and the same amount of solids every year - not to mention approximately 500,000 tonnes of specialty chemicals.

Germany's around 270,000 manufacturing companies require chemicals from a large range of both German and foreign sources. The efficient distribution of these commodities is the function of the large-scale chemicals trade.

As one of some 160 chemicals, wholesale and foreign-trade organizations in Germany, HANSA GROUP assures trouble-free functioning of the supply chain linking the producers and the users of chemicals. The Company's large portfolio of basic and special chemicals has provided it with secure business relations, both in Germany and abroad, developed over the course of many years. HANSA GROUP's trading activities are rounded off by its comprehensive range of services, extending from storage, packing and transportation of products, via blending and recycling of chemicals, up to and including highly qualified technical consulting. Our trade activities thus simultaneously serve to enhance our customers' competitiveness.

HANSA GROUP provides its customers in Duisburg with storage facilities for both solid products and liquids, including solvents, acids and alkalis. The storage and transportation of chemicals and other hazardous substances are subject to strict environmental and safety standards for the protection of the soil and water, and also to stringent occupational and plant safety regulations. We meet all the applicable requirements to the full and without exception.

Basic chemicals are received for storage from the producers by water, by rail or by road. HANSA GROUP then prepares the required quantities of the product in the correct packaging for its customers. Solvents, for example, are decanted directly from storage tanks into bottles, drums or special Intermediate Bulk Containers (IBCs) using specialized handling systems. Safety is assured by means of our modern, top-standard system technology. HANSA GROUP's range of services also extends beyond the storage, packaging and distribution of chemicals: solvents, solids, acids and alkalis are blended to our customers' requirements under our contract production arrangements, either to our own formulations or to customers' specifications.

The chemicals are shipped, securely packaged and correctly marked, from our distribution centers to the customer. HANSA GROUP operates a network of distribution centers covering all parts of Germany, and thus assuring short delivery times. External haulage contractors are responsible for transportation.

Laboratory services assure trading quality

Chemicals trading has undergone significant changes in recent years. The capabilities required from a modern chemicals trader now include not only "simple" storage and transportation functions, but also laboratory analyses, advisory services in the use of complex products, and the development of special formulations. The quality of any feedstock, intermediate or end product is determined definitively by the preceding selection of chemicals and by the purity of the basic ingredients. Chemical traders must therefore maintain laboratories which monitor and assure the quality of incoming and outgoing products. HANSA GROUP utilizes the perceptions and knowledge gained in its laboratories to assure optimum possible quality for its customers.

HANSA GROUP delivers a broad and extensive range of products to the most diverse industries and customer groups. The Company supplies feedstocks and solvents for chemicals production, on both a kilotonnes scale and in ultra-small quantities in the case of special chemicals for the manufacture and/or enhancement of high-tech products. Chemicals for the detergents and cleaning agents industry are a particular trading focus.

The chemicals industry grew significantly during 2011, and this positive trend also enlivened trading in chemicals. The provision of analytical support for loading and unloading inspections enabled HANSA GROUP to increase its laboratory services turnover by more than 30 percent during the year. The performance of laboratory tests and the appurtenant analyses for a well-known lubricants producer made an important additional contribution to this growth. The Company also signed skeleton agreements with other chemicals industry producers for in-production analytical services.

Analysis and development

The Company's Duisburg laboratory also provides special individualized analytical procedures and formulation validation services for HANSA GROUP customers. The Company enjoys a reputation as an impartial service-provider for analysis of surfactants, petrochemical products, liquefied gases, paints and coatings, dyes and colorants, and also fossil and bio fuels. HANSA GROUP's core laboratory capabilities are found in the field of analyses and tests performed for the petrochemicals and surfactants sectors. The Company's modern analytical equipment and highly qualified laboratory staff are the assurance of a tightly meshed testing and inspection system.

HANSA GROUP's outstanding reputation in the analysis of chemical substances has now also penetrated to the wider European market. The Company's laboratory has thus been tasked by the EU Commission's Joint Research Centre with the analysis of reference samples of fuels, in the context of the development of binding fuel standards. Data for determination of the cold filter plugging point and the low-temperature properties ("cloud point") of diesel and fuel oil have been determined in a wide-ranging series of tests. The parameters derived from these tests are to form the basis for the development of such universally binding standards for laboratories.

With its commissioning of a gas chromatograph linked to a mass spectrometer, i.e., a so-called GC-MS-PIONA, the HANSA GROUP laboratory has now also taken up a pioneering role in fuel analysis for the determination of fuel quality and composition. A gas chromatograph featuring a column switching valve and a flame ionization detector (FID) have been procured, in accordance with the requirements of the EN 228 standard. The HANSA GROUP system, including the appurtenant software, currently remains unique in Germany. The Company laboratory is thus now able to obtain not only the conventional data, but also to systematically identify and quantify individual components. This technology is of special interest for the automotive industry, in particular.

HANSA GROUP also attaches the greatest importance to high product and service quality, and to enduring customer satisfaction. The Company's Quality Management system in conformity to DIN EN ISO/IEC 17025:2005 for testing and calibration laboratories enables it to meet the very highest quality standards. Under this standard, the laboratory assures the back-traceability of measured data; in addition, its Quality Management system guarantees continuous improvement of all working processes and procedures.

HANSA GROUP backs the "Responsible Care" initiative

HANSA GROUP's responsibility for its products does not end upon their sale. For this reason, we work closely with the authorities, within the framework of the applicable legislation and regulations, to prevent the misuse of our products. HANSA GROUP also supports the German chemicals trade's "Responsible Care" initiative, a program to which some seventy companies in the industry have committed up to now. For HANSA GROUP, Responsible Care unequivocally signifies our aim of continuously increasing our contribution to safety, health and environmental protection (SHE) above and beyond the legal requirements.

CHEMISCHE FABRIK WIBARCO GmbH – UNIQUE IN CENTRAL EUROPE

WIBARCO GmbH, in Ibbenbüren, enjoys a special ranking in HANSA GROUP's value chain. This subsidiary produces feedstocks and intermediates for surfactants. Demanding safety and environmental standards, combined with certification in conformity to ISO 9001:2000 and ISO 14001, document the capabilities of this former BASF group company, which was acquired by HANSA GROUP in 2007.

WIBARCO is Central Europe's only producer of LAB (linear alkyl benzene), and also supplies other ingredients for the production of detergent substances, which are used in the detergents, cleaning agents and cosmetics industries. WIBARCO also, for example, supplies LUHNS GmbH with feed materials for production of high-quality detergents and cleaning agents.

WIBARCO's linear alkyl benzene sulfonate (LAS), a biologically degradable and ecologically safe surfactant substance, has been the basic ingredient for the majority of detergents since the 1960s. In addition to the production of LAB, WIBARCO also has other attractive business focuses: its heavy alkyl benzenes (SAB) are used, for example, in the production of thermal oils, refrigerator oils, other lubricants, anti-corrosion agents and as additives and solvents in printing inks. The heavy alkylates yielded in the production of linear alkyl benzene have now been a fixed component of many formulations for the production of lubricating oils and their additives for a number of years.

Greatly increased prices for mineral oils again resulted in 2011 in intensified demand for WIBARCO products. Customers value, in particular, the extremely low solidification point, low density and, last but not least, good miscibility with other oils, of products "Made in Ibbenbüren".

A further core sector of WIBARCO's range of products is the hydrochloric acid (HCl) yielded during LAB production. The 30 to 32 percent hydrochloric acid produced at WIBARCO GmbH meets the requirements of DIN EN 939. Hydrochloric is used as a feed and auxiliary substance in the chemicals and in many other industries including, for example, applications for water treatment for the regeneration of ion exchangers in power-generating plants.

In addition, operational improvements are being successfully achieved at WIBARCO by means of investments in supply-chain management: the company is increasingly changing to the use so-called "Flexitank" containers for shipment of LAB from Ibbenbüren. This mode of transport is cheaper than classical bulk shipment in tanker vessels, requires no additional storage tanks, and also permits the supply of smaller quantities at relatively short notice. Thanks to the standardized container format, virtually every port in the world can handle this traffic, with significant shipping-cost benefits compared to the use of ISO tank containers.

In integrating WIBARCO into its organization, HANSA GROUP has set its path to becoming one of Germany's leading surfactants producers. Analysts predict annual growth of 2.5 percent in the anionic surfactants market up to 2015.

WASCHMITTELWERK GENTHIN GmbH – GROWTH ENGINE FOR THE FUTURE

At WASCHMITTELWERK GENTHIN, HANSA GROUP produces liquid detergents, dishwashing products, cleaning agents and fabric conditioners, and also body care products for brand name manufacturers and trading organizations. The fluidized-bed process is also used here for production of granulated surfactants for the detergents industry. The recent commissioning of a new surfactants plant now additionally permits the production of liquid surfactants. Surfactants are the most important basic ingredients for detergents and cleaning agents, but are also used in paints and coatings, and as thickening agents in the foodstuffs industry. The ultramodern facilities and processes installed at Genthin permit the production of a diverse range of product variants, in each case tailored to customers' individual requirements. Continuous monitoring of the production processes assures microbiologically safe, high-quality products that meet customers' needs. WASCHMITTELWERK GENTHIN is a contract producer and does not market its products on its own behalf.

Two combined heat and power (CHP) cogeneration units located on the plant site and constructed in close cooperation with the Magdeburg energy utility Getec Energie AG supply the plant with steam and electricity. This cooperation agreement also covers supply of heat, based up to now entirely on a steamboiler installation. The Genthin facility benefits additionally from the supply of gas by Getec. The gas is used, on the one hand, for generation of electricity and heat in the CHP units and, on the other hand, for drying purposes in the production processes.

Outstanding infrastructure

HANSA GROUP acquired the main production buildings of the former Henkel plant at Genthin in 2009, and used them as the basis for the foundation of its WASCHMITTELWERK GENTHIN GmbH subsidiary. This was an important step in the Company's long-term strategy of extending its value chain in the field of Care Chemicals. The Genthin location provides ideal preconditions for the production, blending, packing and storage of chemical products. The plant enjoys road, rail and water access, and is conveniently located in Genthin's northern industrial estate, directly on the Elbe-Havel Canal, complete with mooring facilities for ships. In addition, there is a company-owned rail link to the main Hanover-to-Berlin line, with daily Deutsche Bahn services.

This convincing infrastructure, in combination with the subsidiary's attractive commercial prospects, ultimately induced HANSA GROUP to bring the Genthin location to the forefront of its corporate activities. Direct proximity to the production and packing lines for detergents and cleaning agents opens up further potentials for extension of the value chain; for this reason, HANSA GROUP's headquarters relocated to Genthin in 2011. The transfer of the LUHNS subsidiary's Bopfingen production location to Genthin was also completed during the year reviewed in this report.

New surfactants plant boosts capacity

HANSA GROUP reached a new milestone in its corporate history with the start of trial operation at the new surfactants plant in November, 2011. This new facility has an annual capacity of 100,000 tonnes of surfactants - effectively quadrupling the Company's previous capacity of 30,000 t/a. Around 40 percent of production is required for the Company's own products. In future, Genthin will produce FAS (fatty alcohol sulfates for dishwashing liquids, mild and all-in-one detergents, and for detergents for woolens), FAES (fatty alcohol ether sulfates, for mild detergents, soaps and dishwashing liquids), ABS (alkyl benzene sulfonates for the production of detergents and domestic cleaning products), and AOS (alpha olefin sulfonates for special and industrial cleaning agents).

This project, involving investments of more than 50 million euros, is a central element in the HANSA Group's long-term growth strategy, augmenting and complementing the Düren, Greven and Ibbenbüren locations.

Quality and sustainability

All HANSA GROUP AG subsidiaries are committed to the very highest quality standards; only this assures constantly high quality in our products and for our customers. The Company employs for this purpose highly qualified and committed staff, with skills acclaimed throughout the industry, for the production of complex chemical products. WASCHMITTELWERK GENTHIN employed 190 persons as of the end of 2011.

An aware and economical attitude to nature and existing resources enables HANSA GROUP to live up to its responsibility to society and the environment. The company is working continuously on the improvement of its production processes, in order to relieve burdens on the environment; its products are subject to continuous critical observation. Frank factual communication with employees, partners and the public on all environmental matters provides the proof of the Company's intensive concern with these topics.

LUHNS GmbH
– TRADITION AND INNOVATION HAND-IN-HAND

LUHNS GmbH has been a 100 percent subsidiary of HANSA GROUP since 2010. Founded in Wuppertal in 1869 as “the Soap Factory”, this company now produces not only all liquid detergents, fabric softeners and textiles-care products, but also the full range of commercial cleaning agents, including special variants. Its products for the hair care and body care sectors include high-quality shampoos, hair conditioners, and shower, bath and body care specialties. With its range tailored to the needs of branded manufacturers, LUHNS consistently provides its customers with individualized all-in solutions.

The around 800 products in the range of this HANSA GROUP subsidiary, with its long tradition, have been a familiar feature of retailers’ shelves for decades. Customers include a large selection of well known European trading organizations. With annual sales peaking at over 200 million product units, LUHNS is one of Europe’s top-ranking companies in the production and packing of detergents and cleaning agents. The company has some 305 employees at its production facilities in Greven and its offices in Wuppertal.

Production of liquid detergents and cleaning agents

Liquid detergents and cleaning agents are produced, packed and shipped at LUHNS GmbH's plant in Greven. In addition to fabric softeners, all-in-one and mild detergents, the range includes dishwashing liquids and cleaning agents, plus bath, window, multipurpose and vinegar-based cleaning products. All in all, more than 150 different basic-requisite articles are produced here. They are made using carefully controlled, monitored and documented processes on six blending machines with individual capacities of up to 16 tonnes. Liquid products can be temporarily stored in a total of forty tanks until required for packing. They are then decanted into bottles, which are then sealed, labeled and themselves packed in cartons. Six of the eight packing lines permit the addition of colorants and fragrances. One of this plant's core capabilities, in addition to multicolor assortment, is the supply of products in trigger spray bottles. LUHNS is also much in demand as a specialist in particularly high-volume products.

The entire production process is subjected to continuous quality assurance, starting with the analysis of the chemical feedstocks, production of the product material and of the packaging to be used. Standardized production procedures and technically first-class manufacturing facilities assure high quality and on-time delivery for customers.

Strategic targets

LUHNS enjoys stable business relations with a broad and diverse network of customers and suppliers. It is our aim to further expand these customer and supplier relationships, and thus consolidate LUHNS' status as one of Europe's leading producers of branded goods. The transfer of the Bopfingen production facilities to Genthin generates cost-reduction potentials and boosts production efficiency.

Ecology and economics in harmony

As everywhere within HANSA GROUP, all the subsidiaries assign a high ranking to both economics, ecology and social responsibility. To tangibly demonstrate this commitment, LUHNS has installed an Environmental Management System on the basis of the international DIN EN ISO 14001:2009 standard and EMAS. An occupational and health-safety management system in conformity to OHSAS 18001 has also been introduced at the Greven location in order to eliminate occupational accidents and protect employees' health.

LUHNS is, in addition, a signatory to the A.I.S.E. Charter for Sustainable Cleaning 2005 and the A.I.S.E. Charter for Sustainable Cleaning 2010. In compliance with the wishes of international customers, the LUHNS range also includes products which meet Eco Labels (Euro Flower) and Nordic Swan criteria.

LUHNS GmbH installed HACCP teams as early as the start of 2011, in order to monitor ongoing market developments. Further steps in preparation for implementation of the IFS HPC standard have been taken since mid-year. LUHNS thus now also drafts analyses on potential product risks, for the sake of consumer safety. One aim in this context is that of enhancing energy-efficiency in the near future, and of documenting this via the certification of an energy-management system in accordance with ISO 50001:2011.

CERTIFICATIONS AND MANAGEMENT SYSTEMS – IMPORTANT ELEMENTS IN ECONOMIC SUCCESS

For the companies in the HANSA GROUP, sustainable development means harmonization of long-term economic success with the protection of the environment and social responsibility. Social development, safety, water and waste-water management, plus the utilization of raw materials and sustainability of production, are vital considerations reflected in many of the activities of all HANSA Group companies.

The ever greater contribution made by the Production & Services segment to the Company's added value chain necessarily results in more intense concentration on the topics of energy and environmental management. **HANSA GROUP AG** acknowledges its responsibility and has for many years now set out detailed requirements and targets for product and plant safety, hazard avoidance, occupational health and safety, environmental protection and transport safety. The Company takes great care to ensure that its plants and other facilities cause no dangers to the health of its employees or to the environment. All employees receive training at regular intervals in all matters relevant to their work.

In view of the Company's commitment to the "Responsible Care" initiative, all HANSA GROUP employees are obliged to rational and economical use of resources and to the sustainable and future-viable development of the Company. These aspects also include adherence to and implementation of the chemicals trade's guidelines for the safe handling, use and marketing of chemicals, and to informing the public correspondingly. These guidelines apply to all activities involving chemicals, from production, storage, retrieval, decanting and packing, mixing and blending, processing, internal handling and conveyance, and also to transportation on public roads, railways and waterways.

The Company's customers are kept informed by means of detailed technical marking of packages and safety data sheets. For this purpose, the "Globally Harmonized System" (GHS) for the classification and labeling of hazardous chemicals integrates existing systems from a range of sectors, including transportation, and consumer, occupational and environmental safety.

HANSA GROUP assigns great importance to high product and service quality and to enduring customer satisfaction. The Company's Quality Management system, which conforms to the requirements of DIN EN ISO 9001 and DIN EN ISO/IEC 17025:2005, assures the attainment of the very highest quality standards.

The activities necessary for fulfillment of the REACH (Registration, Evaluation, Authorisation and Restriction of Chemical Substances) European chemicals regulations, which came into effect in 2007, have now very largely been completed. These regulations aim at protecting human health and the environment; they require the registration of all chemicals produced in or imported to Europe in quantities of more than one tonne per annum. The chemicals trade has played a critical role here: situated precisely at the interface between the producer, the supplier and the user, it has collated all information relevant for REACH registration, and – in many cases on behalf of its customers – arranged registration with the European Chemicals Agency (ECHA), in Helsinki.

The employees of the various HANSA Group departments and sectors are now focusing more and more on activities which permit certification of operating processes. These diverse certification procedures, and the underlying requirements, are increasingly becoming the guideline for internal procedural and structural organization, and for external relations with suppliers, customers and service-providers.

The number of customers requiring proof of possession of the corresponding certificates, for verification of a company's supply and service capabilities, continues to rise. HANSA GROUP meets these requirements, and regards them as the minimum standards for its operational procedures.

CHEMISCHE FABRIK WIBARCO GmbH is currently certified in conformity to DIN EN ISO 14001:2009 and DIN EN ISO 9001:2008. The company has been in possession of the ISO 14001:2004+Cor 1:2009 certificate since 11 July 2001, and of the 9001 certificate since 19 February 1998; both of these certificates are valid until 4 October 2013.

The ISO 14001 international environmental management standard sets out globally acknowledged requirements for environmental management systems and is a member of a larger family of standards, also containing numerous other standards concerning various facets of environmental management, including ecological balances, environmental indicators and evaluation of environmental performance. This family of standards is applied both to manufacturing and to service enterprises. The essential focus of ISO 14001:2004+Cor 1:2009 is a continuous improvement process, aimed at achieving the respective targets defined for environmental performance. This continuous improvement process is based on the so-called "PDCA" (Plan-Do-Check-Act) principles.

WIBARCO has defined its corporate environmental policy, environmental targets and an environmental program, and has installed a corresponding environmental management system, in order to fulfil the requirements for certification. The company assures the continuous improvement targeted by means of regular auditing of the (environmental) targets set and of its environmental management system.

The standard does not specify absolute requirements for environmental performance, but secures adherence to the obligations imposed by the organization on itself in its environmental policy. The standard also incorporates an undertaking to fulfil all applicable legal obligations.

In a further step, WIBARCO is currently introducing an energy management system; in addition, the company is to undergo certification to ISO 50001 by 30 June 2012 (current planning status as at March 2012). The ISO 50001 standard for energy management systems, published in June 2011, is globally applicable and is intended to assist organizations in reducing energy costs, greenhouse gases and other environmental burdens by providing specifications for systematic energy management. It has the same basic structure as DIN EN ISO 9001 (Quality Management Systems) and ISO 14001:2004+Cor 1:2009 (Environmental Management Systems), and can thus be integrated into these management systems. DIN EN ISO 50001:2011 is also based on the "PDCA" cycle principles mentioned above.

WASCHMITTELWERK GENTHIN GmbH (WWG) is a highly dependable producer and supplier of ultra-high quality chemicals for detergents, cleaning agents, body care products and cosmetics for a range of well-known customers. A Quality Management system in conformity to DIN EN ISO 9001:2008, which is audited, and continuously further developed and improved on the basis of the applicable rules and standards, was introduced at WWG in 2010 with the aim of assuring customer satisfaction. Certification in conformity to this standard was conducted by the "DQS" German management-system certification corporation in November 2010.

Body care products are made at Genthin in accordance with the Cosmetics "GMP" (Good Manufacturing Practice; EN ISO 22716), which is applicable throughout Europe as a guide to the best practices in the production, inspection, storage and shipment of cosmetics.

Adherence to GMP for body care products was confirmed for the complete route from reception of feed materials up to and including shipment of the finished product by the DQS in the corresponding certification audit completed in December 2010.

The effectiveness of the management systems installed, and continuous improvement of processes, products and services, are reviewed and affirmed by accredited bodies and in customer audits in the course of the annual surveillance audits.

In addition, the introduction of an energy management system, with corresponding certification to ISO 50001, is scheduled for implementation at WASCHMITTELWERK GENTHIN by 30 June 2012.

LUHNS GmbH, a producer of detergents, cleaning agents and cosmetics with many decades of experience, operates a holistic management system based on DIN EN ISO 9001:2008. An environmental management system in accordance with DIN EN ISO 14001:2009 and EMAS are integrated (please also see the separate detailed report on LUHNS on Page 18 of this annual report). LUHNS body care products are manufactured in accordance with the requirements of the EN ISO 22716:2007 Cosmetics GMP standard.

Introduction of energy management in accordance with ISO 50001:2011 is currently planned as the next step at LUHNS. No precise date has yet been assigned for the necessary certification.

SHARES

The HANSA GROUP AG share

European securities markets predominantly started 2011 buoyantly, but then came increasingly under pressure as a result, firstly, of the nuclear disaster in Japan, and then of the debt crisis in the Euro Zone. The German DAX blue chip index fell by nearly 15 percent during the period covered by this report, with a practically identical trend in the SDAX small caps segment, where prices also dropped by just on 15 percent.

The HANSA GROUP share was, inevitably, also affected by these negative developments. Following a steep rise in its price during the first few weeks of trading, it had already attained a high for the year on the Xetra trading platform, being quoted at 5.50 euros, in late January 2011. During the further course of the year, the HANSA share fell back again, closing the trading year at 3.22 euros, down around 14 percent. Chemicals stocks in the DAXSECTOR Chemicals industry index fared only little better, with prices falling by approximately nine percent on average. On a five-year average, however, the HANSA share performed significantly better than the DAX reference index and the DAXSECTOR Chemicals segment.

Investor Relations

The management of HANSA GROUP is at all times aware of its responsibility to institutional and private investors. The Company therefore attaches great importance to Investor and Public Relations activities. During the year under review, the ongoing course of business was reported at regular intervals in press bulletins and in the half-yearly and annual financial statements. Immediate responses to questions posed by shareholders were an important part of our PR work, as was continuous contact with the financial press, and with institutional investors and analysts.

In addition to attending local capital market conferences, we also showcased ourselves and the Company to journalists and analysts at the Deutsche Börse (German Stock Exchange) German Equity Forum in Frankfurt in November, and explained our business model in detail. Individual talks were also conducted with interested investors.

It is our intention, with the relocation of the HANSA share to the Deutsche Börse's Prime Standard at the start of 2012, to orientate ourselves even more closely around the needs of the capital market and to expand activities in the field of Investor and Public Relations. In accordance with the Prime Standard regulations, which underpin one of Europe's highest levels of business transparency, we shall in future also be reporting at quarterly intervals on the development of HANSA GROUP's business. The move to this market segment also significantly increases the share's attractiveness and the attention focused upon it by institutional investors.

HANSA GROUP's business model combines the growth potentials of the high-volume chemicals industry with the stability of the detergents, cleaning agents and cosmetics markets. We intend, on this basis, to achieve for our shareholders continuous and sustained increases in corporate value, with good prospects of dividend payments in the midterm.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289 A OF THE GERMAN COMMERCIAL CODE (HGB)

The Corporate Governance methods of HANSA GROUP AG are based on the provisions of the German Stock Corporation Act. In addition, the Management Board and the Supervisory Board study in detail the recommendations of the edition of the German Corporate Governance Code valid at the applicable time, and, with only few exceptions, pursue the recommendations by way of self-imposed obligation, taking due account of the size of the company and the structure of its administrative bodies.

Above and beyond the statutory requirements, HANSA GROUP AG submits in the context of its Compliance Program to a Code of Conduct which is available for public scrutiny on the Internet at: *http://www.hansa-group.de/de/investorrelations/corporate-governance/verhaltenskodex.html*. The elements of Corporate Governance and monitoring are as follows:

Shareholders and Annual General Meeting

The Annual General Meeting of HANSA GROUP AG is held within eight months from the end of the fiscal year. The shareholders have the opportunity at the Annual General Meeting to exercise their rights, and make decisions of fundamental importance for the Company. HANSA GROUP AG is aware of its obligation to its shareholders, and therefore takes care to ensure prompt and transparent communications, systematic risk management, adherence to stock market rules and observance of shareholders' rights.

In line with the requirement for equal treatment of all shareholders, corporate information is published promptly in German via the Internet. To ensure shareholder-friendly Annual General Meetings, HANSA GROUP AG publishes, inter alia, nominations of proxies and all documentation in the Internet. The Annual General Meeting resolves amendments to the Articles of Association, provisions for changing the Company's capital stock, the approval of the Management Board and Supervisory Board, and the election of the auditor.

Supervisory Board

The Supervisory Board of HANSA GROUP AG consists of three members, who are in each case elected for a period of office up to the close of that Annual General Meeting which resolves upon approval of the actions of the Management and Supervisory Boards for the second fiscal year following the start of the period of office. The fiscal year in which the members take up their office is not included for the purpose of this calculation. The most recent election took place at the Annual General Meeting of May 2009. The Supervisory Board elects from its own number a chairman and a deputy chairman. It appoints and dismisses the members of the Management Board and is privy to all decisions of fundamental importance for the Company. The Supervisory Board, being made up of only three members, does not form committees.

The Supervisory Board oversees and advises the Management Board in the management of the Company's business. Reports concerning business trends, planning, and the implementation of the latter, are submitted at regular intervals. The Supervisory Board approves the Annual Financial Statement, taking due account of the audit reports submitted by the auditor and oversees adherence to legal requirements and internal rules. All significant decisions by the Management Board are contingent on the approval of the Supervisory Board. The members of the Supervisory Board make their decisions independently and impartially, and are not bound by instructions given by third parties. Their work in the context of their Supervisory Board activity is conducted solely in the interest of the Company. The members of the Supervisory Board hold no mandates which conflict or could conflict with the business interests of HANSA GROUP AG or of any HANSA GROUP AG subsidiary.

Management Board
The Management Board of HANSA GROUP AG currently consists of three members. The Management Board manages the Company on its own responsibility, with the aim of assuring the continued existence of the Company as a going concern, and of achieving lasting enhancement of the Company's enterprise value, taking due account of the needs and wishes of the shareholders, the Company's employees and other groups with a justified interest in the Company (stakeholders). The Management Board is in this context responsible for the Company's strategic orientation and for the planning and implementation of the Company's corporate targets. The Management Board prepares HANSA GROUP AG's quarterly and annual financial statements, and is responsible for ensuring adherence to legal requirements, official regulations and internal company standards. The members of the Management Board jointly bear responsibility for the entire management and governance of the Company. The Management Board informs the Supervisory Board promptly and comprehensively at regular intervals concerning all significant aspects of business development, planning, the risk situation, and compliance.

Cooperation between the Management Board and the Supervisory Board
The Management Board and the Supervisory Board cooperate closely in the interest of HANSA GROUP AG. The cooperation between the Management Board and the Supervisory Board and their respective functions are set down in the respective statutes of these bodies.

German Corporate Governance Code

The Management Board and the Supervisory Board of HANSA GROUP AG have studied in detail the recommendations of the edition of the German Corporate Governance Code applicable at the relevant time, taking due account of the size of the Company and the structure of its administrative bodies. The common target is management and control of the Company in such a way as to ensure long-term and lasting enhancement of the Company's enterprise value. Responsible and transparent Corporate Governance is intended to strengthen mutually trusting relations with business associates, shareholders and HANSA GROUP AG employees. This self-imposed obligation is reflected in the provisions of the Corporate Governance Code, the fundamental principles of which are reviewed, taking account of all amendments, at regular intervals, and the current May 26, 2010 edition of which, as published in the electronic Federal Gazette on July 2, 2010, forms the basis for this report.

Declaration of conformity in accordance with section 161 of the AktG:

Declaration by the Management Board and the Supervisory Board in accordance with section 161 of the AktG concerning the Corporate Governance Code
The Management Board and Supervisory Board of HANSA GROUP AG hereby declare that the Company has in the past largely adhered to the recommendations of the Government Commission German Corporate Governance Code in the edition dated May 26, 2010 and as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (www.corporate-governance-code.de) and continues to largely adhere to these recommendations since the submission of the most recent declaration of conformity on April 29, 2011. The Management Board and Supervisory Board of HANSA GROUP AG will continue to largely adhere to the recommendations of the German Corporate Governance Code. The following recommendations, however, were not and will not be applied:

- The HANSA GROUP AG Articles of Association have up to now made no provision for postal voting (Code, 2.3.3). Shareholders continue to have the option of commissioning a proxy appointed by the Company to exercise their voting rights, however. This provision facilitates the exercise of the shareholders' rights even prior to the day of the Annual General Meeting. No significant benefits for the shareholders are therefore perceived in postal voting. The extra work and costs associated with postal voting are therefore eliminated.

- Since the legally mandatory deadline of July 1, 2010, the Directors' and Officers' (D&O) liability insurance taken out for the members of the executive bodies has included the necessary deductible in the case of members of the Management Board (Code, 3.8). In the case of members of the Supervisory Board, the Company continues to be of the opinion that a deductible would not improve motivation and responsibility.

- The Management Board should ensure diversity in filling managerial posts and aim, in particular, to take appropriate measures for the inclusion of female members (Code, 4.1.5). The Management Board diverges from the recommendations to the extent that it is guided in the filling of managerial posts solely by the qualifications of the candidates. This is considered the best fulfillment of the principle of equal treatment.

- The Management Board does not have a spokesperson or chairperson (Code, 4.2.1). Reason: this is not deemed expedient, given the current composition of the Management Board, of only three members.

- At the time of submission of this declaration of conformity, the existing contracts with the members of the Management Board do not make provision for (retrospective) adjustment to take account of positive or negative developments in the variable remuneration components already granted. Reason: the resultant deviation from the Code is explicable by the fact that existing agreements cannot be updated immediately. The Supervisory Board will implement the necessary modifications within the period set (Code, 4.2.3).

- A remuneration report (Code, 4.2.5) is not prepared. Reason: a separate remuneration report is considered unnecessary, since the system of remuneration for the members of the Management Board is explained in the context of the Corporate Governance Declaration. We reserve the right to revise this opinion and situation in the context of the corresponding legal provisions should need arise in future. The requirements of the Act on the Appropriateness of Management Board Compensation (VorstAG) will be implemented within the periods stipulated in the Act.

- The Supervisory Board thus diverges from the recommendations insofar as it is guided in the appointment of the Management Board solely by the qualifications of the candidates. An age limit for members of the Management Board has not been and will therefore not be set, nor will special measures for the inclusion of female members be taken (Code, 5.1.2). Reason: this would excessively restrict the Supervisory Board in its function of selecting suitable candidates for the Management Board and infringe the principle of equal treatment.

- The Supervisory Board does not establish committees (Code, 5.3.1, 5.3.2 and 5.3.3). Reason: in view of its size, of only three members, the Supervisory Board considers the formation of committees not to be expedient.

- The Supervisory Board should, with due consideration of the corporate and business situation, and of the Company's international activity, state for its composition specific targets which take due account of potential conflicts of interest, an age limit for members of the Supervisory Board, and diversity (Code, 5.4.1). The Supervisory Board does not wish to comply with this recommendation, as it believes that this would limit the flexibility of the Supervisory Board's composition. Instead, the Supervisory Board is of the opinion that the ideal Supervisory Board candidate will have to be identified and appointed on a case-by-case basis. No age limit for members of the Supervisory Board has been set. Reason: HANSA GROUP AG perceives in an age limit a restriction on the shareholders' right to elect the members of the Supervisory Board.

- Proposed candidates for chairmanship of the Supervisory Board are not disclosed to the shareholders (Code, 5.4.3). Election of the chairman of the Supervisory Board from its own number is part of the innate competence of the Supervisory Board itself. It should, therefore, remain with and reside in this body. Disclosure of the proposed candidates prior to final voting would impair the necessary secrecy of deliberation and could potentially have a discrediting effect on unsuccessful candidates.

- The members of the Supervisory Board have in the past not received any performance-based remuneration and will also not receive such performance-based remuneration in the future (Code, 5.4.6). Reason: HANSA GROUP AG considers appropriate fixed remuneration more suitable for reward of the controlling function and responsibilities, which must be exercised irrespective of the Company's performance.

- Interim reports have not been and will not be published within 45 days, but instead within 60 days, from the end of the reporting period. Contrary to the Code, the consolidated financial statements will not be published within 90 days, but rather directly upon completion (Code, 7.1.2). Reason: the Company in each case complies with its disclosure and publication obligations within the legally mandatory deadlines.

For organizational reasons, and in view of the concomitant financial and organizational complexity, the Management Board and Supervisory Board consider any further shortening of the appurtenant deadlines not to be expedient.

REPORT OF THE SUPERVISORY BOARD OF HANSA GROUP AG

Dear Shareholders,

The Supervisory Board's report on its activities during the 2011 fiscal year is published below.

Supervision of and advice to the Management Board

In accordance with the tasks assigned to it by law, by the Articles of Association and by the rules of procedure, and with due attention to the recommendations of the German Corporate Governance Code, the Supervisory Board continuously monitored and provided advice on the conduct of business during the reporting period. The Supervisory Board was involved in all significant decisions by the Company management at an early stage and concerned itself with the Company's economic situation and development, and with all special issues. The Supervisory Board also reviewed the efficiency of its monitoring activities.

At regular intervals, the Management Board submitted prompt and comprehensive oral and written reports to the Supervisory Board concerning the Company's business situation, including corporate planning and further strategic development.

Meetings of the Supervisory Board

The Supervisory Board met for a total of five ordinary meetings in 2011. All Supervisory Board members attended all meetings.

At its meeting on April 29, 2011, the Supervisory Board reviewed the consolidated financial statements and the consolidated management report as well as the annual financial statements and management report of HANSA GROUP AG for fiscal year 2010, the report of the Supervisory Board for fiscal year 2010 as well as the result of the audit conducted by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft. The meeting was attended by the auditor who provided a detailed report on the current status of the audit.

The analysis continued and the resulted reported at a further meeting held on May 13, 2011. The Supervisory Board was able to satisfy itself that the audit had been conducted in a proper manner. It was at this meeting that the Supervisory Board approved the result of the audit. Following its analysis of the result, the Supervisory Board did not raise any objections against the annual financial statements and consolidated financial statements of HANSA GROUP AG or the management report and consolidated management report for fiscal year 2010 and approved them.

The meeting held on May 17, 2011 focused on the audit of the Group's risk management system, identifying weaknesses and optimization potential as well as improving the documentation of the measures carried out.

At the Supervisory Board meeting on November 9, 2011, the Management Board provided a detailed report on the status of the "reconstruction of a surfactant plant" investment plan, the measures already initiated to optimize the risk management system, business developments at HANSA GROUP AG in the current fiscal year as well as strategic considerations regarding the Company's increased focus on the Production and Service sector.

The Supervisory Board meeting on December 7, 2011 focused on Management Board reorganization, the implications and consequences of the fire at WIBARCO GmbH, the planned switch in stock exchange segments as well as the current course of business. The Supervisory Board also used this meeting to completely rewrite the Articles of Association, which were adjusted in line with the Company's changed needs.

In accordance with the German Corporate Governance Code, the Management Board and Supervisory Board of HANSA GROUP AG issue an annual declaration of conformity as required under section 161 of the German Stock Corporation Act (AktG); the updated version of this declaration was published on the Company's website at May 24, 2012. As required under No. 3.10 of the Code, the Annual Report contains separate reporting (see page 25).

Between meetings, the Management Board provided continuous reports on key important business operations and plans and provided timely reports on significant matters. The information provided by the Management Board to the Supervisory Board during the reporting period was, in total, sufficiently comprehensive and detailed to enable the Supervisory Board to gain a complete picture of the Company's situation and comprehensively review management. As part of the reporting process, the Management Board explained the progress of the "reconstruction of a surfactant plant" investment plan at the Genthin location. The Supervisory Board made its way to the site in the fall to take a look at the progress being made. The discussion that followed focused on ensuring that enough personnel will be available once it is commissioned. The flow of information continued to focus on sales growth in the Trade segment, production capacity planning taking into account the new surfactants plant and capacity expansion in Ibbenbüren as well as the trend in feed-materials prices and product price allocation.

There were no indications of conflicts of interest among members of the Management and Supervisory Boards. For this reason, and in view of the continuing trend in business, no special checks were considered necessary. The nature and scale of significant transactions with related parties as defined by IAS 24 is examined with the aid of a questionnaire which members of the Management and Supervisory Boards are required to complete on an annual basis. The questionnaire also covers transactions with close family members and intermediary entities.

Supervisory Board committees, accounting experts

No committees were formed by the Supervisory Board during the fiscal year under review. As explained in the declaration of conformity with the German Corporate Governance Code dated May 24, 2012, the Supervisory Board considers the formation of committees not to be expedient in view of its size of only three members.

In accordance with section 100 (5) AktG, the Supervisory Board's accounting expert is its chairman.

Changes to the Management Board

No changes to the Management Board of the Company occurred during the period under review (January 1, 2011 to December 31, 2011). No decisions needed to be made with respect to the re-appointment of Management Board members.

