



Annual Report 2018

**MOVE
FORWARD**

KEY DATA OF THE TECHNOTRANS GROUP (IFRS)

	Δ previous year	2018	2017	2016	2015	2014
Revenue (€ '000)	5.5%	216,286	205,095	151,792	122,838	112,371
Technology (€ '000)	6.0%	156,476	147,570	103,623	81,457	73,758
Services (€ '000)	4.0%	59,810	57,525	48,169	41,381	38,613
EBITDA (€ '000)	-0.2%	22,599	22,654	14,045	12,187	9,873
EBITDA margin (%)		10.4	11.0	9.3	9.9	8.8
EBIT (€ '000)	-0.5%	17,351	17,438	9,731	8,952	6,830
EBIT margin (%)		8.0	8.5	6.4	7.3	6.1
Net profit for the period¹ (€ '000)	1.6%	12,383	12,191	7,192	6,262	4,381
as percent of revenue		5.7	5.9	4.7	5.1	3.9
Net profit per share (€)	1.7%	1.79	1.76	1.09	0.96	0.67
Dividend per share (€)		0.88*	0.88	0.55	0.48	0.33
Balance sheet (€ '000)	8.6%	136,032	125,307	121,445	76,043	74,534
Equity (€ '000)	7.9%	75,244	69,750	61,880	51,725	47,470
Equity ratio (%)		55.3	55.7	51.0	68.0	63.7
Return on equity (%) ²		16.5	17.5	11.6	12.3	9.4
Net debt³ (€ '000)	> 100%	19,435	9,291	5,267	-11,575	-4,763
Free cash flow⁴ (€ '000)	> -100%	-3,753	150	-12,649	8,542	4,821
Employees (average)	8.4%	1,402	1,293	990	810	771
Employee (FTE) (average)	9.2%	1,236	1,132	856	697	670
Personnel expenses (€ '000)	6.8%	75,374	70,588	52,941	42,160	39,808
as percent of revenue		34.8	34.4	34.9	34.3	35.4
Revenue per employee (FTE) (€ '000)	-3.3%	175	181	177	176	168
Number of shares at end of period		6,907,665	6,907,665	6,907,665	6,530,588	6,516,434
share price max (€)		47.90	50.75	24.77	19.90	9.56
share price min (€)		24.00	22.17	15.75	9.21	7.41

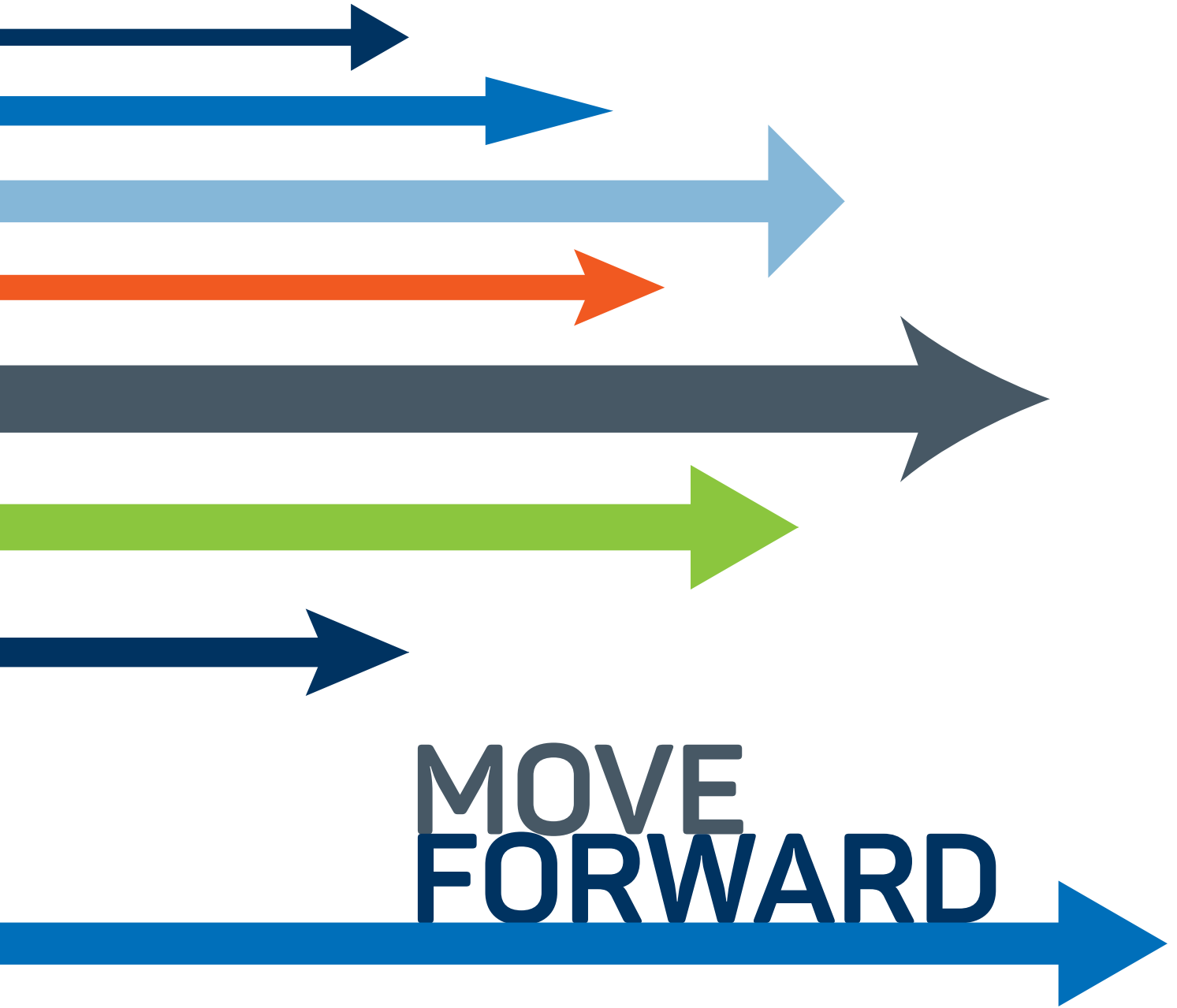
¹Net profit for the period = Profit attributable to technotrans SE shareholders

