



Annual Report 2016

 **technotrans**

KEY DATA OF THE TECHNOTRANS GROUP (IFRS)

	Δ previous year	2016	2015	2014	2013	2012
Revenue (€ '000)	23.6%	151,792	122,838	112,371	105,207	90,662
Technology (€ '000)	27.2%	103,623	81,457	73,758	65,988	53,733
Services (€ '000)	16.4%	48,169	41,381	38,613	39,219	36,929
EBITDA (€ '000)	15.2%	14,045	12,187	9,873	7,815	8,319
EBITDA margin (%)		9.3	9.9	8.8	7.4	9.2
EBIT (€ '000)	8.7%	9,731	8,952	6,830	4,626	5,357
EBIT margin (%)		6.4	7.3	6.1	4.4	5.9
Net profit for the period¹ (€ '000)	14.9%	7,192	6,262	4,381	3,016	3,094
as percent of revenue		4.7	5.1	3.9	2.9	3.4
Net profit per share (€)	13.7%	1.09	0.96	0.67	0.47	0.48
Dividend per share (€)	14.6%	0.55*	0.48	0.33	0.20	0.12
Balance sheet (€ '000)	59.7%	121,445	76,043	74,534	73,019	64,705
Equity (€ '000)	19.6%	61,880	51,725	47,470	43,743	40,865
Equity ratio (%)		51.0	68.0	63.7	59.9	63.2
Return on equity (%) ²		11.6	12.3	9.4	7.0	7.6
Net debt³ (€ '000)	-145.5%	5,267	-11,575	-4,763	-941	-8,122
Free Cashflow⁴ (€ '000)	-248.1%	-12,649	8,542	4,821	-3,433	13,172
Employees (average)	22.2%	990	810	771	763	646
Personnel expenses (€ '000)	25.6%	52,941	42,160	39,808	37,022	32,651
as percent of revenue		34.9	34.3	35.4	35.2	36.0
Revenue per employee (€ '000)	1.1%	153	152	146	138	140
Number of shares at end of period		6,907,665	6,530,588	6,516,434	6,493,474	6,455,404
share price max (€)		24.77	19.90	9.56	10.35	7.20
share price min (€)		15.75	9.21	7.41	6.90	4.10

¹Net profit for the period = profit attributable to technotrans AG shareholders

²Return on equity = Net profit of the period/Equity to technotrans AG shareholders

³Nettoverschuldung = financial liabilities – cash and cash equivalents

⁴Free Cashflow = Net cash from operating activities
+ cash used for investments acc. to cash flow statement

*Proposal to the Shareholder Meeting



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Dear Shareholders, Dear Business Associates,

From an overall economic viewpoint the 2016 financial year was again a particular challenge.

There was a renewed slowdown in the economic development of the global economy in the course of the 2016 financial year. For example the forecasts for growth in global gross domestic product (GDP) were scaled back from 3.4 percent in January 2016 to 3.1 percent in January 2017.

As already in previous years, growth was hampered by weak overall demand, but especially for capital goods. Among the factors exercising considerable influence on this development were the high level of political and economic uncertainty caused by political conflicts in Syria and Iraq, the failed coup in Turkey and the vote by the United Kingdom to withdraw from the European Union. Ahead of the US elections there were also growing signs that growth in America's economy was slowing down. The Chinese economy continued its transition to an economy driven more by consumption and the domestic market, a process that so far has been accompanied by a steady decline in rates of economic growth. In Europe and Germany, on the other hand, the economy expanded by a moderate degree, as forecast.

Meanwhile business for the technotrans Group made very healthy progress in 2016. We achieved growth in all market areas and increased our revenue from EUR 122.8 million in 2015 to EUR 151.8 million in 2016. This quite marked rise in revenue comprises around 8 percent organic and around 15 percent non-organic growth.

Business with the manufacturers of offset, digital and flexographic printing presses made extremely good progress in the 2016 financial year. Following the gradual contraction of the printing press market in every year from 2008 to 2014, slight growth has resumed since 2014. In recent years technotrans has further increased its market shares with the manufacturers of offset printing presses and also tapped into new areas of business in digital and flexographic printing. We were consequently able to capitalise overproportionally on general growth in the past financial year. The drupa, the world's largest exhibition for the printing industry, again proved to be another growth driver for its sector. At the Düsseldorf show from May 31 to June 10, 2016, technotrans presented itself to good effect as the development partner for virtually every area of business in the print world. As well as classic offset printing presses, a large proportion of flexographic and digital printing presses were equipped with technotrans peripherals for dampening solution preparation, filtration and ink supply. With revenue growth of approximately 8 percent in new mechanical engineering business, our overall development outstripped that of the printing press market itself.

The area of laser, machine tool and forming technology presented a mixed picture in 2016. In our business area of laser system manufacturers, the start of the year saw us experience the first ever slight drop in revenue since venturing into this industry. This was prompted by a product change at one of our largest laser customers. Nevertheless, our business with cooling systems for the laser industry started to recover from the second quarter.

As system partner to the laser industry, the areas of application span classic laser applications in metal working, medical equipment, semiconductor technology and the machining of new materials. The area of diode laser systems and 3D printing developed particularly well in 2016.

Classic mechanical and plant engineering was in rude health from technotrans' perspective in 2016. Demand for both filtration systems and classic machine cooling picked up significantly thanks to strong portfolio business and the acquisition of new customers. Our business with the manufacturers of die-cutting and pressing equipment, which we supply mainly with spray lubrication systems and cooling units, likewise developed positively. Having supplied mainly smaller spray lubrication systems to our customers in recent years, 2016 saw us secure our first customer contract for a wider-format spray lubrication system. This took us a decisive step closer to the business area of vehicle body manufacturing, which we believe holds ample promise for us. With revenue growth of about 5 percent, we are satisfied with the business performance in the mechanical engineering segment.

In our so-called growth markets, the most promising progress was in the battery cooling sector, alongside the areas of medical technology and baggage scanner cooling. We have a presence in the medical technology area with cooling units for laser systems and cooling units for x-ray systems. In the field of scanner cooling, we are able to turn the more rigorous standards to our advantage. These standards require more precise checks on items of baggage, which in turn necessitate very elaborate thermal management.

The potential for electric mobility to become an exceptionally important area was reflected in the steep rise in project enquiries and orders in 2016. technotrans has now been working on innovative solutions for the thermal management of batteries and buffer stores for the past decade. We have developed into a specialist for niche applications and small production runs in the transport sector and for charging points. Our products can now be found not only in trams and buses, but also in container and commercial vehicles as well as in charging points. With revenue growth in excess of 50 percent, we remain on track for success here.

All our products have one thing in common: they need maintenance and service throughout their entire operating life. technotrans is exceptionally well positioned in that regard compared to its mostly mid-corporate market competitors. This is because we are in a position to offer all customers in all segments precisely the service that they require of us. That protects both our competitive position and our profitability.

Our Services area includes our Technical Documentation arm. Here, we compile user manuals, operating instructions or handbooks on behalf of customers. We also offer our customers a translation service and accompanying software management systems for document administration. So that we will be in a position to continue to offer our customers precisely the management system that meets their needs, we expanded our operations in this field in 2016 by acquiring majority interests of 51 percent in Ovidius GmbH and its subsidiary EasyBrowse GmbH. These companies develop XML-based content management and editorial systems.

Flanking our organic development, we also completed the company's largest ever acquisition in 2016: in August 2016 we acquired a 98 percent majority interest in the share capital of GWK Gesellschaft Wärme Kältetechnik mbH, with registered office in Meinerzhagen. Through this acquisition we have opened a gateway to the market of the plastics processing industry. GWK already played a major part in the revenue performance of the technotrans Group in 2016 with consolidated revenue of EUR 18.0 million.

Ladies and Gentlemen, looking back over 2016 we conclude that it was a highly demanding year, not merely politically or for the economy as a whole. 2016 was also very challenging for the technotrans Group in every respect. And yet, the past year was again the most successful since the financial crisis of 2008. We achieved a huge amount and also took landmark decisions to support the long-term positive development of the company. technotrans today has a broad market spread and offers focused technological solutions. That makes us ideally equipped for the "Next Step", to quote the motto of this year's Annual Report. This is how we see our company, and how we would also like to continue developing in the future. That it works is all down to a high-performing, responsive workforce and a stable shareholder base, represented by a competent Supervisory Board. On behalf of the Board of Management I take this opportunity to extend my sincere thanks to them all for making our undertaking such a success.

On behalf of the Board of Management



Henry Brickenkamp



Dirk Engel

MEMBER OF THE BOARD (CFO)

born 1967

- › 1986: Trained as bank clerk, Stadtsparkasse Münster
- › 1989: Studied Economic Sciences, WWU Münster
(qualification: Business Administration degree)
- › 2001: Employed in Central Controlling at Gildemeister in Bielefeld

In charge of Finance and Accounts for the technotrans Group since 2004, Member of the Board since 2006.

Dirk Engel is responsible for Finance and Administration.

Henry Brickenkamp

BOARD SPOKESMAN

born 1968

- › 1986: Trained as electrician, Deutsche Bundespost
- › 1990: Studied Electrical Engineering, specialising in Energy Technology, Bielefeld University of Applied Sciences
(qualification: Electrical Engineering degree)
- › 1994: Studied Industrial Engineering, Bielefeld University of Applied Sciences
(qualification: Industrial Engineering degree)
- › 2003: Managing Director of HARTING Automotive GmbH

Joined technotrans in 2005, starting as Director of Sales and since 2006 Member of the Board of technotrans AG.

Henry Brickenkamp is responsible for Products and Markets.

Dr. Christof Soest

MEMBER OF THE BOARD (CTO)

born 1964

- › 1986: Studied Mechanical Engineering, Ruhr University Bochum
(qualification: Engineering degree)
- › 1993: Postgraduate Economics Programme, Ruhr University Bochum
(qualification: Industrial Engineering degree)
- › 1999: Doctorate, Technical University of Freiberg
- › 2005: Managing Director of Becker GmbH and Board Member of VDMA, Vacuum area

Member of the Board since June 2011.

Dr. Christof Soest is responsible for Technology and Operations.



A DRUPA YEAR WITH NEW PRODUCTS AND SIGHTS SET FIRMLY ON THE FUTURE OF PRINT.

When the drupa opens its doors every four years, the whole printing world turns its attention to the leading trade show in Duesseldorf. 2016 was another drupa year, and **technotrans** AG was obviously among the market participants showcasing their products. Visitors flocked to our stand on every day of the show. With our motto of "Partner in Print" we exhibited our innovations for various areas of cooling and liquid technology. The following segments are of especial significance: cooling in digital printing, sustainable and low-resource solutions, connected and smart control systems, and cooling for UV printing. In every area, **technotrans** is established as a reliable partner.

In digital printing, our compact chilling equipment for all performance ranges is used by almost all renowned manufacturers, helping to maintain high-quality printed results and a reliable production process. The range



notably includes the successful **smart**.chiller for the low to medium performance range, and the **omega**.line for high performance ranges. Meanwhile printing with UV inks presents particular challenges to the periphery. Reliable and efficient cooling of the UV LED dryers guarantees durability and consistent results. Also in the sphere of highly reactive UV inks, we showcased an ink supply system with a patented piston sealing system as well as the **ink.mate** series of ink agitators at the drupa.

When we speak of connected and smart systems, broadly in the context of the "Industry 4.0" vision, we mean our solutions that simplify operation and equipment monitoring. This includes making available information such as ink levels in a cloud, or analysing status data for a press in order to optimise maintenance processes. All these developments are also making our solutions even more sustainable. Performance-controlled systems

allow continuous adjustment in line with actual cooling requirements, and increasing metering precision cuts the resources required. With every development, we are therefore raising system efficiency to the benefit of our customers.

We have therefore taken an important step in recent years. We are witnessing the emergence and successful establishment of new processes and are actively supporting them with our products. We are currently observing growth in the printing industry especially in the areas of flexographic, digital and 3D printing. **technotrans** is also on board for the special and hybrid applications of major OEMs. We therefore enjoy an excellent position in a market that is having its difficulties. The next step is to keep offering the best solutions for the future technologies of the printing sector. They will ensure that we continue to grow in that market, too.



A NEW AREA OPENS NEW OPPORTUNITIES: TECHNOTRANS NOW ALSO DOES PLASTICS.

It has been – and will remain – a strategic goal of the group to secure growth through acquisitions. But these must usefully complement both our product portfolio and our core skills, as well as blend a sound economic basis with corresponding growth potential. In 2016 **technotrans** AG acquired a majority interest of 98 percent in the share capital of GWK Gesellschaft Wärme Kältetechnik mbH. Through this acquisition we have stepped up our activities in the field of plastics engineering. We can now declare that we have already achieved our medium-term goal of earning 50 percent of consolidated revenue from outside the printing industry. What is more, we have tapped attractive application areas that will pave the way for future growth, too.

And there is substantial synergy potential taking shape within the **technotrans** Group, which we will be realising over the coming months.

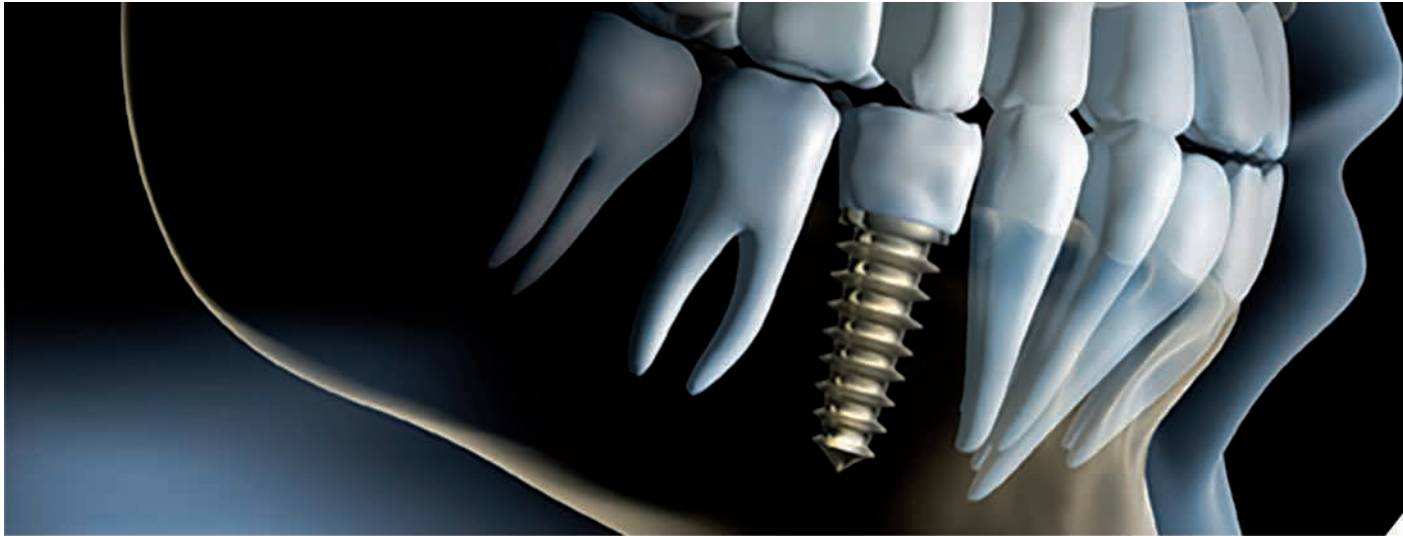


Our product portfolio, too, is benefiting directly from the solutions and expertise of our new colleagues in Meinerzhagen. That includes in particular temperature controllers for a variety of applications in plastics engineering, specifically for the injection moulding process. Then there are custom temperature control machines and chillers for machinery manufacturers and users in a wide range of application areas, turnkey energy-saving industrial cooling plants and products for water treatment and tool cleaning. Customers include leading players in the plastics processing industry, plastic machine manufacturers, plant engineering companies and also companies from the automotive, packaging, chemical and food industries.

Last year provided **technotrans** AG with its first opportunity to glean knowledge about this industry at the K show. It is regarded as the world's largest industry

exhibition for the plastics and rubber industry. The event confirmed the **GWK** brand to be an important player for the entire industry. Both its close ties with very many customers and the colleagues' profound technical consultancy expertise are valuable additions in terms of customer benefit and future growth.

As the next step, our task is to drive integration by putting the advantages of the group's international line-up to work in the Service and Sales areas. We also aim to realise synergies in Purchasing, Design or Research and Development. We stand to benefit both from the high level of congruence between the components and from the positive direction being taken by many application areas in the plastics industry.



INTEGRAL TO SUCCESS: OUR EXPERTISE IN METAL PROCESSING

Metal processing is a cornerstone of industry. Processing takes many different forms: grinding, cutting, milling, stamping, turning, pressing or polishing, to name but a few. A plus point for **technotrans** AG is that we can use our expertise to make a valuable contribution to almost all systems. Air-cooled or liquid-cooled machinery is used in producing turned parts for the automotive industry, connectors for aviation or panels for industrial halls. Knee joints, dental implants, watch casings, tools or high-precision mirrors for aerospace are also among the many different application areas. These illustrate emphatically how our solutions are used in stable and growing industries.

As in previous years, we were able to increase our market share through our **spray.xact** spray lubrication system, the **toolsmart** cooling lubricant preparation system and also cooling solutions for all performance ranges. At the EuroBLECH trade show in October 2016 in Hanover,



we for example presented a new version of **spray.xact** with spray pattern optimiser for especially complex applications. For simple processes, visitors to the show were able to get a first viewing of the **spray.xact** easy version with up to four spray nozzles. Further versions of the successful series are planned for 2017 to give us access to new application areas. Then there is the **toolsmart.cp**, one of the most successful cooling lubricant preparation systems of **technotrans AG**. We sold our 75th machine at the end of 2016. Within the space of five years, a solution that is now in its second generation has therefore developed into a key feature of many machine tools.

For use in a rapidly growing area such as 3D printing, a new combined unit for cooling and cooling lubricant preparation has recently been in the spotlight and was showcased at the AMB 2016 in Stuttgart. Visitors to the show stand were able to study a prototype of the

system for the first time. All new products are equipped with newly developed control systems that enable more effective remote access. This is an aspect of connectivity in the spirit of Germany's vision of "Industry 4.0" and will be highly relevant for **technotrans**, too, over the coming years.

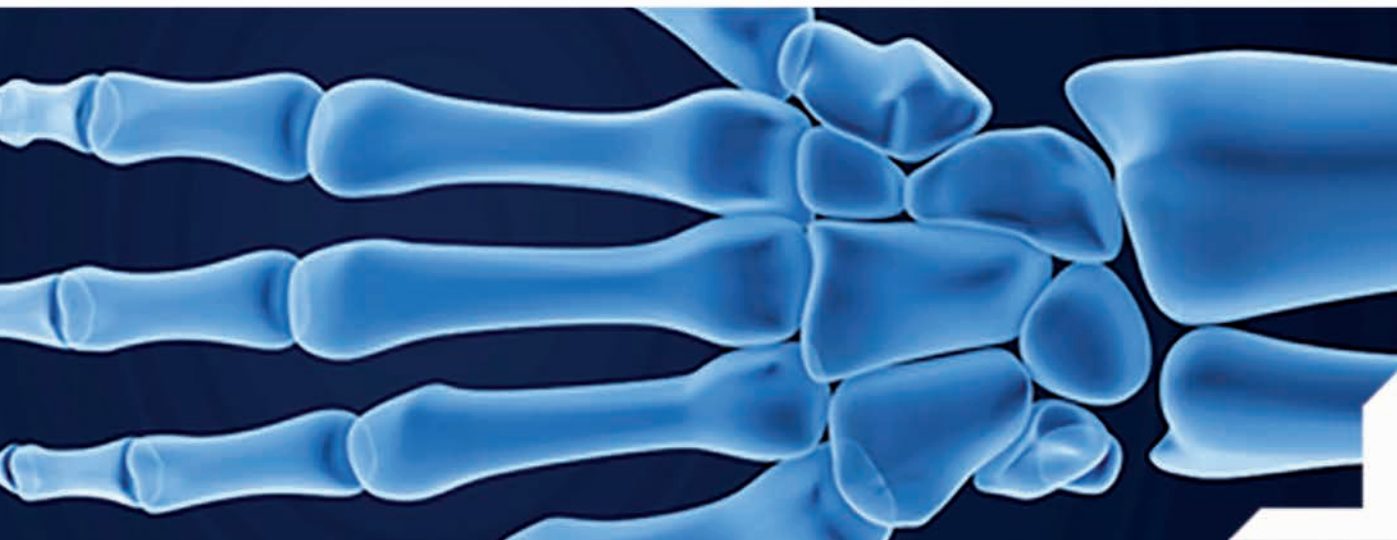
But instead of now regarding the entry into these markets as accomplished, we aim to continue expanding our market share in the next few years and play a major role in the new production techniques from the very outset. The past few years have seen the machine tool, laser industry and stamping and forming technology business areas occupy a leading role in the process of diversification at **technotrans AG**. It aims to maintain this pleasing growth in 2017 and see it make a major contribution to consolidated revenue.



ALREADY MOVING INTO GROWTH MARKETS: THE TECHNOTRANS STRATEGY TO STAY A SUCCESS.

technotrans AG's decision many years ago to transfer its expertise to applications in other markets than the printing industry is now proving a source of sound, sustainable and quite substantial growth. Our approach involves tapping our long-standing experience and proven products for new processes. We follow that path even in markets that cannot yet have any major impact on the growth of **technotrans** AG. In those cases, either the market as a whole is still relatively small or it involves processes that do not yet enjoy a sizeable share of a large market. But we are convinced that that will change. Still at an early stage, we therefore seek out partners and technologies with which we can demonstrate our capabilities in growth markets. Such areas include medical and scanner technology, electric mobility and also semiconductor production.

As a result, we are in dialogue with potential partners and customers early on in the development process. We will



be able to capitalise on that lead once established growth gathers momentum. This belief was further reinforced by exciting projects in 2016. We had already made headway with battery cooling for electric mobility in the previous year. New orders for trams and buses were successfully started or completed in 2016. **technotrans** has therefore already taken up position in this future market.

Imaging systems such as X-ray also continue to evolve and are becoming ever more important in medicine. Here again, **technotrans** solutions provide reliable cooling for the technology. The situation is similar in the field of scanner technology, such as is used at airports, for example. This is a large and lucrative market in which **technotrans** saw its first systems go into service successfully in 2016. Meanwhile in the semiconductor industry, carbon dioxide lasers are among the most powerful and widely used industrial lasers. Our products give us a presence even in that area.

With these and other applications, the various growth markets provide a broad basis. This is the basis for **technotrans** AG's medium to long-term growth and the next step in our success story revolving around systematic technology transfer.



A SOLUTION WITH EXCELLENT SERVICE FOR EVERY TASK.

We are convinced that **technotrans** products are the most efficient and most reliable solution for every application. Our aim is always to offer our customers sustainable, low-resource, economical systems. That includes reducing wear and increasing service intervals. But one aspect that is at least as important is that our services are of an equally high standard. Customers today rightly expect more than an off-the-peg product. We are not just a partner and solution provider right the way from planning to commissioning; we also remain involved for many years after.

Because only a joined-up approach will meet our customers' requirements optimally, we are constantly working to improve all processes. Over and above the classic portfolio of services, these include reducing interfaces in processes, new production concepts, internal and external logistics as well as certified



quality management to ISO 9001:2015. The practical application is where the advantages of these efforts really shine through: we reliably supply wearing parts and use predictive maintenance to assess the status and operating life of many components already in use. This reduces downtimes to an absolute minimum and maintenance is only carried out when it is genuinely required. Even if our global network makes it possible to provide an effective on-site service, thanks to modern software many questions can be clarified by remote maintenance, wherever in the world equipment is situated. The result is even swifter problem-solving. With our export ratio of over 90 percent, that is an important argument in favour of **technotrans** technology.

We provide training for all interested users. Employees come to **technotrans** to learn how to use our solutions and understand how they can get the most out of

technotrans systems in combination with their specific machinery. That way, we contribute directly to process reliability and satisfaction among our customers. We also seek dialogue, because by understanding the needs of our opposite number we are able to make our solutions even better, and above all improve the relevant areas.

Thanks to all these factors, the Services area continues to make a substantial contribution to the revenue of **technotrans** AG. Further growth is defined by the worldwide installed base that we are steadily expanding. Through the majority interest acquired in Berlin-based Ovidius GmbH in 2016, we have also given the Services segment a further boost. This acquisition will complement the future product portfolio of gds GmbH.

TECHNOTRANS ON THE CAPITAL MARKET - SHARES

On the final trading day of 2016 the DAX climbed to a 17-month high of 11,482 points. Following gains of 2.7 percent in 2014 and 9.6 percent in 2015, the index consequently put on 6.9 percent in 2016. It had started the past stock market year with a slump of as much as 19 percent within the first few weeks. Only a brisk final spurt after Donald

Trump's election victory enabled the index to end the year on a positive note, after a year of uncertainty and big surprises on the world's financial markets. Compared to the DAX, the MDAX was up 6.8 percent and the SDAX rose by 4.6 percent.

Share Price (January 1, 2016 to December 30, 2016)



At EUR 22.90 on the reporting date of December 30, 2016 the technotrans AG share price was 18.7 percent up on the previous year's closing price (EUR 19.30). The price performance of technotrans shares in 2016 thus again outstripped almost all the relevant benchmark indices (DAX, SDAX, DAXsector Prime Technology). Market capitalisation climbed from EUR 126 million to EUR 158 million in the year under review (reporting date December 30, 2016). The

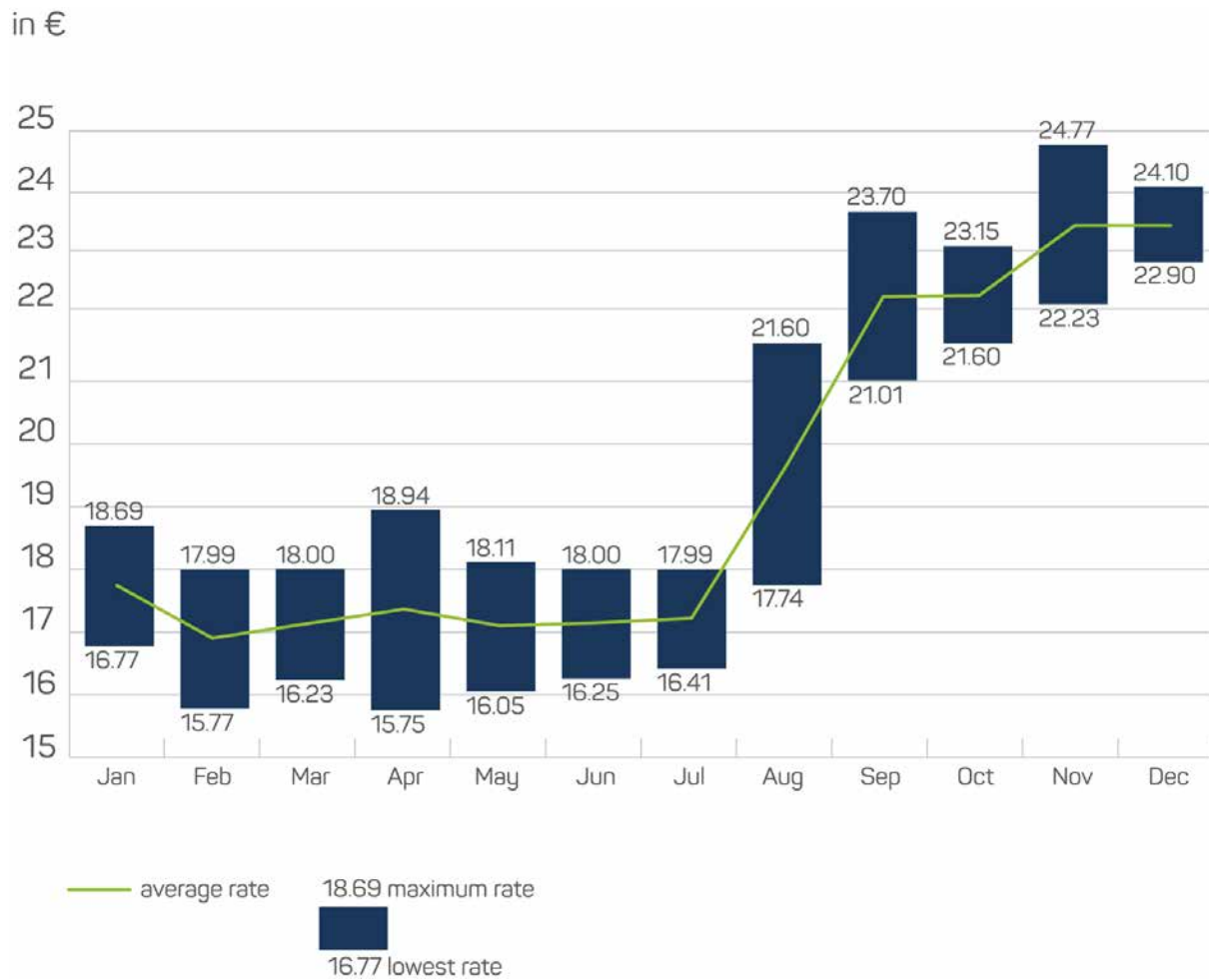
shares peaked at EUR 24.77 on November 24, which was also the year-high. The last time the shares had been at such a level was nine years ago, in October 2007.

Nevertheless, in line with the general market performance technotrans shares, too, experienced initial temporary price weakness in the first half of 2016 and dipped to a low of EUR 15.75. The publication of the first-half figures and then the announcement of the interest acquired in GWK

Gesellschaft Wärme Kältetechnik mbH in August were followed by a welcome price rise of around three euros. Further benchmark price highs were subsequently achieved.

The highest volume of trades was again achieved via XETRA, accounting for an average of 80 percent of trades (previous year: 72 percent), while the average trades via Tradegate came to 12 percent (previous year: 17 percent) and other trading platforms averaged 8 percent (previous year: 11 percent).

Performance of technotrans shares (XETRA) in 2016



Investor Relations Work

Our investor relations work maintains a continuous and open exchange of information with all capital market players. Our goal is to establish transparency and to promote an understanding of our business model and of the value drivers within our strategy. Supported by internal and external resources, both Chief Executive Officer Henry Brickenkamp and Chief Financial Officer Dirk Engel maintained a dialogue with a large number of institutional investors and analysts at conferences and roadshows nationally and internationally. There were also numerous

conversations with our private shareholders. Media coverage of technotrans AG intensified in 2016 and the share performance increasingly attracted attention among investors. The shares were observed regularly by five research houses (Bankhaus Lampe, M.M. Warburg, equinet, Hauck & Aufhäuser and HSBC Trinkaus und Burkhardt) in 2016. The analysts' price targets for technotrans shares currently range between EUR 24 and EUR 29, and without exception represent recommendations to buy or hold. We provide a steady flow of information about active capital

market work on the company's website and post the regular publications and the financial calendar for the current year there.

Capital market oriented

		FY 2016	FY 2015	FY 2014
Trading price (Xetra closing price)				
High	in €	24.77	19.90	9.56
Low	in €	15.75	9.21	7.41
End of financial year	in €	22.90	19.30	9.28
Number of shares at the end of the period	Units	6,907,665	6,530,588	6,516,434
Market capitalisation	€ '000	158,186	126,040	60.473
Net profit per share (basic, IFRS)	in €	1.09	0.96	0.67
Dividend per share	in €	0.55 ¹	0.48	0.33

¹ Proposal to the Annual Meeting

Shareholder Structure

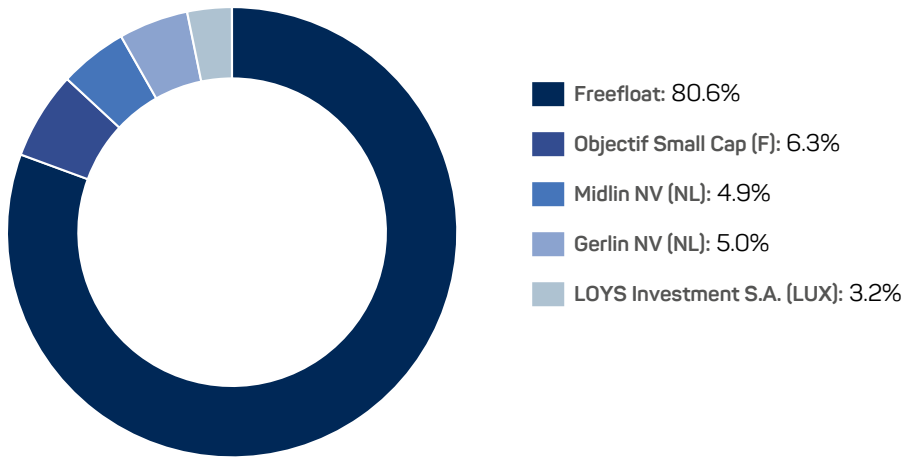
The free float of technotrans shares at the reporting date of 31 December, 2016 represents around 81 percent of the share capital. The three biggest shareholders of technotrans AG are institutional investors with long-term investment horizons from other European countries.

technotrans AG currently holds no treasury shares. On November 3, 2016 all the remaining treasury shares still held by the company (374,915 shares, equivalent to 5.43 percent of the share capital) were sold to institutional investors in Germany and other European countries, excluding the subscription right of shareholders. The proceeds from the successful placement amounting to

EUR 8.1 million are being used to increase the company's financial flexibility following the acquisition of a majority interest in GWK Gesellschaft Wärme Kältetechnik mbH.

The Board of Management and Supervisory Board will propose to the Annual General Meeting on May 12, 2017 that a dividend of € 0.55 per be distributed for the past financial year of 2016. This represents a dividend yield of 2.3 %, compared with 2.1 % in the previous year. Our proposal ensures that our shareholders participate appropriately in the company's profit performance, in keeping with our established dividend policy. The distribution rate envisaged is 50 % of consolidated net profit.

Shareholdings at the end of 2016 (in %)



Dividend

Financial year		FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Dividend per share	in €	0.55 ¹	0.48	0.33	0.20	0.12
Payout ratio	in %	50%	50%	49%	43%	25%
Amount distributed ³	€ '000	3,799	3,138	2,151	1,299	776
Dividend yield ²	in %	2.4%	2.8%	2.1%	2.3%	1.3%

¹ Proposal to the Annual Meeting

² Dividend payment / technotrans trading price on day of Annual General Meeting; for FY 2015: dividend payment / technotrans trading price at year end

³ Based on the estimated number of dividend-bearing shares for the past financial year on the day of the Annual General Meeting

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board performed the duties incumbent upon it under the law and in accordance with the Articles of Incorporation and the Rules of Procedure with considerable care in the past financial year. We regularly advised the Board of Management on the running of the company and continuously oversaw its activities. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental significance for the company.

The Board of Management reported to us regularly, promptly and comprehensively, both in writing and orally, on the current status of transactions, the business performance and the economic position, the prevailing risks, risk management as well as relevant issues concerning compliance, strategy and planning. The business transactions of significance for technotrans were discussed in the committees and the plenary meetings on the basis of the Board of Management's reports. Deviations in the business performance from the prepared plans and targets were explained individually to the Supervisory Board and discussed at length by the Supervisory Board. The Board of Management complied fully with the reporting obligations of Section 90 of the German Stock Corporation Act as well as the German Corporate Governance Code. The Supervisory Board granted its consent to transactions that require as much, following thorough examination and consultations. In my capacity as Supervisory Board Chairman, I was moreover in regular contact with the Board of Management. I was informed in a timely manner by the Chief Executive Officer of important occurrences that are of material significance for evaluating the situation, progress and management of the company.

In all, the Supervisory Board met for four regular meetings in the presence of the Board of Management in the 2016 financial year, on March 7, May 11, September 22 and December 9, 2016. The recurring subject matters of the ordinary meetings were the written and oral reports of the Board of Management on the business situation of technotrans AG and the group, in particular the current revenue and earnings performance as well as the financial

performance and net worth. The Supervisory Board was informed in detail of and discussed significant business occurrences within the company, as well as its strategy and the implementation thereof, and also its approach to risk management. All members of the Supervisory Board and Board of Management were present at all meetings.

Three extraordinary Supervisory Board meetings were in addition held in 2016, on July 5 and August 11 and 12. These meetings focused exclusively on the acquisition of a majority interest of 98 percent in GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen, and its integration into the technotrans Group, along with all the associated subject areas and resolutions.

At the meetings the Supervisory Board considered in depth the findings of the due diligence conducted, observations on the valuation of the company as well as the transaction structure and the financing of the purchase price.

The Supervisory Board again oversaw the management activities of the Board of Management in the 2016 financial year and regularly advised the Board of Management on the running of the company, as well as approved the transactions that require its consent in accordance with the law and the Articles of Incorporation. These include decisions and measures which are of fundamental significance for the financial position and financial performance of the company.

Key themes of the Supervisory Board meetings in 2016

A hallmark of the past financial year was the methodical development of the business activities of technotrans AG and the operational and strategic development of its participating interests and the divisions. At its scheduled meetings the Supervisory Board considered the reports by the Board of Management on the business situation, the general acquisitions strategy and ongoing M&A projects, the strategic direction of the company, aspects of risk management, preventive compliance work and corporate governance as well as insider law and new legislation.

