HANSA GROUP AG

# ANNUAL REPORT 2012

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# VALUE & CARE


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# IMPORTANT EVENTS IN 2012

2012

1 JANUARY

2 FEBRUARY

3 MARCH

4 APRIL

5 MAY

6 JUNE

### HANSA'S SHARE CHANGES TO PRIME STANDARD

At the beginning of 2012, we implemented the change to the Prime Standard on Deutsche Börse (German Stock Exchange), aligning ourselves even more strongly with the needs of the capital market. The Prime Standard represents one of Europe's highest levels of business transparency, which includes requiring the publication of quarterly reports.

### COMMISSIONING OF THE NEW SURFACTANT PLANT IN GENTHIN

Following successful test runs, the new surfactant plant in Genthin was put into operation in February. The plant has a nominal capacity of 100,000 tons per year, of which around 40 percent are used to manufacture the company's own Care Chemicals.

### LUHNS GMBH IN GREVEN RECEIVES EMAS-, ISO-14001- AND BS-OHSAS-18001 CERTIFICATION

The environmental management system of our Luhns subsidiary meets all criteria in line with the international standards DIN EN ISO 14001:2009 and EMAS. This is an important step towards achieving sustainable production throughout the Group. As part of the EMAS assessment, the environmental management system and the occupational and health safety management system were also certified as conforming to ISO 14001:2004+Cor 1:2009 and BS OHSAS 18001:2007, respectively.

### AMORTIZATION OF CLIENT BASE OF LUHNS SUBSIDIARY DUE TO SCHLECKER INSOLVENCY

Due to the insolvency of the Schlecker drug store chain, a customer of our Luhns GmbH subsidiary, we performed a non-cash value adjustment on Luhns' client base. This was done as part of the impairment test during preparation of the Half-Year Report 2012.

JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

AUGUST

### ANNUAL GENERAL MEETING RESOLVES PAYMENT OF A DIVIDEND OF 0.10 EURO PER SHARE

At the Annual General Meeting of HANSA GROUP AG in August, payout of a dividend of 0.10 euro per share was resolved with overwhelming support. This corresponded to a dividend yield of nearly 4.7 percent based on the share price at the time of the resolution.

OCTOBER

### SALE OF PART OF OUR CHEMICALS TRADE BUSINESS

The sale of part of our Chemicals Trade business has allowed us to increase our focus on the more lucrative Care Chemicals value chain. It has also increased our financial flexibility in order to bolster our core business, which is now made up of two segments – Chemicals and Consumer Products.

DECEMBER

### AGREEMENT ON ABS PROGRAM WITH NORDLB AND REB

NordLB successfully set up a new receivables financing program (ABS program) in conjunction with Raiffeisenbank International (REB), in which all Group companies are included. The transaction volume amounts to 45 million euro. The ABS program is implemented via NordLB Luxembourg and initially has a term of three years. The ABS program, combined with additional measures, is used in order to assure future liquidity.

DECEMBER

### GETEC CONSTRUCTING ENERGY SUPPLY SYSTEM AT IBBENBÜREN SITE

In December, we signed an agreement for the construction and operation of an energy supply system at the site of our subsidiary in Ibbenbüren, Chemische Fabrik WIBARCO GmbH. Getec is investing around 5 million euro in the construction of the power station, which in future will supply process heat and steam for WIBARCO s production of linear alkyl benzenes (LAB). The power station is set to start operations in the first quarter of 2014.

# LETTER FROM THE MANAGEMENT BOARD

The Management Board of HANSA GROUP AG
Dr. Volker Bauer (l.), Thomas Pfisterer (r.)

## Dear shareholders, employees and business partners,

In fiscal year 2012, HANSA GROUP AG took a decisive step forward in focusing on its core business of Care Chemicals for detergents and body care products and further optimized the value added chain. Our net income in the reporting year amounts to 1,1 million euro. Revenues, on the other hand, amounting to 399 million euro, were slightly above those from last year. However, it should be noted that the sales and income situation was greatly influenced by two overlapping special effects. The figures are therefore only comparable to a limited extent.

One of these effects was the insolvency of the drug store chain Schlecker in the first quarter of 2012. This had a particular impact on our subsidiary Luhns GmbH, which was active as a supplier for Schlecker. We therefore already had to amortize the capitalized customer base of Luhns after the first half of the year. Although this impairment with a net value of approximately 4.2 million euro did not affect liquidity, it did have a negative impact on our Group earnings. Thanks to an increase in sales efforts, we managed to largely compensate for the lost business through revenues from existing and new customers.

The sale of parts of the chemicals trading business at the end of the third quarter had a far greater impact on the financial indicators and further strategic development throughout HANSA Group.

As this transaction merely involved the sale of existing trading activities with their structures and customer relationships, not assets, we booked the sale as revenue, which had a positive effect of approximately 24 million euro on the income statement. The purchase price will be paid in several installments.

### Setting the course for the future

The deciding factor behind this step was the fact that there were very few synergies between Production and Trade at HANSA Group. Moreover, the international chemicals trade is undergoing a phase of consolidation and is increasingly dominated by globally operating corporations. To continue conducting this business successfully, large investments would be necessary – investments that we could make better use of elsewhere. Thanks to the income from the sale and to funds that are no longer tied up in the trading business, we are able to concentrate completely on our core business of producing chemicals and care chemicals . By doing so, we are creating even leaner and more efficient operating structures within the Group, which will also have a positive impact on our financial indicators in the medium term.

Our capital market reporting will also follow the new strategic organization. Starting in 2013, HANSA GROUP AG will separate its business activities into the segments Chemicals and Consumer Products. In the Chemicals segment, we produce surfactant feed materials , intermediate products and surfactants, which we then use to make the detergent substances employed in the production of detergents and body care products in the Consumer Products segment. We sell what we do not need for our own production to customers from the chemical industry. We have developed an outstanding market position for ourselves in recent years in this field, which once again saw marked expansion following the start-up of our surfactant plant in Genthin in February 2012 thanks to an increase in capacity from 30,000 tons annually to include an additional 100,000 tons per year. The new tenside plant is therefore a major driver of growth for our business.

## Efficiency within the Group – Volume on the sales market

We are constantly working to cut costs and increase the efficiency of production throughout the Group. To do so, we are optimizing the value added chain and eliminating bottlenecks. We are driving downward integration by producing certain feed materials ourselves, thereby making us more independent from purchasing prices. In addition, we are targeting truly high-volume markets with our products. This goes for both the chemicals we produce as well as our finished products.

The market for detergents and body care products is nearly independent of economic cycles and lifestyle trends. Even in weak economic times, declines are rare in this area. However, high-volume markets usually develop at only a moderate pace. The deciding factor is therefore to identify sub-segments with above-average growth within these markets. These include private label products as opposed to brand-name products, and liquid detergents as opposed to washing powder. In terms of regions, Eastern and Southern Europe offer markets with attractive opportunities for growth. This is exactly where we are focusing our efforts.

## Outlook: Continued high demand for HANSA products

Now that we have already made most of the investments necessary as part of our strategy, we intend in 2013 to increase our focus on the efficiency improvement programs already launched. This includes optimizing production processes and logistics in particular. We can increase productivity within production processes through learning effects alone. In terms of logistics, we are focusing on the production sites in Genthin and Greven. We are also continuing to pursue our chemical-park model, in which we aim to attract suppliers and business partners to set up shop at our production sites. We have already had very positive experiences with this model in cooperation with Granutec, Alpla and energy supplier Getec. With Solvay, a specialty chemicals company, we won over another partner. The company will build its own production plant in Genthin.

In the detergents and body care products business – collectively combined in the Consumer Products segment – we intend to tap new markets abroad. Along with neighboring Western European countries such as France, Great Britain and the Benelux states, we also have our sights on Eastern European growth markets, including Poland and the Czech Republic. In Spain and Italy – as well as in the regions of North Africa, the USA and Asia – we plan to win market shares predominately through cooperations with local partners in mixing and packaging. In the Chemicals segment, organic growth has priority. We intend to promote downward integration in the process and produce even more feed materials ourselves.

Overall, we expect continued high demand for our products. Thanks to the more than four-fold increase in production capacity for anionic surfactants on account of our new surfactant plant in 2012, we are planning significant growth in terms of quantity. However, the outcome is highly dependent on the development of raw materials prices.

Following the first-ever distribution of dividends to our shareholders in 2012, we intend to transfer retained earnings in the amount of approximately 1 million euro to the legal reserve. The remaining amount is to be carried forward to new account.

We also intend to continuously improve communication with our shareholders. In keeping with this, we have increasingly used the needs of the capital market as orientation since 2012 and have therefore implemented a change to the Prime Standard for the HANSA share.

We would like to express our heartfelt thanks to our customers, business partners, shareholders and employees for the excellent cooperation in fiscal year 2012. We look forward to having you on board as the development of HANSA GROUP AG continues.

May 2013
**HANSA GROUP AG**
The Management Board

Dr. Volker Bauer    Thomas Pfisterer

# SHARE / INVESTOR RELATIONS

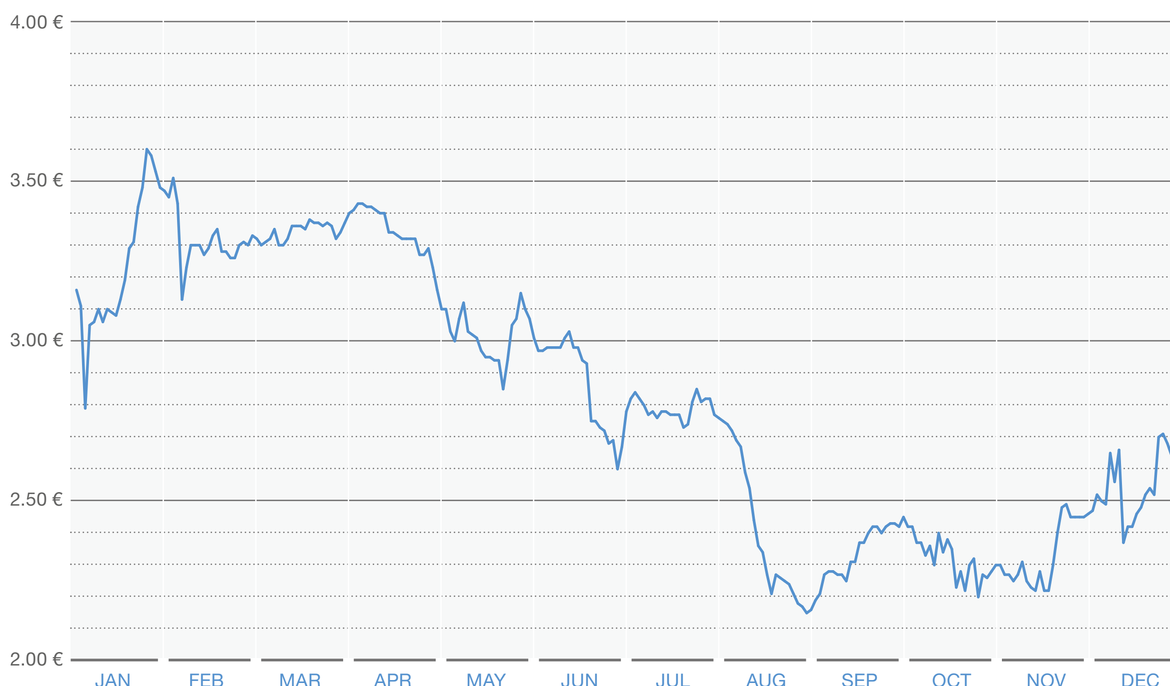
## HANSA GROUP AG Share

European securities markets concluded 2012 predominantly in the black. After a vigorous start to the year, the debt problems of individual EU countries and the accompanying worsening economic outlook began to have an effect on market prices from mid-March on. However, the upturn at mid-year continued throughout the remaining months, despite global economic data barely improving at times. The German DAX blue chip index rose by 26 percent during the period covered by this report, while the SDAX small caps segment lagged somewhat behind the standard share price development with a rise of almost 19 percent.

HANSA GROUP AG's share only profited to a limited extent from the altogether positive mood of the securities market and dropped noticeably following a successful start to the year. Looking at the entire year, HANSA's share lost about 4 percent of its value, trailing behind reference indices relevant to HANSA such as SDAX and DAXSECTOR Chemicals.

The business model of HANSA GROUP is geared towards sustainability and not towards pursuit of short-term profit. Our main objective is to offer investors attractive returns in the long term – a goal we has also achieved. In a five-year comparison from January 2008 to December 2012, our share performed considerably better than the DAX, SDAX and DAXSECTOR reference indices.

**SHARE PRICE PERFORMANCE (XETRA), JANUARY – DECEMBER 2012**



## Investor Relations

The change of HANSA's share to Prime Standard on Deutsche Börse (German Stock Exchange), implemented at the start of 2012, has let us align ourselves even more closely towards the needs of the capital market and expand activities in the field of Investor and Public Relations. In line with the Prime Standard, which represents one of Europe's highest levels of business transparency, we now also report at quarterly intervals on our business development. We communicate other important and interesting events within HANSA Group in press bulletins. Answering shareholders' questions was as much of a part of our PR work as continuous contact with the financial press, institutional investors and analysts.

The attention of institutional investors increased markedly following the change to Prime Standard, presenting a challenge for us to take on. In addition to attending local capital market conferences, we again held a presentation at the German Equity Forum of Deutsche Börse (German Stock Exchange) in Frankfurt for analysts and journalists and explained our business model in detail. Individual talks were also held with interested investors and journalists. In December, to raise awareness of HANSA GROUP AG, we again made a point of seeking opportunities for dialog with financial journalists. In the future, we intend to flesh out our activities in Investor and Public Relations to an even greater extent.

Focusing on our two business segments, Chemicals and Consumer Products, has made HANSA GROUP AG a "pure player" within the chemicals industry. These two segments generate synergies which we intend to gradually enhance. Our business model combines the growth potential of the high-volume chemicals industry with the stability of the detergents, cleaning agents and cosmetics markets. From this strong foundation, we intend to provide our customers with a long-term and sustainable increase in value. In August, we paid out a dividend of 0.10 euro per share, corresponding to a dividend yield of nearly 4.7 percent based on the share price at the time of the resolution of the Annual General Meeting. We are working towards establishing a dividend policy that will be fully in line with HANSA GROUP's success. Listed borrowed capital such as bonds or notes has not been issued to date and is not currently planned.

# COMPANY PROFILE & STRATEGY

## HANSA GROUP AG – an overview

HANSA GROUP AG is a leading integrated European supplier of Care Chemicals for detergents, cleaning agents and body care products. At our sites in Gethin, Ibbenbüren and Düren, we also produce high-quality surfactant feed materials, surfactants and intermediate chemical products, around 60 percent of which we currently deploy for our own needs. Surfactants are an ingredient in detergents, cleaning agents and body care products. We sell approximately 40 percent of the remainder of our production volume of intermediate products, surfactants and surfactant feed materials to clients from the chemical and manufacturing industries. Our detergents, cleaning agents and body care products, which are mainly sold as private labels, are manufactured in Greven and Genthin. These two locations are home to our two subsidiaries, Luhns GmbH and Waschmittelwerk Genthin GmbH. HANSA Group's activities are rounded off with contract production for trading groups, which distribute our detergents, cleaning agents and body care range as branded products. Our production systems are state-of-the-art and cater to customer specific formulations. High-performance packing stations and bottling systems allow us to finish packaging units in line with customer specifications.

## Our growth strategy

The essence of our strategy is to focus on Care Chemicals in detergents, cleaning agents and body care products, and on streamlining our value chain. We strive to implement upstream steps within HANSA Group using our own capacities whenever possible. In 2007, in line with this strategic target, we upped capacities at Chemische Fabrik WIBARCO GmbH, where we make surfactant feed materials and intermediate products mainly deployed in downstream surfactant production. To expand the value chain, we took over parts of the former Henkel plant in Genthin, where we founded our subsidiary, Waschmittelwerk Genthin GmbH. The construction of a new surfactant plant at our Genthin location increased our surfactant production capacity several times over. We turn these surfactants into detergents, cleaning agents and body care products at our subsidiary Luhns GmbH, acquired in 2010. We turn any leftover production material into profit on the lucrative surfactant market. This strategy lets us cover the entire value chain from surfactant feed materials and intermediate products to finished Care Chemicals.

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As part of increased focus on our core business, we sold part of our trade segment in the fourth quarter of 2012. One of our main reasons for doing so was a near-total lack of synergies between production and trading. In addition, trade in the chemical industry is intensifying, becoming increasingly dominated by international corporations.

Focusing on producing chemicals and Care Chemicals will place HANSA GROUP in the vanguard of our business sector. We are constantly streamlining production and logistics processes and centralizing our offices at our sites. Selling parts of our Trade segment has increased our financial flexibility to bolster our core business, which now consists of two segments – Chemicals and Consumer Products. First and foremost, we plan to expand our product portfolio and augment our production capacity, increasing the market share of HANSA GROUP AG in Europe in Care Chemicals for detergents, cleaning agents and body care products, and noticeably strengthening our market position.

## New segment structure: Chemicals and Consumer Products

Beginning in the first quarter of 2013, a new structure will take effect in our company. The value creation of the Group now rests with two divisions – Chemicals and Consumer Products. Both divisions will complement each other perfectly, guaranteeing high synergy effects throughout the Group.

## Chemicals – a strong foundation

IIn the **Chemicals segment**, we manufacture surfactant feed materials, intermediate products and surfactants. Primary and intermediate products of surfactants, such as linear alkyl benzene (LAB), come from our WIBARCO subsidiary in Ibbenbüren. Biodegradable ingredients provide us with the detergent substances used to produce our detergents, cleaning agents and body care products in the Consumer Products segment. Primary and intermediate products for surfactant production left over from our own production are sold to customers in the chemicals industry. Our WIBARCO subsidiary has a prominent market position, as it is the only producer of linear alkyl benzene in Central Europe. The production process in Ibbenbüren is unique worldwide and offers significant cost advantages.

Linear alkyl benzene creates byproducts, heavy alkylates and hydrochloric acid. These are not part of our core business and are sold to customers. Heavy alkylates are used for making lubricating oils and lubricant oil additives. Hydrochloric acid is both a basic and auxiliary ingredient in different sectors of the chemical industry.

Our Waschmittelwerk Genthin subsidiary is an important hub where, apart from surfactants as basic materials, we produce liquid detergents, dishwashing products, cleaning agents and fabric conditioners for brand-name manufacturers and trading organizations. Waschmittelwerk Genthin contributes to both segments and is already harnessing the existing synergies between these segments.

The Genthin surfactant plant was put into operation in February 2012 and has increased chemical production capacity enormously. The new surfactant plant has added a capacity of 100,000 tons per year to the 30,000 tons we had previously produced, making it a major source of growth for our business. Some 40 percent of our manufacturing output at the plant is used for producing our own HANSA Group Care Chemicals.

Our production in Genthin and Düren:

- Linear alkyl benzene sulfonates (LAS) for cleaning agents
- Fatty alcohol sulfates (FAS) – for dishwashing liquids, and for mild, woolen and all-in-one detergents
- Fatty alcohol ether sulfates (FAES) for mild detergents, soaps, shower creams and dishwashing liquidsl
- Alkyl benzene sulfonates (ABS) for the production of detergents and domestic cleaning products
- Olefin sulfonates (AOS) for special and industrial cleaning agents

We also produce surfactant granulates using the fluidized-bed process for the detergents and cleaning agents industry.

## Consumer products – high-quality goods in liquid form

IIn the **Consumer Products segment**, our focus is on producing liquid detergents, cleaning agents and body care products. Our Luhns subsidiary mainly makes products for international business groups, which distribute them under their own private labels. Another service in this segment is third-party contract production in Genthin. Our cutting-edge systems and production methods help us create a wide variety of different product types, custom-made according to specific customer requirements. Constant monitoring helps ensure that our production processes are sound in microbiological terms and of the highest quality.

The product range of our Luhns subsidiary focuses on private labels, mainly offering customers all-in-one solutions for the production of detergents, household cleansers and body care products. Liquid detergents, fabric softeners and fabric conditioners come from our manufacturing sites in Greven and Genthin, rounding off the HANSA subsidiaries' product lines along with a wide range of common cleaning agents, including special household cleansers.

Shower and bath products are also on offer along with premium shampoos and aftercare products for hair and body care. Luhns' product range consists of around 800 products. Their yearly output of over 200 million units makes them one of the leading European manufacturers and bottlers of detergents and cleaning agents.

In Greven, we mainly prepare liquid all-in-one detergents, fabric softeners, dishwashing soap and a variety of cleaners, mixed in several systems whose volume totals 16 tons. We have 40 tanks available for storing products prior to bottling, after which bottles are sealed, labeled and boxed. There are also several bottling lines for adding dyes and scents. Every step in the production chain is subject to permanent quality assurance, starting with checking the chemical feed materials, end products and packaging. Standardized processes and cutting-edge production systems let customers rest easy when it comes to high quality and on-time delivery.

## Future segment development

HANSA GROUP is constantly thinking up new ways to streamline the value chain and avoid bottlenecks, reducing costs across the Group and improving efficiency in production. In order to gradually strengthen existing synergies, we plan to systematically expand both the Chemicals and Consumer Products segments.

Promoting downward integration in chemical production and taking over the production of important ingredients ourselves will make us less dependent on purchase prices. Launching the Genthin surfactant plant has more than quadrupled our production capacity for anionic surfactants, increased HANSA GROUP's market share considerably and generated economies of scale in production.

Part of our growth strategy is to open up new export markets for the Consumer Products segment. We plan to increase sales of detergents and cleaning agents in neighboring Western European countries such as France, the UK and the Benelux nations. For the further future, Poland, the Czech Republic, and other Eastern European growth markets will be on our list. In other countries such as Spain and Italy, and larger regions such as Northern Africa, the US and Asia, market entry risks can be minimized by collaborating with local business partners in mixing and bottling.

## Growth in high-volume markets

HANSA GROUP is reaching for a high-volume market in our Chemicals segment, which mainly produces surfactants, surfactant feed materials and primary and intermediate products. Surfactants are a key ingredient in detergents, cleaning agents and body care products, making demand for them stable. With an annual growth rate of 2.5 percent, experts estimate that the global market for surfactants will reach 17 billion euro by 2015, 30 percent of it in Europe.

Anionic surfactants make up the largest product class. However, before we sell our surfactants and intermediate products, we make sure our Consumer Products segment's needs are covered for making detergents, cleaning agents and body care products. Our economical production process is unique within our global sector.

Detergents, cleaning agents and body care products also comprise a high-volume market that is virtually independent from economic cycles and lifestyle trends. It is rarely marked by declines, even in weak periods. Regardless of other economic trends, washing and cleaning never stops. In 2012, 12.9 billion euro were spent on beauty care products in Germany alone, according to estimates from the German association for body care products and detergents, with household care products pulling in 4.3 billion euro – a total of over 17 billion euro.

Still, though these markets are stable and command very high volumes, their growth rates tend to be fairly modest. This can be seen in sales of beauty care products, which increased by 1.4 percent in 2012, with household care products increasing by 0.9 percent. One explanation for this is the high base effect, coupled with the fact that the Western European market is already highly developed. The effects of two typical sources of growth – constant improvement of quality of life and a rising population – are in much more evidence in our Eastern European neighbor countries, which we are approaching as we further develop our segments.

However, within the high-volume markets for detergents, cleaning agents and body care products in Western Europe, there are also subsegments showing above-average growth. In particular, these include private labels when compared to branded products and liquid detergents when compared with powder products. These are precisely the areas on which HANSA GROUP wants to concentrate its efforts in its Consumer Products segment. Although the share of private labels in the Care Chemicals market is still below the volume of branded products (products sold bearing the name of the manufacturer), private labels have been steadily gaining ground for a number of years, growing at around 3 to 5 percent annually at the expense of branded products. Liquid detergents are also in the same category, as their ease of use has made them increasingly popular while demand for powder detergents falls.

## Streamlining production and logistics

To continually increase profitability within HANSA Group, our focus is on structuring production processes and logistics more efficiently. After all, feed materials and logistics are the main expenses in surfactant production. Since prices for surfactant feed materials and surfactants are linked to the cost of raw materials, latitude for cost optimization is limited in this area. Instead, for us, the decisive factors are the production process and logistics.

We make use of lessons learned during the manufacturing process to increase productivity, even in the middle of complex production schedules. Logistics activities are concentrated at our

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production sites in Genthen and Greven, as we have closed or relocated external logistics centers. This has already cut transportation volumes between individual HANSA sites considerably.

The Genthin site, in particular, provides optimum conditions for producing, blending, bottling and storing chemical products. The factory can be accessed by road, rail and water, and it is conveniently located in Genthin s northern industrial estate, directly on the Elbe-Havel canal complete with mooring facilities. In addition, there is also a company-owned rail link to the main Hanover-Berlin line, with services twice a day via Deutsche Bahn. Further logistics-related streamlining is made possible thanks to the proximity to production and bottling systems for detergents and cleaning agents.

It is not always possible to shorten or eliminate every transportation route. Investing in the supply chain has already created operational improvements, such as the increased use of flexitank containers for transporting primary and intermediate surfactant products from Ibbenbüren. This is a much less expensive transportation method when compared to standard bulk transportation in tankers. It requires no additional storage tanks and is quick and economical, even for small quantities.

## Continuing successful business centralization policy

We are further centralizing our business, striving to establish the presence of more of our business partners from the chemical industry at our production sites. This “chemical park” model saves us logistics costs and makes the value chain more efficient.

Our business development policy, in place for several years, has already paid for itself in energy supply: two cogeneration plants supply energy to the production plants at our Genthin site. Both plants were backed by investments of around 3 million euro and constructed in 2010 in close cooperation with the Magdeburg energy utility Getec Energie AG. As part of this cooperation, Getec took over supplying heating, which was previously based entirely on steam boilers. In Genthin, we also benefit from Getec’s forward-looking gas supply system. The gas is used both for generating electricity and heat in the cogeneration plants and for the drying stage in our production processes. This allows us to reduce our gas consumption, protect the environment and save costs.

A further project for a modern energy supply at our production facilities is set to be launched in 2013/2014. For this project, Getec will construct and operate a new power plant at the site of our WIBARCO subsidiary in Ibbenbüren by spring 2014. Agreements for this project were signed in December 2012.

Getec is investing around 5 million euro for the construction of the power station, which will, in the future, supply steam and heat for WIBARCO s production of linear alkyl benzenes (LAB). Thermal oil-based energy supply is set to begin in the first quarter of 2014, leading to energy savings in Ibbenbüren as well as Genthin.

## Sustainable production and high quality

Sustainable economic management is a key factor in maintaining a competitive edge. For us, sustainability is the foundation for a prosperous future at HANSA GROUP. It concerns social and environmental issues, but also business aspects: A philosophy of sustainability is part of our corporate culture and employee policy. Short-term profit is not the goal of HANSA GROUP or its subsidiaries. Instead, the core of our strategy is to create long-term value for shareholders, employees and customers.

A responsible and considerate attitude towards nature and existing resources contributes greatly to public perception of corporations, especially those in the chemicals industry. We are aware that economic success is only possible when accompanied by environmental preservation and social responsibility.

All of HANSA GROUP’s activities have an ecological, economic and social dimension that extends to all stages of the value chain. We protect the environment by steadily working to improve our production processes, train our employees in these matters and subject all of our products to scrutiny through a constant monitoring process. We communicate in an open and unbiased way with our employees and customers, as well as the public at large, in all environmental matters. We are open to suggestions and constructive criticism at all times.

