TURBON

ANNUAL REPORT 2011

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At a glance

Turbon Group

	2011 1,000 Euro	2010 1,000 Euro	2009 1,000 Euro
Consolidated sales	80,706	75,717	85,882
Depreciation	1,210	1,234	1,715
Earnings before interest and taxes	6,490	4,847	6,754
Result from ordinary operations	5,516	3,859	5,836
Group net earnings	3,405	2,163	3,463
Earnings per share	1.03	0.62	0.96
Cash Flow	4,165	3,334	5,473
Long-term assets	19,022	20,402	20,928
Short-term assets	40,163	37,757	34,418
Shareholders' equity	24,324	23,781	23,290
Net indebtedness*	1,046	0	0
Balance sheet total	59,185	58,159	56,356
Equity ratio	41.1%	40.9%	41.3%
Employees on average	1,043	1,005	953

* Financial liabilities less liquid funds

Combined Management Report of the Group and Turbon AG for the Fiscal Year 2011

Turbon AG acts as the holding company of the Turbon Group. Alongside strategic and planning activities, its main tasks are primarily the control and coordination of the Turbon Group companies operating in the market.

Turbon AG and its subsidiaries are engaged in the field of modern office communication where electronic data are converted into documents through printout onto paper.
The companies of the Turbon Group develop, manufacture and market printer consumables and have specialized in the segment of toner cartridges for use in laser printers. For this purpose, the Turbon Group has manufacturing and distribution companies in Asia, Europe and the USA.

The company has taken advantage of the facility provided in Section 315 (3) Commercial Code (HGB) and issued a combined Management Report for the Turbon Group and Turbon AG. Since the course of business, the situation of the company and the future development risks of Turbon AG and the Turbon Group are largely the same, the following statements, unless otherwise indicated, apply to the Turbon Group.

Business Environment in 2011

GLOBAL ECONOMY

The International Monetary Fund (IMF), which reports on the development of global economic growth, calculated an increase of 3.8% in 2011. The western industrialized countries consequently recorded only a 1.6% increase in gross domestic product, and thus a significant decrease compared with the growth rate of 3.2% in 2010. In contrast, the so-called emerging and developing countries achieved GDP growth of 6.2%.

Overall, there is still great uncertainty regarding the overall economic development, especially due to the ongoing euro-crisis. The IMF expects slower growth rates also for 2012. For the euro area the IMF predicts, with a decline in GDP of -0.5%, even a mild recession.

BRANCH SITUATION

In 2011, the most important regional customer markets for the Turbon Group experienced weak growth rates, with the exception of Germany.

This low overall economic growth is also reflected in the numbers of sold printers and laser cartridges. Above average increases were reached only in the emerging and developing countries. The print volume was even down slightly in western industrialized countries[1]. The only exceptions to the above were the sales of multi-function colour devices and colour print volumes, which reached in the industrialized countries in 2011 two-digit growth rates.

[1] Source: International Data Corporation (IDC) 2011, 2012

Consolidated Financial Statements and financial statements of Turbon AG 2011

EARNINGS POSITION

Consolidated sales in the fiscal year 2011 amounted to Euro 80.7 million compared to Euro 75.7 million in the previous year. This is an increase of Euro 5.0 million (6.6%), which was mainly due to Europe (+6.9%) and the USA (+4.6%). In local currency, the increase in the USA was +9.9%.

Our core product, laser cartridges, accounted for Euro 72.2 million (89.4% of aggregate sales). In 2010, this area accounted for 88.3% of sales. All other sales (including impact products) amounted to Euro 8.5 million (10.6%) in 2011 as compared to Euro 8.9 million (11.7%) in the previous year.

The sales development in colour cartridges continues to be above our overall average. In this segment, sales increased significantly to Euro 20.5 million (25.5% of total sales) in 2011 as compared to Euro 17.7 million (23.4% of total sales) in 2010.

Our gross margin improved versus the previous year by 1.5 percentage points to 22.3%. This improvement is due to cost savings in the manufacturing companies and changes to the product mix.

Selling expenses decreased slightly compared to the previous year.

Administration costs were on previous year's level.

After netting other operating income and expenses, 2011 netted out at zero compared to a positive balance of Euro 0.8 million in 2010. Both positions were significantly lower in 2011 than previous year. In previous year we realized gains from the sale of the Harlow property in England, and higher foreign exchange gains. They were partly offset by higher expenses due to provisions made in connection with the consolidation of the locations in the USA.

The financial result was on previous year ´s level at Euro -1.0 million. The main interest expenses are on the bond bearers with a fixed maturity date of July 2013 (Euro 0.7 million), on interest expenses to be calculated as part of the accruals for pension obligations in Germany and England (Euro 0.2 million), and on interest for factoring.

Earnings before interest and taxes (EBIT) amounted to Euro 6.5 million in 2011 compared to Euro 4.8 million in 2010. The result from ordinary operations was Euro 5.5 million (previous year: Euro 3.9 million), and the consolidated net profit was Euro 3.4 million (previous year: Euro 2.2 million).

In 2011, the tax expense amounted to Euro 2.1 million (previous year: Euro 1.7 million). The tax rate in the group was 38.3% (previous year: 43.9%).

Earnings per share were Euro 1.03 per share (previous year: Euro 0.62 per share).

Income from ordinary operations in the separate financial statements of Turbon AG was Euro 1.3 million versus Euro 6.9 million in the previous year. The previous-year result included a dividend payment totalling Euro 7.1 million by Turbon Beteiligungs GmbH (formerly Carbotex Beteiligungs GmbH). Earnings before taxes amounted to Euro 1.3 million compared to Euro 6.5 million in the previous year. The result after tax was Euro 1.1 million compared to Euro 5.9 million in the previous year.

FINANCIAL POSITION AND NET WORTH

The balance sheet total as at December 31, 2011 amounted to Euro 59.2 million, which is Euro 1.0 million above the previous year's value of Euro 58.2 million.

The consolidated fixed assets as at December 31, 2011 amounted to Euro 16.1 million (previous year: Euro 16.6 million). The reduction by Euro 0.5 million was due to depreciation on tangible assets.

Inventories were Euro 17.9 million (previous year: Euro 15.3 million). This increase in inventories is a result of the sales growth.

Trade receivables increased to Euro 11.3 million (previous year: Euro 9.9 million). This was due to higher sales in the last quarter of 2011 compared with the previous year's timeframe. Financing from trade receivables as part of a factoring agreement with the German subsidiary Turbon Europe GmbH remained unchanged (Euro 3.4 million on December 31, 2011).

Other assets diminished by Euro 0.6 million to Euro 3.1 million (previous year: Euro 3.7 million). This resulted mainly from cash flow hedges recognized in the income at their maturity in the fiscal year (Euro 0.3 million).

Cash and cash equivalents amounted to Euro 8.9 million at December 31, 2011 (December 31, 2010: Euro 10.3 million). The decrease of Euro 1.4 million resulted mainly from higher capital commitment into inventories. In addition a cash outflow of Euro 3.3 million resulted from the dividend payment made in June 2011 for the year 2010.

Equity as of December 31, 2011 was Euro 24.3 million versus Euro 23.8 million in the previous year.

Equity per share as at December 31, 2011 was Euro 7.38 versus Euro 7.22 in the previous year. The equity ratio was 41.1% on December 31, 2011 (previous year: 40.9%).

On the balance sheet date December 31, 2010, Turbon AG held a total of 347,097 units of own shares which do not belong to the Shareholders' Equity (Euro 2.1 million). With the redemption of the shares in April 2011 the shares outstanding as of December 31, 2011 amounted to 3,294,903 pieces.

The long-term liabilities increased in the reporting year from Euro 14.1 million on December 31, 2010 to Euro 14.4 million on December 31, 2011.

The pension reserves on December 31, 2011 were at Euro 2.4 million (previous year: Euro 2.9 million). This position relates to the reserves at Turbon AG and at Keytec (GB) Ltd.

Turbon AG as well as the group had no bank liabilities in the balance sheet. The long-term bond bearer of Euro 10.0 million was offset by liquid assets in the group of Euro 8.9 million.

The short-term accrued taxes on December 31, 2011 were exclusively comprised of income tax accruals at the German and Thai location in the reporting year.

Other reserves and accrued liabilities decreased at the balance sheet date to Euro 4.8 million (previous year: Euro 6.1 million). In 2011, provisions of Euro 1.0 million were released in connection with the consolidation of our activities in the USA at the location in York, PA, and the associated closure of the location in Cinnaminson, NJ.

Other liabilities increased by Euro 0.4 million to Euro 1.7 million (previous year: Euro 1.3 million).

OVERALL STATEMENT ON THE CURRENT ECONOMIC SITUATION

The Executive Board assessed the business development at the time of production of this report as positive and assumes that sales and profit will develop in accordance with the published forecasts.

MARKET PERFORMANCE

The markets where the Turbon Group is active are influenced by a range of different factors.

The printer manufacturers (Original Equipment Manufacturers, OEMs) naturally exert the largest influence on the market development as they determine the demand for cartridges through the distribution of printers.

Laser printers continued to represent the leading printer technology in the commercial sector in 2011. Several new monochrome and colour printing systems in various price ranges were introduced to the market in 2011. With regard to pricing policy for consumables, there were no fundamental changes. The OEMs continue to offer their laser cartridges at a high price level; this enables manufacturers of compatible consumables to develop and offer alternatives at attractive prices.

Besides Turbon, there are a variety of suppliers in the market, and Turbon is among the large suppliers. The individual suppliers differentiate themselves through their product ranges and particularly through their regional strengths and serviced customer groups. Consolidations, which also affected smaller and medium-sized suppliers in 2011, did not have any major impact on the structure of competition in our market.

The Turbon Group distributes their products exclusively through resellers, who then in turn operate in the market with various sales strategies. Focusing on the laser cartridge sales volume of our potential customers, we can differentiate between large, international distributors of office supplies, medium-sized traders which serve the national or regional markets, and small customers. The market strategies of our customers are as diverse as their requirements. Turbon is able to meet these different requirements and provide product and services to large customers as well as a variety of medium-sized and smaller customers.

MARKET POSITION

The most important markets for the Turbon Group are still Europe and North America, which are served by our distribution sites in Germany and the USA.

Turbon's core competences are quality, innovation and environmental friendliness with a simultaneously favorable price-performance ratio.

The Turbon Group is the leader in our market in terms of product quality and reliability due to its high development and manufacturing standards. In the future segment of the technically more sophisticated colour cartridges, the quality of the Turbon products is equivalent to that of OEM cartridges and is significantly above that of the average of compatible products of our competition. Our logistics know-how developed over years allows the smooth link between manufacturing at locations where we can manufacture under conditions that allow us to competitively price our products and our distribution. We can therefore offer a multi-layered performance package in combination with a dedicated customer service.

With this attractively priced service package, we can compete with products from both printer manufacturers and compatible suppliers. Compared to the OEM products, we can offer the same quality at a much more attractive price; compared with other suppliers of compatible products, the above combination of excellent quality and service is our differentiating competitive advantage.

ENVIRONMENT

The remanufacturing of Laser Cartridges results in substantial advantages for our environment. The preservation of natural resources has become increasingly important in social discussions and the aspect of environmental friendliness of products increasingly influences the buy decision.

The companies of the Turbon Group collect used laser toner cartridges worldwide and send them to our production sites in Thailand and Romania for reconditioning. In addition, our manufacturing plants operate on a Zero Waste Concept basis, which ensures both a maximum level of component reuse and recycling of the material that is no longer usable.

Turbon supplies its customers with environmentally friendly products. Our business model is based on the sustainable preservation of our environment and its resources as well as on additional cost advantages offered by our products. Our manufacturing processes prevent used laser cartridges being disposed of as waste. This fact allows us to reemphasize the environmental friendliness of our products.

PERSONNEL

The Turbon Group had an average of 1,043 employees in 2011 (1,005 in 2010). The number of employees on December 31, 2011 was 1,093 (2010: 975). Added to these are temporary staff employed indirectly through a temporary employment agency in Thailand. These temporary staff numbered 560 as of December 31, 2011 (2010: 425).

Turbon AG employed 5 members of staff on average during the year and at the end of the year.

We would like to thank all Turbon Group employees for their good work in the fiscal year ended. Our thanks are also due to the employee representatives for their cooperation at all times.

RESEARCH AND DEVELOPMENT

In connection with research and development at the Turbon Group, it should be remembered that we do not manufacture a new product, but we recondition a used product. The primary goal here is the rapid market launch of new, high-quality cost-effective alternatives to OEM products. The expenses incurred for this purpose in 2011 were approximately Euro 1.1 million. The total expenses mainly concern personnel costs and test and development equipment, mainly at the production sites in Thailand and Romania. The area of colour cartridges is at the centre of our activities.

CAPITAL EXPENDITURE

In 2011, investments in assets was a total of Euro 0.9 million (previous year: Euro 0.5 million).

In 2011, the Turbon AG participated in the course of incorporation as an investor in Bright Parameters GmbH. Turbon is initially 100% of the share capital applied (Euro 25,000) and also provided a loan commitment of up to Euro 100,000. Both idea providers employed by the company were contractually granted the option to take over a total of 49% of the shares of the company.