The first meeting on March 7, 2016 focused on the presentation and discussion of the annual financial statements of technotrans AG, the 2015 Consolidated Financial Statements and the accompanying resolution, as well as approval of the agenda for the Annual General Meeting on May 12, 2016 together with the resolution proposals set forth therein. The appointment of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditors of the annual financial statements and Consolidated Financial Statements for the 2016 financial year, was made on the recommendation of the Audit Committee and pursuant to the resolution of the Annual General Meeting of May 12, 2016. The Supervisory Board also voted in favour of the acquisition of a majority interest of 51 percent in Ovidius GmbH, Berlin, and its integration into the technotrans Group.

The Supervisory Board meeting held on May 11, 2016 before the Annual General Meeting addressed such matters as preparations for the Annual General Meeting on the following day and an update on the motions submitted. As there were no counterproposals, the Supervisory Board considered at length the report on the business performance in the first four months of 2016. The Board of Management also reported on the progress of negotiations with GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen.

In addition to the business performance of the group at August 31, 2016 the meeting on September 22, 2016 focused on technology management and the product developments, as well as on the takeover of the 35 percent remaining shares in KLH Kältetechnik GmbH, KLH Cooling International Pte. Ltd. and Taicang KLH Cooling Systems Co. Ltd. Other major topics were the raising of outside capital (loan financing) in connection with the acquisition of GWK Gesellschaft Wärme Kältetechnik mbH as well as the integration and consolidation process of the company, the disposal of treasury shares by way of a private placement and information on the German Financial Reporting Enforcement Panel (DPR) audit of the 2015 Consolidated Financial Statements. In September 2016 the Supervisory Board and Board of Management submitted the current compliance statement pursuant to Section 161 (1) the German Stock Corporation Act (AktG) and published it on the company's website.

The final meeting of the Supervisory Board on December 9, 2016 was devoted to planning the forecast and budgeting for the 2017 financial year including revenue, cost, profit, investment and personnel planning, rough planning for the next few years as well as settlement of the target agreements of the Board of Management members for the 2016 financial year and the concluding of new target agreements for the 2017 financial year. The Supervisory Board approved the annual plans submitted by the Board of Management for the 2017 financial year. After suitable discussion the Supervisory Board voted to update the Rules of Procedure for the Board of Management and Supervisory Board. This meeting also featured an extensive discussion on investment options for the expansion of capacity at the Baden-Baden location. Finally, in its meeting on December 9, 2016 the Supervisory Board dealt with the awarding of the special management bonus to the members of the Board of Management for the successful completion of the acquisition of GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen, as well as the appointment of Dr Soest as Board of Management member for a further three years.

As mentioned above, the additional, extraordinary Supervisory Board meetings held on July 5 and August 11 and 12, 2016 were devoted exclusively to the acquisition of the majority interest in GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen, and the issues arising in that connection.

The members of the Supervisory Board are sufficiently independent and have sufficient time to serve as non-executive directors. They always had ample opportunity to assess the reports and resolution proposals of the Board of Management with a critical eye in plenary meetings, and also to contribute their own suggestions. In accordance with the recommendation in the German Corporate Governance Code, the Supervisory Board members of technotrans AG disclose any conflicts of interest to the Supervisory Board without delay. Dr Norbert Bröcker, the Deputy Chairman of the Supervisory Board, is partner in the law firm Hoffmann Liebs Fritsch & Partner. That firm provided legal advice for technotrans AG on a variety of topics in the past financial year. The Supervisory Board of technotrans AG approved the involvement of Hoffmann Liebs Fritsch & Partner as well as the consultancy fees

arising. To avoid any conflicts of interest, Dr Bröcker abstained from those votes. No other potential conflicts of interest that are to be disclosed to the Supervisory Board and would need to be reported at the Annual General Meeting arose in the year under review. Pursuant to Article 5.6 of the German Corporate Governance Code, the Supervisory Board conducted an efficiency audit by means of a formalised questionnaire. Its focus included the aspects of cooperation and processes within the Supervisory Board as well as the exercise of oversight and regulatory functions. Other aspects were the information supply and cooperation with the Board of Management as well as the topic of personnel capabilities. No efficiency shortcomings were identified in the last evaluation in December 2016. To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees. The Nominating Committee, comprising the shareholder representatives on the Supervisory Board, has the task of proposing suitable candidates for the Supervisory Board to the Supervisory Board for its nominations for election to the Annual General Meeting. The Nominating Committee did not meet in 2016.

With the close of the Annual General Meeting on May 12, 2016 the terms of office of Messrs Schäfer and Ruwisch as Supervisory Board of technotrans AG ended. Mr Ruwisch was not available for re-election as a result of having reached the age limit. At the proposal of the Nominating Committee, the Supervisory Board resolved to put forward Dr Wolfgang Höper and Mr Dieter Schäfer for election as members of the Supervisory Board on May 12, 2016. Dr Wolfgang Höper and Dieter Schäfer were each elected as shareholder representatives by a large majority at the Annual General Meeting.

At the constituent meeting of the Supervisory Board following the Annual General Meeting, Dr. Wolfgang Höper was welcomed as a new member of the Supervisory Board and the Supervisory Board then proceeded to re-elect me as its Chairman. The Supervisory Board would like to thank Mr Ruwisch, who had belonged to the supervisory body of technotrans AG since 2011, for his huge dedication and constructive support for the company's development over the past five years.

An Audit Committee has in addition been formed (members: Dieter Schäfer, Dr Wolfgang Höper, Heinz Harling) and a Committee for Board of Management Affairs (Personnel Committee members: Heinz Harling, Dr Norbert Bröcker and Dr Wolfgang Höper). The latter met twice (March 7, 2016 and December 9, 2016) and dealt in particular with drawing up the contracts and agreeing the remuneration of the members of the Board of Management. In that context the Committee for Board of Management Affairs in particular also prepared the decisions of the Supervisory Board to grant the members of the Board of Management a special management bonus for the successful completion of the acquisition of GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen, and to appoint Dr Christof Soest as Board of Management member for a further three years.

The Audit Committee met twice in the presence of the auditors and the members of the Board of Management, and concerned itself with matters relating to the annual financial statements, the presentation of the accounts, controlling and risk management. Other aspects included fiscal matters, compliance, assuring the independence of the auditors, commissioning the auditors with the audit mandate and identifying the priority areas for the audit, and agreeing the fee. The interim reports/quarterly communications to be published were discussed in advance by the members of this committee. The Chairman of the Audit Committee also maintained a close, regular exchange of information and views with myself between the committee meetings.

The audit reports and documents for the accounts as well as the Board of Management's proposal on the appropriation of profit for the 2016 financial year were sent to all Supervisory Board members in good time. These were discussed at length and in detail both by the Audit Committee at its meeting on March 6, 2017 and by the Supervisory Board at its meeting on March 13, 2017. At both meetings, the auditors of the accounts also reported in person on the key findings of their examinations and were available for additional questions and information. No material weaknesses in the internal accounting system were reported. The Chairman of the Audit Committee, too, reported at length to the Supervisory Board on the examinations of the Audit Committee. Both the annual financial statements of technotrans AG for the 2016 financial year prepared by

the Board of Management in accordance with the German Commercial Code (HGB) and the Consolidated Financial Statements for the 2016 financial year, which were prepared pursuant to Section 315a of HGB on the basis of the International Financial Reporting Standards (IFRS), as well as the Combined Management Report, were examined by the auditors and were in each case granted an unqualified audit certificate.

Following the conclusion of our own examination of the annual financial statements, the Consolidated Financial Statements and the Combined Management Report, we raised no objections to the findings of the audit and at our meeting on March 13, 2017 signed off the annual financial statements and Consolidated Financial Statements prepared by the Board of Management. The annual financial statements for the 2016 financial year are thus established. Following its own examination the Supervisory Board supports the proposal of the Board of Management on the appropriation of profit.

The Supervisory Board would like to thank the Board of Management and all employees of the group for their commendable dedication. Together they showed great dedication in shaping the company's development in the 2016 financial year. My particular thanks are due to the employees' representatives, who yet again cooperated constructively and openly with the company's corporate bodies, and to the shareholders, many of who have now been involved in technotrans AG for quite a number of years. We on the Supervisory Board will continue to provide constructive support for the Board of Management as it seeks to realise its ambitious goals for the technotrans Group.

On behalf of the Supervisory Board



Heinz Harling
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Corporate governance denotes the responsible management and control of companies in a manner that strives for long-term value creation. This includes purposeful, effective collaboration between the Board of Management and Supervisory Board, regard for the interests of shareholders and employees, transparency and responsibility in all entrepreneurial decisions, and the suitable handling of risks. technotrans takes the German Corporate Governance Code as its point of reference.

Declaration of Compliance Pursuant to Section 161 of the German Stock Corporation Act (AktG)

The most recent Declaration of Compliance was submitted in September 2016, with the following wording:

Declaration of Compliance (2016)

"Since the Declaration of Compliance last submitted on September 24, 2015 technotrans AG has complied with the recommendations of the German Corporate Governance Code (DCGK) in the version dated May 5, 2015 (announced in the Federal Gazette on June 12, 2015) with the exception of the following departures, and will more-over comply with the recommendations in the future, with the declared exceptions.

Article 4.2.5 (Disclosure of Board of Management remuneration)

The German Corporate Governance Code recommends that the benefits granted plus fringe benefits, the maximum and minimum attainable remuneration for variable remuneration components as well as the fixed remuneration, short-term and long-term variable remuneration received, together with the benefit expenses for occupational pensions and other maintenance benefits, be presented in the Remuneration Report for financial years commencing after December 31, 2013 for every Board of Management member, and that template specimen tables be used for this information. technotrans AG discloses the remuneration of each individual Board of Management member in agreement with the applicable requirements, broken down into non-performance-related and perfor-

mance-related pay. The Board of Management and Supervisory Board do not believe that changing the form of presentation for Board of Management remuneration will improve quality and ease of understanding. For that reason, no further sub-classification is practised, nor are the specimen tables used.

Article 5.1.2 (Composition of the Board of Management)

The German Corporate Governance Code recommends that the Supervisory Board also heed diversity in the composition of the Board of Management, with the company taking the recommendation to mean that women are adequately represented. The Supervisory Board considers that belonging to a particular gender is not an attribute that would particularly qualify a female or male candidate for a particular position, and therefore disregards this criterion when selecting the most suitable candidate for a position. When deciding on the appointment of new members of the Board of Management, in future the emphasis will be on the qualifications of the candidates and not on their gender. The Supervisory Board also takes this as its basis in specifying the targets for the proportion of women on the Board of Management in accordance with Section 111 (5) of the German Stock Corporation Act.

Article 5.4.1 (Objective for the composition of the Supervisory Board)

The German Corporate Governance Code contains the recommendation that the Supervisory Board should state specific objectives for its composition that, depending on the specific situation of the company, take account of the international operations of the company, potential conflicts of interest, the number of independent Supervisory Board members, a possible age limit for Supervisory Board members, and diversity. In its latest version the Code also contains the recommendation, within the context of its objective, to specify a cap on how long a person may serve on the Supervisory Board alongside the above criteria. In addition proposals by the Supervisory Board to the election bodies responsible are to reflect these objectives. technotrans AG has for many years imposed an age limit of 67 (at the time of election) to membership of its Supervisory Board. Notwithstanding this, the Board of Manage-

ment and Supervisory Board are of the opinion that the intention pursued by the Code can also be achieved without the need to state specific goals, and that defining further goals would actually hinder the Supervisory Board in selecting suitable members. The Supervisory Board of technotrans AG has therefore not stated any specific goals with regard to its composition. The Supervisory Board will, however, largely observe the criteria stated in the recommendation of the Code when proposing persons to the Annual General Meeting for election. With regard to the "diversity" criterion, which the company also takes to include the appropriate representation of women, the Supervisory Board will however not primarily consider gender and – regardless of their gender – will continue to focus on the knowledge and specialist qualifications of the candidates. The Supervisory Board also takes this as its basis in specifying the targets for the proportion of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Act. In light of the circumstances presented above, the Supervisory Board also declines to stipulate a limit on how long a person may serve on the Supervisory Board. Here, too, the interests of the company are best served by basing membership of the Supervisory Board solely on the knowledge and specialist qualifications of its members.

Article 5.4.6 (Remuneration of the Supervisory Board members)

In the event that performance-related remuneration is

promised, the German Corporate Governance Code envisages that this be tied to sustainable corporate performance. In accordance with the Articles of Incorporation the members of the Supervisory Board receive a variable remuneration component that does not expressly reflect sustainable corporate performance."

Sustainable, economic, ecological and social activity in keeping with applicable law is an indispensable element of entrepreneurial culture for technotrans. It also includes trust, respect and integrity in the way we deal with each other. This is manifested in exemplary behaviour towards employees, business partners, shareholders and the public. We take compliance to mean observance of the law, the Articles of Incorporation, internal rules and any commitments undertaken voluntarily.

technotrans attaches particular importance to establishing a group-wide compliance structure that binds all employees worldwide to the compliance guideline. The purpose of this code of behaviour is to assure a uniform level of ethical and legal standards throughout the entire group of companies.

A compliance manager is appointed to ensure the relevant topics are suitably refined and disseminated through training. The spotlight in 2016 was on the ongoing development of the compliance policy and its summarising in the form of a compliance manual.

CORPORATE BODIES

Board of Management

Dipl.-Wirtsch.-Ing. Henry Brickenkamp
Chief Executive Officer

Since 2005 Sales Director, since 2006 deputy Board member since 2007 full Board member and since May 2008 Chief Executive Officer.

Responsible for the Products and Markets division (Sales and Service worldwide, business units, industrial system solutions and Marketing).

Dipl.-Kfm. Dirk Engel
Member of the Board of Management

Head of Group Accounts since 2004, Chief Financial Officer since 2006.

Responsible for the Finance and Administration division (Finance/Controlling, Personnel, IT, Legal Support and Investor Relations).

Dr.-Ing., Dipl.-Wirtsch.-Ing. Christof Soest
Member of the Board of Management

Since January 2011 Technical Director, since June 2011 member of the Board of Management.

Responsible for the Technology and Operations division (Production and Quality Management worldwide, Purchasing, Logistics, Development, Electrical Engineering and CPS).

Members of the Supervisory Board

Reinhard Aufderheide

technotrans AG, Sassenberg (employees' representative)

Dr. Norbert Bröcker

Deputy chairman of the supervisory board
Partner of Law Firm Hoffmann Liebs Fritsch & Partner Rechtsanwälte mbB, Düsseldorf

Dipl.-Ing. Heinz Harling

Chairman of the Supervisory Board of technotrans AG
Lecturer at Hamm-Lippstadt University of Applied Sciences

Dr. Wolfgang Höper (from May 12, 2016)

Entrepreneur
Member of the advisory board of SchäferRolls GmbH & Co. KG
Member of the advisory board of Dr. Hahn GmbH & Co. KG

Dipl.-Ing (FH) Thomas Poppenberg

technotrans AG, Sassenberg (employees' representative)

Helmut Ruwisch (since May 12, 2016)

Chairman of the Advisory Board of Klein Pumpen GmbH, Frankenthal
Member of the Supervisory Board of Conpair AG, Essen
Member of the Supervisory Board of Thyssen`sche Handelsgesellschaft mbH, Mülheim a.d.R.
Member of the Supervisory Board of Cloppenburg Automobil SE, Düsseldorf

Dipl.-Kfm. Dieter Schäfer

Industry consultant for machine tool manufacturing companies
Chairman of the Audit Committee of technotrans AG

Committees

Audit Committee

Messrs Schäfer, Harling, Dr. Höper

Nominating Committee:

Messrs Harling, Dr. Bröcker, Dr. Höper, Schäfer

Personnel Committee:

Messrs Harling, Dr. Bröcker, Dr. Höper

GROUP STRUCTURE

Organisational and Legal Corporate Structure

The technotrans Group is an international technology and service company that concentrates on customer-specific applications in the field of liquid technology. It comprises technotrans AG and 15 subsidiaries in which technotrans AG directly has an interest, as well as seven companies in which it holds an interest indirectly. The parent company technotrans AG, with its registered office in Sassenberg (Westphalia), directly or indirectly has a majority interest in all subsidiaries.

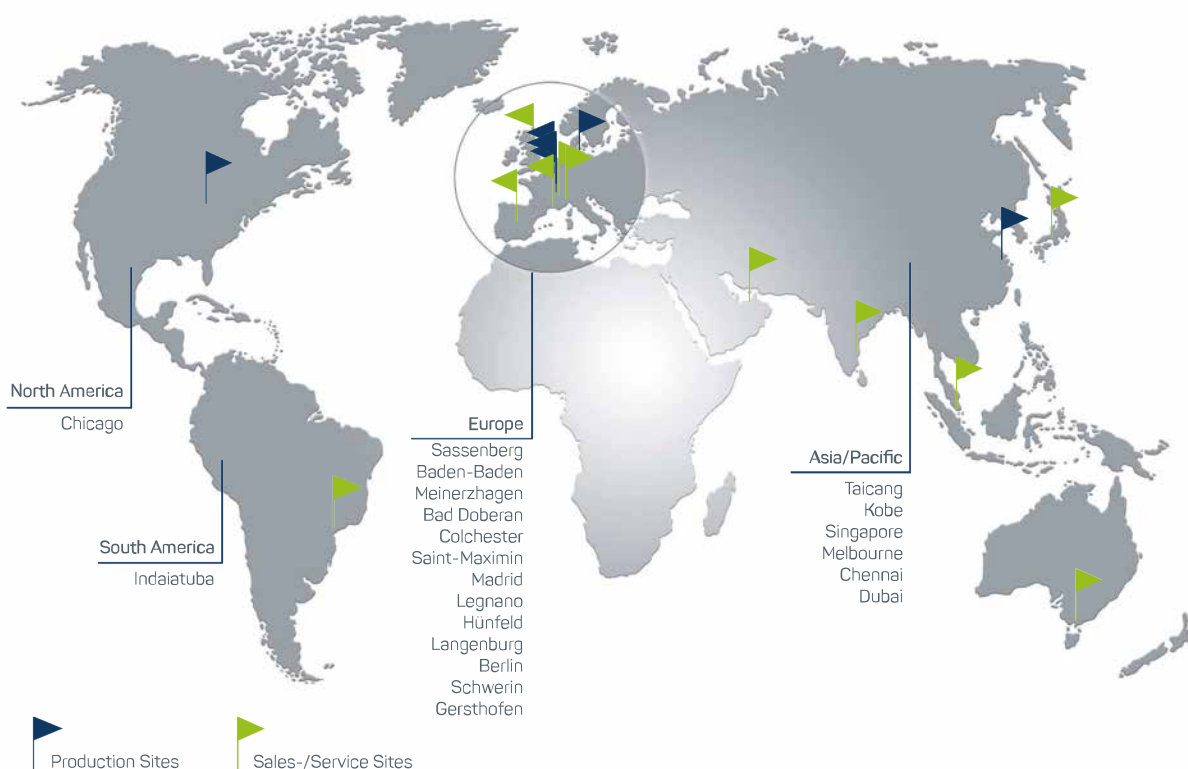
The structure is designed so that all companies can make a contribution towards strengthening the worldwide market position of the group.

With 24 locations, numerous joint undertakings and 1,252 employees (December 31, 2016), the technotrans Group enjoys a presence in all major markets worldwide.

The group's activities comprise on the one hand the production plants and on the other hand the sales and service companies. The production plants specialise by business segment and product line.

The technotrans sales and service companies are responsible for direct sales and service of our products. As a supplementary measure our Key Accounting supports major international customers.

The technotrans Group does not have financial holdings. The ownership structure within the group is presented in the Notes, under "Consolidated Companies".



The technotrans Group is growing. In 2016 technotrans completed further targeted acquisitions for the strategic expansion of its business model:

In April 2016 technotrans AG initially acquired a majority interest amounting to 51 percent in Ovidius GmbH, Berlin, via its subsidiary gds GmbH. In acquiring the majority interest, technotrans has reinforced its Services segment. Ovidius GmbH develops XML-based content management and editorial systems for technical documentation, and as such will complement the product portfolio of gds GmbH.

In August, 2016 technotrans AG obtained a majority interest of 98 percent in the share capital of GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen. Through its largest acquisition to date, technotrans AG is stepping up its activities in the plastics area. The company has now taken up position in an interesting market niche in the plastics industry, a growing market. The customers of GWK

Gesellschaft Wärme Kältetechnik mbH include leading players in the plastics processing industry, among them plastic machine manufacturers and mechanical engineering companies, as well as companies in the automotive, packaging, chemical and food industries.

At the end of October technotrans AG increased its shareholdings in each of the companies KLH Kältetechnik GmbH (Bad Doberan), KLH Cooling International Pte. Ltd. (Singapore) and Taicang KLH Cooling Systems Co. Ltd. (PR China) by 35 percent, bringing them all up to 100 percent. These companies have already been included in consolidation by technotrans AG since the 2013 financial year on the basis of its participating interests to date. The complete takeover of the shares in the KLH companies follows the successful integration of the business into the laser cooling area, and the Taicang location moreover offers technotrans scope for the strategically important expansion of China business for the entire technotrans Group.

BUSINESS MODEL

Segments

The Group's business is divided into two segments: Technology and Services. The **Technology segment** generates around 70 percent of total revenue. In this business area technotrans develops and sells equipment and systems based on its core skills of cooling/temperature control, filtering/separating, as well as spraying/pumping of liquids, along with the corresponding control and process engineering. The core skills of technotrans AG in liquid technology are organised into three business units (BU). Its special knowledge of temperature control ("temperature control" BU), filtering and separating ("fluid conditioning" BU) and spraying and pumping liquids ("ink & fluid technology" BU) is the result of intensive research and many years of experience. The focus is on customer-specific equipment and systems that technotrans develops as a leading systems supplier for performing essential functions as part of a specific application, therefore contributing towards optimising the overall quality and efficiency of the user's

processes. The company is steadily broadening its product range in close collaboration with existing and potential customers, including many renowned industrial enterprises, with a view to opening up new application areas and sales markets in order to safeguard its long-term growth.

The Technology segment is complemented by the **Services segment**. A large range of services, for example the worldwide parts supply, as well as repair and installation services, completes the activities of technotrans. These include providing customer support for the installation, maintenance and operation of systems. Other services in the Technical Documentation area also come under this segment. The subsidiaries gds GmbH, gds Sprachenwelt GmbH and Ovidius GmbH primarily compile and translate technical documentation and also market their self-developed software solutions, which can be used to compile and manage documents.

Markets and Competitive Position

Following the acquisition of GWK Gesellschaft Wärme Kältetechnik mbH in the course of the 2016 financial year, a strategically important market – the plastics industry – was added to the existing market portfolio of the technotrans Group. Sales and Service now focus their worldwide

activities on four subsidiary markets within the mechanical and plant engineering sector: the printing industry, the plastics processing industry, the laser and machine tool industry, and the growth markets of medical technology and electric mobility.

PRINT INDUSTRY

- > offset print, digital print, flexo print, other printing processing

GROWTH MARKETS

- > medical/scanner technology, electromobility, semiconductors, others



PLASTIC PROCESSING INDUSTRY

- > injection moulding, extrusion, pressing, blow moulding, casting

LASER INDUSTRY, TOOLING INDUSTRY, STAMPING AND FORMING TECHNOLOGY

- > laser, turning/milling/grinding/polishing, cutters/presses, other applications

SERVICES

- > spare parts, installationen, maintenance, technical documentation (gds)

technotrans has been an important supplier and reliable partner to the global printing industry for very many years. After the financial crisis, the market for print products has now stabilised with a worldwide print volume in excess of € 400 billion annually. In terms of the technology involved, sheet-fed offset, flexographic and digital printing methods account for two-thirds of the print volume. In the sphere of the printing industry, technotrans supplies almost all leading printing press manufacturers. The company's market share here is well over 50 percent. The large installed base and the cyclical nature of the propensity to invest mean that – in addition to service business in the narrower sense – modernisation and retrofit business directly with end customers likewise generates a significant proportion of revenue.

In the plastics industry, GWK now means technotrans has a high-performance partner for mould temperature control and machine cooling in injection moulding and plastic extrusion. Temperature control and cooling have a huge influence on the quality of moulded parts and the economic efficiency of the production process.

Robust cooling technology that is ideally matched to the application is a prerequisite for a stable and economical production process in the laser and machine tool industry. technotrans has been serving this market for many years with high-quality system solutions for the cooling, temperature control and filtering of liquids.

Charging points for batteries as well as inverters generate dissipated heat in the energy conversion process, impacting system efficiency. A constant, steady temperature profile for the components assures long-term performance efficiency. technotrans supplies cooling systems for lithium-ion batteries for mobile and stationary applications. In medical and scanner technology, technotrans' tailor-made cooling solutions are used as integral components and as external, central overall concepts.

The principal business processes encompass the development, assembly, testing and sale of equipment, along with all relevant services for major customers and their end users. technotrans' chosen manufacturing penetration enables it to respond flexibly and cost-effectively to the requirements of customers.

The investment propensity of the target industries in which the technotrans Group is active regularly has a major impact on the group's business performance. That propensity is in turn influenced by the present and anticipated economic situation. In view of its focus on the German mechanical and plant engineering sectors, cyclical fluctuations there have a marked influence on its business performance. The specific branching-out of business activities into high-growth industries such as the laser industry as well as energy storage or medical technology help to further significantly reduce that correlation in future.

Research and Development

The drupa was the dominant event of 2016. This printing industry exhibition takes place only once every four years and is of high importance for technotrans – even if the printing press industry no longer achieves the steep growth rates that it did prior to the financial crisis of 2008. A large number of development activities were again entirely geared up to this leading exhibition, where technotrans was able to showcase numerous new and more advanced products. There were new products aimed both at delivering energy efficiency and at the growth areas within the printing press industry: refrigeration technology for the growing digital printing sector and innovative ink supply systems for packaging printing, but also new systems with energy-saving technologies and components, such as speed control in refrigeration technology.

technotrans also addressed the topic of "Industrie 4.0": ultrasonic sensors make information such as ink levels available in a cloud in order to promote connectivity-based cooperation. The scope of web visualisation was also presented in conjunction with newly developed control concepts. This facilitates the tracking, transmitting and analysis of machine status data in order to optimise e.g. maintenance processes at the customer. Such functionalities often come under the blanket headings of "predictive maintenance" and "condition monitoring" – technotrans infuses them with reality by offering matching system solutions.

Alongside technotrans AG, the market for suppliers of peripheral equipment to the printing industry includes a relatively small number of competitors which have predominantly regional operations. In the other lines of industry in which technotrans is active, the supplier market is highly fragmented. A major success factor for technotrans is its approach of positioning itself as a systems supplier of complex, custom-made solutions with its own international service network, and not as an out-and-out component supplier. technotrans is steadily consolidating its target position as market leader in its chosen niche markets. The market entry barriers for potential competitors are therefore for the most part high.

There were also numerous new developments in the divisions away from the printing market. technotrans developed its first new spray lubrication system and commissioned it. On a high-dynamic production line it wets sheet metal coils, now performing its task dynamically instead of statically thanks to synchronised independent movement. At the EuroBlech in Hanover in October 2016, the spotlight was on the extended product range of our low-mist spray lubrication system "spray.xact". For example a new "spray.xact easy" system with flexible-to-position nozzles for easy applications made its debut. As well as the extended product portfolio, new control systems were integrated for better remote access to the production systems. Connectivity in line with the "Industrie 4.0" vision therefore also plays a prominent role here.

The products and new developments for battery and energy storage technology were the centre of attention at the Innotrans 2016 in Berlin, the leading exhibition for rail technology. In the field of energy storage technology, the industry continues to focus on projects with an array of niche applications, and therefore with small unit totals. There is nevertheless evidence of steady growth in this promising market. Whether for cooling of energy storage devices or charging points, technotrans is promoting the electrification of transport technology such as bus and rail through its products, and is equipping a large number of applications in specific projects. The latest project is a train powered by fuel cell, which again is fitted with technotrans equipment.

As in previous years, technotrans fundamentally recognises development spending in the Income Statement. If the appropriate requirements are satisfied, development expenditure is booked as an intangible asset pursuant to IAS 38 and recognised as such on the balance sheet. The

R&D ratio (development spending in relation to overall revenue) was 3.6 percent in the past financial year (previous year: 3.5 percent). If R&D spending is expressed as usual in relation to revenue for the Technology segment, the figures as shown in the following table are as follows:

Research & Development						
Financial year		FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
R&D spending ¹	€ '000	5,534	4,293	3,382	2,985	2,241
Innovation ratio ²	%	5.3	5.3	4.6	4.5	4.2
Capitalisation ratio ³	%	0.0	4.1	4.9	22.6	21.4
Capitalised development ⁴	€ '000	832	1,195	1,439	1,583	851

¹ R&D spending pursuant to Consolidated Income Statement, in 2016 thereof € 479 thousand from acquisitions

² R&D spending refers to the revenue for the Technology segment

³ Capitalised development costs refer to R&D spending

⁴ Residual carrying amounts

2016 saw the R&D spending ratio maintain the upward trend which was established after the crisis years. technotrans is investing in new markets, products and the expansion of the product portfolio. The capitalisation ratio, in

other words the ratio of development expenditure recognised as an intangible asset to R&D spending, fell to zero percent in 2016.

Purchasing, Production and Quality

Procurement and supply chain management are very important activities for technotrans. Organic and non-organic growth as well as product diversification entail a raft of new requirements for the entire materials management side.

Alongside growth in business operations and the expansion of supplier management, optimisation concepts need to be put into practice in Procurement. Flexibility for the technotrans locations in conjunction with an expansion of the lead buyer principle remain the focus.

The latest acquisition of GWK opens up new synergies in purchasing that we aim to identify and implement as swiftly as possible. The purchasing volume has increased significantly by approximately 40 percent. From the perspective of Procurement the aim is to realise the synergy potential available so that the entire group can tap into it profitably. It already started to do so for certain categories of materials in 2016. This process will be gradually rolled out.

technotrans AG has consequently experienced organic growth in production volume of around 10 percent. The next step along the path of non-organic growth was taken with the acquisition of GWK. Since August 2016 this has not merely fuelled considerable production growth, but also led to the addition of a sixth location to our network of production plants.

technotrans has implemented a continuous improvement process at all production locations. Programmes to boost productivity and efficiency are continuously being implemented, and potential improvements identified and gradually rolled out. Reducing interfaces in production processes, new production concepts, the adoption of shop floor management and optimised internal logistics concepts are some of the priority topics that we are focusing on at the locations. Lean concepts and internal supply chain management reflect the approach and objective. Because different products and product ranges are made

at all locations, the challenge is to adopt appropriate optimisation concepts and generate mutual benefits by systematically sharing findings.

With that in mind, multi-site management was introduced in 2016. This move simultaneously involved an audit of the new quality management certificate to DIN/ISO 9001:2015. This attaches greater importance to strategic and processing aspects. Because it was implemented as a

multi-site process, as already mentioned, this produces harmonization between the locations while at the same time cutting the burden of auditing work. Here too, the group benefits from a strategic approach that also encompasses the subsidiaries. 2016 saw quality – expressed in terms of the rate of warranty cases – improve year on year or remain at a consistently low level. Following the acquisition of GWK, quality themes over and above these became relevant.

GOALS AND STRATEGIES

The overriding goal of the technotrans Group is to increase the value of the company in the long term. The corporate strategy is geared towards steadily expanding the current market position as a specialist for liquid technology (fluid management and thermal management). To achieve that goal, technotrans concentrates here on its core skills while focusing investment on measures that enable it to expand its product range further and gain a foothold in new areas of application for its technologies. Organic growth is generated through partnerships in the areas where its core skills are called for. Targeted acquisitions are another driver of growth. technotrans concentrates to a very large extent on niche markets where it is possible to achieve a market share in the region of 50 percent or more, taking into account the scale of its own business and the available resources. This is the key to being able to capitalise on economies of scale in offering our customers both technology and prices that are benchmarks. technotrans is well-placed to realise such goals thanks to its clear focus on system partnerships with major industrial clients (OEM) which operate worldwide and expect their suppliers to have a similar organisation.

Profitable growth will remain the focus of technotrans' strategic development. The company has set itself the goal of growing faster than the market. By 2018 it aims to increase consolidated revenue to around € 200 million. In pursuit of that goal, the new growth markets of the group in particular are to deliver overproportional rises in revenue over the coming years. The Board of Management seeks a steady improvement in the return on sales (EBIT margin).

A sustained ability to distribute dividends and sound financing based on a high equity ratio also feature in the group's overall goal.

We have defined **five value levers** for our strategic development.

Increasing customer benefit: New, innovative products are being developed. Our product portfolio and processes are continually being revised and are evolving in tandem with changing customer requirements. As a systems supplier to

the printing industry, technotrans has held a leading position in its product areas for many years. Based on our close ties with the manufacturers of both offset and digital and flexographic printing presses, along with our unique expertise, we intend to consolidate our role as technology partner in that industry and – wherever possible – build on it.

The growth strategy's implementation is supported by the corporate structure in that both the three business units – in which the core skills are concentrated – and the international sales and service locations worldwide are given growth targets to realise.

Broadening the business base: By addressing a variety of markets, the group is not as heavily dependent on the business cycles of individual industries. This enables it to absorb fluctuations more easily, giving it greater stability. technotrans will also continue to extend its business base in future. This entails both the further penetration of established markets and entry into new industries and application fields, making use of technotrans' core skills. In order to achieve its growth targets, it has been developing and expanding new applications outside the printing industry for a number of years. The focus of the activities that are bracketed together in a separate sales area is on using core skills in selected industries with long-term growth potential.

As well as organically accessing new markets, technotrans' growth strategy involves the acquisition of companies with core skills that specifically complement those present in every area of the group. Acquisitions are fundamentally structured in such a way that they directly deliver increased value added. Wherever possible and advisable, we bind the holders of critical expertise to the company in the longer term.

Quality: Quality, alongside economic efficiency, is a core value of technotrans products. We are continually improving quality management in order to supply cus-

tomers with reliable equipment swiftly, often after only a short time in development. technotrans also regards itself as a quality leader within the field of competitors.

Deepening integration: Across the group, capacities and potential are being integrated to put them to optimum effect. The aim is to create long-term value added in every area of the company. To generate even greater efficiency, we will advance the projects designed to develop the group and further harmonise processes and structures. techno-

trans' strategies include the systematic expansion of shared infrastructures and cross-disciplinary functions, for instance in procurement or the international sales and service network.

Personnel development: The specialist and social expertise of the company's employees is its most valuable asset. The aim is to attract good employees, bind them into the company long-term and assure systematic personnel development.

CONTROL SYSTEM

The technotrans Group's internal control system has the purpose of overseeing implementation of the corporate strategy. The control system basically comprises regular strategic discussions within the Board of Management and in-year planning discussions – including investment and personnel planning aspects – with the individual managing directors of the companies, as well as a monthly analysis of their respective business performance. The system seeks to identify deviations as early on as possible so that swift action can be taken as appropriate. Over and above this, the individual managing directors monitor and analyse their respective markets and specific competitive environment and report to the Board of Management on material

changes to it, and on the opportunities and risks. The Board of Management submits regular reports to the Supervisory Board.

technotrans AG and its group companies are controlled first and foremost on the basis of revenue and earnings ratios (EBIT margin). Corporate planning as a whole is furthermore based on cash flow. Financial control at technotrans is performed using quantified financial goals. These include financial ratios such as the equity ratio, gearing and free cash flow (the latter consists of the cash flow from operating activities less the cash payments for investment in operating activities).

The following table provides an overview of key financial and control indicators for the technotrans Group:

		2015	Forecast 2015 Management Report	2016 adjusted	adjusted forecast Quarterly Communication Q3 2016	2016
Revenue	€ million	122.8	126-132	132.5	150.0	151.8
Technology	€ million	81.4	84 - 88	89.7	102.5	103.6
	%	66%		68%		68%
Services	€ million	41.4	42 - 44	42.8	47.5	48.2
	%	34%		32%		32%
EBIT	€ million	9.0	9.5 - 10.5	10.0	9.5 - 10.5	9.7
	%	7.3%	7.5% - 8.0%	7.5%	6.3% - 7.0%	6.4%
Technology	€ million	2.1				2.9
	%	2.6%	> 3%			2.8%
Services	€ million	6.8				6.8
	%	16.5%	stable margin			14.2%
Free cash flow	€ million	8.5	> 5			-12.6

In essence, the Board of Management gauges success by means of financial performance indicators. The revenue and profit of the group and segments are the most important performance indicators used in evaluating the business performance.

The Board of Management of technotrans AG assesses developments in the year under review as overall positive. To summarise, technotrans achieved its original and revised targets for 2016. The revenue growth of the tech-

notrans Group amounted to € 29 million, representing an increase of 23.6 percent on 2015. After stripping out the acquisitions, the group achieved organic revenue growth of around 8 percent and thus slightly exceeded the original forecast for the 2016 financial year.

Operating profit (EBIT) grew in absolute terms by € 0.8 million (equivalent to +8.7 percent) to € 9.7 million. This meant both the range of the original forecast for 2016 and the forecast adjusted in autumn 2016 to € 9.5 to 10.5 million following the acquisition were achieved.

NON-FINANCIAL PERFORMANCE INDICATORS

Alongside economic goals, all business units of the technotrans Group also pursue non-financial goals. The

non-financial performance indicators presented below play a major role in the sustained success of the group.