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

³Net debt = financial liabilities – cash and cash equivalents

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

*Proposal to the Shareholder Meeting



MOVE
FORWARD

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For the sake of better legibility, we do not use gender-differentiating formulations throughout. The terms in question apply to all genders in a spirit of equal rights. The abbreviated language form is used solely for editorial reasons and does not represent any value judgement.

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

LETTER FROM THE BOARD OF MANAGEMENT

Dear Shareholders,

In its first financial year operating under the new legal form of Societas Europaea, technotrans SE maintained its growth trajectory and increased its revenue yet further from the previous year's all-time high. At the same time, the 2018 financial year once again highlighted the importance of a well-oiled team for tackling the challenging economic environment. We are well equipped with internationally active employees and the new Board of Management lineup and, in keeping with our "Move Forward" motto, intend to make methodical progress along our chosen growth pathway.

2018 was yet another good year for technotrans. Including our acquisitions of the past year, consolidated revenue climbed € 11.2 million to € 216.3 million. Both reporting segments contributed positively: Technology grew by six percent and Services by four percent. Profitability did not entirely keep pace with this repeatedly strong revenue growth, with EBIT at the previous year's level of € 17.4 million. The revenue and earnings performance achieved thus largely confirms technotrans' most recent forecasts.

After an initially bright start to 2018, the economic environment took a marked downturn in the second half of the year, with economic momentum slowing both throughout the euro zone and in Germany. The effects of US trade policy and the slowdown in the automobile industry in particular had an impact on German export trade.

Thanks to robust corporate development, we are convinced that our chosen strategy points in the right direction. It has been demonstrated that having more diversified market access can also compensate for variations in economic conditions. We will use the stability this has brought us to secure further growth – with sustained intensity. At the same time, we intend to exploit the effects of our steadily growing group of companies even more effectively, for increased productivity. The medium-term goal of € 300 million in annual revenue remains our point of reference!

The print area continues to be a core business area of our Group. The 2018 financial year saw us step up activities based on our long-standing cooperation with the leading printing press manufacturers (OEMs), as a technology partner offering high standards of quality and service. Our broad product range is used successfully both in offset printing and in digital and flexo printing. However technotrans is not immune to ongoing consolidation in the printing industry's end user markets, and we consequently registered slight falls in revenue in this area in fiscal 2018.

In the plastics processing industry, we took a big step towards achieving our goal of increased market penetration. With the purchase of Reisner Cooling Solutions GmbH, Holzwickede, and the takeover of the business operations of Hahn Enersave GmbH, Wiehl, we expanded our technology-heavy business area in the plastics processing industry. We set about integrating both businesses with huge commitment directly after their acquisition. We anticipate that the human resources and financial input for this will already deliver benefits in the 2019 financial year.

The areas of the laser and machine tool industry as well as stamping and forming technology likewise played a part in our positive business performance in 2018. We are steadily increasing our market shares across the entire performance range of cooling and temperature control technology, filtration and separation, and pumping and spraying technology. Based on positive feedback from our customers, we expect this success story to continue.

The successful development in our growth markets, in which we have bracketed together our activities in the areas of electric mobility along with medical, scanner and semiconductor technology, continued as expected in the year under review, yielding high double-digit revenue growth. This development was driven especially by the increasingly dynamic area of electric mobility. It saw us strengthen our position as a specialist for both mobile and stationary battery cooling systems. technotrans cooling units are finding increasing use especially in bus and rail vehicles. We also develop cooling systems for quick-charging stations (high-power chargers) for cars; these are used both in inverter units and for cooling the charging leads. We are in talks with existing and potential customers over a wide array of other prospective applications. We are further encouraged in our approach by the fact that a growing number of manufacturers of medical appliances, high-speed baggage scanners and also EUV lasers are opting for technotrans solutions.

We are well prepared for the growth we are targeting: particularly the increase in qualified employees is therefore something we regard as an investment in the future. We are also creating additional capacity with the construction of our new production plant in Baden-Baden. We envisage that the facility at the new location will be ready to start production in August 2019.

We offer our customers a comprehensive 360° service across the entire range of products and services. Especially thanks to our international network, more and more customers are opting for technotrans. To round off our range of services, we also produce technical documentation. The Service area continued to function as a steady source of revenue and profit in the 2018 financial year.

We are delighted that our Group of companies has used the current economic conditions to grow successfully, while also preparing for the forthcoming challenges of the future. In light of the above, our plans for the current year envisage revenue in the range of € 224 to 232 million. We expect earnings (EBIT) of between € 17.5 million and 19.0 million. As always, these figures do not yet contain contributions by potential acquisitions. Global economic development as well as various project starts with existing and new customers will be key to our business performance in the 2019 financial year. In that respect, from the present perspective our cautious assessment of the market trend will stand us in good stead.