One new member was appointed in January 2012. Dr. Volker Bauer, Chemical Engineer, Genthin, was appointed to the Management Board with responsibility for Production and Service effective January 1, 2012. This is in response to the strong growth posted by this segment. The appointment of former Henkel manager Dr. Volker Bauer strengthens the Management Board at a time at which HANSA GROUP AG is set to receive a further growth push from the completion of the new surfactants plant in Genthin.

Audit of the annual and consolidated financial statements

The Annual General Meeting appointed the CROWE HORWATH Deutschland GmbH firm of auditors, of Stuttgart, to audit the Company's 2011 financial statements. The Supervisory Board then issued the audit engagement to CROWE HORWATH. The Supervisory Board ascertained the independence of the auditor and that of all persons acting on behalf of the auditor. CROWE HORWATH audited the Company's annual accounts, as drafted by the Management Board, in conformity to the German Commercial Code (HGB), the consolidated financial statements in accordance with IFRS and the management reports for the Company and the Group for the 2011 fiscal year, awarding an unqualified audit opinion to both. The documents relating to the financial statements, the audit report and the Management Board's proposal for the appropriation of profits were submitted on time to all members of the Supervisory Board. The documents and facts of the 2011 annual financial statements were comprehensively presented and discussed at the meeting held on April 19, 2012. The Management Board explained the financial statements and the risk management system at the meetings on April 30, 2012 and May 23, 2012. The auditor reported on the results of the audit of the annual and consolidated financial statements at the meeting held on May 23, 2012. Also reported were the facts that there are no significant weaknesses affecting the internal control system or the risk management system. The Management Board explained in detail the financial reports it prepared on the single-entity annual and the consolidated financial statements at both meetings. In the course of their audit work, the auditors did not identify any facts inconsistent with the contents of the declaration of conformity issued by the Management and Supervisory Boards.

The Supervisory Board concurs with the results of the audit. Following completion of its own review, the Supervisory Board raised no objections to the result of the audit, and approved on May 26, 2012 both the consolidated and individual financial statements and the respective management reports. The annual accounts were thus adopted. The Supervisory Board considers the Management Board's proposal to transfer the retained earnings to the legal reserve in full appropriate. The Supervisory Board therefore also decided on May 26, 2012 to propose to the Annual General Meeting to transfer all retained earnings in the amount of EUR 7,022,099.02 to the legal reserve.

Explanatory notes on the disclosures in accordance with section 289 (4) and section 315 (4) of the German Commercial Code (HGB)

The management report of HANSA GROUP AG and the consolidated management report of the Group for the 2011 fiscal year include disclosures in compliance with section 289 (4) and section 315 (4) of the German Commercial Code (HGB). The Supervisory Board examined these disclosures, concluding that they comply with the legal provisions.

Audit of the report on relations with affiliated companies

The Company's auditor, the CROWE HORWATH Deutschland GmbH firm of auditors, of Stuttgart, issued the following report on the Management Board's report on relations with affiliated companies in accordance with section 312 AktG:

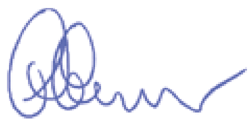
"On completion of our review and assessment in accordance with professional standards, we confirm that the actual disclosures contained in the report are accurate, and that the consideration paid by the Company for the transactions listed in the report was not inappropriately high."

The Supervisory Board examined the Management Board's report on relations with affiliated companies. It discussed the report in detail with the Management Board at its meeting held on May 23, 2012, which was also attended by the auditor. The Management Board provided comprehensive and satisfactory answers to all questions regarding the individual transactions listed in the report. Based on its examination, the Supervisory Board has come to the conclusion that the Management Board's report on relations with affiliated companies complies with the legal requirements. In accordance with the final results of the review by the Supervisory Board, no objections need to be raised regarding the statement made by the Management Board at the end of the report about relations with affiliated companies.

Expression of thanks by the Supervisory Board

The Supervisory Board wishes here to express its appreciation to the Management Board and to all employees for their commitment to the Company and for their hard work in fiscal year 2011.

Hamminkeln, May 26, 2012



Lothar Venn, Lawyer
Chairman of the Supervisory Board

CONSOLIDATED
FINANCIAL STATEMENTS 2011

GROUP MANAGEMENT REPORT OF HANSA GROUP AG FOR FISCAL YEAR 2011

HANSA Group is an innovative production, service and trading company in the chemical industry. The Company produces high-quality end products for the cleaning agents, detergent and cosmetics markets as well as corresponding primary and intermediate products. The Group therefore already covers a substantial part of the value added chain for detergent substances.

Its portfolio comprises production as well as services for national and international customers in the chemical industry, including contract production, logistics and laboratory services. HANSA Group also trades in various chemical and electronic products with a particular focus on primary and intermediate chemical products. Technical products include IT and electronic products as well as machine components. The Group portfolio includes around 2,000 products that are sold to customers in Germany and abroad.

The Group has production sites in Düren, Genthin, Greven and Ibbenbüren. In addition, its site in Duisburg deals with marketing, logistics and contract production, while the Wuppertal site is used as a research and development location.

HANSA Group is developing into a leading European provider of care chemicals used in cleaning, care, cosmetics and hygiene products. Plans are to increase the Company's business volume and market share through organic and external growth. The medium and long-term strategy's objective is to successively expand the value added chain and boost the business in high-margin products and services.

Group companies

HANSA GROUP AG is a listed production, trading and service company in the chemical industry. Thanks to its long tradition of trading in fine and industrial chemicals, the Company has excellent international customer and supplier relations. In addition to trading in chemical products, IT and electronics products as well as machine components contribute to sales revenues. HANSA GROUP AG has a production site in Düren, while a wide range of different services is provided from Duisburg. The marketing, sales and administrative centers are located in Duisburg, Berlin and Genthin..

CHEMISCHE FABRIK WIBARCO GmbH, headquartered in Ibbenbüren, produces the ingredients for detergent substances used in the detergents, cleaning agents and cosmetics industries. WIBARCO is the only German producer supplying the global detergents and cleaning agents industries with LAB (linear alkyl benzene). LAB is the base for the detergent base LAS (linear alkyl benzene sulfonate) which, due to it being extremely environmentally friendly, is now the most important ingredient for synthetic detergents.

The history of WIBARCO is the outcome of consistent pursuit of the production of LAB. In 1969, Wintershall AG, of Kassel, Elektro-Chemie Ibbenbüren and the Atlantic Richfield Company, USA, resolved to construct a large plant in Ibbenbüren for the production of this innovative detergent ingredient. Production started in late 1970. Wintershall AG, a BASF group company, acquired all shareholdings after three years; these shares were transferred to BASF, Ludwigshafen, in 1989 and the company became a wholly owned BASF subsidiary as a result. HANSA GROUP AG acquired WIBARCO with effect from December 1, 2007.

WASCHMITTELWERK GENTHIN GmbH, based in Genthin, specializes in the production of detergents and dishwashing products, the granulation of surfactants and polymers and also in the rental and leasing of plants and infrastructural facilities. The company has a modern, highly flexible production and logistics facility with an excellent infrastructure. The Genthin location provides optimum conditions for the production, blending and packing of liquid and powder chemical products. The company's service range also includes contract production, warehousing and logistics. Today, Genthin is able to produce liquid detergents, dishwashing products, cleaning agents and fabric conditioners as well as granulated surfactants. Production conditions in Genthin enable the company to produce of a broad range of product variations and fulfill individual customer requirements. The granulation plant employs the fluidized-bed process for the production of pourable compounds and granulates from surfactant pastes and other feed materials, for example, for the production of detergents. The company performs contract production for third-parties and does not market any of its products for its own portfolio. The establishment of WASCHMITTELWERK GENTHIN GmbH on April 1, 2009, the acquisition of parts of the former Henkel plant at Genthin, and the start of operations on November 1, 2009 marked an important milestone in the expansion of the value added chain and in the Group's focus on care chemicals.

The most recent acquisition, **LUHNS GmbH**, took place in May, 2010. LUHNS, a producer of detergents, cleaning agents and cosmetics, brings to the Group a portfolio focused on branded products, including all-in solutions for market-orientated and individual product specifications. For decades, LUHNS products have been a permanent feature on discounters' shelves in the fields of detergents, household products and body care. LUHNS GmbH currently has one production facility in Greven and an administrative center at its original Wuppertal headquarters. LUHNS, one of the leading manufacturers of branded products with an annual production of some 200 million product units, is one of Europe's leading detergent, cleaning agent and cosmetics packaging firms.

Macroeconomic framework in 2011

Global economic development

The global economy continued growing in 2011, albeit at a slower pace than in the year before. After a promising start to the year, the euro debt crisis, some countries' restrictive interest rate and monetary policies, as well as the earthquake and nuclear disaster in Japan, slowed down developments. The worsening of the Greek debt crisis had an increasingly negative effect on the European stock exchanges in the second half of the year. The level of general uncertainty regarding future developments in Europe rose and investors became reluctant to buy. This led to a drop in demand in the economic sector.

The USA was faced with continuing high unemployment and the country's credit rating had to be lowered by the rating agency Standard & Poor's for the first time since the Second World War. No major countermeasures were taken on account of the political stalemate between Democrats and Republicans.

In 2011, global growth came to 3.8 percent compared to 5.2 percent in the previous year, according to the International Monetary Fund (IMF). Economic performance in individual countries was extremely varied but in most cases fell considerably short of the strong prior-year figures. While the gross domestic product of the emerging markets China and India grew by 9.2 percent and 7.4 percent respectively, that of the USA went up by just 1.8 percent. In 2010, this figure was still 3.0 percent. Japan's gross domestic product shrank by 0.9 percent (4.844 billion USD) as a result of the country's having to cope with the aftermath of the earthquake disaster. Economic performance in the Eurozone rose by 1.6 percent compared to 1.9 percent in the previous year.

Analysts of Commerzbank expect only slight growth in the USA in 2012. China's economic outlook is also a little subdued due to the expected restrictive lending policies, rising wages and salaries, as well as the appreciation of the Renminbi. In the Eurozone, experts are even worried about a possible recession. They believe that the impending government budget consolidations in the peripheral Eurozone countries as well as the uncertainty created by the sovereign debt crisis and the resulting tension in the financial system will all have a negative impact on the economic situation.

Economic development in Germany

Germany's economy developed positively in 2011 thanks to solid domestic demand and a very strong export industry. German exports reached a record level of 1,060 billion euro, 11.4 percent more than in the previous year according to the Federal Statistical Office (Statistisches Bundesamt). Being the third-largest export nation in the world, Germany profited especially from the large demand coming from China and Eastern Europe. In December 2011, however, foreign trade fell sharply on account of the drop in global economic performance.

According to the IMF's estimates, German economic performance rose by 3.0 percent compared to 3.6 percent in the previous year, meaning it had a lot more momentum than the entire Eurozone, which grew by just 1.6 percent. A rise of 0.7 percent is expected for 2012. Analysts of Commerzbank estimate that the high level of uncertainty in the wake of the European sovereign debt crisis will slow down private spending and especially investments in equipment. Weak domestic demand in other European countries could also prove to be a negative factor for exports.

Developments within the chemicals industry

The German companies in the chemical industry increased their sales by 9 percent to 186.5 billion euro in 2011 according to the German Chemical Industry Association (Verband der Chemischen Industrie – VCI). 110.2 billion euro of this amount pertained to business with foreign customers and 76.3 billion euro was generated by domestic sales. Price hikes were another reason for growth in the chemical industry, with prices for chemicals rising by an average 5.0 percent in 2011. Increased feed materials costs were the reason for this development as companies passed them on to customers. The average crude oil price went up by at least 19 percent (WTI) to almost 95 USD per barrel in the reporting period. The chemical industry raised its production by 4.0 percent. The VCI expects sales in the chemical industry to grow by 2.0 percent and production by 1.0 percent in 2012.

The Industrial Association for Body Care and Cleaning Products (Industrieverband Körperpflege- und Waschmittel e.V. – IKW) estimates that the cosmetics and household detergents sub-markets relevant to HANSA Group have grown slightly in 2011. The beauty care segment is expected to generate a volume of 12.6 billion euro, corresponding to a rise of almost 1.0 percent, and the household detergents market 4.3 billion euro (+0.5 percent). The association forecasts sales volumes in both segments to remain on par with the previous year or to rise slightly in 2012.

Significant events in fiscal year 2011

The large investment project in Genthin documents HANSA Group's growth strategy. The Company pushed ahead with the construction of a new surfactant plant at the Genthin site so as to expand the product portfolio and for forward integration in the value added chain. Test runs of the new surfactant plant commenced at the end of November 2011. The long period of snow in winter 2010/2011 delayed construction. This in turn delayed start-up and consequently the generation of sales revenue. Although expenses in 2011 increased as a result, they will not continue to do so in the long term. The Genthin site is now able to produce liquid and granulated surfactants as well as liquid detergents, dishwashing products, cleaning agents and fabric conditioners.

In addition, the large parcel of land in Genthin was developed into a chemical park with additional industries in 2011. Getec Energie AG also completed the construction of the two cogeneration plants. They supply energy to our third-party plants. The Company also moved its headquarters to Genthin.

In 2011, LUHNS GmbH generated revenues of several millions through trading. The volume amount contained in the corresponding master agreement was not fully realized and can therefore continue to contribute to an operational improvement.

The integration of LUHNS GmbH and intensive cooperation in various areas progressed considerably by shifting the company's Bopfingen site to Genthin. The production site was discontinued, as planned, and the production plant was moved to a different location. Due to the size of the project, the unforeseen complexity of the move and the start-up phase, however, unexpectedly high expenses were incurred. These costs are well invested, as costs will start dropping as from 2012 by pooling all plants in Genthin.

The construction of the new surfactants plant, combined with expansion of production capacities at Genthin, is intended to position HANSA Group as one of Germany's leading production and full-service centers in order to ensure continued optimum fulfillment of customers' continuously rising demands for product and service quality. The described projects and activities are clear proof that we will continue pursuing the announced measures for increasing profitability and productivity through growth, strategic co-operations and investments.

Sales and income situation

HANSA Group achieved total sales of 383 million euro during fiscal year 2011. Group sales in 2010 were 356 million euro, corresponding to an increase of almost 7.7 percent. This sales growth was partly due to price hikes and partly to the rise in merchandise. The inclusion of LUHNS GmbH for a period of 12 months also had a positive impact on sales.

The order situation was satisfactory thanks to the economic upturn and reviving demand. Production capacities were fully utilized. Feed materials prices (and the price for oil, in particular, which rose by more than 11 USD/barrel by the end of the year. Crude oil peaked at more than 120 USD/barrel (2010: 80-95 USD/barrel); ethylene prices averaged 1,140 euro/ton, the highest in seven years.) rose simultaneously during the year and could only be partially passed on via sales prices and with a delay. Rising material prices, increased expenses resulting from the delay of the surfactants plant project and unexpected expenses in connection with moving production from Bopfingen all had a negative effect on the result.

Revenue breakdown by segments and regions

HANSA Group's business activities differentiate between the Production and Services segment, on the one hand, and traditional trading operations, on the other.

The Production and Services segment is particularly important for HANSA Group's positive long-term development. HANSA Group nevertheless continues its operations in all segments in order to assure successful growth in the future. The Production and Services segment, for instance, contributed 240 million euro to sales revenue in the past fiscal year (previous year: 261 million euro) despite its sales dropping by 8 percent due to a change in the strategic customer segment.

At the same time, business developed positively in the Trade segment, which generated 143 million euro, corresponding to a rise of 51 percent. LUHNS GmbH's trading activities primarily contributed to this development. These resulted from an agreement whose total volume was utilized to 50 percent in fiscal year 2011. The remaining order volume will therefore (under certain circumstances) be able to improve the Company's operations in the coming year, including the planned sales and product price increases. In addition, the sales of machine components contributed to sales rising in the Trade segment. In the previous year, sales came to 95 million euro in the Trade segment.

HANSA Group's sales revenue per region break down as follows: 162 million euro (previous year: 159 million euro) in Germany and some 221 million euro (previous year: 197 million euro) within the European Union and the rest of the world (RoW). The 2 percent rise in sales in Germany is the result of the focus of the subsidiaries' business activities, especially the complete accounting of LUHNS GmbH. The rise in sales in the rest of the world is mainly due to additional income from companies in neighboring countries.

Operating result

HANSA Group reported earnings before interest and tax (EBIT) totaling 12.2 million euro in the reporting period, compared to 10.2 million euro in 2010. Other operating income of 4.1 million euro in 2011 (previous year: 14.5 million euro) primarily pertained to insurance refunds. The previous year's figure mainly contains the disposal of trademark rights as well as the assumption of social plan obligations. Group EBIT amounted to 18.2 million euro (previous year: 16.1 million euro), adjusted for the write-downs on the hidden reserves of all Group companies disclosed during the purchase-price allocation.

In terms of percentage, HANSA Group's material expenses dropped from 75.6 percent to 71.6 percent of sales during the reporting year. Absolute material expenses were therefore 274.5 million euro in fiscal year 2011 compared to 269.3 million euro in 2010, corresponding to an absolute year-on-year change of 5.2 million euro. The rise in material usage efficiency resulted in part from the increase in sales and reported provision income in the Trade segment.

Personnel expenses rose from 8.7 percent to 9.1 percent in relation to sales. The rise in personnel expenses of 4.1 million euro in the past year was caused by the complete accounting of LUHNS GmbH, the increased headcount at WASCHMITTELWERK GENTHIN GmbH (2011: 190 employees; 2010: 141 employees) as well as an adjustment of wages and salaries in accordance with collective wage agreements. Absolute figures amounted to 35 million euro in the reporting year compared to 30.8 million euro in the previous year. HANSA Group employed a total of 655 persons as at December 31, 2011 (previous year: 644 persons).

The increase in other operating expenses of 6.6 million euro, from 50.9 million euro in 2010 to 57.5 million euro in 2011, was the result of the inclusion of LUHNS GmbH for a 12-month period, the unexpected expenses in connection with the move of production and the start-up of test runs of the new surfactant plant.

Depreciation and amortization for the fiscal year amounted to 13.3 million euro (previous year: 11.4 million euro), and included 6 million euro in write-downs from purchase-price allocations (previous year: 6 million euro). The rise in depreciation and amortization is primarily due to the complete accounting of LUHNS GmbH (+1.5 million year on year).

Return on sales remained constant at 1.1 percent in 2011 compared to 0.9 percent in 2010. The EBIT margin rose from 2.9 percent in the previous year to 3.2 percent. The move of production from Bopfingen, as well as the delayed start-up and expansion of the Genthin site impacted the Group's operating results in the past fiscal year. The Group companies, with their specific ranking within the value added chain, were integrated and optimization measures implemented in order to enhance profitability. As such integration and start-up processes are of a rather long-term nature, sustainable increases in the profitability indicators cannot be achieved in the short term.

Earnings per share (diluted and undiluted) rose from 0.07 euro in 2010 to 0.09 euro in the reporting year.

Net assets and financial position

HANSA Group's consolidated total assets as of December 31, 2011 amounted to 406.0 million euro (total assets as of December 2010: 371.6 million euro).

While in the previous year intangible assets went up steeply by 40.6 million euro on account of the takeover of LUHNS GmbH, there were only insignificant changes in the reporting year. The 2.5 million euro decline in intangible assets, from 45.6 million euro in the previous year to 43.1 million euro, relates only to regular depreciation and amortization.

Other property, plant and equipment also went up only slightly from 208.2 million euro in 2010 to 217.3 million euro as of December 31, 2011. The 9.1 million euro rise primarily resulted from the increase in prepayments and assets under construction. These mainly pertained to additions for WASCHMITTELWERK GENTHIN in connection with the completion of the surfactants plant (2011: 51.3 million euro, previous year: 39.4 million euro).

Inventories dropped by less than 0.7 million euro year-on-year as of the balance sheet date, primarily on account of the fall in prepayments made of 10.1 million euro and the increase in feedstocks of 5.4 million euro and finished goods of 3.4 million euro.

Trade receivables went up from 23.6 million euro to 36.6 million euro. This rise of approximately 13 million euro was essentially the result of the change in the level of receivables at HANSA GROUP AG as in 2011; after the sale of receivables during the LUHNS acquisition in 2010, receivables started to reach normal levels again in 2011 corresponding to the high sales volume. Furthermore, the volume of sold receivables was 5.3 million euro down year-on-year due to the change from traditional factoring to the ABS program, which applies throughout the Group. The volume of sold receivables amounted to 29.4 million euro as of the reporting date, compared to 34.7 million euro in 2010.

Other current receivables increased by 6.9 million euro compared to the previous year and were 29.7 million euro as at December 31, 2011 (previous year: 22.9 million euro). The rise was primarily the result of an increase in LUHNS GmbH's receivables of 4.7 million euro from Savanna AG as well as the rise in receivables from LUHNS' factoring company (+3.4 million euro year on year).

Cash and cash equivalents , at around 7 million euro, were above the figure of the previous year due to prepayments received as of the balance sheet date. As at December 31, 2011, cash and cash equivalents amounted to 9.7 million euro (previous year: 15.4 million euro). Further explanatory notes can be found in the “Financial management” section.

The Company had bank deposits to the amount of 34.1 million euro as at the balance sheet date (December 31, 2010: 27 million euro). This trend can be attributed, among other things, to prepayments received at the end of the fiscal year for outstanding deliveries. Approximately 53 percent of available current account credit lines were drawn. Around 50 million euro was available as liquid funds as of the balance sheet date (previous year: 50.4 million euro). Financing instruments such as bank loans, current account credit lines, guaranteed credit lines, forfaiting, factoring, the ABS program and reverse factoring are used in order to avoid liquidity risks. Capital can also be raised in the short to medium-term in order to assure future liquidity. The authorizations necessary for this purpose were adopted at the Annual General Meetings.

Equity amounted to 98 million euro as at December 31, 2011 (December 31, 2010: 94 million euro). The equity ratio fell from 25.3 percent by a moderate 1.2 percent to 24.1 percent as a result of increased total assets. Return on equity (ROE) went up slightly from 3.5 percent in 2010 to 4.3 percent in fiscal year 2011.

Financial liabilities rose to 106 million euro (December 31, 2010: 89.9 million euro). The 16.1 million euro rise mainly resulted from two new loans of 5.0 million euro each and the increased use of the current account credit line. Loan agreements amounting to 37.3 million euro, of which some 34.4 million euro had been used as of the balance sheet date, were concluded in order to finance the investment project at the Genthin site (used in 2010: 30.0 million euro). The provision of these loans is subject to compliance with certain financial indicators (covenants) on the basis of the consolidated financial statements, which had to be fulfilled for the first time as of December 31, 2009. These covenants were met again in full in 2011.

Trade payables (December 31, 2011: 98.7 million euro, previous year: 72.4 million euro) increased primarily on account of a rise in feed materials prices and due to the higher purchasing volume of feed materials, which HANSA GROUP AG also procured centrally for all subsidiaries in 2011. As a consequence, total liabilities went up by 26.3 million euro. The main change in other liabilities resulted from the drop in prepayments received for orders, from 39.3 million as at December 31, 2010 to 25.9 million as at December 31, 2011. Total other liabilities went down by 3.1 million euro to 42.7 million euro (previous year: 45.8 million euro).

Overall assessment of the economic situation

The Management Board assessed the Group’s economic situation and development as being positive overall at the time of preparing this management report. Some of the decisions made in 2010 and 2011 have already been implemented. The differences between forecasted and actual business developments in 2011 were mainly due to the complete accounting of LUHNS GmbH and the additional income from the brokerage agreement as well as the one-time additional expenses relating to the unexpectedly high degree of complexity involved in shifting production.

However, the macroeconomic performance as well as Group developments provide a sound basis for continuing profitable growth. The surfactant plant, which was largely completed in 2011 at the Genthin site, and the further optimization of the value added chain provide perfect conditions for future positive performance at HANSA Group.

Investments

Investments in property, plant and equipment, and intangible assets totaled 23.3 million euro in the reporting year (previous year: 35.8 million euro). The investment ratio was, correspondingly, 6.0 percent of sales, as against 10.0 percent in the previous year. A total of 12.8 million euro was invested in the Production and Services segment (previous year: 25.7 million euro). These investments essentially took the form of additions to assets under construction for the new surfactants plant of WASCHMITTELWERK GENTHIN. Investments in the Trade segment amounted to 10.4 million euro (previous year: 9.5 million euro).

REACH and GHS

A registration document for each chemical substance that is produced or imported in excess of 1,000 tons per year was submitted by the end of 2010. The dossiers were drafted in cooperation with other surfactant producers, in the context of REACH consortia specially established for this purpose. Work is already underway for the second registration phase in 2013. On the basis of present knowledge and circumstances, HANSA Group has therefore carried out all the necessary registrations.

All products that are relevant for the business of HANSA Group were pre-registered in accordance with the REACH directive. These REACH registrations ensure that the company-produced substances can be marketed. The main focus was, above all, on the assurance of surfactant production. A total of nine registrations were submitted for the Company's production sites. The expenses, which were primarily incurred in 2011 for pre-registering the products made in Genthin, came to 0.09 million euro. Expenses for REACH in 2010 were 0.28 million euro.

Research and development expense

HANSA Group did not incur any research and development expenses during the reporting year. All development projects conducted by the Company's laboratories are performed on behalf of customers and invoiced directly to them.

Safety, health, environmental (SHE) and quality management

HANSA Group operates commercial-scale chemicals plants and laboratories, a fact which necessitates strict compliance with safety, health and environmental (SHE) as well as waste management and disposal legislation. The Company is also committed to the “Responsible Care” initiative. Irrespective of legal requirements, this global initiative for responsible actions demonstrates the chemical industry's intention to continuously improve the performance of chemical industry companies in the vital fields of environment, safety and health, and to publicize the progress made at regular intervals. For this reason, specially trained officers at every HANSA Group site enforce adherence to the relevant legal and administrative regulations for the wellbeing and safety of employees' health and the environment.

Constantly high product and service quality and customer satisfaction are assured on a long-term basis by means of a strategic quality management system based on DIN EN ISO/IEC 17025:2005 for test and calibration laboratories. The relevant accreditation is valid until 2014 and is verified by means of regular monitoring audits. With this quality management system, we document the traceability of measured data – indispensable for quality analyses and in case of any liability claims – and the continuous optimization of our processes. This accreditation verifies that we fulfill both our own quality standards and our customers' requirements.

Personnel

As of the balance sheet date on December 31, 2011, HANSA Group employed a total of 655 persons at its Berlin, Düren, Duisburg, Genthin, Greven, Ibbenbüren and Wuppertal sites (previous year: 644 persons). A total of 265 persons are employed in administrative functions (previous year: 263 persons) and 390 persons in production (previous year: 381 persons).

To ensure the continuous professional development of its staff, the Group's employees receive practical support in the form of numerous qualification and training measures, with the aim of expanding and strengthening their professional, social, and personal skills.

Significant events after the balance sheet date

At the beginning of 2012, the announced change to the Prime Standard was implemented, meaning that the Company's stock market activities kept pace with Company developments.

Participation in investor relations events and maintaining contact with stock market services, financial publications, analysts and banks helped to improve the HANSA GROUP share's position on the stock market. By changing to the Prime Standard, the Company's consistent capital market orientation has switched its focus to institutional investors. The Prime Standard provides the highest transparency and publicity requirements in Europe for investors.

The Supervisory Board of HANSA GROUP AG appointed Dr. Volker Bauer to the Management Board with responsibility for production effective January 1, 2012 . This is the Supervisory Board's reaction to developments in the Production segment. The former Henkel manager strengthens the Company's Management team at a time when HANSA GROUP AG is just about to experience further growth created by the new surfactant plant in Genthin.

Since a few weeks back, following a construction period of some two years, FAS (fatty alcohol sulfates for dishwashing liquids, and for mild, woolens and all-in-one detergents), FAES (fatty alcohol ether sulfates for mild detergents, soaps and dishwashing liquids), ABS (alkyl benzene sulfonates for the production of detergents and domestic cleaning products) and AOS (olefin sulfonates for special and industrial cleaning agents) can now be produced in Genthin. This has increased HANSA Group's surfactants production capacities to around 130,000 tons per year.

The successful production start of the surfactants plant in Genthin, the expansion of the Genthin site and the initiated restructuring activities are all long-term measures that will have a positive effect on the Company's performance and therefore its sustained share price development.

Significant events since the end of fiscal year 2011 also included a change in the liquidity situation. Liquid funds came to 24.8 million euro as of mid-April (previous year: 40.2 million euro). Increased payment flows did not result in any liquidity shortfalls.

Shifting one of the sites, introducing the GPM standard at the Genthin site and the start-up of the surfactant plant increased the liquidity requirements of

WASCHMITTELWERK GENTHIN GmbH and LUHNS GmbH. HANSA GROUP AG submitted a letter of comfort which expires on December 31, 2014 to secure the future development of the subsidiaries. The Group also obliged itself to pay a total of 8 million euro into capital reserves should this become necessary for the subsidiaries.

Risk management and internal control system

As an international company, HANSA Group is exposed to a large range of risks. These risks are inextricably linked to all of its business activities. In order to monitor these risks, to control them actively and to make them manageable, internal risk management, as defined by the German Control and Transparency in Business Act (German abbreviation: KonTraG), is required.

HANSA Group's risk management system is a control and monitoring system aimed at managing the opportunities and risks of future business development and integrating this into the Company's business activities. Special risk officers, the persons responsible for the individual departments and the Management Board are actively and passively involved in the system and receive comprehensive reports at regular intervals or immediately, if necessary. The Management Board is regularly informed about current developments by means of a comprehensive reporting system.

The existing risk management system is a dynamic permanent monitoring system and therefore achieves continuous improvement of its efficiency. A control system has been established to monitor business activities. To this end, budgets, plans and targets are defined and monitored at regular intervals on the basis of a target/performance comparison. This enables appropriate measures to be initiated promptly. All Group companies and subsidiaries are equally integrated into this system. The control system is an important element in all business processes and internal decisions.

Opportunities and risks of future development

Unlike many other companies in the chemical industry, HANSA Group has specific strategic advantages which it exploits extremely well within its sector to achieve continued future growth. The Group focuses on care chemicals and consumer products, and consequently, above all, on detergents, cleaning agents and body care products, all of which are relatively immune to economic fluctuations. Given the current spectrum of production activities, additional potentials for improving margins still remain at present for this product group, both via downward integration and greater depth of production. Services for the chemical industry, for which there is steadily increasing demand, will also contribute to a further positive trend in operating results.

HANSA Group's positive development perspectives provide opportunities as well as demands and risks, which must respectively be exploited, met and averted. The rapid growth in sales and the associated structural changes during the previous years necessitate, among other things, the judicious modification of the Company's organizational structures and continuous monitoring of all risks identified.

Financial management

In order to minimize **default risk**, collateral, such as retention of ownership, guarantees or credit insurances, depending on the nature and amount of the particular transaction, is required. Neither during the reporting year nor in previous years has HANSA Group recorded any significant defaults or made adjustments to receivables to allow for potential defaults.

HANSA Group is exposed to **currency and price risks** in the course of its normal business activities. Derivative financial instruments are used in cases in which hedging is intended. They are only used to cover items, receivables and planned transactions resulting from ongoing business operations. Derivative financial instruments expose the Group to a credit risk resulting from non-fulfillment of contractual agreements by the other party. Such transactions are therefore conducted solely with banks. Long-term loans at fixed rates of interest are taken and variable rates of interest hedged by means of derivative financial instruments in order to minimize **interest-rate risks** in the context of refinancing. There is a basic risk of a change in interest rates, but no negative effects are anticipated due to, among other things, the inclusion of these factors in price calculation. No significant financial risks were apparent within HANSA Group at the time of the preparation of this management report. Disclosures on financial instruments are described and explained in detail in the consolidated notes (26).

The long payment periods allowed for exports are a typical feature of the chemical industry. Although there is a **liquidity risk**, it may be considered low due to the use of long-term financial instruments, especially receivables financing in the form of the ABS program, and additional measures taken to safeguard liquidity in the form of credit lines.

Assuring adequate liquidity at all times is a central function of HANSA Group's financial management. The Company's financial reporting system supplies information on the actual financial status and anticipated cash flows of the individual Group companies. It is therefore possible to obtain an up-to-date picture of the trend in the Group's liquidity at any time. Subsidiaries are only authorized to take up lines of credit directly in individual cases, namely those instances in which the use of local credit markets offers economic benefits. HANSA GROUP AG is responsible for coordinating cases in which Group companies take on contingent liabilities. The Company advises and decides the amounts of any guarantees and/or letters of comfort submitted. The pooling of such functions is the fundamental precondition for central control and monitoring of financial risks. In addition, this system also significantly strengthens the negotiating position vis-à-vis banks, business associates, suppliers and customers. Please refer to the information concerning the financial situation for more details of the risks associated with fulfilling certain covenants in conjunction with the granting of loans to WASCHMITTELWERK GENTHIN GmbH and the guarantee in the amount of 37.3 million euro issued by HANSA GROUP AG for this purpose. HANSA Group has at its disposal approved free credit lines in order to assure that the Group has sufficient funds to operate its daily business. The Group had at its disposal current account credit lines amounting to 40 million euro as at December 31, 2010. Of these, around 23.1 million euro had been drawn as of the balance sheet date. Together with bank deposits totaling some 33.1 million euro, available liquidity therefore came to 50 million euro. The risk that expiring credit lines and/or loan agreements will not be extended exists in principle. The Management Board continues to assume that sufficient credit lines and loans will also still be available in the future.

Financial instruments such as forfaiting and factoring are used in order to assure future liquidity and compensate for major pre-financing transactions. WestLB successfully structured a receivables financing program with a 60 million euro transaction volume for HANSA GROUP AG and our subsidiaries CHEMISCHE FABRIK WIBARCO GmbH, LUHNS GmbH and WASCHMITTELWERK GENTHIN GmbH. The ABS program is implemented via the established Compass platform and has a term of five years. The reverse factoring agreement with Coface Finanz GmbH is still in existence and can be utilized up to a volume of 15 million euro. The ABS program replaces the credit lines provided by Coface (28 million euro), PB-Factoring (4 million euro) and Intermarket (15 million euro).

The risk of asset impairment can occur if the assumed interest rate in an impairment test changes or the forecast cash flows decline. Group structures and improved organizational and reporting processes therefore lead us to classify the impairment loss risk for individual assets such as customer relations, brands, technologies and goodwill as minimal in light of the current business environment.

The financing instruments for factoring and reverse factoring are being continuously expanded in order to assure the Group's future solvency and financial stability in the long term. Credit and accounts payable management is also being further improved by means, for example, of optimizing the dunning system and creditworthiness analyses, shortening/lengthening of settlement periods, etc. In addition, the Annual General Meeting has approved a number of provisions for increasing the Company's capital stock, which can be used for refinancing the investments made in recent years, improving balance sheet ratios by strengthening the equity base and, possibly, for the repayment of borrowed capital.

Market risk

The markets in which HANSA Group operates are subject to intense competition and volatility in feed materials prices, both chiefly reflected in achievable sales prices. In order to counteract such **sales risks**, the Company aims to increase value creation via its own production and to tap other new sales markets. In addition, further independence from economic fluctuations is to be achieved by concentrating on care chemicals and consumer products, since these sectors are less exposed to cyclical variations in demand. The expansion of activities associated with the acquisition of LUHNS GmbH serves precisely this purpose. It will be necessary to fulfill the targets set in corporate planning and generate cost-savings and greater production volumes, in particular, for this purpose. Negative market trends and the intensive competition already mentioned could nonetheless impact target fulfillment.

As a chemical industry company, the Group is exposed to the risk of availability and price volatility, in particular in the case of feed materials, primary products and intermediate products for the production of and trading in its products. Such **procurement market risks** were again apparent in the past fiscal year, during which feed materials prices were subject to extreme fluctuations at times. The Company reduces these risks by means of global sourcing and by entering into long-term supply agreements. The operating divisions continuously monitor the relevant markets in order to permit early recognition of risks deriving from procurement markets and the prompt initiation of measures to counteract changes. Commonly available requisites are in all cases covered by an appropriately broad range of different sources. Long-term supply agreements and good contacts with suppliers also serve to keep such procurement market risks as low as possible.

Production risk

For a company such as HANSA Group, with facilities in operation twenty-four hours a day, special importance attaches to the elimination of technical problems and production stoppages. Regular preventative equipment maintenance and unceasing monitoring of all production processes have therefore been integrated into a continuous cycle.

We make use of events that resulted in production losses, fires or environmental damage by analyzing the causes and adjusting safety concepts. WIBARCO GmbH in Ibbenbüren was hit by an explosion and then fire at the end of November. The fire was detected and reported immediately to emergency dispatchers. The chain of emergency information and measures described in the alarm and danger prevention plan were all initiated and implemented effectively. No one was hurt and no negative effects affected the area outside the site. The incident had no significant influence on net assets, financial position and results of operations, as Purchasing ensured supply readiness and the fire damage was covered by property and business interruption insurance policies.

Adherence to all organizational safety and quality provisions is assured by the high level of qualification of the employees involved and via continuous monitoring by the quality management team.

In view of the progress achieved in the construction of the surfactants plant at Genthin, the date for mechanical completion was revised and start-up of the plant rescheduled for the start of the second half of the year. The investment in Genthin will expand the Group's annual surfactants production capacity from its present 30,000 tons to some 130,000 tons. Difficulties in obtaining essential plant components, price increases and/or problems during the test runs of the new production plant may still result in start-up delays, however, with effects on the Group's economic and financial situation being the result.

Legal, political, IT and environmental risks

As an international production company, HANSA GROUP is exposed to risks associated with legal disputes and also official procedures in the context of its normal business operations. Such risks result, for example, from product liability, product defects, competition law, patent law, monopolies law, fiscal law and risks in the field of environmental protection and pollution. Additional risks are associated with an intensification of geopolitical tensions, the destabilization of political systems and the erection of trade barriers. These may result in risks in terms of official permission, export restrictions, sanction lists, etc. We counter these risks by means of binding instructions and guidelines, as well as by considering possible impacts on order processing. We use export credit insurance and specific guarantees if need be to limit possible country-related risks. Necessary training provisions are planned and implemented on a long-term basis. Our responsible actions are also intended to protect the interests of future generations. Appropriate insurance has been taken out, as is customary in our industry, for specific legal and environmental risks. There are always risks associated with IT; these risks could, for example, negatively impact order processing and production. In order to keep such risks as low as possible, we have stable andIT infrastructures installed on a redundant basis, as well as applications that use up-to-date virus and back-up procedures. The employees responsible for this also receive regular training on current information and data-protection requirements. Provisions are recognized for ongoing legal disputes. No significant negative effects on HANSA Group's net assets, financial position and results of operations are to be anticipated at present.