Sustainability

technotrans subscribes to the principles of sustainable business development. The group parent and its subsidiaries treat employees, suppliers and business partners in a fair and respectful manner. They advocate the protection of the environment and of the earth's resources, and are mindful of their social responsibility. They bind their employees into a culture of unfailing regard for the law and for ethical standards.

technotrans accepts that responsibility worldwide in a variety of ways, for instance through its commitment to the Global Compact initiative of the United Nations (UN), or through the group-wide code of behaviour introduced in 2011. We always base our actions on the THINK-LEARN-ACT corporate philosophy that is actively practised throughout the entire group. The UN Global Compact is a strategic initiative that seeks to promote corporate social responsibility and sustainability in organisations and enterprises. Its centrepiece is ten universally acknowledged principles spanning human rights, labour standards, environmental protection and anti-corruption measures.

technotrans has been a member of this initiative since 2006 and plays an active role in furthering its long-term goal – defining the social and ecological aspects of globalisation – while also consciously measuring its activities and strategies against these standards. Implementing the ten principles is a permanent challenge in our day-to-day work. technotrans upholds the protection of human rights, advocates compliance with worldwide labour standards, and rejects child and forced labour. By offering approved student internships to young people, we offer them an opportunity to get to know the world of work during the school holidays through arrangements that meet all the statutory requirements, so that they can form a better picture of their own career direction. In the group companies we do not tolerate discrimination of any kind against employees in our company (whether based on gender, skin colour, nationality, religion, social background, disability or

other aspects). We adopt a zero tolerance stance towards any such misconduct at the workplace. technotrans has also set itself the goal of making family and working life compatible. Our employees are appointed solely on the basis of their qualifications – and nothing else. Checks are regularly carried out to assess whether the guidance to that effect, as laid down for instance in management manuals or compliance guidelines, has been followed. This audit again brought to light no departures from the application of the principles in respect of labour standards and human rights in 2016.

technotrans is internationally successful. But all over the world there are the weak, who will have no future prospects if they are not supported. Children and young people are in an even more precarious position. They need help particularly urgently. That is why technotrans has been an active supporter of Friedensdorf International (Aktion Friedensdorf e.V.) since 2011; it performs constructive work with long-term benefits for the future. This charity attends to children from war-torn and crisis zones, supporting them with medical and psychological help, education, projects and relief supplies.

In its economic activity, technotrans consciously seeks to help the environment by preserving resources. The company develops technologies that redefine the benchmark and are designed for energy-saving components and low-emission solutions. technotrans is currently exploring a highly promising solution for sustainable energy storage technology in stationary and mobile applications. Environmental protection and sustainability in both product development and the use of resources will continue to be a high priority.

Corruption is a danger to everyone. It hampers development, deepens poverty and has a devastating effect on society, both economically and socially. High quality and

reliability have built up technotrans' good reputation in the markets and repeatedly facilitate its access to new customers. To protect the group against potential losses, technotrans maintains transparency and implements internal control mechanisms. One particular priority is compliance with our company-wide, binding set of anti-

Employees

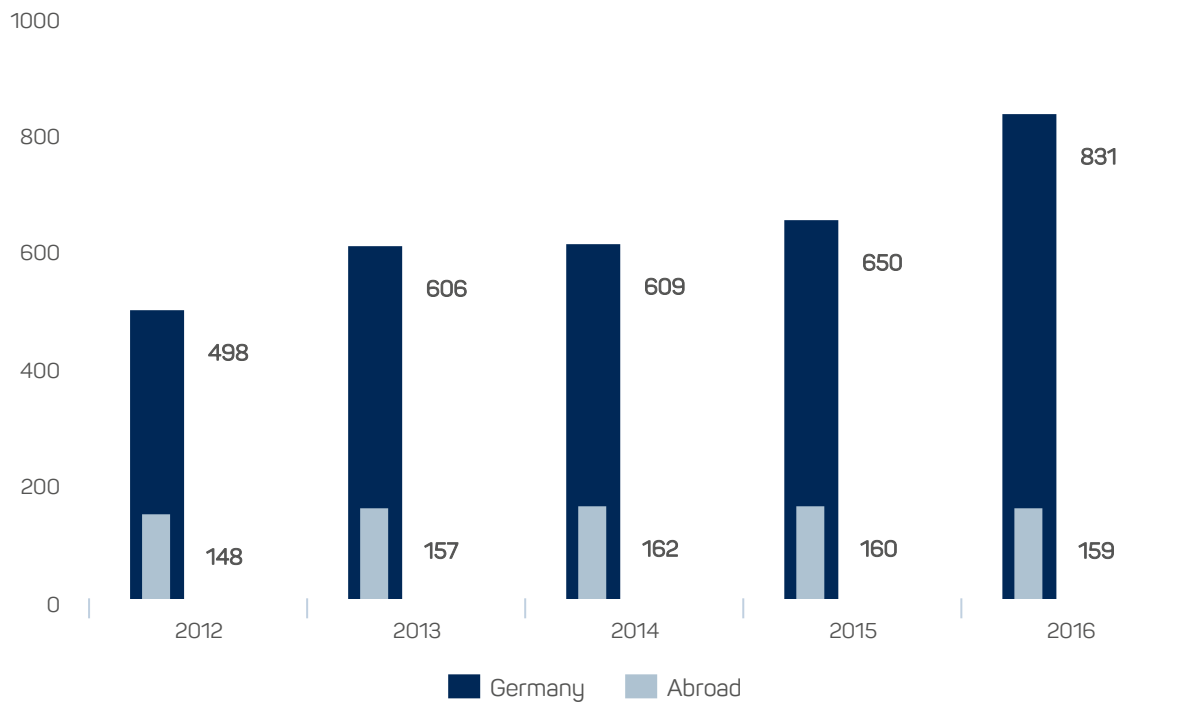
The primary characteristics of the corporate culture are short decision-making paths, a strong team emphasis and flat hierarchies.

The number of employees in the technotrans Group at the end of the financial year increased from 828 to 1,252. The figure of 1,069 employees expressed as full-time equivalents at the reporting date of December 31, 2016 reflects technotrans' huge propensity to invest in vocational training as well as the growing popularity of part-time employment.

corruption guidelines. For that reason, technotrans will continue to do all in its power to support the Global Compact through its business activities and strategies, and will make adjustments as necessary to bring itself into line with those principles.

technotrans was again able to respond flexibly to temporary fluctuations in the level of orders in 2016 by means of time accounts and temporary employees, with time credits then earned or used as necessary. The German production locations saw a volume-led increase in capacity in the production-focused areas in the year under review. Taking account of the planned growth, we consequently only plan further increases in capacity in isolated cases.

Average number of employees



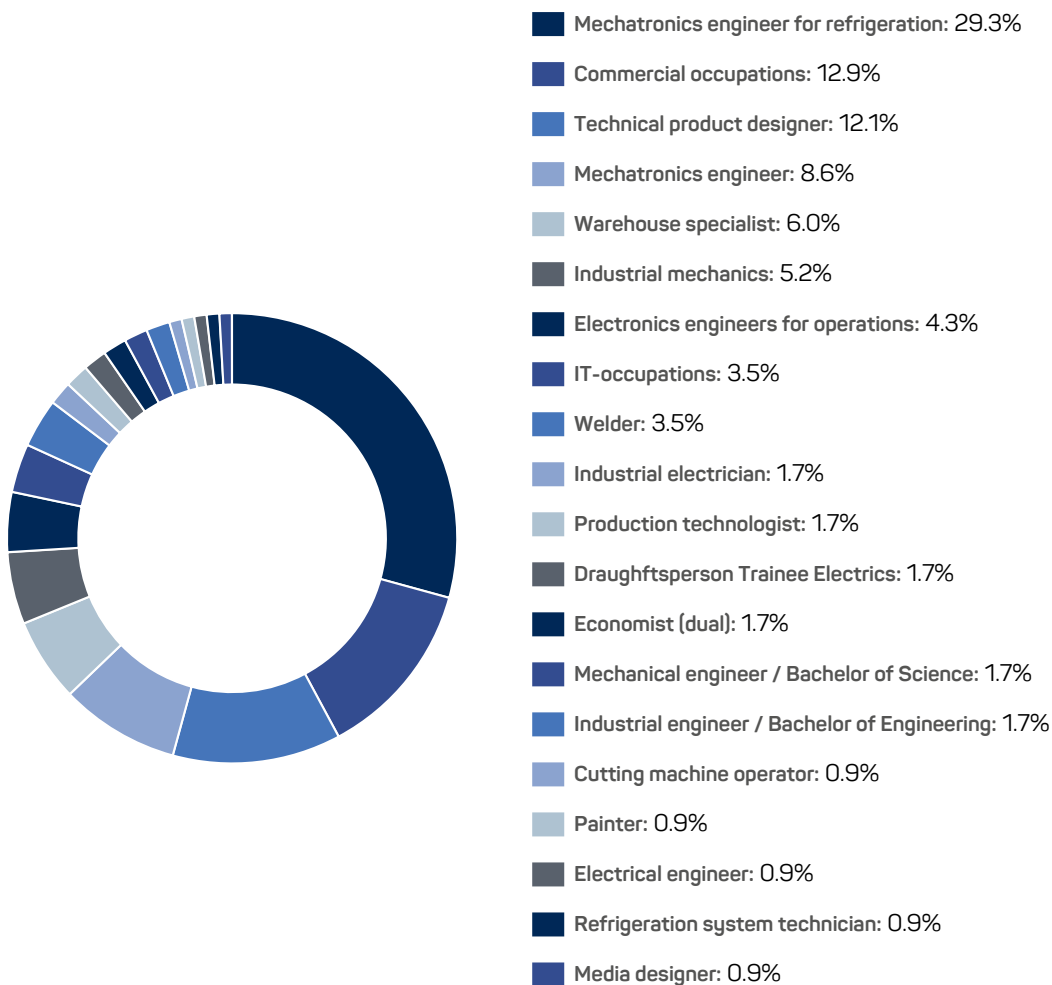
Revenue per capita reached € 153 thousand (previous year: € 152 thousand) in the past financial year. This key performance indicator therefore falls short of former levels and from an operational perspective is not yet satisfactory. However from a strategic viewpoint it is still important for technotrans to hold onto qualified expertise carriers in order to unlock new markets and as a basis for future growth.

technotrans traditionally treats **training** as a very important matter. On the one hand we aim to continue recruiting juniors from within our own ranks. On the other hand it is in the interests of both society and the company to respond in a timely manner to the challenges of demographic

change. The fact that society is growing older and that skilled staff are in short supply is already having an impact. This development will become even more marked over the next few years.

The number of apprentices in the group increased to 116 (previous year: 80) at December 31, 2016. The proportion of apprentices at the German group companies was therefore around 11 percent. A conscious effort is made to offer additional apprenticeships for high-school graduates as an attractive alternative to "studying in overcrowded lecture theatres". The range of vocations for which technotrans now provides training is correspondingly diverse:

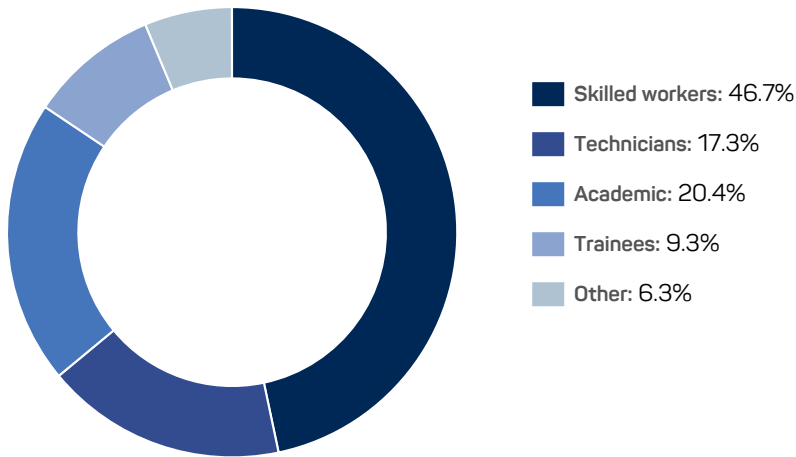
Training in the group by degree in percent



For many years technotrans AG has been punching above its weight in the standard of training it provides for juniors. In this area the focus in the 2016 financial year was on the development of a new careers website, the launch of e-recruiting for technotrans AG and gds GmbH, plus the integration of asylum seekers. At the Sassenberg location, the company created both initial placement places and additional apprenticeship places specifically for refugees. In order to broaden the horizons of its apprentices during their training, technotrans encourages exchanges between the apprentices and their colleagues at neighbouring businesses. It also aims to promote specialist exchanges within the group.

technotrans is a technology company. That is reflected in the qualifications of its employees. Not counting the apprentices, 47 percent of employees have undergone training leading to qualifications, 17 percent have an engineering qualification and 20 percent have an academic background. technotrans is furthermore a young company: around 49 percent of the workforce are under 40 years old, and only 6 percent are over 60. The average age is just under 40; this figure has therefore come down slightly compared with the previous year.

Qualification of employees in percent



The specialist and social expertise of a company's employees are its most valuable asset. By way of **personnel development**, internal and external training as well as vital advancement measures were again provided for employees in 2016 to keep them well qualified for the challenges of the future. technotrans will continue with its systematic personnel development in this area over the coming years.

To make it easier for employees to balance working and family life, a few years ago technotrans established a partnership with a municipal kindergarten at the Sassenberg location in order to provide flexible child care options for children who have not yet reached school age. The arrangements are aimed especially at women who would like to keep pursuing their career objectives while bringing up a family.

Personnel expenses in 2016 rose to € 52.9 million (previous year: € 42.2 million) in particular following the inclusion of new participating interests. Of this sum, € 8.2 million was attributable to technotrans' increased scope of consolidation. The remainder of this extra amount results from the pay increase made in the financial year on the one hand and from the capacity buildup in the growth-

driving technology areas of the production plants on the other hand. One-off severance payments were higher than in the previous year, rising from around € 0.1 million to € 0.3 million. The personnel costs ratio for the group (personnel expenses as a proportion of revenue) was 34.9 percent (previous year: 34.3 percent). The aim is to reduce the personnel costs ratio once more in future.

The **remuneration** of employees is a reflection of their individual positions within the company. They are each allocated to grades, which in turn comprise a number of remuneration bands. Annual decisions on percentage pay increases are negotiated between the Board of Management and the Works Council. Pay increases averaging 3.0 percent were agreed for the 2017 financial year.

The employees' profit share is in addition tied to the EBIT margin. Upward of an EBIT margin of 5 percent, a bonus is paid out to those who are not entitled to a management bonus. Performance-related pay components e.g. for service technicians were also introduced. There have been other fringe benefits such as employee-financed occupational health insurance cover for all employees at German locations since 2014; this provides top-up insurance cover where there are gaps in the cover afforded by the statu-

tory health insurance schemes. In 2016 technotrans participated in a workplace health management pilot project for the Sassenberg location and has also been supporting employees in their pursuit of various fitness activities since 2015. In the future, too, technotrans will be increasing its efforts to promote health management.

Corporate Communications

Open, transparent corporate communications are a central aspect of good corporate governance. As well as clear, intelligible content, this aspect entails equal access to information about the company for all target groups. Within the technotrans Group, a distinction is drawn between internal corporate communications that are limited to within the group and external communications that are aimed at the outside world, such as customer communications, public relations (PR) work and financial market communications.

Employee communications

Communication with employees is fundamental to the success of a company. Its aim is to optimise organisational processes, encourage the employees to maintain dialogue, inform and motivate them, and bind them to the company. Typical media used in employee communications are the intranet, newsletters, e-mails, meetings and the telephone. Internal corporate communications are handled across locations, and therefore worldwide, over the intranet. Employees are kept up to date about relevant developments and are informed of strategic changes of direction through employee meetings. Within the group, systematic internal communication across all locations is of huge importance for corporate cohesion.

Performance reviews are also commonly used tools: line managers conduct these face-to-face meetings with their employees once a year (possibly more frequently). The employee receives feedback on their performance and is given perspectives for the future.

Throughout the group, managers receive (management) bonuses that are agreed individually in their contracts and depend half on the attainment of company targets, and half on their personal performance. They receive part of annual pay increases in the form of shares. There are no other incentive schemes involving share components.

Customer communications

technotrans uses customer communications to address existing and potential customers, with the purpose of winning them over to its products and services and building up a long-term relationship. A variety of measures and tools are available for that purpose: as well as product PR, the battery of tools available includes advertising, sales promotion, direct marketing, personal communication and shows.

A dominant event in 2016 was the drupa, which takes place in Düsseldorf every four years. Under the motto of "Partner in Print", innovations in cooling and liquid technology were showcased on a stand covering 190 m². Four areas that were particularly in the spotlight were cooling for digital and UV printing, sustainable and resource-friendly solutions, and connected, smart control systems. technotrans' renown as a systems supplier to the printing industry stretches back decades. In the field of digital printing, too, the technotrans Group's solutions span areas ranging from project planning to plant commissioning. These include one-off or downstream processes, for example, such as cooling for a folder or toner/oil separation. The presentations of the "omega.line" and "smart.chiller" were particular highlights of the show presence. These product series are used for cooling digital printing presses efficiently and thus boost profitability for the user. The spotlight was also on unique cooling modules for applications with highly reactive UV inks. Reliable and efficient cooling of the UV LED dryers guarantees durability and consistent results. An ink supply system for highly reactive UV inks with patented piston sealing system was also on show. It is particularly worth mentioning two combination units for dampening solution preparation and ink roller temperature control in this connection. For small to medium formats the performance-controlled

“alpha.c eco” is ideal, and for medium to large formats there is the “beta.c blue”. Both offer smart-energy cooling concepts for continuous adjustment of the cooling output to actual requirements. Low-resource solutions such as the “alcosmart AZR opt” for high alcohol metering precision were also shown at the drupa. The presentation of smart systems that simplify both operation and monitoring provided a glimpse into the future. These increase process reliability and plant efficiency.

technotrans premièred a new control concept for uncomplicated and reliable operation either locally or remotely, in a nod to “Industrie 4.0”, at the drupa in Düsseldorf. Intelligent data connectivity for ink batch management was also on show. A large number of established products underwent detailed improvements for the drupa, to improve efficiency and also save materials and time. The next drupa will be held in 2020, again in Düsseldorf.

At the AMB, technotrans presented its first combined unit for additive manufacturing. The toolsmart series is already established in the sphere of filtration and temperature control of machine tools. The “omega.line” is used in a variety of areas such as laser cooling. technotrans developed this combined unit that straddles the two product series specifically for use in additive manufacturing. Like the entire toolsmart series, the system for industrial 3D printing is modular in design and particularly compact in build. 3D printing is transforming the way processes work in very many industries. It must be reliable and safe. technotrans guarantees that with the new solution. The peripherals have a tried-and-tested basis: the toolsmart series. The “toolsmart.line” not only saves space, it also pays because there is a single control function for the various different processes. A cooling system can for example cover a wide range of areas in processing. As well as reducing the outlay, it minimises resources and spares the environment. technotrans presented further products for the metal processing industry on the AMB stand. technotrans was able to declare its presence at the AMB a success: the level of interest in the new combined unit was way beyond expectations. It has already registered for the next AMB.

At the InnoTrans, which took place from September 20 to 23, 2016 in Berlin, technotrans presented cooling solutions for efficient electric mobility for bus and rail vehicles. The spotlight was on mobile and stationary cooling solutions. technotrans has identified electric mobility as the future form of transport and offers customers the right battery cooling. This cooling comprises user-specific cooling and temperature control systems for mobile energy storage devices such as lithium-ion batteries and supercapacitors/ultracapacitors as well as stationary cooling systems for battery charging points, inverters and battery containers. On the back of its success in 2014, technotrans participated in the InnoTrans for the second time, presenting the extended product range of the “zeta-line” modular cooling units. As well as its own exhibits, many technotrans systems were on show on the stands of other high-profile exhibitors. The zeta.line has proven itself in the field and is now a well-established product on the market. technotrans offers the battery coolers as certified standard units – including with comprehensive railway certification. They are compact and lightweight, can be customised for numerous areas of application and cover many different performance categories. As well as mobile units, technotrans presented stationary cooling systems for charging stations, inverters and battery containers. They likewise enable compact integration into existing housing designs and are usually based on cooling concepts with fine-tuned water-glycol circuits. The sound-optimised version reaches a cooling capacity up to 900 kW and is installed all around the world by technotrans service teams.

GWK Gesellschaft Wärme Kältetechnik mbH (part of the technotrans Group since September 2016) presented four new products at the K 2016 in Düsseldorf in the autumn. These include a product series for non-central cooling, a modular-design multi-circuit temperature control system, a universal temperature controller generation for advanced injection moulding tasks and a live demonstration of the development status of how GWK products are intelligently connected. The new “weco wd” series heats and cools in a single unit. The energy-efficient chillers with free-cooling function and integrated temperature control circuits add non-central cooling to the GWK portfolio.

The equipment series is also practical to combine with central solutions. The "integrat 80" is the successor to "integrat plus" and has been updated to the latest technical standards. The modular-design multi-circuit temperature control system for segmented mould temperature control offers substantial leeway for all temperature control tasks. High energy efficiency thanks to frequency control of the pumps and flow rate measurement at up to 140 °C that is not susceptible to contamination were among the highlights. GWK also presented a universal temperature control device for advanced injection moulding tasks. The newly designed series was developed based on the "teco cs 90e" and represents the state of the art in terms of quality, control accuracy plus ease of maintenance and servicing. In parallel with its ongoing product development activities, GWK is pushing forward smart connectivity between its products and with customer environments in the spirit of "Industrie 4.0". The current development status was presented live at the show. The aim is to strike up a dialogue with potential partners in order to channel their requirements into further developments. This year the companies of the technotrans Group are holding a joint presentation at the Fakuma – the international trade fair for plastics processing – in Friedrichshafen. It will take place from October 17 to 21, 2017.

The EuroBLECH show in Hanover in autumn 2016 surpassed all expectations. As well as drawing more visitors to the stand, the solutions for stamping and forming technology generated more promising conversations than at the previous show two years earlier. technotrans found this a highly encouraging endorsement of its chosen path. The highlight of the show was the low-mist spray lubrication system spray.xact. As a full-liner in the field of spray lubrication, technotrans offers a full range of products for the lubrication of coils, blanks and mouldings. Oils, emulsions and corrosion inhibitors are all used here. In the spray lubrication process, spray.xact functions without the need for any compressed air and is therefore especially economical because no extractor is required. An optional spray pattern optimiser was also developed. This will make it possible to achieve very high-quality results in the forming of vehicle body outer panels or when spraying very narrow patterns, for example. technotrans has also broadened the scope for worldwide remote access to control a lubrication system. If servicing is required or in the event of operating

errors, technotrans' experts have swift online access to the system with the result that downtimes can be significantly minimised. In coming up with this solution, technotrans is responding to the fact that it is increasingly common for a user to have systems installed in other countries. This year's Blechexpo in Stuttgart will once again provide a platform for showcasing the systems to a large specialist audience.

technotrans will again have a presence at a large number of industry exhibitions, congresses and specialist conferences in 2017, where they will take the opportunity to present solutions for cooling and liquid technology. We also welcome the opportunity to talk to our suppliers and other business partners at shows. The current show calendar can be viewed on our website at www.technotrans.de.

Public Relations

Public relations (PR) work is another form of external corporate communications. Communication with the media – also labelled press relations – has the purpose of raising the profile of the technotrans Group and portraying it positively in public. Press releases to disseminate product information or user reports supply essential data about products and users. This builds trust and is an authentic means of fostering credibility. We also generate content along modern channels of communication such as social media. For example we feed relevant information tailored to the specific platforms of Facebook, Twitter, LinkedIn, Xing, google+ and YouTube. In a recent venture, the apprentices have even set up their own blog to provide insights into the working life of an apprentice. This platform gives young people and potential new employees suggestions about vocational qualifications and enables them to gain an impression in advance about their future path and the mileposts in their career at technotrans.

In both communication in general and in every area of corporate communications, there is evidence of the trend towards Communication 2.0/3.0: as well as traditional print media, digital and mobile media – and therefore the trend towards dialogue instead of the customary monologue – are becoming ever more important. technotrans nevertheless retains its faith in classic advertising and places

advertisements in relevant trade publications in order to continue promoting the brand and draw attention to its presence at industry exhibitions, for example.

Financial market communications

Communication with investors, analysts and shareholders is covered by the "Investor Relations" area. Comprehensive financial information about technotrans, e.g. in the form of Annual Reports, Quarterly Communications and Interim Reports, capital market presentations plus ad hoc information and press releases, is made available to the target groups concurrently in German and English.

The shares of technotrans AG have been traded on the stock market since March 1998. As a company listed in the Prime Standard segment, the highest possible standards of transparency must be met. The shares of technotrans AG were converted from bearer to registered shares

in October 2008. Since the switch, it has also been possible to communicate directly with our company's shareholders. Knowledge of the shareholder structure furthermore paves the way for even more targeted investor relations work. We continued to devote considerable energy to corporate communications in the year under review.

Transparency and credibility are the cornerstones of communications with the capital market. All publications are also made available promptly on the internet. Regardless of whether someone is a shareholder or is merely interested in the company, and whether they hold a large or small number of shares, we provide them with written reports as well as explain individual aspects and answer questions in telephone conferences or face-to-face talks. The result of an information policy that is candid and open to scrutiny is a relationship of trust with all capital market operators, based on mutual respect, and our company values it very highly.

REMUNERATION REPORT

The Remuneration Report contains the itemised remuneration by individual member of the Board of Management and Supervisory Board of technotrans AG, as well as par-

ticulars of fringe benefits provided by the company for each individual member. The basic features of the remuneration system are also explained there.

Remuneration System of the Board of Management

The remuneration system of the Board of Management reflects the current standards and statutory requirements. The total cash remuneration of a Board of Management member comprises a fixed basic remuneration and a variable remuneration component (management bonus). The precise level of the variable remuneration component is determined by target attainment in a given financial year. Revenue and consolidated net income for the year serve as the basis for the targets for budgeting purposes. If the agreed targets are exceeded, the variable remuneration component is increased, this increase being capped at a multiple of 2.5. The variable remuneration component is paid out over a three-year period in instalments of 50, 30 and 20 percent and in relation to actual target attainment. There is no entitlement to a management bonus in the event of a net loss for the year or if target attainment is less than 50 percent in the assessment year. The sustainability-oriented management bonus is only paid out to the extent that the respective targets for the assessment year are attained in subsequent years. The deferred management bonus component may therefore fall, but it can no longer rise. If target attainment falls below 80 percent of the level achieved in the assessment year, the sustainability-oriented management bonus component lapses. If a Board of Management member leaves the company, their entitlement to a management bonus from previous years does not automatically lapse.

The company moreover provides fringe benefits (insurance premiums) in the form of contributions to a provident fund and a group accident insurance policy. In addition, company cars are available to the members of the Board of Management and they are reimbursed travel and other allowable expenses. The policies for the D&O insurance

cover taken out by the company for the Board of Management members envisage an excess amounting to one and a half times the fixed annual income.

There is also a cap on termination indemnities amounting to a maximum of one year's salary.

The overall remuneration of each Board of Management member is approved by the Supervisory Board. At its meeting on March 9, 2016 the Supervisory Board decided to grant a special management bonus of € 50,000.00 to each Board of Management member in the event of the successful acquisition of GWK Gesellschaft Wärme Kältetechnik mbH. Through this special management bonus, the Supervisory Board not only wishes to recognise the previous contribution of the Board of Management towards the successful completion of the acquisition of the interest in GWK Gesellschaft Wärme Kältetechnik mbH; this is simultaneously also an expression of its clear expectation that the Board of Management will continue to strive in particular measure for the successful integration and development of GWK Gesellschaft Wärme Kältetechnik mbH. The payment was disbursed following completion of the acquisition of the interest in November 2016. No share-based payment components were envisaged for the 2016 financial year.

The level of target attainment for measurement of the variable remuneration component in the 2016 financial year was 115 percent according to the target agreement (previous year: 109 percent). Only in the event of exceptional occurrences is the Supervisory Board authorised to adjust the remuneration parameters in the course of a given year.

The members of the Board of Management received the following remuneration in the past financial year:

in € '000	Henry Brickenkamp		Dirk Engel		Dr. Christof Soest	
	2016	2015	2016	2015	2016	2015
Fixed basic remuneration	220	210	176	168	176	168
Fringe benefits	51	50	49	48	45	45
Management bonus, year under review	272	193	227	155	227	155
Total remuneration	543	453	452	371	448	368
Entitlement dependent on the attainment of future performance targets	160	149	128	119	128	119

Remuneration of the Supervisory Board

In accordance with the Articles of Incorporation approved by the Annual General Meeting, the members of the Supervisory Board receive remuneration comprising a fixed and a variable component, in addition to reimbursement of their expenses. The level of the variable remuneration component is based on the consolidated net income declared in the Consolidated Financial Statements. Under the Articles of Incorporation, this variable remuneration component is not expressly a reflection of sustainable corporate performance. Both the fixed and the variable remuneration component are higher for the Chairman and Vice Chairman of the Supervisory Board than for the remaining members. Membership of the committees formed by the Supervisory Board is likewise remunerated, in accordance

with the Articles of Incorporation. The members of the Supervisory Board do not receive any stock options for their activities as non-executive directors. The company has taken out D&O insurance cover for the members of the Supervisory Board. There is an excess equivalent to the variable remuneration component in the year in which a claim is established.

In addition to the total remuneration stated for the Supervisory Board, the employees' representatives on the Supervisory Board receive remuneration in their capacity as employees, on the basis of their contracts of employment, and also receive share-based payments.

In accordance with the Articles of Incorporation the Supervisory Board members received the following remuneration for the year under review of 2016:

in € '000	2016			2015		
	Total remuneration	of which fixed	davon variabel	Total remuneration	of which fixed	of which variable
Heinz Harling	50	22	28	46	22	24
Dr. Norbert Bröcker	36	15	21	33	15	18
Dr. Wolfgang Höper**	17	9	8			
Helmut Ruwisch*	12	6	6	27	15	12
Dieter Schäfer	25	11	14	23	11	12
Reinhard Aufderheide	22	8	14	20	8	12
Thomas Poppenberg	22	8	14	20	8	12
Total remuneration	184	79	105	169	79	90

* to May 12, 2016 ** from May 12, 2016

TAKEOVER-RELEVANT DISCLOSURES PURSUANT TO SECTION 315 PARA. 4 OF GERMAN COMMERCIAL CODE

The following disclosures satisfy the requirements pursuant to Section 289 (4) of the German Commercial Code (HGB) and Section 315 (4) of HGB.

1. The issued capital (share capital) at December 31, 2016 comprises 6,907,665 fully paid no par value shares each representing a nominal amount of € 1 of the share capital. The shares of technotrans AG are registered shares. Exclusively ordinary shares have been issued; the rights and obligations arising from them conform to the relevant statutory regulations. They are subject to restrictions on voting rights and transfer only in those cases laid down by law, and not pursuant to the Articles of Incorporation. The Board of Management has not been notified of any voting trust agreements between shareholders.
2. No direct or indirect interests in the capital amounting to more than ten percent of the voting rights are known.
3. All shares carry identical rights. No shares are equipped with special rights, in particular none imparting authority to control.
4. Employees participating in the capital exercise their voting rights directly.
5. The statutory requirements pursuant to Sections 84 and 85 of AktG on the appointment and dismissal of the members of the Board of Management are applied. The Articles of Incorporation of the company contain no regulations over and above Section 84 of AktG. Pursuant to Section 179 of AktG in conjunction with Section 20 (2) of the Articles of Incorporation, amendments to the Articles of Incorporation normally require a resolution of the Annual General Meeting carried by a simple voting majority; in certain cases, however, a voting majority of 75 percent is required to amend the articles of incorporation.

6. The Board of Management is, with the consent of the Supervisory Board, authorised to increase the share capital on one or more occasions by up to a total of € 3,450,000 until May 14, 2019, through the issue of new shares against contributions in cash or in kind. No use was made of this authorisation in 2016. The subscription right of shareholders may be excluded insofar as the requirements of Section 186 (3) fourth sentence of AktG are met in the case of employee shares or the acquisition of companies or of participating interests in companies, if the acquisition or participating interest is in the properly understood interests of the company; the subscription right may moreover be excluded for the purpose of compensating for fractional amounts.

In addition the Board of Management of the company is authorised until May 14, 2019 to acquire treasury shares up to 10 percent overall of the share capital existing at the time of the resolution, or at the time of this authorisation being exercised, if the latter figure is lower. If acquired by stock exchange dealings, the purchase price per share shall not exceed or undercut by more than 10 percent the average Xetra closing price (or, insofar as the Xetra closing price serves as the basis for this authorisation, the closing price determined by a successor system taking the place of the Xetra system) on the Frankfurt Stock Exchange on the five trading days preceding the acquisition. If acquired on the basis of a public offer to buy, the acquisition price per share shall not exceed or undercut by more than 10 percent the average Xetra closing price on the Frankfurt Stock Exchange on the five last trading days before initial disclosure of the offer.

The Board of Management is authorised to retire all or some of the treasury shares acquired on the basis of the authorisation, without the need for a further resolution of the Annual General Meeting. The Board of Management is furthermore autho-

rised to dispose of the acquired shares via the stock market or to third parties, by cash sale. In these cases the selling price shall not undercut the average Xetra closing price on the Frankfurt Stock Exchange on the five trading days prior to sale by more than 5 percent. The Board of Management is, with the consent of the Supervisory Board, moreover authorised to dispose of the acquired treasury shares in a manner other than via the stock market or by offering them to all shareholders if transfer to a third party takes the form of counter-performance in the context of the acquisition of companies or of participating interests. The price at which the acquired treasury shares are surrendered to a third party shall not significantly undercut the average Xetra closing price on the Frankfurt Stock Exchange on the last five trading days before the concluding of the agreement on the acquisition of the company or participating interest. The acquired treasury shares may also be used in fulfilment of obligations in respect of conversion options granted as a result of the issuing of convertible bonds. The subscription right of the shareholders is excluded for the use of treasury shares in the last three cases. Up until June 2008 a total of 690,000 treasury shares were acquired via the stock market on the basis of the authorisation. In subsequent years and most recently in

2016, a total of 257,584 shares from these were distributed to the employees as part of their Christmas bonus, and a total of 8,501 shares by way of a remuneration component. Furthermore, 49,000 treasury shares were issued in the 2011 financial year as part of the purchase price of Termotek AG. On November 3, 2016 the remaining 374,915 treasury shares held by the company at that point in time (equivalent to 5.43 percent of the share capital) were sold to institutional investors in Germany and other European countries with the approval of the Supervisory Board, excluding the subscription right of shareholders. The Board of Management is in addition authorised, in accordance with the resolution of the Annual General Meeting of May 15, 2014 and with the consent of the Supervisory Board, to issue bonds with a term of a maximum of 5 years on one or more occasions up until May 14, 2019 of an aggregate nominal amount of up to € 10 million and to grant the bearers of bonds conversion options on up to 690,000 treasury shares.

7. There are no material agreements of the parent company that are conditional on a change of control following a takeover bid.
8. No compensation has been agreed with the members of the Board of Management or employees in the event of a takeover bid.

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

The Corporate Governance Declaration in accordance with Section 289a of the German Commercial Code (HGB) is posted on the company's website at <http://>

www.technotrans.com/en/investor-relations/corporate-governance/corporate-governance-declaration.html.

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

The global economy expanded slightly more vigorously in the second half of 2016 than at the start of the year. The political landscape has changed considerably over the past six months, which could have far-reaching consequences and cause major uncertainties for the global economy over the coming years.

There was a slight overall slowdown in global economic expansion in 2016 compared with the previous year. Over the year as a whole it expanded by 3.1 percent, a lower rate than had been expected (3.4 percent). The economy in the eurozone grew by 1.7 percent in 2016, as expected. In Germany, the moderate level of growth was increased from 1.5 percent to 1.7 percent. The German economy thus remained on a course of expansion amid an unsettled

international environment. The level of orders in German industry showed an upturn again towards the end of the year, and orders of intermediate and capital goods in particular accelerated. Capital utilisation in manufacturing sector reached a five-year high of 85.7 percent.

However worldwide demand for capital goods remained weak. The German mechanical engineering sector has to sign off 2016 as another year where revenue flatlined. Structural change in China, ailing emerging economies, continuing low raw material prices and geopolitical risks have been a burden on the global economy for quite some time now. New uncertainties appeared in 2016 as a result of the Brexit vote in the United Kingdom and the outcome of the elections in the USA.

Change of Gross Domestic Product in percent

	2016	2015
World	3.1	3.2
USA	1.6	2.6
Eurozone	1.7	2.0
Germany	1.7	1.5
China	6.7	6.9
Emerging countries	4.1	4.1

Source: International Monetary Fund, World Economic Outlook, January 2017

The VDMA (German Engineering Federation) again had to adjust its expectations downwards in the past year. The federation had forecast zero growth for the German mechanical engineering industry for price-adjusted production of machinery and plant. According to VDMA fig-

ures, mechanical engineering companies closed their order books for 2016 overall down 2 percent in real terms compared with 2015.

While the level of orders in the machine tool sector and plastic machine area showed a positive year-on-year development at the turn of 2016/2017, sentiment in the printing industry was again clouded.

BUSINESS PERFORMANCE AND POSITION OF THE COMPANY

The 2016 financial year progressed highly successfully for technotrans. The group achieved a major leap in revenue to € 151.8 million and posted its best result for nine years with EBIT of € 9.7 million.