Alongside purely organic growth, business acquisitions will also play a significant part in the expansion of business activities. New strategic partnerships offer vital additional growth potential for sustained positive development by the technotrans Group.

On behalf of the entire Board of Management I would like to thank our business partners, the management of our Group companies and our team of now more than 1,450 employees for their high commitment in the 2018 financial year. You are all the drivers of our entrepreneurial activity.

Particular thanks are due to you, Dear Shareholders. We deeply appreciate your confidence in our day-to-day work and our strategic decisions.

It encourages us in our venture to add further to the value of your company.

Our shares are an investment instrument for the long term. In that spirit we can look forward with confidence and would be delighted at your continued involvement.

Dear Shareholders, as you can see technotrans maintained its profitable growth in the 2018 financial year. We want you to share appropriately in this successful development and propose the distribution of a dividend of € 0.88 per share.

Wishing you an enjoyable read of this Annual Report.

On behalf of the Board of Management



Dirk Engel



› Board of Management technotrans SE: Hendrik Niestert, Dirk Engel, Peter Hirsch (f.l.t.r.)

„Our **thanks** go to all
employees of the technotrans-

Group. The same applies to all
shareholders who accompany us
on our journey.“

The Board of Management

2018

- › Acquisition of Reisner Cooling Solutions GmbH
- › Transformation: technotrans AG becomes technotrans SE
- › gwk Gesellschaft Wärme Kältetechnik mbH takes over major patents, technologies and assets of Hahn Enersave GmbH
- › Takeover of the remaining shares in gwk Gesellschaft Wärme Kältetechnik mbH

 **reisner**



2016

- › Acquisition of gwk Gesellschaft Wärme Kältetechnik mbH
- › technotrans AG acquires remaining shares in all KLH companies (Bad Doberan, Singapore, Taicang)
- › Acquisition of a majority interest in Ovidius GmbH by gds GmbH

 **gwk**



 **ovidius**

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



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



2017

- › Foundation of technotrans Grundstücksverwaltungs GmbH
- › Consolidation and strengthening of competences at technotrans group (taicang) location - takeover of the operative business operations of KLH cooling International Pte. Ltd, Singapore and GWK Heating and Cooling Technology (Shanghai)



- › Growth strategy is 'on track'
- › technotrans group expands its business outside the printing industry up to 35 percent



2015

2013

- › Acquisition of majority interests in KLH Kältetechnik GmbH and its sister companies in Singapore and PR China

 **klh**



 **termotek**

- › Acquisition of Termotek AG
- › technotrans becomes serial supplier of the toolsmart (for cooling lubricant preparation) to Sauer GmbH



2011

2008

- › Two employees' representatives are elected to the Supervisory Board (One-Third Employee Representation Act)



2004

- › Opening a further sales and service office in Yokohama, (Japan)



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



2006

- › Merger of the two American production locations in Chicago
- › Establishment of the subsidiary in Brazil
- › Opening of a further sales and service office in Madrid, (Spain)



- › Production operations are halted at the Mt. Prospect (USA) and Gersthofen (Germany) locations and transferred to Sassenberg

- › gds becomes an independent division within the technotrans Group



2009



- › Construction of new production plant at Gersthofen, near Augsburg



2005

- › Establishment of the subsidiary in Dubai (UAE)
- › Establishment of the subsidiary in Moscow (Russia)
- › Opening of a sales and service office in Shanghai, (China)
- › Opening of a sales and service office in Melbourne, (Australia)



- › Consolidation of international production capacities and relocation of assembly from technotrans graphics ltd., Colchester (Great Britain), to Sassenberg



2007



2003

2000

- › Takeover of the American company Ryco Graphic Manufacturing, Inc. (Chicago) and merger with technotrans america inc.



1995

- › technotrans america inc. is established in Atlanta, Georgia (USA)



2002

- › Transfer of activities from Atlanta to US headquarters in Chicago



1998

- › Takeover of BVS Grafische Technik GmbH, which is renamed technotrans systems GmbH
- › Initial public offering



- › Takeover of Steve Barberi Company, Inc., subsidiary of Farwest Graphic Technologies LLC, Corona, California
- › technotrans america west, inc.
- › Takeover of the Electroforming Division of Toolex International N.V., › technotrans scandinavia AB, Täby, (Sweden)
- › Establishment of technotrans japan k.k., Kobe and technotrans china ltd. Hongkong as service company



2001



- › Transformation into a stock corporation
- › Founding of technotrans printing equipment (Beijing) Co. Ltd., People's Republic of China



1997



- › Founding of technotrans technologies pte. ltd. in Singapore
- › Founding of the subsidiary technotrans italia s.r.l. in Milan
- › The subsidiary technotrans systems GmbH is merged with technotrans AG