Personnel risks

The Group's success depends considerably on the commitment, motivation and skills of our employees. There are associated risks, including, for example, the possibility of not being able to adequately fill key positions to meet future challenges. The supply of managerial staff from internal sources is supported by a forward-looking succession planning policy. Initial and further training for our employees is assured at all levels in order to ensure the continuous availability of essential professional skills. Employees entrusted with confidential and so-called "insider" information sign undertakings to adhere to the corresponding regulations and to treat this information responsibly.

Outlook

The delayed launch of the new surfactants plant and the transfer of body care production from LUHNS' Bopfingen location to Genthin resulted in a one-off expense in 2011. However, these measures are already expected to bring about short-term synergy effects. The concentration on the Genthin location means that the feedstocks, intermediates and end products are now all produced at the same location, with more efficient use being made of production capacities and costs being reduced. The facility is now producing high-quality surfactants following successful trials. The Company also aims to expand the Genthin location into a high-performance chemical plant. The first cooperation agreements have already been signed and projects with chemical companies realized. What is more, we are in the process of moving some of our suppliers to Genthin in order to shorten delivery channels and make even more savings.

Group structures were improved in fiscal year 2011, making HANSA GROUP AG's operations even more efficient. By swiftly integrating acquired companies we laid the foundations to tap into new markets with large batch sizes and a broadly-diversified range of products. The consolidation of key functional sectors, such as in purchasing, and efficient cooperation between the individual companies is expected to further highlight existing synergies in the future.

The Group's business activities are influenced by both the general economic situation and the stability of the detergents and body care products market. These very strong areas are evidence of our Company's high potential. The subsidiary has allowed us to establish ourselves in a further growth market, that of the manufacturing of branded products, a move that has already seen us move to the number two spot in Germany. We aim to expand our product portfolio and further increase capacities. We reached an important milestone following the start of production at the surfactants plant and can now increase surfactants production four-fold. We aim to use these significantly higher capacities to noticeably increase our share of the surfactants market.

We believe that we are well equipped to again increase sales in fiscal year 2012 given the positive outlook for the chemical industry and our emphasis on the detergents market, which is hardly affected by economic cycles and life-style trends. We expect our earnings to be on par with the previous year. Given that our business model ensures growth, the Management Board continues to be confident that we will continue to hold our own against the competition in the years to come. We are anticipating strong growth in the Production/Service segment, primarily due to the commissioning of the new surfactants plant. The loss of a major LUHNS customer was far offset by winning a new customer. This reflects LUHNS' newly acquired flexibility. The Trade segment will probably achieve only a low level of growth, in view of the continuing price pressure on feed materials markets. Orders on hand at the start of 2012 make us confident that sales revenue will rise by between 2.0 and 3.0 percent. However, current economic developments in some EU countries could result in economically difficult general conditions for HANSA Group, with possible effects on sales and payment behavior in particular. Sales are likely to rise in light of rising feed materials prices. The effects on margins and income/losses from operations will probably be relatively slight, however, since such a change in sales would be primarily the result of prices, and would be associated with further passing-on of the burden to customers.

The great influence of feed materials prices makes it very difficult to formulate a forecast for fiscal year 2013. On the assumption of otherwise constant conditions, we anticipate sales growth of between 3.0 and 5.0 percent, and a slight year-on-year rise in net income for the year. We have continued and intensified our measures aimed at cutting costs and enhancing efficiency by optimizing the Group's production program, streamlining organizational structures, etc., in order to permanently improve the net income situation in all sectors of our business. A more detailed statement concerning the result will be possible only in the course of the current fiscal year, once developments and trends in the global economy and markets become more predictable.

In order to assure the continued dynamic growth of the Group in the years to come, additional provisions for the strengthening of our stock market presence are currently planned, and are intended to support a possible capital increase. The Annual General Meeting has therefore approved several capital increase measures, which can be used to refinance the investments made in recent years, and improve balance sheet ratios by reinforcing the equity base and possibly also repaying borrowed capital.

Basic principles of the remuneration system for the HANSA GROUP AG Supervisory Board and Management Board

The amount and structure of the Management Board's remuneration comprise fixed and variable components. The amount of the fixed salary is based on the function exercised, responsibility and length of service with the Company. The variable component consists of a performance-based bonus payment derived from Group EBIT. A pension entitlement, for which a provision was formed during the current fiscal year, also exists for one member of the Management Board. In addition, benefits are paid, primarily related to the taxable value of the personal use of a company car. The standard insurance policies, including financial-liability insurance, in the form of a so-called "Directors & Officers Insurance", also exist for the members of the Management Board.

Members of the Supervisory Board receive only a fixed salary plus reimbursement of their out-of-pocket cash expenses. Neither variable remuneration components nor stock options are granted. In the year under review, a total of 40,000 euro was paid to the members of the Supervisory Board. There were no receivables resulting from any advance payments or from the extension of loans to the members of the Supervisory Board at the balance sheet date.

Disclosures in accordance with section 315 (4) of the German Commercial Code (HGB)

Section 315 (4) No. 1 of the German Commercial Code

The capital stock of the Company is 48,077,900 euro and is divided into 48,077,900 no-par bearer shares at a par value of 1.00 euro per share. These no-par shares are voting shares of the same class of shares. Each no-par share entitles the holder to one vote at the Annual General Meeting. At present, the Company does not hold any treasury shares.

Section 315 (4) no. 2 of the German Commercial Code

According to the Articles of Association, there are no restrictions on voting rights or the transfer of shares, and the Company's Management Board is not aware of any restrictions which might result from agreements between the shareholders.

GROUP MANAGEMENT REPORT
CONSOLIDATED BALANCE SHEET
CONSOLIDATED INCOME STATEMENT
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
CONSOLIDATED CASH FLOW STATEMENT
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUDITOR'S REPORT
STATEMENT BY LEGAL REPRESENTATIVES

Section 315 (4) no. 3 of the German Commercial Code

The following direct or indirect shareholdings in the capital of the Company which exceed ten percent of the voting rights exist:

SHAREHOLDER	directly held shares in %
UNITED EUROPEAN INVESTMENT AG, Switzerland	24.96
HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International AG, Switzerland	17.8

SHAREHOLDER	indirectly held shares in %
HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International AG, Switzerland	24.96

Section 315 (4) no. 4 of the German Commercial Code

At the Company, there are no shares with special rights which would confer rights to control; therefore no bearers of shares have any special rights conferring authority to control the Company.

Section 315 (4) no. 5 of the German Commercial Code

There is no voting control in accordance with section 289 (4) no. 5 of the German Commercial Code.

Section 315 (4) no. 6 of the German Commercial Code

In accordance with Art. 6 of the Company's Articles of Association, the Company's Management Board consists of one or several people. The Supervisory Board appoints the members and determines their number. The Supervisory Board can appoint a chairman or speaker and one or more deputy chairmen. In all other matters, the appointment and dismissal of the members of the Management Board is governed by the statutory regulations of sections 84 and 85 of the German Stock Corporation Act (AktG).

All amendments to the Articles of Association are, in principle, subject to statutory regulations in accordance with sections 133 and 179 of the German Stock Corporation Act (AktG). However, in addition to a simple majority of the votes cast in accordance to section 133 (1) of the AktG, Art. 5 of the Company's Articles of Association states that resolutions by the Annual General Meeting only require a simple majority of the share capital represented at the time the resolution is voted on (in a permissible deviation from the statutory provisions of section 179 (2) sentence 1 of the AktG, which requires a majority of at least three quarters of the subscribed capital represented).

Section 315 (4) no. 7 of the German Commercial Code

1.) Approved capital

The Management Board is authorized until May 22, 2014, upon agreement by the Supervisory Board, to increase the Company's capital stock on one or more occasions by up to a total of 24,024,700.00 euro via the issue of new bearer shares in the form of no-par shares against cash payment and/or contribution in kind. The complete authorization and, in particular, the preconditions for exclusion of the shareholders' subscription right, derive from Art. 4 (3) of the Articles of Association of HANSA GROUP AG.

2.) Authorization to issue convertible bonds, bonds with warrants, profit-sharing rights and/or income bonds (or combinations of such instruments)

The Management Board has further been authorized, subject to the approval of the Supervisory Board, to issue bearer or registered convertible bonds, bonds with warrants, profit-sharing rights or income bonds (or combinations of such instruments) with a total face value of up to 40,000,000.00 euro on one or more occasions up to August 23, 2012, with or without restriction of term, and to grant conversion rights or options on no-par shares of the Company to the bondholders or creditors of bonds in a proportionate amount of the capital stock up to a total of 23,381,200.00 euro, subject to the specific details of the bond terms.

The bonds may also be issued – where the raising of funds serves the financing interests of the Group – by a company in which HANSA GROUP AG directly or indirectly holds a majority interest; in such cases the Management Board will be authorized to furnish the guarantee for the bonds and to grant conversion rights or options on no-par bearer shares of the Company to the bondholders, subject to the approval of the Supervisory Board.

The entire authorization and, in particular, the preconditions for exclusion of shareholders' subscription rights and for the issue and features of the bonds and for the stipulation of the conditions, derives from Item 6 of the Agenda of the Annual General Meeting and the corresponding resolution of the Annual General Meeting of August 24, 2007.

3.) Conditional capital

In accordance with Article 4 (3) of the Articles of Association of HANSA GROUP AG, the capital stock of the Company has been conditionally increased by up to 23,381,200.00 euro by issuing up to 23,381,200 new no-par bearer shares (Conditional Capital I). The increase in conditional capital is used exclusively to grant shares to the bearers and/or the creditors of bonds with conversion rights and/or bonds with warrants, income bonds and/or profit-sharing rights which are issued against cash payment by the Company or by a company in which the Company has a direct or indirect majority interest, on the basis of the authorization adopted by resolution of the Annual General Meeting of August 24, 2007, under Agenda Item 5, and which grant a conversion right / option on new shares and/or create a conversion obligation.

The increase in conditional capital will be implemented only to the extent that use is made of options and conversion rights or to the extent to which the holders and/or creditors obliged to conversion actually fulfill their conversion obligation, and only provided no own shares or new shares from utilization of the conditional capital are used for this purpose. The new shares will participate in profits from the start of the business in which they are created as a result of the exercise of options and/or conversion rights or as a result of the fulfillment of conversion obligations.

4.) Issue of profit-sharing rights

The Management Board is also authorized to issue profit-sharing rights not tied to conversion rights or options on shares in the Company, with or without restriction of term, on one or more occasions until August 23, 2012 and upon agreement by the Supervisory Board. The total amount of the profit-sharing rights issued on the basis of this authorization shall not exceed a total of 40,000,000.00 euro.

The profit-sharing rights may be of bearer or registered type and may, where the raising of funds serves the financing interests of the Group, also be issued by companies in which HANSA GROUP AG directly or indirectly holds a majority interest. In such cases, the Management Board is authorized upon approval by the Supervisory board to assume guarantee for the profit-sharing rights on behalf of the Company.

The shareholders shall in all cases be deemed entitled to a subscription right in the case of issue of profit-sharing rights. The profit-sharing rights may also be transferred to a third party and, in particular, to a bank or a bank consortium, with the proviso that they be offered to the shareholders for subscription. The Management Board is, however, authorized, upon agreement by the Supervisory Board, to exclude the shareholders' subscription right in certain cases.

Full authorization and, in particular, the stipulation of further details of the issue and features of the profit-sharing rights, and for exclusion of shareholders' subscription rights, derives from Item 5 of the Agenda and the corresponding resolution of the Annual General Meeting of August 24, 2007.

5.) Authorization to acquire and sell treasury shares

The Management Board is authorized to acquire treasury shares up to a maximum of 10 percent of the capital stock. However, the acquired shares, together with any treasury shares acquired for other reasons that are held by or allocated to the Company in accordance with sections 71a et seq. of the AktG, may at no time exceed 10 percent of the Company's share capital. The authorization to acquire treasury shares is valid until July 1, 2015 and may be exercised by the Company in full or in part on one or more occasions.

The Management Board may elect to acquire the shares on the stock exchange, via a public tender offer addressed to all shareholders or via a public request for offers of sale addressed to the Company's shareholders.

The Management Board is authorized in accordance with the provisions of the authorization to withdraw or to dispose with exclusion of the shareholders' subscription right of treasury shares acquired on the basis of this or of a previously issued authorization.

The authorization to acquire treasury shares, to withdraw and resell them within the above-mentioned maximum limit may be exercised in full or in part on one or more occasions by the Company or, at the discretion of the Management Board, by the Company's associated companies or by third parties on behalf of the Company or of the associated companies.

The full and exact wording of the authorization to acquire treasury shares and particularly the permissible uses to which the shares may be put, can be found in Item 5 of the Agenda of the Annual General Meeting and the corresponding resolution of July 2, 2010.

HANSA GROUP AG did not, however, exercise during the reporting period this facility for buying back up to 10 percent of the outstanding shares. The Company does not currently hold any treasury shares.

No share options existed as of December 31, 2011.

Section 315 (4) no. 8 of the German Commercial Code

The agreement on the mezzanine financing with HSBC Trinkaus & Burkhardt AG, with a volume of 12 million euro and valid until 2014, as well as the ABS program agreement with WestLB, with lines of 60 million euro and valid until 2016, contain a bilateral extraordinary right of termination in the event that the shares of HANSA GROUP AG are sold, pledged, or otherwise encumbered, or in the event of a conversion of these shares, and in the event of any change of control in terms of the acquisition of a majority interest in accordance with section 16 of the German Stock Corporation Act (AktG) by any party which so far has not yet held a majority interest in the debtor.

With the above exception, the Company has not concluded any significant agreements that would be subject to the condition of a change of control as a consequence of a takeover bid.

Section 315 (4) no. 9 of the German Commercial Code

The Company has no compensation agreements with the members of the Board of Management or with employees in the event of a takeover bid.

Notes on the internal control and risk management system with respect to the financial reporting process in accordance with section 315 (2) no. 5 of the German Commercial Code (HGB)

HANSA Group aims to ensure the propriety and correctness of its financial reporting, adherence to the relevant legal provisions and adherence to international financial reporting standards using appropriate organizational measures and provisions. Prompt availability of information for the purpose of management and steering of the Company is also an important priority.

HANSA GROUP AG operates an internal control system for the Group accounting processes, via which appropriate structures, processes and procedures are specified and implemented. This system is designed to guarantee timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with statutory regulations and accounting reporting standards. The relevance and consequences for the consolidated financial statements of any amendments to laws, accounting or financial reporting standards or other pronouncements are continually analyzed, and changes are made accordingly. Uniform accounting procedures and measurement in accordance with IFRS are assured for all companies included in the scope of consolidation for the Group annual financial statements by means of corresponding processes and procedures implemented at the parent company.

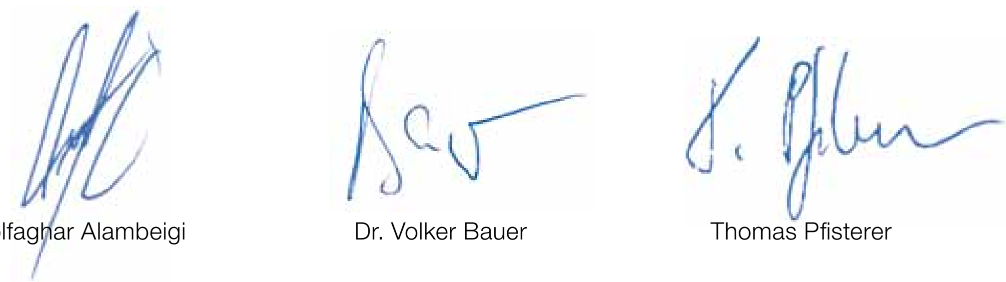
The essential features of HANSA GROUP AG's internal control system with respect to the financial reporting process can be defined as follows:

- The Company has a clearly defined organizational, corporate, controlling and monitoring structure.
- Appropriate financial IT systems are used (standard software modified to meet company-specific needs), augmented, inter alia, by the registration of all incoming invoices without exception in an archive system immediately upon receipt.
- Detailed authorization concepts for assurance of issue of authorizations appropriate to the individual's functions, taking account of the principles of separation of function, are applied.
- Suitable controls are installed (including the dual control principle and analytical checks) for all procedures and processes relevant to financial reporting.
- The departments involved in the financial reporting process meet the quantitative and qualitative requirements.
- External experts are consulted where necessary, as in the case, for example, of support in the preparing of the Group's annual financial statements, of the measurement of pension obligations, and of necessary consulting in case of new and/or amended legislation and regulations.
- Financial data is regularly spot checked for completeness and correctness.

Responsibility for organization and for business processes is borne centrally by the management of the Finance and Accounting departments.

Financial-reporting analysis of the risk management system is concerned with the hazards resulting from incorrect presentation of financial data. The internal control and risk management system assures complete and correct booking of all transactions and the preparing of the Group annual financial statement with respect to the financial-reporting process.

Genthin, May 24, 2012
HANSA GROUP AG
The Management Board



Zolfaghar Alambeigi | Dr. Volker Bauer | Thomas Pfisterer

CONSOLIDATED BALANCE SHEET

ASSETS

	Notes	31.12.2011 in EUR	31.12.2010 in EUR
NON-CURRENT ASSETS			
I. Intangible assets	[1]	43,104,750	45,556,053
II. Investment property	[2]	652,785	336,256
III. Property, plant and equipment	[3]	217,324,872	208,208,821
IV. Other non-current financial assets	[4]	198,872	325,171
V. Other non-current receivables and other non-current assets	[5]	352,788	632,961
VI. Actual tax assets	[6]	103,937	0
VII. Deferred tax assets	[6]	2,347,687	931,135
		264,085,689	**255,990,397**
CURRENT ASSETS			
I. Inventories	[7]	41,395,789	42,115,338
II. Trade receivables	[8]	36,613,079	23,595,369
III. Other current receivables and assets	[8]	29,744,402	22,864,008
IV. Cash and cash equivalents	[9]	34,124,629	27,045,367
		141,877,900	**115,620,082**
TOTAL ASSETS		**405,963,589**	**371,610,479**

EQUITY AND LIABILITIES

	Notes	31.12.2011 in EUR	31.12.2010 in EUR
EQUITY			
I, Subscribed capital		48,077,900	48,077,900
II. Capital reserves		6,531,924	6,531,924
III. Retained earnings		-4,392,948	-4,145,836
IV. Retained profits/accumulated losses brought forward		43,512,432	40,261,227
V. Net income for the year		4,227,928	3,251,205
	[10]	**97,957,236**	**93,976,420**
NON-CURRENT LIABILITIES			
I. Non-current provisions for pensions	[11]	7,023,633	6,988,286
II. Other non-current provisions	[12]	1,410,014	1,700,826
III. Financial liabilities	[13]	52,798,235	41,481,687
IV. Deferred tax liabilities	[15]	43,915,304	47,119,836
		105,147,185	**97,290,634**
CURRENT LIABILITIES			
I. Current provisions for pensions	[11]	174,254	153,811
II. Other current provisions	[12]	1,901,072	5,792,319
III. Other financial liabilities	[13]	53,223,071	48,373,444
IV. Trade payables	[14]	98,695,151	72,383,651
V. Income tax liabilities	[15]	6,124,012	7,810,369
VI. Other current liabilities	[14]	42,741,609	45,829,831
		202,859,168	**180,343,425**
TOTAL EQUITY AND LIABILITIES		**405,963,589**	**371,610,479**

CONSOLIDATED INCOME STATEMENT

	Notes		31.12.2011 in EUR		31.12.2010 in EUR
1, Revenue	[16]	+	383,459,179	+	356,139,961
2. Other operating income	[17]	+	4,085,073	+	14,474,830
3. Changes in inventories of finished goods and work in progress		+	3,121,617	+	1,136,125
4. Other own work capitalized		+	1,842,336	+	756,543
5. Cost of materials	[18]				
a) Cost of raw materials, consumables and supplies, and of purchased materials		./.	261,237,342	./.	258,545,350
b) Cost of purchased services		./.	13,262,339	./.	10,712,621
6. Personnel expenses	[19]				
a) Wages and salaries		./.	29,283,427	./.	26,479,487
b) Social security contributions and pension costs		./.	5,689,027	./.	4,348,853
7. Other operating expenses	[20]	./.	57,484,899	./.	50,851,147
8. EBITDA		**+**	**25,551,171**	**+**	**21,570,001**
9. Depreciation, amortization and impairment losses	[21]	./.	13,319,595	./.	11,354,981
10. EBIT		**+**	**12,231,577**	**+**	**10,215,020**
11. Other interest and similar income	[22]	+	97,768	+	1,316,112
12. Interest and similar expenses	[22]	./.	5,763,450	./.	5,699,007
13. Other financing expenses and income	[23]	./.	130,000	./.	0
14. EBT		**+**	**6,435,894**	**+**	**5,832,125**
15. Income tax expense	[24]	./.	2,207,967	./.	2,580,920
16. Net income		**+**	**4,227,928**	**+**	**3,251,205**
17. Earnings per share					
basic	[25]	**+**	**0.09**	**+**	**0.07**
diluted	[25]	**+**	**0.09**	**+**	**0.07**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM 1.1.2011 TO 31.12.2011

	Notes		31.12.2011 in EUR		31.12.2010 in EUR
Result after income tax		**+**	**4,227,928**	**+**	**3,251,205**
Actuarial gains and losses from defined benefit pension plans and similar obligations	[11]	+	161,559	./.	190,491
Result from reporting of a cash flow hedge		./.	495,155	./.	220,835
Deferred taxes on adjustments recognized directly in equity		+	86,483	+	113,863
Other comprehensive income		**./.**	**247,112**	**./.**	**297,464**
Total comprehensive income		**+**	**3,980,815**	**+**	**2,953,741**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	31.12.2011 in EUR	31.12.2010 in EUR
NET INCOME FOR THE PERIOD AFTER INCOME TAX	[27]	**4,227,928**	**3,251,205**
+/- Write-downs/reversals of write-downs on non-current assets		13,319,595	11,354,981
+/- Write-downs/reversals of write-downs on other non-current financial assets		130,000	0
+/- Increase/decrease in provisions		-1,341,098	2,268,037
+/- Other non-cash income/expenses		-5,971,248	-8,171,717
+/- Other gains/losses on disposals of non-current assets		911,679	-13,751
+/- Income tax income/expense		2,207,967	2,580,920
+/- Interest income/expense		5,665,682	4,382,895
+ Proceeds from income taxes		31,643	58
- Payments for income taxes		-11,084,180	-3,358,736
- Interest payments		-4,798,651	-6,485,280
+ Proceeds from interest		216,047	1,810,691
-/+ Increase/decrease in inventories		719,549	-1,740,879
-/+ Increase/decrease in trade receivables		-6,876,770	-23,885,098
-/+ Increase/decrease in other receivables not allocable to investing or financing activities		-7,884,557	-8,892,579
+/- Increase/decrease in trade payables		26,299,426	22,957,328
+/- Increase/decrease in other liabilities not allocable to investing or financing activities		-14,998,319	33,873,348
= CASH FLOWS FROM OPERATING ACTIVITIES		**774,692**	**29,931,422**
- Payments to acquire intangible assets		-231,436	-309,558
- Payments to acquire property, plant and equipment		-23,076,438	-34,931,311
+ Proceeds from disposals of property, plant and equipment		2,095,325	497,973
- Payments to acquire other financial assets		-3,700	-176,332
+ Tax audit adjustments		0	3,053,696
= CASH FLOWS FROM INVESTING ACTIVITIES		**-21,216,250**	**-31,865,531**
+ Proceeds from stock financing		11,354,646	0
+ Proceeds from issuance of loans		36,731,100	30,049,616
- Repayments of loans		-33,360,162	-1,555,243
= CASH FLOWS FROM FINANCING ACTIVITIES		**14,725,584**	**28,494,374**
Net change in cash and cash equivalents during the period		-5,715,974	26,560,264
+ Cash and cash equivalents at beginning of period		15,442,977	-11,117,287
= CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9,727,003**	**15,442,977**
- of which cash funds		27,073	71,050

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital stock in EUR	Capital reserves in EUR	Retained earnings in EUR	Profits/losses brought forward in EUR	Net income for year in EUR	Total equity in EUR
as of 01.01.2010	**48,077,900**	**6,531,924**	**-3,848,372**	**-5,068,165**	**45,329,392**	**91,022,679**
Assignment to retained profits/accumulated losses brought forward	0	0	0	45,329,392	-45,329,392	0
Stock option plan	0	0	0	0	0	0
Overall result						
Cash Flow Hedge	0	0	-220,835	0	0	-220,835
- Tax	0	0	61,569	0	0	61,569
Actuarial profit/loss from defined benefit pension plans	0	0	-190,491	0	0	-190,491
- Tax	0	0	52,294	0	0	52,294
- Consolidated income					3,251,205	3,251,205
			-297,464		3,251,205	2,953,741
as of 31.12.2010	**48,077,900**	**6,531,924**	**-4,145,836**	**40,261,227**	**3,251,205**	**93,976,420**
as of 01.01.2011	**48,077,900**	**6,531,924**	**-4,145,836**	**40,261,227**	**3,251,205**	**93,976,420**
Assignment to retained profits/accumulated losses brought forward	0	0	0	3,251,205	-3,251,205	0
Stock option plan	0	0	0	0	0	0
Overall result						
Cash Flow Hedge	0	0	-495,155	0	0	-495,155
- Tax	0	0	138,049	0	0	138,049
Actuarial profit/loss from defined benefit pension plans	0	0	161,559	0	0	161,559
- Tax	0	0	-51,566	0	0	-53,954
- Consolidated income	0	0	0	0	4,227,928	3,626,223
			-247,112		4,227,928	3,376,722
as of 31.12.2011	**48,077,900**	**6,531,924**	**-4,392,948**	**43,512,432**	**4,227,928**	**97,353,143**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2011

General information
HANSA Group is an innovative production, service and trading company in the chemical industry. The Company produces high-quality end products for the cleaning agents, detergent and cosmetics markets as well as corresponding primary and intermediate products. The Group therefore already covers a substantial part of the value added chain for detergent substances.

Its portfolio comprises production as well as services for national and international customers in the chemical industry, including contract production, logistics and laboratory services. HANSA Group also trades in various chemical and electronic products with focus on chemical primary and intermediate products. Technical products include IT and electronic products as well as machine components, which rationally round off the Group's portfolio. The Group portfolio includes around 2,000 products that are sold to customers in Germany and abroad.

HANSA GROUP AG has its home offices at Fritz-Henkel-Str. 8, Genthin. The Company has German production locations at Düren, Genthin, Greven and Ibbenbüren. Its site in Duisburg deals with marketing, logistics and contract production and the Wuppertal site is used as a research and development location.

HANSA GROUP has continuously implemented its growth-focused strategy since 2007. This strategy is geared toward optimizing its value chain in the field of Care Chemicals, and is intended to increase the Company's profitability. Thanks to its strategic acquisition of WIBARCO in 2007, the Genthin facilities in 2009 and LUHNS in 2010, HANSA GROUP even now covers large segments of the value chain, and is rapidly developing into a leading integrated European supplier of Care Chemicals for DT and BC products.

HANSA GROUP AG share have been approved for General Standard trading on the Berlin-Bremen, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart and XETRA stock exchanges since May 2005. The Company's shares were approved for Prime Standard trading on the Frankfurt stock exchange effective January 2, 2012.

Pursuant to section 315a of the German Commercial Code (HGB), the consolidated financial statements of HANSA GROUP AG as the reporting parent company for the year ended December 31, 2011 have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which are applicable at the balance sheet date, as adopted by the EU. Prior-year figures have been calculated on the same principles.

Basis of Accounting
Effects of new accounting standards
(1) ACCOUNTING STANDARDS APPLIED FOR THE FIRST TIME DURING THE CURRENT FISCAL YEAR
The annual financial statements for HANSA GROUP AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as are applicable within the European Union (EU), taking account of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The following standards and interpretations applicable from January 1, 2011 onward had no significant effects on the Group's total net assets, financial position and results of operations during the period under review.

The revised IAS 24 "Related Party Disclosures", adopted by the IASB in November 2010, clarifies the definition of a related party and simplifies disclosures for entities that are controlled, jointly controlled or significantly influenced by a government. The revised standards must be applied to fiscal years starting on or after January 1, 2011. The exemptions to disclosure requirements in IAS 24 (2009) do not impact the Group as it is not controlled, jointly controlled or significantly influenced by a government.

The amendments to IAS 32 "Classification of Rights Issues" published by the IASB in October 2009 concern the classification of certain rights issues denominated in a currency other than the functional currency of the issuer. The amended standard must be applied to fiscal years starting on or after February 1, 2010. The amendments to IAS 32 do not impact these consolidated financial statements as the Group did not issue any foreign currency subscription rights in either the current or the past fiscal year. The amendment to IAS 32 will impact the classification of such subscription rights if the Group issues any in the future.

In November 2009, the IASB published an amendment to IFRIC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amended interpretation must be applied to fiscal years starting on or after January 1, 2011. The amendment had no impact on the Group has it had no minimum funding requirements.

The IASB published IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" in November 2009, which regulates the accounting of financial liabilities extinguished by issuing equity instruments. In particular, according to IFRIC 19, the equity instrument would be measured at fair value and any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued would be included in profit or loss. The amended standard must be applied to fiscal years starting on or after July 1, 2010. The initial application had no impact on these consolidated financial statements as the Group did not enter into any such transactions in either the current or past fiscal year.

Specific textual amendments to the existing IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 7 "Financial Instruments", IAS 1 "Presentation of Financial Statements" and IAS 34 "Interim Financial Reporting" have been implemented in addition in the context of the 2010 Annual Improvement Project. IFRIC 13 "Customer Loyalty Programs" was also adjusted in the context of the 2010 Annual Improvement Project. These amendments are applicable for fiscal years starting on or after January 1, 2011.

The amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards", are of no relevance to the Group. The same also applies to IFRIC 13 "Customer Loyalty Programs", which governs the accounting of customer loyalty programs in the context of sales transactions.

IFRS 7 "Financial Instruments" was amended to allow entities to link quantitative and qualitative disclosure requirements on the nature and extent of risks arising from financial instruments, allowing a better assessment of the risks.

IAS 1 “Presentation of Financial Statements” clarified the composition of the consolidated statement of changes in shareholders equity and its components. The adjustment resulted in an analysis by item reported in the consolidated statement of changes in shareholders’ equity or in the notes.

The adjustments to IAS 34 “Interim Financial Reporting” clarifies that all amendments that have come into force since the end of the last fiscal year and that are significant to net assets, financial position and results of operations must be disclosed. In addition, note disclosures have been revisited unless these have already been explained elsewhere.

(2) ACCOUNTING STANDARDS PUBLISHED BUT NOT YET APPLICABLE

The amendments to standards examined below are predominantly applicable as from fiscal year 2012. An indication is given in cases in which the amendments discussed below are to become applicable only at a later time.

The IASB published amendments to IAS 12 “Income Taxes” in December 2010. Under IAS 12, the measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through use or sale. Such assessment is often difficult, in particular when the asset is measured using the fair value model in IAS 40 for investment property. Such assessment is often difficult, in particular when the asset is measured using the fair value model in IAS 40 for investment property. The amended standard must be applied to fiscal years starting on or after January 1, 2012, while earlier application is permitted. Currently, the Management Board is not able to finally assess the impact of the first-time adoption of the new regulations.

In May 2011 the IASB issued three new standards in a so-called “consolidation package” dealing with various aspects of interests in entities: IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. At the same time it issued amended versions of IAS 27 “Separate Financial Statements” (2011) and IAS 28 “Investments in Associates and Joint Ventures” (2011).

- IFRS 10 introduces a single definition for the concept of control for all entities, thus creating a standard basis for determining whether a parent-subsidiary relationship exists and should be included in the scope of consolidation. The standard contains comprehensive guidance for determining whether control exists. It completely replaces SIC-12 “Consolidation – Special Purpose Entities” and partly replaces IAS 27 “Consolidated and Separate Financial Statements”.

- IFRS 11 prescribes the accounting for circumstances in which an entity exercises joint control of a joint venture or joint operation. The new standard replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”.

- IFRS 12 combines in one standard all disclosure requirements for interests in other entities, including interests in subsidiaries, associates, joint arrangements and structured entities. The new standard replaces the previous disclosure requirements in IAS 27 “Consolidated and Separate Financial Statements”, IAS 28 “Investments in Associates”, IAS 31 “Interests in Joint Ventures” and SIC-12 “Consolidation – Special Purpose Entities”.

- The amended IAS 27 now focuses solely on accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when separate financial statements according to IFRS are presented.

- The amended IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The new and amended standards must be applied to fiscal years starting on or after January 1, 2013. Earlier application is permitted, but as well as disclosing the fact it has adopted early, an entity must early-adopt each of IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time. An exception to this requirement exists for IFRS 12; its disclosure requirements may be early-adopted either in full or in part. Currently, the Management Board is not able to finally assess the impact of the adoption of IFRS 10, 11 and 12 – if endorsed by the EU in the current version.

In May 2011 the IASB issued the new standard IFRS 13 "Fair Value Measurement". IFRS 13 contains a definition of fair value and rules on how to determine if other IFRS standards require fair value measurement. The standard itself does not prescribe in which cases fair value is to be used. With the exception of the standards explicitly excluded in IFRS 13, IFRS 13 defines standard disclosure requirements for all assets and liabilities that are measured at fair value, as well as for all assets and liabilities for which disclosure of fair value in the notes to the consolidated financial statements is required. In particular, it widens the disclosure requirements for non-financial assets. The amended standard must be applied to fiscal years starting on or after January 1, 2013, while earlier application is permitted. Comparative information is not required in the first year of application. Currently, the Management Board expects that the adoption of the new standard will result in additional disclosures.

In June 2011 the IASB issued amendments to IAS 1 "Presentation of Financial Statements" under the title "Presentation of Items of Other Comprehensive Income". The amendments require a classification of items presented in other comprehensive income into items that might subsequently be reclassified to the income statement and items that will not. The amendments to IAS 1 must be applied to fiscal years starting on or after July 1, 2012, while earlier application is permitted. Currently, the Management Board does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In June 2011 the IASB issued amendments to IAS 19 "Employee Benefits". The amendments mainly concern the elimination of deferred recognition of actuarial gains and losses (corridor method) in favor of immediate recognition in other comprehensive income in equity, the presentation of changes to net liabilities/assets under defined benefit pension plans, and the recognition of a net interest expense or income resulting from net liabilities or assets of a pension plan. Furthermore, additional disclosure regarding the characteristics of pension plans and the associated risks for the entity is required. The amendment may also impact the accounting of contributions to partial retirement obligations. The amendments to IAS 19 must be applied to fiscal years starting on or after January 1, 2013, while earlier application is permitted. The adoption of the amended standard will not result in additional disclosures.

In October 2011 the IASB issued the IFRIC interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”. The interpretation regulates the accounting for stripping costs in the production phase of a surface mine. The interpretation clarifies under which conditions an asset must be recognized for the relating stripping measures and how initial and subsequent measurement of this asset has to be determined. The interpretation must be applied to fiscal years starting on or after January 1, 2013, while earlier application is permitted. Currently, the Management Board does not expect the adoption interpretation to have a material impact on its consolidated financial statements due to a lack of company activities.

IFRS 9 “Financial Instruments”, which was published by IASB in November 2009, contains new classification and valuation rules for financial assets and is expected to replace IAS 39 in the medium term. Under the standard, all financial assets that currently fall into the area of application of IAS 39 will subsequently be measured at either amortized cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally amortized at cost at the end of the subsequent accounting period. All other instruments are measured at their fair values.

In October 2010, IFRS 9 (revised) was published and requirements for the classification and valuation of financial assets were added. One of the essential changes is the measurement of amortized cost of financial liabilities (measured at fair value in profit or loss) caused by differences of the default loss of the entity. If an entity designates a debt instrument as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effect of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk should not subsequently be reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

IASB published a further amendment to IFRS 9 in December 2011. The amendment postpones the mandatory first-time adoption to January 1, 2015, governs comparative information exemptions as well as additional disclosure requirements on the effects of the first-time adoption of IFRS 9.

Following a preliminary analysis of the current state of IFRS 9, the Management Board expects that the application of regulations in the consolidated financial statements for fiscal years starting on or after January 1, 2015 will affect the presentation of the Group’s financial assets and financial liabilities. However, a reasonable estimate of the effects can only be carried out once a detailed analysis has been conducted and IASB completes the missing portions of IFRS 9 (primarily “Impairment” and “Hedge Accounting”).

The IASB published amendments to IAS 7 “Financial Instruments” in December 2011. The amendment creates new financial instruments disclosure requirements to improve comparability with US-GAAP financial statements. The amended standard must be applied to fiscal years starting on or after January 1,

2013. Currently, the Management Board expects that the first-time adoption of the provisions will result in additional disclosures.

The IASB published amendments to IAS 32 “Financial Instruments – Disclosure” in December 2011. The amendment clarifies the application of financial instruments offsetting. The amended standard must be applied to fiscal years starting on or after January 1, 2014. Currently, the Management Board does not expect the amendment to have a material impact on its consolidated financial statements as the Group has no hedging transactions.

On December 20, 2010, IASB published a guidance amendment on how to proceed in the presentation of IFRS financial statements in the case of a company's inability to comply with IFRS regulations for a period of time due to its functional currency becoming subject to hyperinflation. The amendment came into force on July 1, 2011. This amendment is of no relevance for HANSA GROUP AG.

The Group has not voluntarily applied any of the new or amended regulations mentioned above before their binding date of application.

Various items of the Group balance sheet and Group income statement have been merged, in order to enhance clarity. These items are correspondingly broken down and explained in the notes. The Group income statement has been prepared using the total cost (nature of expense) method.

HANSA GROUP AG and its fully consolidated subsidiaries use the calendar year as their fiscal years. The Group Annual Financial Statement has been prepared in euros. All amounts, including figures for previous years, are stated in thousand euros unless otherwise indicated.

The Group annual financial statements have been prepared in accordance with the IFRS as applicable in the EU, and in accordance with the applicable supplementary commercial-law provisions of section 315a (1) of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG).