Business purpose of the company is to design and create CGI objects (computer generated imagery). This includes among other things 3D graphics, visual effects and animations.

Target customers of the company are, for example, advertising agencies or commercial customers in various industries. Computer generated imagery emulates not only sophisticated investment assets and consumer goods but also complex technical procedures and processes.

The advantages of computer-aided visualization includes the representations of products prior to their actual availability and the possibilities of rapid and repeated changes of shape,

colour, area or viewing perspective of the displayed object. Another significant advantage includes the time and cost savings compared to traditional film or photo shoots.

The aim of the company for the fiscal year 2012 is to reach the breakeven point.

Risk Report

The companies of the Turbon Group are faced with risks and opportunities which could have an effect on the assets of the group, the profit, the cash flow, and also on the intangible assets.

The Turbon Group risk management system enables the company management to identify such developments at an early stage. The risk management system, which is regarded as a group-wide task, detects and evaluates the existing and potential risks that threaten the group's existence. In addition, risk management is an important part of the overall management information system and is seen not only as a tool to avoid risks but also as a tool to identify opportunities for the group.

The group controlling system of the holding (Turbon AG) is the starting point and core of the operative risk monitoring system. Key elements are the monthly reports from the group companies for the balance sheet and income statement, as well as monthly profit centre reporting, which allows a detailed insight into the economic processes at the companies, and also the comprehensive quarterly reports and the annual reports which are checked by our auditors. The monthly reports are available on an up to date basis so that risks can be identified quickly, thereby allowing a fast response to potentially unfavourable developments. The central evaluation of information is supported by direct access to specific employees in the group companies, who are actively involved in the detection and evaluation of risks.

Other components of internal risk management are cash management, receivables management, inventory management and worldwide production and capacity planning. At the subsidiaries, contracts and agreements which are to be concluded are subjected to an additional central control through special "Legal Reporting".

The group-wide planning, controlling and reporting processes are reviewed on a regular basis for their effectiveness and efficiency. This includes the use of modern IT systems to support the respective processes.

Due to the international nature of its business, the Turbon Group is exposed to a significant amount of varying risks. In order to minimize the financial consequences of potential damage, insurance is taken out where available and commercially sensible. The scope and amounts of these insurance contracts are continually reviewed and revised as necessary.

Major risks for the Turbon Group are described in the following sections, whereby the order in which they appear does not indicate the importance, probability or potential extent of damage.

PROCUREMENT MARKET RISKS

Our production output may be impaired by delivery interruptions or quality defects in raw materials. If we fail to use production facilities of another location in these cases or to serve demands from our inventories, there might be a decline in sales. We secure our supply with raw materials by close cooperation with suppliers to the maximum extent and by parallel procurement from various suppliers.

Our production locations require an adequate supply of previously used laser cartridges (empties) for our remanufacturing process to begin. Accordingly, the collection of empties is an important task for all locations of the group. The Turbon Group has established an efficient worldwide collection system, which reduces the risk of insufficient empties supplies for the Turbon Group.

OPERATIONAL RISKS DUE TO THE LOSS OF TANGIBLE ASSETS OR BUSINESS INTERRUPTION

Fire, natural disaster or other disruption at manufacturing facilities of the Turbon Group can cause substantial damage and loss. This risk is reduced as far as possible by appropriate structural measures and strict organizational requirements. The Turbon Group has taken out insurance with adequate cover in the event of any damage or loss.

SALES RISKS

There is the general risk that price reductions will not be compensated by a corresponding growth in volume. As before, we deal with this situation using strict cost management at all locations.

A general risk in the area of sales is the concentration on a relatively small number of large customers. In 2011, the five largest customers made up 46.6% of our total sales (previous year: 48.5%).

This risk can be reduced by increasing sales with new and recently gained customers. In connection with this, a flexible structure which enables fast adjustment to fluctuations in sales is important.

DEFAULT RISKS

We limit default risks by regularly analyzing the creditworthiness of our customer portfolio on the basis of a receivables management policy. Most customer receivables are insured by third-party credit insurance, corporate guarantees or strict payment in advance terms. With respect to all receivables sold in the context of a factoring agreement, the factor bears 100% of the default risk. We have suffered only small losses in this area over the last few years, mainly as a consequence of our strict receivables policies.

LIQUIDITY RISKS

A sufficient level with liquidity is a central objective of the financial management in the Turbon Group. Our cash management system provides up-to-date information about the actual financial status and expected cash flows from the individual group companies on a central basis. Rolling liquidity planning and control is ensured by a database-based Treasury Management System. Our credit lines are secured by long-term contracts and the fulfilment of obligations that are preconditions for credit approval. Liquidity is available through the existing factoring agreement.

CURRENCY RISKS

As the Turbon Group transacts a portion of its business, on both the procurement and the sales side, in currencies other than the Euro, currency fluctuations can affect earnings. This risk is particularly increasing due to the growing volatility in currency developments. The group companies report their currency surpluses and deficits to the group.

At group level, an aggregated net position per each currency is created with the objective of achieving the most comprehensive "natural hedging" possible through proactive currency decisions (e.g. choice of supplier). The most important foreign currencies are the US Dollar and the British Pound.

The main currencies are controlled actively through foreign exchange forwards. For detailed explanations, see Reporting of Financial Instruments in the Notes to the Consolidated Financial Statements 2011.

LEGAL RISKS

Legal risks arise for the Turbon Group from laws, changes in laws and/or jurisdiction. These include in particular risks in the field of product liability, contract law, patent law, tax law and environmental law.

The unimpaired transportation of empties to our manufacturing locations is critical for our success. Therefore, we use great diligence in ensuring that we comply with all statutory requirements (mostly exceeding the required standards) and in cooperating very closely with the responsible authorities. This cooperation enables us to stay very up to date with any possible changes in legal provisions. In addition, our two production locations and the German company are certified in accordance with ISO 14001. This standard governs the environmental management system of duly certified companies.

TAX RISKS

The Turbon Group is exposed to tax risk by external audits and tax assessments which may lead to additional payments.

BALANCE SHEET VALUATION RISKS

The Turbon Group may be subject to balance sheet valuation risks if certain assumptions for the current valuation of balance sheet items are not met due to events in the future.

OVERALL RISK

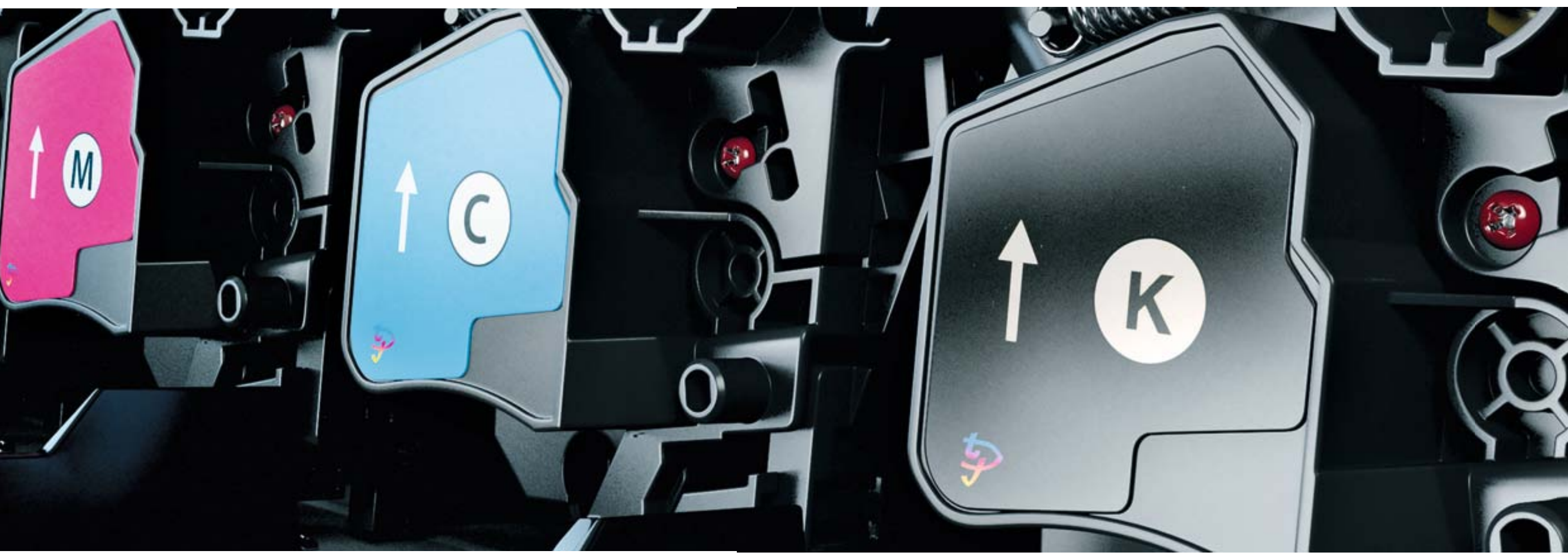
Overall, the statutory provisions are fully complied with. The instruments of risk management deployed are sufficient to detect risks threatening survival in sufficient time. No risks endangering the future of the company are discernible at the present time.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE (GROUP) ACCOUNTING PROCESS (REPORT IN ACCORDANCE WITH SECTIONS 289 (5), 315 (2) NO. 5 HGB)

To supplement the above statements on Turbon AG's management of risk, the material features of the internal control and risk management system regarding the (group) accounting process can be described as follows:

The accounting-related internal control system covers the Accounting and Controlling departments, whose areas of responsibility are assigned clearly within the control system.

The control system comprises all the principles, processes and measures that are necessary to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. In addition to manual process controls by way of the "four-eyes-principle" (i.e. dual control), automated IT process controls are an essential part of integrated control measures.



The Executive Board is responsible for implementing and complying with the legal regulations. It reports regularly to the Supervisory Board on the overall financial position of Turbon AG. The Supervisory Board supervises the effectiveness of the internal control system. As agreed, the auditor reports to the Chairman of the Supervisory Board promptly on all significant findings and events, relevant to the tasks of the Supervisory Board, which have been identified during the audit of financial statements.

Turbon AG defines the accounting policies in order to regulate consistent accounting principles. In addition, group policies contain detailed instructions on how intra-group clearing transactions are to be recorded and settled and how relevant balances are to be reconciled.

The financial statements of consolidated companies are prepared using IT-aided workflows. These include, among other things, an authorization concept and testing routines.

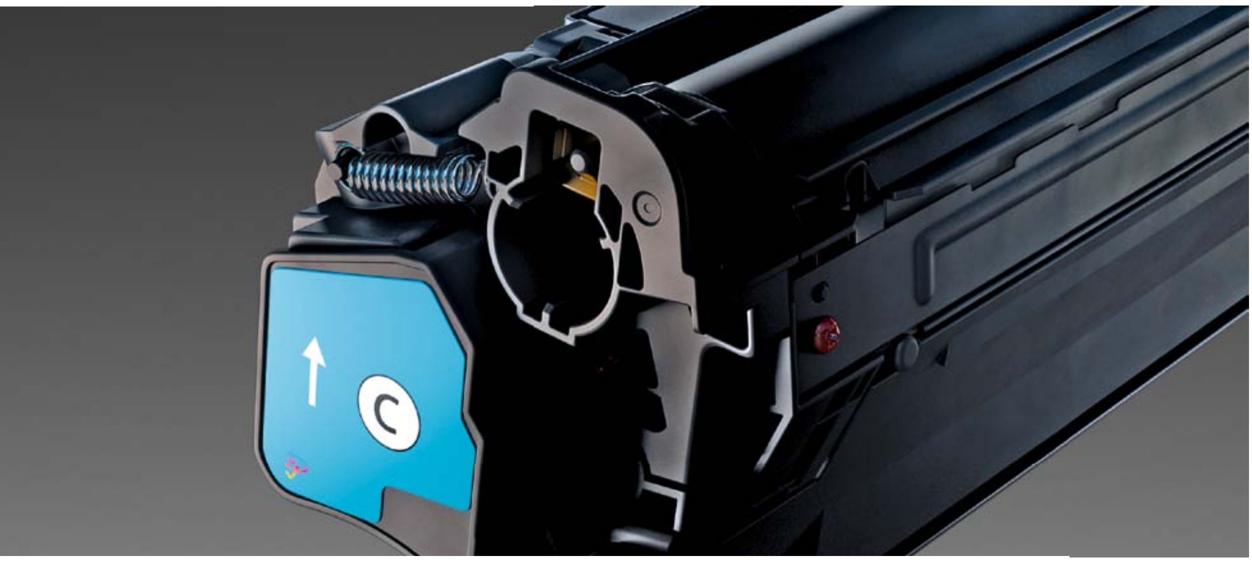
Database-supported management information software is used for reporting to the group head office. Then, the separate financial statements are fed into a central consolidation system. At the group level, the Finance and Controlling department is responsible for reviewing the correctness and reliability of the separate financial statements presented.

Report on Relations with Affiliated Companies

There is still dependence on the shareholder group HBT Holdings GmbH / Holger Brückmann-Turbon, in terms of Section 312 German Stock Corporation Act (AktG). A combined voting rights share of 42.90% was notified most recently for this shareholder group.