Sustainable production and high product quality go hand in hand at HANSA GROUP. All of our subsidiaries have committed themselves to upholding the highest quality standards. We guarantee outstanding quality for our products thanks to the efforts of our dedicated and highly qualified employees. Their skill in manufacturing complex chemical products is second to none, as the entire industry can confirm. We also accept responsibility for the safety of our products throughout the entire value chain: from feed material suppliers, during all production steps, and finally to use by customers. We do not abandon responsibility for our products after they have been sold.

HANSA GROUP actively supports the "Responsible Care" initiative by the German chemicals sector, a program that has been joined by around 70 companies in the industry. Though the existing statutory requirements concerning safety, health and environmental protection are already strict, we see them as a minimum goal which we want to surpass.

## Certification emphasizes high standards of quality and sustainability

In our core business of chemical products, we consider compliance with high quality standards to be a basic requirement if we want to maintain an advantage in day-to-day competition. Chemical purchasers and processors refer increasingly to certification standards recognized internationally throughout the industry. We have made it our objective to always offer our customers more than the required minimum.

Focusing on the value chain demonstrates our increased concern with the issues of energy and environmental management. We acknowledge our ecological and social responsibility, having begun at an early stage to define detailed guidelines and targets for product and plant safety, hazard avoidance, occupational health and safety, environmental protection and transportation safety. HANSA GROUP and its subsidiaries take great care that plants and other facilities pose no danger to the health of employees or to the environment.

To ensure this, all employees receive training at regular intervals in all issues relevant to their work. We are guided at all of our sites by the guidelines laid down in management systems for occupational health and safety in accordance with BS OHSAS 18001:2007.

To minimize health and environmental hazards in the production, transportation and use of chemicals and hazardous substances, we adhere strictly to the Globally Harmonized System (GHS) for the classification and labeling of chemicals. In accordance with these internationally uniform standards, chemicals are classified, labeled on packaging, and compiled in augmented safety data sheets. We also place great value on comprehensively implementing standards from the REACH European chemicals regulations, which came into effect in 2007 with the goal of registering, evaluating and authorizing chemicals. These regulations stipulate that all chemicals require registration if more than one ton per year is produced in or imported to Europe.

## Certification within the Group and its subsidiaries

Conformity with recognized quality standards is an indication of a company's performance and delivery capability. HANSA GROUP comprehensively meets the demands of its customers, and we also use of these demands to define our Group-wide minimum operational standards.

Our WIBARCO subsidiary, which makes primary and intermediary surfactant products, is certified in accordance with the latest versions of DIN EN ISO 14001:2009, ISO 14001:2004+Cor:2009 and DIN EN ISO 9001:2008, as well as ISO 50001. ISO standard 14001 is concerned with environmental issues, while ISO 9001 regulates specific product quality requirements. We have met these standards by establishing an effective and comprehensive management system based on an extensive environmental program that also contains specific environmental targets. At WIBARCO, we have achieved an environmental standard above the industry average by regularly testing our management systems and their targets. We intend to successively augment this environmental standard.

During the fiscal year 2012, we also obtained ISO 50001 certification for WIBARCO s energy management system. This standard is designed to assist companies in the ongoing improvement of their energy efficiency, thereby saving them energy expenses. This certification is both a further contribution to environmental and climate protection and a strategy for increasing our profitability by saving costs.

At Waschmittelwerk Genthin, which makes liquid detergents, cleaning agents and body care products in addition to surfactants as basic materials, we started a quality management system in 2010 certified according to DIN EN ISO 9001:2008. Since 2010, we have successfully developed this system while following current directives and standards. Body care products are produced according to DIN EN ISO 22716:2007, a guide to good manufacturing practice for cosmetics products. Specific procedures and measures have been planned and initiated for setting up an energy management system at Waschmittelwerk Genthin – also in line with DIN EN ISO 50001:2011 – with certification set to take place in 2013.

Our environmental management system at Luhns has proved its effectiveness over many years and has been certified based on international standards DIN EN ISO 14001:2009 and EMAS. This represents a step towards following our own rule that production throughout the whole Group should be as sustainable as possible.

In order to protect our employees from accidents in the workplace, our occupational and health safety management system, which has been in place for many years, has been certified in accordance with BS OHSAS 18001:2007. An integrated management system based on DIN EN ISO 9001:2008 augments our high standard and assures our customers that they will receive superior products. Apart from high product quality, consumer protection is also high on our list of priorities. We conduct regular analyses of possible product risks to prevent our customers from being exposed to unknown hazards while using our products.

Signing the A.I.S.E. Charter for Sustainable Cleaning in 2005 and 2010 is our way of clearly demonstrating to the outside world our commitment to sustainable production. Luhns products also meet Eco Labels (Euro Flower) and Nordic Swan criteria.

# 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 applicable in the version valid at the 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.

## Details of Corporate Governance practices

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.hansagroup.de/de/investorrelations/corporate-governance/verhaltenskodex.html* zugänglich ist.

## Cooperation between the Management Board and the Supervisory Board

HANSA GROUP AG has a dual leadership system characterized by the separation of duties between the Company's management body (the Management Board) and supervisory body (the Supervisory Board) in accordance with legal requirements for German incorporated companies. The elements of Corporate Governance and monitoring are as follows:

### Management Board monitoring and consulting duties performed by the 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 fourth 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 August 2012, whereby the Supervisory Board members elected at this Annual General Meeting were 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 Board for fiscal year 2014 in accordance with the prevailing version of the Company's Articles of Association. 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 and Corporate Governance by the Management Board

The Management Board of HANSA GROUP AG currently consists of two 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 also set down in the respective statutes of these bodies, the main content of which is outlined in the rest of this report.

## 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 while taking due account of the needs and wishes of stakeholders. 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, whose fundamental principles are reviewed at regular intervals, taking account of all amendments, and the edition of May 26, 2010, as published in the Federal Gazette on July 2, 2012, as well as the current edition of May 15, 2012, as published in the Federal Gazette on June 15, 2012, on which this report is based.

## 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, since the submission of the most recent declaration of conformity on May 24, 2012, the Company has largely adhered to the recommendations of the Government Commission German Corporate Governance Code (*www.corporate-governance-code.de*) in the edition dated May 26, 2010 with the exception of 2.3.3, 3.8, 4.1.5, 4.2.1, 4.2.3, 4.2.5, 5.1.2, 5.3.1, 5.3.2, 5.3.3, 5.4.1, 5.4.3, 5.4.6 and 7.1.2 as defined below. HANSA GROUP AG has adhered to the recommendations in the edition dated May 15, 2012 since its publication in the Federal Gazette on June 15, 2012 with the exception of 3.8, 4.1.5, 4.2.1, 4.2.3, 5.1.2, 5.3.1, 5.3.2, 5.3.3, 5.4.1, 5.4.3 and 7.1.2 as defined below. The Management Board and Supervisory Board of HANSA GROUP AG will continue to adhere to the recommendations of the German Corporate Governance Code with these exceptions:

- The HANSA GROUP AG Articles of Association have up to now made no provision for postal voting (Code, 2.3.3 in the edition dated May 26, 2010). 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.

- This deviation (previously declared as a precautionary measure) from the German Corporate Governance Code no longer applies because the most recent edition of the German Corporate Governance Code of May 15, 2012 clarifies that there is no obligation to offer postal voting.

- 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 chairperson (Code, 4.2.1). Reason: this is not deemed expedient, given the current composition of the Management Board, of only two 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 in the edition of May 26, 2010) 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.

- This deviation from the German Corporate Governance Code no longer applies because the Corporate Governance report must no longer contain a separate remuneration report according to the most recent edition of the German Corporate Governance Code of May 15, 2012.

- 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, the number of independent Supervisory Board members in the sense of Code, 5.4.2, 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 chairperson 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 in the edition from May 26, 2010). 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.

- This deviation from the German Corporate Governance Code no longer applies because the most recent edition of the German Corporate Governance Code of May 15, 2012 no longer contains a recommendation for performance-based Supervisory Board remuneration.

- 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.

Should further deviations from the German Corporate Governance Code arise during the fiscal year, HANSA GROUP AG will immediately update this declaration.

# REPORT OF THE SUPERVISORY BOARD OF HANSA GROUP AG

## Dear Shareholders,

The Supervisory Board‘s report on its activities during the 2012 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, risk situation and compliance, including corporate planning and further strategic development. As the Chairman of the Supervisory Board, I was in constant contact with the spokesman of the Management Board, including outside of Supervisory Board meetings, in order to guarantee the regular exchange of information concerning business development and major transactions.

There were no conflicts of interest between members of the Management Board or Supervisory Board to be reported to the Supervisory Board and the handling of which the Annual General Meeting is to be notified of, with the exception of the following. In fiscal year 2012, the HANSA Group sought legal advice from a partner company HTM Meyer Venn & Partner. The Chairman of the Supervisory Board of Hansa Group AG, Lothan Venn, is also a partner at the above partner company. HANSA Group paid HTM Meyer Venn & Partner EUR 190 thousand for services performed in fiscal year 2012 (2011: EUR 190 thousand). The Supervisory Board discussed the assignment of HTM Meyer Venn & Partner and held a vote on the issue from which Mr. Venn abstained. Furthermore, Dr. Lutz Mögling acted in an advisory role to Quality Management at Hansa Group AG. Hansa Group AG paid Dr. Mögling EUR 5 thousand for services performed in fiscal year 2012 (2011: EUR 0 thousand). The Supervisory Board discussed the assignment of Dr. Mögling and held a vote on the issue from which Dr. Mögling abstained. Each Supervisory Board resolution was carried out on the basis of a written submission to the Supervisory Board and prior to the payment of invoices for the aforementioned services.

### Meetings of the Supervisory Board

The Supervisory Board met for a total of nine meetings in 2012. All Supervisory Board members attended all meetings.

In its meeting on January 27, 2012 the Supervisory Board focused on planning for fiscal year 2012 and Group risk management. The main issue of the meeting on April 19, 2012 was the ongoing audit of the annual financial statements and consolidated financial statements, while the Supervisory Board meeting on April 30, 2012 predominantly focused on the capacity utilization of various production sites. Other issues discussed at this meeting were the Corporate Governance report and the 2012 declaration of conformity.

The main issues reviewed at the meeting held on May 23, 2012 were the annual financial statements and consolidated financial statements, including the risk report, of HANSA GROUP AG for fiscal year 2011, the Supervisory Board report for fiscal year 2011 and the results of the audit conducted by CROWE HORWATH Deutschland GmbH. The auditor reported on the subsequent results of the audit at the meeting. 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 Group management report for fiscal year 2011 and approved the financial statements on May 26, 2012.

Furthermore, in its meeting on May 23, 2012, the Supervisory Board introduced a system to regularly review and enhance the efficiency of the Supervisory Board and agreed to carry out a self-evaluation on an annual basis.

In our meeting on June 26, 2012, we focused on business development over the first six months of the year and on the challenges posed by the insolvency of the Schlecker drug store chain.

In its meeting on August 24, 2012, the Supervisory Board re-constituted itself following the change in appointment by the 2012 Annual General Meeting and appointed a Chairman and Deputy Chairman.

In the Supervisory Board meeting on October 18, 2012 the Management Board reported in detail on risk management and business development in the current fiscal year as well as on the agreement relating to the sale of HANSA GROUP AG trade operations, which the Supervisory Board approved in this meeting.

The main points of the meetings on November 21, 2012 and December 12, 2012 were general business development, particularly Group strategy, and financial and balance sheet planning for 2013 to 2015.

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 on April 29, 2013. As required under No. 3.10 of the Code, the Annual Report contains separate reporting.

Between meetings, the Management Board provided continuous reports on key important business operations and plans and provided timely reports on significant matters. The information submitted 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 these reports, the Management Board provided ongoing information about the commissioning of the surfactant plant reactors as well as capacity utilization at the Genthin site. 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 April 29, 2013, 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

In the year under review from January 1, 2012 to December 31, 2012, changes took place in the Company's Management Board; decisions needed to be made with respect to the re-appointment of Management Board members, which were as follows:

The Supervisory Board appointed Dr. Volker Bauer to the Management Board for the Production and Supply Chain business effective as of January 1, 2012. Dr. Bauer was previously CEO of subsidiary Waschmittelwerk Genthin GmbH, which was founded in 2009 from the acquisition of parts of the former Henkel plant in Genthin.

On June 6, 2012, the Supervisory Board appointed Meinolf Nöthe to the Management Board. Mr. Nöthe took over Finance, HR and Trading at HANSA GROUP AG. Mr. Zolfaghar Alambeigi left the Management Board on June 6, 2012. Mr. Nöthe resigned from his position as member of the Management Board effective as of September 30, 2012.

Furthermore, the Supervisory Board appointed Thomas Pfisterer on June 6, 2012, as spokesman of the HANSA GROUP AG Management Board with immediate effect. Mr. Pfisterer has worked for the Company for over five years and has proved his expertise and commitment on multiple occasions.

## Audit of the annual and consolidated financial statements

The 2012 Annual General Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditor for the annual financial statements and consolidated financial statements. The Supervisory Board then issued the audit engagement to BDO AG. The Supervisory Board ascertained the independence of the auditor and that of all persons acting on behalf of the auditor. BDO AG 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 fiscal year 2012, 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 2012 annual financial statements and consolidated financial statements were comprehensively presented and discussed by the Management Board and the auditor at the meeting held on April 18, 2013. The Management Board explained the financial statements and the risk management system on April 29, 2013. The auditor reported on the results of the audit of the annual and consolidated financial statements at the meeting held on April 30, 2013. 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 both the consolidated and individual financial statements and the respective management reports on May 2, 2013. The annual accounts were thus adopted. The Supervisory Board considers the Management Board's proposal to transfer three-quarters of the retained earnings to the legal reserve to be appropriate. The Supervisory Board therefore also decided on May 2, 2013 to propose to the Annual General Meeting to transfer retained earnings in the amount of three quarters of EUR 958,139.44 to the legal reserve. The remaining amount is to be carried forward to new account.

### 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 fiscal year 2012 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 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 2, 2013, 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.

The Company's auditor, the BDO AG firm of auditors, of Hamburg, 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."

### 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 2012.

Hamminkeln, May 2, 2013

Lothar Venn, Lawyer
Chairman of the Supervisory Board

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# GROUP MANAGEMENT REPORT OF HANSA GROUP AG FOR FISCAL YEAR 2012

HANSA GROUP AG is a leading integrated supplier of care chemicals used in detergents, cleaning agents and body care products in Europe. At our sites in Genthin, Ibbenbüren and Düren, we also produce high-quality surfactant materials, surfactants and intermediate chemical products. We use around half of what we manufacture for our own requirements, such as in the production of detergents, cleaning agents and body care products. We sell the remaining production volume to customers in the chemicals and manufacturing industries.

We manufacture our detergents, cleaning agents and body care products, which are primarily marketed as private labels, at the Greven and Genthin sites of our two subsidiaries, Luhns GmbH and Waschmittelwerk Genthin GmbH. Business activities are rounded off by contract production for trade corporations, which market our detergents, cleaning agents and body care products under manufacturer brands. We manufacture our products using high-tech facilities and in consideration of individual formulation requirements. High-performance packaging systems and filling plants ensure a variety of packaging can be produced in accordance with customer requirements.

## Group companies

**HANSA GROUP AG** is a listed production, trading and service company in the chemical industry. In addition to chemical products, IT and electronics products as well as machine components contribute to sales revenues in the Trade segment. HANSA GROUP AG also 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 and Genthin.

HANSA GROUP AG acquired WIBARCO with effect from December 1, 2007. **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 company to produce 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 and low cost, is now the most important ingredient for synthetic detergents.

**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. Today, Genthin is able to produce liquid detergents, dishwashing products, cleaning agents and fabric conditioners as well as body care products and granulated surfactants. 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 important milestones 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 body care products , 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 over 200 million product units, is one of Europe's leading detergent, cleaning agent and body care product packaging firms.

## Strategy

Our strategy is focused both on the production of care chemicals for detergents, cleaning agents and body care products and on the optimization of the value added chain. As a result, our mission is to carry out as many upstream production processes as possible using our own production capacity. We joined forces with Chemischen Fabrik WIBARCO GmbH in 2007 in the pursuit of this strategic goal. WIBARCO manufactures surfactant materials and intermediate chemical products, most of which we then require for downstream surfactant production. We also took over parts of the former Henkel factory in Genthin with a view to expanding the value added chain and, on this basis, set up the subsidiary Waschmittelwerk Genthin GmbH. By constructing a new surfactant plant, we substantially increased previous surfactant production capacity at the Genthin site. We use these surfactants as a basis for the production of detergents, cleaning agents and body care products at our other subsidiary, Luhns GmbH, which we acquired in 2010. Whatever we do not need for our own production requirements is sold on the lucrative surfactant market. In short, we cover the entire value added chain – from surfactant materials and intermediate chemical products through to finished care chemicals.

Our focus on the production of chemicals and the manufacture of care chemicals defines the Hansa Group AG strategy. We constantly optimize production and logistics process and centralize functions at our locations.

## New segmentation: Chemicals and Consumer Products

We reorganized our segments at the beginning of Q1 2013. Value creation at the Group is now organized into two business areas: Chemicals and Consumer Products. Each of these business areas complements the other perfectly and offers significant potential for synergies across the Group.

In the **Chemicals segment**, we manufacture surfactant feed materials, intermediate chemical products and surfactants. We produce primary and intermediate surfactant products, such as linear alkyl benzene (LAB) at our Ibbenbüren site through our subsidiary WIBARCO. We obtain detergent substances from biodegradable ingredients, which we then use to manufacture detergents, household and body care products in the Consumer Products segment. Any primary or intermediate surfactant products that we do not use for our own production needs are sold to customers in the chemicals industry. WIBARCO has an outstanding market position as it is the only manufacturer of linear alkyl benzene (LAB) in Central Europe. The production process in Ibbenbüren is unique and offers a number of substantial cost benefits. In the linear alkyl benzene production process, by-products are produced that we do not require for our core business and therefore sell on to customers. These by-products are mainly heavy alkylates and hydrochloric acid. Heavy alkylates are used in the production of lubricants and lubricant additives, while hydrochloric acid is a primary and auxiliary ingredient in many areas of the chemicals industry.

Our subsidiary Waschmittelwerk Genthin has an important function as an interface within the HANSA Group. Through this subsidiary, we manufacture surfactants as feed materials as well as liquid detergents, household products, fabric conditioners and body care products on behalf of brand manufacturers and trade organizations. Waschmittelwerk Genthin serves both segments and seizes the synergies that already exist between these business areas. The commissioning of a new surfactant plant at the site in February 2012 represents a significant step forward in terms of chemicals production capacity. As a result, the new surfactant plant is now a driving force behind the growth of our business. We also produce surfactant granulate using the fluidized-bed process for the detergent and household product industry.

In the **Consumer Products segment**, we focus on producing detergents, cleaning agents and body care products in liquid form. Our subsidiary Luhns manufactures the majority of its products for global trading corporations, which then market them under their own respective brands. Furthermore, in Genthin we also offer contract production on behalf of third parties. Our high-tech plants and manufacturing processes put us in a position to produce an array of different product variations, each tailored precisely to the specific requirements of the customer. Constant monitoring of the manufacturing process guarantees high-quality, microbiologically-sound production.

With a product range that is tailored to private labels, our subsidiary Luhns offers customers individual, complete solutions for the production of detergents, household products and body care products. We manufacture liquid detergents, fabric conditioners and laundry care products at our production sites in Greven and Genthin. In addition, the HANSA subsidiary's product range also encompasses standard as well as special household cleaning agents. Last but not least, the product range also includes shower and bathroom cosmetics, high-quality shampoos and hair and body care products. In total, Luhns' product range consists of some 800 products.

At the Greven site, where production is mostly centered on liquid all-in-one detergents, fabric conditioners, dishwashing liquids and a variety of cleaning agents, we mix bulk materials in a number of plants, each with a total volume of up to 16 tons. The entire production process is subject to a permanent quality assurance process, starting with the inspection of chemical feed materials and moving on to the production of the bulk materials and the packaging materials. Standardized production processes and high-tech production plants guarantee our customers absolute top quality and prompt delivery.

## Macroeconomic framework[1]

### Global economy

The global economy experienced further growth in the previous year. However, economic development slowed and resulted in global GDP growth of around 2 percent. The primary factors behind this trend remained the financial crisis in Europe, the sovereign debt crisis in the USA and the growth slowdown experienced in emerging markets in Asia.

As a whole, the economy in Western Europe experienced slightly negative growth on account of recession-hit economic development, particularly in Southern Europe. Economic growth in Eastern Europe fell to around 2 percent, primarily as a result of a drop in demand from Western Europe. Asia (not including Japan), Latin America and Africa/Middle

1) Sources: Börsen-Zeitung, CHEManager, Industrieverband Körperpflege- und Waschmittel e.V., Federal Statistical Office, Verband der Chemischen Industrie e.V., World Economic Outlook

East all reported relatively robust economic growth. The Asian region (not including Japan) saw its economic output rise by some 5 percent, mostly due to development in China and India.

Overall, industrial production expanded by around 3 percent. Fluctuating economic growth and the somewhat tense political situation in the Middle East were responsible for further volatile feed material prices in 2012. However, changes remained moderate in terms of the average price level. According to information published by the Organization of Petroleum Exporting Countries (OPEC), the average price of West Texas Intermediate (WTI) crude oil was down by around 1 percent year on year at 94.09 US dollars per barrel. At 2.5 percent, the increase in consumer spending was moderate. In Western Europe, consumer spending was down slightly on account of the sovereign debt crisis, whereas the same figure rose by around 1 percent in Germany.

### Germany

After a positive start to 2012, the German economy experienced a notable slowdown in the second half of the year. However, in spite of the escalating sovereign debt crisis affecting a number of European countries, growth was nevertheless achieved over the year as a whole. According to forecasts published by the Federal Statistical Office, GDP in Germany rose by 0.7 percent but fell substantially short of previous-year growth, which was driven by general recovery in the wake of the 2009 global financial crisis. Exports proved to be the most important growth factor in 2012. Increases in export volume to countries outside of the European Union (EU) more than compensated for declining exports to EU member states.

### Development in our relevant markets

At 2.6 percent, global growth in chemical production was significantly lower than in the previous year (+3.8 percent). Expectations that demand for products in the chemicals industry would recover in the second half of the year were not met. The reasons for this were weak economic development in industrialized nations and subdued growth in many emerging markets. Chemical production in the EU was down 1.4 percent in 2012. In Germany, production levels fell by an average of 3.1 percent over the year. Declines in production were also seen in other European countries. At the same time, major declines in production in important customer segments led to further drop in demand for primary chemical products.

Slight economic recovery also brought with it increasing feed material prices. Rising oil prices and high demand, primarily from Asia, led to a steep rise in the prices of the main feed materials n-paraffin and benzene over the course of 2012. The start-up of new LAB capacities in Asia led to a decline in import demand from Europe (-6.0 percent) compared to 2011. Rising demand in Asia absorbed new local capacities, meaning that pressure of imports into Europe fell substantially once again (-39.0 percent).

Global demand for linear alkyl benzene (LAB) grew, which caused demand for linear alkyl benzene sulfonate (LAS) to fall. Demand in our domestic market of Europe fell by 4.0 percent. This is due, in particular, to the occasional reduction of surfactant content in detergents and cleaning agents and to changes in formulations in favor of other, cheaper surfactants, as LAB and LAS are relatively expensive due to their respective feed materials. The decline seen in powder detergents (-4.0 percent to -5.0 percent per year) is also a contributing factor to falling LAS consumption, as powder detergents have a higher LAS content than liquid detergents.

According to data published by the GfK, turnover in the German retail industry rose year on year by around 1.0 percent, reaching a volume of EUR 410.1 billion. The slight economic upturn experienced in the previous year continued into 2012 and had a positive impact on the employment market. However, according to GfK, consumer sentiment is mixed. Although consumer spending is low, expectations in terms of future income and propensity to buy have "noticeably" increased despite sluggish economic development.

The Industrial Association for Body Care and Cleaning Products (Industrieverband Körperpflege- und Waschmittel e.V. – IKW) estimates that, with the exception of cleaning agents, the cosmetics and household detergents sub-markets have grown in 2012. The beauty care segment is expected to generate a volume of 12.9 billion euro, corresponding to a rise of 1.4 percent, and the household detergents market is anticipated to generate 4.3 billion euro (+0.9 percent). In terms of personal care products, hair care products represented the largest market with an overall share of 23 percent. This segment and the skin/face care segment have increased year on year.

In terms of detergents and cleaning agents, universal detergents once again represented the largest submarket, increasing by 5.0 percent during the year. Special detergents fell slightly by around 0.8 percent, as did the auxiliary washing agents market by around 2.6 percent. Fabric conditioner rose 2.0 year on year. Household cleaning agents had a negative impact, falling by 7.1 percent.

### Significant events in fiscal year 2012

At the start of 2012, we completed the change to the Deutsche Börse's Prime Standard for HANSA stock and strengthened our orientation towards the requirements of the capital market. The Prime Standard represents the highest level of transparency in Europe and requires the publication of quarterly reports, among other things.

After a successful test run, the new surfactant plant in Genthin was commissioned in February 2012. The plant has a nominal capacity of 100,000 tons per year, the majority of which will in future be used for in-house production of care chemicals.

Due to the insolvency of the drug store chain Schlecker, we performed an impairment of the customer base of Luhns that did not affect liquidity as part of the impairment test carried out during the preparation of the Interim Report.

The Annual General Meeting in August resolved to distribute a dividend of 0.10 euro per share. Based on the share price at the time of the resolution, this equates to a dividend yield of just under 4.7 percent.

With the sale of parts of Hansa Group AG's Trade segment, we have made a decisive step forward in our mission for a more profitable value added chain in Care Chemicals. The closing of the transaction follows the objective to emphasize the strategic focus on the Care Chemicals business and consequently, the development, production and marketing of detergents, household and body care products. The transaction took effect on October 1, 2012. By selling parts of this business, which also included the transfer of major procurement activities, we will create

even leaner and more efficient operating structures within HANSA Group, which is expected to have positive effect on our key financial ratios. The sale of parts of the Trade segment gives us more room to maneuver in terms of strengthening our core business that will now consist of the Chemicals and Consumer Products segments.

In the fourth quarter, we decided to further reduce the number of sites and move the research and development site in Wuppertal to Genthin and Greven. During this reorganization process, it was ensured that skills and knowledge were pooled at strategic production sites. By optimizing the organizational structure, we want to meet the requirements of our customers even better and increase both operational and technological efficiency. In the future, the Group will have production sites in Düren, Genthin, Greven and Ibbenbüren as well as an administrative and sales site in Duisburg.

NordLB successfully set up a new receivables financing program in conjunction with Raiffeisenbank International, in which all Group companies are included. The transaction volume amounts to 45 million euro. The ABS program is implemented via NordLB Luxembourg and initially has a term of three years. As a result, the ABS program with Portigon, formerly WestLB, was successfully replaced.

In December, we concluded a contract for the construction and operation of an energy supply system on the site of our subsidiary Chemische Fabrik WIBARCO GmbH in Ibbenbüren. GETEC AG will construct and operate a new energy supply system as a contractor by spring 2014. As part of the project, GETEC is investing around 5 million euro in the construction of the system that will produce steam and process heat in the future. This is the second project in which GETEC AG has joined forces with Hansa Group AG. Low-cost, efficient energy supply based on thermal oil technology will contribute towards securing the site. The ultra-modern energy supply system will save a substantial portion of annual energy costs in Ibbenbüren.

### Correction in accordance with IAS 8

During the internal review process, an inaccurate balance sheet disclosure was determined in relation to the hedging of a loan liability by means of an interest rate swap agreement. As a result, a significant error was found in the financial statements of subsidiary Waschmittelwerk Genthin GmbH.