With organic revenue growth of almost € 10 million compared with the previous year, consolidated revenue for the past financial year reached € 132.5 million, at the upper end of the original target range. The initial consolidation of the new participating interests worked against profit, with the result that the group-wide operating margin came to 6.4 percent; based on adjusted EBIT the margin was 7.5 percent and therefore in line with the original forecast.

The Board of Management of technotrans AG assesses developments in the year under review as overall positive. As part of the growth strategy, two new participating interests and three strategic additions at existing participating interests were acquired in the course of the year. The new participating interest GWK Gesellschaft Wärme Kältetechnik mbH is the largest single acquisition to date in the history of technotrans.

At the time the plans for 2016 were drawn up, the Board of Management assumed revenue growth of between 3 and 7 percent for the technotrans Group on the basis of a stable development in the world economy in conjunction with

various new projects involving both existing and new customers. Acquisitions were not built into the calculations at that time. With the publication of the quarterly communication at the end of the third quarter, the Board of Management firmed up the targets for the year on the basis of the enlarged group of consolidated companies in forecasting consolidated revenue of around € 150 million and EBIT of between € 9.5 and € 10.5 million. This meant that the growth targets for revenue and operating profit were achieved, as latterly expected.

The Technology segment in particular made positive progress thanks to both organic growth and acquisitions, and grew by 27.2 percent to € 103.6 million. The Services segment, too, achieved year-on-year growth of 16.4 percent to post revenue for the year of € 48.2 million.

The structure of the technotrans Group's balance sheet, too, changed significantly in 2016 as a result of the growth and the increased investing and financing activities in connection with the interests acquired. The debt repayment period (ratio of net debt to EBITDA) achieved a very good figure of 0.4. Equity in absolute terms improved by € 10.2 million to € 61.9 million (previous year: € 51.7 million), and the equity ratio was 51.0 percent (previous year: 68.0 percent).

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

Development in Revenue

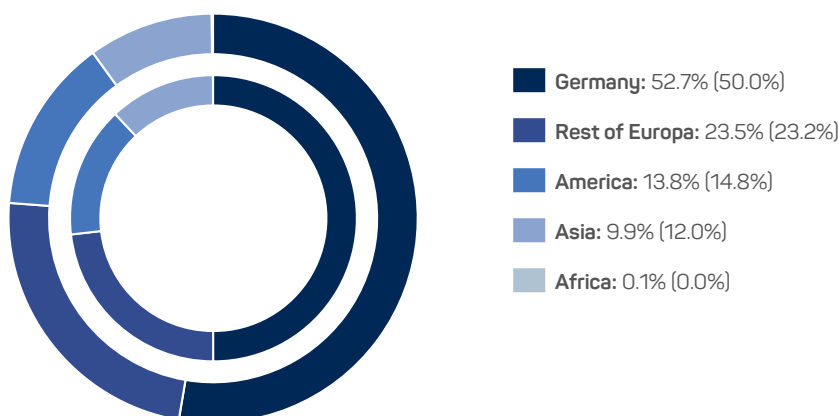
technotrans' consolidated revenue rose in absolute terms by € 29.0 million in 2016 to € 151.8 million. Overall, technotrans therefore reported revenue growth of 23.6 percent at the balance sheet date (this includes a revenue contribution of € 19.3 million from new acquisitions). Around 45 percent of consolidated revenue now comes from outside the printing industry (previous year: 35 percent).

Compared with the previous year, business with customers in offset, digital and flexographic printing also developed positively once more thanks to technotrans' good market position in the printing industry. Revenue in that area grew by 5.2 percent overall. Thanks to the market and revenue shares gained, technotrans again also succeeded in achieving organic growth in all relevant markets in 2016. The biggest revenue increase of 13 percent

came from orders in the markets for laser/stamping and forming technology, medical and scanner technology, and electric mobility.

Because of its customer structure in all submarkets, technotrans traditionally achieves a high proportion of deliveries and revenue in Germany. The 2016 financial year saw the proportion of revenue achieved by the group with German customers climb from 50.0 percent in the previous year to 52.7 percent. The revenue share in the remainder of Europe was slightly up on the previous year at 23.5 percent (23.2 percent). Meanwhile the revenue share in America fell to 13.8 percent in the past financial year, compared with 14.8 percent in 2015. The Asia region, having grown in the 2015 financial year, fell back again to 9.9 percent (previous year: 12.0 percent). Africa's revenue share is 0.1 percent.

Revenues by Region in percent, comparison 2016 / 2015



technotrans' standard business with industrial customers is based on release orders. The equipping of certain machine models with technotrans products is usually agreed in advance. Here, the time frame between the release order and delivery is rarely more than four to six

weeks. Because of these master agreements, information on incoming orders and order backlogs is not particularly meaningful. In addition, project business frequently entails longer lead times.

Development in Earnings

Following a moderate start to the year the technotrans Group enjoyed a steady growth in business as the year progressed. The fourth quarter was especially successful, with revenue of € 48.5 million. The operating result (EBIT) of € 3.2 million was well up on the figure for the third quarter (€ 2.1 million).

The financial performance of the technotrans Group improved yet again at December 31, 2016 compared with the previous year. The business performance was very much influenced by the strategic investments in the new acquisitions GWK Gesellschaft Wärme Kältetechnik mbH and Ovidius GmbH.

Gross profit for the group, in other words revenue less cost of sales, came to € 51.2 million (previous year: € 41.4 million). The improvement in gross profit of 23.6 percent compared with the previous year was based above all on the increased revenue volume and the effects of changes to the product mix. The increased costs in proportion to revenue meant the gross margin at year-end remained unchanged from the previous year at 33.7 percent. The cost of purchased materials also grew by around 23 percent in 2016 and therefore at a slightly slower rate than revenue. The cost of purchased materials ratio reached 38.7 percent, almost unchanged from the previous year.

Key data of technotrans group (operating and adjusted)

		2016 operating	2015	Change in %	2016 adjusted	2015	Change in %
Revenue	€ million	151.8	122.8	23.6%	132.5	122.8	7.8%
Technology		103.6	81.4	27.4%	89.7	81.4	10.2%
Services		48.2	41.4	16.4%	42.8	41.4	3.5%
Operating costs	€ million	142.1	113.9	24.7%	122.5	113.9	7.6%
EBIT	€ million	9.7	9.0	8.7%	10.0	9.0	11.3%
EBIT margin	in %	6.4%	7.3%		7.5%	7.3%	

The growth trajectory of technotrans and the completed acquisitions impose non-operating burdens on earnings that principally span the amortisation of fair value asset valuations in connection with purchase price allocation (€ 0.8 million) and transaction-related incidental costs (€ 1.0 million). The earnings effects (€ 1.5 million) from the acquired companies (including the pro rata revenue and profit contributions of the acquisitions) have been eliminated as a whole from the adjusted operating EBIT. The

operating EBIT after adjustment for these factors showed a noticeable rise and, at € 10.0 million, was more than 11 percent up on the prior-year figure.

The operating profit (**EBIT**), too, exceeded the prior-year level by 8.7 percent in reaching € 9.7 million. The EBIT margin came to 6.4 percent overall, compared with 7.3 percent in 2015. The adjusted EBIT margin was 7.5 percent. technotrans consequently achieved its goal of

an EBIT margin of between 7.5 and 8.0 percent for the 2016 financial year with an adjusted figure towards the lower threshold of expectations.

Margin development of technotrans group

	2016		2015		Change
	€ million	%	€ million	%	%
Gross profit	51.2	33.7	41.4	33.7	23.6
EBITDA	14.0	9.3	12.2	9.9	15.2
EBIT	9.7	6.4	9.0	7.3	8.7
EBT	9.2	6.0	8.7	7.1	5.4
Annual net profit	7.3	4.8	6.2	5.1	16.8

As a result of the acquisitions of GWK and Ovidius in the course of the year, fixed costs for the group also rose year on year. Distribution costs moved more or less in line with revenue, growing 23.4 percent to EUR 21.1 (previous year: EUR 17.1 million). General administrative expenses, too, increased substantially by € 3.2 million to € 16.2 million (previous year: € 13.0 million).

Development costs of € 5.5 million for the 2016 financial year were again higher than in the previous year (€ 4.3 million). technotrans invests in a large number of development projects focusing on the new markets. The new group companies, too, have generated additional development activities.

In the year under review, the positive balance of other operating income and expenses fell by € 0.5 million to € 1.4 million. This is mainly attributable to a fall in exchange rate effects. In 2015, the marked exchange rate fluctuations had generated net exchange rate gains of € 0.6 million, whereas for the past financial year of 2016 exchange rate gains and losses were balanced.

Personnel expenses, too, rose in absolute terms from € 42.2 million in the previous year to € 52.9 million in 2016, in particular as a result of the higher regular workforce following the acquisitions and the effect of a pay increase in the group. Furthermore, a characteristic of the acquired companies is a higher personnel costs burden rel-

ative to revenue. The overall personnel expenses ratio for the technotrans Group therefore edged up to 34.9 percent (previous year: 34.3 percent).

Depreciation and amortisation rose by 33 percent to € 4.3 million (previous year: € 3.2 million), an effect of the investing activities and increased amortisation from purchase price allocation for the newly acquired businesses. In 2016, as in the previous year, no write-downs were performed.

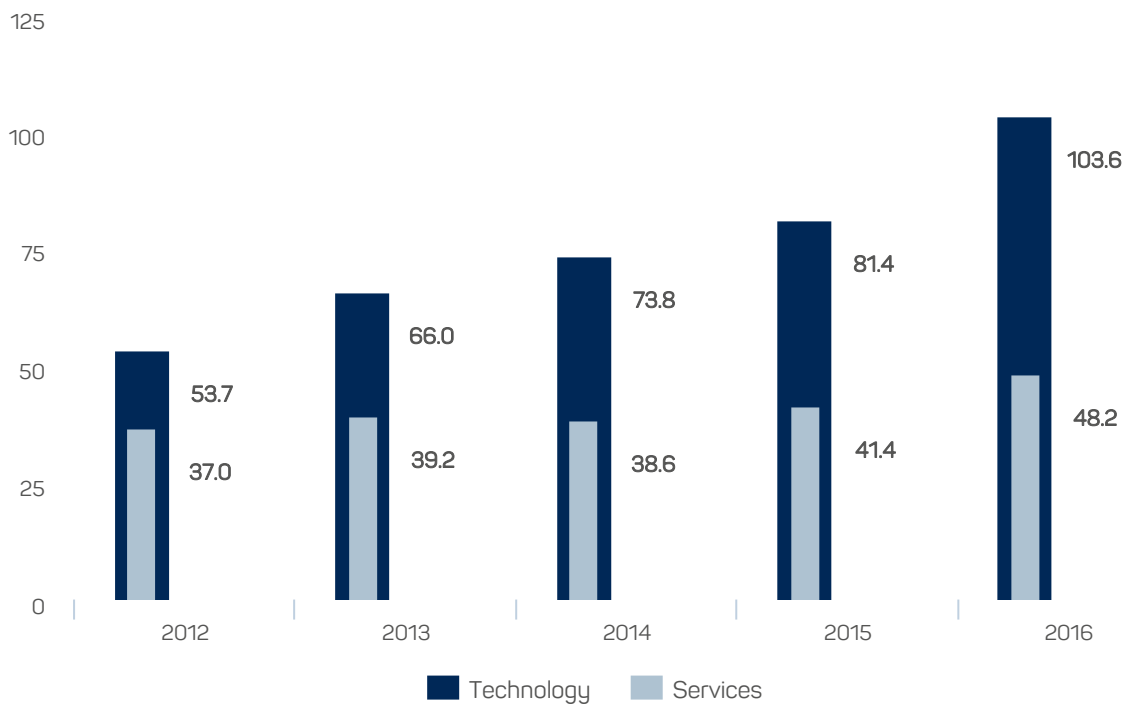
It was not possible to improve the **financial result** in 2016 compared with the previous year. The balance of income and expenses in the year under review came to € -0.6 million (previous year: € -0.3 million). The financial result comprises two components, "operating business" and "other business". "Operating business" encompasses the interest income from bank credit balances and also interest expenses for the group's debt financing. As a result of the acquisition-led new borrowing raised in September 2016, there was a rise in interest expenses for the technotrans Group compared with the previous year. "Other business" includes a final income component from the termination of the conditional purchase price for the KLH companies. In addition, measurement effects from the compounding of future payment obligations are reported under interest expense.

The **tax expense** of € 1.9 million for the past financial year is down on the previous year's level of € 2.5 million; it corresponds to an effective tax rate of 20.7 percent (previous year: 28.5 percent). For the fiscal particularities, please refer to the additional explanations in Section 26 of the Notes to the Consolidated Financial Statements.

The **consolidated result after tax** (net profit) for the 2016 financial year came to € 7.3 million (previous year: € 6.2 million), equivalent to a return on sales of 4.8 percent (previous year: 5.1 percent). Earnings per share outstanding improved by around 15 percent from € 0.96 to € 1.09.

Segment Report

Revenue by segments in € million



The Technology segment achieved revenue growth of 27.2 percent to € 103.6 million (previous year: € 81.4 million). As a result, the segment exceeded the € 100 million threshold for the first time since 2008. Some € 14 million of the increase in 2016 was attributable to the acquisition of GWK in the course of the year.

This segment's share of consolidated revenue therefore grew yet again and at the end of the year under review had risen to over 68 percent (previous year: 66 percent), with a continuing upward trend. As in the previous year, the growth of € 22.2 million was realised in all relevant sub-markets of the group. In the printing industry (+8 percent) the positive revenue performance was driven most notably

by the successful expansion of the market shares in offset, digital and flexographic printing. The market conditions in that industry also helped.

The segment again also benefited from the organic growth in business in the non-print area. After a tentative start to the financial year, as expected there was a strong performance in the second half of 2016. In the laser/stamping/forming technology markets, as well as in the so-called growth markets, technotrans generated substantial revenue growth.

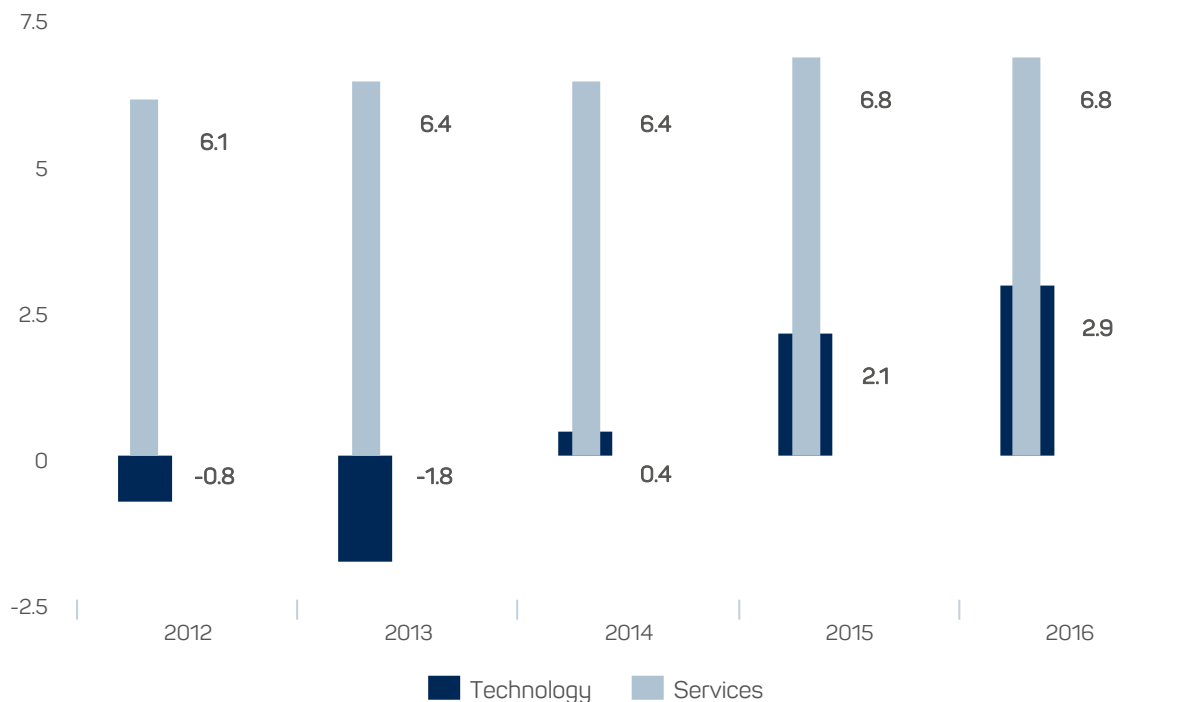
Because of the customer structure, the revenue of the Technology segment is traditionally very strongly focused on Germany. The proportion of revenue generated by German customers of 57.3 percent was comparable to the previous year (57.2 percent). Meanwhile the revenue share for the rest of Europe showed another year-on-year rise from 19.0 to 20.7 percent. 2016 saw the segment's revenue share in the Asia region decline from 11.7 percent in the previous year to 10.4 percent in the period under review. At 11.6 percent, America's revenue share in the Technology segment was also slightly down on the prior-year figure (12.0 percent). The figure for Africa was 0.1 percent.

The financial performance in the Technology segment improved as expected. As well as an improved revenue mix, especially pro rata shares of costs for the acquisitions and

the increased expenditure for shows significantly impacted the segment's earnings situation in 2016. Overall, earnings before interest and taxes (EBIT) for the Technology segment rose year on year from € 2.1 million to € 2.9 million. The rate of return for the segment came to 2.8 percent at year end (previous year: 2.6 percent).

886 employees belonged to the Technology segment at the end of the year (previous year: 566). As in previous years, the general administrative areas have been spread between the segments pro rata, based on their revenue shares. The increase of 320 employees (+57 percent) results almost exclusively from the acquisition-led growth and from the growth-related capacity expansion at the production locations of technotrans AG and Termotek GmbH.

EBIT by segment (in € million) 2012 to 2016



The **Services** segment achieved growth of 16.4 percent in the period under review and generated revenue of € 48.2 million (previous year: € 41.4 million). The increase

in revenue of € 6.8 million is mainly attributable to the acquisitions of GWK and Ovidius. Organic revenue growth in the 2016 financial year reached around 3.5 percent,

compared with 7.2 percent in the previous year, and was therefore in line with the forecast made at the start of the year.

Within the segment, the increase was driven both by growing follow-on business in the technology markets and by a year-on-year improvement in the business performance in the Technical Documentation area. Overall, therefore, the Services segment accounted for around 32 percent of consolidated revenue in 2016 (previous year: 34 percent).

The regional breakdown in revenue for the Services segment reveals a marked shift towards domestic revenue for the 2016 financial year. The revenue shares compared with the previous year were as follows: Germany 43.0 percent (previous year: 35.7 percent), Rest of Europe 29.4 percent (previous year: 31.5 percent), Asia

8.8 percent (previous year: 12.4 percent), and America 18.4 percent (previous year: 20.4 percent). The figure for Africa was 0.4 percent.

Overall, the Services segment confirmed its healthy financial performance. In 2016 technotrans achieved a result for the segment of € 6.8 million, which was therefore on a par with the previous year (€ 6.8 million). However the figure also includes pro rata additional costs and charges in connection with the acquisitions. With a rate of return for the segment of 14.2 percent (EBIT margin), it was consequently not possible to maintain the previous year's healthy level (16.5 percent). The adjusted result for the segment is, however, in line with expectations.

366 employees belonged to the Services segment at the end of the year (previous year: 262). As in previous years, the general administrative areas have been spread between the segments pro rata, based on their revenue shares.

Financial Position

Principles and goals of financial and liquidity management

Based on a comfortable liquidity base, in conjunction with financing commitments by the banks, technotrans is able to invest flexibly at any time. The task of financial management within the technotrans Group is handled centrally by the group parent. For financing, technotrans AG uses long-standing partnership-based ties with a number of sound German financial institutions.

Financial and liquidity management primarily involves managing liquidity, securing borrowed capital and managing interest and foreign currency risks. To a large extent the group constitutes a financial entity and is thus able to optimise its capital procurement and investment opportunities. The overriding goal of technotrans' financial policy is to assure a balance between growth, return on equity and financing security. In its financial management, technotrans continues to strive to generate internally both the financial resources required to fund the organic growth of its operations, and the investments this involves. This goal was again achieved in the 2016 financial year. Selective

investment spending on property, plant and equipment (€ 1.5 million) was again restricted to maintenance investments.

The most important source of financing remains the cash inflow from operating activities (operating cash flow). The optimisation of working capital releases liquid funds, keeps debt low and thus improves the indicators relating to balance sheet structure (such as equity ratio) and return on investment. As a result of the additional capital required in connection with the acquisitions, the financing structure was also adjusted in the 2016 financial year.

Limiting risks encompasses all financial risks that could threaten technotrans' survival as a going concern. technotrans makes use of selected derivative financial instruments exclusively for the hedging of interest rate risks for borrowings incurring interest at variable rates.

technotrans covers its capital requirements from operating cash flow and by raising medium and long-term financing. If required, the company also manages the group's need for financing via the available short-term credit facilities of technotrans AG, Termotek GmbH, KLH Kältetechnik GmbH and GWK Gesellschaft Wärme Kältetechnik mbH. Bank borrowings amounted to € 28.1 million (previous year: € 8.1 million) at the balance sheet date.

For financing, technotrans uses its long-standing association with several German financial institutions; stabilising factors in long-term financing include a broadly spread credit volume as well as a balanced repayment structure for alternative financial instruments.

Capital Structure

technotrans' capital structure comprises a sound equity base and a demand-led level of borrowing. With an equity ratio of 51.0 percent at December 31, 2016 and total borrowing arrangements amounting to € 46.5 million (previous year: € 21.5 million), technotrans has a viable and sustainable financing structure. At the balance sheet date, cash and cash equivalents came to € 23.9 million and available but unused borrowing facilities amounted to € 18.4 million.

In the course of 2016 three aspects of the financing structure were adjusted to reflect the future requirements of the group:

For the financing of the interest acquired in GWK Gesellschaft Wärme Kältetechnik mbH, several long-term loans amounting to € 20.0 million in total were raised including € 12.0 million in the form of credit facilities collateralised by land charges. The financing structure at GWK, too, was adjusted.

New short-term credit lines with a total volume of € 5.7 million were agreed with the existing principal banks. All measures were implemented with varying maturities, making use of the best possible interest terms.

In November 2016 all the remaining treasury shares still held by technotrans AG (374,915 shares, equivalent to 5.43 percent of the share capital) were sold to institutional

There are no exchange-rate factors affecting external borrowings. Within the group, short-term and long-term lending between the group companies is practised to some degree in order to maintain adequate liquidity locally. Substantial liquidity holdings (cash and cash equivalents) moreover exist in EUR, USD, GBP and AED. No instruments for the hedging of foreign currency positions were used beyond the 2016 reporting date.

Overall, the off-balance-sheet financial instruments and obligations changed in 2016 as a result of the increased scope of consolidation. Off-balance-sheet forms of financing used by technotrans include above all tenancy and operating leases, above all for IT accessories and company vehicles. Future operating lease obligations at December 31, 2016 totalled € 5.6 million.

investors, excluding the subscription right of shareholders. The proceeds from the successful placement amounting to € 8.1 million were added to cash and cash equivalents, and are helping to increase the group's financial flexibility.

At December 31, 2016 the maturities of the group's existing debt financing averaged five years. Short-term credit lines were used only intermittently in the past financial year. At the end of the financial year the average weighted interest rate for borrowing was approx. 1.8 percent (previous year: 3.0 percent). Wherever economically advisable, technotrans supplements financing by operating lease agreements. Other off-balance-sheet financial instruments are of only minor significance. In 2016 there were no restrictions on the availability of the loans provided.

For its financial and liquidity planning, technotrans AG is working on the assumption that it will have adequate liquidity including for business operations in 2017, enabling it to meet its foreseeable payment obligations at all times. Based on a sound equity base and a comfortable liquidity base, in conjunction with financing commitments by the banks, technotrans is able to invest flexibly at any time. As a listed company, technotrans also has access to capital market instruments.

The Board of Management and Supervisory Board will propose to the Annual General Meeting in May 2017 that a

dividend of €0.55 per share outstanding be distributed for the 2016 financial year.

Investment

Investment spending in the year under review rose markedly to € 12.9 million. Of this figure, around € 11.3 million went on corporate acquisitions, € 1.5 million on investments in property, plant and equipment (previous year: € 1.3 million) and € 0.1 million on investments in intangible fixed assets (previous year: € 0.4 million). The emphasis of investing activities was on replacement pur-

chases and IT equipment. Overall, the investment statement showed a net cash outflow of € 20.9 million for the acquisition of the shares in the new companies. Of the investment spending of € 1.6 million, € 0.8 million went on the Technology segment and € 0.8 million on the Services segment.

Investment and depreciation in € million

	Investment	Depreciation & amortisation
2012	1.5	3.0
2013*	8.9	3.2
2014	1.4	3.0
2015	1.7	3.2
2016*	12.9	4.3

* of which addition from company acquisition (2013: € 6.5 million, 2016: € 11.3 million)

The development expenditure reported in the Income Statement came to € 5.5 million. This amounts to 3.6 percent of revenue. No development costs were recognised as an intangible asset in the financial year (previous year: € 0.2 million). Within development costs, intangible assets decreased to € 0.8 million (previous year: € 1.2 million). In the year under review, the amortisation of development expenditure recognised as an intangible asset came to € 0.4 million (previous year: € 0.4 million).

Depreciation and amortisation for the 2016 financial year totalled € 4.3 million (previous year € 3.2 million). Of this, € 3.7 million is attributable to the Technology segment (previous year: € 2.5 million) and € 0.6 million to the Services segment (previous year: € 0.7 million). The assets of KLH, Ovidius and GWK identified in the course of purchase price allocation as well as the property in Sassenberg accounted for a major part of the depreciation and amortisation. No impairment of intangible assets was required in the year under review.

Liquidity

From the starting position of profit after tax, the operating cash flow for 2016 developed positively compared with the previous year. The cash flow from operating activities before working capital changes (cash inflow) of € 14.2 million was up € 2.4 million on the previous year

(€ 12.0 million). The cash flow benefited especially from the net profit for the year of € 7.3 million (previous year: € 6.2 million).

Cashflow in € million

	2016	2015
Cash flow from operating activities	14.2	12.0
Net cash flow from operating activities	9.7	10.2
Cash flow from investing activities	-22.4	-1.7
Free cash flow	-12.6	8.5
Cash and cash equivalents at end of period	23.9	20.0

The cash flow from operating activities (net cash from operating activities) of € 9.7 million remained almost at the prior-year level (previous year: € 10.2 million) in the year under review. The changes in working capital had a negative cash flow effect of around € 2.0 million (previous year: positive effect of € 0.8 million). The cash outflow for interest and taxes paid was around € 2.5 million, as in the previous year.

The cash flow from investing activities (cash outflow) at the end of the financial year rose sharply to € 22.4 million (previous year: € 1.7 million). This item includes the net cash outflows for the corporate acquisitions completed during the year amounting to € 20.9 million. The net cash employed for the investments in the 2016 financial year mainly comprised maintenance investments of € 1.5 million (previous year: € 1.7 million).

Because of the acquisition activity, the free cash flow stayed negative as expected at € -12.6 million and was unable to match the very healthy prior-year figure (previous year: € 8.5 million).

Net Worth

Compared with the previous year, the **balance sheet total** at December 31, 2016 grew by more than € 45 million to

The net cash employed for financing activities had a positive balance in the 2016 financial year, amounting to € 16.6 million (previous year: € -6.1 million). The disposal of treasury shares in November 2016 produced an inflow of liquidity amounting to € 8.2 million. In addition, new loans totalling € 20.0 million were raised in connection with the interests acquired. In all, € 6.0 million (previous year € 3.6 million) was used for the scheduled repayment of borrowings (loan redemptions) over the course of the year, and € 3.1 million (previous year € 2.2 million) was paid out to technotrans shareholders for the distribution of a dividend. There were further outflows of liquidity amounting to € 2.4 million in connection with the acquisition of the remaining shares in the KLH companies.

Cash and cash equivalents at year-end came to € 23.9 million and were therefore again up on the previous year (€ 20.0 million). From a capital management perspective the group's liquidity remains comfortable. In 2017, the group therefore remains in a position to meet its payment obligations from business operations at any time.

€ 121.5 million (previous year: € 76.0 million) substantially as a result of the acquisitions and the expanded volume of business.

Net worth and capital structure in percent 2016/2015

Assets	2016	2015
Long-term assets	52.1	25.2
Inventories	25.6	17.5
Receivables	17.8	11.6
Other short-term assets	2.1	1.7
Liquid assets	23.9	20.0
	121.5	76.0

Equity and liabilities	2016	2015
Equity	61.9	51.7
Long-term debts	27.8	8.0
Short-term debts	31.8	16.3
	121.5	76.0

Assets

Non-current assets at the reporting date grew from € 25.2 million to € 52.1 million, thus more than doubling. This development is mainly attributable to the corporate acquisitions and the associated consolidation effects. Goodwill and other intangible assets increased by € 22.8 million, and property, plant and equipment by € 3.0 million. Other non-current assets came to € 2.5 million, an increase of € 1.0 million compared with the previous year.

Current assets, too, were up and grew by € 18.6 million to reach € 69.4 million. Inventories and receivables climbed by € 14.3 million mainly as a result of the first-time inclusion of the newly acquired companies in the Consolidated Balance Sheet. The increased assets are also reflected in the group's expanded business base at the balance sheet date. Other current assets showed little year-on-year change at € 2.1 million (previous year: € 1.7 million). Cash and cash and cash equivalents of € 23.9 million showed an increase on the prior-year level (previous year: € 20.0 million).

Equity and liabilities

Within equity and liabilities, there was an absolute rise in equity of € 10.2 million to € 61.9 million (previous year: € 51.7 million). The equity ratio fell from 68.0 percent to 51.0 percent in the same period due to the sharp rise in the total group assets. The return on equity, representing net income as a proportion of equity, was 11.6 percent (previous year: 12.3 percent). Minority interests in equity amounted to only € 0.1 million (previous year: € 0.9 million).

At the end of the 2016 financial year non-current liabilities were € 19.7 million up on the previous year. The increase is attributable to higher non-current financial liabilities (€ +17.0 million) and deferred taxes (€ +1.7 million) as a result of the acquisitions.

Current liabilities rose by € 15.5 million to € 31.8 million mainly as a result of increased financial liabilities (€ +3.1 million) and higher trade payables as well as pre-

payments (€ +5.9 million). This item includes such components as prepayments received and trade payables. The current provisions, too, rose by € 3.2 million. There was a further effect of € +3.3 million from other current liabilities.

At the balance sheet date, technotrans had financial liabilities totalling € 28.1 million (previous year: € 8.1 million). The non-current financial liabilities stem principally from investments in fixed assets, as well as from acquisitions of interests. They are protected in part by land charges. Details of the structure of financial liabilities are provided in the Notes to the Consolidated Financial Statements (Section 11).

Provisions at the end of 2016 totalled € 9.8 million, an increase of € 3.2 million compared with the previous year. The long-term provisions of around € 1.2 million (previous year: € 1.1 million) comprise both personnel-related obligations (pensions) and those Board of Management remuneration components that focus on sustainable corporate

performance. The short-term provisions amounting to € 8.6 million (previous year: € 5.4 million) consist of other obligations towards personnel (€ 4.7 million), payments to be made under warranty (€ 1.4 million), provisions for litigation settlements (€ 1.0 million) and other provisions (€ 1.5 million).

technotrans calculates working capital as current assets less current liabilities. At December 31, 2016 working capital was € 37.6 million, an increase of 9.1 percent on the prior-year reporting date (€ 34.5 million).

The group's net debt, calculated as the difference between non-current plus current interest-bearing borrowings and cash and cash equivalents, amounted to € 5.3 million at the end of the year under review (previous year: net liquidity of € 11.6 million). The ratio of net debt to equity (gearing) is 8.5 percent (previous year: -22.4 percent). The ratio of net debt to EBITDA is 0.4. The gearing ratio is therefore at a comfortable rating level.

ANNUAL FINANCIAL STATEMENTS OF TECHNOTRANS AG (CONDENSED VERSION TO GERMAN COMMERCIAL CODE)

The annual financial statements of technotrans AG are prepared according to the German Commercial Code (HGB) and published in the Federal Official Gazette, unlike the

Consolidated Financial Statements, which follow the International Financial Reporting Standards (IFRS as adopted in the EU).

Business and Economic Environment

technotrans AG is the parent company of the technotrans Group. It is a technology company with core activities in the fields of cooling/temperature control, filtering/separating, and spraying/pumping of liquids. technotrans AG is moreover strongly influenced by its directly and indirectly held subsidiaries and participating interests. It directly and

indirectly holds 21 companies and also encompasses the central functions of the group. The economic environment for technotrans AG is essentially the same as that for the technotrans Group. The management approach for the group parent follows the same principles as for the group.

Financial Performance

technotrans AG again handled the financial year successfully under its own momentum, in a difficult economic environment. Business with the manufacturers of offset, digital and flexographic printing presses made extremely good progress in the 2016 financial year. Following the gradual retreat of the printing press market in every year from 2008 to 2014, there has been slight growth for the past three years. In recent years technotrans AG has further

increased its market shares with the manufacturers of offset printing presses and also tapped into new areas of business in digital and flexographic printing. The company was consequently able to capitalise overproportionally on general growth in the past financial year. Furthermore, revenue contributions from outside the printing industry were increased further.

Condensed profit and loss account of technotrans AG

in € '000	2016	2015
Revenue	71,057	67,013
Inventory change	393	769
Other own work capitalised	0	2
Other operating income	2,117	1,801
Cost of material	32,686	29,934
Personal expenses	25,054	23,371
Depreciation and amortisation	1,391	1,434
Other operating expenses	10,704	10,762
Net finance costs	4,943	4,766
Profit from ordinary activities	8,675	8,850
Taxes	2,089	2,484
Annual net profit	6,586	6,366
Profit carried forward	2,704	2,474
Transfer to retained earnings	3,000	3,000
Net profit	6,290	5,840

Revenue overall rose by 6.0 percent compared with the previous year to € 71.1 million (€ 67.0 million). Revenue is reported according to the new definition of Section 277 (1) of the German Commercial Code, which is to be adopted for the first time for 2016. The prior-year figures were adjusted according to the new definition of the German Accounting Directive Implementation Act (BilRUG). Earnings before the financial result and income taxes (EBIT) amounted to € 3.6 million (previous year: € 4.0 million). This represents an EBIT margin of 5.1 percent. For the

2016 financial year, the Board of Management had defined revenue and earnings targets for technotrans AG involving slight revenue growth in the order of three to four percent and an EBIT margin of 6.5 percent. The non-attainment of the earnings target was attributable in particular to an increased use of materials within project-related start-up costs and non-recurring incidental acquisition costs recognised in profit or loss for the interests acquired in GWK Gesellschaft Wärme Kältetechnik mbH and the KLH companies (€ 0.4 million).

Reconciliation of net income to earnings before interest and taxes (EBIT)

in € '000	2016	2015
Net profit for the period Income Statement	6,586	6,366
Income from write-ups of financial assets	637	3,000
Income from investments	1,609	1,794
Income from profit transfer agreement	2,923	2,323
Interest and similar income	24	25
Income from loans held as financial assets	200	202
Interest and similar expenses	451	305
Write-downs of financial assets and marketable securities	0	2,273
Income tax expense	1,956	2,420
Earnings before interest and taxes (EBIT)	3,600	4,020

The revenue share for the Technology segment rose by € 4.4 million (+10.1 percent) to € 48.5 million compared with the previous year (€ 44.0 million). In the Services segment, revenue came to € 22.6 million compared with € 23.0 in the previous year.

The **cost of purchased materials** for technotrans AG rose by 9.2 percent compared with the previous year to € 32.7 million. This meant the cost of purchased materials ratio (in relation to aggregate operating performance) improved from 44.2 percent to 45.7 percent.

Personnel expenses for the 2016 financial year rose by 1.7 percent overall to € 25.1 million (previous year: € 23.4 million). The increase of 7.2 percent is attributable on the one hand to the buildup of employees and personnel capacity in the revenue-dependent areas, and on the other hand to implementation of the planned pay increase for 2016 averaging 3.0 percent. The personnel expenses ratio rose slightly from 34.5 percent to 35.1 percent. A large number of project kick-offs in the new markets necessitated an increased use of resources.

Other operating income rose by € 0.3 million, from € 1.8 million in the previous year to € 2.1 million. € 0.9 million of this amount (previous year: € 0.5 million) concerned income unrelated to the accounting period,

which mainly comprised income from cash received for impaired receivables. Foreign exchange gains came to around € 0.4 million (previous year: € 0.6 million).

Other operating expenses of € 10.7 million were on a par with the previous year (€ 10.8 million). Sales commissions amounted to € 0.9 million (previous year: € 1.0 million). These flowed almost in entirety to own subsidiaries. Travel expenses remained almost unchanged from 2015 at € 0.8 million. A total of € 0.5 million (previous year: € 0.9 million) was spent on the use of temporary personnel in the financial year. Expenditure on warranties (including the allocation to the provision for guarantees) came to € 0.4 million (previous year: € 0.3 million).