We report on the potentials and risks of future development in accordance with section 315 (1) of the German Commercial Code (HGB) in the risk report contained in the Group management report.

An audited single-entity annual financial statement and management report for HANSA GROUP AG for the period January 1 to December 31, 2010 was published in the electronic Federal Gazette on May 25, 2011. An audited Group Annual Financial Statement including the Management Report was published on May 25, 2011.

Consolidation principles

Capital consolidation has been performed in accordance with IFRS 3 (revised 2008), which was applicable for the first time for fiscal year 2010.

Acquired businesses are accounted for using the acquisition method, which requires that the assets acquired and liabilities assumed be recorded at their respective fair values on the date HANSA GROUP AG obtains control.

The application of the acquisition method necessitates certain estimates and assessments with respect, in particular, to the determination of the fair value of intangible assets and property, plant and equipment acquired, liabilities assumed at the time of acquisition, and the economically useful lives of acquired intangible assets and property, plant and equipment.

In the case of a successive company acquisition, the shares in such company held up to then are remeasured at fair value with effect on net income at the time of attainment of control. The difference between the revalued investment carrying amount in the subsidiary and the proportional revalued net assets of the subsidiary is recognized as goodwill.

Liabilities for future purchase-price adjustments potentially resulting from future occurrences reported at the time of acquisition are no longer adjusted against the goodwill with no effect on net income in subsequent periods.

Incidental acquisition costs are expensed.

In capital consolidation, the purchase costs of the shares acquired are offset against the remeasured proportionate equity of the subsidiaries. Any difference between the purchase costs and the remeasured proportionate equity is allocated to the subsidiary's assets, liabilities and contingent liabilities. Remaining positive goodwill is immediately recognized as goodwill under intangible assets on the assets side, while negative goodwill is recognized in income. The carrying amounts for goodwill and negative goodwill are taken into account when calculating gains from disposals in the context of final consolidation.

Expenses and income, as well as receivables and liabilities, or provisions between the consolidated companies, are offset against each other. Inter-company balances are eliminated unless insignificant. Any write-downs or reversals of write-downs relating to interests in consolidated companies that are reported in single-entity financial statements are generally cancelled.

Discretionary decisions and estimates

Management is obliged to a certain extent to make assumptions and estimations in the consolidated financial statement which may significantly influence the presentation of the Group's net assets, financial position and results of operations.

The main focuses of assumptions, estimates and the exercise of discretion can be found in the determination of the useful economic life of non-current assets, of discounted cash-flows in the context of impairment tests and purchase-price allocations, in the sale of financial assets as part of an ABS transaction, in finance leases, in the sales of inventory items by means of sale-and-buy-back transactions, in the formation of provisions (for litigation, for example), social provisions for employees and corresponding benefits, taxes, price rebates, product liability and guarantees. Accounting principles sensitive to estimation and assumption, and their effects on the individual areas, are discussed in the following sub-sections of this section. Estimates are based on empirical data and other assumptions considered appropriate under the given circumstances. ABS transactions in particular are subject to discretionary quantitative and qualitative decisions. They are continually reviewed but may vary from the actual values. Please refer to the following information regarding the amounts.

The application of the acquisition method necessitates certain estimates and assessments with respect, in particular, to the determination of the fair value of the intangible assets and property, plant and equipment acquired, the liabilities and contingent liabilities assumed at the time of acquisition, and the economically useful lives of the intangible assets and property, plant and equipment acquired.

Measurement is based to a large extent on anticipated cash inflows and outflows. Divergences between actual cash inflows and outflows and those taken as the basis for determination of fair values may have significant effects on future Group earnings.

Changes in accounting and valuation methods resulting from new and revised standards are implemented retrospectively, other than in cases in which a provision to the contrary applies for a particular standard. The income statement for the previous year and the opening balance sheet for this reference period are in all cases adjusted as if the new accounting and valuation methods had always been applied.

No conversion effects resulted in the balance sheet as of January 1, 2011.

Scope of consolidation

The following list provides an overview of the companies included in the consolidated financial statements for fiscal year 2011:

Nr.	Company	held by	Share of capital/ earnings in %	Equity (IFRS) in EUR thou.	Net income/loss for the year (IFRS) in EUR thou.	Employees (average)*
01	HANSA GROUP AG, Genthin			66,340	12,511	110
02	CHEMISCHE FABRIK WIBARCO GmbH, Ibbenbüren	01	100	33,064	-282	81
03	WASCHMITTELWERK GENTHIN GmbH, Genthin	01	100	38,743	-4,108	155
04	LUHNS GmbH, Wuppertal	01	100	34,900	-3,785	305
05	LUHNS France SARL, France	04	100	382	-33	0

*) not including Management Board members/general managers, and apprentices/trainees

The consolidated balance sheet date for the preparing of the consolidated financial statements is December 31, which is also the reporting date for the single-entity financial statements of the parent company and all fully consolidated subsidiaries.

Business combinations

HANSA GROUP AG acquired 100 percent of the shares in LUHNS GmbH from Savanna AG, Zurich during the first half of fiscal year 2010 as part of a common control transaction. Savanna AG is an associated company of shareholder Hansa Trust International AG.

The acquisition of LUHNS GmbH significantly expands business with end customers. Feed materials produced within HANSA GROUP AG can thereby be used within the Group, generating cost advantages. This company was acquired for a purchase price of 57,000 thousand euro. 51,400 thousand euro of this purchase price was met during the first six months of 2010 by waiving receivables. The remaining amount of 5,600 thousand euro is reported as a financial liability by HANSA GROUP AG as of December 31, 2010. The loan amounted to 3,874 thousand euro as of December 31, 2011. Incidental acquisition costs of 61 thousand euro were also incurred for this acquisition, recognized in profit or loss and reported under other operational expense. In all, deferred tax liabilities in an amount of 11,776 thousand euro have been booked in the context of this business combination.

Positive goodwill of 18,389 thousand euro resulted from this business combination and has been recognized as goodwill.

The fair values of the net assets, liabilities and contingent liabilities at the time of acquisition are shown, along with the carrying amounts immediately prior to the business combination (May 1, 2010), for the above-mentioned business combination in the following table:

	LUHNS GMBH	
EUR thou.	Fair values at the date of acquisition	Carrying amounts under IFRS directly prior to the business combination
ASSETS		
Intangible assets	23,818	68
Fixed assets	26,111	10,391
Financial assets	180	180
Inventories	16,360	16,183
Receivables and other assets and cash in hand/bank	20,926	20,657
TOTAL	**87,395**	**47,479**
EQUITY AND LIABILITIES		
Provisions	10,468	7,593
Deferred tax liabilities	11,776	0
Liabilities	28,540	28,183
TOTAL	**48,784**	**35,776**
NET	**38,611**	**11,703**

Cash and cash equivalents in the amount of 3,054 thousand euro were acquired.

Gross contractual amounts for purchased receivables amounted to 32,228 thousand euro as of the date of acquisition. 65 thousand euro of the total receivables is likely to be assessed as uncollectible cash flows.

No other contingent liabilities were incurred in connection with the acquisition of LUHNS GmbH.

Since May 1, 2010, LUHNS GmbH has achieved sales of 118,593 thousand euro and a surplus for the year of 511 thousand euro. It was not possible to report LUHNS GmbH's sales and surplus for full-year 2010, since these figures could not be determined in accordance with IFRS.

Finalized purchase price allocation was performed for the balance sheet date of December 31, 2010; all the information necessary for this was available at this date.

Currency translation

All consolidated companies use the euro (EUR) as their functional currency.

The respective transaction rates during the year are used as the basis for translating foreign currency amounts into euros. At the end of the year, any outstanding foreign currency balances are translated at the closing rate, and currency translation differences are recognized in other operating income (unrealized exchange rate gains) or other operational expense (unrealized exchange rate losses).

Foreign currencies developed as follows relative to the euro:

		AVERAGE RATE AT THE BALANCE-SHEET DATE	
EXCHANGE RATE		31.12.2011	31.12.2010
Great Britain	1 GBP = EUR	1.1933	1.1617
	1 Euro = GBP	0.8380	0.8608
USA	1 USD = EUR	0.7729	0.7484
	1 Euro = USD	1.2939	1.3362

Accounting policies

The annual accounts of the German companies included in the Group are prepared in accordance with uniform accounting policies. The carrying amounts in the consolidated financial statements are calculated solely on the basis of the economic presentation of the net assets, financial position and results of operations within the scope of the IFRS rules.

Assets are capitalized where the Group is entitled to all significant opportunities and assumes all significant risks in connection with their use. With the exception of specific financial assets, all assets are measured at amortized purchase or production cost.

Purchase costs include all considerations paid to acquire an asset and to make it ready for use. Production costs include all costs directly attributable to the production process, plus appropriate components of production-related overheads. Financing costs for the acquisition or for the period of production are capitalized, where they constitute qualifying assets.

Acquired **intangible assets** are capitalized at purchase cost and, where no other depreciation method better reflects the expected useful life in exceptional cases, straight-line depreciated over their expected useful economic life. The expected useful lives and depreciation methods are based on estimations of the period of cash inflows generated by the intangible assets and their chronological distribution within this period.

Measurement is carried out on the basis of the following economically useful lives:

CATEGORY	Years
Concessions, industrial rights and software	3 – 4
Customer base	10 – 16

The LUHNS GmbH **customer base** is to be amortized over sixteen years. The expected useful lives and depreciation methods are based on estimations of the period of cash inflows generated by the intangible assets and their chronological distribution within this period.

Intangible assets are impaired where there are indications of impairment and the recoverable amount is lower than the amortized cost. The recoverable amount of an asset is the higher of the net selling price and the present value of the future cash flows expected to be derived from the asset (value in use).

Research and development costs are generally treated as current expense. Development costs are capitalized and amortized using the straight-line method where a newly developed product or procedure can be clearly defined, is technically feasible, and is envisaged for internal use or for marketing. Furthermore, a prerequisite for the capitalization of development costs is that the expense can be clearly allocated and that there is sufficient probability that the costs will be covered by a future inflow of funds. They are treated as current expense as the prerequisites for the capitalization of development costs have not yet been fulfilled.

Goodwill is subjected to an annual test for impairment at the level of cash-generating units. A cash-generating unit is the smallest identifiable group of assets which generates cash inflows very largely independently of other assets or groups of assets.

An impairment test for a cash-generating unit is performed at least once every year, since goodwill is always assigned to a strategic business unit. The recoverable amount for a cash-generating unit is determined on the basis of the value in use of this unit. In cases in which the carrying amount of the cash-generating unit is greater than its recoverable amount, the asset is impaired by the amount of the difference. The valuation allowance is reported in the income statement under depreciation and amortization.

Forecasting of future net cash flows generated for determination of the recoverable amount is based on HANSA Group's current planning, generally within a planning horizon of three to five years; assumptions are necessary concerning future sales prices and volumes, and also concerning costs, in particular.

Where the recoverable amount is the value in use, the cash-generating unit or individual asset is measured as currently used. Net cash flows beyond the planning period are determined on the basis of long-term business expectations using the respective individual growth rates derived from market information.

Net cash inflows are discounted at cost of capital (WACC) rates. These costs of capital are calculated as weighted average costs of equity and debt. The costs of equity capital are the rates of return expected by shareholders. The costs of debt used are the long-term financing conditions of the reference companies. Both components are derived from capital market information.

A rate of growth of 1.5 percent was used in 2011 for impairment testing (previous year: 1.5 percent), the cost of capital was 6.5 percent (previous year: 6.8 percent).

Although the estimates of the useful lives of certain assets, assumptions concerning the macroeconomic environment and estimates of the discounted future cash flows are believed to be appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment losses in the future or – except in the case of goodwill – to reversals of previously recognized impairment losses if developments are contrary to expectations.

Investment property is measured at purchase or production cost less use-based depreciation. The properties held are generally depreciated on a straight-line basis over a useful life of 50 years. Impairment losses in accordance with IAS 36 were not recognized.

Property, plant and equipment is measured at purchase or production cost less use-based depreciation. Production costs include all costs directly attributable to the production process, plus appropriate components of production-related overheads. Borrowing costs, which are closely related to the financing of the purchase or production of a qualified asset, are also capitalized. In accordance with IAS 20, government subsidies are offset against the carrying amount of the asset.

Except where another method of depreciation appears more appropriate for the probable useful life in exceptional cases, property, plant and equipment is generally depreciated on a straight-line basis over the probable useful life.

Property, plant and equipment is depreciated over the following economically useful lives:

CATEGORY	Years
Buildings/production halls	33 – 50
Leasehold improvements	10 – 25
Technical equipment and machinery	4 – 20
Vehicles	5 – 7
Operating and office equipment	3 – 10

For reasons of simplification and substantiality, low-value assets are fully written down in the year of acquisition and reported as disposals.

If there are indications of any impairment in value and if the recoverable amount is less than the amortized cost, then impairment losses are recognized for the respective items of property, plant and equipment. Corresponding impairment reversals are implemented in cases in which the reasons for impairments applied in previous years no longer exist. Mobile assets which, due to production-related preconditions, are dominated by a functional context, are grouped together to form one asset.

Where the criteria of IAS 17 concerning finance leases have been satisfied, leased items of property, plant and equipment are capitalized as finance leases. IAS 17 defines a finance lease as a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The classification of each lease depends individually on the economic substance of the particular agreement.

Finance leases are reported in the balance sheet as assets and liabilities at the inception of the lease. The purchase cost is to the lower of the fair value of the leased property and the present value of the minimum lease payments, where this is lower. Lease payments are then divided, based on the interest rate implicit in the lease, into borrowing costs which are expensed, and the principal repayment based on the remaining debt. In addition, finance leases periodically result in depreciation expenses, based on the assets recognized. Depreciation is calculated using the straight-line method over the expected useful life or where necessary over a shorter contract term. The payment obligations arising from future lease installments are recorded as liabilities; future interest expenses are not taken into account, however.

A lease is classified as an **operating lease** where substantially all risks and opportunities incidental to ownership remain with the lessor. Lease payments made for an operating lease are reported as an expense in the period in which they occur by the lessee.

Shares are measured at amortized cost as there is no active market to calculate the price. Impairment losses are recognized for shares if there is evidence that the amortized cost no longer corresponds to the fair value. This is then reported under other financial assets.

Loan receivables are allocated to the “loans and receivables” category and measured at amortized cost. Other liabilities are measured at amortized cost. These are reported under other receivables and assets.

Inventories are measured at purchase/production cost or at the lower net realizable value. Determination of purchase/production costs is performed on the basis of the average cost method. The net realizable value consists of the net realizable price less costs still to be incurred up to disposal. Production costs include all costs directly attributable to the production process, including required borrowing costs, plus appropriate components of production-related overheads. Financing costs are capitalized if they can be allocated to a qualifying asset. Borrowing costs are recognized as expense in the income statement under "Interest and similar expense". The corresponding adjustments are implemented where the fair values on the balance sheet date are below the purchase/production costs.

Trade and other receivables are reported in the balance sheet at purchase costs less transaction costs incurred on initial recognition and are amortized accordingly. Non-interest-bearing or low-interest receivables with terms of more than one year are discounted. All identifiable individual risks and the general default risk as supported by empirical figures are accounted for by means of appropriate impairment. No further adjustments were necessary. Any foreign currency receivables are measured at the balance sheet date on the basis of the seller's selling rate. Receivables are only derecognized once all material opportunities and risks have been transferred to a third party.

Prepaid rents and insurance premiums are accrued and reported as other receivables under **other receivables and assets**.

Derivative financial instruments are used in the Group only for the purpose of hedging currency risks resulting from operating business. Where expedient, these derivatives are designated as having a balance-sheet hedging designation. Changes in value resulting from forward exchange transactions and options for hedging of balance-sheet risks are reported in the exchange rate gains/losses, while the changes in value in interest-rate swaps are a constituent of the net interest income item. Derivative financial instruments are measured at fair value in accordance with IAS 39. They are recognized for the first time on the settlement date, which is generally a few days after the executory contract (trading day). Changes in the fair value of derivative financial instruments not used within the Group in the context of hedging are reported with effect on net income. Changes in the market value for the fair value of derivative financial instruments used within the Group in the context of cash-flow hedging are initially reported for their effective portion in equity and liabilities without effect on net income. The contribution of the hedging transaction is recognized under net interest income in the income statement only at the time of realization of the underlying transaction.

Cash, demand deposits and other financial assets are reported under **cash and cash equivalents**. The item has been renamed to improve presentation (previous year: cash liquidity).

The actuarial valuations to be applied to **pension obligations** are based on the projected unit credit method set forth in IAS 19; future liabilities are measured using actuarial methods and are spread over the entire length of service of the employees. Specific assumptions are made concerning the discount rate, income and pension development as well as turnover and mortality.

The discount rates used are calculated from the yields of high-quality corporate bond portfolios in specific currencies with cash flows approximately equivalent to the expected disbursements from the pension plans. The uniform discount rate derived from this interest-rate structure is thus based on the yields, at the closing date, of a portfolio of AA-rated corporate bonds. If there are no AA-rated corporate bonds of equal duration, the obligations are discounted at the interest rate for government bonds or interest-rate swaps in effect at the closing date. This is adjusted in line with the credit spread for corporate bonds.

The assumptions relating to income and pension development are based on past trends and take into account interest and inflation levels and labor market developments.

Mortality is based on the assumed 2005G Heubeck mortality tables.

Actuarial gains and losses resulting from adjustments and changes of actuarial assumptions are recognized under other comprehensive income in the statement of comprehensive income in the period in which they occur without affecting net income.

In addition, pension obligations exist at the CHEMISCHE FABRIK WIBARCO GmbH subsidiary within the framework of an employee pension plan based on a joint plan of several employers which is basically to be considered a defined benefit plan. However, only insufficient information as defined by IAS 19.29 and IAS 19.30 is available on WIBARCO's share in the defined benefit obligation, in the plan assets, and in the costs associated with the plan. The reason for this is that the information on required data to be provided by the existing pension plan is inadequate. The joint plan of several employers can therefore not be reported in the balance sheet as a defined benefit plan, but is reported in the balance sheet as a defined contribution plan in accordance with IAS 19.30 (a). In defined contribution pension plans the Company does not assume any additional obligations beyond the contribution payments to be made to earmarked funds. The expense is reported under personnel expenses; no provisions need to be recognized.

The amounts to be paid within the framework of defined contribution plans are expensed at the time the contributions are due and reported within the framework of operating expense. Prepayments of contributions are capitalized where such prepayments will result in a reimbursement or a reduction of future payments.

A higher or lower level of staff fluctuation, and greater or lesser longevity of the participants, may also influence the magnitude of income from the social-provisions systems and the corresponding expenses.

All identifiable obligations at the balance sheet date as based on previous business transactions or previous events, and where the amount or maturity is uncertain, are recognized under other provisions. The provisions are stated on the basis of the probable settlement value. These may not be offset against positive profit contributions. Provisions are only recognized where there is an underlying legal or actual obligation toward third parties for such provisions. Non-current provisions are reported at their settlement value discounted to the balance sheet date where the interest effect resulting from discounting is significant. The settlement value also comprises the increases in cost to be considered at the balance sheet date in accordance with IAS 37. Accrued interest is reported in the income statement under interest expense.

Provisions for **agreements on partial retirement** are treated within the consolidated financial statements as liabilities arising from the termination of employment, and are recognized in the amount of the present value of the future additional payments anticipated. Measurement of these provisions takes account both of partial-retirement arrangements already agreed with employees and potential partial-retirement arrangements for which it can be assumed at the balance sheet date that they will be implemented on the basis of the existing collective agreements. The agreements on partial retirement are based on the so-called “block model”. WIBARCO concluded such individual agreements with three (previous year: three) employees, stipulating that the working hours for the entire duration of the partial retirement will be distributed in such a way that these hours are worked during the first half of the partial retirement and the employee will subsequently be released from work according to his or her credit hours.

The discount rate used is calculated from the yields of high-quality corporate bond portfolios in specific currencies with cash flows approximately equivalent to the expected disbursements from the pension plans. The uniform discount rate derived from this interest-rate structure is thus based on the yields, at the closing date, of a portfolio of AA-rated corporate bonds. If there are no AA-rated corporate bonds of equal duration, the obligations are discounted at the interest rate for government bonds or interest-rate swaps in effect at the closing date. This is adjusted in line with the credit spread for corporate bonds. Actual future expenses and liabilities may, as a result of modified market and economic conditions, diverge significantly from the estimations, which have been made on the basis of actuarial assumptions.

Where a reduction in the scope of liability results from a modified estimation, the provisions will be liquidated in proportion, and the resulting income recognized in the functional sectors which originally incurred the expense for the formation of the provisions.

Financial liabilities relate to liabilities to banks, trade payables, and finance leases, and are measured on the basis of amortized purchase costs.

Other liabilities are measured amortized purchase costs.

Financial instruments are classified according to IAS 39 and initially carried at fair value. They are subsequently measured at amortized purchase cost using the effective interest rate method or at the fair value at the balance sheet date, depending on their classification. IFRS 7 also requires detailed disclosures on instruments which were not recorded in the balance sheet. On the one hand, IFRS 7 defines disclosure requirements with regard to individual balance sheet items and the appurtenant accounting policies and, on the other hand, lays down mandatory regulations regarding the reporting of financing risks.

Deferred taxes are recognized on the basis of different carrying amounts of the assets and liabilities in the consolidated balance sheet and the tax base of the individual companies where these different carrying amounts will in future result in a higher or lower taxable income than would have been the case on the basis of the consolidated balance sheet. Tax reduction claims resulting from the expected future utilization of existing tax loss carryforwards, realization of which is ensured with adequate certainty, are also included in deferred tax assets. Deferred taxes are determined on the basis of national tax rates which are applicable or expected at the time of realization. Temporary differences in the past have been adjusted to the new percentage rate. In the current fiscal year, a corporation tax rate of 15 percent, plus a 5.5 percent solidarity surcharge, is anticipated for domestic Group company subsidiaries, and a current composite rate of assessment for HANSA GROUP AG of 460 (previous year: 460) is expected. For WIBARCO, a current rate of assessment of 403 (previous year: 403), for LUHNS GmbH an average rate of assessment of 413 (previous year: 440), and for WASCHMITTELWERK GENTHIN GmbH a current rate of assessment of 330 (previous year: 330), are anticipated. This gives rise to a total tax rate of 31.93 percent (previous year: 31.93 percent), which corresponds to the tax rate of HANSA GROUP AG. The changes in deferred taxes are either reported in the income statement under “income taxes” or in equity under “retained earnings.”

In the case of **share-based liabilities** (equity-settled share-based payment transactions) resulting from employee and executive option plans, a fair value measurement was carried out as required under IFRS 2. The existing stock option program does not relate to HANSA GROUP AG shares but those of BASF, which were acquired as part of the transfer of employees from their former employer to CHEMISCHE FABRIK WIBARCO GmbH. The share-based payment transaction does not involve delivering shares but a cash payment.

For reasons of simplification, the stock exchange rate on the respective balance sheet date is used for determination of fair value. The obligation is recorded as a liability on the basis of the fair value determined in this way, taking account of the remaining term of the plan. Expenses are recognized over the vesting period. The fair value of the obligation is recognized over the vesting period as personnel expenses.

Sales revenue recognizes the fair value of the consideration received or to be received for the sale of goods and services in the context of ordinary business activities. Sales revenue is reported net of turnover tax, returns, discounts and rebates, and after elimination of transactions between group companies. Foreign currency transaction sales revenues were recognized using the secured conversion rate.

Sales revenue and **other operating income** is in all cases recognized only after furnishing of the service and/or delivery of the assets, and thus at the passing of risk.

Operating expense is recognized in income upon utilization of the service or at the time it is incurred.

Government subsidies are recognized only if there is adequate certainty that the associated conditions will be fulfilled and the subsidies granted. Investment subsidies are recognized as a reduction of the procurement or production costs of the relevant assets and result in a corresponding reduction of the scheduled depreciations in subsequent periods.

Contingent liabilities and contingent assets are possible liabilities or assets resulting from events in the past, the existence of which is dependent on the occurrence or non-occurrence of one or more uncertain future events not entirely under the control of HANSA GROUP AG. In addition, contingent liabilities are current liabilities resulting from events in the past, where the outflow of resources embodying economic benefits is improbable or where the extent of the liability cannot be reliably estimated. Contingent liabilities are stated at their fair value where they have been taken over within the framework of the acquisition of a company. Contingent assets are not stated. Details of contingent liabilities are provided in the consolidated notes where an outflow of resources embodying economic benefits can be classified as not improbable. The same applies to contingent assets where their inflow is probable.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) INTANGIBLE ASSETS

Intangible assets developed as follows in fiscal year 2011:

	Concessions, industrial rights and similar rights and assets in EUR thou.	Customer base in EUR thou.	Goodwill in EUR thou.	Total in EUR thou.
Purchase and production costs, as of Jan. 1, 2011	**1,558**	**29,670**	**18,389**	**49,617**
Additions	232	0	0	232
Reclassifications	12	0	0	12
Disposals	- 61	0	0	-61
as of Dec. 31, 2011	**1,741**	**29,670**	**18,389**	**49,800**
Depreciation, as of Jan. 1, 2011	**921**	**3,140**	**0**	**4,061**
Additions	212	2,484	0	2,695
Disposals	- 61	0	0	-61
as of Dec. 31, 2011	**1,072**	**5,624**	**0**	**6,695**
Carrying amounts, as of Dec. 31, 2011	**669**	**24,046**	**18,389**	**43,105**
Carrying amounts, as of Dec. 31, 2010	**637**	**26,530**	**18,389**	**45,556**

The development of the Group's intangible assets was as follows in fiscal year 2010:

	Concessions, industrial rights and similar rights and assets in EUR thou.	Customer base in EUR thou.	Goodwill in EUR thou.	Total in EUR thou.
Purchase and production costs, as of Jan. 1, 2010	**1,015**	**5,920**	**0**	**6,935**
Additions	310	0	0	310
Reclassifications	165	0	0	165
Disposals	0	0	0	0
Additions from the acquisition LUHNS GmbH	68	23,750	18,389	42,207
as of Dec. 31, 2010	**1,558**	**29,670**	**18,389**	**49,617**
Depreciation, as of Jan. 1, 2010	**741**	**1,233**	**0**	**1,974**
Additions	180	1,907	0	2,087
Disposals	0	0	0	0
as of Dec. 31, 2010	**921**	**3,140**	**0**	**4,061**
Carrying amounts, as of Dec. 31, 2010	**637**	**26,530**	**18,389**	**45,556**
Carrying amounts, as of Dec. 31, 2009	**274**	**4,686**	**0**	**4,960**

At the balance-sheet date, the customer base had a remaining amortization period of up to fifteen years.

The goodwill is allocated to the LUHNS GmbH cash-generating unit. The carrying amount as of December 31, 2011 is 18,389 thousand euro and cannot be deducted for tax purposes.

Impairment tests in accordance with IAS 36 were carried out on cash-generating units LUHNS GmbH and WASCHMITTELWERK GENTHIN GmbH in fiscal year 2011, which resulted in no need for impairment.

The sensitivity analysis of the cash-generating units, in which goodwill is allocated, is based on the assumption that future cash flows will decline by 10 percent as it is reasonably foreseeable that the cash flow will fall by this amount in the long term. On this basis it leads to the conclusion that it would only give rise to impairment of approximately 3.0 million euro.

No research and development expenses are incurred at HANSA Group. There were no indications of impairment.

The following lease payments will be due from finance leases in subsequent periods:

LEASE PAYMENTS IN SUBSEQUENT YEARS – FINANCE LEASE

	up to 1 year in EUR thou.	from 1 year to 5 years in EUR thou.	more than 5 years in EUR thou.	Total 31.12.2011 in EUR thou.
Leasing payments	64	0	0	64
Discounts	7	0	0	7
Present values	**57**	**0**	**0**	**57**

The assets reported as a finance lease relate to leased software, which is recognized under concessions, industrial rights and similar rights and assets, and is to be amortized over four years. The net carrying amount as of the balance-sheet date was 55 thousand euro (previous year: 111 thousand euro).

The situation in the previous year was as follows:

LEASE PAYMENTS IN SUBSEQUENT YEARS – FINANCE LEASE

	up to 1 year in EUR thou.	from 1 year to 5 years in EUR thou.	more than 5 years in EUR thou.	Total 31.12.2010 in EUR thou.
Leasing payments	64	64	0	128
Discounts	7	7	0	14
Present values	**57**	**57**	**0**	**114**

(2) INVESTMENT PROPERTY

Investment property developed as follows in fiscal year 2011:

	Total in EUR thou.
Purchase and production costs, as of Jan. 1, 2011	**587**
Additions	336
as of Dec. 31, 2011	**923**
Depreciation, as of Jan. 1, 2011	**251**
Additions	19
as of Dec. 31, 2011	**270**
Carrying amounts, as of Dec. 31, 2011	**653**
Carrying amounts, as of Dec. 31, 2010	**336**

The corresponding figures for fiscal year 2010 were as follows:

	Total in EUR thou.
Purchase and production costs, as of Jan. 1, 2010	**587**
as of Dec. 31, 2010	**587**
Depreciation, as of Jan. 1, 2010	**235**
Additions	16
as of Dec. 31, 2010	**251**
Carrying amounts, as of Dec. 31, 2010	**336**
Carrying amounts, as of Dec. 31, 2009	**352**

HANSA GROUP AG lets a property exclusively for non-operating purposes. The property was converted in fiscal year 2011 for 336 thousand euro. The fair value of the property is 888 thousand euro (previous year: 694 thousand euro), determined on the basis of values for similar properties at similar locations. An expert valuation has not been commissioned.

Rental income from the property amounted to 26 thousand euro in fiscal year 2011 (previous year: 26 thousand euro). Expenses incurred in this connection were 45 thousand euro (previous year: 33 thousand euro).

(3) OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment developed as follows in fiscal year 2011:

	Land and buildings in EUR thou.	Technical equipment and machinery in EUR thou.	Other equipment, operating and office equipment in EUR thou.	Prepayments and assets under construction in EUR thou.	Total in EUR thou.
Purchase and production costs, as of Jan. 1, 2011	**74,397**	**133,358**	**12,163**	**39,466**	**259,384**
Additions	529	4,935	1,702	15,574	22,740
Reclassifications	0	372	3,287	-3,671	-12
Disposals	-871	-3,309	-2,568	0	- 6,748
as of Dec. 31, 2011	**74,055**	**135,356**	**14,584**	**51,369**	**275,364**
Depreciation, as of Jan. 1, 2011	**11,445**	**32,592**	**7,103**	**35**	**51,175**
Additions	1,805	6,929	1,872	0	10,606
Disposals	-587	-1,028	-2,127	0	-3,742
as of Dec. 31, 2011	**12,663**	**38,493**	**6,848**	**35**	**58,039**
Carrying amounts, as of Dec. 31, 2011	**61,392**	**96,863**	**7,736**	**51,334**	**217,325**
Carrying amounts, as of Dec. 31, 2010	**62,952**	**100,766**	**5,060**	**39,431**	**208,209**

Contractual obligations for acquisition of other property, plant and equipment not yet reported under prepayments made and assets under construction as of December 31, 2011 amounted at the balance sheet date to 1,405 thousand euro (previous year: 2,492 thousand euro).

A total of 2,191 thousand euro in interest on debt (previous year: 1,257 thousand euro) has been capitalized at an average rate of interest of 6.0 percent in the current fiscal year (previous year: 4.0 percent).

The Group's other property, plant and equipment developed as follows in fiscal year 2010:

	Land and buildings in EUR thou.	Technical equipment and machinery in EUR thou.	Other equipment, operating and office equipment in EUR thou.	Prepayments and assets under construction in EUR thou.	Total in EUR thou.
Purchase and production costs, as of Jan. 1, 2010	**72,580**	**109,514**	**7,054**	**9,074**	**198,222**
Additions	66	3,068	1,093	31,539	35,766
Additions from the acquisition of the assets at the Genthin location from Henkel AG & Co. KGaA	1,464	20,217	3,607	832	26,120
Reclassifications	287	559	560	-1,571	-165
Disposals	0	0	-151	-408	-559
as of Dec. 31, 2010	**74,397**	**133,358**	**12,163**	**39,466**	**259,384**
Depreciation, as of Jan. 1, 2010	**9,678**	**25,667**	**5,818**	**0**	**41,163**
Additions	1,767	6,925	1,359	35	10,086
Disposals	0	0	-74	0	-74
as of Dec. 31, 2010	**11,445**	**32,592**	**7,103**	**35**	**51,175**
Carrying amounts, as of Dec. 31, 2010	**62,952**	**100,766**	**5,060**	**39,431**	**208,209**
Carrying amounts, as of Dec. 31, 2009	**62,902**	**83,847**	**1,236**	**9,074**	**157,059**

No impairment losses are included in the depreciation of other property, plant and equipment, either in the year under review or in the previous year.

A subsidy of a maximum of 8,577 thousand euro for the WWG subsidiary was approved for the August 1, 2009 to December 31, 2011 investment period during fiscal year 2010. 3,745 thousand euro (previous year: 3,739 thousand euro) were drawn during the year under review. This amount was for assets under construction for the surfactants plant. The subsidy is recognized as a reduction in the assets' purchase or production costs and results in a corresponding reduction in scheduled depreciation in subsequent periods.

The following lease payments will be due from finance leases in subsequent periods:

LEASE PAYMENTS IN SUBSEQUENT YEARS – FINANCE LEASE

	up to 1 year in EUR thou.	from 1 year to 5 years in EUR thou.	more than 5 years in EUR thou.	Total 31.12.2011 in EUR thou.
Leasing payments	802	2,845	55	3,702
Discounts	52	586	18	656
Present values	**750**	**2,259**	**37**	**3,046**

The assets reported as finance leases are leased technical facilities with a net carrying amount of 3,330 thousand euro (previous year: 438 thousand euro), which are to be regularly depreciated over their expected usual useful lives. This primarily concerns a bottling plant with a net carrying amount of 3,051 thousand euro as of December 31, 2011.

The amounts in the previous year were as follows:

LEASE PAYMENTS IN SUBSEQUENT YEARS – FINANCE LEASE

	up to 1 year in EUR thou.	from 1 year to 5 years in EUR thou.	more than 5 years in EUR thou.	Total 31.12.2010 in EUR thou.
Leasing payments	170	372	48	590
Discounts	11	71	16	98
Present values	**159**	**301**	**32**	**492**

The following lease payments will be due from finance leasing contracts in subsequent periods:

LEASE PAYMENTS IN SUBSEQUENT YEARS – OPERATING LEASE

	up to 1 year in EUR thou.	from 1 year to 5 years in EUR thou.	more than 5 years in EUR thou.	Total 31.12.2011 in EUR thou.
Property contracts	1,999	7,675	14,961	24,635
Operating and office equipment	1,331	4,915	129	6,375
	3,330	**12,590**	**15,090**	**31,010**

The amounts in the previous year were as follows:

LEASE PAYMENTS IN SUBSEQUENT YEARS – OPERATING LEASE

	up to 1 year in EUR thou.	from 1 year to 5 years in EUR thou.	more than 5 years in EUR thou.	Total 31.12.2010 in EUR thou.
Property contracts	1,961	7,665	16,588	26,214
Operating and office equipment	312	454	24	790
	2,273	**8,119**	**16,612**	**27,004**

Payments of 3,899 thousand euro (previous year: 2,525 thousand euro) were incurred in the business from operating leases and have been reported as expense. These consist solely of minimum leasing payments.

The operating leasing agreements are for land and buildings at the Ibbenbüren production site, buildings in Münster, buildings and office space in Düren, buildings and operating equipment at Greven and Wuppertal; stainless steel tanks; motor-vehicles, a telephone system; electric-powered fork-lift trucks, scissors-lift trucks and other office and operating equipment.

(4) OTHER FINANCIAL ASSETS

The financial assets of a total of 199 thousand euro (previous year: 195 thousand euro) shown as of the balance sheet date consist of other loans allocated to the loans and receivables category. The other loans in the amount of 170 thousand euro were for a related individual. Interest is charged in line with market conditions.

In the previous year, this item also included shares of Tectura Corporation, USA in the amount of 130 thousand euro, which were written down in full as of the reporting date. In the previous year, the investment was classified as held for trading.

(5) OTHER NON-CURRENT RECEIVABLES AND OTHER NON-CURRENT ASSETS

General valuation allowances in the amount of -12 thousand euro (previous year: 0 thousand euro) and a loan in the amount of 365 thousand euro (previous year: 365 thousand euro) vis-à-vis a related company were reported in the fiscal year. The loan receivable is against Savanna AG with interest charged in line with market conditions.

(6) OTHER RECEIVABLES AND OTHER ASSETS

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.
Deferred income tax assets	2,348	931
Current income tax assets	104	0
	2,452	**931**

The assets from future income tax reductions comprise deferred tax assets resulting from temporary differences between the carrying amounts in the consolidated balance sheet and the tax base, and tax savings from losses brought forward which are expected to be realizable in the future. Current and deferred income tax assets are explained in more detail under income taxes (Note 24). Deferred income tax assets and liabilities are netted where the same tax authority is involved and the other conditions of IAS 12.74 are fulfilled.

Deferred income tax assets mainly include the tax claim resulting from the reporting of the value of WIBARCO GmbH's and Waschmittel Werk Genthin GmbH's trade tax and corporation tax loss carryforward. Tax receivables in the amount of 104 thousand euro (previous year: 0 thousand euro), which relate to HANSA GROUP AG corporation tax credits, are reported under income tax receivables.

(7) INVENTORIES

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.
Raw materials, consumables and supplies	15,489	10,108
Work in progress	2,080	1,588
Finished goods	20,944	17,523
Merchandise	356	269
Prepayments	2,527	12,627
	41,396	**42,115**

Adjustments to the inventories amount as of the end of the year totaled 1,759 thousand euro (previous year: 1,932 thousand euro). Fiscal year 2011 saw a positive balance on the income statement of 173 thousand euro (previous year: 934 thousand euro).

At the end of November 2011, LUHNS GmbH entered into a cooperation agreement with United European Investment AG (UEI AG), a related person and a further company, regarding warehouse outsourcing. Both companies trade in goods and provide inventory financing. The agreement stipulates that LUHNS GmbH will sell a defined portfolio of finished goods on December 1, 2011 to the financier, at a price determined by the exact offsetting of the actual inventory against total manufacturing costs, plus a margin. UEI AG is also a contractual partner of LUHNS GmbH after signing a logistics agreement. UEI AG bears the financial obligations of this. Inventory in the amount of 13,144 thousand euro was transferred to the financier as a security as of December 31, 2011.