This error resulted in the inaccurate presentation of the Consolidated Financial Statements of Hansa Group AG for fiscal year 2012 as well as for previous years. The inaccurate disclosures must be corrected in accordance with IAS 8.41 et seq. The Consolidated Financial Statements as of December 31, 2012 contain this correction, as comparison figures from the fiscal year have been adjusted. Figures from fiscal years 2010 and 2011 were adjusted. Prior fiscal years were not affected by the error.

Errors that affect previous years were corrected cumulatively in the opening balance sheet as of January 1, 2011. Please see the Notes to the Consolidated Financial Statements for further information.

Consolidated business development for fiscal year 2012 and the disclosures in the income statement in the balance sheet and the cash flow statement as well as in other parts of the Consolidated Financial Statements are therefore based on a comparison of figures for fiscal year 2012 with the adjusted figures for fiscal year 2011. The disclosure of all figures for fiscal year 2010 is as originally reported.

## Sales and income situation

HANSA Group achieved total sales of 399 million euro during fiscal year 2012. Group sales in 2011 were 383 million euro, corresponding to an increase of almost 3.8 percent. Part of this sales growth was due to the commissioning of the surfactant plant (increase in revenue of 54 million euro at Waschmittelwerk Genthin). Another factor behind this increase was the 46.2 percent rise in revenue at WIBARCO driven by sales and price developments. As a result of the sale of the parts of the the HANSA GROUP AG Trade segment, which increased other operating income by 24 million euro, sales generated from trade operations ceased for the fourth quarter and therefore negatively impacted the revenue growth rate.

On average, group production plants were well utilized. However, fluctuating economic growth and the somewhat tense political situation in the Middle East were responsible for further volatile feed material prices in 2012. According to information published by the Organization of Petroleum Exporting Countries (OPEC), the average price of West Texas Intermediate (WTI) crude oil was down by around 1 percent year on year at 94.09 US dollars per barrel.

At Luhns, the 2012 insolvency of drug store chain Schlecker not only led to a one-off impairment of the customer base, it also negatively impacted earnings as a result of declines in volumes and sales. In spite of this, sales of detergents and cleaning agents were increased by 14.0 percent and body care products by 5.0 percent. In terms of unit sales, this equates to an increase of 7.0 percent to 214.1 million units (2011: 200.1 million units). Both additional orders and new business contributed to the increase in sales volumes.

At the Genthin site, all reactors in the new surfactant plant were able to be commissioned in the year under review. After a successful test run, the full production capacity of 100,000 tons is now up and running.

High oil prices and demand, primarily from Asia, led to a steep rise in the prices of the main feed materials n-paraffin and benzene at subsidiary WIBARCO over the course of 2012. 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. On account of the rising sales prices, increased sales volumes of own products and growth in the Trade segment resulted in overall sales growth of 46.2 percent year on year.

## 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. In the year under review, the segment accounted for 310 million euro (previous year: 240 million euro) of total revenue, an increase of 29.1 percent. At Luhns, production volume from the surfactant plant made a contribution to this increase.

In the Trade segment, 88.6 million euro was generated with trading operations, which equates to a decline of 38.1 percent. The primary factor behind this trend was in the sale of part of the trading operations at Hansa Group AG as well as changes at Luhns GmbH, where no significant sales were generated from trade operations unlike the previous year.

HANSA Group's sales revenue per region breaks down as follows: 188.4 million euro (previous year: 162 million euro) in Germany and some 210.4 million euro (previous year: 221 million euro) within the European Union and the rest of the world (RoW).

## Operating result

HANSA Group reported earnings before interest and tax (EBIT) totaling 6.7 million euro in the year under review, compared to 12.2 million euro in 2011. Other operating income of 31.3 million euro (previous year: 4.1 million euro) was mainly attributed to the disposal of the trading operations of HANSA GROUP AG, a claim for compensation for damages worth some 3 million euro against a plant engineering company relating to the construction of the surfactant plant and revenue from a change to adjustments of 0.9 million euro. The previous year's figure mainly contains income from compensation payments for damages amounting to 1.3 million euro and exchange rate gains of 0.7 million euro. Group EBIT amounted to 18.1 million euro (previous year: 18.2 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 rose from 71.6 percent to 75.6 percent of sales during the reporting year. Absolute material expenses were therefore 301.6 million euro in fiscal year 2012 compared to 274.5 million euro in 2011, corresponding to an absolute year-on-year change of 27.1 million euro.

Personnel expenses declined from 9.1 percent to 8.4 percent in relation to sales. The fall in personnel expenses of 1.7 million euro in the previous year was due to a reduction in expenses at Luhns GmbH and the departure of sales employees from HANSA GROUP AG as a result of the sale of parts of the Trade segment. Absolute figures amounted to 33.3 million euro in the reporting year compared to 35.0 million euro in the previous year. In fiscal year 2012, the average headcount at HANSA Group was 578 (previous year: 651 persons).

The increase in operating expenses of 4.9 million euro from 57.5 million euro (2011) to 62.4 million euro (2012) was the result of a 3.9 million euro rise in expenses for the supply of goods and advertising.

Depreciation and amortization for the fiscal year amounted to 19.5 million euro (previous year: 13.3 million euro), and included 11.4 million euro in write-downs from purchase price allocations (previous year: 6 million euro). This rise was chiefly due to the write-down of 6 million euro on the Luhns customer base following the Schlecker insolvency.

Return on sales fell to 0.3 percent compared to 1.1 percent in 2011. The EBIT margin dropped from 3.2 percent in the previous year to 1.7 percent. The Group companies, with their specific ranking within the value added chain, were integrated further 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.

In light of the profit and loss transfer agreements signed in the year under review between Hansa Group AG and its subsidiaries, a combined tax rate of 30.32 percent (previous year: 31.93 percent) was

calculated on the basis of the wage bills incurred by the individual locations; this combined tax rate corresponds to that of Hansa Group AG. Tax income in fiscal year 2012 as a consequence of the change in deferred income taxes results to an amount of 1.5 million euro from the reversal of tax loss carryforward, and to an amount of 2.3 million euro from the change in temporary differences. Deferred taxes on valuation adjustments recognized directly in equity in the amount of -1.3 million euro were reported as of December 31, 2012. Deferred tax assets were released on loss carryforwards for WASCHMITTELWERK GENTHIN GmbH (1.4 million euro) and Chemische Fabrik WIBARCO GmbH (0.1 million euro) due to profit and loss transfer agreements signed in fiscal year 2012.

Earnings per share (diluted and undiluted) fell in the reporting year from 0.09 euro in 2011 to 0.02 euro in 2012.

## Net assets and financial position

HANSA Group's consolidated total assets as of December 31, 2012 amounted to 405.1 million euro (total assets as of December 2011: 405.8 million euro).

Compared to the previous year, two effects impacted intangible assets. The additional impairment on the customer base as a result of the Schlecker insolvency led to a 6.0 million euro decline in the customer base. In contrast, the repurchase of trademark rights at Luhns resulted in an addition of 4.8 million euro. In total, intangible assets decreased by 3.3 million euro from 43.1 million euro the previous year to 39.8 million euros.

Other property, plant and equipment fell from 217.3 million euro in 2011 to 202.8 million euro as of December 31, 2012. Aside from the depreciation the 3.5 million euro reduction in procurement and production costs on account of guaranteed subsidies in Genthin also impacted this item. No new significant investments were made in the year under review.

Inventories dropped by 9.7 million euro year on year as of the balance sheet date. This is mainly due to the declines in feed materials and finished goods of 4.9 million euro and 2.9 million euro respectively. Furthermore, Luhns GmbH entered into a cooperation agreement regarding warehouse outsourcing at the end of September 2012. Inventories totaling 10,931 thousand euro were sold as of December 31, 2012.

Trade receivables went up from 36.6 million euro to 44.1 million euro. The 7.5 million euro increase was mainly due to the almost complete absence of down payments received as of the balance sheet date compared to the previous year, which negatively impacted accounts receivable. Moreover, the volume of receivable sold as part of the ABS program, which applies throughout the Group, was 15.4 million euros up year on year. The volume of sold receivables amounted to 44.8 million euro as of the balance sheet date, compared to 29.4 million euro in 2011.

Other current receivables rose year on year by 5.8 million euro, amounting to 35.5 million euro as of December 31, 2012 (previous year: 29.7 million euro). This was primarily due to payment conditions agreed as part of the sale of Hansa Group AG trading operations.

Cash and cash equivalents fell substantially short of the previous year's figure. This is due to the declining cash flow and receivables from the sale of parts of Hansa Group AG trading operations amounting to 32.7 million euro. As of December 31, 2012, cash and cash equivalents amounted to -17.6 million euro (previous year: 9.7 million euro). Further explanatory notes can be found in the "Financial risks" section.

The Group had bank deposits to the amount of 22.1 million euro as of the balance sheet date (December 31, 2011: 34.1 million euro). Approximately 88 percent of available current account credit lines were drawn. Around 20.8 million euro was available as free liquidity as of the balance sheet date (previous year: 50 million euro). Financing instruments such as bank loans, current account credit lines, guaranteed credit lines, forfaiting, sale-and-lease-back transactions, 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 93.5 million euro as of December 31, 2012 (December 31, 2011: 98.5 million euro). The equity ratio fell slightly to 23.1 percent (previous year: 24.1 percent). Return on equity (ROE) decreased from 4.3 percent in 2011 to 1.2 percent in fiscal year 2012.

Financial liabilities rose to 118.5 million euro (December 31, 2011: 105.3 million euro). The increase of 13.2 million euro was mainly due to the increased use of the current account credit line. Loan agreements amounting to 37.3 million euro, of which some 32.5 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 2011: 34.4 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. Some covenants were not fulfilled in 2012. Only the non-attainment or noncompliance with covenants over the long term would lead, after the expiry of an appropriate notice period without success, to the provision or increase of collateral and/or an increase in margins. Based on the present multi-year planning, the Company assumes that the financial covenants will continue to be met sustainably in the future.

Trade payables (December 31, 2012: 106.6 million euro; previous year: 98.7 million euro) increased mainly on account of greater volatility in terms of feed materials prices and extended payment terms. As a consequence, total liabilities went up by 7.9 million euro. This significant change in terms of other liabilities was due to the further decline of 8.4 million euro in prepayments from 25.9 million euro as of December 31, 2011 to 17.5 million euro as of December 31, 2012 as well as to the 11.5 million decrease in other liabilities. Overall, other liabilities fell by 20.5 million euro to 22.2 million euro (previous year: 42.7 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, despite the decline in Group net income. Some of the decisions made in 2012 were implemented successfully and had a corresponding negative impact on the result. 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. The successful production start for the surfactant plant in 2012 is an important milestone in the history of our company and has already led to an increase in surfactant production volume. Through further growth in surfactants and Consumer Products, we succeeded in significantly improving capacity utilization in the first

quarter of 2013. By acting on learning effects within the manufacturing process, we can also better proportionalize fixed overheads. The macroeconomic performance as well as Company developments provide a sound basis for continuing profitable growth.

## Investments

Investments in property, plant and equipment, and intangible assets totaled 6.2 million euro in the reporting year (previous year: 23.3 million euro). This year-on-year change resulted from the surfactant plant in Genthin started up in February 2012. The investment ratio was, correspondingly, 1.4 percent of sales, as against 6.0 percent in the previous year. The majority of the total of 4.2 million euro was invested in the Production and Services segment (previous year: 12.8 million euro). These investments mainly pertained to additions to property, plant and equipment through the repurchasing of trademark rights at Luhns GmbH amounting to 4.7 million euro. Investments in the Trade segment amounted to 2 million euro (previous year: 10.4 million euro).

## REACH

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.

All products that are relevant for the business of HANSA Group were 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 2012 for registering the products made in Genthin, came to 0.03 million euro. Expenses for REACH in 2011 amounted to 0.09 million euro.

## Research and development expense

HANSA Group did not incur any research and development expenses during the year under review. 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 actively supports the "Responsible Care" initiative by the German chemical industry, a program that has been joined by around 70 companies in the industry. Though the existing statutory requirements concerning safety, health and environmental protection are already strict, we see them as a minimum goal, which we want to surpass.

In our core business of chemical products, we consider compliance with high quality standards to be a basic requirement if we want to maintain an advantage in day-to-day competition. Chemical purchasers and processors refer increasingly to certification standards recognized internationally throughout the industry. We have made it our objective to always offer our customers more than the required minimum.

Focusing on the value chain demonstrates our increased concern with the issues of energy and environmental management. We acknowledge our ecological and social responsibility, having begun at an early stage to define detailed guidelines and targets for product and plant safety, hazard avoidance, occupational health and safety, environmental protection and transportation safety. HANSA Group and its subsidiaries take great care that plants and other facilities pose no danger to the health of employees or to the environment. To ensure this, all employees receive training at regular intervals in all issues relevant to their work. We are guided at all of our sites by the guidelines laid down in management systems for occupational health and safety in accordance with BS OHSAS 18001:2007.

Our WIBARCO subsidiary, which makes primary and intermediary surfactant products, is certified in accordance with the latest versions of DIN EN ISO 14001:2009, ISO 14001:2004+Cor:2009 and DIN EN ISO 9001:2008, as well as ISO 50001. In 2010, we established a certified quality management system in accordance with DIN EN ISO 9001:2008 at Waschmittelwerk Genthin, which we have since developed further in line with valid guidelines and standards. Body care products are produced according to DIN EN ISO 22716:2007, a guide to good manufacturing practice for cosmetics products. Specific procedures and measures have been planned and initiated for setting up an energy management system at Waschmittelwerk Genthin – also in line with DIN EN ISO 50001:2011 – with certification set to take place in 2013. Our environmental management system at Luhns has proved its effectiveness over many years and has been certified based on international standards DIN EN ISO 14001:2009 and EMAS. This represents a step towards following our own rule that production throughout the whole Group should be as sustainable as possible.

To minimize health and environmental hazards in the production, transportation and use of chemicals and hazardous substances, we adhere strictly to the Globally Harmonized System (GHS) for the classification and labeling of chemicals. In accordance with these internationally uniform standards, chemicals are classified, labeled on packaging, and compiled in augmented safety data sheets.

Conformity with recognized quality standards is an indication of a company's performance and delivery capability. Hansa GROUP comprehensively meets the demands of its customers, and we also use of these demands to define our Group-wide minimum operational standards.

## Employees

As of the balance sheet date on December 31, 2012, HANSA Group employed a total of 560 persons at its Berlin, Düren, Duisburg, Genthin, Greven, Ibbenbüren and Wuppertal sites (previous year: 661 persons). A total of 215 persons are employed in administrative functions (previous year: 266 persons) and 315 persons in production (previous year: 356 persons). In addition, there were 2 Management Board members and general manages in the Group (previous year: 2) and 28 apprentices. The decline in headcount was primarily due to the sale of parts of the Trade segment, as the buyer took on the sales and production employees.

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

## Significant events after the balance sheet date

The HANSA Group is continuing with its successful chemical plant strategy at its respective sites. Solvay Novecare, a subsidiary of international chemical corporation Solvay Group, is to construct a modern plant for the production of special surfactants and the required feed materials at the Company headquarters in Genthin. These special, skin-friendly surfactants are required for the production of detergents, cleaning agents and body care products. The plant has a capacity of several thousand tons and is set to begin operation in the first quarter of 2014. The new plant will ensure that the special surfactants required for the production of care chemicals for detergents, cleaning agents and body care products will be manufactured on site. This not only reduces logistics costs, the joint use of operational infrastructure also offers the potential for synergies at the Genthin site. Furthermore, we will also deliver an array of feed, auxiliary and operating materials to Solvay and provide corresponding services. Local, on-site access to these special surfactants will increase the efficiency of our value added chain even further.

HANSA GROUP AG has once again succeeded in bringing a widely acclaimed partner to a HANSA site as part of our chemical plant strategy. At the end of the previous year, we concluded a contract with energy supplier Getec regarding the construction of an energy supply system for HANSA subsidiary Chemische Fabrik WIBARCO GmbH in Ibbenbüren. The energy supply system based on thermal oil technology is set to go online in the first quarter of 2014 and will contribute towards securing the site. Compared to the current situation, the high-tech energy supply system will cause several thousands of euro in energy costs to be saved every year. WIBARCO is to place employees at GETEC's disposal for the operation of the new system.

Another step toward the implementation of the Group strategy was the decision in October 2012 to move away from the Wuppertal site. In the first half of 2013, the Luhns GmbH sales offices are to be moved to Duisburg and the body care product laboratory to Genthin in preparation for this step. The R&D unit for detergents and cleaning agents is to relocate to Greven at the end of 2013.

## 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.

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

### Opportunities

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 potential for improving margins still remain at present for this product group, both via backward 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.

We see opportunities to expand our market position in Europe in all of our businesses. Along with neighboring Western European countries such as France, Great Britain and the Benelux states, we also have our sights on Eastern European growth markets, including Poland and the Czech Republic. In Spain and Italy – as well as in the regions of North Africa, the USA and Asia – we plan to win market shares predominately through cooperations with local partners in mixing and packaging.

We also believe we can unlock further opportunities by seizing potential in the value added chain. This includes optimizing production processes and logistics in particular. We can increase productivity within production processes through learning effects alone. In terms of logistics, we are focusing on the production sites in Genthin and Greven. We are also continuing to pursue our chemical-park model, in which we aim to attract suppliers and business partners to set up shop at our production sites. We have already had very positive experiences with this model in cooperation with Granutec, Alpla and energy supplier Getec. With Solvay, a specialty chemicals company, we won over another partner in the first third of 2013. The company will build its own production plant in Genthin.

### Risks

HANSA Group's positive development prospects 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 risks

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.

HANSA GROUP is exposed to **currency and price risks** in the course of its normal business activities (see also Notes to the Consolidated Financial Statements (30) Hedging Policy and Financial Instruments. 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. Our liquidity planning for 2013 assumes adequate liquidity assured by approved capital. 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 and the guarantee in the amount of 37.3 million euro issued by HANSA GROUP AG for this purpose. The existing loan guarantee was extended accordingly by 6.5 million euro to 43.8 million euro on January 3, 2012. 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, 2012. Of these, around 37.1 million euro had been drawn as of the balance sheet date. Together with bank deposits totaling some 17.9 million euro, available liquidity therefore came to 20.9 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.

Financial instruments such as forfaiting and receivables financing (ABS program) are used in order to assure future liquidity and compensate for major prefinancing transactions. NordLB successfully set up a new ABS program in conjunction with Raiffeisenbank International, in which all Group companies are included. The transaction volume amounts to 45 million euro. The ABS program is implemented via NordLB Luxembourg and initially has a term of three years. As a result, the ABS program with Portigon, formerly WestLB, was successfully replaced in February 2013. The reverse factoring agreement with Coface Finanz GmbH is still in existence and can still be utilized up to a volume of 20 million euro as of December 31, 2012.

The risk of asset impairment can occur if the assumed interest rate in an impairment test changes or the forecast cash flows decline. We do not expect any change to the interest structure over the medium term. 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 optimized 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 credit checks and shortening/extension of periods of payment. 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 fulfillment of these targets.

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 is attached to the elimination of technical problems and production downtime. Regular preventative maintenance of equipment and permanent monitoring of all production processes have therefore been integrated into a continuous cycle. Production risks also include the danger of insufficient capacity utilization due to declines in volumes and the danger of operational interruptions, particularly at upstream production sites. The negative consequences of potential production losses can be reduced through flexible production management

and be hedged in part through insurance contracts. 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. We make use of events that resulted in production losses, fires or environmental damage by analyzing the causes and adjusting safety concepts.

## 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 and IT infrastructures installed on a redundant basis, as well as applications that use up-to-date virus software and backup 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

Further growth in surfactants and Consumer Products will allow us to improve production capacity utilization in 2013 and reduce fixed costs further.

We will move away from the Wuppertal site as planned over the course of 2013. The on-site laboratory will be relocated to our sites in Greven and Genthin and sales employees will set up their offices in Duisburg. This will reduce complexity and the number of interfaces and leverage further cost synergies.

The establishment of further production plants at the Genthin site, such as the Solvay plant, will increase the site's vertical integration. This will allow further increases in terms of production capacity efficiency as well as cost savings. We aim to transform the Genthin location into a high-performance chemical plant.

We will also improve Group structures in fiscal year 2013, making HANSA GROUP's operations even more efficient. By centralizing important functions such as accounting, IT, finance and human resources, standardizing management systems and processes and further optimizing cooperation between subsidiaries, we want to further exploit existing synergies in the future.

Our business activities are influenced by both the general economic situation and the stability of the detergents, cleaning agents and body care products market. These extremely high-volume markets show how much potential our strategy has. In our growth market, producing private labels, we have established a strong position and are now the number two producer in Germany. We intend to expand our product portfolio and increase capacity utilization through further organic growth, such as by assuming further contract manufacturing tasks for third parties.

The successful production start for the surfactant plant in 2012 is an important milestone in the history of our company and has already led to an increase in surfactant production volume. In 2013, we will expand our share in the surfactant market on the basis of this highly efficient production capacity.

We believe that we are well equipped to increase sales further in fiscal year 2013 with our focus on the ever-increasing demand for private labels and liquid products in the detergents, cleaning agents and body care products market, which is hardly affected by economic cycles and lifestyle trends. We anticipate earnings to increase year-on-year in 2013. 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 anticipate strong growth in the Surfactant segment, primarily due to the increase in capacity utilization of the surfactants plant. The driving force behind this trend is our strong competitive position in the LABSA (linear alkyl benzene sulfonate) market, where we maintain a unique cost advantage through vertical integration with the only LAB plant in Central Europe. The positive capacity utilization at the Düren location in 2012 is also benefitting further growth in terms of surfactants.

In Consumer Products, we have recognized further potential for growth through corresponding growth in private labels at the expense of manufacturer brands on account of the more beneficial price/performance ratio for the customer. Furthermore, the trend away from powder detergents and toward liquid detergents supports our growth course. Consolidation in this market will continue. The number of competitors will decrease further. This increases the prospects of profitable growth for the remaining market participants.

The great influence of feed materials prices makes it very difficult to formulate a forecast for fiscal year 2014. On the assumption of otherwise constant conditions, we anticipate sales growth of between 2.0 to 5.0 percent, and a slight year-on-year rise in net income for the year. We will continue and intensify our measures aimed at cutting costs and enhancing efficiency by optimizing the Group's production program, streamlining organizational structures and reducing the number of sites in order to permanently improve the net income situation in all sectors of our business. A more detailed statement on the result can only be made in the course of the current fiscal year, as only then will developments and trends in the global economy and markets become more predictable.

Measures are currently being planned to strengthen our stock market presence in order to guarantee further dynamic growth for the Company over the next few years. This will also support our medium-term plan to raise capital. 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, where possible, for the repayment of 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 for fiscal year 2012 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 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 own 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.

## 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 | 25,02 |
| HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International AG, Switzerland | 17,80 |

| SHAREHOLDER | indirectly held shares in % |
|---|---|
| HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International AG, Switzerland | 25,02 |

## 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 HGB.

## 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 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 with 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 been authorized, upon agreement by the Supervisory Board, to issue bearer or registered convertible bonds, bonds with warrants, income bonds and/or profit-sharing rights or a combination of such instruments (hereinafter collectively referred to as "bonds"), with or without restriction of term, with a total face value of up to 50,000,000.00 euro on one or more occasions up to August 23, 2017, and to grant or impose conversion rights or obligations and/or option rights or obligations on no-par bearer shares of the Company to the bondholders or creditors of bonds in a

proportionate amount of the capital stock up to a total of 24,000,000.00 euro, subject to the specific details of the bond terms. The bonds may also be issued against payment in kind for the purpose of acquiring companies, interests in other companies, company divisions or individual assets.

Bonds can be issued in euro or in the currency of another OECD member country, provided that the equivalent value in euro is not exceeded. Bonds can also be issued by a dependent entity of HANSA GROUP AG within the terms of section 17 of the German Stock Corporation Act (AktG). In such an event, the Management Board is authorized, upon agreement by the Supervisory Board, to assume the guarantee for the bonds on behalf of HANSA GROUP AG and grant conversion and/or option rights on shares of HANSA GROUP AG to the holders of such bonds.

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 11 of the Agenda of the Annual General Meeting and the corresponding resolution of the Annual General Meeting of August 24, 2012.

### 3.) Conditional Capital

The Annual General Meeting on August 24, 2012 resolved to increase the capital stock by up to 24,000,000.00 euro. The capital stock is increased conditionally by up to 24,000,000.00 euro (in words: twenty-four million euro) through the issue of up to 24,000,000 (in words: twenty-four million) bearer shares (conditional capital). The conditional capital increase is only performed to the extent to which bondholders or creditors of convertible bonds, bonds with warrants, income bonds and/or profit-sharing rights or a combination of such instruments issued or guaranteed by the Company or by a dependent entity of the Company until August 23, 2017 on the basis of the Management Board authorization resolved by the Annual General Meeting on August 24, 2012 exercise their options and conversion rights or to which bondholders or creditors issued with conversion obligations fulfill said obligations, unless the Company chooses other forms of fulfillment (cash contribution, use of own shares or new shares from the utilization of approved capital). 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. The Management Board is authorized, upon agreement by the Supervisory Board, to define further details of the conditional capital increase.

### 4.) Authorization to acquire and sell treasury shares

In the Annual General Meeting on June 17, 2008, the Management Board was authorized to acquire treasury shares up to a maximum of 10 percent of the Company's capital stock until December 16, 2009. This resolution was abolished in the Annual General Meeting on July 2, 2010 and replaced by an identical authorization until July 1, 2015.

## 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 NordLB, with lines of 45 million euro and valid until 2015, 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.

### Corporate Governance Declaration in accordance with section 289 a of the 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.