Depreciation and amortisation on property, plant and equipment as well as on intangible assets totalled € 1.4 million for the financial year (previous year: € 1.4 million).

technotrans AG posted a **financial result** of € 4.9 million (previous year: € 4.8 million). This includes on the one hand income from investments amounting to € 4.5 million (previous year: € 4.1 million), which comprises € 1.6 million in dividend payments by subsidiaries as well as € 2.9 million in profit transfers from Termotek GmbH and gds GmbH on the basis of the existing profit and loss transfer agreements (PLTAs). On the other hand write-ups within invest-

ment assets yielded income of € 0.6 million (previous year: € 3.0 million). There were no write-downs on financial assets in the year under review (previous year: € 2.3 million). The interest result of € -0.4 million was above the prior-year level (€ -0.3 million).

The **income taxes** for the 2016 financial year totalled € 2.0 million (previous year: € 2.4 million). This figure comprised € 1.9 million in current income tax and a deferred tax expense of € 0.1 million resulting from the change in deferred tax assets and liabilities.

Net income for the year of € 6.6 million is reported for the 2016 financial year (previous year: € 6.4 million).

Net Worth and Financial Position

ASSETS		
€ '000	31/12/2016	31/12/2015
Fixed assets	51,586	27,933
Inventories	10,470	9,778
Receivables and other assets	17,382	13,286
Cash and cash equivalents	13,302	11,341
Current assets	41,154	34,405
Deferred items	387	352
Deferred tax assets	9	106
Total assets	93,137	62,796
EQUITY AND LIABILITIES		
€ '000	31/12/2016	31/12/2015
Issued capital	6,908	6,531
Capital reserve	19,096	13,128
Retained earnings	25,706	20,862
Accumulated profit	6,290	5,840
Equity	58,000	46,361
Provisions	5,809	5,034
Liabilities	29,327	11,401
Deferred items	1	0
Total equity and liabilities	93,137	62,796

The **balance sheet total** of technotrans AG grew sharply compared with December 31, 2015 from € 62.8 million to € 93.1 million. This increase resulted mainly from the interests acquired in GWK Gesellschaft Wärme Kältetechnik mbH and the KLH companies in the course of the 2016 financial year.

Fixed assets at the balance sheet date rose from € 27.9 million to € 51.6 million, a change of € 23.7 million. While property, plant and equipment as well as intangible assets declined by a further € 1.0 million compared with the previous year to € 10.5 million, within investment

assets the corporate acquisitions prompted an increase in shares in affiliated companies to € 41.1 million (previous year: € 16.4 million).

Inventories of € 10.5 million (previous year: € 9.8 million) were up 7.1 percent on the previous year's level. The increase is above all due to the generally higher volume of business in the period under review.

Receivables and other assets climbed by € 4.1 million to € 17.4 million compared to the position at December 31, 2015, with receivables from affiliated companies

accounting for € 10.8 million of this figure (previous year: € 8.3 million). Cash climbed from € 11.3 million to € 13.3 million at the balance sheet date.

Equity increased to € 58.0 million, up from € 46.4 million at the end of the previous year. The rise is mainly attributable to the net income for 2016, of which € 3.0 million was allocated to the retained earnings in agreement with Section 58 (2) of the German Stock Corporation Act. Furthermore, the disposal of treasury shares led to a rise in equity totalling € 8.2 million in the 2016 financial year. The equity ratio nevertheless fell from 73.8 percent to 62.3 percent.

Liabilities and provisions at the balance sheet date amounted to € 35.1 million (previous year: € 16.4 million). The change stems mainly from the raising of bank loans in the amount of € 20.0 million to finance the acquisition of the interest in GWK. Provisions grew by € 0.8 million compared with the position at December 31, 2015 to € 5.8 million.

The **cash flow from operating activities** (net cash) for the 2016 financial year reached € 0.8 million (previous year: € 3.3 million). The change in working capital resulted in a budgetary commitment totalling € 4.4 million. Of this amount, around € 3.9 million is attributable to a reporting-date-related increase in receivables, among others from affiliated companies and predominantly in the form of a loan extended to GWK Gesellschaft Wärme

Employees

At December 31, 2016 technotrans AG had 449 employees; this was 13 more than at the end of 2015 (previous year: 436). The 2016 figure comprised 356 employees

Opportunities and risks

The business performance of technotrans AG is essentially subject to the same opportunities and risks as that of the technotrans Group. Merely in the two risk categories "General and Industry-Specific Risks" and "Corporate Strategy Risks" does technotrans AG exhibit certain higher risks than for the group in view of its lower target earnings.

Kältetechnik mbH. In addition, inventories were another € 0.8 million up on the previous year as a result of business expansion.

As a result of the acquisitions acquired and moderate investing activities in fixed assets, there were substantially higher cash payments in the period under review amounting to € -25.3 million (previous year: € -1.3 million). Cash receipts from the scaling-back of loans of subsidiaries and from interest and dividend payments received came to € 3.4 million (previous year: € 2.9 million). Overall, the cash inflows and outflows produced a negative **cash flow from investing activities** of € -21.9 million (previous year: positive cash flow of € 1.6 million).

The **cash flow from financing activities** in the period under review reveals a cash inflow of € 28.2 million for the reciprocal financing of the capital investments. This comprises a liquidity inflow of € 8.2 million from the disposal of treasury shares and also from the raising of new loans amounting to € 20.0 million in connection with the interests acquired. Cash outflows amounting to € 5.1 million comprise € 1.7 million for the scheduled repayment of loans, € 0.3 million in interest payments and € 3.1 million for the distribution of the dividend to the shareholders of technotrans AG.

The net cash used for financing activities produces a cash inflow of € 23.0 million for 2016 (previous year: € 4.9 million cash outflow).

belonging to the Technology segment (previous year: 341) and 93 employees belonging to the Services segment (previous year: 95).

If the expected economic or industry-specific developments or expectations for newly developed products should prove to be inaccurate, the revenue and therefore also the earnings target could be missed. The Board of Management currently assesses this risk as moderate.

The opportunities and risks for the group are presented in the Combined Management Report.

Outlook

In view of technotrans AG's ties with the group companies as well as its importance within the group, the Board of Management refers to its comments in the Report on

Expected Developments, which in particular reflect our expectations for the parent company.

OVERALL STATEMENT BY THE BOARD OF MANAGEMENT ON THE 2016 FINANCIAL YEAR

The Board of Management of technotrans AG assesses the year under review as having progressed positively. Business for technotrans was very successful overall in the past financial year of 2016. technotrans achieved further progress with the strategic transformation of the group into a growth-oriented specialist in liquid technology.

It again reached all the important group targets that it had set itself and communicated for the 2016 financial year. These include both increased revenue and increased earnings. The financial position and net worth remain very sound. technotrans AG offers our shareholders an attractive rate of return.

The Board of Management remains cautiously optimistic about the coming financial years and reaffirms the technotrans growth story along with the medium and long-term targets.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

(Section 289 (5) of German Commercial Code, Section 315 (2) No. 5 of German Commercial Code – HGB)

With its worldwide activities technotrans is, through its business processes, exposed to a wide range of risks that are part and parcel of any entrepreneurial activity. In order to seize specific opportunities, it is necessary to take assessable and manageable risks in a deliberate and controlled manner. Within a systematic and efficient risk management system, principles of risk policy are drawn up and current developments regularly logged, analysed, evaluated and – if necessary – appropriate countermeasures taken. The risk management system helps to safeguard the group permanently as a going concern by identifying as early as possible all risks that could materially impair the net worth, financial position and financial performance of the group. The internal control system (ICS), which constitutes an integral part of the risk management system, is described in summary form below.

The group-wide risk management system observes the following risk principles, among others:

- The overriding risk principle at technotrans is to protect the company as a going concern. No action or decision may endanger the company as a going concern.
- Any risks to the company as a going concern must be communicated to the Board of Management without delay.

Organisation of the Risk Management System

A responsible approach to business risks and opportunities is part and parcel of sound corporate management. Organisationally, risk management is integrated into the tasks of Group Controlling and ensures that reports are submitted on a regular basis to the Board of Management and the Supervisory Board, specifically the Audit Committee. This organisational structure also makes it possible to identify tendencies and risks early on with the aid of key perfor-

- Necessary risks are consciously accepted to a certain extent in return for economic success. Risks to income must carry the prospect of an appropriate opportunity of a return.
- Risks are to be avoided as far as possible or, insofar as economically advisable, insured against, continually monitored and brought to the attention of the Board of Management, as well as the Supervisory Board if necessary, in the context of regular risk reporting. In the event of residual risks, countermeasures must be taken.

The risk management system is designed to promote the awareness of opportunities and risks among technotrans employees, and to guard against potential risks. The necessary procedures and rules of communication within individual corporate divisions have been defined and established by the Board of Management. The superior in charge of each area of operations is responsible for compliance with the standards and directives on how to handle risks. Control is exercised through audits by Group Controlling as well as by the Board of Management. The risk management system including the ICS is moreover regularly updated and thus constitutes the basis for the systematic identification, analysis, evaluation, management, documentation and communication of the various risk types and profiles. The same applies to our compliance programme. technotrans does not tolerate any contravention of applicable law and to that end regularly examines the internal set of rules as well as its own compliance organisation, and seeks to improve them.

mance indicators, and thus ensures that the Group Board of Management can immediately implement suitable measures if there is a negative shift.

The scope and setup of the internal control system (ICS) of technotrans AG for financial reporting lie within the scope of judgement and responsibility of the Board of Management. The objective of the ICS in respect of the financial

reporting process is to guarantee with reasonable assurance, through the implementation of controls, that the (Consolidated) Financial Statements conform to the regulations, notwithstanding the risks identified. The ICS contains the principles, processes and measures involved in assuring proper accounting, and is continually being developed. The ICS is structured such that the Consolidated Financial Statements are prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union and the commercial law requirements additionally to be observed in accordance with Section 315a (1) of the German Commercial Code. The group financial reporting processes are managed by the relevant employees in Group Accounting. The organisation of the ICS for financial reporting features a uniform, centrally defined reporting structure which, based on the local statutory requirements, is in harmony with the group principles. The subsidiaries report periodically to IFRS standards, for group reporting purposes. Newly established or acquired companies are integrated into this reporting process as swiftly as possible. There are no uniform ERP and bookkeeping systems throughout the entire group. The reporting and consolidation processes for all group companies are performed using a uniform IT system that is made available centrally by technotrans AG. To guarantee uniform reporting, there exist corporate guidelines such as financial reporting and consolidation manuals, compliance with which is regularly examined. At intermittent intervals internal checks on the subsidiaries' financial reporting and compliance audits are carried out in situ. These include in particular IT-based and random examinations and plausibility checks, as well as the separation of functions and the dual control principle. At the end of the financial year the local financial statements are audited before they are released for the Consolidated Financial Statements. All measures taken and the ongoing refinement and adjustment of the ICS help to assure the reliability of financial

reporting. Even suitable, functioning systems cannot provide any absolute guarantee that risks will be identified and controlled.

Group-wide, technotrans has a standardised organisation for risk management. The risk early-warning system meets the requirements of the German Corporate Control and Transparency Act (KonTraG). Risks within technotrans AG and its subsidiaries are recorded promptly and non-centrally within the regular risk reports (quarterly). These include changes to risks already identified, as well as new developments that could lead to the creation of additional risks. The risks are analysed, evaluated based on their probability and the potential loss involved, and matched up with appropriate measures (net view). Residual risks are evaluated again and further measures are earmarked for them. For example, to avoid defaults every customer is issued with a general or individual credit limit (which possibly takes into account the amount of trade credit insurance cover) and their payment history is monitored. Receivables are regularly analysed to assess what measures are needed in order to close overdue items. The results of these analyses are then discussed with the customer. In the case of customers for standard business, the next stage is to announce the suspension of supplies and then to enforce that suspension until the customer is back below the credit limit. In parallel, external sources are used to assess customers' creditworthiness on a regular basis and to adjust the credit limits if necessary. This is also practised after supplies have repeatedly been suspended. Individual discussions or meetings are then held, at which the risks are addressed, discussed and then evaluated on the basis of their probability and potential consequences. Those events that cause a percentage deviation in the expected EBIT value in the annual planning for the subsequent year are defined as risks.

The risks are classified qualitatively as "low", "medium" and "high". Taking account of the potential impact of a loss and the probability of risks materialising, individual risk potentials are calculated for quantifiable risks. These are then placed in relation to the planned net profit for the period (plan EBIT) to obtain the assessment basis for the risk category ("low, medium and high").

technotrans uses this as the basis for classifying its risks for 2017

- as "low" if the risk potential of the individual risk is assessed at a value of less than 10 percent of the planned result for the period,
- as "medium" if the risk potential of the individual risk is assessed at a value of between 10 and 20 percent of the planned result for the period,
- as "high" or as a threat to the company as a going concern if the risk potential of the individual risk is assessed at a value of more than 20 percent of the planned result for the period.

OPPORTUNITIES AND RISKS PROFILE

As a technology company, technotrans operates in a dynamic market environment in which new opportunities and risks are continually emerging. technotrans conducts opportunity and risk management to assist the company management in achieving the corporate targets. technotrans' long-term success depends on identifying and seizing opportunities at an early stage. Meanwhile the company is exposed to risks that could hinder the attainment of its short and medium-term targets. technotrans takes risks to mean internal and external events, resulting from uncertainty about future developments, which could adversely affect the attainment of corporate targets. tech-

General and Industry-Specific Risks

The success of the technotrans Group depends to quite some degree on the macroeconomic developments of its sales markets, specifically the printing industry, the plastics processing industry, the machine tool and laser industry, along with the sales markets of its customers. In assessing macroeconomic development, among other tools technotrans uses forecasts by widely recognised institutions and economic research institutes. The growing diversification of the technotrans Group reduces its dependence on the business cycles of a single industry, while creating the chance to share in the opportunities offered by various growth markets.

A fundamental cyclical and industry-specific risk naturally remains because the actual economic development of the global economy and the German economy, but particularly of the export-oriented capital goods industry, could differ considerably from the forecasts made. Political decisions, international conflicts and exchange rate volatility may erode sales of our products and undermine our forecasts. Thanks to its flexible production structures, technotrans is able to adjust capacities swiftly and thus respond to changes in demand.

notrans understands opportunities to mean possible successes over and above the defined targets, which thus promote the development of the business. Risks and opportunities are inseparably linked. The structures and processes of the risk management system as explained in the Risks Report are therefore automatically also an aspect of opportunities management. To establish the overall risk, technotrans bundles individual risks that belong together substantively. Based on the recommendations of DRS 20, technotrans categorises its risks according to five risk groups:

As a systems supplier, technotrans realises a comparatively high proportion of its revenue from the leading printing press manufacturers worldwide. As a result of the industry's process of consolidation in the past few years, technotrans is subject to growing interdependence with machinery manufacturers (OEMs). Economic difficulties for one of these customers or its exit from the market would potentially have a considerable impact on the financial position and financial performance of the company in the short term. However, the Board of Management does not expect any lasting effects because consolidation would probably not exercise any influence on overall sales of printing presses.

Industry-specific opportunities and risks could also arise for the technotrans Group from technological and competitive changes. technotrans addresses these risks through ongoing initiatives to safeguard and extend its leading technological and innovative position as well as by focusing on customers and markets.

In summary, the Board of Management assesses all net risks and therefore the overall risk in this risk category of general and industry-specific risks as low at the time of compiling this report.

Corporate Strategy Risks

There are a number of risks involved in taking over companies that could impact our financial performance, financial position and net worth. If the expected economic or industry-specific developments or the targets for newly acquired businesses or expectations of newly developed products should prove to be inaccurate, the revenue and therefore also the earnings target could be missed. Attainment of the margin targets depends to a very great degree on the planned revenue performance and on keeping costs strictly under control. Unplanned expenses, e.g. for restructuring measures unexpectedly needed or unforeseeable additional quality problems, could also cause major shortfalls.

Compared with the previous year, acquisition risks within the category of corporate strategy risks for the technotrans Group have changed. There is a medium risk that we will not meet our earnings targets in particular from a misjudgement of the future market and business performance of the acquired companies. How quickly the acquisitions can be integrated into the group in order to realise the expected group-wide synergies will also be crucially important. Building on experience of the most recent successful acquisitions, the Board of Management addresses this risk by deploying additional personnel and conducting regular checks on the measures implemented. With the acquisition of GWK Wärme Kältetechnik mbH in 2016, technotrans took an important strategic step towards further reducing its dependence on the printing industry, as its main market segment to date, and significantly stepping up its activities in the growing market of the plastics processing industry.

The strategic direction of the group in the past few years has centred on investment in growth markets, the expansion of existing markets and the acquisition of further companies. The purpose of this investment is to increase the presence in existing markets and to access new market areas that offer attractive growth potential. In order to

gain access to further sales markets, technotrans is focusing on its core skills and specifically addressing niche markets where it can succeed as a systems partner to major industrial clients. The relevant markets are moreover continuously monitored and opportunities for strategic acquisitions that complement organic growth are identified. By making targeted acquisitions, technotrans endeavours to strengthen its position as technology leader, unlock market potential, improve the services it provides for customers and expand the product portfolio.

To maintain competitiveness, meet market requirements and attract new customer groups, technotrans is also investing in the development and optimisation of its technologies, products and processes. Its activities focus on all sales markets. New products are created in constant consultation with the customer from the product and applications development stage onward (product/market strategy).

In new markets involving new customers, there is fundamentally always the possibility that efforts to launch new products will not succeed. On the other hand the individual risk is lower because of the growing number of customers. Nevertheless, it is impossible to exclude miscalculations with regard to the strategic direction of the group and its market potential, along with a lack of customer acceptance of newly developed products; these could have negative effects on the competitive position and the sales of the group. We tackle this risk by conducting a careful analysis of the underlying conditions before developing new products, and by carrying out a meticulous selection process of prototypes; we rate this risk as low.

In drawing up our plans for the 2017 financial year we have based our estimates on realistic planning assumptions and can if necessary take swift corrective action to exclude these risks as far as possible, or minimise their impact.

Financial Risks

Financial risks stem first and foremost from liquidity bottlenecks, credit financing and exchange rate fluctuations as well as price changes.

The individual subsidiaries fundamentally finance themselves from their operating profit. Depending on the liquidity situation, technotrans AG also helps with the financing and provides funding if required. To remain in a position to act at all times, the group parent has adequate liquidity reserves. A diversified financing structure, spread across several principal banks, prevents dependence on individual lenders. Nor would a change in the interest rate have any major impact on the financial performance, because ongoing financing involves a mix of fixed-rate and variable-rate financing and in selected instances interest rate risks are hedged. At the reporting date of December 31, 2016 the unsecured share of financing within the bank liabilities amounted to € 4.5 million. A significant deterioration in the financial performance, financial position and net worth from the plan figures for the 2017 financial year could render it necessary to draw on these reserves. Based on our plans for 2017, the Board of Management rates this risk as low.

Economic Performance Risks

As well as corporate strategy risks, technotrans is exposed to economic performance risks, in particular in the form of procurement risks and production risks. The purchased materials are fundamentally exposed to the risk of price fluctuations. technotrans limits the price and volume risk through systematic supplier management as well as by creating a group procurement structure in order to create economies of scale in the group's procurement of the principal categories of materials. The purchasing volume of the group increased by over 35 percent as a result of the acquisition of GWK. On the materials and procurement side we expect to see a rising trend in raw material prices for some components in 2017.

There is furthermore the risk that customer expectations with regard to punctuality of delivery or quality will not be met. A large number of processes and mechanisms, from

In view of the company's structure and relevant markets, exchange rates have only a minor impact on the operating performance of the technotrans Group because the overwhelming portion of its business is settled in euros. Foreign currency risks of the subsidiaries in financial reporting terms are transferred within the group to the group parent and thus pooled centrally. On the other hand exchange rate movements may be a help or a hindrance to the competitiveness of our customers.

We consider the risk of a major debt default to be low overall, among other things based on the experience of recent years. Credit insurance and receivables management at customer level represent an effective means of pre-empting bad debt risks as far as possible. Credit checks and possibly demands for collateral ensure that business with new customers proceeds in an orderly manner. All in all, the Board of Management rates the financial risks as low.

supplier management and customer project handling to quality management, are intended to anticipate and eliminate such risks.

The impact on the group of production and sales risks is of minor importance in view of growing diversification within the group. GWK's higher vertical integration furthermore increases flexibility within the group by providing a safeguard against external supply bottlenecks if necessary.

A secure and effective IT infrastructure is the basis of the modern working environment. The growing integration of a large number of IT systems and the need for permanent availability place high demands on the information technology used. We do not currently foresee serious dangers from failures of our IT systems. technotrans addresses possible risks from the failure of computer systems and networks, unauthorised accessing of data and data misuse

through a central shared service centre function (in technical and organisational terms) as well as through regular investment measures in hardware and software. The Board of Management continues to estimate the IT risks as low. To limit future IT risks, technotrans uses preventive measures for system security (use of virus scanners, firewall systems and access controls) as well as an ongoing SAP ERP implementation strategy.

The success of the group also depends substantially on the commitment, expertise and integrity of the employees. The group companies by and large handle their personnel

Legal Risks

technotrans AG and its group companies are exposed to a wide range of legal risks. The business operations of the individual companies harbour risks especially from guarantee and product liability claims from customer complaints. To cover the risks adequately, provisions amounting to € 1.4 million (previous year: € 0.9 million) were accounted for.

In response to significant individual risks of group companies from litigation and therefore associated litigation risks, a provision is formed if the obligation is probable and a reasonable estimate of the amount in question is possible. The litigation in progress at the balance sheet date concerns product liability cases in connection with sales of machinery and relates to past events. Though the final outcome of the litigation may have a future influence on earnings and cash flow, we believe it will not have any lasting impact on the net worth of the group.

Other Risks

As a result of its corporate strategy of driving growth through the gradual expansion of its investment portfolio, the group has accounted for goodwill amounting to € 23.1 million (previous year: € 5.8 million). Pursuant to

management autonomously. There exist possible risks mainly in the areas of personnel recruitment and personnel development. Changes to structures or processes harbour the risk of losing employees and their expertise if they are unable to identify with the measures taken and are therefore prompted to move (fluctuation). We tackle this risk through focused training and advancement measures, by spreading individual expertise among teams and by offering commensurate pay. Employees appreciate the positive corporate culture, with the result that all measures combined make technotrans an attractive employer. Overall, the Board of Management rates the economic performance risks as low.

If claims are made by third parties, technotrans carefully examines their basis, if need be involving external lawyers. We estimate the risks identified in this area as low, because the group is currently not involved in legal proceedings with any substantial influence on its overall economic position. At December 31, 2016 technotrans accounted for provisions for litigation risks amounting to € 1.0 million.

Future changes to the law and to regulations, entailing changes to standards, could have a negative effect on the development of the technotrans Group. While effective contract and quality management plus a compliance system can minimise this risk, they cannot exclude it altogether. technotrans has adequate insurance cover in place to guard against the risk, and in individual instances also accounts for provisions. Overall, the Board of Management rates the legal risks as low.

IAS 36 this must be tested for impairment at least once a year. If impairment is established, the goodwill in question is to be written down. In the year under review, as in the previous year, no write-downs were recognised.

OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON THE RISK SITUATION

technotrans continued its corporate strategy with a long-term focus in the 2016 financial year and, through the acquisitions, established the basis for major growth opportunities both in the markets and at the level of the subsidiaries. The future business performance and the success with which these acquisitions can be integrated globally represent a relevant risk item for the technotrans Group. At the time of compiling this report the Board of Management rates this risk as moderate.

No risks which could pose an existential threat to the technotrans Group can be identified; that applies both to our previous economic activity and to activities that we are planning or have already kicked off. The overall risk situation of the group results from the aggregation of all categories for all business units and functions. It has not changed significantly compared with the previous year, and remains moderate and manageable. The Board of Management believes that the group is moreover excellently positioned to extend its market position and achieve global growth in the medium term, too.

FUTURE PARAMETERS

Economists anticipate three and a half percent growth for the global economy in 2017. The reasons are the following: the Chinese economy is stabilising, Europe is recovering despite Britain's vote to leave the EU and the banking crisis in Italy, and the US economy is growing faster than in the first half of 2016. Nevertheless, the real impact of the political factors is hard to foresee.

Despite the uncertainties surrounding the politics of the new US president, the International Monetary Fund (IMF) views the United States as the driver of an accelerating global economy. It estimates that global growth will reach 3.4 in 2017 and 3.6 in 2018. China, Europe and Japan could likewise help the global economy to grow faster in 2017 than in the previous year. The IMF voiced these expectations in its updated economic outlook in mid-Janu-

ary 2017. However the latest IMF outlook features exceptional uncertainty. The economists currently identify the biggest risks to growth in the slowdown in China, the tightening of monetary policy in the USA coupled with a strong dollar, and a possible escalation of existing geopolitical tensions.

The IMF envisages little change for the eurozone. The single currency area is expected to grow by 1.6 percent in each of the next two years, as previously forecast. Germany is marginally below this figure at 1.5 percent for both years. Because there are parliamentary elections in four member states of the eurozone in 2017, the uncertainty surrounding the direction of economic policy is considerable.

Growth Forecast of Gross Domestic Product in percent

	2017	2018
World	3.4	3.6
USA	2.3	2.5
Eurozone	1.6	1.6
Germany	1.5	1.5
China	6.5	6.0
Emerging countries	4.5	4.8

Source: International Monetary Fund, World Economic Outlook, January 2017 (forecast)

For the US economy, the OECD anticipates only moderate acceleration in growth in 2017 to 2.3 percent, but then a vigorous jump in growth of 3 percent in 2018. The negative side-effects of the extremely low interest rates are now also increasingly becoming clear, with growing risks to the stability of the financial sector.

As the German Engineering Federation (VDMA) established, the mood in the industry that is the German economy's biggest source of employment is better than at the start of the previous year. For the new year, the federation forecasts real growth in output of one percent – on the back of

a flat performance in 2016. This slight growth is attributed to growth opportunities for exports to developing and emerging economies. A real increase of 2 percent in machine revenue worldwide is forecast for 2017. The People's Republic of China aims to position itself at the vanguard of industry with the "Made in China 2025" program. Sophisticated technology and automation engineering from Germany will also have an indispensable role to play here.

The United States will remain the largest single export market for the German mechanical engineering sector in 2017. Uncertainty is driving a reluctance to invest, while protectionism and new trade barriers will ultimately not help either the USA or its trading partners to achieve additional growth.

Sentiment in German industry fell back unexpectedly sharply at the start of the year. The worsening of the mood pervaded all sectors of the economy covered by the ifo barometer.

EXPECTED DEVELOPMENT OF THE MARKETS OF RELEVANCE FOR TECHNOTRANS

The further business development of the technotrans Group in 2017, too, will to a large degree depend on the world economy and on various project launches involving existing and new customers. A variety of indicators cur-

rently point to a degree of unease. The individual industry federations for the submarkets that are of relevance for the technotrans Group expect as steady development overall.

Mechanical and plant engineering

Because of technical or statutory requirements, the individual areas that make up the mechanical and plant engineering sector have their own cycles, which can therefore differ to some extent from the average for the sector overall. For example, the machine tool engineering sector and the plastics processing industry are highly dependent

on the automotive industry, among other areas, while the printing industry depends on worldwide demand for the offset printing market as well as on digital and packaging printing. Meanwhile the laser industry features in a large number of production technologies (including, for example, medical technology and the semiconductor industry).

Printing industry

There remains growth potential in the relatively new market segment of digital and flexographic printing. Due to ongoing consolidation among printing houses in some industrial countries, the market volume in sheet-fed and web offset printing press business is, however, not

expected to expand over the next few years. Sentiment among companies in the printing and media industry again deteriorated slightly in December 2016. For the coming six months, the seasonally adjusted index reflecting its business expectations fell below the prior-year level.

Plastics processing industry

Since 2013 revenue from rubber and plastic machines has been growing at a slightly faster rate than that of the mechanical engineering sector. Growth expectations average out at 3.0 percent growth per year. The "K 2016" last October was a huge success. Over the show's eight days,

232,000 visitors attended the triennial lead exhibition of the plastics processing industry in Düsseldorf. Interested parties from outside Germany made up 70 percent of the visitors. The 3,285 exhibitors were very pleased with how the trade show progressed.

Laser industry

The outlook for the world market development of laser systems for materials processing remains positive. For the next few years the photonics industry is forecast to achieve average growth rates around 1.5 times that of

global gross domestic product (GDP). The LASER World of Photonics, one of the leading trade shows in the field of lasers and laser systems, will again be taking place in June 2017 in Munich.

Machine tool industry

A slight increase in global demand for capital goods is expected for 2017. All in all, machinery output should achieve average annual growth of just under one percent in real terms. As previously in 2015, output in metal pro-

duction and processing again fell short of the prior-year level in 2016 but the ifo confidence indicators point towards a rise in output in this sector in 2017.

Medical technology

According to a study by the Hamburg Institute of International Economics (HWWI), until 2020 demand for medical technology will grow on average by 3 to 4 percent annually in industrial countries, and far more steeply in emerg-

ing countries. The world market for medical technology was worth around € 310 billion in 2014, with Germany accounting for over 10 percent of global production. The medical technology sector will remain a growth market.

ANTICIPATED DEVELOPMENT OF THE TECHNOTRANS GROUP

technotrans reached another important milestone in the year under review and expects further progress with the implementation of its strategic development in the financial year of 2017 that is now under way. The basis for the outlook regarding the development of the individual segments and the group comprises the plans for the individual companies of the technotrans Group.

The 2017 financial year will see technotrans increasingly focus its attention on maintaining or improving its performance in the individual markets. The prospects for success depend to a very great extent on the uncertain economic environment and also on how the integration of the acquisitions progresses. The Board of Management is therefore cautiously optimistic in its outlook for the financial year. For 2017, too, technotrans sets itself the goal of growing faster than the market. The aim is for the portfolio to continue growing organically, with GDP growth in Ger-

many remaining the benchmark. The GDP forecast for 2017 (ifo economic forecast and IfW Institute for the World Economy) is 1.5 percent.

Overall, the Board of Management expects the technotrans Group to achieve revenue of € 185 to € 195 million for the 2017 financial year, assuming a steady development in the world economy. The revenue and earnings planning does not reflect new acquisitions. The operating result should be within a range of € 12.0 to 14.0 million. The EBIT margin for 2017 is expected to be in the range of 6.5 to 7.2 percent. The group plans area also based on a substantial improvement in earnings quality for the acquired companies. The revenue volume and the time required to get the new projects off the ground will in turn materially influence the earnings position. In an effort to see that the many customer projects currently getting under way are completed successfully, we continue to invest in the necessary resources.

Group targets and the segments

		Fiscal year 2016	Forecast 2017
Revenue	€ million	151.8	185 - 195
Technology	€ million	103.6	131 - 137
	%	68%	
Services	€ million	48.2	54 - 58
	%	32%	
EBIT	€ million	9.7	12.0 - 14.0
	%	6.4%	6.5% - 7.2%
Technology	€ million	2.9	
	%	2.8%	>3.5%
Services	€ million	6.8	
	%	14.2%	> 14%
Free cash flow	€ million	-12.6	positive

The level of orders at the end of 2016 endorses this planning. In the procurement sphere, technotrans expects the increased purchasing volume from GWK to have a positive impact on the cost of purchased materials ratio, despite rising raw material prices. However there will be a rise in expenditure for personnel. Alongside a higher employee total at the turn of 2016/2017, a pay increase averaging 3 percent is expected.

Given the prevailing economic environment, the Board of Management expects technotrans AG (separate financial statements) to achieve slight revenue growth in the order of 3 to 5 percent in the 2017 financial year. As matters stand the Board of Management also anticipates an improved financial performance from the higher revenue level. Our goal is to achieve an EBIT margin of 6.5 percent for technotrans AG.

In the **Technology segment** we again plan to maintain organic growth for 2017. This assumption is based on a continuing positive development in the markets that technotrans serves. technotrans expects robust demand for digital and flexographic printing presses, while business for offset printing will stabilise at least at the prior-year level. Laser, stamping and forming technology, energy storage technology as well as medical and scanner technology will remain the segment's growth drivers. We have successfully stepped up our activities in these growth areas in recent years. Additional growth is planned for the segment involving business in the plastics processing industry. The group company GWK will make its first full contribution to the business success of the technotrans Group in 2017. The Board of Management on the whole expects a positive development in the operating result for the segment.

The **Services segment** generates a relatively high proportion of the technotrans Group's overall revenue and therefore plays an important part in keeping our business stable. We anticipate that revenue for the Services segment will grow further in 2017 thanks to increased use of our worldwide service network by the new group companies. This goes hand in hand with expectations of an improved financial performance.

For 2017, the Board of Management expects a healthy operating cash flow thanks to steady income and earnings. Capital spending on property plant and equipment and intangible assets is set to total around € 10.0 million in 2017 (excluding acquisitions). Around € 7.2 million of this amount will go on the acquisition of the property at GWK's production location in Meinerzhagen. This capital investment is directly connected to the interest acquired in the past financial year. technotrans also anticipates further new and replacement investment measures amounting to between € 2.5 and € 3.0 million at the German production locations.

These real investments as well as the scheduled repayment of the bank liabilities and the dividend payout are to be financed from current cash flow or from available liquidity of around € million. technotrans also has unutilised borrowing facilities which, together with the surplus financial resources, provide adequate flexibility for being able to finance current business. The plan for 2017 is to keep the equity ratio steady at above 50 percent. Our aim is to achieve a positive free cash flow once more in the 2017 financial year.

As before, the Board of Management views acquisitions as an appropriate way of strategically adding to corporate growth and accessing additional future industries. It is continually analysing suitable options.

The prospects for the distribution of a dividend for the 2017 financial year are good: the company has a sound balance sheet structure and the profitability trend is positive. As matters stand the Board of Management would however make a distribution of dividend dependent on plans for any major investment projects that would have a priority claim on financial resources, e.g. a major acquisition, at the time that decision needs to be reached. Given these conditions, we stand by our dividend declaration that we once more intend to distribute half of our consolidated net profit in the future.

OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON THE FUTURE BUSINESS PERFORMANCE

The technotrans Group continues to progress steadily along its strategic path. The Board of Management will focus its activities on a combination of organic growth and expansion through potential acquisitions.

In the 2017 and 2018 financial years, technotrans will increasingly concentrate on maintaining or steadily improving the performance of the group companies. The particular spotlight of activities in 2017 will be on integrating the latest corporate acquisitions into the technotrans Group, realising the desired synergy effects and expanding our international market potential.

Disclaimer:

The Group Management Report contains future-related statements. Considerable variation between anticipated developments and actual outcomes is possible due to any

Revenue growth and the economies of scale that will result from this, along with a disciplined approach to costs and higher margins from growing technology and service business, should increase the value of the company. In addition, measures to optimise internal processes and group development projects are to continue according to plan or be kicked off.

At the time of preparation of these annual financial statements, the Board of Management expects a positive overall business development for the technotrans Group in the 2017 financial year.

aforementioned or other element of uncertainty, or if the assumptions on the basis of which the forecasts are made prove to be incorrect.