(8) TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

	31.12.2011 in EUR thou.	31.2.2010 in EUR thou.
Trade receivables from third-parties	**36,613**	**23,595**
Other current receivables and other current assets		
Other tax receivables	3,736	6,995
Personnel receivables	7	0
Derivative financial instruments	93	100
Other	25,908	15,769
	29,406	**29,744**

WestLB successfully structured a receivables financing program with a 60 million euro transaction volume for HANSA GROUP AG and our subsidiaries CHEMISCHE FABRIK WIBARCO GmbH, LUHNS GmbH and WASCHMITTELWERK GENTHIN GmbH. The ABS program is implemented via the established Compass platform and has a term of five years. The ABS program consists of the sale of a current trade receivables portfolio to the purchasing company that uses the portfolio as collateral for their own refinancing via short-term debt instruments and liquidity facilities. All of the purchased receivables, less reserves for outages, dilution and transaction costs, are available immediately. Unused reserves are repaid. The factor accepts most of the potentials and risks attaching to the trade receivables sold. The result that these financial assets, in an amount of 29,428 thousand euro, can be written off.

Three factoring agreements existed by November 2011: with Coface Finanz GmbH for a volume of 23,000 thousand euro, with Postbank Factoring GmbH, for a volume of 15,000 thousand euro, and with Intermarket Bank AG, for a volume of 15,000 thousand euro.

Receivables from derivative financial instruments amount to 93 thousand euro (previous year: 100 thousand euro). At the balance sheet date, there are forward exchange transactions with a nominal value of 2,338 thousand euro (previous year: 5,971 thousand euro), with a final maturity of June 11, 2012 (previous year: May 16, 2011). This is the nominal value of future cash inflows and outflows. They are used by HANSA GROUP AG solely for hedging purchases in US dollars. The fair value is determined on the basis of a mark-to-market valuation. Derivative financial instruments are classified as held for trading.

Trade receivables have in no case been assigned to banks and are essentially covered by a credit insurer.

The remaining other receivables and assets are primarily attributable to related parties' clearing accounts 14,242 thousand euro (previous year: 9,331 thousand euro), financial transaction costs 7,348 thousand euro (previous year: 3,429 thousand euro), insurance claims 1,300 thousand euro (previous year: 0 thousand euro), as well as deferred expenses and accrued income 975 thousand euro (previous year: 1,012 thousand euro).

(9) CASH AND CASH EQUIVALENTS

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.
Cash on bank accounts	34,098	26,974
Cash-in-hand and checks	27	71
	34,125	**27,045**

The carrying amount is equivalent to the fair value. Interest is paid on the credit.

(10) EQUITY

The fully subscribed capital stock of HANSA GROUP AG amounts to 48,078 thousand euro (previous year: 48,078 thousand euro) as of December 31, 2011 and is divided into 48,077,900 no-par value bearer shares. All shares are ordinary shares, each conferring one voting right.

In accordance with a resolution of the shareholders at the Annual General Meeting on July 2, 2010, the Management Board of the Company is authorized until July 1, 2015 to buy back treasury shares up to a maximum of 10 percent of the capital stock existing at the time of the adoption of the resolution.

In addition, the Management Board is also authorized until August 23, 2012 to grant profit-sharing rights up to a total amount of 40,000 thousand euro.

The Management Board has been authorized until May 22, 2014 to increase the Company's capital stock by issuing new no-par bearer shares against cash contribution or contribution in kind, either once or multiply up to an overall maximum of 24,024,700 no-par shares with an issue price of 1.00 euro (Approved Capital).

The Management Board is further authorized in accordance with a resolution of the shareholders adopted at the Annual General Meeting on August 24, 2007 to conditionally increase the Company's capital stock by up to 23,381,200.00 euro by means of issue of up to 23,381,200 new bearer shares (Conditional Capital 2007).

Capital reserves in the amount of 6,532 thousand euro only include the share premium paid on capital increases. The legal reserve contained in retained earnings remains unchanged at 405 thousand euro; other reserves consist primarily of reserves from the first-time adoption of IFRS. The remaining reserves relate to profit carryforward in the amount of 43,512 thousand euro and net income for the year of 4,228 thousand euro.

Developments in the Group's equity can be seen in the separately presented consolidated statement of changes in shareholders' equity, which is included in the consolidated financial statements.

(11) PENSION PROVISIONS

The pension obligations reported in the Group are calculated on the basis of the retirement benefits entitlements granted to individual employees by HANSA GROUP AG, LUHNS GmbH and WIBARCO GmbH.

The pension obligations are measured using the projected unit credit method.

The calculations made at the respective reporting dates were based on the following assumptions:

	2011 in percent	2010 in percent
Interest rate	5.10	5.10
Expected annual increase in income	2.00	2.50
Expected annual increase in pensions	2.00	2.00

An interest rate of 5.1 percent and a rate of salary increase of 2.0 percent p.a. were used to calculate the present value of the pension obligations as of December 31, 2010 (defined benefit obligation), taking future salary increases into consideration. Since the obligations are denominated in euros, determination of interest rate is based on the yield of high-quality European corporate bonds with an AA rating, for which a yield curve has been formed on the basis of spot rates.

Reconciliation of pension provisions:

	2011 in EUR thou.	2010 in EUR thou.
Present value of pension obligations (defined benefit obligation) as of Jan. 1	**7,142**	**3,828**
+ Present value of LUHNS GmbH defined benefit obligation as of May 1	0	3,264
- Current service cost	179	188
- Interest cost	403	273
- Actuarial losses (+)/ gains (-)	-162	190
- Benefits paid during the fiscal year	-364	-601
= **Present value of pension obligations (defined benefit obligation) as of Dec. 31**	**7,198**	**7,142**

The consolidated statement of comprehensive income for 2011 includes actuarial gains of 162 thousand euro (previous year: losses of 190 thousand euro). The accumulated amount of actuarial gains recognized under other earnings was 79 thousand euro at December 31, 2011 (previous year: losses of 28 thousand euro). Defined benefit obligations correspond to the liabilities reported at the respective balance-sheet date.

Indirect pension obligations of 97 thousand euro are reported under the present value of pension obligations less plan assets of 728 thousand euro.

Pension expenses for the respective period are composed as follows and are reported under the income statement items indicated:

	INCOME STATEMENT ITEM	2011 in EUR thou.	2010 in EUR thou.
Current service cost	Personnel expenses (retirement benefit costs)	179	66
Interest cost	Net interest income	403	364
Pension expense		**582**	**430**

The defined benefit obligation at the balance-sheet date was:

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.	31.12.2009 in EUR thou.	31.12.2008 in EUR thou.	31.12.2007 in EUR thou.
Present value of pension bligations	7,198	7,142	3,828	3,175	3,560
Experience-based adjustments of pension obligations	6	6	195	128	82

An estimated 415 thousand euro will be paid out of the pension plans in fiscal year 2012.

(12) OTHER PROVISIONS

	Balance as of 1.1.2011 in EUR thou.	Utilization in EUR thou.	Reversal in EUR thou.	Addition in EUR thou.	Interest cost in EUR thou.	Balance as of 31.12.2011 in EUR thou.
Non-current						
Personnel costs	1,162	-446	0	130	29	875
Environmental protection	539	-21	0	0	17	535
	1,701	**-467**	**0**	**130**	**46**	**1,410**
Current						
Social compensation plan	3,100	-3,100	0	0	0	0
Year-end closing costs	374	-367	-7	400	0	400
Compensation for heritable building rights	131	0	0	7	0	138
Litigation risks	355	0	-131	48	0	272
Other	1,832	-1,404	-271	934	0	1,091
	5,792	**-4,871**	**-409**	**1,389**	**0**	**1,901**

Non-current provisions for personnel costs include obligations for partial retirement benefits and for provisions for long-service payments.

Provisions for partial retirement are measured using an interest rate of 5.1 percent (previous year: 5.1 percent) and a rate of salary increase of 2.0 percent p.a. (previous year: 2.5 percent p.a.).

Provisions for long-service payments are measured on the basis of the “2005 G” mortality tables developed by Prof. Dr. K. Heubeck, using the projected unit credit method set out in IAS 19 and an interest rate of 5.1 percent (previous year: 5.1 percent).

The provisions for environmental protection measures cover anticipated expense for remediation of the soil at a production location and have been formed on the assumption that the contamination will have been eliminated completely within four years and that no public remediation sanctions will be applied. As in the previous year, provisions accrue interest at 5.0 percent. This amounted to 17 thousand euro in the past fiscal year.

In addition, provisions have also been made for restoration costs under heritable building rights legislation. These concern, in particular, the probable costs for restoration of the sites, which were, as in the previous year, discounted at a rate of 3.0 percent.

The provisions for litigation risks cover potential liabilities arising from expense resulting from lawsuits.

The provisions formed in the previous year for a workforce-adjustment plan at LUHNS GmbH were utilized in fiscal year 2011.

The remaining term of current provisions is less than one year. Calculation of discounting/interest cost was not necessary.

(13) NON-CURRENT FINANCIAL LIABILITIES AND OTHER LIABILITIES

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.
Loan liabilities	50,321	39,559
Finance leases	1,677	354
Derivative financial instruments	800	319
Financial liabilities	**52,798**	**40,232**
Loans	0	1,250
Other liabilities	**0**	**1,250**

Some financial liabilities are at a fixed rate of interest, while others have a variable interest rate. Interest is charged at market rates. A total land charge of 14,513 thousand euro has been registered as an encumbrance for the Wanheimer Strasse 408 site as security for loans. The following securities also exist:

- Assignment as security of property at the Ibbenbüren location;
- Registered land charge of a nominal 29,800 thousand euro on the property at Genthin;
- Assignment as security of assets/inventory at the Genthin location;
- Assignment of investment subsidies in the amount of 6,125 thousand euro and investment subsidies in accordance with official decision for a nominal 8,577 thousand euro. The residual value of the investment subsidies as of December 31, 2011 is 1,093 thousand euro.
- Assignment of specific items of other receivables, investment subsidies for a nominal 6,125 thousand euro.
- HANSA GROUP AG loan guarantee of 37,300 thousand euro.

In addition, an uncertificated land charge of an amount of 3,574 thousand euro has been registered on existing mortgage loans.

Of the existing loans due within one to five years, the H.E.A.T. mezzanine subsidiary loan of an amount of 12,000 thousand euro and the KBC Bank KfW Special Program for Small and Medium-sized Enterprises loan are not to be discharged on schedule. These are repayable only upon the expiry of the loan agreement, i.e., as from 2014 and 2012, respectively.

No defaults, delayed payments or infringements of agreements occurred in the field of non-current loan liabilities during the current fiscal year.

A further 1,677 thousand euro of liabilities from finance leases are reported under non-current financial liabilities for fiscal year 2011 (previous year: 354 thousand euro).

Non-current financial liabilities also include liabilities from derivative financial instruments. Liabilities resulting from derivative financial instruments amount to 800 thousand euro (previous year: 319 thousand euro). This is the reporting of interest rate swaps, which serve the purpose of replacing variable-interest with fixed-interest loans. One interest rate swaps is classified as a cash flow hedge and one interest rate swap is classified as held for trading.

Mark-to-market measurement is used for determination of the fair value of the interest rate swaps. The interest rate swaps have terms of five and ten years. The market value of the interest rate swap classified as a cash flow hedge amounted to 716 thousand euro as of December 31, 2011.

(14) CURRENT FINANCIAL LIABILITIES AND TRADE PAYABLES AND OTHER LIABILITIES

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.
Loan liabilities	52,455	47,965
Finance leases	608	273
Derivative financial instruments	160	136
Financial liabilities	**53,223**	**48,374**
Trade liabilities	**98,695**	**72,384**
Down payments received against orders	25,942	39,311
Tax liabilities	214	1,223
Invoices not yet settled	968	417
Others	15,618	4,879
Other liabilities	**42,742**	**45,830**

Current loan liabilities also include current-account loans in an amount of 24,398 thousand euro. This item also shows the proportion of loan liabilities due in less than one year, in an amount of 24,129 thousand euro.

These are essentially made up of loans for the prefinancing of the surfactants plant investment project at the Genthin location. Interest at normal market rates is payable on the short-term loans reported here. No defaults, delays in payment or infringements of agreements have occurred in the field of current loan liabilities during the current fiscal year.

Current financial liabilities include liabilities resulting from derivative financial instruments. Liabilities resulting from derivative financial instruments amount to 160 thousand euro (previous year: 136 thousand euro). At the balance sheet date, there are forward exchange transactions with a nominal value of 3,706 thousand euro (previous year: 9,149 thousand euro), with a final maturity as of April 10, 2012 (previous year: April 26, 2011), which result in their reporting as a liability. They are mainly used by HANSA GROUP AG and WIBARCO GmbH for hedging purchases in US dollars. The fair value is determined on the basis of a mark-to-market valuation.

Unchanged from the previous year, a reverse-factoring agreement existed with Coface Finanz GmbH for a volume of 15,000 thousand euro.

Liabilities from LUHNS GmbH inventory financing in the amount of 11,355 thousand euro and a loan to Savanna AG in the amount of 3,874 thousand euro, which result from the sale of LUHNS GmbH, are reported under other financial liabilities.

The financial instrument maturity situation in the reporting year was as follows:

	31.12. 2011	CASH FLOWS Q1 2012		CASH FLOWS Q2-Q4 2012		CASH FLOWS 2013		CASH FLOWS 2014		CASH FLOWS 2015		CASH-FLOWS 2016		CASH FLOWS AFTER 2016	
	Carrying amount in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.	Interest in EUR thou.	Repayment in EUR thou.
Financial liabilities															
Liabilities to banks	98,902	1,452	31,001	3,449	17,511	3,564	10,409	1,993	18,649	1,425	5,347	1,095	4,163	1,817	11,822
Liabilities from finance leases	2,286	0	209	0	593	0	762	0	725	0	689	0	670	0	55
Remaining liabilities	3,874	0	0	102	3,874	0	0	0	0	0	0	0	0	0	0
Trade liabilities	98,695	0	54,795	0	23,638	0	20,262	0	0	0	0	0	0	0	0
Other liabilities	14,961	17	8,979	13	5,982	0	0	0	0	0	0	0	0	0	0
Derivative liabilities	959	0	160	0	0	0	0	0	84	0	0	0	0	0	715
Loan commitments	6,500	77	0	230	0	307	0	292	813	254	813	216	813	503	4,063

The figures for the previous year were as follows:

	31,12, 2010	CASH FLOWS Q1 2011		CASH FLOWS Q2-Q4 2011		CASH FLOWS 2012		CASH FLOWS 2013		CASH FLOWS 2014		CASH-FLOWS 2015		CASH FLOWS AFTER 2015	
	Carrying amount in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,	Interest in EUR thou,	Repayment in EUR thou,
Financial liabilities															
Liabilities to banks	76,429	1,305	32,641	3,644	4,161	4,000	9,813	3,052	4,904	1,527	15,677	1,036	3,080	1,994	6,154
Liabilities from finance leases	626	0	47	0	123	0	127	0	115	0	78	0	53	0	48
Remaining liabilities	11,094	0	1,636	149	9,458	0	0	0	0	0	0	0	0	0	0
Trade liabilities	72,384	0	42,874	0	15,890	0	13,620	0	0	0	0	0	0	0	0
Other liabilities	5,512	25	2,912	34	1,350	29	1,250	0	0	0	0	0	0	0	0
Derivative liabilities	455	0	136	0	0	0	0	0	0	0	98	0	0	0	221
Loan commitments	19,531	303	269	864	2,038	1,005	2,718	836	2,717	676	2,348	547	1,642	1,209	7,800

The trade payables repayment amount for the first quarter contains the account credit facility, as it will be shown as an outflow at the earliest possible date.

(15) CURRENT AND DEFERRED INCOME TAX LIABILITIES

	31.12.2011 in EUR thou.	31.12.2010 in EUR thou.
Deferred income tax liabilities	43,915	47,120
Current income tax liabilities	6,124	7,810
	50,039	**54,930**

The assets and liabilities from future income tax reductions/charges comprise deferred tax assets and liabilities resulting from temporary differences between the carrying amounts in the consolidated balance sheet and the tax base, and tax savings from losses brought forward which are expected to be realizable in the future. Current and deferred income tax assets and liabilities are explained in more detail under income taxes (Note 24)). Deferred income tax assets and liabilities are netted where the same tax authority is involved and the other conditions of IAS 12.74 are fulfilled.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Since May 1, 2010, HANSA GROUP AG has held 100 percent of LUHNS GmbH, Wuppertal. This subsidiary was included in the HANSA GROUP AG consolidated financial statements and fully consolidated for the first time in fiscal year 2010. Direct comparison of current figures with those for the previous year is therefore not possible.

(16) SALES REVENUE

REVENUE BY PRODUCT SEGMENTS	2011 in EUR thou.	2010 in EUR thou.
Production/Services	240,232	261,249
of which Services	(3,802)	(3,403)
Trade	143,227	94,891
	383,459	**356,140**

REVENUE BY SALES MARKET	2011 in EUR thou.	2010 in EUR thou.
Germany	162,045	158,668
European Union	107,080	122,058
Rest of World	114,334	75,414
	383,459	**356,140**

(17) OTHER OPERATING INCOME

OTHER OPERATING INCOME	2011 in EUR thou.	2010 in EUR thou.
Income from liquidated damages	1,298	3
Unrealized exchange rate gains	680	259
Income from reversal of valuation allowances	420	417
Income from reversal of other provisions	409	18
Income from insurance claims paid	333	349
Income from rentals and leases	59	175
Extraordinary income	0	5,202
Other	885	8,052
	4,085	**14,475**

As with the exchange rate losses, exchange rate gains are gains/losses from foreign currency translation. Income from the reversal of other provisions amount to 409 thousand euro and mainly relate to other provisions.

Income from the disposal of property, plant and equipment in the amount of 11 thousand euro is reported under other operating income.

(18) COST OF MATERIALS

COST OF MATERIALS	2011 in EUR thou.	2010 in EUR thou.
Costs of raw materials, consumables and supplies, and of purchased merchandise	261,328	258,545
Cost of purchased services	13,262	10,713
	274,500	**269,258**

(19) PERSONNEL EXPENSES

PERSONNEL EXPENSES	2011 in EUR thou.	2010 in EUR thou.
Wages and salaries	29,283	26,479
Social security contributions	5,689	4,349
- of which retirement and other benefit costs	590	62
	34,972	**30,828**

The number of employees at December 31 was as follows:

EMPLOYEES	2011	2010
Industrial workers	356	381
Clerical workers	266	263
	622	**644**

The average number of employees in fiscal year 2011 was 651 (of whom industrial workers: 372, of whom clerical workers: 279) (previous year: 656, of whom industrial workers: 382, of whom clerical workers: 274).

The number of members of the Group's Management Board and directors was three (previous year: five), and the number of apprentices/trainees 37 (previous year: 41).

Of the personnel expenses, 450 thousand euro (previous year: 379 thousand euro) relates to the remuneration of the activities of the HANSA GROUP AG Management Board. Included in social security contributions are retirement expenses in the amount of 590 thousand euro (previous year: 62 thousand euro).

2,562 thousand euro (previous year: 2,096 thousand euro) of social-security contributions are accounted for by contributions to the statutory pension scheme, and an amount of 349 thousand euro (previous year: 107 thousand euro) by contributions to existing pension plans.

Under the terms of a stock-option program, the WIBARCO employees who participated for the last time in BASF AG's "Aktien-Plus" program in 2006 receive a contractually stipulated annual incentive compensation in the form of cash compensation up to 2016.

	Outstanding options as of 1.1.2011 in EUR thou.	Granted in EUR thou.	Expired in EUR thou.	Exercised in EUR thou.	Outstanding options as of 31.12.2011 in EUR thou.	Exercisable options as of 31.12.2011 in EUR thou.	Execution price in EUR
AOP	804	0	66	236	502	168	53.89

	Outstanding options as of 1.1.2010 in EUR thou.	Granted in EUR thou.	Expired in EUR thou.	Exercised in EUR thou.	Outstanding options as of 31.12.2010 in EUR thou.	Exercisable options as of 31.12.2010 in EUR thou.	Execution price in EUR
AOP	1,082	0	0	278	804	260	59.70

The weighted residual contractual term of the outstanding options is 2.5 years. Measurement of the stock options to be measured in accordance with IFRS 2 has resulted in personnel expenses in fiscal year 2011 of 13 thousand euro since this company became a member of the Group. The liability to be reported amounted to 9.0 thousand euro as of December 31, 2011, and is recorded under other provisions. The intrinsic value of the liabilities for the options exercisable on the balance sheet date is 9.0 thousand euro.

(20) OTHER OPERATING EXPENSES

	2011 in EUR thou.	2010 in EUR thou.
Expenses for supply of goods	22,222	21,253
Repair costs	5,198	5,314
Third-party work and services	5,445	4,090
Costs of office and workshop space	4,450	3,907
Rentals, leases, leasing	3,900	2,525
Advertising costs	2,640	2,287
Operating costs	2,261	2,263
Legal, consultation and audit costs	1,962	2,224
Insurance costs	1,646	1,785
Office requisites	998	541
Losses from asset disposals	923	0
Recognition of valuation allowances and bad debt losses	299	284
Unrealized exchange rate losses	315	593
Other	5,226	3,785
	57,485	**50,851**

Losses from the disposal of property, plant and equipment in the amount of 923 thousand euro is reported under other operating expenses.

(21) DEPRECIATION AND AMORTIZATION

A breakdown of depreciation and amortization by intangible assets, property, plant and equipment, and non-current financial assets, is included in the notes to the respective item.

Impairment testing did not result in any impairment of assets in fiscal year 2011 or in the previous year.

(22) FINANCIAL RESULT

	2011 in EUR thou.	2010 in EUR thou.
Interest income		
Other interest and similar income	98	1,316
Interest expense		
Interest expense from loan liabilities and interest costs of provisions	-5,763	-5,699
Net interest expense = financial result	**-5,665**	**-4,383**

The interest expense includes interest rate swap expenses.

(23) WRITE-DOWNS OF LONG-TERM FINANCIAL ASSETS

Write-downs of long-term financial assets include the 130 thousand euro write-down of shares in Tectura Corporation, USA.

(24) INCOME TAXES

	2011 in EUR thou.	2010 in EUR thou.
Current income taxes	-6,743	-5,402
Deferred income taxes	4,535	2,821
Income tax expense (-) / income (+)	**-2,208**	**-2,581**

Tax income in fiscal year 2011 as a consequence of the change in deferred income taxes results to an amount of 781 thousand euro from the change in the usability of an existing tax loss carryforward, and to an amount of 3,754 thousand euro from the change in temporary differences.

A reconciliation from the expected tax expense to the tax expense actually reported is shown below. To calculate the expected tax expense, profit or loss before income taxes is multiplied by a basic income tax rate of 31.93 percent (previous year: 31.93 percent) specified by the Group.

The reconciliation from expected to actual income tax expense for the year under review and for the previous year is as follows:

	2011 in EUR thou.	2010 in EUR thou.
Earnings before taxes	6,436	5,832
Tax rate in the Group	31.93	31.93
Expected tax expense	**-2,055**	**-1,862**
Differences resulting from different tax rates	-34	-82
Adjustment of deferred taxes as a result of changes in rate of tax due to losses brought forward	0	-744
Previous year' tax arrears payments (incl. interest)	392	0
Back tax payment for trade tax provision reversal in 2005	-182	0
Tax increases resulting from non-deductible expenses	7	56
Tax increases resulting from trade tax additions and deductions	-374	259
Other tax-related effects	38	-208
Tax expense as reported in the income statement (expenses -/income +)	**-2,208**	**-2,581**
Effective tax rate in %	**34.31**	**44.25**

Deferred taxes are calculated using the balance sheet-oriented liabilities method. On this basis, tax reductions and tax charges to be expected in the future are reported for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax base. Where such temporary differences relate to items that are directly recognized without effect on income in the consolidated statement of comprehensive income, deferred taxes relating thereto are directly offset against equity. Settlements not affecting profit or loss were recorded under provisions for pensions and a cash-flow hedge as of December 31, 2011.

Deferred taxes are attributable to the following items:

	2011 assets in EUR thou.	2011 liabilities in EUR thou.	2010 assets in EUR thou.	2010 liabilities in EUR thou.
Losses carryforward	1,468	0	686	0
Intangible assets	0	7,297	0	7,978
Investment property	0	104	0	107
Other property, plant and equipment	0	36,824	0	39,496
Other receivables and other assets (non-current)	0	0	0	41
Other receivables and other assets (current)	0	153	181	104
Inventories	31	0	30	0
Financial liabilities (non-current)	232	0	32	0
Pension provisions	536	0	293	0
Other provisions	492	0	245	29
Other current liabilities	0	20	0	41
Current financial liabilities	72	0	140	0
Net assets / liabilities	-483	-483	-676	-676
	2,348	**43,915**	**931**	**47,120**

Deferred taxes on valuation adjustments recognized directly in equity in the amount of 81 thousand euro were reported as of December 31, 2011.

4,614 thousand euro of the deferred taxes included under other property, plant and equipment in the previous year are attributable to the acquisition of LUHNS GmbH (see “Business combinations”). In provisions for pensions, -51 thousand euro have been reported without effect on income in the statement of comprehensive income, and 30 thousand euro with effect on income in the income statement. In addition, 138 thousand euro is reported without effect on income in the statement of comprehensive income in the context of reporting of a cash-flow hedge. All other deferred taxes recognized for the items listed have been reported with effect on income.

Deferred tax assets were formed on loss carryforwards of 1,363 thousand euro and 105 thousand euro for WASCHMITTELWERK GENTHIN GmbH and CHEMISCHE FABRIK WIBARCO GmbH due to negative results in both the current and past fiscal years. Future planned positive results mean that it can be assumed that all loss carryforwards will be utilized.

(25) EARNINGS PER SHARE

Basic earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the consolidated net income (or loss) attributable to the shareholders of HANSA GROUP AG by the weighted average number of shares in circulation during the period.

	2011	2010
Consolidated net income attributable to shareholders (in EUR)	4,227,927.56	3,251,204.86
Weighted average number of shares	48,077,900	48,077,900
Basic earnings per share (in EUR)	**0.09**	**0.07**

Diluted earnings per share

The calculation of diluted earnings per share essentially corresponds to the method of calculation used for basic earnings per share. The variables included in the calculation must also be adjusted for the effects of all dilutive potential ordinary shares, however. No effects causing dilution of earnings per share have occurred.

(26) DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table shows the book and the fair values of the individual financial assets and liabilities for each individual category of financial instruments for HANSA Group and reconciles these with the corresponding balance sheet items. Since the balance sheet items "Other receivables", "Trade liabilities" and "Other liabilities" include both financial instruments and non-financial assets / non-financial liabilities (e.g. other tax payables, or prepayments for considerations to be received at a future time), the "Non-financial assets / liabilities" item serves for corresponding reconciliation.

	Amortized cost in EUR thou.	Fair value No net income effect in EUR thou.	Fair value Net income effect in EUR thou.	Non-financial assets/liabilities in EUR thou.	Carrying amount 31.12.2011 in EUR thou.
Non-current assets					
Other financial assets					**199**
- Loans and receivables	199				199
- Available-for-sale financial assets			0		0
Other receivables and assets					**353**
- Loans and receivables	353				353
- Non-financial assets				0	0
Current assets					
Trade receivables					**36,613**
- Loans and receivables	36,613				36,613
Other receivables and assets					**29,744**
- Derivatives not designated as hedging instruments			93		93
- Loans and receivables	25,915				25,915
- Non-financial assets				3,736	3,736
Cash and cash equivalents					**34,125**
- Loans and receivables	34,125				34,125
Non-current liabilities					
Financial liabilities					**52,798**
- at amortized cost	50,321				50,321
- Liabilities from finance leases	1,677				1,677
- Derivatives designated as hedging instruments		716			716
- Derivatives not designated as hedging instruments			84		84
Current liabilities					
Other financial liabilities					**53,223**
- at amortized cost	52,455				52,455
- Liabilities from finance leases	608				608
- Derivatives designated as hedging instruments					0
- Derivatives not designated as hedging instruments			160		160
Trade liabilities					**98,695**
- at amortized cost	98,695				98,695
Other liabilities					**42,742**
- at amortized cost	14,961				14,961
- non-financial assets				27,781	27,781

The situation for 2010 was as follows:

	Amortized cost in EUR thou.	Fair value No net income effect in EUR thou.	Fair value Net income effect in EUR thou.	Non-financial assets/liabilities in EUR thou.	Carrying amount 31.12.2011 in EUR thou.
Non-current assets					
Other financial assets					**325**
- Loans and receivables	195				195
- Available-for-sale financial assets			130		130
Other receivables and assets					**633**
- Loans and receivables	503				503
- Non-financial assets				130	130
Current assets					
Trade receivables					**23,595**
- Loans and receivables	23,595				23,595
Other receivables and assets					**22,864**
- Derivatives not designated as hedging instruments			100		100
- Loans and receivables	15,769				15,769
- Non-financial assets				6,995	6,995
Cash and cash equivalents					**27,045**
- Loans and receivables	27,045				27,045
Non-current liabilities					
Financial liabilities					**41,482**
- at amortized cost	40,809				40,809
- Liabilities from finance leases	354				354
- Derivatives designated as hedging instruments		221			221
- Derivatives not designated as hedging instruments			98		98
Current liabilities					
Other financial liabilities					**48,373**
- at amortized cost	47,965				47,965
- Liabilities from finance leases	272				272
- Derivatives designated as hedging instruments			136		136
- Derivatives not designated as hedging instruments					0
Trade liabilities					**72,384**
- at amortized cost	72,384				72,384
Other liabilities					**45,830**
- at amortized cost	4,262				4,262
- non-financial assets				41,568	41,568

Other non-current receivables comprise the "Other receivables and assets" item reported under non-current assets. These are other tax reimbursements where the amount repayable is capitalized.

The other amounts mentioned comprise the respective balance sheet items and have a residual term of less than one year, with the result that the amortized cost presented in the balance sheet is a reasonable approximation of the fair value. No major bad debt losses or infringements of payment agreements have occurred during the past two fiscal years.

None of the above-mentioned receivables and liabilities are subject to interest. Expenses/income from adjustments of an amount of 299 thousand euro (previous year: 284 thousand euro) are reported in the income statement and shown as an item under other operating expense. The maximum credit risk of the receivables shown on the balance sheet is in their carrying amount.

The expenses, income, losses and gains from financial instruments can be assigned to the following categories corresponding to the classification of the relevant financial instrument:

	Loans and receivables in EUR thou.	Available for-sale assets in EUR thou.	Derivatives designated as hedging instruments in EUR thou.	Derivatives not designated as hedging instruments in EUR thou.	Liabilities measured at amortized cost in EUR thou.	Total 2011 in EUR thou.
Interest income	83	0	0	15	0	98
Interest expense	0	0	-513	-161	-4,914	-5,588
Other financial expense and income	0	0	0	-175	0	-175
Write-downs of long-term financial assets	0	-130	0	0	0	-130
Net interest income	**83**	**-130**	**-513**	**-321**	**-4,915**	**-5,796**

	Loans and receivables in EUR thou.	Available for-sale assets in EUR thou.	Derivatives designated as hedging instruments in EUR thou.	Derivatives not designated as hedging instruments in EUR thou.	Liabilities measured at amortized cost in EUR thou.	Total 2010 in EUR thou.
Interest income	1,316	0	0	0	0	1,316
Interest expense	0	0	-137	-169	-4,654	-4,960
Other financial expense and income	0	0	-375	0	0	-375
Write-downs of long-term financial assets	0	0	0	0	0	0
Net interest income	**1,316**	**0**	**-512**	**-169**	**-4,654**	**-4,019**

The interest expense reported is based on the existing financial liabilities. The interest income reported is in connection with overnight funds (cash and cash equivalents).

Financial assets and liabilities reported at fair value by measurement criteria:

The financial assets to be recognized at fair value are shown by measurement categories in the following table. The measurement categories are defined as follows:

Category 1:

- Financial instruments traded on active markets, the quoted prices of which have been adopted unchanged for measurement.

Category 2:

- Measurement is performed on the basis of measurement methods, of which the influencing factors used are derived directly or indirectly from observed market data.

Category 3:

- Measurement is performed on the basis of measurement methods, of which the influencing factors used are not based solely on observed market data.

	Category 1 in EUR thou.	Category 2 in EUR thou.	Category 3 in EUR thou.	Assets as of 31.12.2011 in EUR thou.
Financial assets at fair value via income statement	0	0	0	0
Derivative financial instruments which are not an active component of a hedge	0	93	0	93

	Category 1 in EUR thou.	Category 2 in EUR thou.	Category 3 in EUR thou.	Assets as of 31.12.2010 in EUR thou.
Financial assets at fair value via income statement	0	0	130	130
Derivative financial instruments which are not an active component of a hedge	0	100	0	100

	Category 1 in EUR thou.	Category 2 in EUR thou.	Category 3 in EUR thou.	Liabilities as of 31.12.2011 in EUR thou.
Derivative financial instruments which are an active component of a hedge	0	716	0	716
Derivative financial instruments which are not an active component of a hedge	0	244	0	244

	Category 1 in EUR thou.	Category 2 in EUR thou.	Category 3 in EUR thou.	Liabilities as of 31.12.2010 in EUR thou.
Derivative financial instruments which are an active component of a hedge	0	221	0	221
Derivative financial instruments which are not an active component of a hedge	0	98	0	98

Derivative financial instruments are recognized as other operational expense in the income statement in the context of exchange rate fluctuation hedging and are recognized as net interest income in the income statement when interest rate fluctuations do not relate to hedging and are recognized as other comprehensive income of -495 thousand euro in the context of a cash flow hedge for an interest rate risk.

	01.01.2011 in EUR thou.	Recognized in net income for the period in EUR thou.	Additions / disposals in EUR thou.	31.12.2011 in EUR thou.
Financial assets at fair value via income statement	130	-130	0	0

	01.01.2010 in EUR thou.	Recognized in net income for the period in EUR thou.	Additions / disposals in EUR thou.	31.12.2010 in EUR thou.
Financial assets at fair value via income statement	130	0	0	130

The amortization of financial assets relates to shares of 130 thousand euro in Tectura Corporation, USA. The amortization is recognized in the income statement under other financial income and expense.

Risk management

HANSA GROUP AG operates a risk management system which also covers the default, liquidity, and market risks of financial instruments. In respect of default risks, the system is based on a systematic evaluation of the age-related structure of the trade receivables and a well organized dunning system. In order to minimize default risk and prevent bad debt losses, collateral (e.g. retention of ownership) is requested, credit information or references are obtained, or historical data from the previous business relationship (in particular, payment behavior) is used for all trade receivables, depending on the nature and amount of the respective performance. In addition, insurance has been contracted to hedge any remaining credit risks. Neither during the year under review, nor in previous years, has HANSA Group recorded any significant defaults or made adjustments to accounts receivable figures to allow for potential defaults.

Short-term liquidity planning assures the minimization of liquidity risks. The long settlement periods allowed for exports are a characteristic of the chemicals industry. The existing liquidity risk may be categorized as low, thanks to the use of long-term financing instruments and additional assurance of liquidity, in the form of lines of credit. Use is made of financial instruments such as factoring, for example, in order to assure future liquidity and balance out major prefinancing outflows.

Market risks can be found in the field of exchange rate fluctuations, and in the purchasing of goods on a US dollar basis, in particular. During the year, such risks are mainly countered by means of foreign currency hedging transactions. The remaining exchange rate risks are low and are consciously accepted.

Default risks

Altogether, a low credit risk must be assumed. Default risks exist only in the case of trade receivables of the “Loans and receivables” category. Trade receivables are subject to a general default risk. Customers’ creditworthiness is analyzed at regular intervals. Credit limits are defined for all customers. Where there are specific indications of a need for adjustment at the balance sheet date, risks arising from the general default risk are reported by means of a separate specific valuation allowance account. Receivables with a nominal value of 40,899 thousand euro (previous year: 25,717 thousand euro) were recorded at the balance sheet date. Of these, receivables valued at 1,854 thousand euro (previous year: 2,122 thousand euro), relating essentially to pending legal proceedings were written down individually. Complete derecognition is implemented for the item in question only where a bad debt loss appears virtually certain.

With regard to receivables, collective valuation allowances in the amount of 107 thousand euro (previous year: 72 thousand euro) were charged. The amount of these collective valuation allowances is based on empirical figures, taking the specific age-related structure of the receivables at the balance sheet date into account.

On December 31, 2011, the following overdue receivables which had not been written down were recorded:

	Total value of overdue receivables as of 31.12.2011 in EUR thou.	Overdue, adjusted receivables in EUR thou.	NON-ADJUSTED RECEIVABLES WHICH WILL BE OVERDUE WITHIN THE FRAMEWORK OF THE FOLLOWING PERIODS			
			up to 30 days in EUR thou.	31–60 days in EUR thou.	61–90 days in EUR thou.	more than 90 days in EUR thou.
Trade receivables	**17,454**	**241**	**12,310**	**3,106**	**153**	**1,644**

On December 31, 2010, the following overdue receivables which had not been written down were recorded:

	Total value of overdue receivables as of 31.12.2010 in EUR thou.	Overdue, adjusted receivables in EUR thou.	NON-ADJUSTED RECEIVABLES WHICH WILL BE OVERDUE WITHIN THE FRAMEWORK OF THE FOLLOWING PERIODS			
			up to 30 days in EUR thou.	31–60 days in EUR thou.	61–90 days in EUR thou.	more than 90 days in EUR thou.
Trade receivables	**11,276**	**451**	**7,643**	**2,327**	**111**	**744**

Liquidity risks

The liquidity risk, i.e., the risk of not being able to meet present or future payment obligations due to the inadequate availability of liquid funds, is controlled centrally at the HANSA Group. Liquid funds are kept on hand to assure solvency at all times and in order to be able to meet all planned payment obligations within the settlement period throughout the Group. These funds consist both of operational cash flows and of the adjustment of current financial liabilities. The ABS program and reverse factoring also cover short- and medium-term liquidity needs. A reserve against unscheduled reduced cash inflows and/or greater cash outflows is also kept on hand. Liquidity is assured mainly in the form of overnight funds.

The loans due in 2012 are to be serviced from liquidity and from free-operating cash flow. No significant liquidity risk is currently identifiable.