Further details on corporate governance and the Company's corporate governance principles can be found here: *http://www.hansagroup.de/en/investorrelations/corporate-governance/erklaerung-unternehmensfuehrung.html.*

## 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 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. The position of CFO that is vacant as of December 31, 2012 is to be filled in 2013.
- External experts are consulted where necessary, as in the case, for example, of support in preparing 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

Genthin, April 30, 2013
**HANSA GROUP AG**
The Management Board

Dr. Volker Bauer

Thomas Pfisterer

# CONSOLIDATED BALANCE SHEET

## ASSETS

| | Notes | 31.12.2012 in EUR | 31.12.2011 in EUR |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| I. Intangible assets | [1] | 39,838,902 | 43,104,750 |
| II. Investment property | [2] | 0 | 652,785 |
| III. Property, plant and equipment | [3] | 202,823,254 | 217,324,872 |
| IV. Other non-current financial assets | [4] | 26,056 | 198,872 |
| V. Other non-current receivables and other non-current assets | [5] | 28,291,621 | 352,788 |
| VI. Actual tax assets | [6] | 103,937 | 103,937 |
| VII. Deferred tax assets | [6] | 539,617 | 2,148,069 |
| | | **271,623,387** | **263,886,071** |
| CURRENT ASSETS | | | |
| I. Inventories | [7] | 31,679,682 | 41,395,789 |
| II. Trade receivables | [8] | 44,083,165 | 36,613,079 |
| III. Other current receivables and assets | [9] | 35,546,459 | 29,744,402 |
| IV. Cash and cash equivalents | [10] | 22,125,617 | 34,124,629 |
| | | **133,434,923** | **141,877,900** |
| TOTAL ASSETS | | **405,058,310** | **405,763,971** |

## EQUITY AND LIABILITIES

| | Notes | 31.12.2012 in EUR | 31.12.2011 in EUR |
|---|---|---|---|
| EQUITY | | | |
| I, Subscribed capital | | 48,077,900 | 48,077,900 |
| II. Capital reserves | | 6,531,924 | 6,531,924 |
| III. Retained earnings | | -5,225,948 | -3,876,576 |
| IV. Retained profits/accumulated losses brought forward | | 42,932,570 | 43,512,432 |
| V. Net income for the year | | 1,143,063 | 4,227,928 |
| | [11] | **93,459,509** | **98,473,608** |
| NON-CURRENT LIABILITIES | | | |
| I. Non-current provisions for pensions | [12] | 8,973,015 | 7,023,633 |
| II. Other non-current provisions | [13] | 1,327,017 | 1,410,014 |
| III. Financial liabilities | [14] | 54,947,144 | 52,082,245 |
| IV. Deferred tax liabilities | [16] | 34,706,365 | 43,915,304 |
| V. Other liabilities | | 7,122,962 | 0 |
| | | **107,076,503** | **104,431,195** |
| CURRENT LIABILITIES | | | |
| I. Current provisions for pensions | [12] | 172,534 | 174,254 |
| II. Other current provisions | [13] | 2,606,427 | 1,901,072 |
| III. Other financial liabilities | [15] | 63,521,531 | 53,223,071 |
| IV. Trade payables | [15] | 106,643,921 | 98,695,151 |
| V. Income tax liabilities | [16] | 8,568,344 | 6,124,012 |
| VI. Other current liabilities | [15] | 23,009,540 | 42,741,609 |
| | | **204,522,298** | **202,859,168** |
| TOTAL EQUITY AND LIABILITIES | | **405,058,310** | **405,763,971** |

# CONSOLIDATED INCOME STATEMENT

| | Notes | | 31,12,2012 in EUR | | 31,12,2011 in EUR |
|---|---|---|---|---|---|
| 1. Revenue | [17] | + | 398,800,506 | + | 383,459,179 |
| 2. Other operating income | [18] | + | 31,264,713 | + | 4,085,073 |
| 3. Changes in inventories of finished goods and work in progress | | ,/, | 6,932,197 | + | 3,121,617 |
| 4. Other own work capitalized | | + | 425,573 | + | 1,842,336 |
| 5. Cost of materials | [19] | | | | |
| a) Cost of raw materials, consumables and supplies, and of purchased materials | | ,/, | 291,071,463 | ,/, | 261,237,342 |
| b) Cost of purchased services | | ,/, | 10,515,586 | ,/, | 13,262,339 |
| 6. Personnel expenses | [12] | | | | |
| a) Wages and salaries | | ,/, | 28,194,171 | ,/, | 29,283,427 |
| b) Social security contributions and pension costs | | ,/, | 5,124,608 | ,/, | 5,689,027 |
| 7. Other operating expenses | [21] | ,/, | 62,365,993 | ,/, | 57,484,899 |
| **8. EBITDA** | | **+** | **26,286,773** | **+** | **25,551,171** |
| 9. Depreciation, amortization and impairment losses | [22] | ,/, | 19,538,916 | ,/, | 13,319,595 |
| **10. EBIT** | | **+** | **6,747,857** | **+** | **12,231,577** |
| 11. Other interest and similar income | [23] | + | 733,125 | + | 97,768 |
| 12. Interest and similar expenses | [23] | ,/, | 6,342,067 | ,/, | 5,763,450 |
| 13. Write-downs on financial assets | [22] | | 0 | ,/, | 130,000 |
| **14. EBT** | | **+** | **1,138,915** | **+** | **6,435,894** |
| 15. Income tax expense | [24] | + | 4,148 | ,/, | 2,207,967 |
| **16. Net income** | | **+** | **1,143,063** | **+** | **4,227,928** |
| **17. Earnings per share** | | | | | |
| basic | [25] | **+** | **0.02** | **+** | **0.09** |
| diluted | [25] | **+** | **0.02** | **+** | **0.09** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FROM 1.1.2012 TO 31.12.2012

| | Notes | | 31.12.2012 in EUR | | 31.12.2011 in EUR |
|---|---|---|---|---|---|
| **Net income** | | **+** | **1,143,063** | **+** | **4,227,928** |
| Actuarial gains and losses from defined benefit pension plans and similar obligations | [11] | ./. | 1,794,106 | + | 161,559 |
| Deferred taxes on adjustments recognized directly in equity | | + | 444,735 | + | 51,566 |
| **Other comprehensive income** | | **./.** | **1,349,372** | **+** | **109,993** |
| **Total comprehensive income** | | **./.** | **206,309** | **+** | **4,337,921** |

# CONSOLIDATED CASH FLOW STATEMENT

| | | Notes | 31.12.2012 in EUR | 31.12.2011 in EUR |
|---|---|---|---|---|
| NET INCOME FOR THE PERIOD AFTER INCOME TAX | | | **1,143,063** | **4,227,928** |
| +/- | Write-downs/reversals of write-downs on non-current assets | | 19,538,916 | 13,319,595 |
| +/- | Write-downs/reversals of write-downs on other non-current financial assets | | 0 | 130,000 |
| +/- | Increase/decrease in provisions | | -1,539,682 | -1,341,098 |
| +/- | Other non-cash income/expenses | | -37,881,246 | -5,971,248 |
| +/- | Other gains/losses on disposals of non-current assets | | 53,548 | 911,679 |
| +/- | Income tax income/expense | | -4,148 | 2,207,967 |
| +/- | Interest income/expense | | 5,608,942 | 5,665,682 |
| + | Proceeds from income taxes | | 4,398 | 31,643 |
| - | Payments for income taxes | | -2,396,075 | -11,084,180 |
| - | Interest payments | | -6,133,260 | -4,798,651 |
| + | Proceeds from interest | | 1,111,607 | 216,047 |
| -/+ | Increase/decrease in inventories | | 9,716,107 | 719,549 |
| -/+ | Increase/decrease in trade receivables | | -2,320,617 | -6,876,770 |
| -/+ | Increase/decrease in other receivables not allocable to investing or financing activities | | 1,948,134 | -7,884,557 |
| +/- | Increase/decrease in trade payables | | 7,948,771 | 26,299,426 |
| +/- | Increase/decrease in other liabilities not allocable to investing or financing activities | | -17,615,746 | -14,998,319 |
| = CASH FLOWS FROM OPERATING ACTIVITIES | | [27] | **-20,817,288** | **774,692** |
| - | Payments to acquire intangible assets | | -4,784,558 | -231,436 |
| - | Payments to acquire property, plant and equipment | | -2,694,526 | -23,076,438 |
| + | Proceeds from disposals of property, plant and equipment | | 2,762,336 | 2,095,325 |
| - | Payments to acquire other financial assets | | 172,816 | -3,700 |
| + | Tax audit adjustments | | 0 | 0 |
| = CASH FLOWS FROM INVESTING ACTIVITIES | | | **-4,537,294** | **-21,216,250** |
| + | Proceeds from stock financing | | 5,000,000 | 11,354,646 |
| + | Proceeds from issuance of loans | | 0 | 36,731,100 |
| - | Dividends | | -4,807,790 | 0 |
| - | Repayments of loans | | -2,166,354 | -33,360,162 |
| = CASH FLOWS FROM FINANCING ACTIVITIES | | | **-1,974,144** | **14,725,584** |
| | Net change in cash and cash equivalents during the period | | -27,328,726 | -5,715,974 |
| + | Cash and cash equivalents at beginning of period | | 9,727,003 | 15,442,977 |
| = CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | **-17,601,723** | **9,727,003** |
| | - of which cash funds | | 18,903 | 27,073 |

# 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 01.01.2011** | **48,077,900** | **6,531,924** | **-4,145,836** | **40,261,227** | **3,251,205** | **93,976,420** |
| Impact of change in accounting policy* | 0 | 0 | 159,267 | 0 | 0 | 159,267 |
| **as of 01.01.2011** | **48,077,900** | **6,531,924** | **-3,986,570** | **40,261,227** | **3,251,205** | **94,135,687** |
| Assignment to retained profits/accumulated losses brought forward | 0 | 0 | 0 | 3,251,205 | -3,251,205 | 0 |
| Total comprehensive income | 0 | 0 | 109,993 | 0 | 4,227,928 | 3,980,815 |
| **as of 31.12.2011** | 48,077,900 | 6,531,924 | -3,876,576 | 43,512,432 | 4,227,928 | 98,473,608 |
| Impact of change in accounting policy* | **0** | **0** | **0** | **0** | **0** | **0** |
| **as of 01.01.2012** | **48,077,900** | **6,531,924** | **-3,876,576** | **43,512,432** | **4,227,928** | **98,473,608** |
| Assignment to retained profits/accumulated losses brought forward | 0 | 0 | 0 | 4,227,928 | -4,227,928 | 0 |
| Dividends | 0 | 0 | 0 | -4,807,790 | 0 | -4,807,790 |
| Total comprehensive income | 0 | 0 | -1,349,372 | 0 | 1,143,063 | -206,309 |
| **as of 31.12.2012** | 48,077,900 | 6,531,924 | -5,225,948 | 42,932,570 | 1,143,063 | 93,459,509 |

*) Application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
See also details under Number 10 in notes to consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

## 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 body care market. 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 sales, research and development location.

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, 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, 2012 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 standard had to be applied as of January 1, 2012:

The application of IFRS 7 "Financial Instruments: Disclosures – Transfer of Financial Assets", which was adopted on October 7, 2010, became mandatory for

the first time as of July 1, 2011. This standard establishes additional quantitative and qualitative disclosures for transactions involving the transfer of certain financial assets. New disclosures relate to the rights and obligations on derecognition of assets, the maximum exposure to loss and the timing and amounts of payments. No comparative figures are required for the year of the first-time adoption. The application of the amendment to IFRS 7 had no effect on the consolidated financial statements.

### (2) ACCOUNTING STANDARDS PUBLISHED BUT NOT YET APPLICABLE

The amendments to standards examined below are predominantly applicable as from fiscal year 2013. 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; these relate to the measurement of deferred taxes in countries, where the taxation applied depends on the application. The amended standard 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 first-time adoption of the regulations to have a material impact on its consolidated financial statements as no assets exist in such countries.

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 entities, thus creating a 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, 2014. 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 result in additional disclosures.

In October 2011 the IASB issued the IFRIC interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”. 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.

The first part of 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.

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 such transactions.

On December 20, 2010, IASB published an amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" 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 and on the procedure for accounting of public-sector loans. The amendment will come into force on July 1, 2013. This amendment is of no relevance for HANSA Group.
The Group has not voluntarily applied any of the new or amended regulations mentioned above before their binding date of application

### General information

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 prior 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.

### Consolidation principles

Capital consolidation – when consolidated for the first time – is 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.

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 once it has been reassessed. The carrying amounts for goodwill and negative goodwill are taken into account when calculating gains from disposals in the context of deconsolidation.

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 statements 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.

### Application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The WASCHMITTELWERK GENTHIN GmbH subsidiary has entered into an interest rate swap agreement so as to hedge a loan liability. The agreements have thus far been treated separately, meaning that the hedging instrument was reported as a cash flow hedge in the consolidated balance sheet and the effective portion was recognized directly in equity in previous years.

It was assumed in the year under review that both the loan agreement and the interest rate swap were presented synthetically as the parties to the agreement have been identified. The obligation to synthesize the previously separately reported financial instruments means that a correction compared to the previous year was required in accordance with IAS 8.

The previous year's amounts reported in the consolidated financial statements 2012 were corrected ("restated"). The restatement resulted in the following effects on the individual items in the balance sheet. The relevant disclosures made in the notes to the financial statements, the consolidated statement of comprehensive income, the consolidated equity reconciliation statements and the consolidated cash flow statement were also corrected accordingly.

| | 01.01.2011 in EUR thou. | Restatement in EUR thou. | 01.01.2011 restated in EUR thou. |
|---|---|---|---|
| Deferred tax assets | 931 | -62 | 869 |
| Retained earnings/OCI | -4,146 | 159 | -3,987 |
| Non-current financial liabilities | 41,482 | -221 | 41,261 |

| | 31.12.2011 in EUR thou. | Restatement in EUR thou. | 31.12.2011 restated in EUR thou. |
|---|---|---|---|
| Deferred tax assets | 2,348 | -200 | 2,148 |
| Retained earnings/OCI | -4,234 | 357 | -3,877 |
| Non-current financial liabilities | 52,798 | -495 | 52,082 |

The correction pursuant to IAS 8 does not affect the result for 2011; the information pursuant to IAS 12.80h in conjunction with IAS 8 and IAS 8.49b ii is therefore not required.

### Scope of consolidation

The following list provides an overview of the companies included in the consolidated financial statements for fiscal year 2012:

| Nr. | Company | held by | Share of capital/earnings in % | Equity (IFRS) in EUR thou. | Employees (Average)* |
|---|---|---|---|---|---|
| 01 | HANSA GROUP AG, Genthin | | | 87,392 | 93 |
| 02 | CHEMISCHE FABRIK WIBARCO GmbH, Ibbenbüren | 01 | 100 | 31,331 | 83 |
| 03 | WASCHMITTELWERK GENTHIN GmbH, Genthin | 01 | 100 | 33,734 | 179 |
| 04 | LUHNS GmbH, Wuppertal | 01 | 100 | 22,453 | 234 |
| 05 | LUHNS France SARL, France | 04 | 100 | 390 | 1 |

*) 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 Group companies.

Profit and loss transfer agreements were signed with the three German subsidiaries in July 2012; these came into force as from January 1, 2012. On August 24, 2012, the Annual General Meeting of HANSA GROUP AG resolved to approve the profit and loss transfer agreements signed with the three subsidiaries. These were also approved by the annual general meetings of Chemische Fabrik WIBARCO GmbH, Waschmittelwerk GENTHIN GmbH, and LUHNS GmbH.

## Currency translation

All consolidated companies use the euro 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 | | 31.12.2012 | 31.12.2011 |
| **Great Britain** | 1 GBP = EUR | 1.2253 | 1.1933 |
| | 1 Euro = GBP | 0.8161 | 0.8380 |
| **USA** | 1 USD = EUR | 0.7579 | 0.7729 |
| | 1 Euro = USD | 1.3194 | 1.2939 |

## 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 – 5 |
| Customer base | 10 – 16 |

The **market rights** and recipes acquired in the reporting year are amortized over a useful life of 15 years.

The LUHNS GmbH **customer base** is to be amortized over 16 years; that of Chemische Fabrik WIBARCO GmbH over ten 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. These assumptions include the company's past experience in the relevant business areas as well as up-to-date information collected by third parties, such as information on market developments.

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 external capital market information.

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 – 46 |
| 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.

For reasons of simplification, **acquired shares** are measured at cost if there is no active market to calculate the price. Impairment losses are recognized for shares if there is evidence that the 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. and are measured on the basis of amortized purchase costs. 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. 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 operating activities, 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.

Cash and demand deposits 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.

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; this amount is derived from the highest probability of occurrence and the most probable 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. At the same time, LUHNS GmbH concluded individual agreements (block model) with eight employees (previous year: eight).

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 provision will be released in proportion, and the resulting income recognized in the functional sectors which originally incurred the expense for the recognition of the provision.

**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 at amortized purchase costs.

**Financial instruments** are classified according to IAS 39 and initially carried at fair value. They are subsequently measured at amortized purchase costs 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 financial 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 Group company subsidiaries, and a current composite rate of assessment for trade tax HANSA GROUP AG of 460 (previous year: 460) is expected. For WIBARCO, a current rate of assessment of 417 (previous year: 403), for LUHNS GmbH an average rate of assessment of 445 (previous year: 413), and for WASCHMITTELWERK GENTHIN GmbH a current rate of assessment of 330 (previous year: 330), are anticipated. In light of the profit and loss transfer agreements signed in the year under review between HANSA GROUP AG and its subsidiaries, a combined tax rate of 30.32 percent (previous year: 31.93 percent) was calculated on the basis of the wage bills incurred by the individual locations; this combined tax rate corresponds to that of HANSA GROUP AG. Based on the underlying circumstances 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. 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 Werke 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. Income from sales commission transactions is also reported under sales revenue. Foreign currency transaction sales revenues were recognized using the secured conversion rate.

Sales revenue from the sale of internally-generated products and/or merchandise 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 transfer of material risks and opportunities. Sales revenue from services is recognized after the service has been concluded.

**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.

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, therefore no conversion effects resulted in the balance sheet as of January 1, 2012.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### (1) INTANGIBLE ASSETS

Intangible assets developed as follows in fiscal year 2012:

| | 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, 2012** | **1,741** | **29,670** | **18,389** | **49,800** |
| Additions | 4,785 | 0 | 0 | 4,785 |
| Reclassifications | 55 | 0 | 0 | 55 |
| Disposals | -35 | 0 | 0 | -35 |
| **as of Dec. 31, 2012** | **6,546** | **29,670** | **18,389** | **54,605** |
| **Depreciation, as of Jan. 1, 2012** | **1,072** | **5,624** | **0** | **6,695** |
| Additions (scheduled) | 304 | 1,745 | 0 | 2,049 |
| Additions (unscheduled) | 0 | 6,049 | 0 | 6,049 |
| Disposals | -28 | 0 | 0 | -28 |
| **as of Dec. 31, 2012** | **1,348** | **13,418** | **0** | **14,766** |
| **Carrying amounts, as of Dec. 31, 2012** | **5,198** | **16,252** | **18,389** | **39,839** |
| **Carrying amounts, as of Dec. 31, 2011** | **669** | **24,046** | **18,389** | **43,105** |

The amount reported under reclassifications relates to assets initially recognized as assets under construction reported under property, plant and equipment and was capitalized in the reporting year.

The development of the Group's intangible assets was 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 trademark rights recognized under concessions, industrial rights and similar rights and assets had a carrying amount of 4,697 thousand euro as of December 31, 2012. These were acquired in the year under review and have a remaining amortization period of 15 years.

At the balance-sheet date, the customer base had a remaining amortization period of up to 13 years.

The regular amortization of intangible assets amounts to 2,049 thousand euro and will be applied over the useful lives of the assets.

At 6,049 thousand euro, impairment losses relate to the customer base of LUHNS GmbH – which is part of the Production and Services segment. HANSA GROUP AG had carried out impairment tests in accordance with IAS 36 as part of the preparations for the Half-Year Report 2012. A need for impairment was found regarding the capitalized customer base of the subsidiary LUHNS GmbH on account of the insolvency of the drug store chain Schlecker. The previous residual carrying amount for these customers was written off in full. The impairment loss was recognized in the income statement under amortization of intangible assets and is also reported in the consolidated statement of comprehensive income under the net income item. There were no reversals in the year under review, and there was no additional need for impairment as of December 31, 2012.

The goodwill is allocated to the LUHNS GmbH cash-generating unit, which is an independent legal entity and is allocated to the reportable Production and Services segment. The carrying amount as of December 31, 2012 is 18,389 thousand euro and cannot be deducted for tax purposes.

An additional impairment test was carried out on the cash-generating unit LUHNS GmbH in accordance with IAS 36; this resulted in no additional need for impairment.

A rate of growth of 1.5 percent was used in 2012 for impairment testing (previous year: 1.5 percent); the weighted cost of capital after tax, derived from the peer group, amounts to 6.1 percent (previous year: 6.5 percent).

The cash flows measured by the impairment test were derived from the profit targets established for a period of five years. These targets include both past experience as well as information collected by third parties, such as on the development of commodity prices. A rate of growth of 1.5 percent was used for the impairment testing.

Impairment would be needed pursuant to IAS 36 if the underlying cash flows were impaired by more than 50 percent within the context of the sensitivity analysis of the Luhns cash-generating unit, in which goodwill is allocated. There would also be need for impairment if the cost of capital increased by more than 50 percent.

At the balance sheet date, there were no intangible assets with indefinite useful lives.

No finance leases existed for intangible assets as of reporting date December 31, 2012, meaning that no payments were due. The agreement for software reported as an asset in the previous year and recognized under concessions, industrial rights and similar rights and assets, expired in the current year.

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 31.12.2011 in EUR thou. |
|---|---|---|---|---|
| Leasing payments | 64 | 0 | 0 | 64 |
| Discounts | 7 | 0 | 0 | 7 |
| **Present values** | **57** | **0** | **0** | **57** |

## (2) INVESTMENT PROPERTY

The investment property was sold in 2012, resulting in profit of 17 thousand euro.
Rental income from the property amounted to 20 thousand euro in fiscal year 2012 (previous year: 26 thousand euro). Expenses incurred in this connection were 40 thousand euro (previous year: 45 thousand euro).

The corresponding figures for fiscal year 2012 were as follows:

| | Total in EUR thou. |
|---|---|
| **Purchase and production costs, as of Jan. 1, 2012** | **923** |
| Additions | 923 |
| **as of Dec. 31, 2012** | **0** |
| **Depreciation, as of Jan. 1, 2012** | **270** |
| Additions | 270 |
| **as of Dec. 31, 2012** | **0** |
| **Carrying amounts, as of Dec. 31, 2012** | **0** |
| **Carrying amounts, as of Dec. 31, 2011** | **653** |

The previous year's amounts are shown in the following table:

| | Total in EUR thou. |
|---|---|
| **Purchase and production costs, as of Jan. 1, 2010** | **587** |
| **as of Dec. 31, 2010** | 336 |
| **Depreciation, as of Jan. 1, 2010** | **923** |
| Additions | **251** |
| **as of Dec. 31, 2010** | 19 |
| **Carrying amounts, as of Dec. 31, 2010** | **270** |
| **Carrying amounts, as of Dec. 31, 2009** | **653** |
| **Buchwerte Stand 31.12.2010** | **336** |

## (3) OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment developed as follows in fiscal year 2012:

| | 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, 2012** | **74,055** | **135,356** | **14,584** | **51,369** | **275,364** |
| Additions | 358 | 1,866 | 196 | 275 | 2,695 |
| Government grants / subsidies | 0 | -3,545 | 0 | 0 | -3,545 |
| Reclassifications | 9,368 | 36,455 | 2,983 | -48,861 | -55 |
| Disposals | -1,065 | - 2,273 | - 2,695 | -58 | -6,091 |
| **as of Dec. 31, 2012** | **82,716** | **167,859** | **15,068** | **2,725** | **268,368** |
| **Depreciation, as of Jan. 1, 2012** | **12,663** | **38,493** | **6,848** | **35** | **58,039** |
| Additions | 1,995 | 7,741 | 1,704 | 0 | 11,440 |
| Disposals | -428 | -1,131 | - 2,375 | 0 | -3,934 |
| **as of Dec. 31, 2012** | **14,230** | **45,103** | **6,177** | **35** | **65,545** |
| **Carrying amounts, as of Dec. 31, 2012** | **68,486** | **122,756** | **8,891** | **2,690** | **202,823** |
| **Carrying amounts, as of Dec. 31, 2011** | **61,392** | **96,863** | **7,736** | **51,334** | **217,325** |

Effective October 1, 2012, HANSA GROUP AG sold part of its trading activities to HANSA Chemie International GmbH & Co. KG, Duisburg, Germany, formerly Gnann GmbH & Co. KG, Wuppertal, Germany, a subsidiary of Max Prestige General Trading LLC, Dubai. This also resulted in the sale of some of the items of property, plant and equipment as well as a financial asset of 488 thousand euro written down in 2011.

No interest on debt was capitalized in the past fiscal year as the qualifying asset was capitalized in 2012 and is being written off (previous year: 2,191 thousand euro at an average interest rate of 6 percent).

The amounts reported under reclassifications relate to the reclassification of assets recognized as assets under construction. Assets of 55 thousand euro were definitely capitalized as intangible assets and are therefore reported as having been reclassified.

The Group's 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** |

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.

Please see note (13) Financial liabilities for more information on existing disposal limitations for property, plant and equipment.

Government subsidies of a maximum of 15,846 thousand euro at the Waschmittelwerk Genthin GmbH subsidiary's Genthin site were approved for the August 1, 2009 to December 31, 2011 investment period during fiscal year 2010. Previous years saw payouts of 7,484 thousand euro; 4,817 thousand euro were paid out in the past fiscal year (previous year: 3,745 thousand euro). An application was made in mid-2012 for the payout of the remaining 3,545 thousand euro in subsidies and grants. These are linked to the condition of the subsidized assets remaining on site for five years. This poses no risk, as the Group strategy provides for the further expansion of the Genthin site. An additional funding application for the expansion of the site was approved in December 2012. This provides access to funding totaling 971 thousand euro. The subsidies are recognized as a reduction in the assets' purchase

or production costs and result in a corresponding reduction in scheduled depreciation in subsequent periods.

The following minimum 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 31.12.2012 in EUR thou. |
|---|---|---|---|---|
| Leasing payments | 605 | 1,572 | 0 | 2,177 |
| Discounts | 40 | 284 | 0 | 324 |
| **Present values** | **565** | **1,288** | **0** | **1,853** |

The assets reported as finance leases are leased technical facilities with a net carrying amount of 2,711 thousand euro (previous year: 3,330 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 2,189 thousand euro as of December 31, 2012.

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 31.12.2011 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 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 31,12,2012 in EUR thou, |
|---|---|---|---|---|
| Property contracts | 1,632 | 6,529 | 13,905 | 22,066 |
| Operating and office equipment | 177 | 157 | 0 | 334 |
| | **1,809** | **6,686** | **13,905** | **22,400** |

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 31,12,2012 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** |

Payments of 3,653 thousand euro (previous year: 3,899 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 lease agreements are for land and buildings at the Ibbenbüren production site, buildings and office space in Düren, buildings and operating equipment in Greven, Bopfingen and Wuppertal, motor-vehicles, electric-powered fork-lift trucks, scissors-lift trucks, telephone system, and other office and operating equipment.

## (4) OTHER FINANCIAL ASSETS

The financial assets of a total of 26 thousand euro (previous year: 199 thousand euro) shown as of the balance sheet date consist of other loans allocated to the loans and receivables category.

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

Purchase price receivables from the agreement to sell part of the trading activities (27,762 thousand euro) and a loan in the amount of 365 thousand euro (previous year: 365 thousand euro) vis-à-vis a related company are reported under other receivables and assets. The loan receivable is against Savanna AG with interest charged in line with market conditions.

## (6) CURRENT AND DEFERRED INCOME TAX ASSETS

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| Deferred income tax assets | 540 | 2,148 |
| Current income tax assets | 104 | 104 |
| | **644** | **2,252** |

The assets from future income tax reductions comprise deferred tax assets resulting from temporary differences between the carrying amounts in the consolidated balance sheet. 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.

In the previous year, deferred income tax assets mainly included the tax claim resulting from the reporting of the value of WIBARCO GmbH's and Waschmittelwerk Genthin GmbH's trade tax and corporation tax loss carryforward. No deferred taxes were formed on tax loss carryforwards as of December 31, 2012 in light of the profit and loss transfer agreements signed in the year under review with all HANSA GROUP AG subsidiaries.

Tax receivables in the amount of 104 thousand euro (previous year: 104 thousand euro), which relate to HANSA GROUP AG corporation tax credits, are reported under income tax receivables.

## (7) INVENTORIES

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| Raw materials, consumables and supplies | 10,582 | 15,489 |
| Work in progress | 2,126 | 2,080 |
| Finished goods | 18,071 | 20,944 |
| Merchandise | 185 | 356 |
| Prepayments | 716 | 2,527 |
| | **31,680** | **41,396** |

Adjustments to the inventories amount as of the end of 2012 totaled 618 thousand euro (previous year: 1,759 thousand euro). Fiscal year 2012 saw a positive balance on the income statement of 1,141 thousand euro (previous year: 173 thousand euro) due to the low volume of impairment losses.

At the end of September 2012, LUHNS GmbH entered into a cooperation agreement with United European Investment AG (UEI AG), a related person, regarding warehouse outsourcing. The company trades in goods and provides inventory financing. The agreement stipulates that LUHNS GmbH will sell a defined portfolio of finished goods on October 1, 2012 to UEI AG, at a price determined by the exact offsetting of the actual inventory against total manufacturing costs, plus a margin. UEI AG and LUHNS GmbH have also concluded an agreement on the sales commission. Inventory in the amount of 10,931 thousand euro was sold to UEI AG as of December 31, 2012.