Accordingly, the Executive Board prepared a report on relations with affiliated companies for fiscal 2011 regarding all relations of the company with this shareholder group, which was granted an unqualified audit opinion of BDO AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

At the end of the report, the Executive Board declares that the company received appropriate compensation for all legal transactions with the group of shareholders, in accordance with the facts known to the Executive Board at the date of these transactions, and that the company was not disadvantaged in this respect. No measures subject to reporting requirements were undertaken in the year under review.



Information required by Section 289 (4) and 315 (4) German Commercial Code (HGB)

On December 31, 2011, Turbon AG's subscribed capital of Euro 10,333 thousand was divided into 3,294,903 no par registered shares with voting rights. There were no differing classes of stocks.

The shareholders have no special rights conferring any particular powers of control.

Beside the above mentioned shareholder group HBT Holdings GmbH / Holger Brückmann-Turbon NCR GmbH, Augsburg holds more than 10% of the voting rights of the company's equity (31.87%).

Pursuant to Section 41 (4d) of the German Securities Trading Act (WpHG), Mr. Brückmann-Turbon and NCR GmbH / NCR Corporation informed the company in February 2012 and March 2012 respectively that they hold mutual rights of first refusal on 1,050,000 no-par-value shares as at February 1, 2012 in accordance with a shareholders' agreement.
The agreement can be regarded as a restriction pursuant to Section 289 (4) item 2, and Section 315 (4) item 2, of the German Commercial Code (HGB).

The rules on the appointment and removal of Executive Board members of Turbon AG are taken from Sections 84 et seq. of the German Stock Corporation Act (AktG). The Articles of Association contain no further rules in this respect.
The number of Executive Board members is determined by the Supervisory Board in accordance with Article 7 of the Articles of Association.
The Supervisory Board may appoint an Executive Board member as chairperson or spokesperson for the Executive Board.

Alterations of the Articles are governed by Sections 133 and 179 AktG. The authority to change the wording of the Articles has been delegated to the Supervisory Board in accordance with Section 179 (1) sentence 2 AktG.

According to a resolution at the General Meeting, the Executive Board is authorized to purchase, sell or redeem shares equivalent to 10% of the share capital subject to the approval of the Supervisory Board.

There are no agreements with Turbon AG that are conditional on a change of control as a consequence of a takeover bid.

No indemnity agreements or similar have been made with employees or members of the Executive Board in the event of a takeover bid.

Corporate Governance Report

The Executive Board and Supervisory Board of Turbon AG comply with the principles of good and trusting corporate governance. In the following sections, the Executive Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance pursuant to Section 289a Commercial Code (HGB) and pursuant to sub-section 3.10 of the German Corporate Governance Code.

DECLARATION BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF TURBON AG ON THE RECOMMENDATIONS OF THE “FEDERAL GERMAN GOVERNMENT COMMISSION ON THE GERMAN CORPORATE GOVERNANCE CODE” IN ACCORDANCE WITH SECTION 161 STOCK CORPORATION ACT (AKTG)

The Management Board and Supervisory Board of Turbon AG hereby declare that the recommendations in the version of May 26, 2010 - published in the electronic version of the German Federal Gazette on July 2, 2010 - have been and are being complied with fundamentally. Only the recommendations given in Articles 2.3.3, 3.8 Para. 3, 5.3.1, 5.3.2, 5.4.1 Para. 2, 5.4.6 Para. 1 and Para. 2 as well as 7.1.2 of the German Corporate Governance Code have not been applied or are being applied only in a modified form:

ARTICLE 2.3.3, SENTENCE 2

“The company shall also assist the shareholders in the use of postal votes and proxies.”
The Company supports its shareholders by offering the right to vote by proxy. An additional option of postal votes does not exist and is not planned.
Reason: A postal vote is not contained in the Articles of Association of Turbon AG. In our opinion, postal votes involve difficulties in determining the genuineness of votes cast.

ARTICLE 3.8 PARA. 3

“A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.”
No adjustment to the insurance contract regarding a corresponding deductible is planned for the Supervisory Board.
Reason: The existing sense of responsibility of the Management Board and the Supervisory Board will not be improved through the introduction of a deductible.

ARTICLE 5.3.1 AND 5.3.2

“Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise. They serve to increase the efficiency of the Supervisory Board’s work and the handling of complex issues. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.”
“The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. The chairman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes.
He should be independent and not be a former member of the Management Board of the company whose appointment ended less than two years ago.”
The Supervisory Board elected on June 22, 2011 decided, to set up a Personal Committee.
Reason: The set up of further committees, including an Audit Committee, is not reasonable with regard to the size of six members of Turbon AG’s Supervisory Board.

ARTICLE 5.4.1 PARA. 2

“The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.”
There is no specification of concrete objectives regarding the composition of the Supervisory Board.
Reason: The composition of the Supervisory Board is aligned exclusively to the interests of the Company within the sense of supporting the short-, medium- and long-term achievement of objectives. The objectives set forth in the German Corporate Governance Code shall be taken into account when possible and reasonable.

ARTICLE 5.4.6 PARA. 1 AND PARA. 2

“Compensation of the members of the Supervisory Board is specified by resolution of the General Meeting or in the Articles of Association. It takes into account the responsibilities and scope of tasks of the members of the Supervisory Board as well as the economic situation and performance of the enterprise. Also to be considered here shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise.”

Compensation of the Supervisory Board members was specified by the resolution of the General Meeting of July 5, 2001 and is stipulated by fixed amounts in Section 18 of the Articles of Association. The Chair and the Deputy Chair have also

been considered here. The Chair and membership in committees as well as performance-related compensation are not contained in the Articles of Association. No change in compensation of the Supervisory Board members is planned.
Reason: An appropriate fixed compensation for the activity as a Supervisory Board member and for the membership in committees makes sufficient allowance for the control function of the Supervisory Board. There is no need for additional performance-related compensation.

ARTICLE 7.1.2

"The Consolidated Financial Statements must be prepared by the Management Board and examined by the auditor and Supervisory Board. Half-year and any quarterly financial reports shall be discussed with the Management Board by the Supervisory Board or its Audit Committee prior to publication. In addition, the Financial Reporting Enforcement Panel and the Federal Financial Supervisory Authority are authorized to check that the Consolidated Financial Statements comply with the applicable accounting regulations (enforcement). The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period."
On principle, we adhere to the recommendation. However, the consolidated financial statements and the interim reports are made publicly accessible within the legally defined periods of four months and two months, respectively.
Reason: The recommendation is difficult to follow in organizational terms so that only the legally defined periods are adhered to.

Hattingen, November 2011
For the Executive Board:
Signed Aldo C. DeLuca (Spokesman of the Executive Board)
Signed Michael H. Pages
For the Supervisory Board:
Signed Hans-Joachim Scholten
(Chairman of the Supervisory Board)

FUNCTIONS AND COMPOSITION OF EXECUTIVE BOARD, SUPERVISORY BOARD AND THE COMMITTEES

The company has a dual-board management and monitoring structure with its Executive Board and Supervisory Board bodies.

The Executive and Supervisory Boards cooperate closely and trustfully in governing and monitoring the company.

As defined in the Articles of Association, Turbon AG's Executive Board consists of one or several members. The number of Executive Board members is specified by the Supervisory Board pursuant to the Articles, and the latter may appoint an Executive Board member as chairperson or spokesperson for the Executive Board.

At present, the Executive Board has two members; Mr. DeLuca was appointed spokesman of the Executive Board.

It is the management body responsible for managing the business of the company on its own responsibility and in the sole interest of the company with the objective of sustainable added value.

The tasks of the Executive Board members are distributed in the context of a matrix organization, based partially on functional and partially on regional aspects.

The Executive Board defines the company's strategic direction, coordinates it with the Supervisory Board and ensures its implementation in the course of ordinary business.

In addition, the Executive Board is responsible for ensuring appropriate risk management and risk controlling within the enterprise as well for regular, up-to-date and comprehensive reporting to the Supervisory Board.

Certain transactions are subject to a reservation of consent on the part of the Supervisory Board. In addition, the Executive Board is obliged to notify the Supervisory Board promptly in specific cases.

In accordance with Section 96 (1) and Section 101 (1) of the German Stock Corporation Act (AktG) and with Section 1 (1), Section 4 (1) of the Act on One-Third Participation of Employees in the Supervisory Board (DrittelbG) in conjunction with Article 10 of Turbon AG's Articles of Association, the Supervisory Board consists of four members elected by the General Meeting and two members as employee representatives.

The Supervisory Board advises and supervises the Executive Board in issues concerning the management of the company.

The term of office for Supervisory Board members is five years.

The ongoing term of office ends with the ordinary General Meeting 2016.

The Supervisory Board performs its tasks at regular meetings.

A staff committee consisting of two members exists. It reported on its activities as part of the plenary sessions of the total.

The shareholders can safeguard their rights and exercise their voting rights at the General Meeting. Each share has a right to one vote.

Each shareholder who registers in time is entitled to take part in the General Meeting.

Shareholders who are not able to attend personally may have their voting right exercised by a credit institution, a shareholder association or the proxies who are deployed by Turbon AG and bound by the shareholder's instructions or by another authorized representative designated by them.

The invitation to the General Meeting and all reports and information necessary for adopting resolutions are published in accordance with the provisions of the stock corporation law and made available on Turbon AG's website.

COMPENSATION REPORT

Compensation paid to the Executive Board members includes fixed and variable elements.

Executive Board members receive an annual fixed basic salary as fixed compensation. In addition, they receive contributions towards social insurance, a car allowance or a company car with a right of private use as well as contributions to accident insurance to the customary extent.

Executive Board members have unchanged a chance to earn an annual bonus on group earnings and cash flow as variable compensation. Payment of an annual bonus requires that a defined earnings amount has been exceeded in the fiscal year. Net income exceeding the defined amount of earnings is then updated by the change in inventories and change in trade receivables in order to determine the second criterion, the cash flow. The annual bonus is calculated by multiplying the generated net income by a specific percentage for each Executive Board member. The two specific percentages are reduced step by step if the cash flow is lower than earned net income. No annual bonus is paid if no minimum earnings amount or no positive cash flow is achieved.

Through the strict definition of the aforementioned variable compensation, determined on a one-year assessment basis, a sustainable development was already implemented for the Turbon Group.
Due to the revised German Stock Corporation Act (Aktiengesetz), the Executive Board members have had the additional opportunity since the fiscal year 2011 to earn a bonus for sustainable management which involves a multi-year assessment period. The Executive Board shall account for the overall goal of ensuring the company's substance and, beyond that, increasing the company's wealth. In addition to the desired overall improvement of the Group's market position (through profitable growth), various quantifiable financial success factors ("milestones") were defined, whereby their achievement enables the identification of a measurable increase in wealth for the company and/or the shareholders. In order to reach these „milestones" it is required to achieve consistent earnings targets and strict discipline in asset management. For the first four-year assessment period (2011 - 2014), the result from ordinary operations in the group and the dividend became goals to be reached every year, and the generation of liquid funds by successful asset management was determined as a goal to be reached over the entire period. If these bonus criteria are achieved, each of the two board members will be paid a bonus of Euro 100,000 in the year following the assessment period. If a bonus criterion is not fulfilled, the assessment period ends. At the beginning of the next financial year, a new measurement period commences, which may be based on modified measurement criteria that are then more suitable.

Should the activity as an Executive Board member end early without an important cause, severance payments, if any, will not exceed the value of two years' compensation and compensate no more than the remaining term of the employment contract.

No indemnity agreements have been made with members of the Executive Board in the event of a takeover bid.

The detailed Executive Board and Supervisory Board Compensation Report and the respective amount allocable to individual members of the Executive Board and Supervisory Board can be inferred from the Notes to the Consolidated Financial Statements on pages 51 and 52.

In fiscal year 2011, Turbon AG was not made aware of any reportable trading of Turbon AG shares or of financial instruments relating thereto transacted by board members (Directors' Dealings). The total shares or related financial instruments held by the Executive Board and Supervisory Board members in Turbon AG are less than 1% of the issued shares.

Events after the balance sheet date

There are no events subject to mandatory inclusion in this report.

Outlook

The consolidation of all our manufacturing activities at cost-advantageous locations in Thailand and Romania and of our distribution activities in the main markets at a single location, (i.e. Hattingen for Europe and York, PA, for the USA), has substantially strengthened our Group. We maintain our cost competiveness and effectively respond to changes in the market, as can be seen by the significantly improved figures in 2011.

Furthermore, our early decision to focus on the development of high-quality colour laser cartridges is now paying off. For these technically sophisticated products, we are the market leader in the compatible product segment and are achieving a corresponding sales growth with reasonable margins.

Our aim now must be a better utilization of our gained strength in the market. After having achieved sound sales growth in Europe for several years in a row, our aim in 2012 is to achieve the same in the US market. We plan to achieve consolidated sales of between Euro 86 and 90 million in 2012 and aim to repeat the result figures of 2011 at the bottom end of this range. Additional sales should then allow result increases. Our medium-term objective is to again achieve sales figures in the three-digit million euro range. This objective continues to be subject to the condition that sales growth only makes sense if the additional sales make an acceptable profit contribution.