The risk that expiring lines of credit and/or loan agreements will not be extended exists in principle. The Management Board continues to assume that lines of credit and loans of adequate magnitude will also continue to be available in the future.

The HANSA Group was able to meet all its obligations and liabilities on time during the period under review.

Market risks

At the balance sheet date, there were net trade receivables and trade payables totaling 6,701 thousand euro (previous year: 9,786 thousand euro) on a US dollar and GBP basis. These receivables and liabilities were translated using the exchange rate for the US dollar as of December 31, 2011 of EUR/US dollar = 0.7729 (previous year: EUR/US dollar = 0.7484) and the rate of exchange for the GBP as of December 31, 2011 of EUR/GBP = 1.1933 (previous year: EUR/GBP = 1.1617).

Had the euro been 10 percent stronger (weaker) compared to the US dollar and the GBP on December 31, the value of the total balance would have been 451 thousand euro lower or 504 thousand euro higher, respectively. Equity would have changed by the same amount. The value of the total balance in the income statement would have been 451 thousand euro higher or 504 thousand euro lower.

There is a basic risk of a change in interest rates, but no negative effects are anticipated, due, inter alia, to the inclusion of these factors in price calculation.

Were interest rates to rise (fall), interest expense would be 1,624 thousand euro higher or 1,628 thousand euro lower, respectively.

Were the underlying interest rate swap's yield curve to rise (fall) by one percentage point, the value of the interest rate swap would be 649 thousand euro higher or 606 thousand euro lower, respectively. This change is recognized directly in equity.

Receivables and liabilities in foreign currency are hedged in part by foreign currency derivatives. Were the closing rate as of December 31, 2011 to rise (fall) by 10 percent, derivates would be 9.0 thousand euro lower or 129 thousand euro higher, respectively. This amount would be recognized in profit or loss.

NOTES TO THE CASH FLOW STATEMENT

(27) CASH FLOW STATEMENT

The cash flow statement has been prepared in conformity to the provisions of IAS 7 and structured on the basis of the cash flows from operating, investment and financing activities. The effects of consolidation changes and exchange rate fluctuations on cash and cash equivalents are shown separately.

The cash flow for ongoing business is firstly derived in the cash-flow statement, in order to present operational business activity congruently with the balance sheet and the income statement.

The cash and cash equivalents in the cash flow statement consist of the cash in hand shown on the balance sheet (27 thousand euro, previous year: 71 thousand euro) and bank accounts in credit (34,098 thousand euro, previous year: 26,974 thousand euro) less the current-account credits taken by HANSA GROUP AG (24,398 thousand euro, previous year: 11,602 thousand euro), which are reported under other current financial liabilities. These are cash and cash equivalents with terms of three months.

Cash and cash equivalents includes a restricted-availability amount of 0 thousand euro (previous year: 5,436 thousand euro).

No other significant non-cash transactions occurred during fiscal year 2011.

OTHER DISCLOSURES

(28) CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER FINANCIAL LIABILITIES

Claims resulting from legal and other proceedings which, on the basis of present knowledge and assessments, do not satisfy measurement requirements in the balance sheet are in all cases aggregated under contingent assets. Within the framework of its general business activities, HANSA Group is involved in various legal proceedings. The costs for legal counsel and legal proceedings have been recognized as provisions for litigation risks. HANSA Group does not expect that any further potential costs resulting from legal counsel or the results of legal proceedings will have any major negative effects on the Group's net assets, financial position and/or results of operations.

There are no significant contingent liabilities in the current fiscal year.

Claims resulting from legal and other proceedings which, on the basis of present knowledge and assessments, do not satisfy measurement requirements in the balance sheet are in all cases aggregated under contingent assets.

(29) OCCURRENCES OF NOTE AFTER THE BALANCE SHEET KEY DATE

The following changes have occurred since the close of fiscal year 2011: the Group's free liquidity as of the end of March 2012 amounted to 24,650 thousand euro. Increased payment flows did not result in any liquidity shortfalls. New agreements with banks have also been made in 2012, and new reverse-factoring limits agreed.

(30) HEDGING POLICY AND FINANCIAL DERIVATIVES

Within the framework of its ordinary operations, the Group is exposed to currency risks, risks in connection with changes in interest rates, and risks relating to changes in lending rate, which might affect its net assets, financial position and/or results of operations.

Foreign currency risk: Foreign currency risks arise from receivables, liabilities, cash funds, and planned transactions that do not exist or will not exist in the Company's functional currency.

The Company checks the use of derivative financial instruments for hedging of foreign currency risks. Derivative financial instruments are used for hedging exchange rates.

Interest rate risk: Two interest rate swaps agreements at the same amount of the new loans taken out were concluded to hedge the existing interest rate risk from long-term loan agreements in HANSA Group. The interest rate risk is negligible following the conclusion of the above-mentioned agreements. The interest-rate risk exists in the case of expiring loans for subsequent financing.

Credit risk: The Group will be exposed to a credit risk where transaction partners cannot meet their obligations within customary payment periods. The maximum default risk is recorded in the balance sheet on the basis of the carrying amount of the relevant financial asset. Default policies exist with various credit insurers in order to restrict credit risk. The development of receivables is also monitored continuously in order to be able to identify any possible default risks in good time and to initiate appropriate measures. In this connection, attention is drawn to the credit risks described in the Group management report.

(31) CAPITAL MANAGEMENT

The objective of the Group's capital management is to ensure that the Group's financial flexibility guarantees business continuity, to secure the creation of a solid capital basis to finance further growth, as well as to oversee that the Group's ability to repay debt is maintained. The Group will therefore continue to expand a whole range of financial instruments (such as factoring and reverse factoring). This enabled reverse factoring lines to be increased to 15 million euro during the reporting period and increase by a further 5.0 million at the beginning of fiscal year 2012 to 20 million euro. Existing factoring agreements were also replaced by WestLB's ABS program with a volume of 60 million euro. These enhancements ensure and increase short- and medium-term liquidity. Credit and accounts payable management were also further improved. The main focus here will be on a reduction (on the debtor side) and an increase (on the creditor side) in settlement periods. The Annual General Meeting again approved capital increase measures in the previous fiscal year. Examinations are currently being carried out to determine exactly which instrument can be used to refinance investments made in recent years to improve balance sheet ratios by strengthening the capital base and possibly for the repayment of borrowed capital. Overall, capital of 97,353 thousand euro was subject to capital management as of December 31, 2011.

(32) SEGMENT REPORTING

The internal organizational and management structure, in combination with internal reporting to the Management Board and the Supervisory Board, provide the basis for definition of segmentation criteria at HANSA GROUP AG.

Segmentation is performed, in line with internal reporting, by product line, which can be defined as follows:

- In the **Production/Service segment**, HANSA Group produces surfactants and other primary, intermediate and end chemical products, and also consumer products (detergents and body care items), and is in addition a service provider in the fields of logistics, laboratory analysis and contract manufacturing, inter alia.

- In the **Trade segment**, HANSA Group is active as a chemicals trading company.

Intra-group deliveries and services are billed at market prices, as on an arm's length basis. This ensures that each segment can present its economic profitability, irrespective of whether deliveries and services are furnished within the Group or for third parties.

All intra-group income and expense is recorded and allocated reliably by the companies involved. Expense and income, and also their elimination, are presented separately in the individual segments within the framework of segment reporting.

Earnings before interest and taxes for the year are reported as the segment result.

Segment assets correspond to the sum of all reported segment-related assets excluding income tax assets.

Segment liabilities include segment-specific provisions, liabilities, and financial liabilities, but not income tax liabilities. Loan liabilities not used for the achievement of the operational result have also been factored out of the segment liabilities. Investments and depreciation/amortization relate in each case to property, plant and equipment, and intangible assets.

The performance indicators and more extensive segment-related indicators used by HANSA Group for assessment of segment performance are shown below:

	PRODUCTION/ SERVICE SEGMENT		TRADE SEGMENT		RECONCILIATION		GROUP	
	2011 in EUR thou.	2010 in EUR thou.	2011 in EUR thou.	2010 in EUR thou.	2011 in EUR thou.	2010 in EUR thou.	2011 in EUR thou.	2010 in EUR thou.
External revenue	240,231	261,249	143,228	94,891	0	0	383,459	356,140
Group sales	54,830	34,208	65,874	40,911	-120,704	-75,119	0	0
Total sales	**295,061**	**295,457**	**209,102**	**135,802**	**-120,704**	**-75,119**	**383,459**	**356,140**
Depreciation/amortization	8,392	8,289	4,928	3,066	0	0	13,320	11,355
Segment result	7,753	7,457	4,553	2,758	-74	0	12,232	10,215
Interest income	2,234	1,321	1,312	489	-3,448	-494	98	1,316
Interest expense	-5,804	-4,521	-3,408	-1,672	3,448	494	- 5,764	-5,699
Income tax	-1,391	-1,884	-817	-697	0	0	-2,208	-2,581
Significant income and expense items	0	0	0	0	0	0	0	0
Segment assets	310,407	315,939	182,303	116,854	-124,208	-95,197	368,503	337,596
Segment liabilities	202,502	193,295	118,930	71,493	-48,736	-25,073	272,695	239,715
Segment investments	14,621	25,726	8,587	9,515	0	0	23,208	35,241
Number of employees as of Dec. 31,	558	585	64	59	0	0	622	644
Non-cash expenses (-) (not inc. depreciation/amortization)	0	0	0	0	0	0	0	0
Non-cash income (+) (not inc. depreciation/amortization)	714	15	420	5	0	0	1,134	20

The exclusions of intra-group links between the segments are summarized in the reconciliation. Intra-group turnover is excluded from revenue.

The excluded interest income/expense of the business areas achieved with other, also consolidated business areas, is apparent in the reconciliation column for the interest income/expense items.

The internal settlements for supplies and services have been eliminated from the reconciliation of the segments' assets and liabilities to the assets and liabilities of the Group.

Sales regions:

External revenue is shown broken down by regions. These are the regions in which HANSA Group is active: Germany, the European Union and the rest of the world (RoW).

Non-current assets comprise intangible assets, plant, property and equipment and other non-current assets.

	EXTERNAL REVENUE		EXTERNAL REVENUE	
	2011 in EUR thou.	2010 in EUR thou.	2011 in EUR thou.	2010 in EUR thou.
Germany	264,086	261,370	162,045	158,668
European Union	0	0	107,080	122,058
Rest of world	0	0	114,334	75,414
Konzern	**264,086**	**261,370**	**383,459**	**356,140**

Attention is drawn to the notes on sales revenue for the breakdown of external revenue by sales region.

HANSA Group generated more than 10 percent of Group sales in fiscal year 2011 with one customer. These sales, in the amount of 33 million euro, are reported in the trade segment.

(33) CORPORATE GOVERNANCE

The Management Board and Supervisory Board of HANSA GROUP AG hereby declare pursuant to section 161 of the German Stock Corporation Act (AktG) their compliance, with the exception of specific recommendations, with the May 26, 2010 edition of the German Corporate Governance Code, published in the electronic Federal Gazette on July 2, 2010. The Government Commission saw no reason to amend the Code in 2011. The complete latest edition of this declaration is available for public scrutiny on the Company's Internet site at: *http://www.hansagroup.de/de/investorrelations/corporate-governance/entsprechenserklaerung.html*.

(34) MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The Management Board consisted in 2011 of the following members:

- Zolfaghar Alambeigi
  Businessman, Düsseldorf, Strategic Corporate Development and Finance/Financial Control

- Thomas Pfisterer
  Economist, Ibbenbüren, Marketing/Sales and Production/Technology, as of January 2, 2012, solely responsible for Marketing and Sales

Dr. Volker Bauer, Chemical Engineer, Genthin, was appointed to the Management Board with responsibility for Production effective January 2, 2012.

The Supervisory Board comprises the following members:

- Lothar Venn (Chairman)
  Lawyer, Hamminkeln,

- Dr. Lutz Mögling (Deputy Chairman)
  Chemist, Kleinosterhausen, and

- Dr. Stefan Kissinger
  Business Consultant, Zella-Mehlis.

There were no receivables resulting from any advance payments or from issuance of loans to the members of the Management Board at the balance sheet date. In addition, a resolution to waive the disclosure of the salaries of the individual Management Board members in the notes to the annual accounts and the consolidated financial statements was adopted at the Annual General Meeting on August 18, 2006, which were valid until the end of fiscal year 2010. The remuneration of the members of the Management Board due on a short-term basis amounted to 578 thousand euro in full-year 2011 (previous year: 379 thousand euro). Of this amount, fixed remuneration of 265 thousand euro and performance-related remuneration of 128 thousand euro, totaling 393 thousand euro, pertained to Zolfaghar Alambeigi for which a provision was recognized. Thomas Pfisterer received 175 thousand euro in fixed remuneration and 18 thousand euro in performance-related remuneration, totaling 193 thousand euro. The fixed remuneration of Zolfaghar Alambeigi and Thomas Pfisterer included non-cash and other benefits of 18 thousand euro and 8 thousand euro respectively, totaling 26 thousand euro. These benefits primarily related to the taxable value of the personal use of a company car.

In addition, an agreed pension entitlement, for which 398 thousand euro has been reserved, also exists for Thomas Pfisterer. No personnel expense related to share-based payments needed to be taken into account for 2011.

The remuneration of the Supervisory Board amounted to 40 thousand euro (previous year: 18 thousand euro) in fiscal year 2011. The members of the Supervisory Board receive only a fixed salary. There were no receivables resulting from any advance payments or from the issuance of loans to the members of the Supervisory Board at the balance sheet date. No rights arising from the granting of stock options exist.

The Supervisory Board met on five occasions during fiscal year 2011; one member was unable to attend one of these meetings. The Supervisory Board discussed the Management Board reports in detail at its meetings, and examined the Company's development potentials with the Management Board.

(35) AUDITOR'S FEE

The amount of the auditor's fee recorded in the fiscal year as expenses in accordance with section 319 (1) of the German Commercial Code (HGB) is 180 thousand euro; this entire amount was for the audit. A total of 260 thousand euro (of which 40 thousand euro relating to previous years) was incurred for auditor's services for fiscal year 2010, and 163 thousand euro for other advisory services.

(36) NOTIFICATION OF INTERESTS HELD BY THE COMPANY

The following interests were reported to the Company in accordance with section 21 (1) of the German Securities Trading Act (WpHG):

In accordance with section 21 (1) of the German Securities Trading Act (WpHG), United European Investment AG informed us that its share of voting rights in our Company surpassed the 3, 5, 10, 15 and 20 percent thresholds on August 24, 2011 and now totals 24.9 percent (12,000,000 voting rights).

On December 14, 2011, United European Investment AG, 8702 Zollikon, Zurich, Switzerland, informed us in accordance with section 27a (1) of the WpHG that: The aims underlying the purchase of the voting rights:

1. The investment is aimed at implementing strategic objectives, particularly the positioning as long-term investor, and not at generating trading profits.

2. We do not intend to acquire any additional HANSA GROUP AG voting rights in the coming 12 months.

3. We aim to have one representative on the Supervisory Board of HANSA GROUP AG. We aim to do this by exercising the voting rights that United European Investment AG holds at an Annual General Meeting in future Supervisory Board elections.

4. We do not aim to make any material changes to the capital structure of HANSA GROUP AG (particularly with regard to equity and debt financing and dividend policy).

5. We received the shares in HANSA GROUP AG for a non-contribution in exchange for the issue of share in our company.

6. The percentage of voting rights held by Hansa Trust International AG amounts to 17.8 percent (previously: 42.7 percent).

(37) RELATED PARTY DISCLOSURES

Hansa Trust International AG's direct shareholding in HANSA GROUP AG amounted to 42.7 percent as of December 31, 2010. Hansa Trust International AG transferred 24.96 percent of its voting rights in HANSA GROUP AG to United European Investment AG on August 24, 2011. As a result, Hansa Trust International AG's direct shareholding only amounted to 17.8 percent as of December 31, 2011. Hansa Trust International AG held a total of 42.76 percent of voting rights (indirectly and directly) in HANSA GROUP AG as of December 31, 2011, making it the ultimate parent company in accordance with IAS 24.

Both companies are related to HANSA GROUP AG. Just like Hansa Trust International AG, United European Investment AG is a consulting and holding company. Both companies are headquartered in Switzerland. Neither sales (previous year: 0 thousand euro) nor expenses (previous year: 0 thousand euro) occurred with any of the above-mentioned companies or HANSA GROUP AG in the year under review.

These business relations are generally conducted as at arm's length, i.e., supplies and services were transacted at market prices.

For one member of the Board of Directors at Hansa Trust International AG there exists a consultancy contract with HANSA GROUP AG, CHEMISCHE FABRIK WIBARCO GmbH and LUHNS GmbH. This contract resulted in remuneration of 520 thousand euro (previous year: 520 thousand euro).

HANSA GROUP AG acquired LUHNS GmbH from Savanna AG, Zurich, a subsidiary of Hansa Trust International AG, in fiscal year 2010. The purchase price was primarily discharged by way of waiving of receivables. The remaining amount of 5,600 thousand euro has been deferred by way of a loan at a customary market rate of interest and has been reported as a financial liability. The agreement was initially for twelve months and will be extended automatically by a further twelve months unless it is terminated with a notice period of two months. The interest is to be paid at the end of the year. This came to 121 thousand euro in 2011. The loan amounted to 3,874 thousand euro as of December 31, 2011.

Deliveries to Savanna AG of 1,620 thousand euro (previous year: 2,409 thousand euro) were also made by HANSA GROUP AG during fiscal year 2011; at the same time, services were obtained in the amount of 20 thousand euro (previous year: 410 thousand euro). Prepayments by Savanna for deliveries in an amount of 15,384 thousand euro existed at the balance sheet date and are recognized under receivables (previous year: 22,180 thousand euro). Liabilities in an amount of 3,894 thousand euro (previous year: 5,658 thousand euro) are, conversely, reported.

LUHNS GmbH made no purchases from Savanna AG in 2011 (previous year: 4,676 thousand euro). A Savanna AG loan in an amount of 365 thousand euro exists (previous year: 365 thousand euro). Interest on this loan is charged at market rates. The interest expense in 2011 amounted to 24 thousand euro. The loan has a term of two years. No collateral was agreed. Savanna AG issued two letters of comfort for LUHNS GmbH in 2010, as these were necessary for the implementation of contractual objects. These letters of comfort remained in force in fiscal year 2011. Further business relations existed in conjunction with the sale of shares in 2010 for the Luhns Grund and Cosewa Cosmetics GmbH companies. Receivables in an amount of 5.0 thousand euro existed vis-à-vis Cosewa Cosmetics GmbH as of the balance sheet day (previous year: 2.0 thousand euro). LUHNS GmbH also assigned trade receivables in the amount of 4,717 thousand euro to Savanna AG (previous year: 0 thousand euro). Receivables of 6,160 thousand euro existed vis-à-vis Savanna AG as of December 31, 2011 (previous year: 1,422 thousand euro).

An agency agreement exists between LUHNS GmbH and Florin Immobilienverwaltungs AG & Co KG I, an associated company of Savanna AG. LUHNS GmbH receives 60 thousand euro in annual remuneration. There is also a rental agreement involving an annual rent of 1,180 thousand euro for the Greven and Wuppertal locations. LUHNS GmbH had submitted guarantees to banks for the above-mentioned locations even before the acquisition of LUHNS in 2010; these guarantees remain valid. A loan granted, with a remaining balance of 175 thousand euro as of December 31, 2011, also exists (previous year: 176 thousand euro). As of the balance sheet date, LUHNS GmbH's liabilities vis-à-vis Florin Immobilienverwaltungs AG & Co KG I amount to 0 thousand euro (previous year: 311 thousand euro).

An agency agreement exists between LUHNS GmbH and Florin Immobilienverwaltungs AG & Co KG II, an associated company of Savanna AG. LUHNS GmbH receives 60 thousand euro in annual remuneration. LUHNS GmbH had submitted guarantees to banks for the above-mentioned locations even before the acquisition of share in LUHNS GmbH; these guarantees remain valid. Receivables in the amount of 106 thousand euro existed vis-à-vis Florin Immobilienverwaltungs AG & Co KG II as of the balance sheet date of December 31, 2011 (previous year: 949 thousand euro).

A rental agreement for the Bopfingen location, producing an annual rent of 464 thousand euro exists between LUHNS GmbH and Gnann GmbH & Co KG, an associated company of Savanna AG. In addition, LUHNS GmbH sold trademark rights and formulations for an amount of 4,750 thousand euro to Gnann GmbH & Co KG, for a profit of the same amount, during the 2010 fiscal year. As the agreement has a term until December 31, 2012, the receivable amounted to 4,750 thousand euro as of December 31, 2011. VAT in the amount of 902 thousand euro was paid in fiscal year 2011. Gnann GmbH & Co. KG also has taken over the assets remaining following the transfer of the Bopfingen production location to Genthin in the 2011 fiscal year and the existing obligations and liabilities of LUHNS GmbH in an amount of 3,100 thousand euro for a purchase price of 1.00 euro. The receivable amount remained unchanged in fiscal year 2011. This resulted in the disposals of property and assets in excess of 755 thousand euro as of December 31, 2011. Total amounts receivable from Gnann GmbH & Co. KG of 7,933 thousand euro existed as of the balance sheet date of December 31, 2011 (previous year: 8,811 thousand euro).

In fiscal year 2011, LUHNS GmbH entered into a cooperation agreement with United European Investment AG regarding the acquisition of finished goods in the amount of 5,914 thousand euro. The agreement is for so-called sale-and-buy-back transactions. The economic ownership of the finished goods remains with LUHNS GmbH. The amount covered by the agreement was recognized as current loan liabilities. Receivables of 2,146 thousand euro existed vis-à-vis United European Investment AG as of the balance sheet date of December 31, 2011.

Family dependents of the Management Board received remuneration of 16 thousand euro in the context of contracts of employment during fiscal year 2011 (previous year: 16 thousand euro).

An agreement concerning the commercial furnishing of legal advisory services exists between HANSA GROUP AG and the HTM Meyer Venn & Partner partnership of attorneys, tax consultants and auditors. The Company's chairman of the Supervisory Board, Lothar Venn, is a partner in the HTM Meyer Venn & Partner partnership of attorneys, tax consultants and auditors.

The total amount of consultancy expenses in fiscal year 2011 was 127 thousand euro (previous year: 130 thousand euro). Liabilities in an amount of 0 thousand euro remained open at the balance sheet date (previous year: 18 thousand euro). In addition, a contract concerning the commercial furnishing of legal advisory services exists in an amount of 63 thousand euro with LUHNS GmbH. LUHNS GmbH had no open receivables or liabilities as of December 31, 2011.

There are no other reportable relations with related parties in the sense of IAS 24.

(38) APPROVAL OF THE ANNUAL ACCOUNTS

The consolidated statement of accounts for December 31, 2011 was examined, approved and thus cleared for publication by the Supervisory Board of HANSA GROUP AG at its meeting on May 26, 2012.

Genthin, May 24, 2012
HANSA GROUP AG
The Management Board

Zolfaghar Alambeigi | Dr. Volker Bauer | Thomas Pfisterer

AUDITOR'S REPORT

We have audited the consolidated financial statements as drafted by HANSA GROUP AG, Genthin, – comprising the income statement, as well as the consolidated statement of comprehensive income, balance sheet, the consolidated statement of changes in shareholders' equity, cash flow statement and notes to the consolidated financial statements – and the Group management report for the business year from January 1, 2011 to December 31, 2011. The drafting of the annual financial statements and Group management report in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the applicable supplementary commercial-law provisions of section 315a, para. 1 of the German Commercial Code (HGB) are the responsibility of the Company's legal representatives. Our task is to express, on the basis of our audit, an opinion on the consolidated financial statements and the Group management report.

Our audit of the consolidated financial statements was conducted in accordance with section 317 of the German Commercial Code (HGB) and with generally accepted German standards for the auditing of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). These standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the Company's net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting reporting standards and in the Group management report are detected with adequate certainty. Knowledge of the Group's business activities and of its economic and legal environment, and also of expectations concerning possible misstatements, are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a random-sample basis in the context of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the limitation of the scope of consolidation, the accounting and consolidation principles used, the signifcant estimations made by the legal representatives and the evaluation of the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion, on the basis of the findings of our audit, the consolidated financial statements comply with the IFRS as applicable in the EU and the applicable supplementary commercial-law provisions of section 315a, para. 1 of the German Commercial Code (HGB) and give a true and fair value in accordance with these provisions of the Group's net assets, financial position and results of operations. The Group management report is in line with the consolidated financial statements, provides on the whole a realistic picture of the Group's situation and presents the opportunities and risks of future development realistically.

Stuttgart, May 25, 2012
CROWE HORWATH Deutschland GmbH
Public Accountants and Auditors

Gerald Hespelt
Auditor

Michael Jetter
Auditor

STATEMENT BY LEGAL REPRESENTATIVES

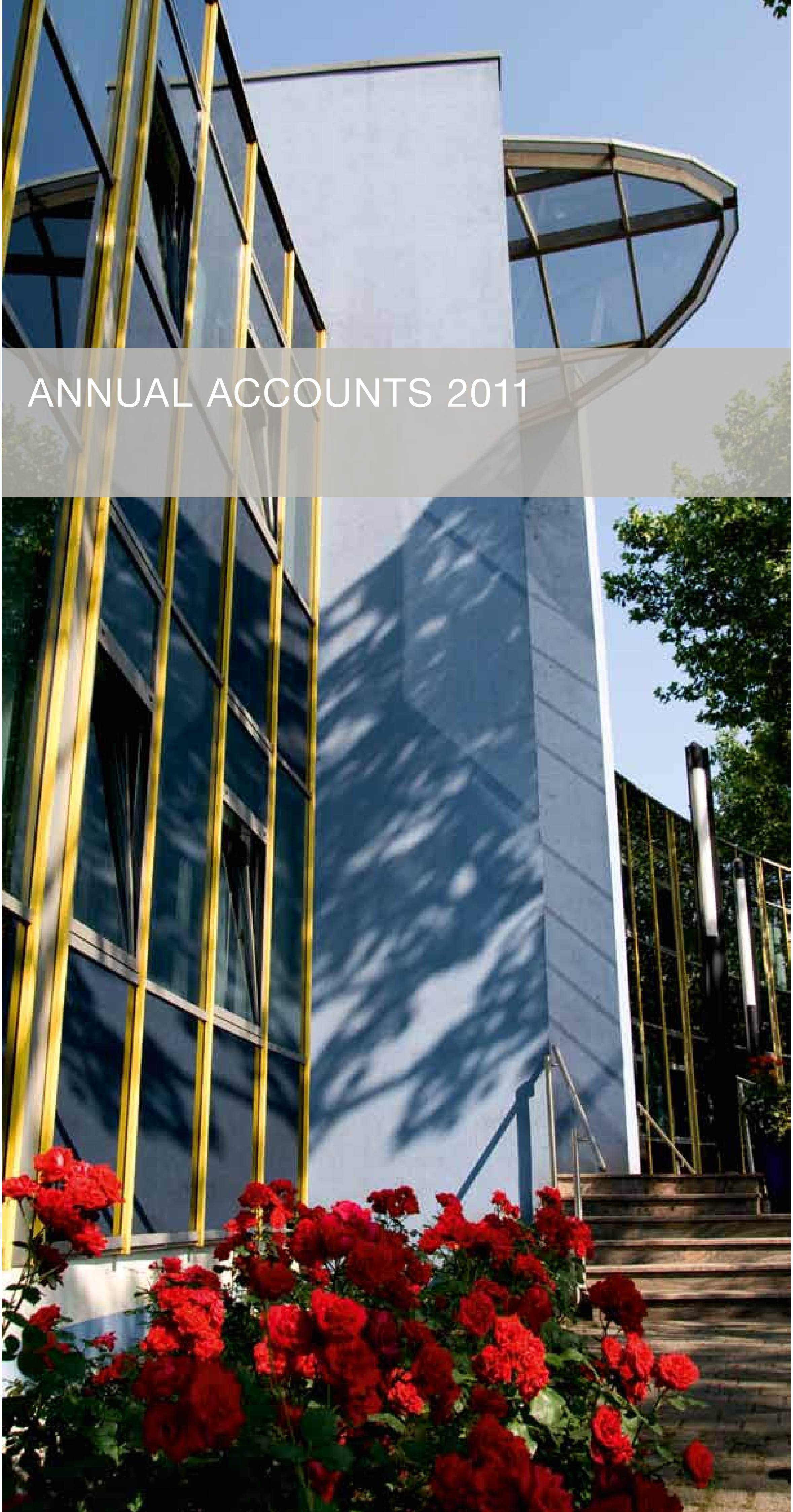
We hereby testify that, to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable financial reporting framework for reporting provide a true and fair view of the net assets, financial position and results of operations of the Group and that the development of business, including earnings, and the situation of the Group were described in the Group management report in such a way that they provide a true and fair view of the actual situation and the opportunities and risks of the Group´s expected development.

Genthin, May 24, 2012
HANSA GROUP AG
The Management Board

Zolfaghar Alambeigi | Dr. Volker Bauer | Thomas Pfisterer


HANSA
Hansa Group AG

ANNUAL ACCOUNTS 2011



MANAGEMENT REPORT OF HANSA GROUP AG FOR THE FISCAL YEAR 2011

The Company

HANSA GROUP AG is an international integrated supplier of Care Chemicals. The Company has production sites in Düren, Genthin, Greven and Ibbenbüren. In addition, its site in Duisburg deals with marketing, logistics and contract production, while the Wuppertal site is used as a research and development location. The Company supplies both finished articles and solutions for the detergents, cleaning, body care and cosmetics sectors, and also corresponding feed and intermediate products.

In addition to the production of specialty chemicals, intermediates and basic chemicals, HANSA GROUP also furnishes complementary services for German and international chemicals companies. HANSA GROUP also provides contract manufacturing, tank rental, transport, logistics, and warehousing services. The Company's state-of-the-art laboratory for product analysis and quality assurance is another focal point of the services provided.

HANSA GROUP also is active as a trader in an extremely large and diverse range of chemical and technical products, as well as in IT and electronic products and machine components, rationally complementing the Company's portfolio.

HANSA GROUP has continuously implemented its growth-focused strategy since 2007. This strategy is geared toward optimizing its value added chain in the field of Care Chemicals, and is intended to increase the Company's profitability. Thanks to its strategic acquisition of WIBARCO in 2007 and LUHNS in 2010, and the foundation of WASCHMITTELWERK GENTHIN in 2009, HANSA GROUP now covers large sectors of the value added chain, and is well on its way to becoming one of Europe's leading integrated suppliers of the Care Chemicals used in detergent, care, cosmetic and hygiene products.

Macroeconomic framework

Global economic development

The global economy continued growing in 2011, albeit at a slower pace than in the year before. After a promising start to the year, the euro debt crisis, some countries' restrictive interest rate and monetary policies and the earthquake and nuclear disaster in Japan all slowed down developments. The worsening of the Greek debt crisis had an increasingly negative effect on the European stock exchanges in the second half of the year. The level of general uncertainty regarding future developments in Europe rose and investors became reluctant to buy. This led to a drop in demand in the economic sector.

The USA was faced with continuing high unemployment and the country's credit rating was lowered by the rating agency Standard & Poor's for only the second time since the Second World War. No major countermeasures were taken on account of the political stalemate between Democrats and Republicans.

In 2011, global growth came to 3.8 percent compared to 5.2 percent in the previous year, according to the International Monetary Fund (IMF). Economic performance in individual countries was extremely varied but in most cases fell considerably short of the strong prior-year figures. While the gross domestic product of the emerging markets China and India grew by 9.2 percent and 7.4 percent respectively, that of the USA went up by just 1.8 percent. In 2010, this figure still had been 3.0 percent. Japan's gross domestic product shrank by 0.9 percent (4,844 billion USD) as a result of the country having to cope with the aftermath of the disaster. Economic performance in the Eurozone rose by 1.6 percent compared to 1.9 percent in the previous year.

Analysts of Commerzbank expect only slight growth in the USA in 2012. China's economic outlook is also a little subdued due to the expected restrictive lending policies, rising wages and salaries and the appreciation of the Renminbi. In the Eurozone, experts are even worried about a possible recession. They believe that the impending government budget consolidations in the peripheral Eurozone countries as well as the uncertainty created by the sovereign debt crisis and the resulting tension in the financial system will all have a negative impact on the economic situation.

Economic development in Germany

Germany's economy developed positively in 2011 thanks to solid domestic demand and a very strong export industry. German exports reached a record level of 1,060 billion euro, 11.4 percent more than in the previous year according to the Federal Statistical Office (Statistisches Bundesamt). Germany is the third-largest export nation in the world and as such profited especially from the large demand coming from China and Eastern Europe. In December 2011, however, foreign trade fell sharply on account of the drop in global economic performance.

According to the IMF's estimates, German economic performance rose by 3.0 percent compared to 3.6 percent in the previous year, meaning it had a lot more momentum than the entire Eurozone, which grew by just 1.6 percent. A rise of 0.7 percent is expected for 2012. Analysts of Commerzbank estimate that the high level of uncertainty in the wake of the European sovereign debt crisis will slow down private spending and especially investments in equipment. Weak domestic demand in other European countries could also prove to be a negative factor for exports.

Developments within the chemicals industry

The German companies in the chemical industry increased their sales by 9.0 percent to 186.5 billion euro in 2011 according to the German Chemical Industry Association (Verband der Chemischen Industrie – VCI). 110.2 billion euro of this amount pertained to business with foreign customers and 76.3 billion euro was generated by domestic sales. Price hikes were another reason for growth in the chemical industry with prices for chemicals rising by an average 5.0 percent in 2011. Increased feed materials costs were the reason for this development as companies passed them on to customers. The average crude oil price went up by at least 19 percent (WTI) to almost 95 USD per barrel in the reporting period. The chemical industry raised its production by 4.0 percent. The VCI expects sales in the chemical industry to grow by 2.0 percent and production by 1.0 percent in 2012.

The Industrial Association for Body Care and Cleaning Products (Industrieverband Körperpflege- und Waschmittel e.V. – IKW) estimates that the cosmetics and household detergents sub-markets relevant to HANSA GROUP have grown in 2011. The beauty care segment is expected to generate a volume of 12.6 billion euro, corresponding to a rise of almost 1.0 percent, and the household detergents market 4.3 billion euro (+0.5 percent). The association forecasts sales volumes in both segments to remain on par with the previous year or to rise slightly in 2012.

Significant events in fiscal year 2011

The large investment project in Genthin documents HANSA GROUP AG's growth strategy. The Company pushed ahead with the construction of a new surfactant plant at the Genthin site so as to expand the product portfolio and for forward integration in the value added chain. We ran test runs of the new surfactant plant commenced at the end of November 2011. The long period of snow in winter 2010/2011 delayed construction and this in turn delayed start-up and consequently the generation of sales revenue. Although expenses in 2011 increased as a result, they will not continue to do so in the long term. The Genthin site is now able to produce liquid and granulated surfactants as well as liquid detergents, dishwashing products, cleaning agents and fabric conditioners. We therefore already cover a substantial part of the Care Chemical value added chain for detergent substances. As an integrated provider of Care Chemicals and a supplier of detergent substances we supply a sector that remains largely unaffected by economic fluctuations.

The production locations show that we have almost reached our goal of building up an integrated and efficient detergents, household and body care products value added chain by commissioning the new surfactants plant. We produce consumer goods, surfactants and intermediate and end chemical products, creating good growth conditions for the future.

The large parcel of land in Genthin was developed into a chemical park with additional industries in 2011. The following aspects also highlight the significance of developments in Genthin: Getec Energie AG also completed the construction of the two cogeneration plants. They supply energy to our plants and those of third parties. We have also moved HANSA GROUP AG headquarters to Genthin.

The integration of LUHNS GmbH and intensive cooperation in various areas progressed considerably by shifting its Bopfingen site to Genthin. HANSA GROUP remains rooted in the traditions of a trader, although it focuses clearly on production and services. The concentration of production, direct supply of important feedstocks from the new surfactants plant, cost-efficient supply of packaging materials produced on the same site, and improvement of logistical arrangements are expected to play a role in improving the costs situation.

The construction of the new surfactants plant, combined with expansion of production capacities at Genthin, is intended to position HANSA GROUP as one of Germany's leading production and full-service centers in order to ensure continued optimum fulfillment of customers' continuously rising demands for product and service quality. The described projects and activities are clear proof that we will continue pursuing the announced steps for increasing profitability and productivity through growth, strategic cooperations and investments.

Sales

HANSA GROUP AG again significantly increased sales in fiscal year 2011 and mastered the major challenges of generating good sales and positive results. These challenges mainly included the integration of subsidiaries, the unveiling of cost saving potentials as well as opening up new markets in neighboring countries and winning new customers, such as in the services sector . We generated total sales of approximately 246 million euro in fiscal year 2011, topping sales in 2010 by 52 million euro (2010: 194 million euro); this corresponds to an increase of some 27 percent.

As in the previous year, the increase in sales can be attributed, on the one hand, to purchases and sales of raw and feed materials to the subsidiaries. On the other hand, the share of merchandise, and of machine components, in particular, rose by 50.7 million euro year on year. Total sales revenue from the sale of machine components in 2011 is 69.5 million euro (previous year: 18.8 million euro), making up 36.6 percent (previous year: 9.6 percent) of total sales revenue.

The sales trend in the past fiscal year again illustrates that a clear focus on economically stable sectors, combined with high quality standards and reliability, provide a firm basis for continued qualitative growth. The Production/Service segment contributed some 56 million euro (previous year: 58 million euro) to sales revenue in the period under review, while the remaining 190 million euro were accounted for by trade (previous year: 136 million euro). Trade thereby contributed 77 percent to total sales, compared to 70 percent in the previous year.

At a regional level, some 106 million euro of sales were generated within Germany (previous year: 118 million euro), whereas Europe and the rest of the world accounted for 140 million euro (previous year: 76 million euro). This is a shift in the relative percentages of total sales in favor of the rest of the world and is mainly due to additional sales to companies in neighboring countries. Domestic sales for 2011 thereby reached 80 million euro when all subsidiaries are included, compared to 58 million euro in the previous year.

Order book and price and cost trends

As in the past, 2011 was again dominated by fluctuating prices for raw and feed materials with prices for chemicals rising by an average 5.0 percent in 2011. Increased feed materials costs were the reason for this development as companies passed them on to customers. The average crude oil price went up by at least 19 percent (WTI) to almost 95 USD per barrel in the reporting period.