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31/12/2016	31/12/2015
		€ '000	€ '000
Non-current assets			
Property, plant and equipment	(1)	17,734	14,700
Goodwill	(2)	23,144	5,828
Intangible assets	(3)	8,639	3,200
Income tax receivable	(7)	0	58
Other financial assets	(4)	92	48
Deferred tax	(26)	2,440	1,430
		52,049	25,264
Current assets			
Inventories	(5)	25,609	17,547
Trade receivables	(6)	17,787	11,552
Income tax receivable	(7)	180	142
Other financial assets	(8)	724	466
Other assets	(8)	1,167	1,094
Cash and cash equivalents	(9)	23,929	19,978
		69,396	50,779
Total assets		121,445	76,043

EQUITY AND LIABILITIES	Note	31/12/2016	31/12/2015
		€ '000	€ '000
Equity	(10)		
Issued capital		6,908	6,908
Capital reserve		19,097	12,928
Retained earnings		34,391	36,147
Other reserves		-5,826	-11,448
Net profit for the period		7,192	6,262
Total equity attributable to technotrans AG shareholders		61,762	50,797
Non-controlling interests in equity		118	928
		61,880	51,725
Non-current liabilities			
Borrowings	(11)	23,024	6,061
Provisions	(15)	1,178	1,123
Other financial liabilities	(12)	1,359	360
Deferred tax	(26)	2,215	486
		27,776	8,030
Current liabilities			
Borrowings	(11)	5,068	1,997
Trade payables	(13)	4,809	2,433
Prepayments received	(14)	6,928	3,359
Provisions	(15)	8,617	5,428
Income tax payable	(16)	1,060	885
Other financial liabilities	(17)	2,631	532
Other liabilities	(17)	2,676	1,654
		31,789	16,288
Total equity and liabilities		121,445	76,043

CONSOLIDATED INCOME STATEMENT

	Notes	2016	2015
		€ '000	€ '000
Revenue	(18)	151,792	122,838
of which Technology		103,623	81,457
of which Services		48,169	41,381
Cost of Sales	(19)	-100,570	-81,413
Gross profit		51,222	41,425
Distribution costs	(20)	-21,123	-17,116
Administrative expenses	(21)	-16,228	-12,988
Development costs	(22)	-5,534	-4,293
Other operating income	(23)	2,849	3,247
Other operating expenses	(24)	-1,455	-1,323
Earnings before interest and taxes (EBIT)		9,731	8,952
Financial income		210	225
Financial charges		-785	-486
Net finance costs	(25)	-575	-261
Profit before tax		9,156	8,691
Income tax expense	(26)	-1,894	-2,476
Net profit for the period		7,262	6,215
of which:			
Profit attributable to technotrans AG shareholders		7,192	6,262
Profi/loss attributable to non-controlling interests		70	-47
Earnings per share (€)	(27)		
basic / diluted		1.09	0.96

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Notes	2016	2015
		€ '000	€ '000
Net profit for the period	(10)	7,262	6,215
Other results			
Items that were not be reclassified to Income Statement			
Revaluation of the net debt from defined benefit obligations	(15)	-33	0
Deferred tax		10	0
		-23	0
Items that were or must be reclassified to Income Statement			
Exchange differences from the translation of foreign group companies		-383	718
Change in the amount recognised within equity (net investments in a foreign operation)	(10)	537	-808
Change in the market values of cash flow hedges		-17	-44
Amount transferred to the Income Statement		77	93
Deferred tax		-18	-15
Change in the amount recognised within equity (cash flow hedges)	(32)	42	34
		196	-56
Other profit after tax		173	-56
Overall result for the financial year		7,435	6,159
of which:			
Profit attributable to technotrans AG shareholders		7,365	6,206
Profit/loss attributable to non-controlling interests		70	-47

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2016	2015
		€ '000	€ '000
Cash flow from operating activities	(28)		
Net profit for the period		7,262	6,215
Adjustments for:			
Depreciation and amortisation		4,314	3,235
Share-based payment transactions	(10)	35	247
Income tax expenses	(26)	1,894	2,476
Gain (-) / loss (+) on the disposal of property, plant and equipment	(23, 24)	-59	-26
Foreign exchange losses (+) / gains (-)		161	-455
Net finance costs	(25)	575	261
Cash flow from operating activities before working capital changes		14,182	11,953
Change in:			
Inventories	(5)	-460	-2,147
Receivables and other current assets		-1,521	1,808
Liabilities and prepayments		59	1,077
Provisions	(15)	-49	98
Cash from operating activities		12,211	12,789
Interest received		394	39
Interest paid		-488	-438
Income taxes paid / income tax rebates		-2,414	-2,162
Net cash from operating activities		9,703	10,228
Cash flow from investing activities	(29)		
Cash payments for investments in property, plant and equipment and in intangible assets		-1,642	-1,684
Cash payments for the acquisition of consolidated companies		-20,886	-49
Proceeds from the sale of property, plant and equipment		176	47
Net cash used for investing activities		-22,352	-1,686

	Notes	2016	2015
Cash flow from financing activities	(30)		
Cash receipts from the sale of treasury shares		8,155	0
Cash receipts from the raising of short-term and long-term loans		20,000	0
Cash payments from the repayment of loans		-5,953	-3,597
Distribution to investors		-3,136	-2,151
Payment for the acquisition of non-controlling interests		-2,434	-345
Net cash used in financing activities		16,632	-6,093
Net increase/decrease in cash and cash equivalents		3,983	2,449
Cash and cash equivalents at start of period		19,978	17,238
Consolidation-related changes in cash and cash equivalents		0	-23
Net effect of currency translation in cash and cash equivalents		-32	314
Cash and cash equivalents at end of period	(9, 31)	23,929	19,978

STATEMENT OF MOVEMENTS IN EQUITY

(NOTES 10)

	Issued capital	Capital reserve	Retained earnings
	€ '000	€ '000	€ '000
01/01/2015	6,908	12,928	38,255
Net profit for the period	0	0	6,262
Other result	0	0	0
Overall result for the financial year	0	0	6,262
Distribution of profit	0	0	-2,151
Issuance of treasury shares	0	0	43
Transactions with owners	0	0	-2,108
31/12/2015 / 01/01/2016	6,908	12,928	42,409
Net profit for the period	0	0	7,192
Other result	0	0	-23
Overall result for the financial year	0	0	7,169
Transactions with owners			
Distribution of profit	0	0	-3,136
Acquisition of treasury shares	0	0	0
Issuance of treasury shares	0	6,169	-3,405
Transactions with owners	0	6,169	-6,541
Changes in ownership interests			
Acquisition of non-controlling interests without a change in control	0	0	-1,454
Acquisition of subsidiaries with non-controlling interests	0	0	0
Total changes in ownership interests	0	0	-1,454
Total transactions with owners of the company	0	6,169	-7,995
31/12/2016	6,908	19,097	41,583

Exchange differences	Other reserves			Treasury reserve	Total equity attributable to technotrans AG shareholders	Non-controlling interests in equity	Group equity
	Reserve for exchange rate differences from the financing of investments	Hedging reserve					
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
-4,056	-1,776	-134	-5,630	46,495	975	47,470	
0	0	0	0	6,262	-47	6,215	
718	-808	34	0	-56	0	-56	
718	-808	34	0	6,206	-47	6,159	
0	0	0	0	-2,151	0	-2,151	
0	0	0	204	247	0	247	
0	0	0	204	-1,904	0	-1,904	
-3,338	-2,584	-100	-5,426	50,797	928	51,725	
0	0	0	0	7,192	70	7,262	
-383	537	42	0	173	0	173	
-383	537	42	0	7,365	70	7,435	
0	0	0	0	-3,136	0	-3,136	
0	0	0	-227	-227	0	-227	
0	0	0	5,653	8,417	0	8,417	
0	0	0	5,426	5,054	0	5,054	
0	0	0	0	-1,454	-980	-2,434	
0	0	0	0	0	100	100	
0	0	0	0	-1,454	-880	-2,334	
0	0	0	5,426	3,600	-880	2,720	
-3,721	-2,047	-58	0	61,762	118	61,880	

I. APPLICATION OF IFRS – BASIC NOTES

technotrans AG is a publicly traded corporation domiciled in Sassenberg, Germany. These Consolidated Financial Statements of technotrans AG and its subsidiaries (the “group”) at December 31, 2016 were approved for presentation to the Supervisory Board by resolution of the Board of Management of March 6, 2017. The task of the Supervisory Board is to examine the Consolidated Financial Statements and declare whether it will sign off the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared on the basis of Section 315a of German Commercial Code (“Consolidated financial statements to international financial reporting standards”) in accordance with the International Financial Reporting Standards (IFRS) and the accompanying interpretations of the International Accounting Standards Board (IASB). All standards the application of which is mandatory, as adopted by the European Union, were applied.

The Consolidated Financial Statements are based on standard recognition and measurement principles. They are expressed in € thousand.

II. GROUP

a) Consolidated Companies

The Consolidated Financial Statements include technotrans AG and its 21 subsidiaries, over which it exercises control. Control is routinely deemed to exist where a majority of voting rights is held. technotrans AG directly or indirectly holds a majority of voting rights in 20 subsidiaries. The group does not hold a majority of voting rights in SHT Immobilienbesitz GmbH & Co. Vermietungs KG, which exclusively holds and manages the factory premises in Bad Doberan that are let out to KLH Kältetechnik GmbH. However, based on the terms of the lease agreement the group essentially receives the entire income from this activity. The Board of Management consequently comes to the conclusion that SHT Immobilienbesitz GmbH & Co. Vermietungs KG is a subsidiary and is therefore to be included in consolidation. Subsidiaries that are of minor significance for the group and for the presentation of a true and fair view of the net worth, financial position and financial performance in view of their suspended or only minor level of business activity are fundamentally not included in the Consolidated Financial Statements. Three subsidiaries that are already in liquidation were not included in the Consolidated Financial Statements for reasons of minor significance.

On April 12, 2016 gds GmbH acquired 51 percent of the shares or voting rights in – and therefore control of – Ovidius GmbH, Berlin. Ovidius GmbH and its fully owned subsidiary, EasyBrowse GmbH based in Schwerin, develop XML-based content management and editorial systems for technical documentation. The acquisition therefore complements the product portfolio of gds GmbH. The acquisition was completed on the one hand through takeover of the own shares held by Ovidius GmbH itself and on the other hand by way of an increase in the share capital of Ovidius GmbH. In addition, put/call options were agreed with the remaining minority interests. technotrans is obliged to purchase the remaining non-controlling interests if the options are exercised. The put/call options con-

tain identical rights for both buyer and seller. The calculation of the purchase price is fixed until 2021. The purchase price is dependent on the average revenue and earnings performance (EBIT) of both companies in the years 2017 to 2020. The fair value was determined on the basis of the multiples method, taking account of the planned financial indicators of the acquired companies for this period. From 2022, the purchase price is determined on the basis of the company valuation according to DCF methodology. The conditional purchase price was discounted using a risk-free cost-of-capital rate. The participating interest of gds GmbH in Ovidius GmbH may be increased to 100 percent through exercise. technotrans opted for the anticipated acquisition method” to reflect the acquisition in accounting terms. Accordingly, the acquisition of the outstanding non-controlling interests are recognised upon initial consolidation in the form of a conditional purchase price liability of € 1,090 thousand. With regard to the range of potential fluctuations estimated by technotrans due to changes in the valuation parameters, we refer to Note 32 “Financial instruments”. No payment cap has been agreed. As a result of the adoption of the anticipated acquisition method, no non-controlling interests are reported for these shares. Measurement effects from the conditional purchase price liability are recognised in profit or loss.

The acquired companies contributed € 1,325 thousand towards consolidated revenue. Their contribution to the net profit for the period was € -149 thousand. The companies were included in consolidation from the date of their acquisition. If the acquisition had taken place on January 1, 2016 the acquisition would have had an effect of € 1,948 thousand on consolidated revenue and of € -265 thousand on consolidated net profit.

The incidental costs of € 48 thousand were recognised in the Income Statement, under administrative expenses.

The corporate acquisition of Ovidius GmbH had the following effect on the Consolidated Financial Statements of technotrans AG:

	Fair value
	€ '000
Property, plant and equipment	20
Intangible assets	664
Deferred tax assets	74
Inventories	80
Receivables and other assets	527
Cash and cash equivalents	802
Total assets	2,167
Deferred tax liabilities	184
Provisions	128
Liabilities	422
Total liabilities	734
Identifiable assets and liabilities	1,433
Goodwill	176
Cost of acquisition	1,609
of which paid	0
of which capital increase	519
of which conditional purchase price	1,090
Cash and cash equivalents acquired	-283
Net cash inflow	283

The trade receivables comprise gross amounts due for contractual receivables totalling € 460 thousand that were estimated in full to be recoverable at the time of acquisition. The goodwill of € 176 thousand includes non-separable intangible assets such as anticipated synergy and earnings potential, which was not recognised separately. Allocation of the purchase price to the acquired assets and liabilities in accordance with the standard IFRS 3 "Business Combinations" has been completed. The goodwill is not deductible for income tax purposes.

On September 9, 2016 technotrans AG obtained 98 percent of the shares and voting rights of GWK Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen. GWK Gesellschaft Wärme Kältetechnik mbH offers products and services for industrial cooling and temperature control, including temperature controllers for various application areas in the plastics injection moulding sector. The products complement the existing product portfolio of the technotrans Group. The acquisition is another milestone

for technotrans' growth outside the printing industry and for accessing new markets with temperature control solutions.

Of the purchase price for this acquisition of € 22,057 thousand, € 21,312 thousand was paid in cash. There is a current liability of € 248 thousand to the seller. In addition, an entitlement by the remaining minority interest to distribution of a profit share in the amount of € 497 thousand was taken on. The entitlement was recognised as a liability upon first-time consolidation. The distributions are to be made in two equal amounts in the 2017 and 2018 financial years.

Transaction costs amounting to € 706 thousand arose in connection with this acquisition. The transaction costs were booked as an expense against operating profit, under administrative expenses.

The acquired company contributed € 18,014 thousand towards consolidated revenue. Its contribution to the net profit for the period was € 867 thousand. The company was included in consolidation from the time of its acquisition. If the acquisition had taken place on January 1, 2016 the acquisition would have had an effect of € 49,138 thousand on consolidated revenue and of € 624 thousand on consolidated net profit.

The acquired assets and liabilities were recognised at fair value in the course of purchase price allocation according to IFRS 3. The fair values of the identified assets and liabili-

ties of GWK Gesellschaft Wärme Kältetechnik mbH at the time of acquisition are as follows:

	Fair value
	€ '000
Property, plant and equipment	3,598
Intangible assets	6,977
Financial assets	3
Deferred tax assets	865
Inventories	7,522
Receivables and other assets	4,581
Cash and cash equivalents	318
Total assets	23,864
Deferred tax liabilities	2,104
Provisions	2,881
Liabilities	13,862
Total liabilities	18,847
Identifiable assets and liabilities	5,017
Non-controlling interests based on the share of assets and liabilities	-100
Goodwill	17,140
Cost of acquisition	22,057
of which paid	21,312
of which liability	248
of which debt assumption	497
Cash and cash equivalents acquired	-318
Net cash outflow	20,994

The gross amount of the acquired trade receivables at the time of acquisition was € 5,207 thousand; the best possible estimate of uncollectable trade receivables was € 473 thousand.

Allocation of the purchase price to the acquired assets and liabilities in accordance with the standard IFRS 3 "Business Combinations" is not yet final because the acquisition has only recently been completed. The purchase price allocation process that has not yet been completed has the purpose of allocating the acquisition costs to the fair values of the assets and liabilities. The fair values of previously unrecognised intangible assets for the acquired activities are also taken into account in this process, for example customer relationships and brands. The provisional goodwill totalling € 17,140 thousand results mainly from the expected synergies and earnings potential from the integration of the company into the group, because these cannot be recognised as separate intangible assets. The goodwill is not deductible for income tax purposes.

With effect from November 11, 2016 technotrans AG acquired the non-controlling interests in each of KLH Kältetechnik GmbH, Bad Doberan, KLH Cooling International Pte. Ltd., Singapore, and technotrans group (taicang) co. Ltd., Taicang, PR China (formerly: Taicang KLH Cooling Systems Co. Ltd.) and increased its shareholdings to 100 percent. By way of counter-performance for the acquisition of the interests, technotrans AG granted the seller a fixed payment of € 2,600 thousand. The conditional and still-outstanding purchase price agreed from the initial acquisition was likewise settled with this payment. The conditional purchase price was measured at a fair value of € 166 thousand at the time of acquisition, with the result that the sum of € 180 thousand was released to profit or loss. The income is reported under the financial result for the financial year. The portion of the cost that exceeded the carrying amount of the controlling interests of € 980 thousand at the time of acquisition was offset against retained earnings (€ 1,454 thousand).

Companies

		Domicile	Interest
			in %
technotrans AG	DE	Sassenberg	parent company
Termotek GmbH	DE	Baden-Baden	100% ²⁾
gds GmbH	DE	Sassenberg	100% ²⁾
gds Sprachenwelt GmbH	DE	Hünfeld	100% ⁴⁾
technotrans graphics ltd.	GB	Colchester	100%
technotrans france s.a.r.l. (Saint-Maximin und Madrid)	FR	Saint-Maximin	100%
technotrans italia s.r.l.	IT	Legnano	100%
technotrans scandinavia AB	SE	Åkersberga	100%
technotrans america inc.	USA	Mt. Prospect	100%
technotrans américa latina ltda.	BR	Sao Paulo	100%
technotrans Asia Pacific limited, (Hongkong und Tokio)	CN	Hong Kong	100%
technotrans printing equipment (Beijing) co. Ltd.	CN	Beijing	100% ³⁾
technotrans technologies pte. ltd., (Singapur und Melbourne)	SG	Singapore	100%
technotrans middle east FZ-LLC	UAE	Dubai	100%
technotrans india pvt ltd	IN	Chennai	100% ³⁾
KLH Kältetechnik GmbH	DE	Bad Doberan	100%
KLH Cooling International Pte. Ltd.	SG	Singapore	100%
technotrans group (taicang) co. ltd.	CN	Taicang	100%
SHT Immobilienbesitz GmbH & Co. Vermietungs KG	DE	Mainz	94% ¹⁾
Ovidius GmbH	DE	Berlin	51% ⁴⁾
EasyBrowse GmbH	DE	Schwerin	100% ⁵⁾
GWK Gesellschaft Wärme Kältetechnik mbH	DE	Meinerzhagen	98%
GWK Heating and Cooling Technology (Shanghai) Co. Ltd.	CN	Shanghai	100% ⁶⁾
GWK Technique Chaud et froid s.a.r.l.	FR	St Chef	100% ⁶⁾
gwk Heating & Cooling Technology (Nanchang) Co. Ltd	CN	Nanchang	100% ⁶⁾

1) Limited partnership interest held by KLH Kältetechnik GmbH.

2) The domestic subsidiary has met the necessary conditions for taking advantage of the exemption provisions pursuant to Section 264 (3) of German Commercial Code and uses the option not to prepare a management report and disclose its annual financial statements.

3) Indirect interest held through technotrans Asia Pacific limited

4) Indirect interest held through gds GmbH

5) Indirect interest held through Ovidius GmbH

6) Indirect interest held through GWK Gesellschaft Wärme Kältetechnik mbH; company is currently in liquidation and was not included in consolidation for reasons of minor significance.

b) Consolidation Methods

The Consolidated Financial Statements are based on the group companies' annual financial statements and interim financial statements (Commercial Balance Sheet II based on IFRS) prepared in accordance with standard recognition and measurement principles at December 31, 2016.

Capital consolidation for the subsidiaries is performed according to the purchase method pursuant to IFRS 3. The costs of acquisition of the business combination in each case correspond to the cash components paid and the liabilities arising and acquired at the time of acquisition. These costs of acquisition are distributed between the identifiable assets, liabilities and contingent liabilities of the acquiree by their recognition at the respective fair values at the time of acquisition. The positive differences remain-

ing after purchase price allocation are recognised as goodwill. The non-controlling interests were measured at acquisition cost (partial goodwill method). Changes in the group's interest in a subsidiary that do not lead to a loss of control are reported as equity transactions. Goodwill is recognised as an asset and subjected to an impairment test annually. The costs associated with the business combination are recognised as an expense when they arise.

All intra-group receivables and liabilities, revenues, expenses and income as well as balances from intra-group supplies are eliminated on consolidation. Where necessary, deferred taxes are recognised for consolidation processes affecting income.

c) Recognition and Measurement Principles

With the exception of certain financial instruments that are reported at fair value, the Consolidated Financial Statements are prepared based on historical cost.

Estimates and Judgments Made for Financial Reporting Purposes

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the Board of Management to make estimates and assumptions which exercise influence on the amounts reported and the disclosures made on them in the Notes. Key exercises of judgment outside the context of estimates concern the definition of the cash-generating units, the consolidation of companies in which no majority of voting rights is held, and the measurement method for the non-controlling interests.

All estimates and assumptions are made to the best of our knowledge, in the interests of providing a true and fair view of the net worth, financial position and financial performance of the group. Such estimates and assumption-based policies involve uncertainty and may change in the course of time. The actual results may deviate from these assessments. Responsibility for regularly monitoring all

key fair value measurements, including the Level 3 fair values, rests with Group Controlling. Changes are reported to the Finance Director. Regular reviews of the key non-observable input factors and of fair value adjustments are carried out.

The assessments and underlying assumptions are examined on a regular basis. If a reassessment results in a difference, that difference is reported in the accounting period in which the reassessment was made if it relates to that period only. It is recorded in the accounting period in which the reassessment was made, as well as in subsequent periods if it also influences the subsequent periods.

Assessments made by the Board of Management that are subject to a significant degree of uncertainty and bring with them the risk of significant adjustments in future financial years concern the following matters in particular:

1) Accounting of Acquisitions

Goodwill is reported in the Consolidated Balance Sheet as a result of acquisitions. Upon the initial consolidation of an acquisition, all identifiable assets, liabilities and potential liabilities are stated at their fair value at the date of acquisition. Assets such as land, buildings, and plant and equipment are normally measured on the basis of independent appraisals, while the fair value of an intangible asset is determined internally according to its nature and the complexity of its measurement, applying an appropriate measurement technique. The assumptions made here are regularly subject to forecasting uncertainty. In the 2016 financial year, Ovidius GmbH including its subsidiary as well

as GWK Gesellschaft Wärme Kältetechnik mbH were acquired. The balances remaining after purchase price allocation were reported as goodwill. Goodwill in addition exists from corporate acquisitions in previous years. Goodwill is tested for impairment once a year or whenever any basis for impairment is identified. If allocation of the goodwill has not yet been completed (IAS 36.84), the disclosures are made according to IAS 36.133. With regard to "key exercises of judgment in the context of financial reporting for 2016", see Note 2 "Goodwill" and Note 3 "Intangible Assets".

2) Assessment of the Value of Assets

At each balance sheet date the Board of Management is to assess whether there is any indication that the carrying amount of an item of property, plant and equipment or an intangible asset might be impaired. In that case, the recoverable amount of the asset in question is estimated. The recoverable amount corresponds to the higher of the fair value less the costs of disposal, or the value in use. In order to determine the value in use, the discounted future cash

flows of the asset in question need to be determined. This estimate involves key assumptions about the underlying economic situation and future cash flows. Changes to these assumptions or circumstances could result in additional reductions for impairment in the future, or in reversals. With regard to "key exercises of judgment in the context of financial reporting for 2016", see Note 1 "Property, Plant and Equipment".

3) Recognition and Measurement of Provisions

For the recognition and measurement of other provisions, the level and likelihood of the call are estimated. The level of the actual call may differ from the estimates. The assumptions and estimates are in each case based on cur-

rent knowledge and the available data. With regard to "key exercises of judgment in the context of financial reporting for 2016", see Note 15 "Provisions".

4) Income Tax Expense

Because the group has operations and generates income in many different countries, it is subject to widely varying tax laws in a large number of tax regimes. Although the management believes it has made a reasonable estimate of fiscal imponderables, there can be no assurance that the outcome of such fiscal imponderables will correspond to the original estimate. Any differences could have an impact on the tax liabilities and the deferred taxes. At every balance sheet date, the Board of Management assesses whether the realisability of future tax benefits is sufficiently probable for the reporting of deferred tax

assets. This requires the management among other things to assess the tax benefits that arise from the available tax planning strategies and future taxable income. The deferred tax assets reported could decrease if the estimates of planned taxable income are reduced or if changes to current tax laws restrict the realisability of future tax benefits.

The application of a specific IFRS is indicated in the notes to the individual items of the financial statements. The following methods of recognition and measurement were fundamentally applied:

Property, plant and equipment are reported at historical cost less depreciation and accumulated impairment losses. Retrospective costs of acquisition are capitalised where they increase the value of the property, plant and equipment. In the case of self-constructed assets, the cost of conversion is calculated on the basis of prime costs as well as the systematically allocable fixed and variable production overheads, including depreciation. Regular maintenance and repair costs are recorded as an expense after they have occurred.

Apart from land, items of property, plant and equipment are depreciated according to the straight-line method, on the basis of their useful life. The useful life and method of depreciation are reassessed annually. Components of property, plant and equipment with a significant purchase value in relation to the total value are depreciated separately as appropriate. Upon sale or retirement, the costs and the corresponding accumulated depreciation for the assets are derecognised from the Balance Sheet; any gains or losses arising are recognised in the Income Statement.

Useful life of property and equipment

Buildings	25 to 50 years
Land improvements, fixtures and fittings	10 to 15 years
Tools, plant and equipment	3 to 10 years
Hardware, vehicle fleet	3 to 6 years

Where there is a basis for impairment, property, plant and equipment are examined for impairment pursuant to IAS 36. Insofar as necessary, the carrying amount for property, plant and equipment is adjusted to the recoverable amount. If the circumstances which led to this measure subsequently cease to apply, this impairment is reversed at most by the net carrying amount that would have applied if no such reductions for impairment had been made.

The reported **goodwill** constitutes the difference between the purchase price and the fair value of the net assets acquired through business combinations. Pursuant to IAS 36, goodwill is to be tested for impairment once a year or if any basis for a reduction for impairment is established. For the impairment test, from the acquisition date any goodwill acquired through a business combination is allocated to the group's cash-generating units which benefit from the synergy effects from the business combination. Insofar as necessary, the carrying amount is reduced to the "recoverable amount". Pursuant to IAS 36.124, such impairment is not reversed where the circumstances which led to it subsequently cease to apply.

Intangible assets, namely concessions, industrial and similar values acquired for consideration, and the customer base are carried at cost. They are amortised by the straight-line method, according to their useful life. The residual value, useful life and method of depreciation are reassessed annually.

Self-constructed intangible assets are recognised at cost. Development expenditure on the fundamental reengineering of a product is capitalised if the product is technically and economically realisable, the development is saleable, the expenditure can reliably be measured and the group possesses adequate resources to complete the development project. Pursuant to IAS 38.65 ff, it comprises the directly allocable prime costs as well as the production overheads that can be allocated directly to the creation, manufacture and preparation of the asset, where they arise between the start of the development phase and its conclusion. The conditions for capitalisation as laid down in IAS 38.21, 38.22 and 38.57 are met. Amortisation of development expenditure recognised as an intangible asset commences as soon as the asset is available for use. This usually coincides with the start of its commercial use.

All self-constructed intangible assets acquired for consideration have a finite useful life. The notes on property, plant and equipment apply analogously to any necessary impairment of intangible assets to the "recoverable amount".

The **taxes** for the period comprise current and deferred taxes. Taxes are recognised in the Income Statement unless they refer to items that are recognised directly in profit or loss or in other comprehensive income. In such cases, the corresponding taxes are likewise recognised in profit or loss or in other comprehensive income. In accordance with IAS 12, **deferred taxes** are accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts in the Commercial Balance Sheet and the Tax Balance Sheet (liability method) and in respect of tax loss carryforwards for creditable tax. Deferred tax assets for temporary differences as well as tax loss carryforwards are only reported to the extent that it is probable that sufficient taxable income will be available in the future to make use of these. The deferred taxes are measured using the locally applicable tax rates that apply or have been announced at the balance sheet date.

Deferred tax assets and liabilities are also recognised on temporary differences arising from business combinations, except for temporary differences on goodwill where the latter are fiscally disregarded. Deferred tax assets and liabilities are offset if a right to perform offsetting exists and the items relate to income taxes levied by the same taxation authorities and for the same company.

The **inventories** recognised are always measured at cost of acquisition or cost of conversion, using the weighted average cost method, or at the net realisable value if lower. In accordance with IAS 2, cost of conversion includes the direct costs of material and direct costs of labour, as well as allocable fixed and variable production overheads arising in the manufacturing process, by way of target costing.

The net realisable value is the anticipated sales proceeds less the estimated costs of completion and the costs necessary to make the sale. If the reasons which have led to downward valuation cease to apply, a reversal is made.

Trade receivables and other current receivables are fundamentally reported at amortised cost, using the effective interest rate method. Reductions for impairment that are applied in the form of individual and group portfolio-based valuation allowances take adequate account of the credit risk. Objective failures result in the derecognition of the receivable in question. Non-current, non-interest-bearing receivables are discounted.

Cash and cash equivalents are reported at face value and converted into euros at the closing rates. They comprise cash on hand and demand deposits, as well as financial assets that can be converted into cash at any time.

Issued capital (no par value shares) is reported at the nominal amount.

If the company acquires **treasury shares**, these are offset against equity. The purchase and sale, issuance and retirement of treasury shares are not recognised within income, but as an addition to or disposal from equity. Differences between the cost of the issued shares and their fair value upon their sale or issuance are offset against retained earnings or capital reserves.

Liabilities are fundamentally recognised at amortised cost. Liabilities in foreign currency are translated in accordance with IAS 21.21 and 23 (a). With the exception of the conditional purchase price payments from corporate transactions, financial liabilities are not measured at fair value through profit or loss. When initially recognised, they are measured at fair value including the transaction costs and subsequently at amortised cost, using the effective interest method. Conditional purchase price payments are measured at fair value. Changes in the fair value are recognised through profit or loss.

Provisions are created to cover obligations to third parties if obligations existing at the reporting date are likely to result in a future outflow of resources and the latter amount can reliably be estimated. They are measured at the likely amount at which settlement will take place. Long-term provisions are discounted.

Provisions for warranties are created at the time of sale of the goods in question. Their level is based on past developments in warranties and on a consideration of all possible future warranty claims, weighted according to probability.

Provisions for litigation settlements are created in the amount of the expected call, alongside the costs of the proceedings.

Provisions for pensions and provisions for similar obligations are measured according to the projected unit credit method. Gains and losses resulting from changes in expectations regarding life expectancy, pension and pay increases expected in the future and the discount rate compared with the actual development during the period are recognised income-neutrally directly in other comprehensive income on the Statement of Comprehensive Income.

Derivative financial instruments are recognised at market value. At technotrans, derivative financial instruments were used exclusively for hedging interest rate risks at December 31, 2016. Where they qualify as cash flow hedges, the correspondingly effective adjustments to the market price are recognised within equity, with no effect on income. Financial instruments are reported if technotrans is a party to the contractual provisions of the financial instrument. Financial assets are reported at the settlement date except in the case of derivative financial instruments, which are reported at the trade date.

Revenues from the sale of goods are recognised in accordance with IAS 18.14 as soon as the significant risks and rewards associated with ownership of the products sold have been transferred to the buyer. Revenues from services are recognised as soon as the service has been performed. Revenue is reported less reductions in proceeds such as bonuses, rebates and trade discounts.

Financial income and charges are reported on an accrual basis in line with the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as part of the cost of that asset pursuant to IAS 23. No financing costs were capitalised in the 2016 financial year.

Currency translation: The financial statements of all foreign group companies prepared in foreign currency are translated according to the concept of the functional currency (IAS 21). The local currency of the country in which they are based is fundamentally recognised as the functional currency of the companies included in the Consolidated Financial Statements. In a departure from this principle, the euro is considered to be the functional currency of the subsidiary technotrans technologies pte ltd., Singapore, as its primary economic environment (revenues and expenses) is determined predominantly by the euro. The US dollar is moreover considered to be the functional currency of KLH Cooling International Pte. Ltd., Singapore, because its invoices are determined predominantly by the US dollar.

Business transactions conducted by a group company in a currency other than its functional currency are translated into and reported in the functional currency for the first time at the spot exchange rate on date of the business transaction. At each subsequent balance sheet date, monetary items (cash, receivables and liabilities) that were originally in a currency other than the functional currency are translated at the closing rate; the resulting exchange rate differences are recognised in the Income Statement. Non-monetary items are translated at the historical rate.

The assets and liabilities of foreign subsidiaries are translated at the mean rate at the balance sheet date (closing rate), and included in the Consolidated Financial Statements. Expenses and income are translated at the current rate, approximating to the mean rate for the year; the resulting differences are netted against equity, with no effect on income. Exchange differences compared with prior-year translation are likewise netted within equity, with no effect on income.

Exchange rate differences from the net investment in a foreign business (group company) are reported within equity with no effect on income; they are only recognised in the Income Statement upon disposal of the net investment.

The following rates were applied in currency translation:

	Mean rates for the financial year		Mean rates at balance sheet date	
	2016	2015	31/12/2016	31/12/2015
USD	1.1069	1.1095	1.0541	1.0887
JPY	120.1967	134.3000	123.4000	131.0700
GBP	0.8195	0.7259	0.8562	0.7340
SEK	9.4689	9.3539	9.5525	9.1895
CNY	7.3522	6.9733	7.3202	7.0608
HKD	8.5922	8.6013	8.1751	8.4376
CHF	1.0902	1.0679	1.0739	1.0835
BRL	3.8561	3.6993	3.4305	4.3117
AED	4.0638	4.0764	3.8612	4.0048
INR	74.3717	71.1941	71.5935	72.0215

Changes in Recognition and Measurement Principles

The Consolidated Financial Statements of technotrans AG at December 31, 2016 include all standards and interpreta-

tions adopted by the European Union, the application of which is mandatory from January 1, 2016.

The following standards were to be applied for the first time:

Standard/ interpretation	Applicable from (financial years starting on or after ...)	Content	Effects on the Consolidated Financial Statements
Amendments to IAS 19 : Defined Benefit Plans: Employee Contributions	February 1, 2015	The amendments clarify accounting for the contributions of employees or third parties under defined benefit plans by the reporting enterprise.	No significant
Improvements to IFRS (2010 to 2012)	February 1, 2015	In the context of the annual improvement project, amendments were made to seven standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38).	No significant
Amendment to IFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016	The amendment regulates the accounting for an acquisition of interests in a joint operation that constitutes a business within the meaning of IFRS 3.	None
Amendment to IAS 1 : Notes	January 1, 2016	The amendments in IAS 1 concern various reporting issues for the Notes.	With the introduction of this amendment to the standard, technotrans has dispensed with notes that are of no material importance.
Amendment to IAS 16 and IAS 38 : Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016	The amendments contain guidelines on how to determine an acceptable method of depreciation and amortisation	No significant
Amendment to IAS 16 and IAS 41 : Agriculture: Bearer Plants	January 1, 2016	The amendments regulate the future accounting for bearer plants	None
Amendment to IAS 27 : Equity Method in Separate Financial Statements	January 1, 2016	With the amendment, the equity method is permitted as an accounting option for shares in subsidiaries, joint ventures and associates in separate financial statements of an investor.	None
Amendment to IFRS 10 , IFRS 12 and IAS 28 : Investment Entities: Applying the Consolidation Exception	January 1, 2016	The amendment serves to clarify various aspects relating to the applying the consolidation exception according to IFRS 10 if the parent company satisfies the definition of an "investment entity". In that case, parents are also released from the obligation to prepare consolidated financial statements if the higher-level parent does not consolidate its subsidiaries and instead reports them at fair value according to IFRS 10.	None
Improvements to IFRS (2012 to 2014)	January 1, 2016	In the context of the annual improvement project, amendments were made to four standards (IFRS 5, IFRS 7, IAS 19, IAS 34).	No significant

During the 2016 financial year the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published further standards and interpretations as well as amendments to existing standards, the application of which was not yet

mandatory in the 2016 financial year. The technotrans Group does not plan the early adoption of the following new or amended standards and interpretations, the adoption of which is only mandatory in later financial years.

a) EU endorsement has already taken place

Standard/ interpretation	Applicable from (financial years starting on or after ...)	Content	Anticipated effects on the Consolidated Financial Statements
IFRS 9: Financial Instruments	January 1, 2018	IFRS 9 replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement	Currently under examination
IFRS 15: Revenue from Contracts with Customers	January 1, 2018	IFRS 15 Revenue from Contracts with Customers specifies a comprehensive framework for determining whether, in what amount and at what time revenue is reported. It replaces existing guidelines on the reporting of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.	See the comments below this table.

The effects of the new rules of IFRS 15: when goods are sold, revenue is currently recognised upon delivery and supply of the goods, and therefore at the point at which the customer accepts the goods as well as the accompanying risks and rewards incidental to the passage of ownership. We do not expect any changes compared with the previous practice under IAS 18 for proceeds from sales. Services are provided e.g. on the basis of a single agreement in various reporting periods. According to IFRS 15 the entire fee for the service contracts is spread over all ser-

vices, based on their standalone selling prices. The standalone selling prices are determined on the basis of the list prices at which the group offers the services in separate transactions. We do not expect any material differences with regard to the point at which revenues for these services are recorded. The group is currently conducting a detailed assessment of the effects of the application of IFRS 15. In a second step, the implementation of possible adjustments will be analysed and effected.

b) EU endorsement pending

In addition, the IASB published standards and interpretations that have not yet been adopted by the European Union. Of these, the following standards are of relevance

for the group. The effects on the Consolidated Financial Statements are currently being examined.

Standard/ interpretation	Applicable from (financial years starting on or after ...)	Content	Anticipated effects on the Consolidated Financial Statements
IFRS 16: Leases	January 1, 2019	IFRS 16 introduces a standard accounting model according to which lessees are required to account for leases. A lessee records a right-of-use asset that presents their right to the use of the underlying asset, as well as a liability from the lease that represents their obligation to make lease payments. There are exceptions for short-term leases and leases for low-value assets. Accounting by the lessor is comparable to the current standard – in other words, lessors continue to classify leases as finance or operating leases. IFRS 16 replaces the existing guidelines on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.	See the comments below this table.
Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions	January 1, 2018	The amendments relate to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for tax to be withheld, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	None
Amendment to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018	The changes concern the first-time adoption of IFRS 9 for insurers. Because of the different effective dates of IFRS and the new standard for insurance contracts, without these changes there would be increased volatility in results and double the conversion work for a transitional period.	None
Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	The amendments address a known inconsistency between the rules of IFRS 10 and IAS 28 (2011) in the event of the disposal of assets to an associate or joint venture or the contribution of assets to an associate or joint venture.	None
Amendment to IFRS 15: Clarifications to IFRS 15	January 1, 2018	The amendments contain clarifications to various rules of IFRS 15 and also simplifications for the transition to the new standard.	Currently being examined (see IFRS 15)
Amendment to IAS 7: Disclosure initiative	January 1, 2017	The amendments are intended to improve information about changes in an entity's debt. Following the amendment an entity will need to make disclosures on the changes in liabilities arising from financing activities where cash receipts and payments are shown under cash flow from financing activities in the cash flow statement. Accompanying financial assets are likewise to be included in the disclosures (e.g. assets from hedging transactions).	No significant
Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017	The amendments highlight accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	No significant

Amendment to IAS 40: Transfers of Investment Property	January 1, 2018	The amendment of IAS 40 has the purpose of clarification. In which cases classification of a property as investment property starts or ends if the property is still under construction or development. The non-exhaustive list provided in IAS 40.57 meant the classification of non-completed properties was previously unclear. The list is now treated as explicitly non-exhaustive, so that properties not yet completed may likewise be subsumed under the rule.	None
IFRIC 22: Foreign Currency Transactions and Advance Consideration	January 1, 2018	IFRIC 22 addresses a question regarding IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies at what point the exchange rate is determined for the translation of foreign currency translation which include the payment or receipt of advance consideration. The exchange rate for the underlying asset, income or expense is accordingly the date of recognition of the asset or liability resulting from advance consideration.	No significant
Improvements to IFRS (2014 to 2016)	January 1, 2017	Amendments to IFRS 12 were made under the "annual improvement project".	No significant
Improvements to IFRS (2014 to 2016)	January 1, 2018	In the context of the annual improvement project, amendments were made to two standards (IFRS 1 and IAS 28).	No significant

The effects of the new rules of IFRS 16: the standard has material effects on the presentation of the net worth, financial position and financial performance. Whereas payment obligations for operating leases were previously disclosed in the Notes, in future the resulting rights and obligations are to be recognised as right-of-use assets and lease liabilities. technotrans AG expects a significant increase in the balance sheet total at the time of first adoption in view of the rise in lease liabilities, as well as a similarly steep rise in fixed assets from the right-of-use assets to be capitalised. The increase in the lease liabilities

results in a corresponding rise in net borrowings. In the Income Statement, depreciation and amortisation as well as the interest expense are recognised in future instead of the lease expense. This will lead to a substantial improvement in EBITDA and to a similar rise in the operating cash flow in the Cash Flow Statement. The overall effects will be investigated in a group-wide project on the implementation of IFRS 16, but no reliable estimate of the quantitative effects will be possible until that project has been completed.