Our continuing good asset and cash management allows us a shareholder-friendly dividend policy and has made us largely independent of outside financing by banks. This was certainly a great advantage in view of past financial and economic crises. The repayment of the bond bearer due in 2013 will therefore be predominantly made from our own funds in order to achieve a further improvement of our balance sheet structure and financial results.

We are continuously aware of the overall economic environment and continue to avoid taking risks that are incalculable or difficult to assess. Our main aim of preserving the corporate substance will continue to have top priority in our business decisions.

PROVIDENT INFORMATION

This report contains certain statements oriented to the future which are based on the current assumptions and projections of the management. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the company to deviate substantially from the assessment shown here.

Hattingen, March 2012
The Executive Board

Supervisory Board Report for the Fiscal Year 2011

The Supervisory Board advised the Executive Board with respect to fundamental issues of business policy and monitored continuously the management of business in accordance with the tasks assigned pursuant to the legal provisions, articles of association and rules of procedure and in compliance with the recommendations of the German Corporate Governance Code. The Executive Board informed the Supervisory Board at regular intervals of the business and financial position of the company and coordinated all important decisions and measures with the latter.

The ordinary Annual General Meeting on June 22, 2011 reelected the previous shareholder representatives in the Supervisory Board for a five-year period of office. The employees' representatives were also re-elected in March 2011.

SUPERVISORY BOARD ACTIVITIES

The Supervisory board convened a total of five times in fiscal year 2011. All members took part in these meetings.

During its meeting on June 22, 2011, Mr. Hans-Joachim Scholten was appointed as Chairman and Dr. Paul-Michael Günther was appointed as Deputy Chairman of the Supervisory Board. Dr. Paul-Michael Günther was also appointed as Financial Expert. He is an independent Member of the Supervisory Board with expertise in accounting and auditing pursuant to Section 100 (5) of the German Stock Corporation Act (AktG).

The number of committees was reduced to the personnel committee. This was reported, and the reasons for the decision specified, in the Statement pursuant to Section 161 of the German Stock Corporation Act (AktG).

In the meetings of the Supervisory board, we discussed in detail the reports of the Executive Board, particularly the published interim reports, and we also discussed the development of the company and strategic issues together with the Executive Board. In addition, specific topics of particular importance were addressed in the Supervisory Board meetings.

The redemption of 347,097 own shares acquired in the years 2009 and 2010 was approved by the Supervisory Board on April 20, 2011.

The appropriation of net earnings for 2010 was discussed in detail at this meeting and this resulted in the decision to increase the earnings-related dividend from Euro 0.40 to Euro 0.50 per share and to additionally distribute an amount of Euro 0.50 per share as a special dividend.

The full Supervisory Board dealt with issues of risk management. Risks threatening the company's survival are not discernable. The risk management system of the Turbon Group meets the legal requirements.

During the reporting period, the personnel committee had two meetings, the former audit committee had two meetings and the former nomination committee for the election of Supervisory Board members had one meeting.

CORPORATE GOVERNANCE

The statement of the Executive Board and the Supervisory Board on the recommendations of the Government Commission "German Corporate Governance Code" according to Section 161 of the German Stock Corporation Act (AktG) was issued in November 2011. The wording of the current statement is reproduced in the full Corporate Governance Report on pages 14 to 15 of the Annual Report. It was also published on the company's web site.

ANNUAL FINANCIAL STATEMENTS OF THE AG AND THE GROUP, AUDIT OF FINANCIAL STATEMENTS

The annual financial statements of Turbon AG and the combined management report and group management report were prepared in accordance with the provisions of the German Commercial Code (HGB), and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

The auditors of the financial statements, BDO AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, appointed by the general meeting, audited the annual financial statements of Turbon AG, the combined management report and group management report and the consolidated financial statements in compliance with the generally accepted German standards for the audit of financial statements as adopted by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) and granted an unqualified audit opinion.

The annual financial statements of Turbon AG, the combined management report and group management report, the consolidated financial statements and the auditor's reports were made available to all Supervisory Board members in due time. These documents were examined by the Supervisory Board. Our examination also covered the completeness and content of the disclosures prescribed by Section 315 (4) Commercial Code (HGB). At the Supervisory Board's meeting, convened to adopt the accounts, on April 19, 2012, we discussed in detail the financial statement documents in the presence of the auditor, who reported on the significant findings of his audit. Following its examination, the Supervisory Board agreed to the findings obtained by the auditor and raised no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The financial statements are thereby adopted. The proposal for the appropriation of retained earnings was discussed in detail and the proposal made by the Executive Board to propose a dividend of Euro 0.60 to the Annual General Meeting was approved.

With regard to the proposal to the Annual General Meeting 2012 for the appointment of the auditor for the fiscal year 2012, BDO AG Wirtschaftsprüfungsgesellschaft has submitted a statement concerning its independence pursuant to the Corporate Governance Code.

The Executive Board prepared a report on relations with affiliated companies for the fiscal year 2011. This report was reviewed by the auditor and given an unqualified opinion that the statements in the report are accurate and that the consideration given by the Company for the transactions specified in the report was not unreasonably high.
The Supervisory Board examined the report on relations with affiliated companies. The auditor reported the Supervisory Board about the findings of the audit. The Supervisory Board agreed to the results of the audit obtained by the auditor. Following its examination, the Supervisory Board also raised no objections to the declaration of the Executive Board.

The Supervisory Board expresses its thanks and recognition to Management and all employees for their work done during the expired financial year and their successful commitment.

Hattingen, April 19, 2012

For the Supervisory Board

Hans-Joachim Scholten
Chairman

Consolidated Balance Sheet – Turbon Group

as of December 31, 2011

ASSETS

	Notes	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Long-term assets			
Intangible assets	(1)	946	1,020
Tangible assets	(1)	15,080	15,510
Financial assets	(1)	24	24
		16,050	16,554
Other assets	(4)	1,291	1,811
Income tax assets	(5)	182	214
Deferred tax assets	(17)	1,499	1,823
		19,022	**20,402**
Short-term assets			
Inventories	(2)		
Raw materials and supplies		7,433	6,460
Work in progress		50	40
Finished goods and trading stocks		10,429	8,769
Advance payments		25	76
		17,937	**15,345**
Trade receivables	(3)	11,282	9,929
Other assets	(4)	1,840	1,840
Income tax assets	(5)	193	323
Cash and cash equivalents	(6)	8,911	10,320
		40,163	**37,757**
		59,185	**58,159**

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Shareholders' Equity	**(7)**		
Subscribed capital		10,333	10,333
Capital reserves		14,956	14,956
Revenue reserves		1,499	3,554
Retained earnings		4,212	4,100
Accumulated other comprehensive income		-6,669	-7,031
Treasury stock		0	-2,125
Minority interests		-7	-6
		24,324	**23,781**
Long-term liabilities			
Pension reserves	(8)	2,406	2,857
Deferred tax liabilities	(9), (17)	1,535	1,317
Bond bearer		9,957	9,929
Other provisions	(9)	476	0
Other liabilities		6	0
		14,380	**14,103**
Short-term liabilities			
Accrued taxes	(9)	802	1,116
Other reserves and accrued liabilities	(9)	4,767	6,133
Trade payables		13,158	11,702
Liabilities due to other group companies		12	12
Other liabilities	(10)	1,742	1,312
		20,481	**20,275**
		59,185	**58,159**

Consolidated Statement of Income – Turbon Group

for the period from January 01 until December 31, 2011

	Notes	2011 1,000 Euro	Previous Year 1,000 Euro
Sales	(11)	80,706	75,717
Cost of sales	(12)	-62,684	-59,966
Gross profit		**18,022**	**15,751**
Selling expenses	(13)	-5,647	-5,762
Administrative expenses	(14)	-5,909	-5,937
Other operating income	(15)	684	2,192
Other operating expenses	(16)	-660	-1,397
Earnings before interest and taxes		**6,490**	**4,847**
Financial income		55	27
Financial expenses		-1,029	-1,015
Financial result		-974	-988
Result from ordinary operations		**5,516**	**3,859**
Taxes on income	(17)	-2,111	-1,696
Result after income taxes		**3,405**	**2,163**
Result attributable to		**3,405**	**2,163**
• Shareholders of Turbon AG (Group net income for the year)		3,406	2,164
• Minority interests		-1	-1
Earnings per share (in Euro)	**(18)**	**1.03**	**0.62**

Consolidated Statements of Comprehensive Income – Turbon Group

for the period from January 01 until December 31, 2011

	Notes	2011 1,000 Euro	Previous Year 1,000 Euro
Result after income taxes		**3,405**	**2,163**
Actuarial gains and losses	(8)	414	12
Changes in fair values of derivatives designated as cash flow hedges		-337	258
Exchange rate differences		104	-530
Change in deferred taxes		181	-87
Other changes		70	39
Income and expenses directly offset against shareholders' equity		**432**	**-308**
Comprehensive income		**3,837**	**1,855**
Comprehensive income attributable to		**3,837**	**1,855**
• Shareholders of Turbon AG		3,838	1,856
• Minority interests		-1	-1

Consolidated Statements of Changes in Shareholders' Equity – Turbon Group

as of December 31, 2011

	Subscribed capital 1,000 Euro	Capital reserves 1,000 Euro	Revenue reserves 1,000 Euro
At December 31, 2009	**10,333**	**14,956**	**1,877**
2009 dividends (0.40€ per share)			
Result after income taxes			
Other comprehensive income			39
Purchase of own shares			1,638
At December 31, 2010	**10,333**	**14,956**	**3,554**
2010 dividends (1.00€ per share)			
Result after income taxes			
Other comprehensive income			70
Redemption of own shares			-2,125
At December 31, 2011	**10,333**	**14,956**	**1,499**

Retained earnings 1,000 Euro	Accumulated other comprehensive income 1,000 Euro	Treasury stock 1,000 Euro	Turbon shareholders 1,000 Euro	Minority interests 1,000 Euro	Equity 1,000 Euro
3,300	**-6,684**	**-487**	**23,295**	**-5**	**23,290**
-1,364			-1,364		-1,364
2,164			2,164	-1	2,163
	-347		-308		-308
		-1,638			0
4,100	**-7,031**	**-2,125**	**23,787**	**-6**	**23,781**
-3,295			-3,295		-3,295
3,406			3,406	-1	3,405
	362		432		432
		2,125			0
4,212	**-6,669**	**0**	**24,331**	**-7**	**24,324**

Consolidated Cash Flow Statement – Turbon Group

for the period from January 01 until December 31, 2011

	2011 1,000 Euro	Previous Year 1,000 Euro
Group net income for the year	3,405	2,163
Depreciation of fixed assets	1,210	1,234
Change in pension reserves	-451	-53
Cash flow	**4,164**	**3,344**
Other non-cash expenses and income	31	95
Result on disposals of fixed assets	22	-38
Change in inventories	-2,592	-731
Change in trade receivables	-1,384	-2,007
Change in other assets	1,006	1,236
Change in short-term provisions	-1,198	773
Change in trade payables	1,456	943
Change in other liabilities	676	-351
Non cash-effects	539	139
Cash flow from operating activities	**2,720**	**3,403**
Purchase of intangible assets	-23	-20
Purchase of tangible assets	-837	-500
Proceeds from disposals of fixed assets	33	138
Cash flow from investing activities	**-827**	**-382**
Dividend payment	-3,295	-1,364
Redemption of own shares	0	-1,638
Cash flow from financing activities	**-3,295**	**-3,002**
Change in cash funds from cash relevant transactions	-1,402	19
Exchange rate related change in cash funds	-7	354
Cash funds at the beginning of the period	10,320	9,947
Cash funds at the end of the period	**8,911**	**10,320**
Cash flow from operating activities includes:		
Interest receipt	39	16
Interest payment	-751	-748
Income tax receipt	1	20
Income tax payment	-1,529	-942

Notes to the Consolidated Financial Statements of the Turbon Group

General information

Turbon AG and its subsidiaries are engaged in the field of modern office communication where electronic data are converted into documents through printout onto paper.
The companies of the Turbon Group develop, manufacture and market printer consumables and have specialized in the segment of toner cartridges for use in laser printers. For this purpose, the Turbon Group has manufacturing and distribution companies in Asia, Europe and the USA.

Turbon AG, as the group holding company, is registered with the commercial register of the Essen Local Court (Amtsgericht) under HRB 15780. The seat of the company is in Hattingen. The address is Turbon AG, Ruhrdeich 10, 45525 Hattingen, Germany.

The Executive Board prepared the consolidated financial statements and group management reports and management report of Turbon AG as of December 31, 2011 on March 30, 2012 and approved their submission to the Supervisory Board. The consolidated financial statements and group management reports will be submitted to the Supervisory Board for approval at its meeting on April 19, 2012.

Principles of Accounting

The consolidated financial statements of Turbon AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) as recognized by the European Union, the application of which standards on the balance sheet date is mandatory, and additionally in accordance with the provisions to be observed of Section 315a (1) German Commercial Code (HGB).

The IFRS include those issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All standards and interpretations that were mandatorily applicable on the balance sheet date were applied. As a result, the consolidated financial statements of Turbon AG conform to IFRS as adopted in the EU. We have waived the use of standards whose application is not yet mandatory.