Sales growth was not just due to a rise in orders but also price increases. These higher costs were then later passed on to customers via sales prices. The high level of orders led to a satisfactory order book situation, and good plant capacity utilization. Our business is influenced by both the general economic situation and the stability of the detergents and body care products market. These areas are very strong. In 2011, total chemical industry sales in Germany exceeded 186 billion euro, while sales in the beauty care market were just under 13 billion euro and approximately 4.3 billion euro for the cleaning products market – and rising. These figures are evidence of our Company's massive potential.

Operational result

In the past fiscal year, HANSA GROUP operational earnings before interest and tax (EBIT) totaled 19.6 million euro (previous year: 11.2 million euro). This improvement was down to both a 6.4 million euro increase in gross profit as well as a further decline in other operating expense of approximately 1.9 million euro.

The result from ordinary activities, at 18.9 million euro, also showed an encouraging trend, up some 118 percent on that of the previous year (8.7 million euro). The surplus for the year is at around 12.9 million euro, compared to 6.0 million euro in the previous year.

Most of the Company's production capacities enjoyed full utilization, referring to the location's product mix. In multi-product facilities (such as Düren, Greven and Genthin), capacity is always dependent on the range produced.

As a percentage of sales, the material expense fell slightly in the year under review from 86.1 percent to 85.5 percent. In absolute terms, the material expense increased by 43.3 million to 210.3 million euro. The material expense is directly associated with the increased share of trade.

Personnel expense increased in absolute terms from 5.9 million euro to 6.1 million euro in 2011; this increase is the result of the slight adjustment of commercial employees' wages and salaries, as well as the rise in the number of employees. This expense, expressed as a percentage of sales, has been reduced from a labor intensity of around 3.0 percent in the previous year to some 2.5 percent in 2011.

Net interest income fell by some 2.0 million euro year on year, while income from the charging of interest on overdue receivables rose by a significant 2.9 million euro or so compared to the previous year. In addition, the interest expense fell by approximately 0.3 million euro in the same timeframe.

Earnings per share increased from 0.13 euro to 0.27 euro.

As in the previous year, extraordinary expense arising in conjunction with the first-ever application of BilMoG, from the exercise of the option concerning provisions for pensions in accordance with section 67 (1) sentence 1 of the EGHGB (1/15 addition) amounted to 29 thousand euro.

Net assets and financial position

HANSA GROUP's total assets increased over the previous year by 14.1 percent, to 235 million euro (total assets as of December 31 2010: 206 million euro).

Net assets remained almost unchanged at 137.4 million euro (previous year: 139.1 million euro). The moderate increase of approximately 1.0 percent is mainly due to depreciation in the reporting period.

Sales from operations of the WIBARCO GmbH subsidiary were affected by high average oil prices in 2011, and by the related high prices for the main feedstocks, n-paraffin and benzene (+22.4 percent). The higher feed-materials costs on the procurement side were later passed on to customers, although not all costs could be passed on by the balance sheet date. Sales for the year were some 21.9 million euro higher than the previous year, as a result of higher sales prices. Earnings for the year were up by a slight 13.3 percent on the previous year at 0.99 million euro. New trade in inorganic chemicals did not contribute to significant income increases as expected. The Company assumes a significant increase in net annual incomes in its planning. In light of the course of business and the planning, the Management Board is confident that the intrinsic value of the investment of 32.6 million euro is secure.

Sales for 2011 at WASCHMITTELWERK GENTHIN GmbH almost doubled in 2011 and amounted to 39.6 million euro (previous year: 20.9 million euro). The majority of the new surfactant plant was put into operation at the end of the year. The Company reported negative income for the year of 4.4 million euro as commissioning the new plant resulted in non-recurring procurement expenses. The Company is anticipating medium-term sales revenues of 190 to 200 million euro once the surfactant plant is in operation.

LUHNS GmbH sales revenue fell by 8.5 percent year on year. At the same time, the volume decreased from 224 million product units to 201 million units due to a change in the product mix. Income from operations was impacted by higher materials prices. 2011 also saw a change in the major customer segment. This resulted in a drop in sales as well as a product mix change during the required transfer time. These effects were almost completely offset by income from trade. LUHNS achieved a net loss for the year of 230 thousand euro, a result which was impacted by the above-mentioned special effects. The Company expects margins for individual product groups to continue to improve in 2012, with the aim of returning to competitive prices. We are therefore anticipating much improved results for the current fiscal year. The planning assumptions include additional cost-reductions in the fields of purchasing, logistics and sales/marketing and improved margins from price adjustments. The Management Board is confident, on the basis of this planning, that the intrinsic value of the investment, of 57.1 million euro, is secure.

Inventories fell considerably in the year under review. At 8.5 million euro as of the balance sheet date, these were down 52 percent on the previous year (2010: 17.7 million euro). This is mainly 9.9 million euro due to the fall in prepayments made to 2.5 million (2010: 12.4 million euro).

While assigned receivables from the sale of LUHNS receivables dropped sharply in 2010, trade receivables rose by 5.9 million euro in 2011. However, receivables were significantly reduced by received prepayments.

All trade receivables are hedged using trade credit insurance and other provisions in order to minimize risk. Default and value risks on receivables are also covered by means of specific and global adjustments.

HANSA GROUP's equity ratio rose from 23.6 percent to 26.2 percent. In absolute terms, equity as of December 31, 2011 amounted to 61.6 million euro. The increase is directly related to loss carryforward, which remained unchanged as against the previous year, and net income for the period.

The provisions formed in previous years on the basis of the tax audit for 2001 to 2006 and amended assessments were essentially adequate. The procedure was completed and provisions reversed as of the balance sheet date.

A rise in liabilities to banks, to around 63.8 million euro as of December 31, 2011, is reported under equity and liabilities (previous year: 46.6 million euro). The different of approximately 17.2 million euro is made up of a new 4.5 million euro loan to IKB. Current-account lines of credit drawn were up 11.7 million euro year on year. The increase is mainly due to the rise in Group purchasing for the subsidiaries and the associated financing required. No repayments on these loans above and beyond the scheduled installments are planned for 2012.

In fiscal year 2011, cash flow from ongoing business activities changed considerably as against the previous year and amounted to -7.8 million euro. This was primarily due to changes to provisions (especially tax provisions) as well as an increase in receivables from subsidiaries.

The factoring instrument has again been used to secure liquidity in 2011. However, this instrument was replaced by WestLB's ABS program at the end of the year. Current-account lines had been taken up in the amount of some 23 million euro as of the reporting date; bank deposits amount to approximately 33.3 million euro. Available liquidity amounts to 49.9 million euro on the basis of these accounts and of the readily available current account line of credit (December 31, 2010: 48 million euro).

Future liquidity is primarily secured by the ABS program with lines of 60 million euro, cash pooling with subsidiaries as well as current-account lines of 40 million euro (previous year: 35 million euro). Guarantees for a total of 20 million euro are also available.

The Management Board assessed the Group's economic situation and development as being positive overall at the time of preparing this management report. Some of the decisions made in 2010 and 2011 were implemented successfully and are reflected in the results. The macroeconomic performance as well as Company developments provide a sound basis for continuing profitable growth. Continued concentration on effectively recession-proof sectors and the completion of the surfactants plant at the Genthin location in 2011 are optimum preconditions for further positive development of HANSA GROUP.

Investments

No significant investments were made in tangible or intangible assets in the year under review. The amount of 0.3 million euro is accounted for by replacement and expansion investments made within ongoing business.

REACH and GHS

A registration document for each chemical substance that is produced or imported in excess of 1,000 tons per year was submitted by the end of 2010. The dossiers were prepared in cooperation with other surfactant producers, in the context of REACH consortia specially established for this purpose. Work is already underway for the second registration phase in 2013. On the basis of present knowledge and circumstances, HANSA GROUP has therefore carried out all the necessary registrations.

We are therefore optimally positioned when it comes to REACH. All products that are relevant for the business of HANSA GROUP were pre-registered in accordance with the REACH directive. These REACH registrations ensure that the company-produced substances can be marketed. HANSA GROUP's main focus was, above all, on the assurance of surfactant production. A total of nine registrations were submitted for the Company's production sites. The expenses, which were primarily incurred in 2011 for pre-registering the products made in Genthin, came to 0.09 million euro. Expenses for REACH in 2010 were 0.11 million euro.

Research and development expense

HANSA GROUP did not incur any research and development expenses during the reporting year. All development projects conducted by the Company's laboratories are performed on behalf of customers and invoiced directly to them.

Safety, health, environmental (SHE) and quality management

HANSA GROUP AG operates commercial-scale chemicals plants and laboratories, a fact which necessitates strict compliance with safety, health and environmental (SHE) as well as waste management and disposal legislation. The Company is also committed to the "Responsible Care" initiative, which is the chemicals industry's consciously chosen instrument for assisting in the solution of global environmental problems that fall within its sphere of responsibility and influence. For this reason, specially trained officers at every one of our sites enforce adherence to the relevant legal and administrative regulations for the wellbeing and safety of employees' health and the environment. Our employees bear responsibility for working safety, preventing pollution, hazardous substances, waste disposal, preventing water pollution, and pre-planned responses in case of major incidents. Inspections of the Company's individual locations to ensure compliance with the relevant regulations are conducted at regular intervals.

We assure constantly high product and service quality and customer satisfaction on a long-term basis by means of a strategic quality management system such as DIN EN ISO/IEC 17025:2005 for test and calibration laboratories. The relevant accreditation is valid until 2014 and is verified by means of regular monitoring audits. With this quality management system, we document the traceability of measured data – indispensable for quality analyses and in case of any liability claims – and the continuous optimization of our processes. This accreditation verifies that we fulfill both our own quality standards and our customers' requirements.

Personnel

As of the balance sheet date on December 31, 2011, HANSA GROUP employed a total of 127 persons at its Duisburg, Düren and Berlin sites, up five on the previous year. A total of 74 persons are employed in administrative functions and 52 persons in production. Eight trainees were employed at the Duisburg location in fiscal year 2011 (previous year: ten trainees).

To support the continuous professional development of our staff, we provide our employees with practical support in the form of numerous qualification and training measures, with the aim of expanding and strengthening their professional, social, and personal skills. A special training emphasis is placed on safety and health, and on fire safety, in particular, in addition to environmental protection.

Significant events after the balance sheet date

At the beginning of 2012, we implemented the announced change to the Prime Standard by starting trading on the Frankfurt Stock Exchange, meaning that the Company's stock market activities keep pace with Company developments.

Participation in investor relations events and maintaining contact with stock market services, financial publications, analysts and banks helped to improve the HANSA GROUP share's position on the stock market. By changing to the Prime Standard, we take into account the Company's capital market orientation and aim to focus more on institutional investors.

The Prime Standard provides the highest transparency and publicity requirements in Europe for investors.

The Supervisory Board of HANSA GROUP AG appointed Volker Bauer to the Management Board with responsibility for Production effective January 1, 2012. This is the Supervisory Board's reaction to developments in the Production segment. The former Henkel manager strengthens the Company's Management team at a time when HANSA GROUP AG is just about to experience further growth created by the new surfactant plant in Genthin.

Since a few weeks back, following a construction period of some two years, FAS (fatty alcohol sulfates for dishwashing liquids, and for mild, woolens and all-in-one detergents), FAES (fatty alcohol ether sulfates for mild detergents, soaps and dishwashing liquids), ABS (alkyl benzene sulfonates for the production of detergents and domestic cleaning products) and AOS (olefin sulfonates for special and industrial cleaning agents) can now be produced in Genthin. This has increased HANSA GROUP's surfactants production capacities to around 130,000 tons per year.

Approximately 120 kilometers of cables, some 900 pipelines, more than 35,000 working hours alone in electrical instrument, measurement and control systems, as well as more than 50 million euro: All this is estimated to have been put into the new WASCHMITTELWERK GENTHIN GmbH surfactant plant, which started operations almost exactly one year after the first foundation stone was lain.

The successful production start of the surfactants plant in Genthin and the restructuring have convinced us that our corporate success and the values that we hold dear will have a positive and sustained effect on the Company's share price development.

Shifting one of the sites, introducing the GPM standard at the Genthin site and the start-up of the surfactant plant increased the liquidity requirements of WASCHMITTELWERK GENTHIN GmbH and LUHNS GmbH. HANSA GROUP AG submitted a letter of comfort which expires on December 31, 2014 to secure the future development of the subsidiaries. The Group also obliged itself to pay a total of 8 million euro into capital reserves should this become necessary for the subsidiaries.

Risk management and internal control system

As an international company, we are exposed to a large range of risks. These risks are inextricably linked to all of its business activities. In order to monitor these risks, to control them actively and to make them manageable, internal risk management, as defined by the German Control and Transparency in Business Act (German abbreviation: KonTraG), is required.

HANSA GROUP's risk management system is an integrated control and monitoring system aimed at managing the opportunities and risks of future business development and integrating this into the Company's business activities. Special risk officers, the persons responsible for the individual departments and the Management Board are actively and passively involved in the system and receive comprehensive reports at regular intervals or immediately, if necessary. The Management Board is regularly informed about current developments by means of a prompt reporting system.

The existing risk management system is a dynamic permanent monitoring system and therefore achieves continuous improvement of its efficiency. A control system has been established to monitor business activities. To this end, budgets, plans and targets are defined and monitored at regular intervals on the basis of a target/performance comparison. This enables appropriate measures to be initiated promptly. All Group companies and subsidiaries are equally integrated into this system. The control system is an important element in all business processes and internal decisions.

No risks which might endanger the continued existence of the Company as a going concern were known at the time this management report was prepared. Only the risks typically underlying any business activities are examined within the framework of the overall risk.

Opportunities and risks of future development

Unlike many other companies in the chemical industry, HANSA GROUP has specific strategic advantages which it exploits extremely well within its sector to achieve continued future growth.
The Company focuses on care chemicals, and consequently, above all, on detergents, cleaning agents and body care products, all of which are relatively immune to economic fluctuations. Given the current status of production, additional potentials for improving margins still remain at present for this product group, both via downward integration and greater depth of production. Services for the chemical industry, for which there is steadily increasing demand, will also contribute to a further positive trend in operating results.

HANSA GROUP's positive development perspectives provide us with demands and risks, which must respectively be exploited, met and averted. The rapid growth and the associated changes during the previous years necessitate, in particular, the judicious modification of the Company's organizational structures and continuous monitoring of the risks identified.

Financial management

In order to minimize default risk and prevent bad debt losses, collateral (e.g. retention of ownership) is requested, credit information or references are obtained, or historical data from the previous business relationship (in particular, payment behavior) is used for all trade receivables, depending on the nature and amount of the respective performance.

In addition, insurance has been contracted to hedge any remaining credit risks. Neither during the year under review, nor in previous years, have we recorded any significant defaults or made adjustments to accounts receivable figures to allow for potential defaults.

HANSA GROUP is exposed to currency and price risks in the course of its normal business activities. Derivative financial instruments are used in cases in which hedging is intended. They are only used to cover items, receivables and planned transactions resulting from ongoing business operations. Derivative financial instruments expose HANSA GROUP to a credit risk resulting from non-fulfillment of contractual agreements by the other party. Such transactions are therefore conducted solely with banks. The derivative financial instruments used are forward exchange transactions, the volume of which amounted to 3.2 million USD as of December 31, 2011 (previous year: 7.1 million USD).

Long-term loans at fixed rates of interest are taken in order to minimize interest-rate risks in the context of refinancing. Keeping external liabilities as low as possible is one of HANSA GROUP AG's financial management's priorities. This is why use of the short-term financing of non-current assets has been made in the past. Although there is a general refinancing risk, this is classed as low given the use of new financing instruments. There is a basic risk of a change in interest rates, but no negative effects are anticipated due to, among other things, the inclusion of these factors in price calculation.

Any "open items" are measured using recognized valuation methods.

The long payment periods allowed for exports are a typical feature of the chemical industry. Although there is a liquidity risk, it may be considered low due to the use of long-term financial instruments and additional measures taken to safeguard liquidity in the form of credit lines.

Assuring adequate liquidity at all times is a central function of HANSA GROUP's financial management. The Company's financial reporting system supplies information on the actual financial status and anticipated cash flows. It is therefore possible to obtain an up-to-date picture of the trend in liquidity at any time. The Company has at its disposal approved free credit lines in order to assure that the Company has sufficient funds to operate its daily business. The Company had at its disposal current account credit lines amounting to 40 million euro as of December 31, 2010. Of these, around 23.1 million euro had been drawn as of the balance sheet date. Together with bank deposits totaling some 33.3 million euro, available liquidity therefore came to 49.9 million euro. The risk that expiring credit lines and/or loan agreements will not be extended exists in principle. The Management Board continues to assume that sufficient credit lines and loans will also still be available in the future.

In fiscal year 2011, factoring agreements were in place with Postbank Factoring GmbH for a volume of 15 million euro and with Coface Finanz GmbH for a total of 17 million euro. These were replaced by a new factoring agreement with WestLB. WestLB successfully structured a receivables financing program with a 60 million euro transaction volume for HANSA GROUP AG and our subsidiaries CHEMISCHE FABRIK WIBARCO GmbH, LUHNS GmbH and WASCHMITTELWERK GENTHIN GmbH. The ABS program is implemented via the established Compass platform and has a term of five years. The reverse factoring agreement with Coface Finanz GmbH is still in existence and can be utilized up to a volume of 15 million euro.

The financing instruments for factoring and reverse factoring are being continuously expanded in order to assure HANSA GROUP's future solvency in the long term. Credit and accounts payable management is also being further improved by means. In addition, the Annual General Meeting has approved a number of provisions for increasing the Company's capital stock, which can be used for refinancing the investments made in recent years, improving balance sheet ratios by strengthening the equity base and, possibly, for the repayment of borrowed capital.

HANSA GROUP has held a 100 percent interest in CHEMISCHE FABRIK WIBARCO GmbH since December 3, 2007. The loss-of-value risk of this investment is countered by means of regular reporting, supplying detailed information on this subsidiary's economic development.

Monthly corporate economic development reports are also prepared for the WASCHMITTELWERK GENTHIN GmbH subsidiary, which was founded in 2009. Close contacts between those locally responsible and the Management Board also assures that reporting is up-to-date at all times. HANSA GROUP AG is the guarantor, to an amount of 37.3 million euro, for a loan provided to WASCHMITTELWERK GENTHIN GmbH in the context of project financing. The provision of this loan is contingent on adherence to certain financial indicators (Covenants) on the basis of the Consolidated Statement of Accounts. All indicators were met in 2011. HANSA GROUP AG has also submitted a letter of comfort to AGG Anhaltinische Gas GmbH constituting a guarantee of liquidity to assume responsibility for financial obligations up to a maximum of 500 thousand euro in the context of a long-term contract made by WASCHMITTELWERK GENTHIN GmbH for supply of electricity.

HANSA GROUP AG has held 100 percent of the shares in LUHNS GmbH since May 10, 2010. Here, too, the value risk is countered by means of regular reporting, which supplies detailed information on this company's economic development. HANSA GROUP AG has submitted to LUHNS GmbH a declaration of guarantee to hedge all of LUHNS' receivables from Savanna AG and Gnann GmbH & Co KG.

Market risk

Sales market risks

The markets in which we operate are subject to intense competition, which is chiefly reflected in achievable sales prices. In order to counteract such sales risks, one of our aims is to increase value creation via its own production and to tap other new sales markets. Customer loyalty and high-quality products support us in achieving our aim.

In addition, further independence from economic fluctuations is to be achieved by concentrating on care chemicals and consumer products, since these sectors are less exposed to cyclical variations in demand.

Procurement market risks

As a chemical industry company, we are exposed to the risk of availability and price volatility, in particular in the case of feed materials, primary products and intermediate products for the production of and trading in its products. Such risks were again apparent in the past fiscal year, during which feed materials prices were subject to extreme fluctuations at times. We counter these risks by means of binding instructions and guidelines. Nowhere is HANSA GROUP dependent on only a restricted range of sources for its materials and other supplies.

The operating divisions continuously monitor the relevant markets in order to permit early recognition of risks deriving from procurement markets and the prompt initiation of measures to counteract changes. Multiple sources continue to be available for supplies. Long-term supply agreements and good contacts with suppliers serve to keep such procurement market risks as low as possible.

Production risk

For a company such as HANSA GROUP, with facilities in operation twenty-four hours a day, special importance attaches to the elimination of technical problems and production stoppages. Regular equipment maintenance and unceasing monitoring of all production processes have therefore been integrated into a continuous cycle.

Adherence to all organizational safety and quality provisions is assured by the high level of qualification of the employees involved and via continuous monitoring by the quality management team.

Legal and environmental risks

As an international production company, the Company is exposed to risks associated with legal disputes or official procedures in the context of its normal business operations. Such risks result, for example, from product liability, product defects, competition law, monopolies law, fiscal law and risks in the field of environmental protection and pollution. We counter these risks by means of binding instructions and guidelines. Necessary training provisions are also planned on a short-term basis. Our responsible actions are also intended to protect the interests of future generations. Appropriate insurance has been taken out, as is customary in our industry, for specific legal and environmental risks. Provisions are recognized for ongoing legal disputes.

No significant negative effects on HANSA GROUP's net assets, financial position and results of operations are to be anticipated at present.

Personnel risks

Our success depends considerably on the commitment, motivation and skills of our employees. There are associated risks, including, for example, the possibility of not being able to adequately fill key positions to meet future challenges. The supply of managerial staff from internal sources is supported by a forward-looking succession planning policy. Initial and further training for our employees is assured at all levels in order to ensure the continuous availability of essential professional skills.

Employees entrusted with confidential and so-called "insider" information sign undertakings to adhere to the corresponding regulations and to treat this information responsibly.

Subsidiaries and Group structure

HANSA GROUP AG has had its registered office in Genthin since summer 2011. The offices of the Administration and Purchasing, Sales and Finance departments are located in Duisburg, as are all the major service organizations, such as toll manufacturing, logistics, the tank farm, and the laboratories. The Düren location is dedicated exclusively to surfactants production.

The WIBARCO subsidiary, based at Ibbenbüren, has been the only German producer of linear alkyl benzene (LAB), an important basic ingredient for the detergents industry, for more than 40 years. Heavy alkyl benzenes and 30 percent hydrochloric acid, which are used in the most diverse range of applications, occur as secondary products in the production of LAB.

The foundation of the WASCHMITTELWERK GENTHIN subsidiary in 2009 signified a further decisive step on our road to expanding the value added chain and focusing on the Care Chemicals sector. Primarily contract production was pursued at the Genthin location until the surfactants plant was completed. These activities include, for example, the production of detergents and cleaning agents and the granulation of surfactants and polymers. Specific locational services are also furnished.

LUHNS, with a production facility in Greven and administrative center in Wuppertal, joined in May 2010. LUHNS is one of Europe's top companies in the production and packing of detergents and cosmetics with annual production of some 220 million product units. In 2011, LUHNS resolved to relinquish production in Bopfingen and relocate from there to Genthin.

Outlook

The delayed launch of the new surfactants plant and the transfer of body care production from LUHNS' Bopfingen location to Genthin resulted in a one-off expense in 2011. However, we already expect these measures to bring about short-term synergy effects. The concentration on the Genthin location means that the feedstocks, intermediates and end products are now all produced at the same location, with more efficient use being now being made of production capacities and costs being reduced. The facility is now producing high-quality surfactants following successful trials. We also aim to expand the Genthin location into a high-performance chemical plant. The first cooperation agreements have already been signed and projects with chemical companies realized. What is more, we want some of our suppliers to move to Genthin in order to shorten delivery channels.

We also improved Group structures in fiscal year 2011, making HANSA GROUP's operations even more efficient. By swiftly integrating acquired companies we laid the foundations to tap into new markets with large batch sizes and a broadly-diversified range of products. The consolidation of key functional sectors, such as in purchasing, and efficient cooperation between the individual subsidiaries is expected to further highlight existing synergies in the future.

Our business activities are influenced by both the general economic situation and the stability of the detergents and body care products market. These very strong areas are evidence of our Company's high potential. The LUHNS subsidiary has allowed us to establish ourselves in a further growth market, that of the manufacturing of branded products, a move that has already seen us move to the number two spot in Germany. We aim to expand our product portfolio and further increase capacities. We reached an important milestone following the start of production at the surfactants plant and can now increase surfactants production four-fold. We aim to use these significantly higher capacities to noticeably increase our share of the surfactants market.

We believe that we are well equipped to again increase sales in fiscal year 2012 given the positive outlook for the chemical industry and our emphasis on the detergents market, which is hardly affected by economic cycles and life-style trends. We expect our earnings to be down on 2011, but up on 2010. Given that our business model ensures growth, the Management Board continues to be confident that we will continue to hold our own against the competition in the years to come. We are anticipating strong growth in the Production/Service segment, primarily due to the commissioning of the new surfactants plant. The Trade segment will probably achieve only a low level of growth, in view of the continuing price pressure on feed materials markets. Orders on hand at the start of 2012 make us confident that sales revenue will rise by between 2.0 and 4.0 percent. However, current economic developments in some EU countries could result in economically difficult general conditions for HANSA GROUP, with possible effects on sales and payment behavior in particular. Sales are likely to rise in light of rising raw materials prices. The effects on margins and income/losses from operations will probably be relatively slight, however, since such a change in sales would be primarily the result of prices, and would be associated with further passing-on of the burden to customers.

The great influence of feed materials prices makes it very difficult to formulate a forecast for fiscal year 2013. On the assumption of otherwise constant conditions, we anticipate sales growth of between 2.0 and 4.0 percent, and a slight year-on-year rise in net income for the year. We have continued and intensified our measures aimed at cutting costs and enhancing efficiency by optimizing the Group's production program, streamlining organizational structures, etc., in order to permanently improve the net income situation in all sectors of our business. A more detailed statement concerning the result will be possible only in the course of the current fiscal year, once developments and trends in the global economy and markets become more predictable.

In order to assure the continued dynamic growth of the Company in the years to come, additional provisions for the strengthening of our stock market presence are currently planned, and are intended to support a capital increase planned in the near future. The Annual General Meeting has therefore approved several capital increase measures, which can be used to refinance the investments made in recent years, and improve balance sheet ratios by reinforcing the equity base and possibly also repaying borrowed capital.

Basic principles of the remuneration system for the HANSA GROUP AG Supervisory Board and Management Board

The amount and structure of the Management Board's remuneration comprise fixed and variable components. The amount of the fixed salary is based on the function exercised, responsibility and length of service with the Company. The variable component consists of a performance-based bonus payment.

In addition, benefits are paid, primarily related to the taxable value of the personal use of a company car. The standard insurance policies, including financial-liability insurance, in the form of a so-called “Directors & Officers Insurance”, also exist for the members of the Management Board.

Members of the Supervisory Board receive only a fixed salary plus reimbursement of their out-of-pocket cash expenses. Neither variable remuneration components nor stock options are granted. In the year under review, a total of 40,000 euro was paid to the members of the Supervisory Board. There were no receivables resulting from any advance payments or from the extension of loans to the members of the Supervisory Board at the balance sheet date.

Disclosures in accordance with section 289 (4) of the German Commercial Code (HGB)

Section 289 (4) No. 1 of the German Commercial Code

The capital stock of the Company is 48,077,900 euro and is divided into 48,077,900 no-par bearer shares with a pro-rata stake in capital stock of 1.00 euro each. These no-par shares are voting shares of the same class of shares. Each no-par share entitles the holder to one vote at the Annual General Meeting. At present, the Company does not hold any treasury shares.

Section 289 (4) no. 2 of the German Commercial Code

According to the Articles of Association, there are no restrictions on voting rights or the transfer of shares, and the Company's Management Board is not aware of any restrictions which might result from agreements between the shareholders.

Section 289 (4) no. 3 of the German Commercial Code

The following direct or indirect shareholdings in the capital of the Company which exceed ten percent of the voting rights exist:

SHAREHOLDER	directly held shares in %
UNITED EUROPEAN INVESTMENT AG, Switzerland	24.96
HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International AG, Switzerland	17.8

SHAREHOLDER	indirectly held shares in %
HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International, Switzerland	24.96

Section 289 (4) no. 4 of the German Commercial Code

At the Company, there are no shares with special rights which would confer rights to control; therefore no bearers of shares have any special rights conferring authority to control the Company.

Section 289 (4) no. 5 of the German Commercial Code

There is no voting control in accordance with section 289 (4) no. 5 of the German Commercial Code.

Section 289 (4) no. 6 of the German Commercial Code

In accordance with Art. 6 of the Company's Articles of Association, the Company's Management Board consists of one or several people. The Supervisory Board appoints the members of the Management Board and determines their number. The Supervisory Board can appoint a chairman or speaker and one or more deputy Chairmen of the Management Board. In all other matters, the appointment and dismissal of the members of the Management Board is governed by the statutory regulations of sections 84 and 85 of the German Stock Corporation Act (AktG).

All amendments to the Articles of Association are, in principle, subject to statutory regulations in accordance with sections 133 and 179 of the German Stock Corporation Act (AktG). However, in addition to a simple majority of the votes cast in accordance to section 133 (1) of the AktG, Art. 5 of the Company's Articles of Association states that resolutions by the Annual General Meeting only require a simple majority of the share capital represented at the time the resolution is voted on (in a permissible deviation from the statutory provisions of section 179 (2) sentence 1 of the AktG, which requires a majority of at least three quarters of the subscribed capital represented).

Section 289 (4) no. 7 of the German Commercial Code

1.) Approved capital

The Management Board is authorized until May 22, 2014, upon agreement by the Supervisory Board, to increase the Company's capital stock on one or more occasions by up to a total of 24,024,700.00 euro via the issue of new bearer shares in the form of no-par shares against cash payment or contribution in kind. The complete authorization and, in particular, the preconditions for exclusion of the shareholders' subscription right, derive from Art. 4 (3) of the Articles of Association of HANSA GROUP AG.

2.) Authorization to issue convertible bonds, bonds with warrants, profit-sharing rights and/or income bonds (or combinations of such instruments)

The Management Board has further been authorized, subject to the approval of the Supervisory Board, to issue bearer or registered convertible bonds, bonds with warrants, profit-sharing rights or income bonds (or combinations of such instruments) with a total face value of up to 40,000,000.00 euro on one or more occasions up to August 23, 2012, with or without restriction of term, and to grant conversion rights or options on no-par shares of the Company to the bondholders or creditors of bonds in a proportionate amount of the capital stock up to a total of 23,381,200.00 euro, subject to the specific details of the bond terms.

The bonds may also be issued – where the raising of funds serves the financing interests of the Group – by a company in which HANSA GROUP AG directly or indirectly holds a majority interest; in such cases the Management Board will be authorized to furnish the guarantee for the bonds and to grant conversion rights or options on no-par bearer shares of the Company to the bondholders, subject to the approval of the Supervisory Board.

The entire authorization and, in particular, the preconditions for exclusion of shareholders' subscription rights and for the issue and features of the bonds and for the stipulation of the conditions, derives from Item 6 of the Agenda of the Annual General Meeting and the corresponding resolution of the Annual General Meeting of August 24, 2007.

3.) Conditional capital

In accordance with Article 4 (3) of the Articles of Association of HANSA GROUP AG, the capital stock of the Company has been conditionally increased by up to 23,381,200.00 euro by issuing up to 23,381,200 new no-par bearer shares (Conditional Capital). The increase in conditional capital is used exclusively to grant shares to the bearers and/or the creditors of bonds with conversion rights and/or bonds with warrants, income bonds and/or profit-sharing rights which are issued against cash payment by the Company or by a company in which the Company has a direct or indirect majority interest, on the basis of the authorization adopted by resolution of the Annual General Meeting of August 24, 2007, under Agenda Item 5, and which grant a conversion right / option on new shares and/or create a conversion obligation.

The increase in conditional capital will be implemented only to the extent that use is made of options and conversion rights or to the extent to which the holders and/or creditors obliged to conversion actually fulfill their conversion obligation, and only provided no treasury shares or new shares from utilization of the conditional capital are used for this purpose. The new shares will participate in profits from the start of the business in which they are created as a result of the exercise of options and/or conversion rights or as a result of the fulfillment of conversion obligations.

4.) Issue of profit-sharing rights

The Management Board is also authorized to issue profit-sharing rights not tied to conversion rights or options on shares in the Company, with or without restriction of term, on one or more occasions until August 23, 2012 and upon agreement by the Supervisory Board. The total amount of the profit-sharing rights issued on the basis of this authorization shall not exceed a total of 40,000,000.00 euro.

The profit-sharing rights may be of bearer or registered type and may, where the raising of funds serves the financing interests of the Group, also be issued by companies in which HANSA GROUP AG directly or indirectly holds a majority interest. In such cases, the Management Board is authorized upon approval by the Supervisory board to assume guarantee for the profit-sharing rights on behalf of the Company.

The shareholders shall in all cases be deemed entitled to a subscription right in the case of issue of profit-sharing rights. The profit-sharing rights may also be transferred to a third party and, in particular, to a bank or a bank consortium, with the proviso that they be offered to the shareholders for subscription. The Management Board is, however, authorized, upon agreement by the Supervisory Board, to exclude the shareholders' subscription right in certain cases.

Full authorization and, in particular, the stipulation of further details of the issue and features of the profit-sharing rights, and for exclusion of shareholders' subscription rights, derives from Item 5 of the Agenda and the corresponding resolution of the Annual General Meeting of August 24, 2007.

5.) Authorization to acquire and sell treasury shares

The Management Board is authorized to acquire treasury shares up to a maximum of 10 percent of the capital stock. However, the acquired shares, together with any treasury shares acquired for other reasons that are held by or allocated to the Company in accordance with sections 71a et seq. of the AktG, may at no time exceed 10 percent of the Company's share capital. The authorization to acquire treasury shares is valid until May 13, 2015 and may be exercised by the Company in full or in part on one or more occasions.

The Management Board may elect to acquire the shares on the stock exchange, via a public tender offer addressed to all shareholders or via a public request for offers of sale addressed to the Company's shareholders.

The Management Board is authorized in accordance with the provisions of the authorization to withdraw or to dispose with exclusion of the shareholders' subscription right of treasury shares acquired on the basis of this or of a previously issued authorization.

The authorization to acquire treasury shares, to withdraw and resell them within the above-mentioned maximum limit may be exercised in full or in part on one or more occasions by the Company or, at the discretion of the Management Board, by the Company's associated companies or by third parties on behalf of the Company or of the associated companies.

The full and exact wording of the authorization to acquire treasury shares and particularly the permissible uses to which the shares may be put, can be found in Item 5 of the Agenda of the Annual General Meeting and the corresponding resolution of July 2, 2010.

Section 238 (4) no. 8 of the German Commercial Code

The agreement on the mezzanine financing with HSBC Trinkaus & Burkhardt AG, with a volume of 12,000 thousand euro and valid until 2014, as well as the ABS program agreement with WestLB, with lines of 60,000 thousand euro and valid until 2016, contain a bilateral extraordinary right of termination in the event that the shares of HANSA GROUP AG are sold, pledged, or otherwise encumbered, or in the event of a conversion of these shares, and in the event of any change of control in terms of the acquisition of a majority interest in accordance with section 16 of the German Stock Corporation Act (AktG) by any party which so far has not yet held a majority interest in the debtor.

With the above exception, the Company has not concluded any significant agreements that would be subject to the condition of a change of control as a consequence of a takeover bid.

Section 289 (4) no. 9 of the German Commercial Code

The Company has no compensation agreements with the members of the Board of Management or with employees in the event of a takeover bid.

Notes on the internal risk management and control system with respect to the financial reporting procedure specified in section 289 (5) of the German Commercial Code

HANSA GROUP's business activities are exposed, in the course of the Company's industry-specific operations, to a wide range of risks which are indissolubly associated with entrepreneurial activity. For the early detection, evaluation, and consistent management of risks, effective management and control instruments are required that are combined into a uniform risk management system which meets the applicable legal requirements. The main risk categories are economic risks, sector-specific risks (including environmental and social risks), and financial market risks.

HANSA GROUP operates an internal control system for the Group accounting processes, via which appropriate structures, processes and procedures are specified and implemented. This system is designed to guarantee timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with statutory regulations and accounting reporting standards. The relevance and consequences for the consolidated financial statements of any amendments to laws, accounting or financial reporting standards or other pronouncements are continually analyzed, and changes are made accordingly.

The basis for the internal control system is provided by automatic and manual coordination processes integrated into the system, separation of functions and adherence to the corresponding rules and operating procedures. The Finance & Controlling department is responsible for coordinating and monitoring these processes at HANSA GROUP. The employees involved in the accounting process for HANSA GROUP's annual financial statements accordingly receive appropriate training at regular intervals. As part of the process, measures are implemented that are designed to ensure the regulatory compliance of the annual financial statements. Such measures serve to identify and evaluate risks, and to limit and monitor any risks that may be identified. Defined approval procedures must be observed at all stages in the accounting process.

The essential features of HANSA GROUP AG's internal control system with respect to the financial reporting process can be defined as follows:

- The Company has a clearly defined organizational, corporate, controlling and monitoring structure.

- Appropriate financial IT systems are used (standard software modified to meet company-specific needs), augmented, inter alia, by the registration of all incoming invoices without exception in an archive system immediately upon receipt.

- Detailed authorization concepts forassurance of issue of authorizations appropriate to the individual's functions, taking account of the principles of separation of function, are applied.

- Suitable controls are installed (including the dual control principle and analytical checks) for all procedures and processes relevant to financial reporting.

- The departments involved in the financial reporting process meet the quantitative and qualitative requirements.

- External experts are consulted where necessary, as in the case, for example, of support in the preparing of the Group's annual financial statements, of the measurement of pension obligations, and of necessary consulting in case of new and/or amended legislation and regulations.

- Financial data is regularly spot checked for completeness and correctness.

The risk-management system is an essential component in the entire planning, control and reporting process within the relevant central departments. A risk-management team coordinates the various initiatives (including those that deal with risk management in a wider sense) and checks to see that the implemented processes are effective and complete. In this way, it also provides a basis on which participants can share findings that make it possible to identify overarching risks.

The aim of the process is to identify risks and evaluate them in terms of their probability and the amount of damage they could cause. Key risk categories include:

- Macroeconomic risks (for example, risks due to overall economic development in the core markets or the development feed materials prices)

- Industry-specific and Company-specific risks (in the areas of development, purchasing, production and sales; risks affecting product quality, risks resulting from legal requirements and political circumstances such as environmental legislation, risks resulting from unforeseen events, and environmental risks regarding products — such as the integration of environmental protection measures into the development and production processes), and

- Money market risks (including market risks due to fluctuating exchange rates, interest rates, and share prices).