III. NOTES TO THE CONSOLIDATED BALANCE SHEET

Consolidated Statement of Changes in Fixed Assets

2015		Cost						at December 31, 2015
		at January 1, 2015	Foreign currency translation differences	Additions from corporate acquisition	Additions	Disposals	Transfers	
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Property, plant and equipment	(1)							
Property*		20,577	-13	0	4	0	0	20,568
Technical equipment and machinery		5,174	57	0	232	-134	0	5,329
Other equipment, operating and office equipment		10,231	111	0	1,014	-607	0	10,749
Construction in progress		47	0	0	17	0	0	64
		36,029	155	0	1,267	-741	0	36,710
Intangible Assets	(3)							
Goodwill	(2)	5,828	0	0	0	0	0	5,828
Concessions, industrial and similar rights		11,957	44	0	232	-123	19	12,129
Development expenditure recognised as an intangible asset		8,360	25	0	185	0	0	8,570
Prepayments		19	0	0	0	0	-19	0
		26,164	69	0	417	-123	0	26,527
2016		Cost						
		at January 1, 2016	Foreign currency translation differences	Additions from corporate acquisition	Additions	Disposals	Transfers	at December 31, 2016
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Property, plant and equipment	(1)							
Property*		20,568	19	1	45	-2	14	20,645
Technical equipment and machinery		5,329	4	1,685	65	-704	0	6,379
Other equipment, operating and office equipment		10,749	-24	1,932	951	-2,068	-14	11,526
Construction in progress		64	0	0	465	0	0	529
		36,710	-1	3,618	1,526	-2,774	0	39,079
Intangible Assets	(3)							
Goodwill	(2)	5,828	0	17,316	0	0	0	23,144
Concessions, industrial and similar rights		12,129	8	7,642	116	-176	0	19,719
Development expenditure recognised as an intangible asset		8,570	8	0	0	0	0	8,578
		26,527	16	24,958	116	-176	0	51,441

* Land, land rights and buildings, including buildings on land owned by others

Accumulated depreciatio					Residual carrying amounts	
at January 1, 2015	Foreign currency translation differences	Depreciation for the year	Disposals	at December 31, 2015	at December 31, 2015	
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
8,910	-16	695	0	9,589	10,979	
4,759	46	108	-134	4,779	550	
7,202	82	943	-585	7,642	3,107	
0	0	0	0	0	64	
20,871	112	1,746	-719	22,010	14,700	
0	0	0	0	0	5,828	
9,151	35	1,060	-122	10,124	2,005	
6,921	25	429	0	7,375	1,195	
0	0	0	0	0	0	
16,072	60	1,489	-122	17,499	9,028	

Accumulated depreciation					Residual carrying amounts	
at January 1, 2016	Foreign currency translation differences	Depreciation for the year	Disposals	at December 31, 2016	at December 31, 2016	
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
9,589	16	685	-2	10,288	10,357	
4,779	7	218	-699	4,305	2,074	
7,642	-24	1,093	-1,959	6,752	4,774	
0	0	0	0	0	529	
22,010	-1	1,996	-2,660	21,345	17,734	
0	0	0	0	0	23,144	
10,124	6	1,955	-173	11,912	7,807	
7,375	8	363	0	7,746	832	
17,499	14	2,318	-173	19,658	31,783	

1) Property, Plant and Equipment

The disposals within technical equipment and machinery as well as other assets, plant and other equipment mainly comprise replacement purchases. There is an opposite effect from additions to property, plant and equipment following the inclusion of the acquired companies in the consolidated companies.

As in previous years, no self-constructed assets were capitalised in the 2016 financial year. No write-downs or reversals were performed in the year under review. Property amounting to € 10,357 thousand (2015: € 10,979 thousand) belonging to the group is used as collateral for long-term loans (cf. Note 11 "Financial liabilities").

2) Goodwill

The following table shows the residual carrying values of technotrans goodwill, broken down by segment:

	31/12/2016	31/12/2015
	€ '000	€ '000
segment Technology: Laser Cooling	5,243	5,243
segment Services: Translation Services	585	585
segment Services: Software solutions for technical documentation	176	0
	6,004	5,828

Goodwill in the amount of € 17,140 thousand results from the acquisition of the shares of GWK Gesellschaft Wärme Kältetechnik mbH at September 9, 2016. Allocation of the goodwill had not yet been completed by the time of preparation of the Consolidated Financial Statements. There are no indications of a need for goodwill impairment. According to IAS 36.84 the goodwill was not yet tested for impairment.

The goodwill resulting from the acquisition of the shares of the KLH companies with effect from January 1, 2013 as well as the acquisition of the shares of the Termotek Group with effect from January 7, 2011 was tested for impairment at the level of the Laser Cooling group cash-generating units within the Technology segment, because synergies and advantages from the business combinations can only be determined at that level. Equally, the goodwill is monitored exclusively on the basis of this cash-generating unit.

Goodwill of € 585 thousand was recognised as an asset in connection with the acquisition of gds Sprachenwelt GmbH on September 1, 2012. This goodwill is allocated to the Translation Services cash-generating unit in the Services segment.

The goodwill of € 176 thousand in connection with the acquisition of the shares of Ovidius GmbH at April 12, 2016 was allocated to the cash generating unit of software solutions for technical documentation.

The remaining cash-generating units were tested for impairment according to IAS 36.10 in the 2016 financial year. For this, the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount is the higher of the two amounts of the fair value less proceeds of disposal, and the value in use. The fair value measurement was classified as a Level 3 fair value based on the input factors of the measurement technique used.

At technotrans, the recoverable amount corresponds to the value in use. The key assumptions made for this value in use were as follows: the starting point for the cash flow forecasts for goodwill was the budget for 2017 and revenue trends for the 2018 to 2021 financial years of the respective cash-generating units. No separate revenue plans for the cash-generating units in question were drawn up for subsequent financial years; instead, further average revenue growth rates of a constant 1.5 percent (2015: 1.5 percent) (long-term market trend for the respective industry) were assumed for both cash-generating

units. Furthermore, the costs (materials, personnel and other costs) for each cash-generating unit were estimated on the basis of assumptions for the forecasting period; cost increases were suitably taken into account. All assumptions by the Board of Management are based on experience and reflect expectations concerning the relevant customers and industry.

The following table indicates the growth rates and EBIT margins used for impairment testing in 2015 and 2016, plus the cost-of-capital rates used in discounting the forecast cash flows.

	revenue growth		average EBIT margin		after tax capital cost rate	
	2016	2015	2016	2015	2016	2015
Parameters used for the impairment test	%	%	%	%	%	%
segment Technology: Laser Cooling	6.6	6.4	9.7	11.0	10.7	13.0
segment Services: Translation Services	5.0	5.0	15.0	11.8	9.9	11.5
segment Services: Software solutions for technical documentation	13.7		6.5		6.6	

The values in use determined on the basis of these assumptions each exceed the carrying amounts of the cash-generating units.

3) Intangible Assets

In the 2016 financial year there was an increase in intangible assets, substantially as a result of the assets identified within the context of the purchase price allocations (cf. Note II a) "Consolidated Companies"). Depreciation and amortisation was applied to these assets in the financial year in accordance with their useful lives. Depreciation and amortisation of € 1,508 thousand (2015: € 720 thousand) concerns the intangible assets recognised in the course of purchase price allocation.

Intangible assets arising from development activities are capitalised pursuant to IAS 38 if it is probable that future economic advantage will accrue from the use of the asset and the costs of the asset can be reliably determined. Only

current development work was conducted in the 2016 financial year. Therefore no (2015: € 185 thousand) intangible assets arising from development were recognised. Due to nonfulfilment of the requirements for recognition as stated in IAS 38, development costs amounting to € 5,534 thousand (2015: € 4,293 thousand) were recognised as an expense.

There are no concessions, industrial and similar rights or development expenditure recognised as an intangible asset with an unlimited useful life. The useful life taken as the basis for the amortisation of software and development expenditure recognised as an intangible asset is three to five years.

In the Income Statement, the amortisation of development expenditure recognised as an intangible asset is allocated to the cost of sales using the function of expense method, according to the principle of causation. The amortisation of

concessions, industrial and similar rights is allocated to the cost of sales, distribution costs, administrative expenses and development costs by means of cost centre accounting.

4) Other Financial Assets

	31/12/2016	31/12/2015
	€ '000	€ '000
Rent deposits	61	38
Other	31	10
	92	48

5) Inventories

	31/12/2016	31/12/2015
	€ '000	€ '000
Raw materials and supplies	13,019	9,085
Work in progress	8,698	3,806
Finished goods and merchandise	3,892	4,656
	25,609	17,547

The significant increase in inventories is substantially the result of the increased scope of consolidation.

Of total inventories, the amount of € 5,632 thousand (2015: € 3,880 thousand) is reported at the fair value, less production costs still to be incurred and distribution costs.

6) Trade Receivables

In the Technology segment, receivables outstanding are owed mainly by major OEMs (printing press, mechanical engineering companies and laser manufacturers), as well as by end customers.

In the year under review, additions to the impairment of receivables totalling € 86 thousand (2015: € 286 thousand) were booked to distribution costs in the Income Statement. Impairment was applied in order to measure

Impairment of inventories totalling € 1,143 thousand (2015: € 436 thousand) was recognised as an expense in the 2016 financial year. Reversals of € 946 thousand (2015: € 632 thousand) in the same period led to an income, as higher net realisable values could be assumed than in the previous year.

the receivables at fair value. This impairment reflects the actual credit risk. Impairment is applied in particular if the debtor is experiencing considerable financial difficulties. The amounts stated for trade receivables are fundamentally adjusted via a value adjustment account. Receivables are only derecognised once the debtor has opened insolvency proceedings or the receivable has become uncollectable.

The following table provides an overview of impairment of receivables:

	31/12/2016	31/12/2015
	€ '000	€ '000
Opening level	1,097	1,155
Addition of company acquisition	473	0
Allocated	86	286
Derecognition of receivables	-45	-307
Cash receipts for receivables written off	-73	-53
Exchange differences	-3	16
Closing level	1,535	1,097

7) Income Tax Receivable

This comprises ongoing income tax receivable as well as corporation tax credit balances from previous years. These rebates (Section 37 (5) of the German Corporation Tax Act) are capitalised at the present value. The rebates are being

paid in ten equal annual instalments between 2008 and 2017; the income tax receivable was correspondingly allocated exclusively to current assets in the financial year.

8) Other Assets

	31/12/2016	31/12/2015
	€ '000	€ '000
Other financial assets		
Receivables from suppliers	192	19
Deposits	173	246
Other	359	201
	724	466
Other assets		
Prepaid expenses	669	558
Creditable input tax	194	157
Other	304	379
	1,167	1,094
	1,891	1,560

9) Cash and Cash Equivalents

Cash and cash equivalents comprise balances with banks and cash on hand. The fair value of cash and cash equivalents corresponds to the carrying amount. There were no

marketable securities at the balance sheet date.

The development in cash and cash equivalents is shown in the Cash Flow Statement.

10) Equity

The development in equity is shown in the Statement of Movements in Equity. The equity of the group totalled € 61,880 thousand at December 31, 2016 (2015: € 51,725

thousand). Of this, € 118 thousand (2015: € 928 thousand) is attributable to non-controlling interests.

Issued Capital

At December 31, 2016 the issued capital (share capital) of technotrans AG comprised 6,907,665 issued and outstanding no par value registered shares. The shares outstanding are fully paid. Each no par value share represents

a nominal amount of € 1 of the share capital. All shares carry identical rights. No special rights or preferences are granted to individual shareholders. The same applies to dividend entitlements.

	Shares issued		Shares outstanding	
	2016	2015	2016	2015
Position at January 1	6,907,665	6,907,665	6,530,588	6,516,434
Issuance of treasury shares	0	0	374,915	0
Issued to employees (as remuneration component)	0	0	2,162	2,187
Acquisition of treasury shares	0	0	9,254	0
Issued to employees (as Christmas bonus)	0	0	9,254	11,967
Position at December 31	6,907,665	6,907,665	6,907,665	6,530,588

Authorised Capital

The Annual General Meeting on May 15, 2014 authorised the Board of Management to raise the share capital, with the consent of the Supervisory Board, by the issuance of

new shares on one or more occasions by May 14, 2019, against contributions, by up to a total of € 3,450,000. No use was made of this authorisation in 2016.

Conditional Capital

At the Annual General Meeting on May 15, 2014 the Board of Management was, with the consent of the Supervisory Board, authorised to issue bearer and/or registered bonds with a term of a maximum of five years on one or more occasions up until May 14, 2019 of an aggregate nominal amount of up to € 10 million and to grant the bearers of

bonds conversion options on up to 690,000 no par value registered treasury shares in accordance with the respective terms of the bonds (convertible bond terms).

The conversion options granted to the bearers of the bonds may cover shares in the company representing an amount of up to € 690,000.00 of the share capital. As well as in euros, the convertible bonds may be issued in the legal currency of an OECD country, limited to the corresponding euro countervalue.

The shareholders have a fundamental right to subscribe to bonds. The bonds may also be accepted by a bank or a consortium of banks with the obligation to offer them to the shareholders for subscription. In addition, however, the Board of Management is, with the consent of the Supervi-

Capital Reserve

The premium from the past share issues from the issuance of shares under conversion options from conditional capital and from the issuance of ordinary shares from authorised capital (capital increase for contribution in kind) was paid into the capital reserve. The costs of the share issues were deducted.

In the financial year, the remaining 377,077 treasury shares were released at a price that was above the original cost. The difference of € 6,169 thousand between the cost of the shares and their fair value at the time of issuance, resulting from the release of treasury shares, was allocated to the capital reserve. The IFRS capital

Retained Earnings

The retained earnings include profit carried forward and additional other reserves. Of these, an amount of € 691 thousand (2015: € 691 thousand) relates to the legal reserve of technotrans AG pursuant to Section 150 (2) of German Stock Corporation Act. The reserve for treasury shares of technotrans AG (2015: € -5,426 thousand) was fully wound up with the disposal of the remaining shares.

sory Board, authorised to exclude the statutory subscription right of the shareholders to the bonds within the limits laid down individually and specifically by the authorisation.

The Board of Management is authorised, with the consent of the Supervisory Board, to specify the further details of the issuance and features of the convertible bonds and their terms itself, meaning in particular the currency, interest rate, issuing amount, term and denomination of the convertible bonds, the conversion price and period, the exchange ratio and payment of the countervalue in money instead of exchange for treasury shares. This authorisation was not used in the 2016 financial year.

reserve corresponds to the capital reserve of the parent company according to the German Commercial Code. As a result of the change in 2009 to comply with the German Accounting Law Modernisation Act (BilMoG), in the event of disposal of treasury shares those amounts that would not have been allocated to the capital reserve under a purely IFRS approach must, after the change, likewise be allocated to the German Commercial Code capital reserve (devaluation from the period prior to the change). To maintain the German Commercial Code and IFRS capital reserves at identical levels, appropriate amounts are therefore withdrawn from the retained earnings and allocated to the capital reserve.

Pursuant to Section 268 (8) of German Commercial Code, an amount of € 9 thousand (2015: € 108 thousand) due to the capitalisation of deferred taxes as well as an amount of € 16 thousand (2015: € 0 thousand) attributable to the difference pursuant to Section 253 (6) of German Commercial Code from the measurement of the provision for pensions may not be distributed from the other retained earnings of the parent company.

Other Reserves

	31/12/2016	31/12/2015
	€ '000	€ '000
Exchange differences	-3,721	-3,338
Reserve for net investments in a foreign operation	-2,047	-2,584
Hedging reserve	-58	-100
Treasury shares	0	-5,426
	-5,826	-11,448

Pursuant to IAS 39, the negative market value of the interest rate swaps used was recognised in the hedging reserve with no income effect, following deduction of deferred taxes (cf. Note 32 "Financial instruments"). In the 2016 financial year, a gain of € 60 thousand (2015: loss of € 49 thousand) was reported within equity with no effect on income. As in the previous year, no gains were realised. In return, deferred tax of € 18 thousand (2015: € 15 thousand) was booked with no effect on income.

technotrans AG has extended loans to its subsidiaries that are to be regarded as net investments in foreign businesses. Pursuant to IAS 21.32 and IAS 12.61A, the accumulated translation differences up to the balance sheet date and any taxes on these are netted directly within equity. Exchange rate differences are only recognised through profit or loss upon liquidation or partial liquidation of the company.

Treasury Shares

At the Annual General Meeting on May 15, 2014 the shareholders authorised the Board of Management to buy back treasury shares in accordance with Section 71 (1) No. 8 of German Stock Corporation Act. The scope of this authorisation is for the buying back of a portion of up to € 690,000.00 of the share capital (690,000 no par value shares, corresponding to 9.98 percent of the share capital at the time of the resolution) and is valid until May 14, 2019. Pursuant to IAS 32.33 the shares bought back are deducted from equity at their cost (including incidental costs). The buy-back is in line with the strategic objectives of the company. 9,254 shares were bought back during

In the 2016 financial year, currency translation gains from the above loans in the amount of € 537 thousand (2015: € 655 thousand loss) were netted directly within equity; because their liquidation or partial liquidation are not planned for the foreseeable future, as in the previous year no deferred taxes on these exchange rate losses were netted income-neutrally within equity in the financial year.

The exchange differences include differences from the translation of the subsidiaries' equity to be consolidated at the historical rate and at the rate on the balance sheet date. This item furthermore includes the differences resulting from the translation of the assets and liabilities of the international subsidiaries at the closing rate and from the translation of the expenses and income at the average rate for the year.

the period January to December 2016 for issuing to employees. In the 2016 financial year, a total of 11,416 no par value shares (2015: 14,154 no par value shares) with a fair value of € 262 thousand (2015: € 247 thousand) were issued to employees by way of a remuneration component. The remaining 374,915 shares were sold at a fair value of € 8,154 thousand. At the balance sheet date of December 31, 2016 no (2015: 377,077) ordinary shares were held by technotrans AG.

Capital Management

At December 31, 2016 the equity ratio was 51.0 percent (2015: 68.0 percent). One of the most important financial objectives for technotrans AG is to assure its solvency at all times, and increase the long-term value of the group.

The creation of adequate liquidity reserves is very important in this respect. The aim is always to have liquidity reserves amounting to at least 5 percent of annual revenue. This objective is achieved by implementing various measures in order to reduce capital costs and optimise the capital structure, alongside practising effective risk management.

Methodologically, technotrans' capital management approach is based on financial market oriented indicators, such as the return on sales (long-term target margin for EBIT: 10 percent), the equity ratio (target: > 50 percent) and gearing. technotrans is not subject to capital requirements laid down in the articles of incorporation. A sound capital structure provides technotrans with the stability that serves as the basis for a business model focusing on sustainability, and thus in the long term meets both the requirements of customer and supplier relations and serves the needs of the employees and shareholders.

An unsecured loan carries the obligation to adhere to certain financial indicators (financial covenants). The financial ratios, equity ratio, gearing and EBITDA margin are determined for the Consolidated Financial Statements and were complied with in the 2016 financial year.

11) Financial Liabilities

	31/12/2016	31/12/2015
	€ '000	€ '000
Short-term borrowings	5,068	1,997
Long-term borrowings	23,024	6,061
	28,092	8,058

An amount of € 20,000 thousand of the rise in financial liabilities results from the raising of new loans to finance the corporate acquisition of GWK Gesellschaft Wärme Kältetechnik mbH and from the provision of financing for the acquisition of the business premises in Meinerzhagen

planned for 2017. The companies acquired in the financial year account for € 2,031 thousand of the financial liabilities at the reporting date.

There were no hedged liabilities at the balance sheet date. Interest rate hedges exist only in the case of financial liabilities.

Terms to Maturity of Financial Liabilities

	< 1 year	1 - 5 years	> 5 years	Total	Interest p.a.	Collateral
	€ '000	€ '000	€ '000	€ '000		
€ fixed rate credit	556	2,963	1,481	5,000	1.00%	None
Variable € credit	429	1,714	857	3,000	3-months EURIBOR +1.59%	None
€ fixed rate credit	0	1,071	1,429	2,500	1.45%	Land charge
€ fixed rate credit	0	937	1,563	2,500	1.45%	Land charge
€ fixed rate credit	0	937	1,563	2,500	1.70%	Land charge
Variable € credit	571	1,286	0	1,857	3-months EURIBOR via interest rate swap (fixed rate: 2.63%)	None
Variable € credit	1,500	0	0	1,500	3-months EURIBOR via interest rate swap (fixed rate: 2.70%)	Land charge
€ fixed rate credit	237	1,263	0	1,500	1.45%	Land charge
Variable € credit	0	1,500	0	1,500	6-months EURIBOR +1.25%	Land charge
€ fixed rate credit	300	1,200	0	1,500	1.65%	Land charge
€ fixed rate credit	422	528	0	950	2.00%	None
€ fixed rate credit	245	675	0	920	3.31%	Land charge
€ fixed rate credit	36	143	639	818	4.50%	Land charge
Variable € credit	157	432	0	589	3-months EURIBOR via interest rate swap (fixed rate : 3.40%)	Land charge
Variable € credit	188	140	0	328	3-months EURIBOR via interest rate swap (fixed rate : 2.81%)	Land charge
€ fixed rate credit	87	217	0	304	1.71%	Chattel mortgage
lease purchase	48	136	0	184	3.05%	Chattel mortgage
€ fixed rate credit	18	70	39	127	2.35%	Chattel mortgage
€ fixed rate credit	43	71	0	114	3.10%	Chattel mortgage
lease purchase	31	65	0	96	3.08%	Chattel mortgage
€ fixed rate credit	12	50	28	90	2.10%	Chattel mortgage
€ fixed rate credit	59	0	0	59	3.35%	None
€ fixed rate credit	50	0	0	50	3.50%	None
€ fixed rate credit	21	26	0	47	3.10%	Chattel mortgage
€ fixed rate credit	35	0	0	35	2.70%	Directly enforceable guarantee
€ fixed rate credit	11	1	0	12	3.15%	Chattel mortgage
€ fixed rate credit	12	0	0	12	3.25%	Chattel mortgage
	5,068	15,425	7,599	28,092		

Amounts owed to banks with a carrying amount of € 14,747 thousand (2015: € 3,880 thousand) are collateralised by land charges on the company premises in Sassenberg.

Financial liabilities of € 50 thousand (2015: € 150 thousand) relate to Termotek GmbH. No collateral was furnished for these loans.

At the reporting date KLH Kältetechnik GmbH had financial liabilities of € 589 thousand (2015: € 746 thousand) secured in full by land charges on the factory site Am Waldrand 10 in Bad Doberan.

SHT Immobilienbesitz GmbH & Co. Vermietungs KG had financial liabilities of € 818 thousand (2015: € 854 thousand). The real estate Am Waldrand 10a in Bad Doberan serves as security.

The loan of Ovidius GmbH in the amount of € 35 thousand is secured by a directly enforceable guarantee by the shareholder-manager.

Of the loans of GWK Gesellschaft Wärme Kältetechnik mbH amounting to € 1,995 thousand, the sum of € 986 thousand is secured by chattel mortgages on the plant in question. No collateral was furnished for loans amounting to € 1,009 thousand.

12) Other Financial Liabilities

	31/12/2016	31/12/2015
	€ '000	€ '000
Contingent purchase price Ovidius GmbH	1,104	0
Assumption of debt company acquisition GWK	248	0
Long-term liabilities from finance lease	7	14
Conditional purchase price of KLH	0	346
	1,359	360

The remaining shares in the KLH companies were acquired in the 2016 financial year. The conditional purchase price still outstanding was measured at fair value at the time of acquisition and reduced by € 180 thousand. The outstanding conditional purchase price was settled through payment of the purchase price.

With regard to the conditional purchase price obligation in the context of the corporate acquisition of Ovidius GmbH and the assumption of liabilities in the context of the corporate acquisition of GWK Gesellschaft Wärme Kältetechnik mbH, please refer to Note II a) "Consolidated Companies".

13) Trade Payables

All trade payables have a term of up to one year.

	31/12/2016	31/12/2015
	€ '000	€ '000
Trade payables	3,780	2,000
Outstanding purchase invoices	1,029	433
	4,809	2,433

14) Prepayments Received

The prepayments received originate in the main from project business. They are used for financing the finished goods included in the inventories but from which no rev-

enue has yet been realised. Of the prepayments received, € 4,166 thousand concerns project business of GWK Gesellschaft Wärme Kältetechnik mbH.

15) Provisions

	Obligations to personnel	Payments to be made under warranty	Other provisions	Provisions for pensions	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Opening level at January 1, 2016	4,483	851	967	250	6,551
Exchange rate movements	19	3	-6	0	16
Used	3,103	684	923	11	4,721
Reversed	325	111	200	0	636
Addition of company acquisition	773	439	1,489	0	2,701
Compounding	308	0	0	4	312
Allocated	3,478	906	1,155	33	5,572
Closing level at December 31, 2016	5,633	1,404	2,482	276	9,795
Long-term provisions	898	0	15	265	1,178
Short-term provisions	4,735	1,404	2,467	11	8,617

The obligations to personnel consist largely of gratuities, bonuses and performance-related pay for employees, as well as time credits. It is in the first instance uncertain when these obligations will have to be met.

There are partial retirement employment contracts with two employees. The obligation from these partial retirement employment contracts was determined actuarially. The calculation is based on an interest rate of 1.8 percent (2015: 2.3 percent). Partial retirement obligations are covered against possible bankruptcy pursuant to Section 8a of the German Partial Retirement Act. To provide cover, cash was paid into a money market fund (Deka Investments) and pledged in favour of the employees. Under IAS 19.7 the assets constitute "plan assets" and are netted with the corresponding provision. Income from the plan assets is netted with the corresponding expenses. No income was realised in the 2015 and 2016 financial years. Cash of € 63 thousand was invested at December 31, 2016 (2015: € 42 thousand).

Provisions for warranties are created for current statutory, contractual and constructive warranty obligations towards third parties. The provisions were measured taking experience as the starting point, incorporating the circumstances at the balance sheet date.

In the course of its general business activities technotrans is involved in court and out-of-court litigation, the outcome of which cannot be predicted with certainty. Litigation may for example arise in connection with product liability cases

16) Income Tax Payable

In the year under review, income tax payable relates substantially to technotrans AG and its controlled companies as well as KLH Kältetechnik GmbH.

and warranties. Where such risks arising are not already insured against, provisions are formed if a call is probable and the likely amount of the provision required can be estimated reliably. At the balance sheet date provisions of € 1,018 thousand were formed for litigation settlements from product liability and warranties.

The miscellaneous other provisions comprise costs for the preparation of the annual accounts, commission payments and other costs. In this case, too, the factor of uncertainty is principally the amount in question.

A direct pension pledge has been made to employees of the former BVS Beratung Verkauf Service Grafische Technik GmbH. Pensions are already paid for all employees. The "defined benefit obligation" (DBO) for purposes of calculating the provisions for pensions was determined on the basis of an actuarial report, using the 2005 G reference tables published by Prof Dr Klaus Heubeck. The calculation is based on an interest rate of 1.0 percent (2015: 2.1 percent) and a pension trend of 2.0 percent (2015: 2.0 percent). The development in pay levels and employee fluctuation were not taken into account, as those eligible for pensions have since left the company. The interest costs for the DBO in 2016 amount to € 5 thousand (2015: € 5 thousand). The actuarial loss amounts to € 33 thousand (2015: € 2 thousand gain). The actuarial loss was recognised in other comprehensive income. Pension payments amounting to € 11 thousand (2015: € 11 thousand) were made in 2016.

17) Other Liabilities

	31/12/2016	31/12/2015
	€ '000	€ '000
Other financial liabilities		
Loans	1,102	0
Debtors with credit balances	434	177
Assumption of debt company acquisition GWK	248	0
Current liabilities from derivative financial instruments	83	144
Conditional purchase price of KLH	0	9
Other financial liabilities	764	202
	2,631	532
Other liabilities		
Sales tax	1,073	588
Operating taxes	847	369
Liabilities in respect of social insurance	119	123
Other	637	574
	2,676	1,654
	5,307	2,186

The loan of € 1,102 thousand reported here is in respect of the leasing company of GWK Gesellschaft Wärme Kältetechnik mbH. This loan is to be repaid with the acquisition of the property in the 2017 financial year.

With regard to the assumption of liabilities in the context of the corporate acquisition of GWK Gesellschaft Wärme Kältetechnik mbH, please refer to Note II a) "Consolidated Companies".

IV. NOTES TO THE CONSOLIDATED INCOME STATEMENT

18) Revenue

Revenue is recognised if the risks and rewards associated with ownership of the products sold have been transferred to the buyer. For deliveries, revenue is therefore realised in accordance with the agreed terms of delivery; for services, it is realised when the service has been performed.

Revenue is shown broken down by division in the segment report. € 130,408 thousand (2015: € 104,841 thousand) is the result of the sale of goods including sales of parts, and

€ 21,384 thousand (2015: € 17,997 thousand) from the provision of services. The geographical composition of revenue in 2016 was Germany € 80,006 thousand (2015: € 61,413 thousand), rest of Europe € 35,660 thousand (2015: € 28,475 thousand), America € 20,884 thousand (2015: € 18,220 thousand), Asia € 14,979 thousand (2015: € 14,730 thousand) and Africa € 262 thousand (2015: € 0 thousand).

19) Cost of Sales

The cost of sales comprises the cost of traded products and the cost price of merchandise sold. In accordance with IAS 2, it includes both costs which can be directly allocated, such as cost of materials and cost of labour, and also overheads, including pro rata depreciation and amortisation on property, plant and equipment used for production and on intangible assets. The amount for inventories

reported as an expense in the period under review broadly corresponds to the costs of materials (raw materials, consumables and changes in inventories of finished goods and work in progress). The costs of the field service and the expense arising in connection with warranty obligations are likewise reported under cost of sales. Other cost of sales is mainly comprised of other building costs.

	2016	2015
	€ '000	€ '000
Cost of materials	58,691	47,889
Cost of labour	28,191	21,480
Subcontractors, personnel leasing	7,077	6,136
Travel expenses	1,517	1,534
Depreciation and amortisation	1,187	1,074
Tenancy and leasing costs	1,107	666
Warranty	987	623
Operating requirements	626	528
Other	1,187	1,482
	100,570	81,413

20) Distribution Costs

The distribution costs include costs for the Distribution Department and for in-house services, and also the costs of advertising and logistics. This item also includes sales-

related expenditure for commissions and impairment of receivables.

	2016	2015
	€ '000	€ '000
Cost of labour	12,125	10,188
Logistics costs	3,061	2,476
Depreciation and amortisation	1,879	897
Travel expenses	816	760
Promotional and exhibition costs	801	398
Tenancy and leasing costs	670	431
Sales commissions	389	376
Impairment of receivables	86	284
Other	1,296	1,305
	21,123	17,116

21) Administrative Expenses

The administrative expenses comprise personnel and material costs for management and administration, insofar as not charged to other cost centres as internal services.

	2016	2015
	€ '000	€ '000
Cost of labour	8,252	7,092
Consultancy, audits	1,827	1,032
IT costs	1,557	1,362
Depreciation and amortisation	911	850
Tenancy and leasing costs	654	766
Insurances	639	558
Travel expenses	445	393
Telephone and postage	325	273
Other	1,618	663
	16,228	12,988

	2016	2015
	€ '000	€ '000
fees for		
Auditing of the financial statements	299	222
Tax consultancy services	14	44
Other services	13	0
	326	266

In the 2016 financial year, the fees for the auditors recorded as an expense pursuant to Section 319 (1) first and second sentences of German Commercial Code amounted to € 326 thousand (2015: € 266 thousand). The figures for the 2016 financial year include the fees and expenses of the auditors of the Consolidated Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft,

for the auditing of the Consolidated Financial Statements, the auditing of the annual financial statements of technotrans AG, KLH Kältetechnik GmbH and GWK Gesellschaft Wärme Kältetechnik mbH, as well as for tax consultancy provided to technotrans AG, its controlled companies and gds Sprachenwelt GmbH.

22) Development Costs

No research costs were incurred. Development costs are charged as ongoing expenses until the criteria of IAS 38.57 are satisfied cumulatively. From that point on, develop-

ment costs are recognised as an intangible asset (see Note 3 "Intangible Assets").

23) Other Operating Income

	2016	2015
	€ '000	€ '000
Income unrelated to the accounting period		
Reversal of provisions	86	74
Book profits on the disposal of assets	75	29
Other income unrelated to the accounting period	179	281
	340	384
Other operating income		
Personnel-related revenue	954	578
Income from tenancy agreements	196	193
Foreign currency gains	558	1,369
Insurance payments	117	229
Other	684	494
	2,509	2,863
	2,849	3,247

The income unrelated to the accounting period comprises for example cash receipts from previously impaired receivables, and the other operating income includes develop-

ment cost contributions from customers. Exchange rate gains mainly constitute unrealised changes in the measurement of intragroup assets and liabilities.

24) Other Operating Expenses

	2016	2015
	€ '000	€ '000
Expenses unrelated to the accounting period		
Book losses on the disposal of assets	16	3
Other expenses unrelated to the accounting period	63	19
	79	22
Other operating expenses		
Foreign currency losses	546	793
Other operating taxes	290	187
Other	540	321
	1,376	1,301
	1,455	1,323

25) Net finance costs

	2016	2015
	€ '000	€ '000
Financial income	210	225
Financial charges	-785	-486
Net finance costs	-575	-261

The interest income in the amount of € 25 thousand (2015: € 39 thousand) is from interest on bank credit balances. The figure additionally includes € 180 thousand (2015: € 180 thousand) from the termination of the conditional purchase price for the KLH companies. Interest income from the compounding of the corporation tax credit balances amounted to € 5 thousand in the 2016 financial year (2015: € 6 thousand).

The interest expenses comprise mainly interest charged on the group's financial liabilities.

This item additionally includes interest expenses from compounding as well as from changes to the discount rate in the amount of € 327 thousand.

No borrowing costs were capitalised in the reporting period.

26) Income Tax Expense

	2016	2015
	€ '000	€ '000
Actual income tax expense		
Tax expense for the period	-2,507	-2,533
Tax expense unrelating to the accounting period	-21	-58
	-2,528	-2,591
Deferred tax		
Occurrence or reversal of temporary differences	79	-85
Reduction of the tax rate	0	-2
Recognition of deferred tax assets of previously unrecognized tax loss carryforward	555	202
	634	115
	-1,894	-2,476

Income tax expense includes corporation income tax and trade earnings tax for the domestic companies, and also comparable taxes on income for the foreign businesses. Other operating taxes are included in other operating expenses.

The deferred tax is attributable to temporally divergent valuations in the companies' tax balance sheets and the Consolidated Balance Sheet in accordance with the balance sheet liability method.

The reported deferred tax assets also include tax relief claims where it is anticipated that existing tax loss carryforwards will be used in subsequent years. The deferred

tax is calculated on the basis of the tax rates applicable or expected at the time of realisation in the individual countries concerned.

The applicable tax rate in Germany of 30.26 percent (2015: 30.17 percent) calculated for the year under review is based on a corporation tax rate of 15.00 percent, a solidarity surcharge of 5.50 percent and an effective trade earnings tax rate of 14.44 percent (2015: 14.34 percent).