The consolidated financial statements comprise the balance sheet, statement of income, statement of comprehensive income, statement of changes in Shareholders' Equity, the cash flow statement and the notes.

The consolidated financial statements are prepared in Euros. Unless otherwise indicated, all amounts are stated in thousand Euros. Assets and liabilities are divided into current and non current assets and liabilities according to their maturities. Short-term assets and liabilities are considered to be due within one year. In accordance with IAS 12, deferred taxes are reported as long-term assets and liabilities. The consolidated statement of income is prepared in accordance with the cost of sales accounting format.

The fiscal year of Turbon AG and its consolidated subsidiaries corresponds always to the calendar year.

The accounting and valuation principles applied in Turbon AG's consolidated financial statements as of December 31, 2011 have been retained, except for any adjustments necessary due to new or revised standards.

Changes in accounting and valuation methods

The following overview presents new or changed standards and interpretations whose application in the current fiscal year is mandatory:

Standard/Interpretation		Impact
Divers	Improvement project (May 2010)	none
IAS 24	Related Party Disclosures	none
IAS 32	Classification of Right Issues	none
IFRS 1	Limited Exemption from Comparative IFRS 7 - Disclosures for First-time Adopters	none
IFRIC 14	Prepayments of a Minimum Funding Requirement	none
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	none

New accounting standards

The following overview presents the standards and interpretations issued in the current fiscal year, but whose application is not yet mandatory, since they have not yet been adopted by the EU or are not yet to be applied:

Standard/Interpretation		Impact
IAS 1	Presentation of Items of Other Comprehensive Income	additional presentation duties
IAS 12	Deferred Tax: Recovery of Underlying Assets	no material impact
IAS 19	Employee benefits	none
IAS 27	Separate Financial Statements	none
IAS 28	Investments in Associates and Joint Ventures	none
IAS 32	Offsetting Financial Assets and Financial Liabilities	none
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	none
IFRS 7	Financial Instruments: Disclosures	additional disclosure duties in the Notes
IFRS 9	Financial Instruments	no material impact
IFRS 10	Consolidated Financial Statements	none
IFRS 11	Joint Arrangements	none
IFRS 12	Disclosures of Interests in Other Entities	none
IFRS 13	Fair Value Measurement	additional disclosure duties in the Notes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	none

Consolidated companies

In addition to Turbon AG, the consolidated financial statements include four (previous year: three) domestic and seven foreign companies, in which Turbon AG directly or indirectly holds the majority of voting rights or exercises unified management.

The newly founded company, Bright Paramters GmbH, Hattingen, is, for the first time, included in the consolidated financial statements as at December 31, 2011. The two idea providers employed by the company were contractually granted the option to take over a total of 49% of the shares in the company.

Whether subsidiaries are included in the consolidated financial statements or not is shown in the list of shareholdings.

Interests in the limited partnership BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG (sale and lease back property) are not included in the consolidated financial statements of Turbon AG, because, under IAS 27 in conjunction with SIC 12, there is no parent-subsidiary relationship between Turbon AG and this limited partnership nor are the majority of opportunities and risks associated with the leasing agreement with this partnership attributable to Turbon AG. Since this leasing agreement is to be classified as an operating lease according to IAS 17, the leased property is not included in the consolidated balance sheet under this accounting standard either.

The consolidated domestic subsidiary Turbon Europe GmbH satisfies the requirements of Section 264 (3) Commercial Code (HGB) and is, therefore, exempted from the duty to publish its own annual financial statements and management report for the fiscal year 2011.

Methods of consolidation

The consolidated financial statements are based on the annual financial statements of Turbon AG and the consolidated subsidiaries prepared according to accounting and valuation principles applied uniformly throughout the group. Carrying values based on tax regulations are not included in the consolidated financial statements. The annual financial statements of the affiliated companies are prepared on the closing date of the consolidated financial statements.

Capital consolidation is based on the acquisition method by setting off the costs of acquisition against the pro rata share of revaluated equity at the time of acquiring the individual companies. Positive balancing items which cannot be assigned to undisclosed reserves or undisclosed expenses are shown as goodwill. Negative goodwill arising on consolidation is recognized directly as affecting income.

Accounts receivable and accounts payable between the consolidated companies are eliminated.

Intercompany expenses and income are eliminated.

Intermediate results in inventories arising from intercompany supplies and services and in fixed assets are eliminated.

Accruals for deferred taxes were made on consolidation processes affecting net income.

Currency translation

Non-monetary items in foreign currency are valued on the balance sheet date at the rate in application on the date of the first entry in the annual financial statements of the companies. Monetary items are translated at the rate on the balance sheet date. Currency gains and losses resulting from the valuation of monetary balance sheet items in a different currency than Euro are recognized as income or expenses in other operating income or expenses.

The assets and liabilities of all financial statements of subsidiaries prepared in foreign currencies are translated into Euros in the consolidated financial statements at the daily rate of the European Central Bank on the balance sheet date.
The consolidated statement of income uses average rates. Differences resulting from the currency translation are netted against retained earnings or allocated to the same without affecting income.

The exchange rates of the currencies have changed as follows:

	Rate on effective date		Average rate	
1 EUR =	Dec. 31, 2011	Dec. 31, 2010	2011	2010
DKK	7.4342	7.4532	7.4504	7.4467
GBP	0.8353	0.8607	0.8678	0.8558
RON	4.3233	4.2620	4.2386	4.2209
THB	40.9910	40.1768	42.4248	42.2514
USD	1.2939	1.3362	1.3917	1.3249

Accounting and valuation methods

Intangible assets, acquired for remuneration are capitalized at cost and, if subject to wear and tear, written off on a straight line basis over their useful lives of primarily 3 to 5 years. The depreciation of these assets are allocated to administrative expenses. Intangible assets with indefinite useful life are subjected to an annual impairment test in accordance with IAS 38.108.

Movable items of property, plant and equipment are valued at amortized cost. Maintenance and repair expenses and interest on borrowed capital are recognized as current expenses.

Property, plant and equipment are depreciated on a straight line basis over the forecasted useful life.

Scheduled depreciation is based on useful lives defined uniformly throughout the group:

• Buildings	20 to 50 years
• Land improvements	3 to 10 years
• Technical plant and machinery	3 to 10 years
• Other equipment, fixtures, fittings and equipment	3 to 20 years

Property held as financial investment is carried at amortized cost.

The shares in participations disclosed in the financial assets include the book value of BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG and are allocated to the 'Available for Sale' category. There is no intention to sell.

Financial instruments are based on contracts which give rise to a financial asset of one enterprise and a financial liability or equity instrument of the other enterprise. They are accounted for at the time of the usual purchase or sale on the date of performance, i.e. the date on which the asset is delivered. IAS 39 subdivides financial assets into the following categories:

- Financial instruments held at fair value through profit and loss
- Held to maturity financial investments
- Loans and receivables
- Available for sale financial assets

Financial instruments are carried at amortized cost or fair value. Financial instruments are always disposed of by payment or – in the event of customer receivables – by sale.

Inventories are assets intended for sale: finished goods and goods for resale, semi finished goods still in the process of manufacturing or raw materials and consumables used to manufacture the products.

Inventories are valued at the lower of cost or net realizable value. Manufacturing costs correspond to the production related full costs and are determined on the basis of normal capacity. As well as directly assignable costs, they include reasonable portions of necessary material and manufacturing overheads including manufacturing related write offs.

If there are lower net realizable values on the balance sheet closing date, these are used. If the net realizable value of formerly devalued inventories has risen, the resulting write up is shown as a reduction in material expenses and therefore as cost of sales.

Trade receivables and other assets except for derivative financial instruments are carried at amortized cost. Necessary valuation allowances are guided by the actual credit risk. The carrying amounts for receivables are always adjusted using a valuation account.

Cash and cash equivalents include cash in hand and cash in banks payable.

Deferred tax assets on deductible temporary differences and tax benefits on loss carry forwards are capitalized if it is likely that a tax benefit be available for the same in the future and it is sufficiently certain that the loss carry forward can actually be used. Deferred tax liabilities are allocated for temporary differences still to be taxed in the future. The calculation is subject to the tax rates expected to apply in the individual countries at the time of realization. These are always based on the statutory rules in force or enacted on the balance sheet date. Deferred tax assets and liabilities are netted if these exist against the same tax authority. Changes in deferred tax assets and liabilities resulting from changes in tax rates are recognized in income. If profit and loss are recognized directly in equity, this also applies to the deferred tax assets and liabilities. The assessment of whether deferred tax assets resulting from temporary differences or loss carry forwards can be utilized in the future is the subject of forecasts by the individual consolidated companies, utilizing their future earnings forecast. The period utilized for this forecast is 5 years following the current fiscal year.

Pension obligations are based on pension commitments to benefits for old age, invalidity and surviving dependants. When determining the amount of provisions, not only the pensions and expectancy rights acquired on the effective date are recognized, but also anticipated future increases in wages and salaries and pensions.

Expenses associated with length of service are a component of personnel expenses, interest portions of allocations are recognized in the net interest result.

Actuarial gains and losses are allocated to earnings reserves outside the statement of income. Provisions for pensions in the balance sheet correspond to the defined benefit obligation on the balance sheet date.

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", other provisions are allocated if a current (legal or de facto) obligation towards a third party arises from a past event, this obligation is likely to lead to an outflow of resources in future and it can be reliably estimated.

Liabilities are carried at amortized cost in the balance sheet.

Sales are entered when the service has been provided or the assets have been delivered and, therefore, the risk has passed to third parties.

Expenses on research and development are recognized as expenses (Euro 1.1 million, previous year: Euro 1.2 million).

Other operating expenses and income are allocated to the total operating result on an accrual basis.

Interest is recognized according to the effective interest method on an accrual basis.

Use of estimates

The preparation of the consolidated financial statements according to IFRS requires estimates and assumptions that affect the disclosure of assets and liabilities, the indication of contingent liabilities on the balance sheet date and the disclosure of income and expenses. The actual values may differ in individual cases from the assumptions and estimates made.

The assumptions and estimates refer primarily to the definition of useful lives uniformly for the whole group, the saleability of our products, the accounting and valuation of provisions and the possibility of realizing future tax benefits.

Capital management

The Turbon Group basically pursues the aim of earning a reasonable return on investment. The Group's capital shown in the balance sheet only serves as a passive control criterion. The sales and EBIT figures are used as active control indicators.

Explanations to the Consolidated Balance Sheet

(1) Non-current assets

DEVELOPMENT IN THE PERIOD FROM JANUARY 01 UNTIL DECEMBER 31, 2010

	At cost				
	Balance Jan. 01, 2010 1,000 Euro	Additions 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Differences from currency conversion 1,000 Euro
Intangible assets					
Concessions, industrial-property and similar rights and assets as well as licenses thereto	3,156	20	0	-71	116
	3,156	**20**	**0**	**-71**	**116**
Tangible assets					
Land, equivalents titles and buildings (including on leased land)	6,682	109	209	-387	599
Investment property	11,662	0	0	0	0
Production, plant and machinery	14,007	139	10	-205	590
Other plant, factory and office equipment	11,926	195	0	-260	531
Advance payments and construction in progress	214	57	-219	0	1
	44,491	**500**	**0**	**-852**	**1,721**
Financial assets					
Participations	24	0	0	0	0
Other loans	229	0	0	0	0
	253	**0**	**0**	**0**	**0**
	47,900	**520**	**0**	**-923**	**1,837**

	Accumulated depreciation						Book values	
Balance Dec. 31, 2010 1,000 Euro	Balance Jan. 01, 2010 1,000 Euro	Deprecia-tion during financial year 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Differences from currency conversion 1,000 Euro	Balance Dec. 31, 2010 1,000 Euro	Balance Dec. 31, 2010 1,000 Euro	Balance previous year 1,000 Euro
3,221	2,142	0	0	0	59	2,201	1,020	1,014
3,221	**2,142**	**0**	**0**	**0**	**59**	**2,201**	**1,020**	**1,014**
7,212	2,118	211	-8	-387	128	2,062	5,150	4,564
11,662	2,957	258	0	0	0	3,215	8,447	8,705
14,541	13,000	414	8	-185	392	13,629	912	1,007
12,392	10,923	351	0	-251	421	11,444	948	1,003
53	0	0	0	0	0	0	53	214
45,860	**28,998**	**1,234**	**0**	**-823**	**941**	**30,350**	**15,510**	**15,493**
24	0	0	0	0	0	0	24	24
229	229	0	0	0	0	229	0	0
253	**229**	**0**	**0**	**0**	**0**	**229**	**24**	**24**
49,334	**31,369**	**1,234**	**0**	**-823**	**1,000**	**32,780**	**16,554**	**16,531**

DEVELOPMENT IN THE PERIOD FROM JANUARY 01 UNTIL DECEMBER 31, 2011

	At cost				
	Balance Jan. 01, 2011 1,000 Euro	Additions 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Differences from currency conversion 1,000 Euro
Intangible assets					
Concessions, industrial-property and similar rights and assets as well as licenses thereto	3,221	23	0	0	19
	3,221	**23**	**0**	**0**	**19**
Tangible assets					
Land, equivalents titles and buildings (including on leased land)	7,212	58	-15	-104	-81
Investment property	11,662	0	230	0	0
Production, plant and machinery	14,541	186	69	-1,617	-39
Other plant, factory and office equipment	12,392	240	84	-244	-47
Advance payments and construction in progress	53	353	-368	0	-13
	45,860	**837**	**0**	**-1,965**	**-180**
Financial assets					
Participations	24	0	0	0	0
Other loans	229	0	0	-79	0
	253	**0**	**0**	**-79**	**0**
	49,334	**860**	**0**	**-2,044**	**-161**

Property held as a financial investment (object in Meerbusch) is carried at amortized cost. The market value of this property, as determined in a report at the time of initial consolidation on December 31, 2009, is Euro 10.7 million. In the last fiscal year, rental income from this investment was Euro 788 thousand (previous year: Euro 788 thousand). Future rental income will be Euro 788 thousand per year until 2016. The depreciation has a remaining period of up to 27 years. The directly attributable expenses for this object in fiscal year 2011 were Euro 246 thousand (previous year: Euro 167 thousand). The increase in 2011 resulted from extraordinary maintenance expenses.