The responsible persons also have the task of developing and initiating measures to avoid, reduce, and hedge risks, and to monitor these measures within the framework of a regular controlling process. The risk management system enables the Management Board to identify key risks at an early stage and to initiate suitable countermeasures. The risk-management team supports the Management Board in monitoring the Company's various functions and business sectors. The risk-management system, its structure and implementation are monitored directly by the Management Board.

By means of risk-oriented reviews, the risk-management team helps to make corporate processes efficient and effective and to improve management quality in a sustained manner. As part of its activities, the team informs the Management Board about its conclusions, suggestions for improvement and the extent to which the suggestions have been implemented.

Corporate Governance Declaration in accordance with section 289 a of the German Commercial Code

The Corporate Governance methods of HANSA GROUP AG are based on the provisions of the German Stock Corporation Act. In addition, the Management Board and the Supervisory Board study in detail the recommendations of the edition of the German Corporate Governance Code valid at the applicable time, and, with only few exceptions, pursue the recommendations by way of self-imposed obligation, taking due account of the size of the company and the structure of its administrative bodies.

HANSA GROUP AG's declaration of compliance in accordance with section 289 a of the German Commercial Code (HGB) has been made available for scrutiny on the Company's Internet site at: *http://www.hansagroup.de/de/investorrelations/corporate-governance/erklaerung-unternehmensfuehrung.html*

Concluding declaration by the Management Board on the report on relations with affiliated companies

Hansa Trust International AG's direct shareholding in HANSA GROUP AG amounted to 42.76 percent as of December 31, 2010. Hansa Trust International AG transferred 24.96 percent of its voting rights in HANSA GROUP AG to United European Investment AG on August 24, 2011. As a result, Hansa Trust International AG's direct shareholding in HANSA GROUP AG only amounted to 17.8 percent as of December 31, 2011. However, United European Investment AG holds a majority in Hansa Trust International AG, which is why the 24.96 percent of directly held voting rights in HANSA GROUP AG will be attributed to Hansa Trust International AG in accordance with section 16 (4) of the AktG, meaning that as of December 31, 2011, Hansa Trust International AG holds a total of 42.76 percent of voting rights in HANSA GROUP AG. This investment represented a majority in attendance at the three most recent HANSA GROUP AG Annual General Meetings, a trend that is expected to continue in the future. As a result, HANSA GROUP AG is dependent on Hansa Trust International AG as defined in section 17 (1) of the AktG.

No control agreement and no profit-transfer agreement exist between HANSA GROUP AG and United European Investment AG or Hansa Trust International AG (see section 316 AktG). In accordance with section 312 AktG, the Management Board of HANSA GROUP AG is required to prepare a report on relations with affiliated companies in which the relations (legal transactions and specific measures) with Hansa Trust International AG and with these associated companies are disclosed.

Shares and stock options

A resolution concerning authorization to buy back treasury shares which was adopted at the Annual General Meeting on August 24, 2006 was renewed and extended to July 1, 2015 at the Annual General Meeting held on July 2, 2010. HANSA GROUP AG did not, however, exercise during the reporting period this facility for buying back up to 10 percent of the outstanding shares. The Company does not currently hold any treasury shares.

No further share options existed as of December 31, 2011.

Genthin, May 24, 2012
HANSA GROUP AG
The Management Board

Zolfaghar Alambeigi | Dr. Volker Bauer | Thomas Pfisterer

BALANCE SHEET OF HANSA GROUP AG

ASSETS

	31.12.2011 in EUR	31.12.2010 in EUR
A. FIXED ASSETS		
I. Intangible fixed assets		
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	**56,843**	**42,869**
II. Tangible fixed assets		
1. Land, land rights and buildings, including buildings on third-party land	28,852,557	29,469,595
2. Technical equipment and machinery	8,985,857	8,906,982
3. Other equipment, operating and office equipment	604,667	777,211
4. Prepayments and assets under construction	318,283	1,200,347
	38,761,364	**40,354,135**
III. Long-term financial assets		
1. Shares in affiliated companies	93,687,348	93,687,348
2. Loans to affiliated companies	4,900,000	4,900,000
3. Long-term securities	0	130,000
	98,587,348	**98,717,348**
	137,405,555	**139,114,353**
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials, consumables and supplies	319,985	1,135,311
2. Finished goods and merchandise	5,609,078	4,099,195
3. Prepayments	2,527,535	12,440,533
	8,456,598	**17,675,039**
II. Receivables and other assets		
1. Trade receivables	8,022,073	2,088,790
2. Receivables from affiliated companies	42,713,389	14,412,133
3. Other assets, of which due in more than one year: EUR 103,937 (previous Year: EUR 129,530)	5,167,754	8,642,199
	55,903,216	**25,143,122**
III. Cash-in-hand and bank balances	**33,262,308**	**24,086,992**
	97,622,123	**66,905,152**
C. PREPAID EXPENSES	**376,891**	**286,823**
TOTAL ASSETS	**235,404,569**	**206,306,328**

EQUITY AND LIABILITIES

	31.12.2011 in EUR	31.12.2010 in EUR
A. EQUITY		
I. Subscribed capital	48,077,900	48,077,900
II. Capital reserves	6,531,924	6,531,924
III. Net accumulated profits	7,022,099	-5,831,956
	61,631,923	**48,777,869**
B. PROVISIONS		
1. Provisions for pensions and similar obligations	1,004,271	960,296
2. Provisions for taxes	3,081,161	4,711,616
3. Other provisions	1,319,175	2,029,650
	5,404,607	**7,701,562**
C. LIABILITIES		
1. Liabilities to banks, of which due in one year: EUR 35,453,158 (previous year: EUR 11,680,426)	63,814,695	46,594,409
2. Payments received on account of orders, of which due in one year: EUR 25,942,329 (previous year: EUR 39,310,839)	25,942,329	39,310,839
3. Trade payables, of which due in one year: EUR 67,539,001 (previous year: EUR 45,459,394)	67,539,001	45,459,394
4. Other liabilities, of which taxes: EUR 65,435 (previous year: EUR 68,242), of which due in one year: EUR 66,070 (previous year: EUR 5,504,643)	3,940,505	11,163,042
	161,236,531	**142,527,683**
D. DEFERRED TAX LIABILITIES	**7,131,507**	**7,299,214**
TOTAL EQUITY AND LIABILITIES	**235,404,569**	**206,306,328**

INCOME STATEMENT OF HANSA GROUP AG

		31.12.2011 in EUR		31.12.2010 in EUR
1. Sales	+	246,062,180	+	193,892,428
2. Increase (previous year decrease) in finished goods inventories	+	745,622	+	318,369
3. Other operating income	+	1,329,928	+	4,169,861
4. Cost of materials				
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	./.	209,912,561	./.	166,354,034
b) Cost of purchased services	./.	434,701	./.	656,155
5. Personnel expenses				
a) Wages and salaries	./.	5,289,017	./.	5,108,670
b) Social security, post-employment and other employee benefit costs	./.	850,991	./.	835,758
6. Depreciation, amortization and write-downs				
a) Amortization and write-downs of intangible fixed assets		1,873,261		1,913,501
b) Write-down of current assets, if they exceed the common		0		178,849
7. Other operating expenses	./.	10,037,461	./.	11,981,415
8. Other interest and similar income of which from affiliated companies: EUR 2,023,717 (previous year: EUR 164,633)	+	2,051,891	+	1,442,715
9. Income from loans of financial assets of which from affiliated companies: EUR 1,388,534 (previous year: EUR 592,466)	+	1,388,535	+	592,466
10. Interses and similar expenses - of which for affiliated companies EUR 34,339 (previous year: EUR 498) - of which from interest on provisions: EUR 69,737 (previous year: EUR 66,965)	./.	4,186,354	./.	4,731,916
11. Write-downs of assets and securities classiefied as current assets	./.	130,000	./.	0
12. Results from ordinary activities	+	**18,863,810**	+	**8,655,540**
13. Extraordinary income	+	0	+	451,548
14. Extraordinary expense	./.	28,958	./.	28,958
15. Extraordinary result	./.	**28,958**	./.	**422,590**
16. Taxes on income, of which income from reversal of deferred taxes: EUR 167,708 (previous year: EUR 175,986)	./.	5,934,988	./.	2,413,769
17. Other taxes	./.	45,809	./.	615,971
18. Net income for the year	+	**12,854,055**	+	**6,048,390**
19. Accumulated losses brought forward	./.	5,831,956	./.	11,880,346
20. Net accumulated profits	+	**7,022,099**	./.	**5,831,956**

STATEMENT OF CHANGES IN FIXED ASSETS DURING THE 2011 FISCAL YEAR

	GROSS BOOK VALUES					CUMULATIVE DEPRECIATION				NET BOOK VALUES	
	as of 1.1.2011 in EUR	Additions 2011 in EUR	Transfers 2011 in EUR	Disposals 2011 in EUR	as of 31.12.2011 in EUR	as of 1.1.2011 in EUR	Additions 2011 in EUR	Disposals 2011 in EUR	as of 31.12.2011 in EUR	as of 31.12.2011 in EUR	as of 31.12.2010 in EUR
I. Intangible fixed assets											
Concessions, industrial and similar rights and assets, and licences in such rights and assets	**495,104**	**33,075**	**0**	**0**	**528,179**	**452,235**	**19,102**	**0**	**471,337**	**56,843**	**42,869**
II. Tangible fixed assets											
1. Land, land rights and buildings, including buildings on third-party land	39,025,117	0	335,648	0	39,360,766	9,555,522	952,687	0	10,508,209	28,852,557	29,469,595
2. Technical equipment and machinery	17,118,848	142,757	600,382	0	17,861,987	8,211,866	664,263	0	8,876,129	8,985,857	8,906,982
3. Other equipment, operating and office equipment	5,384,959	77,135	0	71,574	5,390,520	4,607,748	237,210	59,105	4,785,853	604,667	777,211
4. Prepayments and assets under construction	1,200,347	53,966	-936,030	0	318,283	0	0	0	0	318,283	1,200,347
	62,729,272	**273,858**	**0**	**71,574**	**62,931,555**	**22,375,136**	**1,854,160**	**59,105**	**24,170,191**	**38,761,364**	**40,354,135**
III. Long-term financial assets											
1. Shares in affiliated companies	93,687,348	0	0	0	93,687,348	0	0	0	0	93,687,348	93,687,348
2. Loans to affiliated companies	4,900,000	0	0	0	4,900,000	0	0	0	0	4,900,000	4,900,000
3. Long-term securities	210,000	0	0	0	210,000	80,000	130,000	0	210,000	0	130,000
	98,797,348	**0**	**0**	**0**	**98,797,348**	**80,000**	**130,000**	**0**	**210,000**	**98,587,348**	**98,717,348**
TOTAL	**162,021,724**	**306,933**	**0**	**71,574**	**162,257,083**	**22,907,372**	**2,003,261**	**59,105**	**24,851,528**	**137,405,555**	**139,114,353**

NOTES TO THE ANNUAL ACCOUNTS

SUMMARY AND ACCOUNTING POLICIES AND OTHER NOTES
ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. General information on the Company

HANSA GROUP AG, which has its registered office in Genthin and facilities in Duisburg, Düren and Berlin, specializes in the production of chemical raw materials and finished products, services for the chemicals industry, and also complementary trading in chemical products and IT / electronic products and machine components.

In accordance with section 267 (3) sentences 1 and 2 of the German Commercial Code (HGB), the Company is classified as a large corporation.

2. Presentation of the Annual Accounts

These annual accounts for the year ended December 31, 2011 have been prepared in euros (EUR) on the basis of the German Commercial Code and supplementary corporate law and company constitutional provisions.

The structures of the balance sheet and the income statement conform to commercial law and to supplementary statutory regulations concerning legal form. The income statement is classified using the total cost (nature of expense) format pursuant to section 275 (2) of the German Commercial Code (HGB).

3. Accounting and measurement bases

Tangible fixed assets are carried at cost less straight line depreciation (over the expected usual useful life). Depreciation of fixed assets is essentially calculated on the basis of the following expected useful lives which are uniform within the Group.

KATEGORIE	Years
IT-Programs/other rights	3 – 4
Buildings/production shops	33 – 50
Leasehold improvements	8 – 25
Technical equipment and machinery	4 – 20
Vehicles	2 – 7
Operating and office equipment	3 – 10

A compound item, with uniform depreciation across five years, is formed for low-value assets with costs of between 150 and 1000 euro. Low-value assets of less than 150 euro in cost are tax-deducted immediately as operating expense.

Financial assets are reported at cost or at the lower fair value.

Raw materials and supplies inventories are measured on the principle of the lower of cost and market for acquisition cost.

Finished goods are capitalized at production cost in accordance with section 255 (2) of the German Commercial Code. Production costs include direct expenses, appropriate portions of material handling costs, production overheads and depreciation of fixed assets, where such is necessary for production. Interest on borrowed capital is not included in production costs. Finished goods and merchandise are also measured on the principle of the lower of cost.

In the case of the technical components of the inventory, a comparison is made between purchase/ production costs and the realizable net selling price, less costs still to be incurred. Any impairments resulting from such comparisons are discounted.

Appropriate globally accounted reductions are applied to inventories on the basis of product demand.

Trade receivables, other assets and cash funds are carried on the face of the balance sheet at their principal amounts. Default and value risks have been recognized for trade receivables by means of specific and global valuation allowances.

Hedging, in the form of forward exchange transactions, is implemented continuously in order to secure sales transactions. Receivables in foreign currency with a due time not exceeding one year at the balance sheet date are translated at the average spot rate on the balance sheet date. All other receivables in foreign currency are valued at the conversion rate applicable at the invoice date or at the lower average spot rate on the balance sheet date. Valuation units are not formed.

Provisions are made for uncertain liabilities and anticipated losses in the amount of the settlement value dictated by prudent business judgment.

Interest on any other provisions with a term of more than one year is calculated at rates of interest appropriate to the term as published by Deutsche Bundesbank.

Provisions for pensions are measured using actuarial methods on the basis of the Projected Unit Credit procedure and an interest rate of 5.1 percent applying Prof. Dr. Klaus Heubeck's "2005 G" mortality tables published in 2006. The rate of interest for discounting has been applied globally at the average market interest rate stated by the Bundesbank which results on the assumption of a residual term of fifteen years.

In view of the option granted in accordance with section 67 (1) sentence 1 of the EGHGB, 1/15 of the difference determined on January 1, 2010, i.e., 29 thousand euro, was apportioned to pension provisions in fiscal year 2011. The deficit arising from pension obligations not recorded as liabilities amounts as of the balance sheet date to 376 thousand euro.

Liabilities are reported at their settlement value. Foreign-currency liabilities are hedged using forward exchange transactions.

Liabilities in foreign currency with a due date not exceeding one year at the balance sheet date are measured at the average spot rate on the balance sheet date. All other liabilities in foreign currency are valued at the conversion rate applicable at the invoice date or at the higher average spot rate on the balance sheet date. Valuation units are not formed.

Revenues are recognized at the fair value of the consideration received. Expenses are recognized in income upon utilization of the service or when incurred. The realization principle and the accrual principle are used.

Deferred tax assets and liabilities are formed for chronological differences between the trade balance sheet and the tax base. Deferred taxes are reported offset on the basis of the option granted under section 274 (1) sentence 3 of the German Commercial Code. The rate of tax for deferred taxes is 32.74 percent.

4. Disclosures on Assets and Liabilities

4.1. Fixed assets

Since December 3, 2007, HANSA GROUP AG has held 100 percent of CHEMISCHE FABRIK WIBARCO GmbH, a company active in the field of trading in and production of chemical feedstocks. The Company's sole production location and domicile is Ibbenbüren, in the German federal state of North Rhine-Westphalia. The Company possessed equity of 7,335 thousand euro and had a surplus for the year of 985 thousand euro as of December 31, 2011.

Since March 31, 2009, HANSA GROUP AG has also held a 100 percent interest in WASCHMITTELWERK GENTHIN GmbH, with headquarters in Genthin, Saxony-Anhalt. This Company reports a net loss not covered by equity amounting to 1,015 thousand euro and a surplus for the year of 4,347 thousand euro. A loss for the year totaling 4,347 thousand euro was incurred.

HANSA GROUP acquired 100 percent of the shares in LUHNS GmbH, Wuppertal, with effect from May 1, 2010. This Company reports equity of 13,110 thousand euro as of the balance sheet date, and a loss for the year of 230 thousand euro. LUHNS GmbH has a 100 percent subsidiary, LUHNS France S.A.R.L., in Sarreguemines, France; this subsidiary has equity of 381 thousand euro and incurred a loss for the year of 33 thousand euro.

The composition of and changes in fixed assets are shown in the statement of changes in fixed assets attached as an appendix.

4.2 Current assets

Inventories fell by 9,218 thousand euro year on year. The decline is primarily due to the figure for the previous year containing prepayments made for deliveries.

Trade receivables rose by 5,933 thousand euro compared to the previous balance sheet date. This is due among other things to a slight year-on-year fall in the sale of receivables. Existing factoring lines were replaced by an ABS agreement in fiscal year 2011. Receivables from associated companies amount to 42,713 thousand euro, and result from Cash Pooling liabilities (43,504 thousand euro) and trade receivables (86,217 thousand euro). All trade receivables and receivables from affiliated companies have a due date of less than one year.

4.3 Deferred expenses and accrued income

Payments made for expenses in subsequent accounting periods (in particular, insurance costs) and a discount of an amount of 147 thousand euro (previous year: 216 thousand euro) are reported under prepaid expenses.

4.4 Equity

The fully subscribed capital stock of HANSA GROUP AG was 48,077,900 euro as of December 31, 2011, and is divided into 48,077,900 no-par value bearer shares. All shares are ordinary shares, each conferring one voting right.

The Management Board has by resolution of the Annual General Meeting held on May 22, 2009 been authorized until May 22, 2014 to increase the Company's capital stock by means of single or multiple issue of new no-par bearer shares for a cash contribution or contribution in kind by up to a maximum of 24,024,700 no-par shares with an issue price of 1.00 euro (Approved Capital).

The Management Board is further authorized in accordance with a resolution of the shareholders adopted at the Annual General Meeting on August 24, 2007 to conditionally increase the Company's capital stock by up to 23,381,200.00 euro by means of issue of up to 23,381,200 new bearer shares (Conditional Capital 2007).

The Company's Management Board has also by resolution of the Annual General Meeting held on July 2, 2010 been authorized until July 1, 2015 to acquire treasury shares up to a maximum of 10 percent of the Company's capital stock.

The Management Board has by resolution of the Annual General Meeting held on August 24, 2007 also been authorized until August 23, 2012 to issue profit-sharing rights up to a total of 40,000 thousand euro.

Capital reserves as of December 31, 2010 remained unchanged vis-à-vis the preceding year at 6,531,924.45 euro.

Net accumulated profit of 7,022 thousand euro as of December 31, 2011 is composed of the current net income for the year of 12,854 thousand euro, less the loss carried forward from the previous year in the amount of 5,832 thousand. This had been negatively impacted in the previous year by the effect from the first-time application of the BilMoG (-7,070 thousand euro).

4.5 Provisions

Provisions for pensions of 1,004 thousand euro were made in 2011 (2010: 960 thousand euro). Pension obligations have been measured in accordance with BilMoG regulations.

Measurement was performed using recognized actuarial methods by means of the so-called Projected Unit Credit (PUC) procedure. Prof. Dr. Klaus Heubeck's “2005 G” mortality tables were used as the biometric basis for measurement. The measurement is also based on the following other assumptions: rate of interest for calculation p.a. 5.1 percent, anticipated rise in wages and salaries p.a. 2.0 percent, anticipated rise in pensions p.a. 2.0 percent. Provisions for pensions are classified as non-current.

All other provisions are classified as current. They are stated at the amount of the settlement value necessary on the basis of prudent business judgment. The other provisions are distributed across the following categories:

DESIGNATION	2011 in EUR thou.	2010 in EUR thou.
Personnel provisions (vacation / overtime)	197	151
Cost of the financial statements, consulting and publication costs	257	217
Invoices and charges not yet received	462	464
Provisions for litigation	264	355
Provisions for interest and value added tax resulting from tax audit	10	680
Other provisions	129	163
Total	**1,319**	**2,030**

Total provisions in 2011 were 5,405 thousand euro (previous year: 7,702 thousand euro).

4.6 Liabilities

There are liabilities to banks due in over five years in the amount of 1,602 thousand euro (previous year: 841 thousand euro). There are no other liabilities due in more than five years.

Liabilities to banks are secured by means of a registered land charge of a nominal amount of 18,087 thousand euro. There are no liens or similar rights.

5. Notes to the income statement

5.1 Sales revenues

Sales revenue rose by 52,170 thousand euro (+27 percent) in the year under review. The breakdown of sales revenue by product segments and sales markets is shown in the following table:

PRODUCT SEGMENTS	2011 in EUR thou.	2010 in EUR thou.
Production/Service	55,874	58,090
Trade	190,188	135,802
Total	**246,062**	**193,892**

SALES MARKETS	2011 in EUR thou.	2010 in EUR thou.
Germany	105,957	117,661
European Union	39,959	45,243
Rest of World	100,146	30,988
Total	**246,062**	**193,892**

5.2 Personnel expenses

Personnel expenses comprise the following:

DESIGNATION	2011 in EUR thou.	2010 in EUR thou.
Wages and salaries	5,289	5,108
Social security contributions	851	836
Total	**6,140**	**5,944**

55 thousand euro was expended on retirement benefits in 2011 (previous year: 12 thousand euro). An average of 110 persons were employed at HANSA GROUP AG during 2011 (2010: 103 persons), of whom 47 (2010: 44 persons) were industrial workers and 63 clerical workers (2010: 59 persons).

5.3 Depreciation/amortization

Only regular depreciation and amortization is included in the amortization of intangible fixed assets and depreciation of tangible fixed assets in the amount of 1,873 thousand euro. In the previous year, depreciation and amortization amounted to 1,914 thousand euro. Extraordinary write-downs on financial assets in the amount of 130 thousand euro were charged in fiscal year 2011.

5.4 Other operating expense and income

Other operating expense includes exchange-rate losses of 5 thousand euro. These must be set against exchange rate gains of 389 thousand euro reported under other operating income.

5.5 Extraordinary expense and income

As in the previous year, extraordinary expense arising in conjunction with the first-ever application of BilMoG amounted to 29 thousand euro.

5.6 Expense and income from other periods

Other operating income includes income from other periods of 525 thousand euro.

5.7 Income tax

Expenses for corporation tax of 3,177 thousand euro (including solidarity surcharge) were incurred in fiscal year 2011. 3,563 thousand euro was paid in trade tax.

5.8 Earnings before interest and tax (EBIT)

EBIT increased to 19,535 thousand euro (2010: 11,159 thousand euro), i.e., by around 75 percent, in the period under review.

5.9 Deferred taxes

Deferred **tax assets** and **liabilities** are determined for chronological differences between the trade balance sheet and the fiscal balance sheet.

This results in gross deferred tax assets of 159 thousand euro and gross deferred tax liabilities of 7,289 thousand euro. Deferred tax assets result from provision for pensions and anticipated losses, while deferred tax liabilities result from tangible fixed assets. An equity and liabilities difference of 7,130 thousand euro remains after offsetting. Deferred taxes are reported offset on the basis of the option granted under section 274 (1) sentence 3 of the German Commercial Code.

Deferred taxes are calculated on the basis of HANSA GROUP AG's combined rate of income tax, currently 32.74 percent. The "combined rate of income tax" includes corporation tax, trade tax and solidarity surcharge.

5.10 Earnings per share

The average number of outstanding ordinary shares in the year under review was 48,077,900. Basic earnings per share amounted to 0.27 euro. Due to the exercisable option rights which expired in the period under review, diluted earnings per share also amount to 0.27 euro.

5.11 Appropriation of net profit

The Management Board proposes transferring the retained earnings for fiscal year 2011 of 7,022,099.02 euro to the legal reserve.

6. Cash flow statement

In 2010, cash-pooling receivables in the amount of

	2011 in EUR thou.	2010 in EUR thou.
NET INCOME FOR THE PERIOD	**12,854**	**6,048**
+ Depreciation and amortization of fixed assets	1,873	1,914
+ Write-downs of financial assets	130	0
+/- Increase/decrease in provisions	-2,297	1,802
+/- Other non-cash income/expense	-182	-1,136
+/- Gain/loss on disposals of fixed assets	-12	- 15
+/- Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-21,618	-41,386
+/- Increase/decrease in accounts payable and other liabilities not allocable to investing or financing activities	1,489	70,152
= CASH FLOWS FROM OPERATING ACTIVITIES	**-7,763**	**37,379**
+ Proceeds from disposals of fixed assets	24	15
- Payments to acquire tangible fixed assets and intangible fixed assets	-307	-459
- Payments for investments in financial assets	0	- 61
=CASH FLOWS FROM INVESTING ACTIVITIES	**-283**	**-505**
- Repayments of loans/credit facilities	-4,421	-9,421
+ Proceeds from issuance of loans/credit facilities	10,000	-
= CASH FLOWS FROM FINANCING ACTIVITIES	**5,579**	**-9,421**
- Net change in cash and cash equivalents during the period	-2,467	27,453
+ Cash and cash equivalents at beginning of period	12,407	-15,046
= CASH AND CASH EQUIVALENTS AT END OF PERIOD	**9,940**	**12,407**
COMPOSITION OF CASH AND CASH EQUIVALENTS		
+ Cash funds	33,262	24,087
- Liabilities to banks due at any time	- 23,322	-11,680
+/- Amounts receivable / liabilities resulting from cash-pooling with associated companies	0	0
= TOTAL CASH AND CASH EQUIVALENTS	**9,940**	**12,407**

638 thousand euro were reported under amounts receivable / liabilities resulting from cash-pooling with associated companies. These amounts receivable and liabilities were then reported under increase/decrease in inventories in fiscal year 2011.

Other disclosures

7.1 Items not shown on the balance sheet

Leasing agreements for software and motor-vehicles have been made in order to improve planning-certainty factors and in view of their neutral effect on the balance sheet. These assist in releasing capital. Leasing obligations amount to 132 thousand euro (previous year: EUR 163 thousand). Of this total, 103 thousand euro is due within one year; there are no residual lease terms of more than five years. Vehicle leasing does involve a certain risk, should the residual value of the vehicle prove to be less than anticipated.

Use is also made of the instruments of (reverse) factoring and ABS in order to assure and improve the Company's liquidity situation and enhance its capital structure. As of reporting date December 31, 2011, HANSA GROUP AG had an overall framework of 15,000 thousand euro available for reverse factoring, use had only been made of just 63 percent as of the balance-sheet day.

Existing factoring agreements were replaced by an Asset Backed Security (ABS) agreement in November 2011. The transaction volume for all HANSA Group company transactions amounts to a maximum of 60,000 thousand euro. As of the reporting date, HANSA GROUP AG made use of approximately 15 percent of this amount. Possible risks relating to a purchaser cancelling an agreement have to be weighed against the advantages, such as in the form of a reduced dependence on a single investor.

7.2 Related party disclosures

United European Investment AG holds 24.9 percent of the voting rights in HANSA GROUP AG. Hansa Trust International AG holds 17.8 percent of the voting rights in HANSA GROUP AG. Both companies are related to HANSA GROUP AG. Just like Hansa Trust International AG, United European Investment AG is a consulting and holding company. Both companies are headquartered in Switzerland.

HANSA GROUP AG acquired LUHNS GmbH from Savanna AG, Zurich, a subsidiary of Hansa Trust International AG, in fiscal year 2010. The purchase price was primarily discharged by way of waiving of receivables. The remaining amount of 5,600 thousand euro has been deferred by way of a loan at a customary market rate of interest and has been reported as a financial liability. The loan amounted to 3,874 thousand euro as of December 31, 2011. Deliveries to Savanna AG of 1,620 thousand euro (previous year: 2,409 thousand euro) were also made by HANSA GROUP AG during 2011; at the same time, services were obtained in the amount of 20 thousand euro (previous year: 410 thousand euro). Prepayments by Savanna AG for deliveries in an amount of 15,384 thousand euro existed at the balance sheet date of December 31, 2011 (previous year: 22,180 thousand euro). Liabilities in an amount of 3,894 thousand euro (previous year: 5,658 thousand euro) were also reported.

7.3 Contingent liabilities

HANSA GROUP AG assumed contingent liabilities totaling 55,084 thousand euro. A guarantee in the amount of 37,300 thousand euro has been accepted on behalf of WASCHMITTELWERK GENTHIN GmbH (a 100 percent subsidiary) in the context of credit-based financing.

In addition, HANSA GROUP AG has also accepted a joint and several guarantee concerning fulfillment of the conditions of the purchase agreement between

WASCHMITTELWERK GENTHIN GmbH and Henkel AG & Co. KGaA. The remaining obligation as of the reporting date is 167 thousand euro.

HANSA GROUP AG has also made an unrestricted declaration of guarantee with respect to trade liabilities for a WASCHMITTELWERK GENTHIN GmbH supplier. Liabilities of 155 thousand euro remained open as of the balance sheet date. The relevant supply agreement is due to expire on September 30, 2011; a successor agreement with a maximum volume of 1,050 thousand euro will be in effect until September 30, 2012.

HANSA GROUP AG has submitted a letter of comfort to AGG Anhaltinische Gas GmbH constituting a guarantee of liquidity in the context of a long-term contract made by WASCHMITTELWERK GENTHIN GmbH for supply of electricity. In addition, HANSA GROUP AG has also accepted responsibility for financial obligations up to a maximum of 500 thousand euro.

HANSA GROUP AG granted two directly enforceable securities to LUHNS GmbH (also a 100 percent subsidiary) in the context of a tax receivables deferment application: one to the city of Greven of up to a maximum of 284 thousand euro with a term until February 28, 2012; and one to the German federal state of North Rhine-Westphalia of up to a maximum of 440 thousand euro with a term until May 31, 2012.

HANSA GROUP AG has also granted a guarantee declaration in the amount of 5,000 thousand euro with respect to a loan obligation by LUHNS GmbH. The remaining liability at the end of the year under review amounted to 1,250 thousand euro.

HANSA GROUP AG has submitted a guarantee declaration to LUHNS GmbH to cover all amounts receivable by LUHNS GmbH's from Savanna AG and Gnann GmbH & Co. KG. These totaled 14,093 thousand euro as of the balance sheet date.

No other contingent liabilities exist with associated companies.

HANSA GROUP AG only enters into contingent liabilities for associated companies and after carefully assessing the risks. After conducting a continuous analysis of the risks, HANSA GROUP AG assumes that the companies involved will fulfill their obligations. It is therefore unlikely that use will have to be made of the above-mentioned contingent liabilities.

7.4 Auditor's fee

A total of 180 thousand euro was incurred in fees for the auditor appointed during fiscal year 2011. 174 thousand euro of this amount related to the audit of the annual accounts and 6 thousand euro related to other audit services.

7.5 Commitments from orders as of December 31, 2011

As of the balance sheet date, there exists an order commitment in the amount of some 3,996 thousand euro.

7.6 Disclosures on financial instruments

The interest risk resulting from a loan agreement for a nominal 10,000 thousand euro had been hedged as of the balance sheet date of December 31, 2011 by means of an interest rate swap with a negative market value of some 84 thousand euro. Forward exchange transactions in an amount of 3.166 million USD with a fair value of 126 thousand euro existed for hedging of exchange-rate risks as of the balance sheet date. Measurement is performed on the basis of the rates of exchange on the balance sheet date.

7.7 Executive bodies of the Company

The members of the Management Board can be contacted at the Company's administrative address.

There were at the balance sheet date no receivables resulting from any advance payments or from issuance of loans to the members of the Management Board. A resolution to waive the disclosure of the salaries of the individual Management Board members in the notes to the annual accounts and the consolidated financial statements was adopted at the Annual General Meeting on August 18, 2006 and remained effective until the end of the 2010 fiscal year. The remuneration of the members of the Management Board due on a short-term basis amounted to 586 thousand euro in full-year 2011 (previous year: 379 thousand euro).

Of this amount, fixed remuneration of 265 thousand euro and performance-related remuneration of 128 euro, totaling 393 thousand euro, pertained to Zolfaghar Alambeigi for which a provision was recognized. Thomas Pfisterer received 175 thousand euro in fixed remuneration and 18 thousand euro on performance-related remuneration, totaling 193 thousand euro. The fixed remuneration of Zolfaghar Alambeigi and Thomas Pfisterer included non-cash and other benefits of 18 thousand euro and 8 thousand euro respectively, totaling 26 thousand euro. These benefits primarily related to the taxable value of the personal use of a company car.

As of today, the Management Board consists of the following persons:

- Zolfaghar Alambeigi
  Businessman, Düsseldorf, Strategic Corporate Development and Finance/Financial Control

- Dr. Volker Bauer
  Chemical Engineer, Genthin, Production (since January 1, 2012)

- Thomas Pfisterer
  Economist, Ibbenbüren, Marketing/Sales.

The Supervisory Board comprises the following members:

- Lothar Venn (Chairman)
  Lawyer, Hamminkeln,

- Dr. Lutz Mögling (Deputy Chairman)
  Chemist, Kleinosterhausen and

- Dr. Stefan Kissinger
  Business Consultant, Zella-Mehlis.

The annual remuneration of the Supervisory Board amounts to 40 thousand euro. Of this, 20 thousand euro is paid to the Chairman and 10 thousand euro each to the other members. There were no receivables resulting from any advance payments or from the issuance of loans to the members of the Supervisory Board at the balance sheet date. No rights arising from the granting of stock options exist.

HANSA GROUP AG prepares the consolidated financial statements for the largest and smallest group of companies in which the annual accounts of HANSA GROUP AG are included.

United European Investment AG has held 24.96 percent of the voting rights in HANSA GROUP AG since August 24, 2011. Since this time, the percentage of voting rights held by Hansa Trust International AG has amounted to 17.8 percent as against 42.76 percent in the previous year.

The following interests were reported to the Company in accordance with section 21 (1) of the German Securities Trading Act (WpHG):

In accordance with section 21 (1) of the German Securities Trading Act (WpHG), United European Investment AG informed us that its share of voting rights in our Company surpassed the 3.0, 5.0, 10, 15 and 20 percent thresholds on August 24, 2011 and now totals 24.96 percent (12,000,000 voting rights).

On December 14, 2011, United European Investment AG, 8702 Zollikon, Zurich, Switzerland, informed us in accordance with section 27a (1) of the WpHG that:

The aims underlying the purchase of the voting rights:

1. The investment is aimed at implementing strategic objectives, particularly the positioning as long-term investor, and not at generating trading profits.

2. We do not intend to acquire any additional HANSA GROUP AG voting rights in the coming 12 months.

3. We aim to have one representative on the Supervisory Board of HANSA GROUP AG. We aim to do this by exercising the voting rights that United European Investment AG holds at an Annual General Meeting in future Supervisory Board elections.

4. We do not aim to make any material changes to the capital structure of HANSA GROUP AG (particularly with regard to equity and debt financing and dividend policy).

5. We received the shares in HANSA GROUP AG for a non-contribution in exchange for the issue of share in our company.

The Management Board and Supervisory Board of HANSA GROUP AG hereby declare pursuant to section 161 of the German Stock Corporation Act (AktG) their compliance, with the exception of specific recommendations, with the May 26, 2010 edition of the German Corporate Governance Code, published in the electronic Federal Gazette on July 2, 2010.

The Government Commission saw no reason to amend the Code in 2011. The complete current declaration has been made permanently on the Company's Internet site:
http://www.hansagroup.de/de/investorrelations/corporate-governance/entsprechenserklaerung.html.

Genthin, May 24, 2012

HANSA GROUP AG
The Management Board

Zolfaghar Alambeigi | Dr. Volker Bauer | Thomas Pfisterer

AUDITOR'S REPORT

We have audited the annual financial statement – comprising the balance sheet, the income statement and the notes to the annual financial statement – in conjunction with the bookkeeping system and the management report of HANSA GROUP AG, Genthin, for the business year from January 1, 2011 to December 31, 2011. The keeping of the books and other records, and the drafting of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's legal representatives. Our task is to express, on the basis of our audit, an opinion on the annual financial statements, the bookkeeping system and the management report.

Our audit of the annual financial statements was conducted in accordance with section 317 of the German Commercial Code (HGB) and with generally accepted German standards for the auditing of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). These standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the Company's net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper auditing and in the management report are detected with adequate certainty. Knowledge of the Company's business activities and of its economic and legal environment, and also of expectations concerning possible misstatements, are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related control system and the evidence supporting the disclosures in the books and records, the annual accounts and the management report are examined primarily on a random-sample basis in the context of the audit. The audit includes the assessment of the accounting principles applied and of any significant estimations made by the Company's legal representatives, and the evaluation of the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion, on the basis of the findings of our audit, the annual financial statements comply with statutory regulations and give a true and fair value of the Company's net assets, financial position and results of operations in accordance with German principles of proper accounting. The management report is in line with the annual financial statements, provides on the whole a realistic picture of the Company's situation and presents the opportunities and risks of future development realistically."

Stuttgart, May 25, 2012
CROWE HORWATH Deutschland GmbH
Public Accountants and Auditors

Gerald Hespelt	Michael Jetter
Auditor	Auditor

STATEMENT BY LEGAL REPRESENTATIVES

We hereby testify that, to the best of our knowledge, the annual financial statements prepared in accordance with the applicable financial reporting framework for reporting provide a true and fair view of the net assets, financial position and results of operations of the Company and that the development of business, including earnings, and the situation of the Company were described in the management report in such a way that they provide a true and fair view of the actual situation and the opportunities and risks of the Company's expected development.

Genthin, May 24, 2012
HANSA GROUP AG
The Management Board

Zolfaghar Alambeigi | Dr. Volker Bauer | Thomas Pfisterer

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HANSA GROUP AG
Berlin

HANSA GROUP AG
Genthin

WASCHMITTELWERK GENTHIN GmbH
Genthin

CHEMISCHE FABRIK WIBARCO GmbH
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HANSA GROUP AG

wibarco
Ein Unternehmen der Hansa Group AG

Waschmittelwerk Genthin GmbH
Ein Unternehmen der HANSA GROUP AG

LUHNS
Ein Unternehmen der HANSA GROUP AG