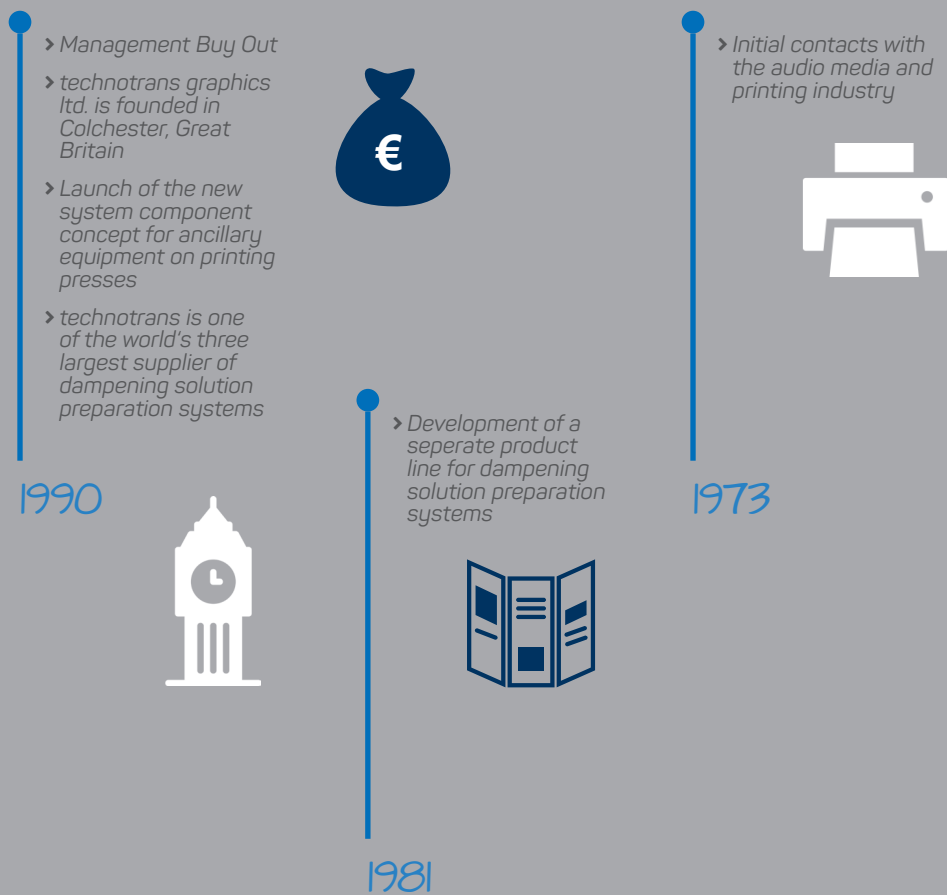
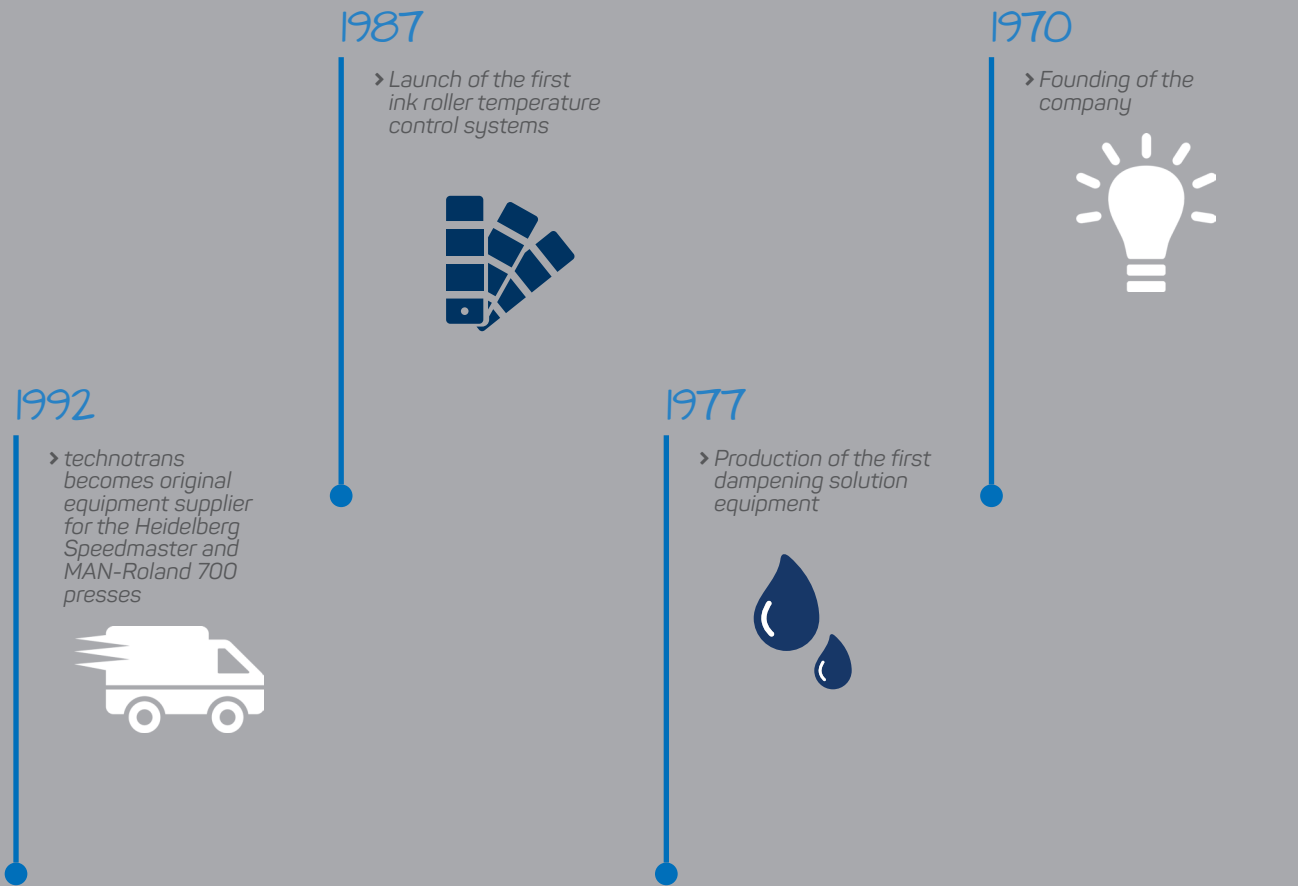
- › technotrans france s.a.r.l. is founded