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

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| **Trade receivables from third-parties** | **44,083** | **36,613** |
| **Other current receivables and other current assets** | | |
| Other tax receivables | 4,816 | 3,736 |
| Personnel receivables | 29 | 7 |
| Derivative financial instruments | 83 | 93 |
| Other | 30,619 | 25,908 |
| | **35,547** | **29,744** |

WestLB concluded 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 was run via the established Compass platform until February 2013.

A new ABS program was concluded with Norddeutsche Landesbank Luxembourg S.A./ Raiffeisenbank International AG in December 2012 with an overall framework of 45 million euro and saw sales realized as from February 2013. 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 financial assets, in an amount of 44,846 thousand euro, can be written off.

Receivables from derivative financial instruments amount to 83 thousand euro (previous year: 93 thousand euro). At the balance sheet date, there are forward exchange transactions with a nominal value of 12,246 thousand euro (previous year: 2,338 thousand euro), with a final maturity of August 20, 2013 (previous year: June 11, 2012). 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.

The remaining other receivables and assets are primarily attributable t the current part of the purchase price receivables from the agreement to sell part of the Company's trading activities (4,969 thousand euro) and related parties' clearing accounts (8,057 thousand euro (previous year: 14,242 thousand euro), receivables from the ABS agreement (5,020 thousand euro, previous year: 7,348 thousand euro), public subsidies and grants (3,565 thousand euro), insurance claims (0 thousand euro, previous year: 1,300 thousand euro), as well as deferred expenses and accrued income (786 thousand euro, previous year: 975 thousand euro).

## (9) CASH AND CASH EQUIVALENTS

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| Cash on bank accounts | 22,107 | 34,098 |
| Cash-in-hand and checks | 19 | 27 |
| | **22,126** | **34,125** |

The carrying amount is equivalent to the fair value. Interest is paid on the credit – at times on a daily basis.

## (10) EQUITY AND LIABILITY

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, 2012 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 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 euro (Approved Capital).

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 own shares up to a maximum of 10 percent of the capital stock existing at the time of the adoption of the resolution.

According to the shareholder resolution dated August 24, 2012, the Management Board has been authorized to issue bearer or registered convertible bonds, bonds with warrants, income bonds and/or profit-sharing rights or a combination of such instruments (hereinafter communally called "bonds"), with or without restriction of term, with a total face value of up to 50,000,000.00 euro on one or more occasions up to August 23, 2017, and to grant or impose

conversion rights or obligations and/or option rights or obligations on no-par bearer shares of the Company to the bondholders or creditors of bonds in a proportionate amount of the capital stock up to a total of 24,000,000.00 euro, subject to the specific details of the bond terms. The bonds may also be issued against payment in kind for the purpose of acquiring companies, interests in other companies, company divisions or individual assets.

The capital stock of HANSA GROUP AG is being conditionally increased by up to 24,000,000.00 euro by issuing up to 24,000,000 new no-par bearer shares (conditional capital). The increase in conditional capital serves the purpose of granting no-par bearer shares to the bearers and/or creditors of convertible bonds, bonds with warrants, income bonds, profit-sharing rights or combinations of such instruments issued in accordance with the authorization of the Annual General Meeting on August 24, 2012 when executing conversion or option rights (or when fulfilling corresponding conversion or option obligations).

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 42,933 thousand euro and net income for the year of 1,143 thousand euro.

Under the German Stock Corporation Act, the sum available for payment of the dividend is determined from the balance sheet profit shown in the annual financial statements for HANSA GROUP AG prepared in accordance with the German Commercial Code. Consolidated income was diminished by payment of the dividend of 0.10 euro per dividend-bearing no-par share for 2011, totaling 4,808 thousand euro.

The dividends paid reduced consolidated equity by 4,808 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:

| | 2012 in percent | 2011 in percent |
|---|---|---|
| Interest rate | 3.40 | 5.10 |
| Expected annual increase in income | 2.00 | 2.00 |
| Expected annual increase in pensions | 2.00 | 2.00 |

An interest rate of 3.4 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, 2012 (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.

Development of the present value of pension obligations:

| | 2012 in EUR thou. | 20111 in EUR thou. |
|---|---|---|
| **Present value of pension obligations (defined benefit obligation) as of Jan. 1** | **7,926** | **7,870** |
| Present value of LUHNS GmbH defined benefit obligation as of May 1 | 0 | 0 |
| Current service cost | 128 | 179 |
| Interest cost | 418 | 403 |
| Actuarial losses (+)/ gains (-) | 1,794 | -162 |
| Benefits paid during the fiscal year | -333 | -364 |
| = **Present value of pension obligations (defined benefit obligation) as of Dec. 31** | **9,933** | **7,926** |

Development of plan assets at fair value:

| | 2012 in EUR thou. | 20111 in EUR thou. |
|---|---|---|
| **Carryforward as of Jan. 1** | **728** | **644** |
| Currency translation differences carryforward | 0 | 0 |
| Expected income from plan assets | 29 | 20 |
| Actuarial losses (+)/ gains (-) | 0 | 0 |
| Contributions by participants | 0 | 0 |
| Contributions by employers | 62 | 64 |
| Pension payments | 0 | 0 |
| Projected reductions / settlements | 0 | 0 |
| Other | -32 | 0 |
| **as of Dec. 31** | **787** | **728** |

Reconciliation of overfunding / underfunding to recognized provisions for pension obligations and to net obligation as of December 31, 2012:

| | 2012 in EUR thou. | 20111 in EUR thou. |
|---|---|---|
| **Underfunding of obligations** | **9,146** | **7,198** |
| Amount not recognized due to asset ceiling | 0 | 0 |
| Past service cost | 0 | 0 |
| Reimbursement rights | 0 | 0 |
| Net obligation | 9,146 | 7,198 |
| **Recognized provision for pension obligations as of December 31, 2012** | **9,146** | **7,198** |

Of the 9,146 thousand euro in reported provisions for pension obligations, 8,973 thousand euro relate to non-current provisions for pensions and 173 thousand euro to current provisions for pensions.

The entire plan asset volume relates to reinsurance cover. The asset value is derived from the contributions to the actuarial reserve plus the excess levies.

The consolidated statement of comprehensive income for 2012 includes actuarial losses of 1,794 thousand euro (previous year: gains of 162 thousand euro). The accumulated amount of actuarial losses recognized under other earnings was 1,713 thousand euro at December 31, 2012 (previous year: gains of 79 thousand euro). Defined benefit obligations correspond to the liabilities reported at the respective balance-sheet date.

Indirect pension obligations of 479 thousand euro are reported under the present value of pension obligations less plan assets of 787 thousand euro.

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

| | INCOME STATEMENT ITEM | 2012 in EUR thou. | 20111 in EUR thou. |
|---|---|---|---|
| Current service cost | Personnel expenses (retirement benefit costs) | 128 | 179 |
| Interest cost | Net interest income | 418 | 403 |
| **Pension expense** | | **546** | **582** |

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

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. | 31.12.2010 in EUR thou. | 31.12.2009 in EUR thou. | 31.12.2008 in EUR thou. |
|---|---|---|---|---|---|
| Present value of pension obligations | 9,146 | 7,198 | 7,142 | 3,828 | 3,175 |
| Experience-based adjustments of pension obligations | 6 | 6 | 6 | 195 | 128 |
| Contributions for plan assets | 64 | 67 | 67 | 76 | 78 |

An estimated 416 thousand euro will be paid out of the pension plans in fiscal year 2013. The expected contribution from employers to plan assets in fiscal year 2013 is likely to amount to 64 thousand euro.

## (12) OTHER PROVISIONS

| | Balance as of 1.1.2012 in EUR thou. | Utilization in EUR thou. | Reversal in EUR thou. | Addition in EUR thou. | Interest cost in EUR thou. | Balance as of 31.12.2012 in EUR thou. |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| Personnel costs | 875 | -370 | -244 | 536 | -1 | 796 |
| Environmental protection | 535 | -12 | 0 | 14 | -6 | 531 |
| | **1,410** | **-382** | **-244** | **550** | **-7** | **1,327** |
| **Current** | | | | | | |
| Year-end closing costs | 400 | - 429 | 2 | 282 | 0 | 255 |
| Compensation for heritable building rights | 138 | 0 | 0 | 4 | 0 | 142 |
| Litigation risks | 272 | -117 | 0 | 83 | 0 | 238 |
| Other | 1,091 | -910 | -171 | 1,960 | 0 | 1,971 |
| | **1,901** | **-1,456** | **-168** | **2,330** | **0** | **2,606** |

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

Other current provisions primarily include provision of 1,150 thousand euro for a legal dispute with a customer.

Provisions for partial retirement are measured using an interest rate of 3.4 percent (previous year: 5.1 percent) and a rate of salary increase of 2.0 percent p.a. (previous year: 2.0 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 3.4 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 three years and that no public remediation sanctions will be applied. As in the previous year, provisions accrue interest at 5.0 percent. The interest in the year under review amounted to 8 thousand euro (previous year: 17 thousand euro).

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.

No discounting/interest cost calculation was necessary for current provisions with remaining terms of less than one year.

## (13) NON-CURRENT FINANCIAL LIABILITIES AND OTHER LIABILITIES

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| Loan liabilities | 53,531 | 50,321 |
| Liabilities from finance leases | 1,352 | 1,677 |
| Derivative financial instruments | 64 | 800 |
| **Financial liabilities** | **54,947** | **52,798** |
| **Remaining other liabilities** | **7,123** | **0** |

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 as security of rights to 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, 2012 is 432 thousand euro (this is due to project financing concluded with NordLB, which NordLB then used to pay out the investment subsidies and grants for which HANSA GROUP AG had already submitted applications (Assignment as security of rights to investment subsidies assigned on January 1, 2010)).
- Assignment as security of specific items of other receivables, investment subsidies for a nominal 6,125 thousand euro (the contract terms and conditions of this correspond to those for the assignment as security of rights to investment subsidies and grants).

- HANSA GROUP AG loan guarantee of 43,800 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 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 2015, 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 1,352 thousand euro of liabilities from finance leases are reported under non-current financial liabilities for fiscal year 2012 (previous year: 1,677 thousand euro).

Non-current financial liabilities also include liabilities from derivative financial instruments. Liabilities resulting from derivative financial instruments amount to 64 thousand euro (previous year: 800 thousand euro). This is the reporting of an interest rate swap, which serves the purpose of replacing variable-interest with fixed-interest loans. This interest rate swap is classified as held for trading.

The derivative financial instrument classified as a cash flow hedge in the previous year was reported as a synthetic financial instrument together with the loan within the context of IAS 8. The previous year's amounts were corrected in accordance with the regulations of IAS 8.

Remaining other liabilities of 7,123 thousand euro relate to obligations from the sale of part of the chemicals trading business.

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

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| Loan liabilities | 62,849 | 52,455 |
| Liabilities from finance leases | 580 | 608 |
| Derivative financial instruments | 93 | 160 |
| **Financial liabilities** | **63,522** | **53,223** |
| **Trade liabilities** | **106,644** | **98,695** |
| Down payments | 17,584 | 25,942 |
| Tax liabilities | 1,039 | 214 |
| Invoices not yet settled | 712 | 968 |
| Others | 3,674 | 15,618 |
| **Other liabilities** | **23,009** | **42,742** |

Current loan liabilities also include current-account loans in an amount of 39,727 thousand euro. This item also shows the proportion of loan liabilities due in less than one year, in an amount of 22,859 thousand euro.
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 93 thousand euro (previous year: 160 thousand euro). At the balance sheet date, there are forward exchange transactions with a nominal value of 2,551 thousand euro (previous year: 3,706 thousand euro), with a final maturity as of April 10, 2013 (previous year: April 10, 2012), 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.

Since January 1, 2012, a reverse-factoring agreement existed with Coface Finanz GmbH for a volume of 20,000 thousand euro.

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.

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

| | 31.12. 2012 | CASHFLOWS Q1 2013 | | CASH-FLOWS Q2-Q4 2013 | | CASH-FLOWS 2014 | | CASH-FLOWS 2015 | | CASH-FLOWS 2016 | | CASH-FLOWS 2017 | | CASH-FLOWS AFTER 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 116,380 | 1,490 | 43,446 | 2,872 | 19,294 | 2,322 | 20,125 | 1,701 | 5,651 | 1,209 | 5,651 | 892 | 5,201 | 1,101 | 11,263 |
| Liabilities from finance leases | 1,932 | 17 | 135 | 51 | 403 | 65 | 510 | 51 | 400 | 51 | 400 | 4 | 32 | 0 | 0 |
| Remaining liabilities | 7,937 | 0 | 204 | 0 | 611 | 0 | 814 | 0 | 814 | 0 | 814 | 0 | 814 | 0 | 3,867 |
| **Trade payables** | 106,644 | 0 | 106,644 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other liabilities** | 2,815 | 0 | 2,190 | 0 | 611 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| **Derivative liabilities** | 157 | 0 | 93 | 0 | 0 | 0 | 64 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Loan commitments** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **235,864** | **1,507** | **152,711** | **2,923** | **20,918** | **2,387** | **21,524** | **1,260** | **6,865** | **1,260** | **6,865** | **896** | **6,047** | **1,101** | **15,133** |

The figures for the previous year were 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 | 100 | 109 | 284 | 309 | 364 | 398 | 347 | 378 | 330 | 359 | 320 | 350 | 26 | 29 |
| Remaining liabilities | 3,874 | 0 | 0 | 102 | 3,874 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Trade payables** | 98,695 | 0 | 54,795 | 0 | 23,639 | 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 | 716 |
| **Loan commitments** | 6,500 | 77 | 0 | 250 | 0 | 307 | 0 | 292 | 813 | 254 | 813 | 216 | 813 | 503 | 4,063 |
| | **226,178** | **1,646** | **95,044** | **4,078** | **51,315** | **4,235** | **31,069** | **2,632** | **19,924** | **2,009** | **6,519** | **1,631** | **5,326** | **2,346** | **16,630** |

## (15) CURRENT AND DEFERRED INCOME TAX LIABILITIES

| | 31.12.2012 in EUR thou. | 31.12.2011 in EUR thou. |
|---|---|---|
| Deferred income tax liabilities | 34,706 | 43,915 |
| Current income tax liabilities | 8,568 | 6,124 |
| | **43,274** | **50,039** |

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. The offsetting amounts are explained in note (24).

## NOTES ON THE CONSOLIDATED INCOME STATEMENT

### (16) SALES REVENUE

| REVENUE BY PRODUCT SEGMENTS | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Production/Services | 310,203 | 240,232 |
| of which Services | (4,704) | (3,802) |
| Trade | 88,598 | 143,227 |
| | **398,801** | **383,459** |

Sales revenue were distributed across the following sales markets

| REVENUE BY SALES MARKET | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Germany | 188,208 | 162,045 |
| European Union | 117,728 | 107,080 |
| Rest of World | 92,865 | 114,334 |
| | **398,801** | **383,459** |

### (17) OTHER OPERATING INCOME

| OTHER OPERATING INCOME | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Income from the sale of parts of the trade business | 23,696 | 0 |
| Income from liquidated damages | 3,973 | 1,298 |
| Income from the reversal of valuation allowances | 879 | 190 |
| Income from the reversal of other provisions | 412 | 473 |
| Income from the refund of the energy tax | 515 | 0 |
| Unrealized exchange rate gains | 507 | 680 |
| Income from insurance claims paid | 134 | 333 |
| Other | 1,149 | 1,111 |
| | **31,265** | **4,085** |

As with the exchange rate losses, exchange rate gains are generated from foreign currency translation.

Income from the reversal of other provisions amounts to 412 thousand euro and mainly relates to remaining other provisions (see note (12)).

Income from the disposal of property, plant and equipment in the amount of 33 thousand euro is reported under remaining other operating income.

### (18) COST OF MATERIALS

| COST OF MATERIALS | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Costs of raw materials, consumables and supplies, and of purchased merchandise | 291,071 | 261,238 |
| Cost of purchased services | 10,516 | 13,262 |
| | **301,587** | **274,500** |

### (19) PERSONNEL EXPENSES

| PERSONNEL EXPENSES | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Wages and salaries | 28,194 | 29,283 |
| Social security contributions | 5,125 | 5,689 |
| - of which retirement and other benefit costs | 150 | 590 |
| | **33,319** | **34,972** |

The number of employees at December 31 was as follows:

| EMPLOYEES | 2012 | 2011 |
|---|---|---|
| Industrial workers | 315 | 356 |
| Clerical workers | 215 | 266 |
| | **530** | **622** |

The number of members of the Group's Management Board and directors was two (previous year: three), and the number of apprentices/trainees 28 (previous year: 37).

The average number of employees in fiscal year 2012 was 578 (of whom industrial workers: 335, of whom clerical workers: 243) (previous year: 651, of whom industrial workers: 372 of whom clerical workers: 279).

The number of employees in 2012 was impacted by the fact that 50 employees (as well as 12 trainees) left the company in accordance with section 613a of the BGB (transfer of business) effective October 1, 2012 following the sale of parts of HANSA GROUP AG's trading activities.

Of the personnel expenses, 642 thousand euro (previous year: 586 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 150 thousand euro (previous year: 590 thousand euro).

2,439 thousand euro (previous year: 2,562 thousand euro) of social-security contributions are accounted for by contributions to the statutory pension scheme, and an amount of 249 thousand euro (previous year: 262 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 1.1.2012 in EUR thou. | Granted in EUR thou. | Expired in EUR thou. | Exercised in EUR thou. | Outstanding options as of 31.12.2012 in EUR thou. | Exercisable options as of 31.12.2012 in EUR thou. | Execution price in EUR |
|---|---|---|---|---|---|---|---|
| **AOP** | 502 | 0 | 0 | 168 | 334 | 152 | 73.02 |

| | 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 |

The weighted residual contractual term of the outstanding options is 1.8 years. Measurement of the stock options to be measured has resulted in personnel expenses in fiscal year 2012 of 2 thousand euro (previous year: 13 thousand euro) since this company became a member of the Group.

The liability to be reported amounted to 9 thousand euro as of December 31, 2012 (previous year: 9 thousand euro), and is recorded under other provisions. The intrinsic value of the liabilities for the options exercisable on the balance sheet date is 9 thousand euro.

## (20) OTHER OPERATING EXPENSES

| | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Expenses for supply of goods | 24,581 | 22,222 |
| Costs of office and workshop space | 6,084 | 4,450 |
| Repair costs | 5,450 | 5,198 |
| Third-party work and services | 4,701 | 5,445 |
| Rentals, leases, leasing | 3,653 | 3,900 |
| Operating costs | 2,925 | 2,261 |
| Legal, consultation and audit costs | 2,125 | 1,962 |
| Recognition of valuation allowances and bad debt losses | 2,020 | 299 |
| Advertising costs | 1,934 | 2,640 |
| Insurance costs / contributions / fees | 1,867 | 1,646 |
| Unrealized exchange rate losses | 1,255 | 315 |
| Office requisites | 725 | 998 |
| Expenses for disposal costs | 625 | 0 |
| Losses from asset disposals | 86 | 923 |
| Other | 4,335 | 5,226 |
| | **62,366** | **57,485** |

Losses from the disposal of property, plant and equipment in the amount of 86 thousand euro are reported under other operating expenses.

## (21) DEPRECIATION, AMORTIZATION AND IMPAIRMENTS (WRITE-DOWNS) OF NON-CURRENT ASSETS

Total depreciation and amortization in the year under review amounted to 19,539 thousand euro. Of this amount, 8,098 thousand euro related to intangible assets and 11,411 to property, plant and equipment. Intangible assets were subject to regular amortization and impairment.

The regular amortization of intangible assets amounts to 2,049 thousand euro and will be applied over their useful lives. At 6,049 thousand euro, the impairment losses relate to the customer base of LUHNS GmbH. A need for impairment pursuant to IAS 36 was found regarding the capitalized customer base of the subsidiary LUHNS GmbH on account of the insolvency of the drug store chain Schlecker. The previous residual carrying amount was written off in full and there was no additional need for impairment as of December 31, 2012.

A detailed 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.

## (22) FINANCIAL RESULT

| | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| **Interest income** | | |
| Other interest and similar income | 733 | 98 |
| **Interest expense** | | |
| Interest expense from loan liabilities | -6,138 | -5,588 |
| Interest expense from accrued interest on provisions | -204 | -175 |
| **Net interest expense = financial result** | **-5,609** | **-5,665** |

## (23) WRITE-DOWNS OF NON-CURRENT FINANCIAL ASSETS

In the previous year, write-downs of non-current financial assets included the 130 thousand euro write-down of shares in Tectura Corporation, USA. These shares were sold together with part of the Company's trading activities in the past fiscal year.

## (24) INCOME TAXES

| | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Current income taxes | - 1,222 | -6,743 |
| Deferred income taxes | 1,226 | 4,535 |
| **Income tax expense (-) / income (+)** | **4** | **-2,208** |

Tax income in fiscal year 2012 as a consequence of the change in deferred income taxes results to an amount of 1,468 thousand euro from the reversal of tax loss carryforward, and to an amount of 2,294 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 30.32 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:

| | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Earnings before taxes | 1,139 | 6,436 |
| Tax rate in the Group | 30.32 | 31.93 |
| **Expected tax expense** | **- 345** | **-2,055** |
| Differences resulting from different tax rates | -1,485 | -34 |
| Adjustment of deferred taxes as a result of changes in rate of tax due to losses brought forward | 1,468 | 0 |
| Previous year' tax arrears payments (incl. interest) | 319 | 392 |
| Back tax payment for trade tax provision reversal in 2005 | 0 | -182 |
| Tax increases resulting from non-deductible expenses | -20 | -7 |
| Tax increases resulting from trade tax additions and deductions | 0 | -374 |
| Other tax-related effects | 67 | 38 |
| **Tax expense as reported in the income statement (expenses -/income +)** | **4** | **-2,208** |
| **Effective tax rate in %** | **0,36** | **34,31** |

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 as of December 31, 2012.

Deferred taxes on valuation adjustments recognized directly in equity in the amount of -1,268 thousand euro were reported as of December 31, 2012.

In provisions for pensions, 445 thousand euro have been reported without effect on income in the statement of comprehensive income, and 100 thousand euro with effect on income in the income statement.

Deferred tax assets were released on loss carryforwards of 1,363 thousand euro and 105 thousand euro for WASCHMITTELWERK GENTHIN GmbH and Chemische Fabrik WIBARCO GmbH due to profit and loss transfer agreements signed in fiscal year 2012.

Deferred taxes are attributable to the following items:

| | 2012 assets in EUR thou. | 2012 liabilities in EUR thou. | 2011 assets in EUR thou. | 2011 liabilities in EUR thou. |
|---|---|---|---|---|
| Losses carryforward | 0 | 0 | 1,468 | 0 |
| Intangible assets | 0 | 4,042 | 0 | 7,297 |
| Investment property | 0 | 0 | 0 | 104 |
| Other property, plant and equipment | 2,299 | 36,711 | 0 | 36,824 |
| Other receivables and other assets (non-current) | 2,406 | 0 | 0 | 0 |
| Other receivables and other assets (current) | 241 | 1,178 | 0 | 153 |
| Inventories | 33 | 0 | 31 | 0 |
| Financial liabilities (non-current) | 2 | 1,391 | 32* | 0 |
| Current provisions for pensions | 1,119 | 0 | 536 | 0 |
| Other current provisions | 203 | 25 | 492 | 0 |
| Other current liabilities | 972 | 18 | 0 | 20 |
| Current financial liabilities | 1,948 | 25 | 72 | 0 |
| Net assets / liabilities | -8,684 | -8,684 | -483 | -483 |
| | **539** | **34,706** | **2,148*** | **43,915** |

*) Application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

All other deferred taxes recognized for the items listed have been reported with effect on income.

## (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.

| | 2012 | 2011 |
|---|---|---|
| Consolidated net income attributable to shareholders (in EUR) | 1,143,062.85 | 4,227,927.56 |
| Weighted average number of shares | 48,077,900 | 48,077,900 |
| **Basic earnings per share (in EUR)** | **0.02** | **0.09** |

### 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 31.12.2012 in EUR thou. |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Other non-current financial assets | | | | | **26** |
| - Loans and receivables | 26 | | | | 26 |
| Other current receivables and assets | | | | | **28,292** |
| - Loans and receivables | 28,292 | | | | 28,292 |
| **Current assets** | | | | | |
| Trade receivables | | | | | **44,083** |
| - Loans and receivables | 44,803 | | | | 44,083 |
| Other current receivables and assets | | | | | **35,546** |
| - Derivatives not designated as hedging instruments | | | 83 | | 83 |
| - Loans and receivables | 29,831 | | | | 29,831 |
| - Non-financial assets | | | | 5,632 | 5,632 |
| Cash and cash equivalents | | | | | **22,126** |
| - Loans and receivables | 22,126 | | | | 22,126 |
| **Non-current liabilities** | | | | | |
| Financial liabilities | | | | | **54,947** |
| - at amortized cost | 53,531 | | | | 53,531 |
| - Liabilities from finance leases | 1,352 | | | | 1,352 |
| - Derivatives not designated as hedging instruments | | | 64 | | 64 |
| Other liabilities | | | | | **7,123** |
| - at amortized cost | 7,123 | | | | 7,123 |
| **Current liabilities** | | | | | |
| Other financial liabilities | | | | | **63,521** |
| - at amortized cost | 62,848 | | | | 62,848 |
| - Liabilities from finance leases | 580 | | | | 580 |
| - Derivatives not designated as hedging instruments | | | 93 | | 93 |
| Trade payables | | | | | **106,644** |
| - at amortized cost | 106,644 | | | | 106,644 |
| Other current liabilities | | | | | **23,009** |
| - at amortized cost | 2,184 | | | | 2,184 |
| - non-financial assets | | | | 20,195 | 20,195 |

The situation for 2011 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 non-current financial assets | | | | | **199** |
| - Loans and receivables | 199 | | | | 199 |
| Other current receivables and assets | | | | | **353** |
| - Loans and receivables | 353 | | | | 353 |
| **Current assets** | | | | | |
| Trade receivables | | | | | **36,613** |
| - Loans and receivables | 36,613 | | | | 36,613 |
| Other current 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 | | 0* | | | 0 |
| - 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 not designated as hedging instruments | | | 160 | | 160 |
| Trade payables | | | | | **98,695** |
| - at amortized cost | 98,695 | | | | 98,695 |
| Other current liabilities | | | | | **42,742** |
| - at amortized cost | 14,961 | | | | 14,961 |
| - non-financial assets | | | | 27,781 | 27,781 |

*) Application of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

The carrying amounts for financial assets and liabilities reported in the table above each correspond to the fair value of the reported assets and liabilities.

Impairments of financial assets were only reported in the trade receivables of the “at amortized cost” category (please refer to the “Default risks” chapter for details on the impairment amounts).

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.

The above-mentioned receivables and liabilities are subject to interest. Expenses/income from adjustments of an amount of 2,020 thousand euro (previous year: 299 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 2012 in EUR thou. |
|---|---|---|---|---|---|---|
| Interest income | 714 | 0 | 0 | 19 | 0 | 122 |
| Interest expense | 0 | 0 | 0 | -14 | -6,124 | -6,138 |
| Other financial expense and income | 0 | 0 | 0 | -204 | 0 | -204 |
| Write-downs of non-current financial assets | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net interest income** | **714** | **0** | **0** | **-199** | **-6,124** | **-5,609** |

| | 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 | -4,915 | -5,589 |
| Other financial expense and income | 0 | 0 | 0 | -175 | 0 | -175 |
| Write-downs of non-corrent financial assets | 0 | -130 | 0 | 0 | 0 | -130 |
| **Net interest income** | **83** | **-130** | **-513** | **-321** | **-4,915** | **-5,796** |

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).