The following capitalised deferred tax assets and liabilities relate to recognition and measurement differences for the individual items on the Balance Sheet and to loss carryforwards which can be used in future:

2016	Balance at 31 December							
	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Net	Deferred tax assets	Deferred tax liabilities	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current assets	-350	470	0	-2,338	-2,218	341	2,559	
Inventories	335	-86	0	0	249	277	28	
Receivables	118	6	0	0	124	124	0	
Provisions	64	69	10	31	174	280	106	
Liabilities	62	7	-18	0	51	51	0	
Loss carryforwards	715	168	0	962	1,845	1,845	0	
Tax assets (liabilities) before offsetting	944	634	-8	-1,345	225	2,918	2,693	
Offsetting						478	478	
Net tax assets (liabilities)					225	2,440	2,215	

2015	Balance at 31 December							
	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Net	Deferred tax assets	Deferred tax liabilities	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current assets	-516	166	0	0	-350	472	822	
Inventories	274	61	0	0	335	362	27	
Receivables	123	-5	0	0	118	124	6	
Provisions	66	-2	0	0	64	171	107	
Liabilities	76	0	-14	0	62	64	2	
Loss carryforwards	820	-105	0	0	715	715	0	
Tax assets (liabilities) before offsetting	843	115	-14	0	944	1,908	964	
Offsetting						478	478	
Net tax assets (liabilities)					944	1,430	486	

The € 2,337 thousand increase in deferred tax liabilities from non-current assets results from the assets capitalised in the context of the business combinations in the 2016 financial year (cf. Note II a) "Consolidated Companies").

There are tax loss carryforwards amounting to € 17,394 thousand (2015: € 16,798 thousand) for 2016. Deferred taxes amounting to € 1,845 thousand (2015: € 715 thousand) were recognised as an asset on an amount of € 5,466 thousand (2015: € 2,045 thousand) in agreement with IAS 12.34. Of this, loss carryforwards amounting to € 2,183 thousand are attributable to the companies acquired in the 2016 financial year, for which deferred tax assets were recognised in full. No deferred

tax assets were recognised on the remaining loss carryforwards of € 11,928 thousand (2015: € 14,753 thousand) and on deductible temporary differences of € 1,580 thousand (2014: € 1,536 thousand). The loss carryforwards may be carried forward for 20 years in the USA (€ 7,788 thousand; 2015: € 9,838 thousand), for nine years in Japan (€ 109 thousand; 2015: € 183 thousand) and for an unlimited period in other cases. In view of the uncertain earnings expectations of the companies in Asia, of technotrans america inc., technotrans américa latina ltda. and technotrans scandinavia AB, no or only pro rata deferred taxes were created on the loss carryforwards.

The following table reconciles the expected tax expense with the actual income tax expense.

	2016	2015
	€ '000	€ '000
Applicable tax rate	30,26%	30,17%
Consolidated earnings before taxes on income	9,156	8,691
Theoretical tax expense/income	-2,771	-2,622
Differences compared with local tax rates	-115	-25
Impairment (-) or reversal of impairment (+) on deferred tax assets on tax loss carryforwards and temporary differences	555	208
Expense or income from the non-recognition of deferred tax assets on tax losses occurring in the financial year and temporary differences	194	93
Tax effect from the use of deferred taxes on temporary differences and from tax loss carryforwards following impairment	718	412
Tax effect of non-deductibility of business expenses and tax-exempt income	-496	-484
Other taxes not relating to the period	21	-58
Actual and deferred income tax expense	-1,894	-2,476

In the year under review there were only deferred taxes recognised in other comprehensive income from the change in cash flow hedges in the amount of € -18 thousand (2015: € -15 thousand) and from the change in the pension obligation in the amount of

€ 10 thousand (2015: € 0 thousand). As in the previous year, exchange rate differences from net investments in a foreign business did not lead to any deferred tax in the 2016 financial year.

27) Earnings Per Share

The figure for basic earnings per share is obtained by dividing the share of earnings attributable to the shareholders

of technotrans AG by the weighted average number of ordinary shares outstanding in the financial year:

		2016	2015
Net profit for the period	in € thousand	7,262	6,215
of which:			
Profit attributable to technotrans AG shareholders		7,192	6,262
Profit/loss attributable to non-controlling interests		70	-47
Average number of ordinary shares outstanding in the year		6,586,905	6,518,459
Basic/diluted earnings per share	in €	1.09	0.96

In the 2016 financial year there were once again no stock options that would have had a dilutive effect on earnings per share pursuant to IAS 33.

V. NOTES TO THE SEGMENT REPORT

		Technology	Services	Consolidated/ not allocated	Group
		€ '000	€ '000	€ '000	€ '000
External revenue	2016	103,623	48,169	0	151,792
	2015	81,457	41,381	0	122,838
Inter-segment revenue	2016	0	1,443	-1,443	0
	2015	0	1,313	-1,313	0
Segment result	2016	2,873	6,858	0	9,731
	2015	2,116	6,836	0	8,952
Depreciation and amortisation	2016	3,672	642	0	4,314
	2015	2,539	696	0	3,235

Segment information is provided on the basis of the business segments for internal reporting purposes. Segmentation according to the Technology and Services Divisions is performed in agreement with the internal reporting structure of the technotrans Group.

The Technology segment generates revenue through the sale of equipment and systems in the field of liquid technology, in the application areas of temperature control, filtering separating as well as spraying and pumping. The Services segment generates revenue through after-sales service activities, installation, maintenance, servicing and the supplying of spare parts, as well as through compiling technical documentation and producing and selling software for the compilation of documentation. The revenue generated by gds Sprachenwelt GmbH from translation services is equally allocated to the Services segment.

The revenue amounting to € 151,792 thousand (2015: € 122,838 thousand) comprises € 80,007 thousand (2015: € 61,413 thousand) generated in Germany and € 71,785 thousand (2015: € 61,425 thousand) generated internationally. € 14,502 thousand was achieved in the USA and € 4,633 thousand in China. Revenue is classified on the basis of the domicile of the customer with which the revenue is realised.

The non-current assets amounting to € 52,049 thousand (2015: € 25,264 thousand) can be broken down by region as follows: Germany € 50,100 thousand (2015: € 24,106 thousand) and international € 1,949 thousand (2015: € 1,158 thousand).

The delivery prices for transactions between the segments are generally agreed on the same basis as transactions between a group company and a third party.

The segment information comprises both directly allocable amounts and amounts that can reasonably be split. No reconciliation between the segment and consolidated data is required, as the figures in the segment information coincide with those in the Consolidated Income Statement and Cash Flow Statement. The result for the segments corresponds to the earnings before interest and taxes (EBIT) in the Income Statement. The accumulated result for both segments of € 9,731 thousand (2015: € 8,952 thousand), reduced by the net finance costs reported in the Income Statement of € -575 thousand (2015: € -261 thousand), produces the accounting profit of € 9,156 thousand (2015: € 8,691 thousand).

Within the group's total revenues, one customer of the Technology and Services group segments accounts for € 22 million of the group's total revenues.

VI. NOTES TO THE CASH FLOW STATEMENT

The Cash Flow Statement is structured according to cash flows from operating activities, investing activities and financing activities.

28) Cash Flow from Operating Activities

The cash flows from operating activities (net cash) amounted to € 9,703 thousand (2015: € 10,228 thousand) in the past financial year. This includes cash from operating activities amounting to € 12,211 thousand (2015:

€ 12,789 thousand) as well as interest and income tax received and paid amounting to € -2,508 thousand (2015: € -2,561 thousand). The change in working capital in 2016 resulted in a negative cash flow contribution overall.

29) Cash Flow from Investing Activities

The cash flows from investing activities comprise cash payments for investments in property, plant and equipment and in intangible assets (property, plant and equipment € 1,526 thousand and intangible assets € 116 thousand). In addition there were cash receipts amounting to € 283 thousand from the interest acquired in Ovidius GmbH as well as cash payments amounting to € 20,994 thousand for the acquisition of GWK Gesellschaft Wärme Kältetechnik mbH. € 175 thousand of

the cash payments for the acquisition of consolidated companies are attributable to the cash payment of the conditional purchase price in connection with the acquisition of the KLH companies. At the time of acquisition of the 35 percent remaining shares on November 11, 2016 the conditional purchase price was measured at fair value (€ 166 thousand) and paid to the seller.

The investment volume for the year under review tallied with the target level for 2016.

30) Cash Flow from Financing Activities

Repayments amounting to € 5,953 thousand (2015: € 3,597 thousand) on short-term and long-term loans were made during the year under review. In addition the amount of € 3,136 thousand (2015: € 2,151 thousand) was distributed to shareholders. In connection with the acquisition of the shares of the KLH companies, € 2,434 thousand was paid to the former minority interests for the remaining 35 percent of the shares.

Offsetting the cash payments there are cash receipts in the amount of € 20,000 thousand from the raising of new long-term loans to finance the corporate acquisitions as well as cash receipts from the issuance of the treasury shares in the 2016 financial year in the amount of € 8,155 thousand.

31) Cash and Cash Equivalents at End of Period

Cash comprises cash on hand and demand deposits. It corresponds to the cash and cash equivalents shown on the Balance Sheet.

VII. OTHER PARTICULARS

32) Financial Instruments

The financial instruments (financial assets and liabilities) are allocated to the following categories. No offsetting of financial assets and liabilities was performed.

	Section	31/12/2016	31/12/2015
		€ '000	€ '000
Hedging instruments and liabilities reported at fair value			
Market value of interest rate swaps	17	83	144
Non-current conditional purchase price	12	1,104	346
Current conditional purchase price	17	0	9
		1,187	499
Loans and receivables			
Rent deposits	4/8	234	284
Trade receivables	6	17,787	11,552
Receivables from suppliers	8	192	19
Other financial assets	8	390	201
Cash and cash equivalents	9	23,929	19,978
		42,532	32,034
Financial liabilities measured at amortised cost			
Borrowings	11	28,092	8,058
Other non-current financial liabilities	12	7	14
Assumption of debt company acquisition GWK	12/17	496	0
Trade payables	13	4,809	2,433
Loans	17	1,102	0
Debtors with credit balances	17	434	177
Other current financial liabilities	17	764	202
		35,704	10,884

Net Gains or Losses on Financial Instruments by Measurement Category

	From interest	From subsequent measurement			From disposal	2016	2015
	€ '000	At fair value	Currency translation	Impairment	€ '000	€ '000	€ '000
		€ '000	€ '000	€ '000			
Hedging instruments and liabilities reported at fair value	-14	180	0	0	0	166	136
Loans and receivables	25	0	-21	-284	0	-280	-167
Financial liabilities measured at amortised cost	-458	0	0	0	0	-458	-433
	-447	180	-21	-284	0	-572	-464

Classifications and Fair Values

The following table shows the carrying amounts of financial assets and liabilities, including their levels in the fair value hierarchy. It does not contain any information on the fair value for financial assets and financial liabilities that were not measured at fair value if the carrying amount represents a suitable approximation of the fair value. The various levels are as follows:

- Level 1:** Quoted prices in active markets for identical assets and liabilities
- Level 2:** Valuation factors other than quoted market prices that are observable directly (i.e. as prices) or indirectly (i.e. derived from prices) for assets or liabilities
- Level 3:** Valuation factors for assets and liabilities that are not based on observable market data

	31/12/2016		31/12/2015		Fair value hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€ '000	€ '000	€ '000	€ '000	
Financial liabilities measured at fair value					
Market value of interest rate swaps	-83	-83	-144	-144	Level 2
Conditional non-current purchase price	-1,104	-1,104	-346	-346	Level 3
Conditional current purchase price	0	0	-9	-9	Level 3
	-1,187	-1,187	-499	-499	
Financial assets and liabilities not measured at fair value					
Rent deposits	234	234	284	284	
Trade receivables	17,787	17,787	11,552	11,552	
Receivables from suppliers	192	192	19	19	
Other financial assets	390	390	201	201	
Cash and cash equivalents	23,929	23,929	19,978	19,978	
Borrowings	-28,092	-28,202	-8,058	-8,289	Level 2
Other non-current liabilities	-7	-7	-14	-14	
Assumption of debt company acquisition GWK	-496	-496	0	0	
Trade payables	-4,809	-4,809	-2,433	-2,433	
Loans	-1,102	-1,102	0	0	
Debtors with credit balances	-434	-434	-177	-177	
Other current financial liabilities	-764	-764	-202	-202	
	6,828	6,718	21,150	20,919	
	5,641	5,531	20,651	20,420	
Gains (+) or losses (-) not entered		-110		-231	

There were no transfers between the fair value hierarchy levels in the financial year.

The carrying amounts for the financial instruments (for example, cash and cash equivalents, trade receivables and payable as well as other receivables and liabilities) fundamentally reflect their fair values. For receivables with a maturity of up to one year, their nominal value less the reductions for impairment applied provide the most reliable

estimate of the fair value. The fair value of receivables with a maturity of over one year is indicated by their discounted cash flows.

The financial liabilities are an exception, because differences exist between the carrying amounts and fair values. The fair value of interest-bearing liabilities is indicated by the discounted cash flows from repayments and interest payments. The current reference interest rates of banks at the balance sheet date were requested and used in deter-

mining fair values. In accordance with the term, the reference interest rates were between 0.77 percent and 2.80 percent. An appropriate risk premium was added.

The market values of the interest rate swaps are calculated on the basis of observable expected returns of major German banks on the basis of the expected present value of the future cash flows.

The fair value of the conditional purchase price obligations for the KLH companies amounting to € 166 thousand at the time of acquisition of the remaining shares on November 11, 2016 (December 31, 2015: € 355 thousand) was determined for the last time on the basis of the discounted cash flow method. The valuation model takes account of the present value of the expected payment based on the forecast revenue growth for the years 2016 and 2017 (average 7.3 percent; 2015: 4.0 percent) and the forecast EBIT margins (average 4.6 percent; 2015: 6.1 percent), discounted with a risk-adjusted interest rate of 2 percent (2015: 2 percent). Payment of the conditional purchase price obligation as measured was made in conjunction with the acquisition of the remaining shares in the KLH companies in the 2016 financial year.

The fair value of the put/call options concluded with the minority interests in the context of the corporate acquisition of the majority interest in Ovidius GmbH in the amount of € 1,104 thousand was determined on the basis of the multiples method. The valuation model takes account of the present value of the expected payment to the minority interests based on the forecast average revenue (€ 2,968 thousand) for the years 2017 to 2020 and the average EBIT margins of 6.7 percent, discounted with a risk-adjusted interest rate of 2 percent. Material non-observable factors are the average revenues, the EBIT margins and the discount rate. Due to changes in the factors over time, the fair values may turn out to be higher or lower. A reduction in the EBIT margin of one percentage point would lead to a reduction of € 135 thousand in the fair value of the conditional purchase price payment. An average 10 percent reduction in revenue would lead to a reduction of € 109 thousand. The effects of the increase in the input factors would correspondingly work against the fair value to the same extent. Changes in the discount rate by one percentage point would lead to an increase of € 52 thousand or a decrease of € 55 thousand in the fair value.

Reconciliation of Level 3 Fair Values

The following table shows the reconciliation between the opening and closing amounts for Level 3 fair values.

	Conditional purchase prices
	€ '000
Position at January 1, 2015	885
Payments	-394
Loss or income recognised as financial charges	
Change in fair value	-138
Interest costs	2
Position at December 31, 2015 / January 1, 2016	355
Acquisitions	1,090
Payments	-175
Loss or income recognised as financial charges	
Change in fair value	-180
Interest costs	14
Position at December 31, 2016	1,104

Nature and Extent of Risks Associated with Financial Instruments

The credit risk is the risk that one party to a financial instrument will cause a loss for the other party as a result of not meeting its obligations. The market risk is based on the fact that the fair value or future cash flows from a financial instrument fluctuate as a result of changes in the

market prices. The market risk assumes a more specific form in interest rate risks and exchange rate risks. The liquidity risk denotes the risk of crystallising difficulties in fulfilling financial obligations, e.g. the risk of being unable to prolong loans or secure new loans to repay loans due.

Credit Risks

A substantial part of the credit risk for technotrans relates to the risk of defaulting on trade receivables and theoretically also the risk of the banks with which technotrans has credit balances declaring bankruptcy. Banks are chosen on the basis of long-standing positive experiences and the banks' ratings.

There are credit risks equivalent to the reported carrying amounts of € 42,532 thousand. The trade receivables are to some extent covered by credit insurance; the insured volume at the reporting date was € 5,588 thousand.

The bad debt risk includes a degree of risk concentration because OEMs in the various industries account for a substantial portion of receivables. technotrans generates a high revenue share with the world's leading printing press manufacturers. The printing industry continues to undergo a process of consolidation. No significant bad debt losses were incurred in the financial year.

In the case of new customers, technotrans endeavours to limit the bad debt risk by obtaining credit information and monitoring credit limits with IT assistance.

In addition to observing credit limits, technotrans regularly agrees retention of title until goods or services have been

paid for in full. technotrans does not usually demand security from customers.

The credit risks from trade receivables can be broken down by region, customer group and age structure as follows:

	31/12/2016	31/12/2015
	€ '000	€ '000
By region		
Germany	8,215	4,382
Other eurozone countries	3,182	2,992
Rest of Europe	1,936	580
North America	2,490	1,734
South America	12	110
Asia and Middle East	1,952	1,754
	17,787	11,552
By customer group		
OEM Print	6,268	4,527
OEM (other)	4,033	1,081
End customers	7,486	5,944
	17,787	11,552
By age structure of receivables (without impairment)		
Carrying amount	17,787	11,552
of which: neither impaired nor overdue	14,202	8,347
of which: not impaired and		
overdue by up to 30 days	2,719	2,045
overdue by between 31 and 60 days	303	523
overdue by between 61 and 90 days	267	268
overdue by more than 90 days	296	369

With regard to the trade receivables that are neither impaired nor overdue, there is no indication at the balance

sheet date that the debtors will not meet their obligations to pay.

Liquidity Risk

technotrans AG uses rolling financial and liquidity planning to determine its liquidity requirements. It ensures that sufficient cash and cash equivalents are available at all times to settle liabilities. The group has an unsecured bank loan which is subject to an obligation to adhere to certain finan-

cial indicators (financial covenants). A future breach of those indicators could lead to the loan becoming repayable at an earlier date than indicated in the following table.

The future payment streams for contingent consideration (cf. Note 12) and from the interest rate swaps may differ from the amounts shown in the following table because interest rates or the relevant conditions are subject to change.

Except in the case of these financial liabilities, it is not expected that a payment stream included in the maturity analysis might arise significantly earlier or in a significantly different amount.

The cash and cash equivalents available are kept exclusively with banks with a very good credit rating. Continuing credit facilities amounting to up to € 18.4 million (2015: € 13.5 million) were also in place at the balance sheet date.

The following table shows the contractual due dates of financial liabilities, including any interest payments:

	Carrying amount	Contractual/expected payment	Due within				
			6 months	6-12 months	1-2 years	2-5 years	over 5 years
			€ '000	€ '000	€ '000	€ '000	€ '000
At December 31, 2016							
Borrowings	28,092	30,060	3,436	2,081	4,193	12,283	8,067
Other non-financial liabilities	1,359	1,359	n/a	n/a	255	1,104	0
Trade payables	4,809	4,809	4,800	9	n/a	n/a	n/a
Other financial liabilities	2,548	2,548	2,548	n/a	n/a	n/a	n/a
Interest rate swaps	83	83	38	24	18	3	0
	36,891	38,859	10,822	2,114	4,466	13,390	8,067
At December 31, 2015							
Borrowings	8,058	8,837	1,459	740	2,885	2,829	924
Other non-financial liabilities	360	360	n/a	n/a	140	220	0
Trade payables	2,433	2,433	2,413	20	n/a	n/a	n/a
Other financial liabilities	388	388	388	n/a	n/a	n/a	n/a
Interest rate swaps	144	144	10	13	49	72	0
	11,383	12,162	4,270	773	3,074	3,121	924

Market Risks

technotrans pursues the objective of only being exposed to **interest rate risks** to a limited degree. Financial liabilities of € 19,318 thousand (2015: € 2,868 thousand) were therefore raised at a fixed interest rate. Long-term, variable-rate loans are hedged by the use of interest rate swaps, which are not needed in the case of short-term loans. Variable-rate loans amounting to € 4,274 thousand

(2015: € 5,190 thousand) within this global loan amount (€ 8,774 thousand; 2015: € 5,190 thousand) are converted into fixed-rate loans by means of interest rate swaps. The group does not report any fixed-rate financial assets and liabilities at fair value through profit or loss, apart from the conditional purchase prices. Derivatives (interest rate

swaps) are not intended as hedging instruments for fair values. A change in the interest rate at the reporting date would therefore not influence the gain or loss.

The carrying amounts of the interest rate swaps are equally exposed to an interest rate risk.

The group is exposed to **exchange rate risks** in the context of its operating activities. At December 31, 2016 the trade receivables as well as the cash and cash equivalents were denominated mainly in euros; other noteworthy components were denominated in US dollars, Chinese renminbi, pounds Sterling and UAE dirhams. The foreign currency holdings quoted are held essentially by technotrans AG and the local national companies within the group.

		31/12/2016				31/12/2015		
		USD	CNY	GBP	AED	USD	CNY	GBP
Trade receivables	in thousand	2,107	4,034	342	668	1.606	4.848	283
	in € thousand	1,999	551	399	173	1.475	687	385
Cash and cash equivalents	in thousand	3,372	1,539	658	1.232	3.652	2.030	822
	in € thousand	3,199	210	769	319	3.355	287	1.120

Financial liabilities are denominated predominantly in euros.

Net investments in a foreign business exist exclusively in Brazilian reals. Changes in exchange rates would have an equity effect.

Other foreign currency risks are limited within the technotrans Group by the fact that production takes place principally within the eurozone, and that the currency of production usually corresponds to the currency in which the customer is invoiced. Where significant discrepancies occur, this exchange risk is usually hedged against by means of derivative financial instruments. There were no currency hedging transactions at December 31, 2016.

Sensitivity Analysis

A potential 10 percent appreciation or weakening in the principal foreign-exchange closing rate compared with the euro throughout the group would have had the following

effects on equity and profit after tax, assuming that all other variables, and in particular interest rates remain unchanged:

	Effect on equity		Effect on profit after tax	
	Increase	Reduction	Increase	Reduction
	+10 %	-10 %	+10 %	-10 %
in € '000				
At December 31, 2016				
USD	-700	700	-215	215
GBP	-70	70	-15	15
BRL	469	-469	8	-8
At December 31, 2015				
USD	-551	551	-121	121
GBP	-85	85	-17	17
BRL	366	-366	6	-6

The figures reflect the impact on the period under review of changes in both the closing rate and the average rate, in each case based on a 10 percent change compared with the translation rates applied in the respective consolidated financial statements.

Market risks from interest rate fluctuations exist only for the interest rate swaps. A fall in the interest rate of one percentage point would have only a marginally negative impact on the valuation of the interest rate swap and therefore on equity.

Hedging Instruments

At the balance sheet date, there existed the following derivative financial instruments for hedging against the interest rate risk for variable interest-bearing loans denominated in euros (see Note 11); including these deriva-

tive financial instruments, the financial assets and financial liabilities are not exposed to any significant interest rate risk.

	Nominal amount	Repaid	Balance	Fixed	Variable	Maturity	Fair Value
	€ '000	€ '000	€ '000	% p.a.			€ '000
Payer-Swap	3,688	3,360	328	2.81	3-month EURIBOR	Sep. 2018	-8
Payer-Swap	3,000	1,143	1,857	2.63	3-month EURIBOR	Jan. 2020	-42
Payer-Swap	1,500	0	1,500	2.70	3-month EURIBOR	June 2017	-15
Payer-Swap	1,100	511	589	3.40	3-month EURIBOR	Aug. 2020	-18

The fair values are obtained from the measurement of the outstanding items, disregarding any counter-cyclical trends in value from the positions. The fair values are cal-

culated by major German banks on the basis of discounted cash flows (Level 2 according to IFRS 13.82).

Interest Rate Swap

The nominal amount or principal amount, terms, interest payment dates, interest rate adjustment dates, due dates and currencies of the hedged item and hedging instrument are the same. In cases where a hedge exists for a future transaction, it was accounted for as a hedging relationship only if it was considered very probable that this transaction would occur. The efficiency of the hedge pursuant to IAS 39.88 (b) is high, reaching almost 100 percent. The requirements of IAS 39.88 are moreover satisfied.

The interest rate swaps are recognised as a cash flow hedge at the market price; measurement gains and losses from changes in the market price are recognised in the

hedging reserve, under equity, with no effect on income. The fair value of the hedging instruments at the balance sheet date is recognised at € 83 thousand (2015: € 144 thousand) under the current "Other liabilities" (Note 17). The underlying loan transactions are measured at amortised cost, using the effective interest method.

The deferred tax on the negative market prices of € -18 thousand was netted against the hedging reserve in the financial year with no effect on income, with the result that the negative balance of the hedging reserve amounted to € 58 thousand at the reporting date.

	€ '000
Opening level at January 1, 2015	-134
Amount transferred to the Income Statement	93
Change of the market values of cash flow hedges	-44
Deferred tax on these not affecting income	-15
Level at December 31, 2015 / January 1, 2016	-100
Amount transferred to the Income Statement	77
Change of the market values of cash flow hedges	-17
Deferred tax on these not affecting income	-18
Closing level at December 31, 2016	-58

33) Future Payment Obligations

	31/12/2016			31/12/2015	
	up to 1 year	1 to 5 years	over 5 years	Total	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Tenancy and operating lease agreements	1,889	3,360	373	5,622	4,883
Maintenance agreements	676	270	0	946	720
Other	7,246	7	0	7,253	108
	9,811	3,637	373	13,821	5,711

The future payment obligations are measured at their nominal amount; amounts in foreign currency were measured at the closing rate.

The maintenance agreements relate in the main to the ERP data processing system.

The future obligations from tenancy and lease agreements relate primarily to tenancy obligations for the business premises of subsidiaries and to the vehicle leasing agree-

ments concluded. The expenditure for tenancy and lease agreements (minimum lease payments) in the year under review amounted to € 2,430 thousand (2015: € 1,900 thousand).

By deed of August 16, 2016 GWK Gesellschaft Wärme Kältetechnik mbH acquired the business premises in Meinerzhagen at a purchase price of € 7,150 thousand. The transfer of title and payment of the purchase price are subject to a condition precedent.

34) Personnel Expenses

	2016	2015
	€ '000	€ '000
Wages and salaries	43,830	34,806
Christmas bonus (Christmas shares)	227	218
Other compensation components (Shares)	35	29
Social insurance	7,961	6,237
Expenses for retirement benefits and maintenance payments	887	871
	52,940	42,161

The wages and salaries item also includes payments made in connection with the termination of employment of € 335 thousand (2015: € 115 thousand).

Social insurance comprises expenditure for defined contribution plans (employer contributions to the compulsory state pension scheme) totalling € 3,591 thousand (2015: € 2,373 thousand).

In the reporting period 2,162 (2015: 2,187) ordinary shares were distributed in the form of remuneration components; all shares had previously been acquired on the market under the share buy-back arrangements. Furthermore, 9,254 (2015: 11,967) ordinary shares in technotrans AG were distributed to employees by way of a Christmas bonus. These ordinary shares were acquired on the market in the 2016 financial year prior to issuance.

At the time of their issuance, the total fair value of these shares was € 262 thousand (2015: € 247 thousand). This represents a market value of € 16.34 and € 21.75 per share on the respective issuance dates.

35) Total Employees, Yearly Average

	2016	2015
Average number of employees	990	810
of which in Germany	831	650
of which abroad	159	160
Technicians/skilled workers	621	503
Academic background	225	180
Trainees	82	74
Other	62	53

36) Related Parties

“Related parties” include the members of the Board of Management and Supervisory Board of technotrans AG, as well as their close family members.

Since the 2011 financial year the remuneration system for the Board of Management has met the latest standards and the statutory requirements of the Act on the Appropri-

ateness of Management Board Compensation (German VorstAG). Please refer to the “Report on the Remuneration System of the Board of Management” in the Management Report for the group for information on the payment components.

Payments to Members of the Board of Management and Supervisory Board

	2016	2015
	€ '000	€ '000
Board of Management		
Regular payments		
of which fixed	717	689
of which variable	726	503
	1,443	1,192
Supervisory Board		
Regular payments		
of which fixed	79	79
of which variable	105	90
	184	169

In addition to the remuneration paid in the financial year, the members of the Board of Management are entitled to a profit share of € 416 thousand (2015: € 387 thousand) that is conditional on the attainment of future targets focusing on sustainability.

The regular payments to the Board of Management (fixed) include payments by the company for defined contribution plans totalling € 90 thousand (2015: € 90 thousand).

No employer's pension commitment has been made towards the members of the Board of Management, nor have loans been granted to them or surety obligations accepted on their behalf.

The members of the Board of Management and Supervisory Board are listed separately in the section "Corporate Bodies".

Directors' Holdings (Board of Management and Supervisory Board Members)

	Shares	
	31/12/2016	31/12/2015
Board of Management		
Henry Brickenkamp	47,037	47,037
Dirk Engel	20,000	20,000
Dr. Christof Soest	10,764	18,764
Supervisory Board		
Reinhard Aufderheide	3,380	3,366
Dr. Norbert Bröcker	250	250
Heinz Harling	64,854	64,854
Dr. Wolfgang Höper**	0	0
Thomas Poppenberg	656	610
Helmut Ruwisch*	0	1,500
Dieter Schäfer	0	0
Family members		
Marian Harling	500	1,000

* Member of Supervisory Board until 12/05/2016

**Member of Supervisory Board since 12/05/2016

37) Corporate Governance

The Board of Management and Supervisory Board submitted the Declaration of Conformity pursuant to Section 161 of German Stock Corporation Act in September 2016 and

provided permanent access to it for shareholders and interested parties on the company's website (www.technotrans.de).

38) Events Occurring after the Balance Sheet Date

The date for release of the annual financial statements by the Board of Management pursuant to IAS 10.17 is March 6, 2017. These Consolidated Financial Statements are subject to approval by the Supervisory Board (Section

171 (2) of German Stock Corporation Act).

No further events of particular significance affecting the financial performance, financial position or net worth of the company occurred after the end of the 2016 financial year.

PROPOSAL OF THE APPROPRIATION OF PROFIT

The Board of Management and Supervisory Board will propose to the Annual General Meeting that the accumulated profit of technotrans AG of € 6,290,207.22 as reported in

the individual financial statements be distributed as follows:

	€
Distribution of a dividend of € 0.55 per no par value share on share capital of € 6,907,665.00 bearing dividend entitlements	3,799,215.75
Profit carried forward	2.490.991,47
Accumulated profit	6.290.207,22

The dividend shall be payable on May 17, 2017.

Sassenberg, March 6, 2017

technotrans AG
The Board of Management



Henry Brickenkamp



Dirk Engel



Dr. Christof Soest

RESPONSIBILITY STATEMENT BY THE MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the combined management report of the

group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Sassenberg, March 6, 2017

technotrans AG
The Board of Management



Henry Brickenkamp



Dirk Engel



Dr Christof Soest

INDEPENDENT AUDITOR'S REPORT

We have audited the Consolidated Financial Statements prepared by technotrans AG – comprising the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Cash Flow Statement, Statement of Movements in Equity and Notes – as well as its report on the situation of the company and the group for the financial year from January 1 to December 31, 2016. The preparation and the content of the Consolidated Financial Statements and Combined Management Report in accordance with IFRS as adopted by the EU, and in accordance with the supplementary requirements under commercial law pursuant to Section 315a (1) of German Commercial Code, are the responsibility of the company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and Combined Management Report on the basis of our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 of German Commercial Code, observing the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that we can establish with reasonable assurance whether the representation of the financial position and financial performance, as reflected in the Consolidated Financial Statements in keeping with the applicable accounting standards, as well as in the Combined Management Report, contains any material misstatements and irregularities. Knowledge of the business activities and the economic and legal environment of the group as well as evaluations of possible misstatements are taken into

account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the amounts and disclosures in the Consolidated Financial Statements and Combined Management Report are examined predominantly on a test basis within the framework of the audit. The audit includes assessing the individual financial statements included in the Consolidated Financial Statements, the definition of the group, 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 Combined Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, formed on the basis of our audit, the Consolidated Financial Statements are in accordance with IFRS, as adopted by the EU, as well as with the supplementary requirements under commercial law pursuant to Section 315a (1) of German Commercial Code and, on the basis of those requirements, give a true and fair view of the financial position and financial performance of the group. The Combined Management Report is in agreement with the Consolidated Financial Statements, complies with the statutory requirements, on the whole provides a suitable understanding of the group's position and suitably presents the risks of future development.

Bielefeld, March 13, 2017

KPMG AG

Wirtschaftsprüfungsgesellschaft



Andreas Blücher
Independent Auditor



Wolf Schröder
Independent Auditor

FINANCIAL CALENDAR

Publication	Date
Annual Report 2016	2017-03-14
Interim Report 1-3/2017	2017-05-05
Annual Shareholder Meeting 2017	2017-05-12
Interim Report 1-6/2017	2017-08-22
Interim Report 1-9/2017	2017-11-07

THE SUCCESS STORY

Milestones in the company history of technotrans

2016	Acquisition of GWK Gesellschaft Wärme Kältetechnik mbH technotrans AG acquires remaining shares in all KLH companies (Bad Doberan, Singapore, Taicang)
2015	Growth strategy is 'on track' technotrans group expands its business outside the printing industry up to 35 percent
2014	Legal form of Termotek AG, Baden-Baden and gds AG, Sassenberg into a GmbH Debut of mobile cooling systems for batteries and chillers for charging stations and converter at InnoTrans, Berlin - international trade fair for Transport Technology
2013	Acquisition of majority interests in KLH Kältetechnik GmbH and its sister companies in Singapore and PR China
2012	Partnership with KLH Kältetechnik GmbH resulting in increased presence in the market for laser cooling systems Merger of Chinese production operations at the KLH location in Taicang Spray lubrication for forming technology makes debut at the Euroblech show Acquisition of a majority interest in Sprachenwelt GmbH by gds AG
2011	Acquisition of Termotek AG technotrans becomes serial supplier of the toolsmart (for cooling lubricant preparation) to Sauer GmbH
2010	Transfer of technical operations for ink supply systems from Gersthofen to Sassenberg Cooperation with Termotek AG, resulting in entry into the laser market Business units define and evaluate 30 projects outside the printing industry
2009	Production operations are halted at the Mt. Prospect (USA) and Gersthofen (Germany) locations and transferred to Sassenberg, and the structures in Asia are consolidated
2008	Two employees' representatives are elected to the Supervisory Board (One-Third Employee Representation Act)
2007	Establishment of the subsidiary in Dubai (UAE) Establishment of the subsidiary in Moscow (Russia) Opening of a further sales and service office in Shanghai, China Opening of a further sales and service office in Melbourne, Australia

2006	<p>Merger of the two American production locations in Chicago</p> <p>Establishment of the subsidiary in Brazil</p> <p>Opening of a further sales and service office in Madrid, Spain</p>
2005	<p>Construction of new production plant at Gersthofen, near Augsburg</p>
2004	<p>Opening a further sales and service office in Yokohama, Japan</p>
2003	<p>Consolidation of international production capacities and relocation of assembly from technotrans graphics Ltd., Colchester (Great Britain), to Sassenberg</p>
2002	<p>Transfer of activities from Atlanta to the principal American location in Chicago</p>
2001	<p>Takeover of the American Steve Barberi Company Inc. and its subsidiary, Farwest Graphic Technologies LLC, of Corona, near Los Angeles, California (USA), renamed technotrans america west, inc.</p> <p>Takeover of the Electroforming Division of Toolex International N.V., which now operates as technotrans scandinavia AB, Tåby, Sweden</p> <p>Establishment of technotrans japan k.k. as a sales and service company</p> <p>Establishment of technotrans china Ltd., Hong Kong, as a sales and service company</p>
2000	<p>Takeover of the American company Ryco Graphic Manufacturing, Inc. (Chicago) and merger with technotrans america inc.</p>
1999	<p>Founding of technotrans technologies pte. ltd. in Singapore</p> <p>Founding of the subsidiary technotrans italia s.r.l. in Milan</p> <p>The subsidiary technotrans systems GmbH is merged with technotrans AG</p>
1998	<p>Takeover of BVS Grafische Technik GmbH, which is renamed technotrans systems GmbH</p> <p>Initial public offering</p>
1997	<p>Transformation into a stock corporation</p> <p>Founding of technotrans printing equipment (Beijing) Co. Ltd., People's Republic of China</p>
1995	<p>technotrans america inc. is established in Atlanta, Georgia (USA)</p>
1993	<p>technotrans france s.a.r.l. is founded</p>
1992	<p>technotrans becomes original equipment supplier for the Heidelberg Speedmaster and MAN-Roland 700 presses</p>

- 1990 Management Buy-out
technotrans graphics ltd. is founded in Colchester, Great Britain
Launch of the new system component concept for ancillary equipment on printing presses
technotrans is one of the world's three largest suppliers of dampening solution preparation systems
- 1987 Launch of the first ink roller temperature control systems
- 1981 Development of a separate product line for dampening solution preparation systems
- 1977 Production of the first dampening solution equipment
- 1973 Initial contacts with the audio media and printing industry
- 1970 Founding of the company

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CONCEPT AND DESIGN

EQS Group AG, Munich and technotrans AG, Sassenberg

PRINT

Darpe Industriedruck GmbH & Co. KG, Warendorf

printed on Heidelberg Linoprint C751

VCSEL-technology (Vertical Cavity Surface-Emitting Laser) for brilliant picture quality

electrostatic transfer system with four cylinder and integrated transfer belt

oil-free bad fixation technique

waxed-based PxP toner



Member of
the technotrans group

☒ technotrans
☒ gds
☒ termotek
☒ klh
☒ gwk

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