1999



1993



REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the past financial year of 2018 the Supervisory Board of technotrans SE performed the duties incumbent upon it under the law and in accordance with the Articles of Association and the Rules of Procedure – initially as the Supervisory Board of technotrans AG and following the conversion of the company into technotrans SE as the Supervisory Board of technotrans AG – with considerable care. 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 questions of compliance, strategy and planning. Significant business transactions by 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 statutory reporting obligations as well as with the reporting obligations under the German Corporate Governance Code. 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 Board of Management of important occurrences that are of material significance for evaluating the situation, progress and management of the company.

One particular area of focus of our activities this year, alongside the conversion of technotrans AG into a European Company (Societas Europaea, SE), was the appointment of three new Board of Management members.

In total, the Supervisory Board met for four regular meetings in the presence of the Board of Management in the 2018 financial year, taking place on March 12 and May 17 as the Supervisory Board of technotrans AG, and on September 25 and December 7, 2018 as the Supervisory Board of technotrans SE. The Supervisory Board also discussed matters in telephone conferences and passed resolutions by circulation procedure. 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 SE and the Group, in particular the current development in revenue, earnings and employment as well as the results of operations and net assets. 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. In the form of a constituent meeting, an extraordinary meeting of the Supervisory Board was in addition held immediately after the Annual General Meeting on May 18, 2018 at which the modifying conversion to the SE was approved.

An extraordinary Supervisory Board meeting of the Supervisory Board of technotrans AG was held on **January 8, 2018**. In light of the departure of Dr Soest with effect from January 1, 2018 the focus of this meeting was on the appointment of two new Board of Management members along with the concluding of the corresponding contracts of employment with Dr Andreas Schmid and Hendirk Niestert. By resolution of the Supervisory Board dated April 13, 2018 Dr Schmid left the Board of Management through dismissal for cause. The Supervisory Board appointed Peter Hirsch as his successor with effect from July 1, 2018.

The Supervisory Board again oversaw the management activities of the Board of Management in the 2018 financial year, regularly advised the Board of Management on the running of the company, and – following thorough examination and consultations – approved the transactions that require its consent in accordance with the law and the Articles of Association. These include decisions and measures which are of fundamental significance for the financial position and results of operations of the company.

Key themes of the Supervisory Board meetings in 2018

A defining feature of the past financial year was the methodical development of the business activities of technotrans SE and the operational and strategic development of its participating interests and the divisions. Other recurring discussion and agenda items included the general acquisitions strategy and the strategic position of the company. In addition, the Supervisory Board continuously addressed the process that had been started in 2017 of technotrans AG's conversion into an SE. At its regular meetings the Supervisory

Board also considered the reports by the Board of Management on the business situation, aspects of risk management, preventive compliance work and corporate governance.

The first ordinary meeting on **March 12, 2018** focused on the presentation and discussion of the 2017 annual financial statements of technotrans AG, the technotrans 2017 Consolidated Financial Statements and the accompanying resolution, as well as approval of the agenda for the Annual General Meeting on May 18, 2018 together with the resolution proposals set forth therein. These concerned such matters as the appointment of KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, as auditors of the annual financial statements and Consolidated Financial Statements for the 2018 financial year and by-elections to the Supervisory Board due to terms of office ending with the close of the Annual General Meeting on May 18, 2018. At the proposal of the Nominating Committee, Dipl.-Ing Heinz Harling and Dr Norbert Bröcker were put forward for re-election. Each was elected as a shareholder representative by a large majority at the Annual General Meeting.

Another topic for discussion at the Supervisory Board meeting on March 12, 2018 was the Non-Financial Group Report, which was to be presented for the first time for 2017. Further agenda items on March 12, 2018 included in particular status reports on the modifying conversion of technotrans AG into a European (public limited-liability) Company and the presentation of corresponding draft agreements, as well as reports on ongoing M&A projects. In addition, the Supervisory Board gave its consent to a financing concept presented by the Board of Management in connection with forthcoming investments in the 2018 financial year.

The Supervisory Board meeting held on **May 17, 2018** before the Annual General Meeting concerned itself with the preparations for the event 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 2018. The Board of Management in addition reported on the Group's current strategic position. That meeting's consultations also focused on the purchase of the business operations of Reiser Cooling Energy GmbH, Holzwickede, and of HAHN ENERSAVE GmbH, Wiehl, by way of an asset deal. Furthermore, the Supervisory Board authorised the Board of Management to acquire the remaining 2% in gwk Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen.

The constituent meeting of the Supervisory Board of technotrans SE took place immediately after the Annual General Meeting on **May 18, 2018**. That meeting had the purpose of electing the Chairman of the Supervisory Board and their Deputy Chairman, forming the Supervisory Board committees, approving the rules of procedure for the SE Supervisory Board and SE Board of Management, and in particular appointing the first Board of Management of technotrans SE. At this meeting, Dipl.-Ing Heinz Harling was again elected as Chairman of the Supervisory Board and Dr Norbert Bröcker as Deputy Chairman. In addition, Dirk Engel and Hendirk Niestert were appointed as members of the Board of Management of technotrans SE. Mr Engel was furthermore designated Chief Executive Officer of technotrans SE.