The rise in interest expenses is primarily due to borrowing costs at Waschmittelwerk Genthin GmbH having been capitalized in accordance with IAS 23 for a qualified asset in the previous year. These costs were not capitalized in the year under review as the asset was put into operation in 2012.

**Financial assets and liabilities reported at fair value by measurement criteria:**
The stated market values of the financial derivatives, which have been recognized at fair value with an effect on income, reach correspond to the price at which an independent third party would assume the rights and/or obligations. The fair value of the interest rate derivatives correspond to the market value as determined by appropriate actuarial methods such as discounting future cash flows. The discounting takes into account market interest rates and the residual terms of each instrument.

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 31.12.2012 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 | 83 | 0 | 83 |

| | 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. | Liabilities as of 31.12.2012 in EUR thou. |
|---|---|---|---|---|
| Derivative financial instruments which are an active component of a hedge | 0 | 0 | 0 | 0 |
| Derivative financial instruments which are not an active component of a hedge | 0 | 64 | 0 | 64 |

| | 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 | 0* | 0 | 0 |
| Derivative financial instruments which are not an active component of a hedge | 0 | 244 | 0 | 244 |

*) Application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

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.

| | 01.01.2012 in EUR thou. | Recognized in net income for the period in EUR thou. | Additions / disposals in EUR thou. | 31.12.2012 in EUR thou. |
|---|---|---|---|---|
| Financial assets at fair value via income statement | 0 | 0 | 0 | 0 |

| | 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 |

The amortization of financial assets in 2011 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 covers the management of the default, liquidity, and market risks of financial instruments.

The principles of risk management are defined by the Management Board. At the regular Management Board meetings, reports on the outcome of financial risk management and on current risks levels are presented and any further action is decided upon. Simulations are performed to assess the impact of market trends. The aim of financial risk management is to identify and evaluate risks and to manage and limit their effects as appropriate.

In respect of default risks, the risk-management 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, commercial credit insurance has been contracted to hedge any remaining credit risks at Euler Hermes Versicherungs AG and at Coface Deutschland, a Coface S.A. branch, which incurred expenses of 339 thousand euro in 2012. 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 short-term 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 reverse factoring and ABS, 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.

There are no risk concentrations.

### 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 (age-related structure and internal and external information), risks arising from the general default risk are reported by means of a separate specific valuation allowance account. Receivables with a nominal value of 71,345 thousand euro (previous year: 40,099 thousand euro) were recorded at the balance sheet date. Of these, receivables of 5,529 thousand euro (previous year: 1,854 thousand euro) valued at 3,362 thousand euro (previous year: 1,854 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. The maximum default risk for the receivables, cash and cash equivalents, and liquidity-related assets is reflected in the carrying amount reported in the balance sheet.

The default risk from derivative financial instruments is the risk of default by a contractual partner. The maximum credit risk is the sum of transactions with the contractual partners in question for which, on balance, positive market values exist.

As of December 31, 2012, the default risk from derivative financial instruments that were not an effective part of a hedging agreement totaled 83 thousand euro (December 31, 2011: 93 thousand euro).

With regard to receivables, no collective valuation allowances were charged (previous year: 107 thousand euro). The amount of the 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, 2012, the following overdue receivables which had not been written down were recorded:

| | Total value of overdue receivables as of 31.12.2012 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 | **26.160** | **6.045** | **8.729** | **1.499** | **5.576** | **4.311** |

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** |

The financial assets reported in the categories “Assets held for disposal” and “Derivatives designated as hedging instruments” are measured in their full amount. They were not overdue as of the balance sheet date.

### 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 2013 are to be serviced from liquidity and from free-operating cash flow. Our liquidity planning for 2013 is based on the assumption of sufficient liquidity which is assured by the increase in approved capital.

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.

Some of HANSA GROUP AG’s loans are subject to so-called financial covenants. This is a key figure relating to net debt, equity and debt service coverage and are taken from the consolidated financial statements. The specified covenant conditions were met in fiscal year 2011. Not all key figures were met in 2012. Hedges will only be provided or increased and/or margins increased if the agreed key figures are not met or complied with over s sustained period of time after the unsuccessful expiry of a reasonable deadline. Based on the present multi-year planning, the Company assumes that the financial covenants will continue to be met sustainably in the future.

### Market risks

At the balance sheet date, there were net trade receivables and trade payables totaling 1,825 thousand euro (previous year: 6,701 thousand euro) on a US dollar basis. These receivables and liabilities were translated using the exchange rate for the US dollar as of December 31, 2012 of EUR/US dollar = 0.7579 (previous year: EUR/US dollar = 0.7729).

Had the euro been 10 percent stronger (weaker) compared to the US dollar on December 31, 2012, the value of the total balance would have been 166 thousand euro lower or 203 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 166 thousand euro higher or 203 thousand euro lower.

Receivables and liabilities in foreign currency are hedged in part by foreign currency derivatives. Were the closing rate as of December 31, 2012 to rise (fall) by 10 percent, derivates would be 355 thousand euro higher or 732 thousand euro lower, respectively. This amount would be recognized in profit or loss.

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.

Were interest rates to rise (fall) by one percentage point, interest expense would be 1,591 thousand euro higher or 2,103 thousand euro lower, respectively. All of this change would be recognized in profit or loss.

## NOTES TO THE CASH FLOW STATEMENT

### (27) CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been drafted 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.

Cash flows from operating activities are determined by initially adjusting operating profit by non-cash variables such as amortization/depreciation/impairment on intangible assets and property, plant and equipment, supplemented by changes in provisions, changes in other assets and liabilities, and also changes in net working capital. Payments made for income taxes are disclosed under operating cash flow.

Cash flows from investment activities occur as a result of outflows of funds for investments in intangible assets and property, plant and equipment as well as cash inflow from the sale of intangible assets and property, plant and equipment. In the reporting period, cash flows from investment activities mainly involved outflows for investments in intangible assets and property, plant and equipment in the amount of 4,537 thousand euro (previous year: 21,216 thousand euro).

Cash flows from financing activities take into account dividends paid, the change in borrowings, and other financing transactions. The change in borrowings includes a number of cash inflows and outflows, particularly arising from the assumption and amortization of current liabilities to banks.

4,808 thousand euro were paid out for dividends within the cash flows from financing activities at the end of September 2012.

The cash and cash equivalents in the cash flow statement consist of the cash in hand shown on the balance sheet (19 thousand euro, previous year: 27 thousand euro) and bank accounts in credit (22,107 thousand euro, previous year: 34,098 thousand euro) less the current-account credits taken by HANSA GROUP AG (39,727 thousand euro, previous year: 24,398 thousand euro), which are reported under other current financial liabilities. These are cash and cash equivalents with terms of three months.

Other significant non-cash transactions were the sale of a part of HANSA GROUP AG's trading activities to HANSA Chemie International GmbH & Co. KG, Duisburg, Germany. In 2012, 23,696 thousand euro was non-cash.

In addition, LUHNS GmbH sold inventories of 5,834 thousand euro within the context of a cooperation agreement for inventories outsourcing with UEI AG; this amount was still outstanding as of December 31, 2012.

## 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 liabilities**. 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

After the balance sheet date, there have been no further activities of any significance that would lead us to expect a material impact on the net assets, financial position and results of operations of HANSA Group.

### (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 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 instruments (such

as reverse factoring and ABS). The reverse factoring line was increased to 20 million euro at the beginning of fiscal year 2012 as part of these activities. The ABS program with a volume of 60 million euro, which was concluded with WestLB at the end of 2011, was replaced as from February 2013 by a new ABS program with Norddeutsche Landesbank Luxembourg S.A. / Raiffeisenbank International AG with a volume of 45 million euro. This ongoing active management ensures short- and medium-term liquidity while taking into account financing costs. 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 93,460 thousand euro (previous year: 97,353 thousand euro) was subject to capital management as of December 31, 2012.

## (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, 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 effects of the agreements concluded in the reporting year on the sale of part of the Company's trading activities are reported in the Trade segment.

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 | |
|---|---|---|---|---|---|---|---|---|
| | 2012 in EUR thou. | 2011 in EUR thou. | 2012 in EUR thou. | 2011 in EUR thou. | 2012 in EUR thou. | 2011 in EUR thou. | 2012 in EUR thou. | 2011 in EUR thou. |
| External revenue | 310,203 | 240,231 | 88,598 | 143,228 | 0 | 0 | 398,801 | 383,459 |
| Group sales | 149,750 | 54,830 | 56,553 | 65,874 | -206,303 | -120,704 | 0 | 0 |
| **Total sales** | **459,953** | **295,061** | **145,151** | **209,102** | **-206,303** | **-120,704** | **398,801** | **383,459** |
| Depreciation/amortization (scheduled) | 10,493 | 8,392 | 2,997 | 4,928 | 0 | 0 | 13,490 | 13,320 |
| Depreciation/amortization (unscheduled) | 6,049 | 0 | 0 | 0 | 0 | 0 | 6,049 | 0 |
| Segment result | -4,919 | 7,753 | 1,499 | 4,553 | 10,168 | -74 | 6,748 | 12,232 |
| Interest income | 1,419 | 2,234 | 405 | 1,312 | -1,091 | -3,448 | 733 | 98 |
| Interest expense | -4,084 | -5,804 | -1,167 | -3,408 | 1,091 | 3,448 | -6,342 | - 5,764 |
| Income tax | 3 | -1,391 | 1 | -817 | 0 | 0 | 4 | -2,208 |
| Segment assets | 364,577 | 310,407 | 104,128 | 182,303 | -90,564 | -124,208 | 378,141 | 368,503 |
| Segment liabilities | 237,004 | 202,502 | 67,691 | 118,930 | -22,261 | -48,736 | 282,434 | 272,695 |
| Segment investments | 4,818 | 14,621 | 1,376 | 8,587 | 0 | 0 | 6,194 | 23,208 |
| Number of employees as of Dec. 31, | 532 | 558 | 3 | 64 | 0 | 0 | 535 | 622 |
| Non-cash expenses (-) (not inc. depreciation/amortization) | -1,202 | 0 | -343 | 0 | 0 | 0 | -1,545 | 0 |
| Non-cash income (+) (not inc. depreciation/amortization) | 15,730 | 714 | 23,696 | 420 | 0 | 0 | 39,426 | 1,134 |

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

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 sales are 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). Sales are allocated to countries according to the VAT regulations.

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

| | EXTERNAL REVENUE | | EXTERNAL REVENUE | |
|---|---|---|---|---|
| | 2012 in EUR thou. | 2011 in EUR thou. | 2012 in EUR thou. | 2011 in EUR thou. |
| Germany | 271,084 | 264,086 | 188,208 | 162,045 |
| European Union | 0 | 0 | 117,728 | 107,080 |
| Rest of world | 0 | 0 | 92,865 | 114,334 |
| **Konzern** | **271,084** | **264,086** | **398,801** | **383,459** |

HANSA Group generated more than 10 percent of Group sales in fiscal year 2012 with one customer. These sales, in the amount of 51 million euro, are reported in the production segment.

## (33) DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 OF THE AKTG

The Management Board and Supervisory Board issued a declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the AktG and made available to shareholders on our website, at *http://www.hansagroup.de/en/investorrelations/corporate-governance/entsprechenserklaerung.html*.

## (34) MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The Management Board consisted in 2012 of the following members:

- Thomas Pfisterer
  Economist, Ibbenbüren; Marketing, Sales and HR, Speaker of the Management Board since June 6, 2012,

- Dr. Volker Bauer
  Chemical Engineer, Genthin, Production and Supply Chain Management (since January 1, 2012),

- Zolfaghar Alambeigi
  Businessman, Düsseldorf, Strategic Corporate Development and Finance/Controlling (until June 6, 2012),

- Meinolf Nöthe
  Business Administration Graduate, Bocholt, Finance, HR and Trading (from 6 June, 2012 to September 30, 2012).

The entire Supervisory Board was re-elected during the Annual General Meeting held on August 24, 2012 and comprises the following members:

- Lothar Venn (Chairman)
  Independent Laywer with HTM Meyer Venn & Partner, Hamminkeln,

- Dr. Lutz Mögling (Deputy Chairman)
  Chemistry Graduate, retired, Kleinosterhausen,

- Ahmad Nazemi
  Chemical Engineer, member of the Board of Directors at United European Investment AG (Zollikon/Schweiz), Düsseldorf (since August 24, 2012)

- Dr. Stefan Kissinger
  Business Consultant, Zella-Mehlis (until August 24, 2012).

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.

The remuneration of the members of the Management Board due on a short-term basis amounted to 642 thousand euro in full-year 2012 (previous year: 586 thousand euro).

A total of 302 thousand euro (182 thousand euro in fixed and 120 thousand euro in performance-related remuneration) was paid to the members of the Management Board who left during the course of the fiscal year.

Thomas Pfisterer received fixed remuneration in the amount of 175 thousand euro and 7 thousand euro in performance-related remuneration. Dr. Volker Bauer received fixed remuneration only totaling 158 thousand euro. In addition, an agreed pension entitlement, for which 425 thousand euro has been reserved in the current fiscal year, also exists for Thomas Pfisterer.

The fixed remuneration of Thomas Pfisterer, Dr. Volker Bauer, Zolfaghar Alambeigi, and Meinolf Nöthe included non-cash and other benefits of 8 thousand euro, 7 thousand euro, 7 thousand euro, and 9 thousand euro respectively, totaling 31 thousand euro. These benefits primarily related to the taxable value of the personal use of a company car.

As in the previous year, no personnel expense related to share-based payments needed to be taken into account for 2012.

The remuneration of the Supervisory Board amounted to 40 thousand euro (previous year: 40 thousand euro) in fiscal year 2012. 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 nine occasions during fiscal year 2012. The Management Board reports were discussed in detail at these meetings, and the Company's development potentials were examined 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 320 thousand euro (previous year: 180 thousand euro); this entire amount was for the audit.

### (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):

On August 28, 2012, United European Investment AG informed us that its share of voting rights in HANSA GROUP AG, Genthin, Germany, surpassed the 25 percent threshold on August 9, 2012 and totaled 25.02 percent on that date (corresponding to 12,030,000 voting rights). Hansa Trust International AG therefore held a total of 42.82 percent of voting rights (indirectly and directly) in HANSA GROUP AG as of December 31, 2012, making it the ultimate parent company in accordance with IAS 24.

As in the previous year, the percentage of voting rights held by Hansa Trust International AG amounts to 17.8 percent.

### (37) RELATED PARTY DISCLOSURES

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. The shareholding of United European Investment AG was 25.02 percent and the direct shareholding of Hansa Trust International AG was 17.8 percent as of December 31, 2012. Hansa Trust International AG therefore held a total of 42.8 percent of voting rights (indirectly and directly) in HANSA GROUP AG as of December 31, 2012, making it the ultimate parent company in accordance with IAS 24.

Both companies are related to HANSA GROUP AG. United European Investment AG is a consulting and investment company and also trades in goods and provides inventory financing. Hansa Trust International AG is a consulting and investment company. Both companies are headquartered in Switzerland. Neither sales (previous year: 0 thousand euro) nor expenses (previous year: 0 thousand euro) were incurred 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).

Deliveries to Savanna AG, a wholly-owned subsidiary of Hansa Trust International AG, of 141 thousand euro (previous year: 1,620 thousand euro) were also made by HANSA GROUP AG during fiscal year 2012; at the same time, services were obtained in the amount of 526 thousand euro (previous year:

20 thousand euro). Prepayments by Savanna AG for deliveries in an amount of 16,948 thousand euro existed at the balance sheet date (previous year: 15,384 thousand euro). Liabilities in an amount of 180 thousand euro (previous year: 3,894 thousand euro) were also reported.

As in the previous year, LUHNS GMBH made no purchases from Savanna AG in 2012. 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 income in 2012 amounted to 25 thousand euro. The term of the loan was extended by one year. 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 2012. Further business relations existed in conjunction with the sale of shares in 2010 for the LUHNS Grund and Cosewa Cosmetics GmbH companies. There were no receivables vis-à-vis Cosewa Cosmetics GmbH as of the balance sheet date (previous year: 5 thousand euro). LUHNS GmbH also assigned trade receivables in the amount of 4,717 thousand euro to Savanna AG in 2011 (previous year: 0 thousand euro). Receivables of 6,240 thousand euro existed vis-à-vis Savanna AG as of December 31, 2012 (previous year: 6,160 thousand euro).

An agency agreement existed between LUHNS GmbH and Florin Immobilienverwaltungs AG & Co KG I, an associated company of Savanna AG. LUHNS GmbH received 60 thousand euro in annual remuneration. The agreement was terminated as of May 31, 2012. 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; some of these guarantees were repaid in November 2012 and some remain valid. Two loans granted, with a remaining balance of 2,174 thousand euro as of December 31, 2012, also exist (previous year: 175 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: 0 thousand euro) and its receivables to 25 thousand euro.

An agency agreement existed between LUHNS GmbH and Florin Immobilienverwaltungs AG & Co KG II, an associated company of Savanna AG. LUHNS GmbH received 60 thousand euro in annual remuneration. The agreement was terminated as of May 31, 2012. LUHNS GmbH had submitted guarantees to banks for the above-mentioned locations even before the acquisition of the shares in LUHNS GmbH; some of these guarantees were repaid in November 2012 and some remain valid. A loan granted, with a remaining balance of 110 thousand euro as of December 31, 2012, also exists (previous year: 0 thousand euro). Receivables in the amount of 600 thousand euro existed vis-à-vis Florin Immobilienverwaltungs AG & Co KG II as of the balance sheet date of December 31, 2011 (previous year: 106 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 until September 27, 2012. Gnann GmbH & Co. KG also has taken over the assets remaining following the transfer of the Bopfingen production location to Genthin in fiscal year 2011 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 2012. This resulted in the disposals of property and assets in excess of 755 thousand euro as of December 31, 2011.

In fiscal year 2012, LUHNS GmbH bought back trademark rights and formulations, which it had sold for EUR 4,750 thousand euro in fiscal year 2010, for 4,750 thousand euro from Luhns Grundstücksverwaltungs GmbH. The VAT settlement from this agreement resulted in a liability of 902 thousand euro as of December 31, 2012.

In fiscal year 2011, LUHNS GmbH entered into a cooperation agreement with United European Investment AG (UEI AG) regarding the acquisition of finished goods in the amount of 5,914 thousand euro. The agreement is for a so-called sale-and-buy-back transaction. The economic ownership of the finished goods remains with LUHNS GmbH. The amount covered by the agreement was recognized as current loan liabilities. LUHNS GmbH concluded a cooperation agreement for inventories outsourcing with UEI AG at the end of September 2012. The agreement stipulates that LUHNS GmbH will sell a defined portfolio of finished goods on October 1, 2012 to UEI AG, at a price determined by the exact offsetting of the actual inventory against total manufacturing costs, plus a margin. UEI AG and LUHNS GmbH have also concluded an agreement on the sales commission. Inventory sold to UEI AG in total amounted to 10,931 thousand euro. Receivables of 5,097 thousand euro (previous year: 2,146 thousand euro) and liabilities of 67 thousand euro existed vis-à-vis United European Investment AG as at the balance sheet date of December 31, 2012.

An outsourcing agreement was concluded between Denamond GmbH, a wholly-owned subsidiary of UEI AG, and Luhns GmbH. Through the assumption of purchasing activities by Luhns GmbH, but also HANSA GROUP AG as well as Waschmittelwerk Genthin GmbH, this agreement provides for improved purchasing possibilities. The products bought under this agreement are resold to Group companies with an added margin. The outsourcing agreement defines the outsourcing of the Luhns purchasing department to Denamond as well as reselling and has a term of five years. Hansa Group, Luhns, and WWG have taken on the joint and several liability to provide a directly enforceable security totaling 4 million euro to secure all contingent and limited claims from and in connection with the deliveries made under the outsourcing agreement. As of December 31, 2012, Luhns GmbH's liabilities came to 19,104 thousand euro and Waschmittelwerk Genthin's to 6,334 thousand euro.

ICAN GmbH, of which Khodayar Alambeigi is the general manager, and HANSA GROUP AG concluded an IT service agreement. It has a termination period of six months and states annual compensation of 360 thousand euro. HANSA GROUP AG provided ICAN GmbH with premises within the scope of a rental agreement. Annual rent amounts to 26 thousand euro and the agreement runs for an indefinite period. In addition, HANSA GROUP AG sold land to ICAN GmbH in the amount of 500 thousand euro in fiscal year 2012. As of the balance sheet date on December 31, 2012, there were receivables vis-à-vis ICAN GmbH of 0 thousand euro as well as liabilities of 13 thousand euro.

Family dependents of the Management Board received remuneration of 16 thousand euro in the context of contracts of employment during fiscal year 2012 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 2012 was 132 thousand euro (previous year: 127 thousand euro). Liabilities in an amount of 0 thousand euro remained open at the balance sheet date (previous year: 0 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 (previous year: 63 thousand euro). LUHNS GmbH had no open receivables or liabilities as of December 31, 2012.

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

## (38) UTILIZATION OF SECTION 264 (3) OF THE HGB

The following domestic subsidiaries utilized the exemption option under section 264 (3) of the HGB in fiscal year 2012:

- LUHNS GmbH, Wuppertal
- Waschmittelwerk Genthin GmbH, Genthin
- Chemische Fabrik WIBARCO GmbH, Ibbenbüren

## (39) APPROVAL OF THE ANNUAL ACCOUNTS

The consolidated statement of accounts for December 31, 2012 was examined, approved and thus cleared for publication by the Supervisory Board of HANSA GROUP AG at its meeting on May 02, 2013.

Genthin, April 30, 2013
**HANSA GROUP AG**
The Managament Board

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, 2012 to December 31, 2012. 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.

Düsseldorf, April 30, 2012
**BDO AG**
Public accountants and Auditors

| gez. Irlbeck | gez. ppa. Fries |
|---|---|
| Auditor | 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, April 30, 2013
**HANSA GROUP AG**
The Management Board

Dr. Volker Bauer

Thomas Pfisterer

# ANNUAL ACCOUNTS 2012


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# MANAGEMENT REPORT OF HANSA GROUP AG FOR FISCAL YEAR 2012

## The Company

HANSA GROUP AG is a leading integrated supplier of care chemicals used in detergents, cleaning agents and body care products in Europe. At our sites in Genthin, Ibbenbüren and Düren, we also produce high-quality surfactant materials, surfactants and intermediate chemical products. We use around half of what we manufacture for our own requirements, such as in the production of detergents, cleaning agents and body care products. We sell the remaining production volume of intermediate chemical products, surfactants and surfactant materials to customers in the chemicals and manufacturing industries.

We manufacture our detergents, cleaning agents and body care products, which are primarily marketed as private labels, at the Greven and Genthin sites of our two subsidiaries, LUHNS GmbH and Waschmittelwerk Genthin GmbH. Business activities are rounded off by contract production for trade corporations, which market our detergents, cleaning agents and body care products under manufacturer brands. We manufacture our products using high-tech facilities and in consideration of individual formulation requirements. High-performance packaging systems and filling plants ensure a variety of packaging can be produced in accordance with customer requirements.

Our strategy is focused both on the production of care chemicals for detergents, cleaning agents and body care products and on the optimization of the value added chain. As a result, our mission is to carry out as many upstream production processes as possible using our own production capacity. We joined forces with Chemische Fabrik WIBARCO GmbH in 2007 in the pursuit of this strategic goal. Here we manufacture surfactant materials and intermediate chemical products, most of which we then require for downstream surfactant production.

We also took over parts of the former Henkel factory in Genthin with a view to expanding the value added chain and, on this basis, set up the subsidiary Waschmittelwerk Genthin GmbH. By constructing a new surfactant plant, we substantially increased surfactant production capacity at the Genthin site. We use these surfactants as a basis for the production of detergents, cleaning agents and body care products at our other subsidiary, LUHNS GmbH, which we acquired in 2010. Whatever we do not need for our own production requirements is sold on the lucrative surfactant market. In short, we cover the entire value added chain – from surfactant materials and intermediate chemical products through to finished care chemicals.

In line with our increased focus on our core business, we sold a part of our Chemicals Trading segment in the thir quarter of 2012. One of our main reasons for doing so was an almost total lack of synergies between Production and Trade. Furthermore, the international chemicals trade is undergoing a period of consolidation and is increasingly dominated by globally operating corporations.

Our focus on the production of chemicals and manufacture of care chemicals defines the HANSA GROUP AG strategy. We constantly streamline production and logistics processes and centralize functions, particularly at our Genthin site, which has also been home to our Group headquarters since 2012.

## Macroeconomic framework

### Global economy

The global economy experienced further growth in the previous year. However, economic development slowed and resulted in global GDP growth of around 2 percent.  The primary factors behind this trend remained the financial crisis in Europe, the sovereign debt crisis in the USA and the growth slowdown experienced in emerging markets in Asia.

As a whole, the economy in Western Europe experienced slightly negative growth on account of recession-hit economies, particularly in Southern Europe. Economic growth in Eastern Europe fell to around 2 percent, primarily as a result of a drop in demand from Western Europe. Asia (not including Japan), Latin America and Africa/Middle East all reported relatively robust economic growth. The Asian region (not including Japan) saw its economic output rise by some 5 percent, mostly due to development in China and India.

Overall, industrial production expanded by around 3 percent. However, fluctuating economic growth and the somewhat tense political situation in the Middle East were responsible for further volatile feed material prices in 2012. However, changes remained moderate in terms of the average price level. According to information published by the Organization of Petroleum Exporting Countries (OPEC), the average price of West Texas Intermediate (WTI) crude oil was down by around 1 percent year on year at 94.09 US dollars per barrel. At 2.5 percent, the increase in consumer spending was still relatively low. In Western Europe, consumer spending was down slightly on account of the sovereign debt crisis, whereas the same figure rose by around 1 percent in Germany.

### Germany

After a positive start to 2012, the German economy experienced a notable slowdown in the second half of the year. However, in spite of the escalating sovereign debt crisis affecting a number of European countries, growth was nevertheless achieved over the year as a whole. According to forecasts published by the Federal Statistical Office, GDP in Germany rose by 0.7 percent but fell substantially short of the growth rates of previous years, which were driven by general recovery in the wake of the 2009 global financial crisis. Exports proved to be the most important growth driver in 2012. Increases in export volume to countries outside of the European Union (EU) more than compensated for declining exports to EU member states.

### Development in our relevant markets

At 2.6 percent, global growth in chemical production was significantly lower than in the previous year (+3.8 percent). Expectations that demand for products in the chemicals industry would recover in the second half of the year were not met. The reasons for this were weak economic development in industrialized nations and subdued growth in many emerging markets. Chemical production in the EU was down 1.4 percent in 2012. In Germany, production levels fell by an average of 3.1 percent over the year. Declines in production were also seen in other European countries. At the same time, major declines in production in important customer segments led to a further drop in demand for primary chemical products.

Slight economic recovery also brought with it increasing feed material prices. Rising oil prices and high demand, primarily from Asia, led to a steep rise in the prices of the main feed materials n-paraffin and benzene over the course of 2012. The start-up of new LAB capacities in Asia led to a decline in import demand from Europe (-6.0 percent) compared to 2011. Rising demand in Asia absorbed new local capacities, meaning that pressure of imports into Europe fell substantially once again (-39.0 percent).

Global demand for linear alkyl benzene (LAB) grew, which caused demand for linear alkyl benzene sulfonate (LAS) to fall. Demand in our domestic market of Europe fell by 4 percent. This is due, in particular, to the occasional reduction of surfactant content in detergents and cleaning agents and to changes in

formulations in favor of other, cheaper surfactants, as LAB and LAS are relatively expensive due to their respective feed materials. The decline seen in powder detergents (-4.0 percent to -5.0 percent per year) is also a contributing factor to falling LAS consumption, as powder detergents have a higher LAS content than liquid detergents.