	Accumulated depreciation						Book values	
Balance Dec. 31, 2011 1,000 Euro	Balance Jan. 01, 2011 1,000 Euro	Deprecia-tion during financial year 1,000 Euro	Transfers 1,000 Euro	Disposals 1,000 Euro	Differences from currency conversion 1,000 Euro	Balance Dec. 31, 2011 1,000 Euro	Balance Dec. 31, 2011 1,000 Euro	Balance previous year 1,000 Euro
3,263	2,201	111	0	0	5	2,317	946	1,020
3,263	**2,201**	**111**	**0**	**0**	**5**	**2,317**	**946**	**1,020**
7,070	2,062	75	-322	-92	-12	1,711	5,359	5,150
11,892	3,215	394	322	0	0	3,931	7,961	8,447
13,140	13,629	303	0	-1,574	-22	12,336	804	912
12,425	11,444	327	0	-244	-33	11,494	931	948
25	0	0	0	0	0	0	25	53
44,552	**30,350**	**1,099**	**0**	**-1,910**	**-67**	**29,472**	**15,080**	**15,510**
24	0	0	0	0	0	0	24	24
150	229	0	0	-79	0	150	0	0
174	**229**	**0**	**0**	**-79**	**0**	**150**	**24**	**24**
47,989	**32,780**	**1,210**	**0**	**-1,989**	**-62**	**31,939**	**16,050**	**16,554**

Intangible assets include a trademark right with indefinite useful life at a carrying value of Euro 460 thousand. Although trademark rights are awarded for a defined period of time, they are often extended at a negligible cost. The impairment test carried out by comparing the utility value of future license fees with the book value with a discount rate of 9% showed no need for write-downs.

(2) INVENTORIES

	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Inventories		
Raw materials and supplies	7,433	6,460
Work in progress	50	40
Finished goods and trading stocks	10,429	8,769
Advance payments	25	76
	17,937	**15,345**

Write-downs on inventories in the amount of Euro 66 thousand (previous year: Euro 224 thousand) were made in the fiscal year ended.

(3) TRADE RECEIVABLES

Trade receivables shown for Turbon Europe GmbH, the German subsidiary, in the amount of Euro 3,353 thousand (previous year: Euro 3,372 thousand) have been financed under a factoring agreement.

(4) OTHER ASSETS

Composition of other assets:

	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Claims arising from other taxes	632	666
Deferred charges and prepaid expenses	1,849	2,016
Derivative hedges	207	83
Net assets from settled foreign exchange con-tracts	378	700
Other assets	65	186
	3,131	**3,651**

The above given position “Deferred charges and prepaid expenses” include the cost for the renovation of parts of the Meerbusch real property of 2009 in connection with the long-term renewal of the tenancy (Euro 0.4 million, retransfer over the term of the new tenancy agreement) as well as for a special rental payment (Euro 1.0 million) for BIL Hattingen KG in the context of the prolonged financing for this object (which will be settled over the remaining term of the tenancy agreement to June 2019). Of the other assets, an amount of Euro 1,291 thousand (previous year: Euro 1,811 thousand) has a term to maturity of more than 12 months.

(5) INCOME TAX CLAIMS

Income tax claims result mainly from over-payments to the calculated expenses as well as deducted capital return taxes and corporation tax credits, which will be reimbursed over a period of several years. Of the income tax claims, an amount of Euro 182 thousand (previous year: Euro 214 thousand) has a term to maturity of more than 12 months.

(6) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, freely disposable cash in banks and cash in hand.

(7) SHAREHOLDERS’ EQUITY

The share capital of the Turbon AG is Euro 10,333 thousand (previous year: Euro 10,333 thousand) and is divided up into 3,294,903 (previous year: 3,642,000) no par registered shares.

Turbon AG held 347,097 own shares worth Euro 2,125 thousand separate from equity as at December 31, 2010. Such shares were redeemed and set off against the earnings reserves in April 2011 after approval by the Supervisory Board.

The capital reserve consists almost exclusively of the premium on the capital increase carried out in 1991.

Individual elements in group equity and their development during the years of 2010 and 2011 arise from the Consolidated Statement of Changes in Shareholders‘ Equity on pages 24 to 25.

(8) PENSION RESERVES

The direct and indirect obligations include those arising from current pensions and expectancy rights for pensions and retirement benefits payable in the future.

The company pension scheme for the group is based on performance. The relevant expenses are – unless directly netted with equity – included in the costs of the functional areas. The compound interest on pension rights acquired in previous years and income from investments are shown in net interest income. Unrealized actuarial results are netted against equity in the year under review.

The pension obligations for performance related old age pension schemes are charged according to the project unit credit method as per IAS 19 (Employee benefits). In Germany, the calculation is based on the 2005 G Heubeck tables. The pension benefits to be expected are spread over the entire length of service of employees.

The valuation is based on the following assumptions:

	Dec. 31, 2011	Dec. 31, 2010
Discount rate	5.17%	5.40%
Projected wage / salary growth	0.00%	0.00%
Projected pension growth	1.00 - 3.00%	1.00 - 3.00%
Fluctuation	0.00%	0.00%
Projected return on plan assets	4.10 - 4.70%	4.70%
Pension age	60 - 65	60 - 65

These parameters apply also in the following year for the calculation of costs of the pension rights acquired in the year under review, the compound interest on the pension rights acquired in previous years and the anticipated income from investments. The expected return on plan assets is based on the average interest rate on plan assets in the reported securities.

Wage/salary trends and fluctuation were set at 0.00% because the only persons entitled to a pension are nonworking persons with a future entitlement to pension benefits and current pensioners.

The pension values from the projected unit credit method and the market values of fund investments have changed as follows in the fiscal years 2011 and 2010:

	2011 1,000 Euro	Previous Year 1,000 Euro
Defined benefit obligation end of prior year	**11,392**	**10,691**
Changes of Thai claims	-104	0
Current service cost	0	19
Interest cost	652	637
Actuarial gains (-) / losses (+)	659	319
Benefits paid	-574	-661
Changes in currency	277	387
Defined benefit obligation end of current year	**12,302**	**11,392**

Plan assets changed as follows in the fiscal years 2011 and 2010:

	2011 1,000 Euro	Previous Year 1,000 Euro
Plan assets end of prior year	**8,535**	**7,781**
Return on plan assets	399	408
Employer contribution on plan assets	132	198
Actuarial gains (+) / losses (-)	1,073	347
Benefits paid by plan assets	-480	-550
Changes in currency	237	351
Plan assets end of current year	**9,896**	**8,535**

To cover pension obligations due to employees of the British subsidiary, plan assets mainly comprise fixed interest bearing securities.

Total expenses on pension commitments are comprised as follows:

	2011 1,000 Euro	Previous Year 1,000 Euro
Cost of obligations acquired during the year	0	19
Interest expenses on present value of pension obligations	652	637
Expected return on plan assets	-399	-408
Expenses for commitments	**253**	**248**
Actuarial results offset against shareholders' equity	-414	-28
Total expenses for commitments	**-161**	**220**

The equity recognized in the reserve for actuarial gains and losses for the year under review is Euro 1,005 thousand (previous year: Euro 591 thousand).

The pension provision is calculated as follows:

	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro	Dec. 31, 2009 1,000 Euro	Dec. 31, 2008 1,000 Euro	Dec. 31, 2007 1,000 Euro
Present value of unfunded obligations	2,260	2,224	2,208	1,995	2,062
Present value of funded obligations	10,042	9,168	8,483	7,366	9,460
Present value of pension obligations	12,302	11,392	10,691	9,360	11,521
Fair value of plan assets	-9,896	-8,535	-7,781	-6,927	-9,002
Present value of pension obligations less plan assets	2,406	2,857	2,910	2,433	2,519
Unrecognised actuarial results	0	0	0	0	0
Provision in accordance with IAS 19	**2,406**	**2,857**	**2,910**	**2,433**	**2,519**
Experience adjustments					
Pension obligations	-94	18	-196	71	-163
Plan assets	8	0	0	0	0

Pension plans and obligations are valued at regular intervals. Actuarial investigations are performed each year for all significant entities.

(9) PROVISIONS

Provisions for taxes include Euro 1,535 thousand for long-term deferred tax assets (previous year: Euro 1,317 thousand).

Changes in provisions were as follows:

	Market-orientated commitments 1,000 Euro	Human resources commitments 1,000 Euro	Other commitments 1,000 Euro	Total 1,000 Euro
As of Jan. 01, 2010	**3,143**	**1,206**	**1,346**	**5,695**
Currency conversion	111	32	0	143
Withdrawal	-2,059	-873	-746	-3,678
Release	-320	-14	-141	-475
Allocation	2,830	1,295	323	4,448
Interest added back	0	0	0	0
As of Dec. 31, 2010	**3,705**	**1,646**	**782**	**6,133**
thereof long-term	0	0	0	0
As of Jan. 01, 2011	**3,705**	**1,646**	**782**	**6,133**
Currency conversion	12	32	3	47
Withdrawal	-3,046	-702	-407	-4,155
Release	-5	-99	-69	-173
Allocation	1,290	1,557	514	3,361
Interest added back	0	6	24	30
As of Dec. 31, 2011	**1,956**	**2,440**	**847**	**5,243**
thereof long-term	0	249	227	476

(10) OTHER LIABILITIES

Other liabilities include liabilities for other taxes of Euro 174 thousand (previous year: Euro 209 thousand) and liabilities for social security of Euro 252 thousand (previous year: Euro 235 thousand). Liabilities for trade income tax of Euro 465 thousand (previous year: Euro 433 thousand) are also included. The remaining increase was primarily due to liabilities for bonus payments to customers. Other liabilities have a term to maturity of less than 12 months.

REPORTING OF FINANCIAL INSTRUMENTS

A distinction is made between primary and derivative financial instruments.

PRIMARY FINANCIAL INSTRUMENTS

The estimated market values of primary financial instruments are not necessarily the values the company would gain in the event of a real transaction at current market rates.

Regular sales and purchases are recognized on the settlement date.

In the assets column, the financial assets, receivables, other assets (excluding deferred charges) and liquid assets are classified as primary financial instruments. Available for sale financial assets are carried at their fair value, reasonably estimated, and all other financial assets are carried at amortized cost.

Primary financial instruments in the liabilities column mainly include liabilities valued at amortized cost.

The fixed interest-bearing financial liabilities are carried at their repayment rates. The carrying values of liabilities with variable interest rates correspond approximately to their market values, because these interest rates are based on variable interest rates that are based on market interest rates.

The stock of primary financial instruments is shown in the balance sheet, the amount of the financial assets corresponds to the maximum credit risk. Risks of financial assets are covered by valuation allowances where such risks are discernible.

The fair value is taken from stock exchange prices or is determined using recognized valuation methods.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include forward exchange transactions used to hedge against specific business transactions. The market values are derived from valuation models whose main input factors are attributable to observable market data. The nominal volume corresponds to the total of all purchase and sale sums underlying the transactions. The forward exchange transactions concluded by Turbon AG have a maximum term to maturity of up to 48 months.

Book values in valuation categories 2011	Valuation categories according IAS 39	Book value as of Dec. 31, 2011	Balance sheet valuation according to IAS 39			Fair value as of Dec. 31, 2011
			Amortized costs	Fair value recognized in equity	Fair value recognized in income	
		1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro
Assets						
Financial assets	AFS	24	24	0	0	24
Cash and cash equivalents	LAR	8,911	8,911	0	0	8,911
Trade receivables	LAR	11,282	11,282	0	0	11,282
Other receivables	LAR	65	65	0	0	65
Derivative financial receivables	n/a	207	0	207	0	207
Net assets from settled foreign exchange contracts	n/a	378	0	378	0	378
Liabilities						
Bond bearer	HTM	-9,957	-9,957	0	0	-9,957
Trade payables	FLAC	-13,176	-13,176	0	0	-13,176
Other liabilities	FLAC	-1,519	-1,519	0	0	-1,519
Derivative financial liabilities	n/a	-223	0	-223	0	-223
Thereof accumulated according to valuation categories IAS 39						
Available for Sale (AFS)		24	24	0	0	24
Loans and Receivables (LAR)		20,258	20,258	0	0	20,258
Held to Maturity Investments (HTM)		-9,957	-9,957	0	0	-9,957
Financial Liabilities Measured at Amortised Cost (FLAC)		-14,695	-14,695	0	0	-14,695
Not allocated		362	0	362	0	362

Hedge Accounting in line with IAS 39 is used for currency derivatives to secure future receivables and liabilities denominated in foreign currencies with the objective of minimizing volatilities in the statement of income.