The Supervisory Board meeting on **September 25, 2018** took place – as the Supervisory Board of technotrans SE – at the location of KLH Kältetechnik GmbH in Bad Doberan. In addition to the business performance of the Group between January 1, 2018 and August 31, 2018 this meeting's priorities were the technical developments in individual product lines of the technotrans Group and the corporate strategy, the business development of KLH Kältetechnik GmbH and corporate governance of the Group. A new Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) was resolved at this meeting. The current Declaration of Compliance was made permanently available to shareholders on the website of the company.

The final meeting of the Supervisory Board on **December 7, 2018** looked at the forecast for 2018 and the budgeting for the 2019 financial year including revenue, cost, profit, investment and human resources planning, rough planning for the next few years as well as the concluding of new target agreements for the Board of Management for the 2019 financial year. After full discussions and consultations, the Supervisory Board approved the annual plans submitted by the Board of Management for the 2019 financial year. The Supervisory Board also addressed the widening and amendment of the compliance management system and compliance organisation.

To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees. The Supervisory Board currently has an Audit Committee (members: Dieter Schäfer [Chairman], Heinz Harling and Dr Wolfgang Höper), a Committee for Board of Management Affairs (Members: Heinz Harling [Chairman], Dr Norbert Bröcker and Dr Wolfgang Höper) and a Nominating Committee (members: Heinz Harling [Chairman], Dr Norbert Bröcker, Dr Wolfgang Höper and Dieter Schäfer) with the task of proposing suitable Supervisory Board candidates to the Supervisory Board for its election proposals to the Annual General Meeting.

The **Committee for Board of Management Affairs** (Personnel Committee) met on **January 8, 2018** and addressed in particular general human resources developments concerning the composition of the Board of Management, the new appointment to be made in connection with the exit of Dr Soest and the personnel selection process that this necessitated, as well as how to handle the announcement of the end of Mr Brickenkamp's term of office on the Board of Management following the expiry of his contract on June 30, 2018.

Beyond the meeting, this task also included identifying suitable successor candidates, interviewing applicants and preparing the signing of contracts. At its meeting on **April 12, 2018** the Personnel Committee dealt with preparations for the circular resolution by the full Supervisory Board passed on April 13, 2018, in which the former Board of Management member Dr Andreas Schmid was dismissed for cause. All members attended all meetings of the committee. In a further meeting on May 18, 2018 the Personnel Committee addressed the appointment of an additional member of the Board of Management. The resolution of the full Supervisory Board on the appointment of Peter Hirsch as additional member of the Board of Management of technotrans SE was passed on June 5, 2018 by circulation procedure. All members attended all meetings of the committee.

The **Audit Committee** met twice in the past financial year, on **March 5, 2018** as a Supervisory Board committee of technotrans AG and on **December 6, 2018** as a Supervisory Board committee of technotrans SE, in each case in the presence of representatives of the auditors as well as Board of Management members. It dealt with matters relating to the annual financial statements for the 2017 financial year, financial reporting, controlling and risk management. Other aspects included fiscal matters, compliance audits, assuring the necessary independence of the auditors, the recommendation of the Audit Committee to mandate the auditors with the audit task for 2018 as well as the audit of the 2018 annual financial statements. The Audit Committee additionally dealt with the new statutory requirements regarding non-financial reporting by enterprises.

A further area of focus in the Audit Committee's work in the 2018 financial year involved preparing and implementing a transparent and non-discriminatory process for the selection of the auditors for the 2019 financial year. For this, the Audit Committee resolved to launch an invitation to tender procedure pursuant to Art. 16 of the EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014) at its extraordinary meeting on **August 28, 2018**. Following careful examination of the applicants, the Audit Committee presented the Supervisory Board with a reasoned recommendation of two proposals with a preference for one of the two proposals, namely PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Osnabrück.

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 SE 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, Düsseldorf. The firm provided legal advice for technotrans SE on a variety of topics in the past financial year. The Supervisory Board of technotrans SE approved the individual activities of Hoffmann Liebs as well as the consultancy fees arising, in each case in the context of the Supervisory Board meetings stated above. 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.

The annual financial statements of technotrans SE and the Combined Management Report for technotrans SE and the Group for the 2018 financial year have been prepared in accordance with the requirements of German law. The Consolidated Financial Statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted in the European Union (EU). The audit reports and accounting records for the 2018 financial year as well as the Board of Management's proposal on the appropriation of profit for the 2018 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 1, 2019 and by the Supervisory Board at its meeting on March 11, 2019. The Audit Committee addressed in particular the key audit matters

described in the respective audit certificate, including the audit procedures conducted. The examination by the Supervisory Board also comprised the non-financial disclosures for technotrans SE and the Group incorporated into the Combined Management Report. At both meetings, the responsible representatives of 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 SE for the 2018 financial year prepared by the Board of Management in accordance with the German Commercial Code (HGB) and the Consolidated Financial Statements for the 2018 financial year, as well as the Combined Management Report, were examined by the auditors and were in each case granted an unqualified audit opinion.

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 11, 2019 signed off the annual financial statements and Consolidated Financial Statements prepared by the Board of Management. The examination of the non-financial declaration equally did not give rise to any objections. The annual financial statements for the 2018 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.