According to data published by the GfK, turnover in the German retail industry rose year on year by around 1.0 percent, reaching a volume of EUR 410.1 billion. The slight economic upturn experienced in the previous year continued into 2012 and had a positive impact on the employment market. However, according to GfK, consumer sentiment is mixed. Although consumer spending is low, expectations in terms of future income and propensity to buy have "noticeably" increased despite sluggish economic development.

The Industrial Association for Body Care and Cleaning Products (Industrieverband Körperpflege- und Waschmittel e.V. – IKW) estimates that, with the exception of cleaning agents, the cosmetics and household detergents sub-markets have grown in 2012. The beauty care segment is expected to generate a volume of 12.9 billion euro, corresponding to a rise of 1.4 percent, and the household detergents market is anticipated to generate 4.3 billion euro (+0.9 percent). In terms of personal care products, hair care products represented the largest market with an overall share of 23 percent. This segment and the skin/face care segment have increased year on year.

In terms of detergents and cleaning agents, universal detergents once again represented the largest submarket, increasing by 5.0 percent during the year. Special detergents fell slightly by around 0.8 percent, as did the auxiliary washing agents market by around 2.6 percent. Fabric conditioner rose 2.0 percent year on year. Household cleaning agents had a negative impact, falling by 7.1 percent.

## Significant events in fiscal year 2012

At the start of 2012, we completed the change to the Deutsche Börse's Prime Standard for HANSA stock and strengthened our orientation towards the requirements of the capital market. The Prime Standard represents the highest level of transparency in Europe and requires the publication of quarterly reports, among other things.

After a successful test run, the new surfactant plant in Genthin was commissioned in February 2012. The plant has a nominal capacity of 100,000 tons per year, the majority of which will be used for in-house production of care chemicals.

The impairment tests carried out during the measurement of interests for the purposes of the financial statements pursuant to German commercial law gave rise to a non-cash impairment loss on the lower fair value of the capitalized value of LUHNS. The calculation of capitalized earnings is based on corporate planning.

At the Annual General Meeting of August 24, 2012, the Management Board and Supervisory Board of HANSA GROUP AG proposed to approve the profit and loss transfer agreements concluded between HANSA GROUP AG and Chemische Fabrik WIBARCO GmbH, Waschmittelwerk Genthin GmbH and LUHNS GmbH on July 11, 2012. The proposal was approved unanimously. The companies are included in the consolidated financial statements of HANSA GROUP AG, Genthin, which are published in the Federal Gazette. Exemption of the companies

from the provisions in accordance with section 2, subsection 4 of the third book of the German Commercial Code (sections 325-329 HGB) for the fiscal year 2012 was also approved (section 264 (3) no. 1 HGB).

The Annual General Meeting in August resolved to distribute a dividend of 0.10 euro per share. Based on the share price at the time of the resolution, this equates to a dividend yield of just under 4.7 percent.

In the fourth quarter, we decided to further reduce the number of sites and move the research and development site in Wuppertal to Genthin and Greven. During this reorganization process, it was ensured that skills and knowledge were pooled at strategic production sites. By optimizing the organizational structure, we want to meet the requirements of our customers even better and increase both operational and technological efficiency. In the future, the Group will have production sites in Düren, Genthin, Greven and Ibbenbüren as well as an administrative and sales site in Duisburg.

With the sale of part of the HANSA GROUP AG's Trade segment, we have made a decisive step forward in our mission for a more profitable value added chain in Care Chemicals. The sale of the Trade segment gives us more room to maneuver in terms of strengthening our core business that will now consist of the Chemicals and Consumer Products segments.

NordLB successfully set up a new receivables financing program in conjunction with Raiffeisenbank International, in which all Group companies are included. The transaction volume amounts to 45 million euro. The ABS program is implemented via NordLB Luxembourg and initially has a term of three years. As a result, the ABS program with Portigon, formerly WestLB, was successfully replaced.

In December, we concluded a contract for the construction and operation of an energy supply system on the site of our subsidiary Chemische Fabrik WIBARCO GmbH in Ibbenbüren. GETEC AG will construct and operate a new energy supply system as a contractor by spring 2014. As part of the project, GETEC is investing around 5 million euro in the construction of the system that will produce steam and process heat in the future. This is the second project in which GETEC AG has joined forces with Hansa Group AG. Low-cost, efficient energy supply based on thermal oil technology will contribute towards securing the site. The ultra-modern energy supply system will save several thousand euro in energy costs every year in Ibbenbüren.

## Sales

HANSA GROUP AG sold part of its Trade segment as of October 1, 2012. The sale was conducted in several steps. Sales from trading operations were expected to drop as a result of the sale. Correspondingly, the Company's sales decreased in the fourth quarter. We achieved total sales of approximately 180 million euro for the full fiscal year 2012, which corresponds to a 66 million euro decrease year on year (2011: 246 million euro). In percentage terms, this amounts to a decline of approximately 26.8 percent.

Sales of raw and feed materials to the subsidiaries fell slightly by 4.3 million euro. The share of merchandise, in particular of machine components at 57.9 million euro, was down on the previous year's figure. Overall, sales revenue from the sale of machine components amounted to 33.1 million euro in 2012 (previous year: 69.5 million euro), which accounts for 18.4 percent (previous year: 36.6 percent) of total revenue.

The Production & Service segment contributed some 47.8 million euro (previous year: 56 million euro) to revenue in the period under review. The Trade segment accounted for the remaining 132.3 million euro (previous year: 190 million euro), thereby contributing 73.5 percent to total sales, compared to 77 percent in the previous year.

From a regional perspective, approximately 99.3 million euro was generated in the domestic market (previous year: 106 million euro), whereas Europe and the rest of the world accounted for 80.7 million euro (previous year: 140 million euro). This significant decline is primarily attributable to the disposal of parts of the trading operations in the fourth quarter. Domestic sales, including all subsidiaries, amounted to 75.5 million euro in 2012, compared to 80 million in the previous year.

## Operating result

HANSA GROUP reported earnings before interest and tax (EBIT) totaling 4.5 million euro in the year under review, compared to 19.6 million euro in the previous year. Despite an improvement of 10.3 million euro in gross profit, taking the total to 48.1 million euro, depreciation of financial assets in the amount of 10.1 million euro and the transfer of losses totaling 12.2 million euro in particular had a negative impact on EBIT.

The result from ordinary business activities, at 2.2 million euro, was lower than expected, down approximately 88.2 percent on that of the previous year (18.9 million euro). The surplus for the year is around 1.0 million euro, compared to 12.9 million euro in the previous year.

Most of the Company's production capacities were well utilized. This statement refers to the relevant product mix adopted at the respective locations. In multi-product facilities such as Düren, Greven and Genthin, capacity is always dependent on the range produced.

As a percentage of sales, material expenses increased slightly from 85.5 percent to 86.1 percent. In absolute terms, material expenses increased by 55.4 million euro to 155.0 million euro. Material expenses are directly related to the decline in the share of the trading business.

Personnel expenses decreased in absolute terms from 6.1 million euro to 5.7 million euro in 2012. Expressed as a percentage of sales, this resulted in these expenses increasing from a labor intensity of some 2.5 percent in the previous year to around 3.2 percent in 2012.

The financial result declined by approximately 0.7 million euro year on year. Interest income was 0.9 million euro lower than in the previous year. This is essentially due to lower interest income from affiliated companies. In addition, the write-down on the interest in LUHNS GmbH had a negative, non-cash impact on earnings of approximately 10 million euro. Interest expenses decreased by 0.2 million euro.

As in the previous year, extraordinary expenses 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 Introductory Act to the German Commercial Code (EGHGB), i.e. 1/15 accrued amounted to 29 thousand euro.

On account of the profit and loss transfer agreements concluded between the Hansa Group AG and its subsidiaries during the year under review, a combined tax rate of 30.32 percent (previous year: 31.93 percent), which corresponds to the tax rate of the Hansa Group AG, was determined based on the payroll of the individual sites.

Earnings per share decreased from 0.27 euro to 0.02 euro.

## Net assets and financial position

HANSA GROUP's total assets decreased by 1.2 percent on the previous year, to 232.5 million euro (total assets as of December 31, 2011: 235.4 million euro).

Net assets fell by 10.6 million euro to 126.8 million euro, compared to 137.4 million euro in the previous year. This fall of 7.7 percent is mainly attributable to the 7.1 million euro decrease in financial assets.

Inventories were reduced considerably in the year under review. At 5.3 million euro as of the balance sheet date, these were down 37.0 percent on the previous year (2011: 8.5 million euro). This is mainly due to the decrease in advance payments by 1.9 million euro to 0.6 million euro and in finished goods by 1.6 million euro to 4.0 million euro.

Trade receivables increased by 15.6 million euro in 2012. This is mainly due to the increase in receivables from the Trade segment vis-à-vis other countries.

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 fell slightly from 26.2 percent to 24.9 percent. In absolute terms, equity as of December 31, 2012 amounted to 57.8 million euro. The decrease in equity is directly related to the losses carried forward, which remain unchanged compared to the previous year, and the dividend payment of 4.8 million euro.

Provisions for taxes in particular caused provisions to rise by 4.0 million euro in 2012.

Liabilities to banks rose to around 82.8 million euro as of December 31, 2012 (previous year: 63.8 million euro). The difference of around 19 million euro essentially pertains to use of the credit line, which, as of the balance sheet date, was up approximately 15 million euro on the previous year. The remaining increase is attributable to a new loan from IKB in the amount of 3.4 million euro as well as a domestic fixed rate loan from NordLB in the amount of 10 million euro, of which 7.5 million euro were used as of December 31, 2012. However, these replace for the most part the loans from Commerzbank, LBBW and WestLB. No repayments on these loans above and beyond the scheduled installments are planned for 2013.

The ABS program with Portigon, formerly WestLB, which has been used as an instrument for financing receivables, was continued in 2012 for the purpose of securing liquidity. This instrument was replaced by the ABS program with NordLB in February 2013. Credit lines had been taken up in the amount of some 37.1 million euro as of the reporting date; bank deposits amount to approximately 17.9 million euro. Available liquidity amounts to 20.8 million euro on the basis of these deposits and of the readily available lines of credit (December 31, 2011: 49.9 million euro). Future liquidity is primarily secured by the ABS

program with credit lines of 45 million euro, cash pooling arrangements with subsidiaries and current account facilities amounting to 40 million euro (previous year: 40 million euro). In addition, guarantees totaling more than 1.1 million euro were also available as of the reporting date.

The Management Board assessed the Group's economic situation and development as being positive overall at the time of preparing this management report. The decisions made in 2012 were implemented successively and are reflected in the results. Both the macroeconomic performance and the development of the Company provide a sound basis for continuing profitable growth. Continued concentration on effectively recession-proof sectors and the completion of the surfactant plant at the Genthin location in 2012 are optimum preconditions for further positive development of HANSA GROUP AG.

## Investments

No significant investments were made in tangible or intangible assets in the year under review. Merely 0.2 million euro of the total of 3.2 million euro (previous year: 0.3 million euro) accounted for replacement and expansion investments made within ongoing business. The main amount of 3.0 million euro was attributable to the increase in interests in the subsidiary based in Genthin as a result of strengthening the Company's equity base.

## REACH

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. Expenses incurred here in 2012 came to 0.03 million euro. Expenses for REACH in 2011 were 0.1 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 actively supports the "Responsible Care" initiative by the German chemicals sector, a program that has been joined by around 70 companies in the industry. Though the existing statutory requirements concerning safety, health and environmental protection are already strict, we see them as a minimum goal, which we want to surpass.

In our core business of chemical products, we consider compliance with high quality standards to be a basic requirement if we want to maintain an advantage in day-to-day competition. Chemical purchasers and processors refer increasingly to certification standards recognized internationally throughout the industry. We have made it our objective to always offer our customers more than the required minimum.

Focusing on the value chain demonstrates our increased concern with the issues of energy and environmental management. We acknowledge our ecological and social responsibility, having begun at an early stage to define detailed guidelines and targets for product and plant safety, hazard avoidance, occupational health and safety, environmental protection and transportation safety. HANSA GROUP and its subsidiaries take great care that plants and other facilities pose no danger to the health of employees or to the environment. To ensure this, all employees receive training at regular intervals in all issues relevant to their work. We are guided at all of our sites by the guidelines laid down in management systems for occupational health and safety in accordance with BS OHSAS 18001:2007.

To minimize health and environmental hazards in the production, transportation and use of chemicals and hazardous materials, we adhere strictly to the Globally Harmonized System of Classification and Labeling of Chemicals (GHS). In accordance with these internationally uniform standards, chemicals are classified, labeled on packaging, and compiled in extended safety data sheets.

Conformity with recognized quality standards is an indication of a company's performance and delivery capability. HANSA GROUP comprehensively meets the demands of its customers, and we also use of these demands to define our Group-wide minimum operational standards. A comprehensive management system based on the DIN EN ISO 9001:2008 standard complements high quality standards and guarantees our customers flawless products.

## Employees

As of the balance sheet date on December 31, 2012, HANSA GROUP employed a total of 57 persons at its Duisburg, Düren and Berlin sites, 70 fewer than the previous year. A total of 40 persons are employed in administrative functions and 17 persons in production. At the close of fiscal year 2012, no apprentices were employed at the Duisburg and Düren sites (previous year: eight apprentices). The decline in headcount was primarily due to the sale of part of the company's trade operations.

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 occupational health and safety, and on fire safety, in particular, in addition to environmental protection.

## Significant events after the balance sheet date

HANSA GROUP AG is continuing with its successful chemical park strategy at its respective sites. Solvay Novecare is to construct a modern plant for the production of special surfactants and the required feed materials at the Company headquarters in Genthin. The new plant will ensure that the special surfactants required for the production of care chemicals for detergents, cleaning agents and body care products will be manufactured on site. This not only reduces logistics costs, the joint use of operational infrastructure also offers the potential for synergies at the Genthin site. Furthermore, we will also deliver an array of feed, auxiliary and operating materials to Solvay and provide corresponding services. Local, on-site access to these special surfactants will increase the efficiency of our value added chain even further.

With Solvay, HANSA GROUP AG has once again succeeded in bringing a widely acclaimed partner to a HANSA site as part of our chemical park model. At the end of the previous year, we concluded a contract with energy supplier Getec regarding the construction of an energy supply system for Chemische Fabrik WIBARCO GmbH in Ibbenbüren. Compared to the current situation, the high-tech energy supply system will enable several thousands of euro in energy costs to be saved every year.

NordLB successfully set up a new ABS program in conjunction with Raiffeisenbank International, in which HANSA GROUP AG and its subsidiaries are included. As a result, the ABS program with Portigon, formerly WestLB, was successfully replaced in February 2013.

Another step toward the implementation of the Group strategy was the decision in November 2012 to move away from the Wuppertal site. In the first half of 2013, the LUHNS GmbH sales offices are to be moved to Duisburg and the body care product laboratory to Genthin in preparation for this step. The R&D unit for detergents and cleaning agents is to relocate to Greven at the end of 2013.

Our focus on the production of chemicals and the manufacture of care chemicals defines the HANSA GROUP AG strategy. We constantly optimize production and logistics processes and centralize functions. We reorganized our segments at the beginning of Q1 2013. Value creation at the Group is now organized into two business areas: Chemicals and Consumer Products. Each of these business areas complements the other perfectly and offers significant potential for synergies across the Group.

## 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 our 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 these 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. 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

### Opportunities

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, primarily on detergents, cleaning agents and body care products, all of which are relatively immune to economic fluctuations. Given the current status of production, there is currently still additional potential for improving margins within this product group, both via backward 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.

We see opportunities to expand our market position in Europe in all of our areas of business. Along with neighboring Western European countries such as France, Great Britain and the Benelux states, we also have our sights on Eastern European growth markets, including Poland and the Czech Republic.

We also believe we can unlock further opportunities by seizing potential in the value added chain. This includes optimizing production processes and logistics in particular. We can increase productivity within production processes through learning effects alone. In terms of logistics, we are focusing on the production sites in Genthin and Greven. We are also continuing to pursue our chemical park model, in which we aim to attract suppliers and business partners to set up shop at our production sites.

### Risks

HANSA GROUP's positive development prospects expose us to high standards and risks, which must be met and averted respectively. 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 risks

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

In addition, insurance has been taken out 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 (see also Notes 7.6 **Disclosures on financial instruments**). 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 9.8 million USD as of December 31, 2012 (previous year: 3.2 million USD).

Long-term loans at fixed rates of interest are taken out 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 short-term financing of non-current assets has been used 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 equity increases, 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 it 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, 2012. Of these, around 35.1 million euro had been drawn as of the balance sheet date. Together with bank deposits totaling some 17.9 million euro, available liquidity therefore came to 20.8 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 receivables financing (ABS program) are used in order to assure future liquidity and compensate for major prefinancing transactions. NordLB successfully set up a new ABS program in conjunction with Raiffeisenbank International, in which all Group companies are included. The transaction volume amounts to 45 million euro. The ABS program is implemented via NordLB Luxembourg and initially has a term of three years. As a result, the ABS program with Portigon, formerly WestLB, was successfully replaced as of February 2013. The reverse factoring agreement with Coface Finanz GmbH is still in existence and can still be utilized up to a volume of 20 million euro as of December 31, 2012.

The risk of asset impairment can occur if the assumed interest rate applied in an impairment test changes or the forecast cash flows decline. We do not expect any change to the above parameters over the medium term. The established 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 such as the ABS program and reverse factoring are being continuously optimized in order to assure HANSA GROUP’s future solvency in the long term. Credit and accounts payable management is also being further improved. In addition, the Annual General Meeting has approved a number of provisions for increasing the Company’s capital stock, which in addition to securing the liquidity situation can be used for refinancing the investments made in recent years, as well as improving balance sheet ratios by strengthening the equity base and, where appropriate, 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 existing loan guarantee was extended accordingly by 6.5 million euro to 43.8 million euro effective January 3, 2012. The provision of this loan is contingent on adherence to certain financial indicators (covenants) on the basis of the consolidated financial statements. Some covenants were not fulfilled in 2012. Only the non-attainment or non-compliance with covenants over the long term would lead, after the expiry of an appropriate notice period without success, to the provision or increase of collateral and/or an increase in margins. 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 a declaration of guarantee to LUHNS GmbH to hedge all of the latter's receivables from Savanna AG and Hansa Chemie International GmbH & Co. KG (formerly 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 our 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, since cleaning agents 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 these 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 global sourcing and long-term contracts with suppliers. 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 is attached to the elimination of technical problems and production downtime. Regular equipment maintenance and permanent 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. 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 continue to be located in Duisburg. The Düren location is dedicated exclusively to surfactants production.

The WIBARCO subsidiary, based in 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 location-based services are also furnished.

LUHNS, with a production facility in Greven and administrative center in Wuppertal, joined us in May 2010. LUHNS is one of Europe's top companies in the production and packing of private label detergents, cleaning agents and cosmetics with annual production of some 220 million product units.

## Outlook

Further growth in surfactants and Consumer Products will allow us to improve production capacity utilization in 2013 and reduce fixed costs further.

We will move away from the Wuppertal site as planned over the course of 2013. This will reduce complexity and the number of interfaces and leverage further cost synergies. The establishment of further production plants at the Genthin site will increase the site's vertical integration. This will allow further increases in terms of production capacity efficiency as well as cost savings. We aim to transform the Genthin location into a high-performance chemical park.

We will also continue to improve Group structures in fiscal year 2013, making HANSA GROUP's operations even more efficient. By centralizing important functions such as accounting, IT, finance and human resources, standardizing management systems and processes and further optimizing cooperation between subsidiaries, we want to further exploit existing synergies in the future.

Our business activities are influenced by both the general economic situation and the stability of the detergents, cleaning agents and body care products market. These extremely high-volume markets show how much potential our Company has. We intend to expand our product portfolio and increase capacity utilization through further organic growth, such as by expanding contract manufacturing for third parties.

The successful production start for the surfactant plant in 2012 is an important milestone in the history of our company and has led to a substantial increase in surfactant production volume. In 2013, we will expand our share in the surfactant market on the basis of this highly efficient production capacity. We anticipate strong growth in the Surfactant segment, primarily due to the increase in capacity utilization of the surfactants plant. The successful expansion of production in Düren in 2012 is also promoting further growth in terms of surfactants. Taking into account the profits and losses transferred by our subsidiaries, we therefore expect sales and earnings to be up slightly as against 2012.

The great influence of feed materials prices on our business makes it very difficult to formulate a forecast for fiscal year 2014. On the assumption of otherwise constant conditions, we anticipate sales growth in the Surfactants segment of between 2 percent and 3 percent, and a proportionate year on year rise in net income for the year. We will continue and intensify our measures aimed at cutting costs and enhancing efficiency by optimizing the production program, streamlining organizational structures and reducing the number of sites in order to permanently improve the net income situation. A more detailed statement on the result can only be made in the course of the current fiscal year, as only then will developments and trends in the global economy and markets become more predictable.

Measures are currently being planned to strengthen our stock market presence in order to guarantee further dynamic growth of the Company over the next few years. This will also support our medium-term plan to raise capital. 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, where possible, for the repayment of 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 for the total year of 2012 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.

Standard insurance policies also exist for the members of the Management Board, including financial liability insurance, in the form of a so-called "Directors & Officers Insurance".

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 own 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 | 25,02 |
| HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International AG, Switzerland | 17,80 |

| SHAREHOLDER | indirectly held shares in % |
|---|---|
| HANSA TRUST INTERNATIONAL AG, formerly Hansa Chemie International, Switzerland | 25,02 |

### 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 HGB.

## 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 with section 133 (1) of the AktG, Art. 5 (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 been authorized, upon agreement by the Supervisory Board, to issue bearer or registered convertible bonds, bonds with warrants, income bonds and/or profit-sharing rights or a combination of such instruments (hereinafter collectively referred to as "bonds"), with or without restriction of term, with a total face value of up to 50,000,000.00 euro on one or more occasions up to August 23, 2017, and to grant or impose conversion rights or obligations and/or option rights or obligations on no-par bearer shares of the Company to the bondholders or creditors of bonds in a proportionate amount of the capital stock up to a total of 24,000,000.00 euro, subject to the specific details of the bond terms. The bonds may also be issued against payment in kind for the purpose of acquiring companies, interests in other companies, company divisions or individual assets.

Bonds can be issued in euro or in the currency of another OECD member country, provided that the equivalent value in euro is not exceeded. Bonds can also be issued by a dependent entity of HANSA GROUP AG within the terms of section 17 of the German Stock Corporation Act (AktG). In such an event, the Management Board is authorized, upon agreement by the Supervisory Board, to assume the guarantee for the bonds on behalf of HANSA GROUP AG and grant conversion and/or option rights on shares of HANSA GROUP AG to the holders of such bonds.

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 11 of the Agenda of the Annual General Meeting and the corresponding resolution of the Annual General Meeting of August 24, 2012.

**3.) Conditional capital**

The Annual General Meeting on August 24, 2012 resolved to increase the capital stock by up to 24,000,000.00 euro. The capital stock is increased conditionally by up to 24,000,000.00 euro (in words: twenty-four million euro) through the issue of up to 24,000,000 (in words: twenty-four million) bearer shares (conditional capital). The conditional capital increase is only performed to the extent to which bondholders or creditors of convertible bonds, bonds with warrants, income bonds and/or profit-sharing rights or a combination of such instruments issued or guaranteed by the Company or by a dependent entity of the Company until August 23, 2017 on the basis of the Management Board authorization resolved by the Annual General Meeting on August 24, 2012 exercise their options and conversion rights or to which bondholders or creditors issued with conversion obligations fulfill said obligations, unless the Company chooses other forms of fulfillment (cash contribution, use of own shares or new shares from the utilization of approved capital). 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. The Management Board is authorized, upon agreement by the Supervisory Board, to define further details of the conditional capital increase.

**4.) Authorization to acquire and sell treasury shares**

In the Annual General Meeting on June 17, 2008, the Management Board was authorized to acquire treasury shares up to a maximum of 10 percent of the Company's capital stock until December 16, 2009. This resolution was abolished in the Annual General Meeting on July 2, 2010 and replaced by an identical authorization until July 1, 2015.

## Section 289 (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 NordLB, with lines of 45 million euro and valid until 2015, 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 HGB

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 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. The position of CFO, which was vacant as of December 31, 2012, is expected to be filled in 2013.

- External experts are consulted where necessary, as in the case, for example, of support in the preparation 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 of 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 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 current version of the German Corporate Governance Code valid at the 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/en/investorrelations/corporate-governance/erklaerung-unternehmensfuehrung.html*.

## Concluding declaration by the Management Board on the report on relations with affiliated companies

According to the circumstances known to us at the time the transactions listed in this report on relations with affiliated companies were executed, our Company received appropriate consideration for every transaction. No measures were implemented or omitted at the behest of or in the interest of the controlling company or a related company. The shareholders of Hansa Trust International AG are not known to the Management Board, but it has been given a declaration by Hansa Trust International AG in which it affirms that the shareholders of Hansa Trust International AG are natural persons and that they do not exercise any significant influence on Hansa Group AG. No public register of Hansa Trust International AG shareholders exists. The Management Board therefore assumes that the scope of relations with related companies as stated in the report on relations with affiliated companies is complete.

## 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 its option to buy 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, 2012.