Fair value hedges serve to hedge against the risk of variations in market value. There was no fair value hedge accounting in the Turbon Group as at December 31, 2011. The same applies to net investment hedge accounting to secure the net assets of foreign investments.

Cash flow hedges serve to hedge against the risk of variable cash flows. The company concludes foreign exchange transactions to limit the currency risk. Since the hedging relationships are classified as highly effective, cash flow hedge accounting is applied to these transactions.

The financial assets and liabilities can be subdivided into valuation categories with the following carrying values:

Book values in valuation categories 2010	Valuation categories according IAS 39	Book value as of Dec. 31, 2010	Balance sheet valuation according to IAS 39			Fair value as of Dec. 31, 2010
			Amortized costs	Fair value recognized in equity	Fair value recognized in income	
		1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro	1,000 Euro
Assets						
Financial assets	AFS	24	24	0	0	24
Cash and cash equivalents	LAR	10,320	10,320	0	0	10,320
Trade receivables	LAR	9,929	9,929	0	0	9,929
Other receivables	LAR	186	186	0	0	186
Derivative financial receivables	n/a	83	0	83	0	83
Net assets from settled foreign exchange contracts	n/a	700	0	700	0	700
Liabilities						
Bond bearer	HTM	-9,929	-9,929	0	0	-9,929
Trade payables	FLAC	-11,714	-11,714	0	0	-11,714
Other liabilities	FLAC	-1,228	-1,228	0	0	-1,228
Derivative financial liabilities	n/a	-84	0	-84	0	-84
Thereof accumulated according to valuation categories IAS 39						
Available for Sale (AFS)		24	24	0	0	24
Loans and Receivables (LAR)		20,435	20,435	0	0	20,435
Held to Maturity Investments (HTM)		-9,929	-9,929	0	0	-9,929
Financial Liabilities Measured at Amortised Cost (FLAC)		-12,942	-12,942	0	0	-12,942
Not allocated		699	0	699	0	699

Derivative financial receivables and liabilities as well as net assets from settled foreign exchange contracts are classified to level 2[1] according to IFRS 7.27.

Financial instruments are recognized in the statement of income with the following net amounts (IFRS 7):

	2011 1,000 Euro	Previous Year 1,000 Euro
Net result on financial instruments	**-1,053**	**-678**
Receivables and other assets	-276	-291
Held to maturity	-777	-781
Available fo sale	0	394

The net result on receivables and other assets include mainly the interest result and write-downs on trade receivables. The net result of financial investments held to maturity result only from the costs related to the fixed-interest bond bearer. The net result on financial instruments available for sale in the previous year includes an option premium in connection with the real property in Harlow, England.

RISKS FROM FINANCIAL INSTRUMENTS

Because it operates internationally, the Turbon Group is exposed to credit risks, liquidity risks and market risks in the course of its normal business operations. Market risks result in particular from market prices and currency rates. These risks are limited by systematic risk management. The group companies are also subject to strict risk management. Internal directives prescribe areas of action, responsibilities and controls with binding effect in close consultation with the Executive Board.

In some cases, derivative financial instruments are used to hedge currency risks from operations and risks from financing operations.

Detailed outlines of risks to which the group is exposed and the aims and processes of risk management are contained in the section "Risk Report" in the Management Report.

CREDIT RISKS

We are exposed to credit risks in our sales business, because customers may not meet their payment obligations. We limit this risk by undertaking regular credit rating analyses of our customer portfolio on the basis of a receivables management directive. This means that all customer receivables over Euro 20 thousand must be secured as far as possible by credit insurance or that other securities must be available. A greater part of the receivables are secured by credit insurance. The requirements for limit approval on the part of credit insurers have become much more stringent. It may be that limits are no longer sufficient for the full hedging of a customer relationship. In this case, strict historical empirical values with respect to the relevant customers are used to minimize the default risk.

Impairment provisions are formed for overdue receivables by way of a specific valuation allowance. The maximum non-payment risk is limited to the carrying amount.

[1] A stock exchange or market price for a similar financial instrument exists and the data are based on observable market.

Valuation allowances for the receivables disclosed in the following balance sheet items changed as follows:

Write-downs on trade receivables 2011	Beginning balance Jan. 01, 2011 1,000 Euro	Currency differences 1,000 Euro	Write-downs fiscal year 1,000 Euro	Disposals 1,000 Euro	Balance end of year Dec. 31, 2011 1,000 Euro	Book value of impaired receivables Dec. 31, 2011 1,000 Euro
Trade receivables	65	0	51	-18	98	0

Write-downs on trade receivables 2010	Beginning balance Jan. 01, 2010 1,000 Euro	Currency differences 1,000 Euro	Write-downs fiscal year 1,000 Euro	Disposals 1,000 Euro	Balance end of year Dec. 31, 2010 1,000 Euro	Book value of impaired receivables Dec. 31, 2010 1,000 Euro
Trade receivables	85	3	52	-75	65	0

Overdue, non adjusted receivables in the following amount existed on the balance sheet date:

Receivables, past due and not impaired	Book value Dec. 31, 2011 1,000 Euro	thereof neither impaired nor past due as of balance sheet date 1,000 Euro	thereof not impaired and past due in the following timeframes		
			< 30 days 1,000 Euro	between 30 and 60 days 1,000 Euro	> 60 days 1,000 Euro
Trade receivables	11,282	10,048	1,189	45	0
Other assets	2,033	1,356	478	62	137

Receivables, past due and not impaired	Book value Dec. 31, 2010 1,000 Euro	thereof neither impaired nor past due as of balance sheet date 1,000 Euro	thereof not impaired and past due in the following timeframes		
			< 30 days 1,000 Euro	between 30 and 60 days 1,000 Euro	> 60 days 1,000 Euro
Trade receivables	9,929	8,646	1,140	87	56
Other assets	2,172	1,235	51	60	826

Of the aforementioned, non-adjusted receivables, the greater part has been settled at the time of preparation of these financial statements.

The Turbon Group is exposed to a credit risk on derivative financial instruments, which is caused by non-performance of contractual agreements by the contracting partners.
The company limits this risk by concluding transactions only with credit institutions with a first-class credit rating.

LIQUIDITY RISKS

There is a liquidity risk if the liquidity reserves are not sufficient to meet our financial obligations on time. However, daily cash reporting, an 8-week cash plan updated on a weekly basis as well as a mid-term liquidity plan ensures that such a risk is minimized. Sufficient credit lines are available with commercial banks, but unutilized at the present time due to sufficient liquidity. Additional liquidity is available through an existing factoring agreement.

Financial liabilities in the next few months and years will probably result in the following non-discounted payments:

Redemption and interest payments on financial liabilities	Book value	Redemption payments			Interest payments		
	Dec. 31.2011 1,000 Euro	2012 1,000 Euro	2013-2016 1,000 Euro	from 2017 1,000 Euro	2012 1,000 Euro	2013-2016 1,000 Euro	from 2017 1,000 Euro
Bond bearer	9,957	0	10,000	0	720	390	0
Other liabilities	14,918	14,912	6	0	0	0	0

Redemption and interest payments on financial liabilities	Book value	Redemption payments			Interest payments		
	Dec. 31.2010 1,000 Euro	2011 1,000 Euro	2012-2015 1,000 Euro	from 2016 1,000 Euro	2011 1,000 Euro	2012-2015 1,000 Euro	from 2016 1,000 Euro
Bond bearer	9,929	0	10,000	0	720	1,110	0
Other liabilities	13,026	13,026	0	0	0	0	0

The issue of the bond bearer, which is due for repayment in July 2013 (original term seven years), is linked to various conditions. In addition to the general conditions, there are financial requirements that certain relations as regards the interest and debt ratio must be maintained. These relations were complied within the fiscal year.

MARKET RISKS

The Turbon Group is exposed to market risks primarily because of changes in exchange rates. Currency risks arise mainly with payments and trade receivables and payables.

The Turbon Group also has income and expenses in foreign currencies. At the group level, net items are formed for the most important currencies in the context of centralized currency management and, if necessary, hedged via forward exchange transactions with external contracting counterparties (credit institutions). Since the relevant hedging relationship is classified as highly effective, cash flow hedge accounting is applied in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". The relevant fair values resulting from valuation at market prices are shown in the following table and recognized directly in other comprehensive income, taking account of deferred taxes. The secured cash flows will arrive in the next 24 months.

	Dec. 31, 2011			Dec. 31, 2010		
	Nominal value 1,000 Euro	Positive Fair value 1,000 Euro	Negative Fair value 1,000 Euro	Nominal value 1,000 Euro	Positive Fair value 1,000 Euro	Negative Fair value 1,000 Euro
Foreign exchange contracts	13,497	207	-223	9,607	83	-84
thereoff cash flow hedges	13,497	207	-223	9,607	83	-84

Fair values are stated in the balance sheet in other assets or other liabilities. The market values are derived from valuation models whose main input factors are attributable to observeable market data. In 2011, the other comprehensive income changed by changes in the fair market value of derivatives, which are designated as cash flow hedges, by Euro -15 thousand to Euro -16 thousand (previous year: Euro -1 thousand). In the year under review, Euro 227 thousand was realised from the market value changes of derivatives designated as cash flow hedges, which were initially recognized as profitneutral in the other comprehensive income. Of this, Euro 99 thousand accounts as sales and Euro 128 thousand as material purchase designated hedging relationships. In the previous year derivatives which are designated as cash flow hedges have been closed completely by transactions with identical nominal and temporal terms. As per December 31, 2011 this item amounted to Euro 378 thousand before taxes in equity.

IFRS 7 requires sensitivity analyses for the presentation of market risks, which show the effects of hypothetical changes of relevant risk variables on net income. Currency risks as defined by IFRS 7 do not arise on assets and liabilities in Euros. The following table shows the effect on the equity of the Turbon Group in each case of a 10% change in the currency risk position:

2011	USD 1,000 Euro	GBP 1,000 Euro	Total 1,000 Euro
Scenario 1: Revaluation to € by 10%	2	648	**650**
Scenario 2: Devaluation to € by 10%	-1	-531	**-532**

2010	USD 1,000 Euro	GBP 1,000 Euro	Total 1,000 Euro
Scenario 1: Revaluation to € by 10%	-18	489	**471**
Scenario 2: Devaluation to € by 10%	14	-400	**-386**

Explanations to the Consolidated Statement of Income

Segment reporting is based on the internal organizational and reporting structure, which is distinguished by regional markets in which the Turbon Group operates.

Segment Report by Regions

for the period from January 01 until December 31, 2011	Europe 1,000 Euro	USA 1,000 Euro	Asia 1,000 Euro	Regions 1,000 Euro	Consoli-dation 1,000 Euro	Group 1,000 Euro
Sales with third parties	63,495	16,003	1,208	80,706	0	80,706
Sales with group companies	31,194	2,613	31,084	64,891	-64,891	0
EBIT	3,816	-867	3,470	6,419	71	6,490
Assets	115,828	37,683	28,152	181,663	-122,478	59,185
Liabilities	52,362	18,750	5,529	76,641	-41,780	34,861
Financial income	246	0	44	290	-235	55
Financial expenses	1,258	6	0	1,264	-235	1,029
Capital expenditure	366	336	158	860	0	860
Depreciation	670	185	355	1,210	0	1,210
Average workforce during the period *	799	56	188	1,043	0	1,043

* Additionally 569 temporary staff in Thailand

for the period from January 01 until December 31, 2010	Europe 1,000 Euro	USA 1,000 Euro	Asia 1,000 Euro	Regions 1,000 Euro	Consoli-dation 1,000 Euro	Group 1,000 Euro
Sales with third parties	59,392	15,294	1,031	75,717	0	75,717
Sales with group companies	29,039	2,011	27,435	58,485	-58,485	0
EBIT	5,059	-2,233	1,949	4,775	73	4,848
Assets	115,415	33,911	24,543	173,869	-115,710	58,159
Liabilities	48,623	17,390	4,760	70,773	-36,395	34,378
Financial income	229	10	53	292	-265	27
Financial expenses	1,269	11	0	1,280	-265	1,015
Capital expenditure	326	50	144	520	0	520
Depreciation	716	121	397	1,234	0	1,234
Average workforce during the period *	750	74	181	1,005	0	1,005

* Additionally 532 temporary staff in Thailand

The accounting policies used are the same for all segments.

Intercompany sales took place unchanged at the usual arms-length rates. The presentation shows balances for the region which have been added together and were not consolidated.

(11) SALES

Sales of Euro 72.2 million (previous year: Euro 66.8 million) were made with laser cartridges. Sales of other products totalled Euro 8.5 million (Euro 8.9 million in the previous year).