At its meeting on **March 11, 2019**, taking into account the recommendation and preference of the Audit Committee on the election of the auditors, the Supervisory Board moreover adopted the resolution proposal to the Annual General Meeting. This decision was based on the declaration of the Audit Committee that its recommendation was free from any improper influence by third parties and that no clauses restricting choice within the meaning of Art. 16 (6) of the EU Audit Regulation were imposed on it.

The Supervisory Board takes this opportunity to thank the Board of Management and all employees of the Group for their commendable dedication. Together they all showed great dedication in shaping the company's ambitious development in the 2018 financial year. Furthermore, the Supervisory Board's huge thanks are again due to the employees' representatives for their constructive and open-handed cooperation with the company's executive bodies. In addition, it extends its express thanks to the shareholders for their involvement in technotrans SE, which in some cases extends back over a lengthy period. The Supervisory Board would also especially like to thank Henry Brickenkamp, who left the Board of Management at his own request mid-way through 2018, for his work, through which he made a dedicated and effective contribution to the company's successful development in recent years.

We take this opportunity to welcome the new Board of Management members Hendirk Niestert and Peter Hirsch, and wish them a successful future in the technotrans Group.

The Supervisory Board has adopted this report of the Supervisory Board by resolution dated March 11, 2019 pursuant to Section 171 (2) of the German Stock Corporation Act (AktG).



Heinz Harling
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

The joint report by the Board of Management and Supervisory Board of technotrans SE on corporate governance, including the Declaration of Compliance with the Code approved in September 2018 in accordance with Article 3.10 of the German Corporate Governance Code regarding the Corporate Governance Declaration.

Corporate governance means a responsible form of 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, openness and transparency in corporate communications, and the suitable handling of risks.

The Board of Management and Supervisory Board consider themselves obliged to preserve the company as a going concern and create value sustainably. Corporate governance at technotrans SE takes the German Corporate Governance Code as its benchmark. The Board of Management and Supervisory Board have submitted the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG).

We believe sound corporate governance is an essential component of sustained corporate success. Responsible, value-led corporate management and transparent corporate information are important elements in every area of the company. In that respect, the German Corporate Governance Code serves as a guideline for the implementation of generally accepted standards of sound, sustainable corporate management.

Corporate Governance Declaration

The Corporate Governance Declaration in accordance with Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) to which the Combined Management Report makes reference is published on the technotrans website at <https://www.technotrans.com/en/investor-relations/corporate-governance/corporate-governance-declaration.html>.

Corporate Governance Declaration

The Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) contains the Declaration of Compliance with the German Corporate Governance Code, relevant disclosures on corporate governance practices and the description of the modus operandi of the Board of Management and Supervisory Board as well as of their composition and the modus operandi of Supervisory Board committees, the specified targets according to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act (AktG) and the disclosures on attainment of the targets as well as a description of the diversity concept pursuant to Section 289f (1) No. 6 of the German Commercial Code (HGB).

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

The Board of Management and Supervisory Board of technotrans SE issued the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) [<https://www.technotrans.com/en/investor-relations/corporate-governance/declaration-of-compliance.html>] most recently in September 2018 with the following wording:

Declaration of Compliance (2018)

"Since the Declaration of Compliance last submitted in September 2017 technotrans SE has complied with the recommendations of the German Corporate Governance Code (DCGK) as amended on February 7, 2017 (announced in the Federal Gazette on April 24, 2017) with the exception of the following departures, and will moreover comply with the recommendations of DCGK in the future, with the following 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 every Board of Management member, and that template specimen tables be used for this information.

technotrans SE discloses the remuneration of each individual Board of Management member in agreement with the applicable statutory requirements, broken down into non-performance-related and performance-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 to be 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 (AktG).

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 and draw up a skills profile for the overall board. With regard to its composition, within the context of the specific situation of the company it should take suitable 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 current 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 Annual General Meeting should take account of these goals while also seeking to reflect the skills profile.

The implementation status is to be published in the Corporate Governance Report. This report should also provide details of what the Supervisory Board believes to be an appropriate number of independent members.

For its proposals to the Annual General Meeting for the election of new Supervisory Board members, the Supervisory Board should ensure that the candidate in question can set aside the anticipated time required. The proposal of a candidate should also be accompanied by a CV providing information on relevant knowledge, skills and experience; this should be supplemented with an overview of the principal activities alongside the non-executive directorship and an updated version be published for all Supervisory Board members every year on the website of the company. In its election proposals to the Annual General Meeting, the Supervisory Board should disclose the personal and business relationships of every candidate with the business, with the corporate bodies of the company and with a shareholder holding a material stake in the company.

technotrans SE has for many years imposed an age limit of 67 (at the time of election) to membership of its Supervisory Board. The Supervisory Board has in addition drafted an objective and a skills profile, in which it considers both the composition of the overall board and the skills of the individual members. It thus addresses such issues as the desirability of an international composition, diversity and independence, but also how much time each Supervisory Board member has available. In addition, the Board of Management and Supervisory Board are now of the opinion that the intention pursued by the Code can also be achieved without the need to state specific goals, for example in the area of diversity or in terms of a limit on how long a person may serve on the Supervisory Board, and that defining further goals would actually hinder the Supervisory Board in selecting suitable members. In that respect the Supervisory Board only meets the recommendations of Article 5.4.1 of DCGK with restrictions, despite the skills profile it has approved and the associated objective.

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.