Genthin, April 30, 2013
**HANSA GROUP AG**
The Management Board

Dr. Volker Bauer

Thomas Pfisterer

# BALANCE SHEET OF HANSA GROUP AG

## ASSETS

| | 31.12.2012 in EUR | 31.12.2011 in EUR |
|---|---|---|
| A. FIXED ASSETS | | |
| I. Intangible fixed assets | | |
| Concessions, industrial and similar rights and assets, and licenses in such rights and assets | **29,368** | **56,843** |
| II. Tangible fixed assets | | |
| 1. Land, land rights and buildings, including buildings on third-party land | 26,626,920 | 28,852,557 |
| 2. Technical equipment and machinery | 8,270,242 | 8,985,857 |
| 3. Other equipment, operating and office equipment | 119,066 | 604,667 |
| 4. Prepayments and assets under construction | 264,347 | 318,283 |
| | **35,280,574** | **38,761,364** |
| III. Long-term financial assets | | |
| 1. Shares in affiliated companies | 86,626,573 | 93,687,348 |
| 2. Loans to affiliated companies | 4,900,000 | 4,900,000 |
| 3. Long-term securities | 0 | 0 |
| | **91,526,573** | **98,587,348** |
| | **126,836,515** | **137,405,555** |
| B. CURRENT ASSETS | | |
| I. Inventories | | |
| 1. Raw materials, consumables and supplies | 680,762 | 319,985 |
| 2. Finished goods and merchandise | 4,004,843 | 5,609,078 |
| 3. Prepayments | 644,760 | 2,527,535 |
| | **5,330,365** | **8,456,598** |
| II. Receivables and other assets | | |
| 1. Trade receivables | 23,600,515 | 8,022,073 |
| 2. Receivables from affiliated companies | 19,537,826 | 42,713,389 |
| 3. Other assets | 37,952,316 | 5,167,754 |
| | **81,090,657** | **55,903,216** |
| III. Cash-in-hand and bank balances | **19,113,491** | **33,262,308** |
| | **105,534,513** | **97,622,123** |
| C. PREPAID EXPENSES | **153,770** | **376,891** |
| TOTAL ASSETS | **232,524,799** | **235,404,569** |

## EQUITY AND LIABILITIES

| | 31.12.2012 in EUR | 31.12.2011 in TEUR |
|---|---|---|
| A. EQUITY | | |
| I. Subscribed capital<br>Conditional capital EUR 24.000.000,00 (Vorjahr: EUR 23.381.200,00) | 48,077,900 | 48,077,900 |
| II. Capital reserves | 6,531,924 | 6,531,924 |
| III. Revenue reserve | 2,214,309 | 0 |
| IV. Net accumulated profits | 958,319 | 7,022,099 |
| | **57,782,453** | **61,631,923** |
| B. PROVISIONS | | |
| 1. Provisions for pensions and similar obligations | 1,031,141 | 1,004,271 |
| 2. Provisions for taxes | 6,098,041 | 3,081,161 |
| 3. Other provisions | 2,227,163 | 1,319,175 |
| | **9,356,346** | **5,404,607** |
| C. LIABILITIES | | |
| 1. Liabilities to banks | 82,834,000 | 63,814,695 |
| 2. Payments received | 17,583,842 | 25,942,329 |
| 3. Trade payables | 52,201,366 | 67,539,001 |
| 4. Payables to affiliated companies | 3,256,136 | 0 |
| 5. Other liabilities, of which taxes:<br>EUR 213,469.17 (previous year: EUR 65,435.00) | 8,151,900 | 3,940,505 |
| | **164,027,245** | **161,236,531** |
| D. DEFERRED TAX LIABILITIES | **1,358,755** | **7,131,507** |
| TOTAL EQUITY AND LIABILITIES | **232,524,799** | **235,404,569** |

# INCOME STATEMENT OF HANSA GROUP AG

| | 31.12.2012 in EUR | 31.12.2011 in EUR |
|---|---|---|
| 1. Sales | 180,025,642 | 246,062,180 |
| 2. Increase (previous year decrease) in finished goods and work in progress | -995,573 | 745,622 |
| 3. Other operating income | 24,024,452 | 1,329,928 |
| 4. Cost of materials | | |
| a) Cost of raw materials, consumables and supplies, and of purchased merchandise | 154,797,385 | 209,912,561 |
| b) Cost of purchased services | 199,427 | 434,701 |
| 5. Personnel expenses | | |
| a) Wages and salaries | 4,922,264 | 5,289,017 |
| b) Social security, post-employment and other employee benefit costs | 786,083 | 850,991 |
| 6. Depreciation, amortization and write-downs | | |
| on intangible fixed assets and tangible assets | 1,870,064 | 1,873,261 |
| 7. Other operating expenses | 13,738,145 | 10,037,461 |
| 8. Income from proft and loss transfer agreements | 199,155 | 0 |
| 9. Income from loans of financial assets of which from affiliated companies: EUR 562,182 (previous year: EUR 1,388,534) | 562,182 | 1,388,535 |
| 10. Interests and similar income, of which for affiliated companies: EUR 529,100 (previous year: EUR 2,023,717) | 1,148,376 | 2,051,891 |
| 11. Write-downs of assets and securities classified as current assets | 10,060,775 | 130,000 |
| 12. Interests and similar expenses, of which for affiliated companies EUR 61.48 (previous year: EUR 34,339) davon aus der Aufzinsung: EUR 69,826 (previous year: EUR 69,737) | 3,997,787 | 4,186,354 |
| 13. Expenses from loss assumption | 12,362,479 | 0 |
| **14. Results from ordinary activities** | **2,229,824** | **18,863,810** |
| 15. Extraordinary expense | 28,958 | 28,958 |
| **16. Extraordinary result** | **28,958** | **28,958** |
| 17. Taxes on income, of which income from reversal of deferred taxes: EUR 5,772,751 (previous year: EUR 167,708) | 1,193,353 | 5,934,988 |
| 18. Other taxes | 49,194 | 45,809 |
| **19. Net income for the year** | **958,319** | **12,854,055** |
| 20. Retained profits | 2,214,309 | 5,831,956 |
| 21. Transfer to revenue reserve | -2,214,309 | 0 |
| **22. Net accumulated profits** | **958,319** | **7,022,099** |

# STATEMENT OF CHANGES IN FIXED ASSETS DURING THE 2012 FISCAL YEAR

| | GROSS BOOK VALUES | | | | CUMULATIVE DEPRECIATION | | | | NET BOOK VALUES | |
|---|---|---|---|---|---|---|---|---|---|---|
| | as of 1.1.2012 in EUR | Additions 2012 in EUR | Disposals 2012 in EUR | as of 31.12.2012 in EUR | as of 1.1.2012 in EUR | Additions 2012 in EUR | Disposals 2012 in EUR | as of 31.12.2012 in EUR | as of 31.12.2012 in EUR | as of 31.12.2011 in EUR |
| I. Intangible fixed assets | | | | | | | | | | |
| Concessions, industrial and similar rights and assets, and licences in such rights and assets | **528,179** | **5,535** | **34,586** | **499,129** | **471,337** | **26,370** | **27,946** | **469,761** | **29,368** | **56,843** |
| II. Tangible fixed assets | | | | | | | | | | |
| 1. Land, land rights and buildings, including buildings on third-party land | 39,360,766 | 0 | 1,702,556 | 37,658,210 | 10,508,209 | 948,739 | 425,657 | 11,031,291 | 26,626,920 | 28,852,557 |
| 2. Technical equipment and machinery | 17,861,987 | 156,467 | 1,572,299 | 16,446,155 | 8,876,129 | 692,547 | 1,392,763 | 8,175,913 | 8,270,242 | 8,985,857 |
| 3. Other equipment, operating and office equipment | 5,390,520 | 21,195 | 2,650,088 | 2,761,627 | 4,785,853 | 202,408 | 2,345,699 | 2,642,562 | 119,066 | 604,667 |
| 4. Prepayments and assets under construction | 318,283 | 3,816 | 57,752 | 264,347 | 0 | 0 | 0 | 0 | 264,347 | 318,283 |
| | **62,931,555** | **181,478** | **5,982,694** | **57,130,340** | **24,170,191** | **1,843,694** | **4,164,120** | **21,849,765** | **35,280,574** | **38,761,364** |
| III. Long-term financial assets | | | | | | | | | | |
| 1. Shares in affiliated companies | 93,687,348 | 3,000,000 | 0 | 96,687,348 | 0 | 10,060,775 | 0 | 10,060,775 | 86,626,573 | 93,687,348 |
| 2. Loans to affiliated companies | 4,900,000 | 0 | 0 | 4,900,000 | 0 | 0 | 0 | 0 | 4,900,000 | 4,900,000 |
| 3. Long-term securities | 210,000 | 0 | 210,000 | 0 | 210,000 | 0 | 210,000 | 0 | 0 | 0 |
| | **98,797,348** | **3,000,000** | **210,000** | **101,587,348** | **210,000** | **10,060,775** | **210,000** | **10,060,775** | **91,526,573** | **98,587,348** |
| TOTAL | **162,257,083** | **3,187,013** | **6,227,280** | **159,216,817** | **24,851,528** | **11,930,839** | **4,402,066** | **12,258,750** | **126,836,515** | **137,405,555** |

# NOTES TO THE ANNUAL ACCOUNTS

SUMMARY AND ACCOUNTING POLICIES AND OTHER NOTES
ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012

## 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, 2012 have been pre-pared in euros (EUR) on the basis of the German Commercial Code and supple-mentary corporate law and company constitutional provisions.

The structures of the balance sheet and the income statement conform to com-mercial law and to supplementary statutory regulations concerning legal form. The income statement is classified using the total cost (nature of expense) for-mat 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.

| CATEGORY | Years |
|---|---|
| IT-Programs/other rights | 3 – 5 |
| 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 or market.

Finished goods are capitalized at production cost in accordance with section 255 (2) of the HGB. 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 or market.

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 disclosed 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.

Receivables bearing no interest which have a due date over one year are discounted. Hedging, in the form of forward exchange transactions, is implemented continuously in order to secure sales transactions. Receivables in foreign currency with a residual term of less than 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 necessary 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 5.04 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 2012. The deficit arising from pension obligations not recorded as liabilities amounts as of the balance sheet date to 347 thousand euro.

**Liabilities** are reported at their settlement value. Foreign currency liabilities are hedged using forward exchange transactions.

Liabilities in foreign currency with a residual term of less than 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. Ex-penses 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 net on the basis of the option granted under section 274 (1) sentence 3 of the HGB. The rate of tax for deferred taxes is 30.32 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 feed materials. The Company's sole production location and domicile

is Ibbenbüren, in the German federal state of North Rhine-Westphalia. The Company had equity of 7,508 thousand euro as of December 31, 2012.

Since March 31, 2009, HANSA GROUP AG has also held a 100 percent interest in WASCHMITTELWERK GENTHIN GmbH, with headquarters in Genthin, Saxony-Anhalt. The Company has equity of 1,985 thousand euro.

HANSA GROUP acquired 100 percent of the shares in LUHNS GmbH, Wuppertal, with effect from May 1, 2010. The Company had equity of 13,110 thousand euro as of the balance sheet date. LUHNS GmbH has a 100 percent subsidiary, LUHNS France S.A.R.L., in Sarreguemines, France; this subsidiary has equity of 390 thousand euro and incurred a loss for the year of 8 thousand euro.

Part of the trading activities were sold to HANSA Chemie International GmbH & Co. KG, Duisburg, Germany, formerly Gnann GmbH & Co. KG, Düsseldorf, Germany, a subsidiary of Max Prestige General Trading LLC, Dubai, effective October 1, 2012. This also resulted in the sale of some of the items of property, plant and equipment as well as a financial asset written down in 2011.

The details of 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 3,126 thousand euro year on year. The decline is, on the one hand, due to the drop in the figure for advance payments made for deliveries, which were taken into account in the previous year. On the other hand, we were also able to reduce inventories by optimizing processes.

Trade receivables rose by 15,578 thousand euro compared to the previous balance sheet date, primarily due to a rise in receivables vis-à-vis other countries.

The trade receivables have a residual term of less than one year.

Receivables from associated companies in total amount to 19.538 thousand euro (previous year: 42.713 thousand euro) pimarily due to receivables from cash pooling. All receivables from associated companies have a residual term of less than one year.

Other assets include receivables of 27,762 thousand euro from the agreement to sell part of the trading activities; these receivables have a residual term of over one year and are shown on the balance sheet at present value.

### 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 79 thousand euro (previous year: 147 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, 2012, 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) and, pursuant to section 204 of the AktG, to resolve on the content of the rights attached to the shares and the terms and conditions of the issue, with the approval of the Supervisory Board.

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.

According to the shareholder resolution dated August 24, 2012, the Management Board has also been authorized – with the approval of the Supervisory Board – to issue convertible bonds, bonds with warrants, income bonds and/or profit-sharing rights or a combination of such instruments with a face value of up to 50,000 thousand euro on one or more occasions up to August 23, 2017, and to grant or impose conversion rights or obligations and/or option rights or obligations to the bondholders or creditors of bonds in a proportionate amount of the capital stock up to a total of 24,000 thousand euro, subject to the specific details of the bond terms.

For the purpose of fulfilling the aforementioned conversion and/or option rights or obligations, the Management Board is further authorized in accordance with a resolution of the shareholders adopted at the Annual General Meeting on August 24, 2012 to conditionally increase the Company's capital stock by up to 24,000 thousand euro (Conditional Capital).

Profit and loss transfer agreements were signed with all subsidiaries in July 2012; these came into force as of January 1, 2012. On August 24, 2012, the Annual General Meeting of HANSA GROUP AG resolved to approve the profit and loss transfer agreements signed with the three subsidiaries. These were also approved by the annual general meetings of Chemische Fabrik WIBARCO GmbH, Waschmittelwerk Genthin GmbH and Luhns GmbH.

Capital reserves as of December 31, 2012 remained unchanged vis-à-vis the preceding year at 6,532 thousand euro.

Net accumulated profit of 3,173 thousand euro as of December 31, 2012 is composed of the current net income for the year of 958 thousand euro, plus the profit carried forward from the previous year in the amount of 2,214 thousand euro.

### 4.5 Provisions

Provisions for pensions of 1,031 thousand euro were made in 2012 (2011: 1,004 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. 5.04 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 | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Invoices and charges not yet received | 389 | 462 |
| Personnel provisions (vacation / overtime) | 309 | 197 |
| Provisions for litigation | 1,178 | 264 |
| Cost of the financial statements, consulting and publication costs | 168 | 257 |
| Provisions for interest and value added tax resulting from tax audit | 0 | 10 |
| Other provisions | 133 | 129 |
| **Total** | **2,177** | **1,319** |

Total provisions in 2012 were 9,356 thousand euro (previous year: 5,405 thousand euro).

### 4.6 Liabilities

HANSA GROUP AG liabilities amounted to 164,027 thousand euro as of December 31, 2012.

The following receivables have residual terms of up to one year: liabilities to banks (55,030 thousand euro; previous year: 36,578 thousand euro), trade liabilities (52,201 thousand euro; previous year: 67,539 thousand euro), liabilities to associated companies (0 thousand euro; previous year: 0 thousand euro), other liabilities (18,623 thousand euro; previous year: 29,883 thousand euro).

There are liabilities to banks with residual terms of more than five years in the amount of 781 thousand euro (previous year: 1,602 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.

Other liabilities include, among other things, an amount of 7,937 thousand euro relating to the sale of parts of the trading business and a long-term purchase obligation.

## 5. Notes to the income statement

### 5.1 Sales revenues

Sales revenues amounted to 180,026 thousand euro and declined by 66,036 thousand euro, or approximately 27 percent, year on year in the period under review. The breakdown of sales revenue by product segments and sales markets is shown in the following table:

| PRODUCT SEGMENTS | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Production/Service | 47,759 | 55,874 |
| Trade | 132,267 | 190,188 |
| **Total** | **180,026** | **246,062** |

| SALES MARKETS | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Germany | 99,280 | 105,957 |
| European Union | 32,942 | 39,959 |
| Rest of World | 47,804 | 100,146 |
| **Total** | **180,026** | **246,062** |

### 5.2 Other operating income

Other operating income includes income from the sale of part of the trading activities totalling 24,184 thousand euro.

## 5.3 Personnel expenses

Personnel expenses comprise the following:

| DESIGNATION | 2012 in EUR thou. | 2011 in EUR thou. |
|---|---|---|
| Wages and salaries | 4,922 | 5,289 |
| Social security contributions | 786 | 851 |
| **Total** | **5,708** | **6,140** |

Provisions for pensions amounted to 72 thousand euro (income) and resulted from release of provisions (previous year: 55 thousand euro utilized).
An average of 93 persons were employed at HANSA GROUP AG during 2012 (2011: 110 persons), of whom 36 (2011: 47 persons) were industrial workers and 57 clerical workers (2011: 63 persons). The average figures were influenced by the fact that 50 employees (as well as 12 trainees) left the company in accordance with section 613a of the BGB effective October 1 following the sale of parts of HANSA GROUP AG's trading activities.

## 5.4 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 1,870 thousand euro. In the previous year, depreciation and amortization amounted to 1,873 thousand euro.

## 5.5 Other operating expense and income

Other operating expense includes exchange rate losses of 594 thousand euro. These must be set against exchange rate gains of 27 thousand euro reported under other operating income.

## 5.6 Write-downs of long-term financial assets

The write-downs of long-term financial assets item includes a write-down on the interest in subsidiary Luhns GmbH of 10,061 thousand euro.

The extraordinary write-down on financial assets in fiscal year 2011 (130 thousand euro) was sold under the agreement to sell parts of the chemicals trading business.

## 5.7 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.

## 5.8 Income tax

Expenses for corporation tax of 3,363 thousand euro (including solidarity sur-charge) were incurred in fiscal year 2012. 3,287 thousand euro was paid in trade tax. Tax expenses also include income from the pro rata reversal of deferred tax liabilities in the amount of 5,773 thousand euro as well as expenses from reversal of tax provisions for prior periods in the amount of 314 thousand euro (previous year: income of 644 thousand euro ).

## 5.9 Earnings before interest and tax (EBIT)

EBIT decreased to 4,488 thousand euro (2011: 19,535 thousand euro), i.e. by around 77 percent, in the period under review. This includes the discounted amount from the sale of part of the trading activities (24,184 thousand euro).

## 5.10 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 positive goodwill of 16,579 thousand euro and negative goodwill of 21,061 thousand euro as of the balance sheet date. Positive goodwill results from various provisions, currency exchanges, tangible fixed assets, and anticipated losses, while negative goodwill results from tangible fixed assets and currency exchanges.

An equity and liabilities difference of 4,482 thousand euro remains after offsetting. Deferred taxes are reported net on the basis of the option granted under section 274 (1) sentence 3 of the HGB.

Deferred taxes are calculated on the basis of HANSA GROUP AG's combined rate of income tax, currently 30.32 percent. The "combined rate of income tax" includes corporation tax, trade tax and solidarity surcharge.

### 5.11 Earnings per share

The average number of outstanding ordinary shares in the year under review was 48,077,900. Basic earnings per share and diluted earnings per share both amounted to 0.02 euro.

## 6. Other disclosures

### 6.1 Items not shown on the balance sheet

Leasing agreements for operating equipment, office equipment and motor vehicles have been made in order to improve planning certainty and in view of their neutral effect on the balance sheet. These assist in releasing capital. Leasing obligations amount to 392 thousand euro (previous year: 132 thousand euro). Of this total, 207 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, 2012, HANSA GROUP AG had an overall framework of 20,000 thousand euro available for reverse factoring, of which  just 63 percent had been used as of the balance sheet date. The advantages offset the additional costs incurred for the alternative financing of merchandise purchasing.

As of the balance sheet date, HANSA GROUP AG made use of approximately 12 percent of the overall framework of 60,000 thousand euro within the context of the Asset Backed Security (ABS) agreements that have been in force for all HANSA Group companies since 2011. 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.

### 6.2 Related party disclosures

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. The shareholding of United European Investment AG was 25.02 percent and the direct shareholding of Hansa Trust International AG was 17.8 percent as of December 31, 2012.

Both companies are related to HANSA GROUP AG. United European Investment AG is a consulting and investment company and also trades in goods and pro-vides inventory financing. Hansa Trust International AG is a consulting and investment company. Both companies are headquartered in Switzerland.

Deliveries to Savanna AG, a wholly-owned subsidiary of Hansa Trust International AG, of 141 thousand euro (previous year: 1,620 thousand euro) were made by HANSA GROUP AG during fiscal year 2012; at the same time, services were obtained in the amount of 526 thousand euro (previous year: 20 thousand euro). Prepayments by Savanna AG for deliveries in the amount of 16,948 thousand euro existed at the balance sheet date (previous year: 15,384 thousand euro). Liabilities in an amount of 180 thousand euro (previous year: 3,894 thousand euro) were also reported.

### 6.3 Contingent liabilities

HANSA GROUP AG assumed contingent liabilities totaling 65,502 thousand euro (previous year: 55,084 thousand euro), of which 55,079 thousand euro relates to guarantees (previous year: 37,800 thousand euro) and 10,423 thousand euro to warranties (previous year: 17,284 thousand euro).

Within the context of the ABS agreement concluded with WestLB, HANSA GROUP AG and its subsidiaries have joint and several liability for the transferred receivables up to a maximum of 60,000 thousand euro.

HANSA GROUP AG only enters into contingent liabilities 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.

#### a) From guarantees

A guarantee accepted on behalf of WAS CHM ITT ELWERK GENTH IN GmbH (a 100 percent subsidiary) was increased to 43,800 thousand euro (previous year 37,300 thousand euro) in 2012 in the context of credit-based financing due to an additional loan.

HANSA GROUP AG has submitted a letter of comfort to GETEC AG constituting a guarantee of liquidity in the context of a long-term contract made by WASCHMITTELWERK GENTHIN GmbH for supply of electricity; the maximum utilization is 1,279 thousand euro for 2013 (previous year 0 thousand euro).

In addition, HANSA GROUP AG assumed a directly enforceable security for Chemische Fabrik WIBARCO GmbH vis-à-vis a commodities supplier in the amount of 9,600 thousand euro (previous year 0 thousand euro).

HANSA GROUP AG submitted a guarantee to a supplier of 400 thousand euro (prevoius year: 0 euro) on behalf of Denamond GmbH.

#### b) From warranties

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 9,423 thousand euro as of the balance sheet date (previous year 14,093 euro).

Within the context of the purchase agreement signed with Gnann GmbH & Co. KG for the sale of part of its trading activities, HANSA GROUP AG gave an independent guarantee regarding the accuracy of the information included in the agreement, with a maximum liability of 1,000 thousand euro (previous year 0 euro).

In addition, contingent liabilities of 3,191 thousand euro in the previous year no longer existed as of December 31, 2012.

### 6.4 Auditor's fee

For the audit of financial statements and consolidated financial statements a total of 175 thousand euro was incurred in fees for the auditor appointed during fiscal year 2012.

### 6.5 Commitments from orders as of December 31, 2012

As of the balance sheet date, there exists an order commitment in the amount of some 235 million euro, primarily for an exclusive purchase agreement for key commodities and/or chemicals. The agreement was signed for a period of ten years (expires on September 30, 2022) and is based on a guaranteed minimum purchasing volume of 230 million euro per year.

### 6.6 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, 2012 by means of an interest rate swap with a negative market value of some 64 thousand euro, which amounts to the provisions for anticipated losses from pending transactions to be recognized in other provisions. Forward exchange transactions in an amount of 9.847 million USD with a fair value of 78 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.

### 6.7 Executive bodies of the Company

The members of the Management Board can be contacted at the Company's administrative address.

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 2012, the remuneration of the members of the Management Board due on a short-term basis amounted to 642 thousand euro for the full year (previous year: 586 thousand euro).

A total of 302 thousand euro (182 thousand euro in fixed and 120 thousand euro in performance-related remuneration) was paid to the members of the Management Board who left during the course of the fiscal year.

Thomas Pfisterer received fixed remuneration in the amount of 175 thousand euro and 7 thousand euro in performance-related remuneration. Dr. Volker Bauer received only fixed remuneration totaling 158 thousand euro. Thomas Pfisterer also had a pension entitlement of 425 thousand euro as of December 31, 2012.

The fixed remuneration of Thomas Pfisterer, Dr. Volker Bauer, Zolfaghar Alambeigi, and Meinolf Nöthe included non-cash and other benefits of 8 thousand euro, 7 thousand euro, 7 thousand euro, and 9 thousand euro respectively, totaling 31 thousand euro. These benefits primarily related to the taxable value of the personal use of a company car.

Today, the Management Board comprises the following members:

- Thomas Pfisterer
  Economist, Ibbenbüren, Marketing, Sales and HR, Speaker of the Management Board since June 6, 2012,

- Dr. Volker Bauer
  Chemical Engineer, Genthin, Production and Supply Chain Management (since January 1, 2012).

Zolfaghar Alambeigi, Businessman, Düsseldorf, was the Management Board member responsible for Strategic Corporate Development and Finance/Controlling until June 6, 2012. Meinolf Nöthe, Business Administration Graduate, Bocholt, was the Management Board member responsible for Finance, HR and Trading from June 6, 2012 until September 30, 2012, after which he served as Chief Financial Officer until January 31, 2013.

The entire Supervisory Board was re-elected during the Annual General Meeting held on August 24, 2012 and comprises the following members:

- Lothar Venn (Chairman)
  Independent Laywer
  with HTM Meyer Venn & Partner, Hamminkeln,

- Dr. Lutz Mögling (Deputy Chairman)
  Chemistry Graduate, retired, Kleinosterhausen,

- Ahmad Nazemi
  Chemical Engineer, member of the Board of Directors at United European Investment AG (Zollikon/Schweiz), Düsseldorf (since August 24, 2012)

- Dr. Stefan Kissinger
  Business Consultant, Zella-Mehlis
  (until August 24, 2012).

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 due to 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, Genthin, Germany, prepares the consolidated financial statements for the largest and smallest group of companies in which the annual accounts of HANSA GROUP AG are included.

Profit and loss transfer agreements were signed with all subsidiaries in July 2012. On August 24, 2012, the Annual General Meeting of HANSA GROUP AG resolved to approve the profit and loss transfer agreements signed with the three subsidiaries. These were also approved by the annual general meetings of Chemische Fabrik WIBARCO GmbH, Waschmittelwerk Genthin GmbH and Luhns GmbH.

United European Investment AG has held 25.02 percent of the voting rights in HANSA GROUP AG since August 9, 2012. The percentage of voting rights held by Hansa Trust International AG remains unchanged at 17.8 percent.

On August 28, 2012, United European Investment AG, Pfäffikon, Switzerland informed us pursuant to section 21 (1) of the WpHG that its share of voting rights in HANSA GROUP AG, Genthin, Germany, surpassed the 25 percent threshold on August 9, 2012 and totaled 25.02 percent on that date (corresponding to 12,030,000 voting rights).

The Management Board and Supervisory Board issued a declaration of compli-ance with the German Corporate Governance Code pursuant to Section 161 of the AktG and made available to shareholders on our website, at *http://www.hansagroup.de/en/investorrelations/corporate-governance/entsprechenserklaerung.html*.

Genthin, April 30, 2013
**HANSA GROUP AG**
The Management Board

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, 2012 to December 31, 2012. 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.

Düsseldorf, April 30, 2013
**BDO AG**
Public accountants and Auditors

| gez. Irlbeck | gez. ppa. Fries |
|---|---|
| Auitor | 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, April 30, 2013
**HANSA GROUP AG**
The Management Board

Dr. Volker Bauer

Thomas Pfisterer

# FIVE-YEAR OVERVIEW

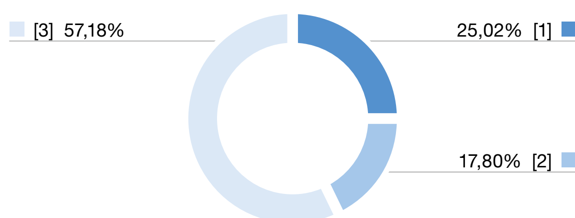
| IN TEUR | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Consolidated Turnover | 398,801 | 383,459 | 356,140 | 196,085 | 150,704 |
| Profit and loss ordinary activities | 1,139 | 6,436 | 5,832 | 47,064 | 5,870 |
| Equitity capital (Subscribed capital) | 48,078 | 48,078 | 48,078 | 48,078 | 48,049 |
| Balance sheet total | 405,058 | 405,964 | 371,610 | 246,702 | 167,712 |
| Number of employees (annual average) | 578 | 651 | 656 | 310 | 192 |
| Profit per Share in € | +0.02 | +0.09 | +0.07 | +0.94 | +0.15 |

# THE SHARES

## BASIC INFORMATION ON THE HANSA GROUP AG SHARES

| | |
|---|---|
| Security Identification Number | WKN 760 860 |
| ISIN | DE0007608606 |
| Stock exchange symbol | H4G |
| Class | Bearer shares without par value |
| Transparency Standard | Prime Standard |
| Market Segment | Regulated Market |
| Stock Exchange | XETRA, Frankfurt, Berlin, Muich, Hamburg, Stuttgart, Düsseldorf |
| End of business year | December 31 |
| Financial accounting | IFRS/HGB (German GAAP) |

## SHAREHOLDERS STRUCTURE




| | |
|---|---|
| [1] United European Investment AG | 25,02% |
| [2] Hansa Trust International AG | 17,80% |
| [3] Free Float | 57,18% |

# CONTACT / PUBLISHING DETAILS

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# HANSA GROUP AG

**HANSA GROUP AG**
Genthin

**WASCHMITTELWERK GENTHIN GmbH**
Genthin

**CHEMISCHE FABRIK WIBARCO GmbH**
Ibbenbüren

**LUHNS GmbH**
Greven

**HANSA GROUP AG**
Duisburg

**HANSA GROUP AG**
Düren

**LUHNS GmbH**
Wuppertal

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