(12) COST OF SALES

Cost of sales include the following material expenses:

	2011 1,000 Euro	Previous Year 1,000 Euro
Cost of raw materials, supplies and trading stock	-35,877	-34,615
Cost of purchased services	-17	-29
	-35,894	**-34,644**

(13) SELLING EXPENSES

Selling expenses decreased by Euro 0.1 million to Euro 5.6 million, mainly due to lower personnel expenses.

(14) ADMINISTRATIVE EXPENSES

As compared to 2010, administrative expenses were unchanged Euro 5.9 million.

(15) OTHER OPERATING INCOME

Other operating income includes in particular the balance after netting currency gains and losses (Euro 250 thousand, previous year: Euro 851 thousand). In previous year other book gains arose from the sale of the property in Harlow, Great Britain (Euro 394 thousand) and various earnings from the release of accruals (Euro 475 thousand).

(16) OTHER OPERATING EXPENSES

In addition to expenses not assigned to the other functional areas, expenses for allocation of accruals as well as write-off of trade receivables are included in the other operating expenses. In the previous year, mainly an accrual of Euro 1,027 thousand was associated with the closure of the facility at Cinnaminson, NJ/USA was included.

(17) TAXES ON INCOME

Recognized as income tax are the income taxes in the individual countries and the deferred tax balances. Expenses on income tax including deferred taxes are comprised as follows:

	2011 1,000 Euro	Previous Year 1,000 Euro
Current taxes	-1,356	-1,526
Deferred taxes	-755	-170
	-2,111	**-1,696**

Allocation of deferred tax balances:

	Deferred tax assets		Deferred tax liabilties	
	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Long-term assets	149	169	1,065	1,099
Inventories	299	245	0	0
Other short-term assets	70	0	185	218
Pension reserves	76	102	0	0
Accounts receivable / accounts payable / other accruals	47	0	285	0
Tax losses carried forward	858	1,307	0	0
Balance pursuant to consolidated balance sheet	**1,499**	**1,823**	**1,535**	**1,317**

Deferred taxes result from temporary differences in values between the tax base of assets and liabilities and their carrying amounts under IFRS. Deferred tax receivables and deferred tax liabilities are netted if these exist against the same tax authority and if they meet the obligations of IAS 12.71.

On December 31, 2011, tax losses carried forward were present at the American subsidiary, but also to a lesser extent at the English subsidiary. Deferred tax assets were recognized for losses carried forward where it was sufficiently probable that these losses carried forward could be used and as long as it can occur before expiration of tax losses carried forward. Normally used as the period for this forecast are the 5 years following the fiscal year.

The following losses carried forward are related to local income taxes:

	2011 1,000 Euro	Previous Year 1,000 Euro
Tax assets from losses carried forward in the group as of Jan 01	**26,468**	**18,851**
Additions / disposals	-242	6,249
Currency related changes	785	1,368
Tax assets from losses carried forward in the group as of Dec 31	**27,011**	**26,468**
Losses carried forward not recognized as of Jan 01	**-20,566**	**-9,431**
Losses of current year not useable	-1,916	-6,198
Adjustment of losses of previous years not useable	439	-4,205
Currency related changes	-638	-732
Losses carried forward not recognized as of Dec 31	**-22,681**	**-20,566**
Taxable losses carried forward as of Dec 31	**4,330**	**5,902**

The reconciliation of computed with actual tax expenses is shown in the following table:

	2011 1,000 Euro	Previous Year 1,000 Euro
Expected tax on income	-1,819	-1,246
Losses without deferred taxes	-325	-2,218
Gains without deferred taxes	128	138
Deviations from taxable base	250	1,560
Expenses from reduction of tax assets	-406	-337
Gains from capitalized tax assets	47	325
Other deviations	14	82
	-2,111	**-1,696**

The computed tax result rate is calculated on the basis of the weighted average of the domestic tax rate of 33.0% (previous year: 32.3%). The average foreign tax rate is 28.0% (previous year: 32.1%).

As well as tax expenses and tax income recognized in the statement of income, an amount of Euro 181 thousand (previous year: Euro -87 thousand) was recognized in equity. These result from the existing foreign exchange contracts as well as taxes on actuarial gains and losses at the reporting date.

(18) EARNINGS PER SHARE

Earnings per share of Euro 1.03 (previous year: Euro 0.62) were calculated by dividing consolidated net income (Euro 3,405 thousand; previous year: Euro 2,163 thousand) by the average number of shares issued (3,294,903; previous year: 3,472,557).

Options from stock option plans no longer exist. Therefore diluted earnings per share and undiluted earnings per share are the same both, last year and in the current fiscal year.

(19) OTHER DETAILS OF THE CONSOLIDATED STATEMENT OF INCOME

Personnel expenses are divided up as follows:

	2011 1,000 Euro	Previous Year 1,000 Euro
Wages and salaries	12,881	13,009
Social security, pension and other benefit costs	2,548	2,864
thereof for pensions	241	269
	15,429	**15,873**

Employed by the group on average for the year:

	2011	Previous Year
Europe	799	750
USA	56	74
Asia	188	181
	1,043	**1,005**
Additionally tempo-rary staff in Thailand	569	532

Other information

CONTINGENT LIABILITIES

There were no contingent liabilities on either of the balance sheet dates.

OTHER FINANCIAL OBLIGATIONS

Future financial obligations from rent and lease payments have the following maturities until expiry of the minimum term of the contracts:

	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Due within one year	1,718	1,970
Due after more than one year and up to five years	6,101	6,246
Due after more than five years	3,723	4,726
	11,542	**12,942**

Included in the Euro 11,542 thousand are the existing leases on the property in Hattingen (headquarters of Turbon AG and Turbon Europe GmbH) totalling Euro 7,067 thousand.

In 2011 rental and lease payments of Euro 2,028 thousand (previous year: Euro 1,852 thousand) are recognized as expenses.

The future financial obligations from payments into the pension fund of Turbon Nordic (Pensions) Ltd. amount to 168 thousand British Pounds within the next two years and will be evaluated every three years. The next evaluation will be in 2013.

CASH FLOW STATEMENT

The cash flow statement is presented on page 26.

Cash funds comprise cash in banks and cash on hand.

RELATED PARTY DISCLOSURES

The Turbon Group had the following relationships with related parties from delivery and supply relationships concluded in the past:

	Related companies		Related persons	
	2011 1,000 Euro	Previous Year 1,000 Euro	2011 1,000 Euro	Previous Year 1,000 Euro
Deliveries and services provided	1,281	988	0	0
Deliveries and services received	-162	-151	-71	-71

	Related companies		Related persons	
	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro	Dec. 31, 2011 1,000 Euro	Dec. 31, 2010 1,000 Euro
Trade receivables	137	129	0	0
Trade payables	-46	-51	-11	0

Business relationships with related parties are effected under the same conditions as with third parties (arm's length transaction).

TOTAL COMPENSATION OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

The total compensation paid to the Executive Board of Euro 511 thousand in the year under review (previous year: Euro 501 thousand) was split between the individual Executive Board members as follows:

	Aldo C. DeLuca		Michael Pages	
	2011 1,000 Euro	Previous Year 1,000 Euro	2011 1,000 Euro	Previous Year 1,000 Euro
Compensation				
• Fixed	226	236	186	184
• Variable	66	54	33	27
	292	**290**	**219**	**211**

The change in the basic salary of Mr. DeLuca depends on the exchange rate as the basic salary is paid in US Dollars.

Current payments to a former Executive Board Member who retired on December 31, 2000 amounted to Euro 86 thousand in 2011 (previous year: Euro 85 thousand). Pension provisions for former Executive Board members were Euro 2,087 thousand (previous year: Euro 1,985 thousand).

Compensation of the Supervisory Board is governed by Article 18 of the Articles of Association. The members of the Supervisory Board receive annual compensation of Euro 6,136 in addition to reimbursement of expenses, including value added tax. The chairman receives twice, and the deputy chairman one and a half times this amount.
The company takes out adequate business liability insurance (directors and officers insurance) for the members of the Supervisory Board. Relevant insurance premiums are paid by the company.

Total compensation of the Supervisory Board of Euro 116 thousand (previous year: Euro 116 thousand) is divided as follows in the year under review:

	Fixed compensation		Consulting services		Total	
	2011 1,000 Euro	Previous Year 1,000 Euro	2011 1,000 Euro	Previous Year 1,000 Euro	2011 1,000 Euro	Previous Year 1,000 Euro
Hans-Joachim Scholten	12	12	29	29	41	41
Dr. Paul-Michael Günther	9	9	42	42	51	51
Thomas Hertrich	6	6	0	0	6	6
Simon McCouaig	6	6	0	0	6	6
Girolamo Cacciatore	6	6	0	0	6	6
Dietmar Kirsch	6	6	0	0	6	6

DECLARATION ON THE CORPORATE GOVERNANCE CODE

The declaration regarding the German Corporate Governance Code required according to Section 161 AktG was issued and made available to the shareholders.

AUDITORS' FEES

The following fees were recorded as an expense for the services provided by the auditor of the annual and consolidated financial statements, BDO AG Wirtschaftsprüfungsgesellschaft:

	2011 1,000 Euro	Previous Year 1,000 Euro
Audits	119	118
Other services for certification or estimation	0	4
	119	**122**

Responsibility statement

To the best of our knowledge, we declare that the consolidated financial statements prepared in accordance with enacted accounting principles give a true and fair view of the net worth, financial position and results of operations of the group, and the combined management and group management report includes a fair review of the group's development and performance and of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year.

Hattingen, March 30, 2012
The Executive Board
Aldo C. DeLuca
Michael Pages

MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

As far as members of the Supervisory Board hold, in addition to their control functions at Turbon AG, mandates in supervisory boards required by statute and comparable control instances of commercial enterprises this is listed below (effective date: December 31, 2011):

Hans-Joachim Scholten
Dipl.-Kaufmann, Alzenau
– Chairman –

Dr. Paul-Michael Günther
Lawyer, Public Accountant and Tax Consultant, Wuppertal
– Deputy Chairman –

DRICON Managing Consultants AG, Frankfurt am Main
– Supervisory Board Chairman –

Thomas Hertrich
Tax Director, Europe, NCR GmbH, Aystetten

Simon J. McCouaig
Vice President Europe, Consumables Solutions Europe, NCR Corp., Solihull/GB

Girolamo Cacciatore
Works Council Chairman, Remscheid
– Employee Representative –

Dietmar Kirsch
Technical Employee, Langenfeld
– Employee Representative –

EXECUTIVE BOARD

Aldo C. DeLuca
Ivyland (PA)/USA
– Executive Board Spokesman –

Michael Pages
Moers

Shareholdings of Turbon AG

As of December 31, 2011

		Share of capital (%)	held thru no.
Affiliated companies included in the Consolidated Financial Statements			
1	Turbon AG, Hattingen		
2	Turbon Europe GmbH, Hattingen	100.00	1
3	Turbon International, Inc., York (PA)/USA	100.00	1
4	Turbon USA Inc., Pennsauken (NJ)/USA	100.00	3
5	Turbon (Thailand) Co., Ltd., Samutprakarn/Thailand	100.00	10
6	Keymax Nordic Holding A/S, Tästrup/Denmark	100.00	1
7	Keytec (GB) Ltd., Axminster (Devon)/Great Britain	100.00	1
8	Kores Nordic Belgium NV-SA, Grimbergen/Belgium	100.00	6
9	SC Turbon Romania S.R.L., Oltenita/Romania	100.00	1
10	Turbon Beteiligungs GmbH, Hattingen	100.00	1
11	Bright Parameters GmbH, Hattingen	100.00	1
12	BIL Leasing Verwaltungs-GmbH & Co. Objekt Meerbusch KG, Pullach i. Isartal	95.00	1
Affiliated companies not included in the Consolidated Financial Statements			
13	Turbon Nordic (Pensions) Ltd., Harlow (Essex)/Great Britain	100.00	7
14	Keytec Industries (GB) Ltd., Axminster (Devon)/Great Britain	100.00	7
Other participations			
15	BIL Leasing Verwaltungs-GmbH & Co. Objekt Hattingen KG, Pullach i. Isartal	95.00	1

Hattingen, March 30, 2012
The Executive Board
Aldo C. DeLuca
Michael Pages

Turbon AG, Hattingen

Auditor's Report

We have audited the consolidated financial statements prepared by the Turbon AG, Hattingen, comprising the balance sheet, the income statement and statement of comprehensive income, statement of changes in equity, cash flow statement, and the notes to the consolidated financial statements, together with the management report of the group and Turbon AG for the business year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and management report of the Group and Turbon AG in accordance with IFRS, as they are to be applied within the EU, and supplementary provisions of Section 315 a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the management report of the group and Turbon AG based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with principles of proper accounting and in the management report of the group and Turbon AG are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report of the group and Turbon AG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report of the group and Turbon AG. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as they are to be applied within the EU, and supplementary provisions of Section 315 a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The management report of the Group and Turbon AG is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 30, 2012
BDO AG
Wirtschaftsprüfungsgesellschaft

Horn	Massing
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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