Also with regard to time available and the new recommendation to publish the CVs of the candidates and Supervisory Board members, technotrans SE will continue to observe the recommendations in Article 5.4.1 of DCGK. Personal and business relationships are equally disclosed.

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 (AktG). 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.

The Supervisory Board will continue to report on the implementation status of its objective and its assessment of the independence of the Supervisory Board members in the Corporate Governance Report.

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.”

› Information on Corporate Governance Practices

In addition to the recommendations, the German Corporate Governance Code contains further suggestions. The presentation and explanation of departures from these suggestions is not required by law. However technotrans also takes the suggestions of the German Corporate Governance Code as its basis for corporate management.

The recommendations and suggestions of the Corporate Governance Code as well as the statutory requirements form an integral part of the day-to-day working practices of the Board of Management and Supervisory Board. The committees examine compliance with the standards at regular intervals, to ensure that the issues at stake are always observed in the interests of the shareholders, the employees and not least the company itself.

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. The specific principles and basic rules governing our actions as well as our behaviour towards business partners and the public are summarised in the technotrans Code of Conduct [<https://www.technotrans.com/en/investor-relations/corporate-governance/compliance.html>].

Compliance as the entirety of Group-wide measures to comply with the law and binding internal regulations is an important management and supervisory task at technotrans. The Board of Management has unambiguously declared its rejection of antitrust violations and corruption in the technotrans Code of Conduct.

This Code of Conduct is binding for all employees of the technotrans Group. It defines fundamental, globally valid standards of conduct and describes what conduct is expected of the employees. It is the duty of superiors to support their employees in this. A breach of the law even by a single employee could seriously harm the reputation of our company and cause considerable damage to technotrans, including in the form of financial losses.

technotrans does not tolerate any breaches of the law and will not protect any parties responsible against official sanctions. Breaches of the law, international standards and internal regulations may result in disciplinary measures (including termination of employment) and may result in criminal or civil prosecution. It is almost always possible to avoid infringements by seeking timely advice from the superior, the department responsible (e.g. Human Resources) or the Compliance Officer. In addition, any suspected or actual breach of the law or corporate guidelines must be reported.

The particular significance of compliance at technotrans is highlighted by the fact that a member of the Board of Management is responsible for the Group functions Legal & Compliance. That member of the Board of Management reports regularly on compliance matters to the Supervisory Board and Audit Committee. The Chief Compliance Officer is responsible for the management of the compliance programme. He reports directly to the member of the Board of Management for Legal & Compliance.

All these principles are implemented with the help of existing programmes and management systems. We provide detailed information through sustainability reporting on our website as well as in the “Basic Profile of the Group” section of the 2018 Annual Report.

› Management and Control

technotrans has a two-tier management system. The distribution of tasks between the Board of Management and Supervisory Board is based on the German Stock Corporation Act (AktG), the Articles of Incorporation and the rules of procedure for the Board of Management and Supervisory Board.

The **Board of Management** is collectively in charge of operations. In the 2018 financial year it comprised three members and is overseen by the Supervisory Board in accordance with the statutory requirements and the Articles of Incorporation. The members of the Board of Management and Supervisory Board are listed at the appropriate point in the Annual Report (under "Corporate Bodies").

Notwithstanding their individual portfolios, the members of the Board of Management are jointly responsible for management. The management of the subsidiaries and the heads of the various functions and product areas each report to one member of the Board of Management. The Board of Management is advised, overseen and monitored by the Supervisory Board. It reports regularly, promptly and comprehensively to the Supervisory Board on all material issues concerning the business performance and corporate strategy, as well as on potential risks.

The composition of the **Supervisory Board** of technotrans SE is laid down by law and in detail in the Articles of Incorporation. Four of the six members of the Supervisory Board are elected by the shareholders, and two members are elected representatives of the employees. In addition, the Supervisory Board has defined targets for its composition. The Supervisory Board and its committees have adopted rules of procedure.

Details of the composition of the corporate bodies and of the distribution of responsibilities between the members of the Board of Management are equally provided in the section "Corporate Bodies".

The shareholders of technotrans SE exercise their rights through the Annual General Meeting. The **Annual General Meeting** normally takes place in the month of May. The Annual General Meeting is chaired by the Supervisory Board Chairman. The Annual General Meeting decides on all tasks assigned to it by law (including the appropriation of profits, discharge of the Board of Management and Supervisory Board, election of Supervisory Board members, capital measures and amendments to the Articles of Incorporation).

› Modus Operandi of the Board of Management and Supervisory Board as well as Composition and Modus Operandi of their Committees

By law, the members of the Board of Management are jointly authorised to manage the company. A detailed list of responsibilities and portfolios is provided in the Annual Report, in the section "Corporate Bodies". All members are closely involved in operating activities.

The Supervisory Board appoints the members of the Board of Management, in accordance with the law and the Articles of Incorporation. It issues the Board of Management with rules of procedure that contain a list of transactions requiring the approval of the former, as well as a schedule of responsibilities.

The Board of Management members normally attend the meetings of the Supervisory Board and submit written and oral reports on the individual agenda items and draft resolutions, as well as answer the questions of the Supervisory Board members.

The Supervisory Board has adopted rules of procedure. The Supervisory Board receives the agenda and a detailed written document one week in advance of its meetings. The Supervisory Board Chair reports to the shareholders at the Annual General Meeting on the activities of the Supervisory Board and its committees. The Supervisory Board Chair in particular regularly meets the Board of Management and discusses topical issues with it. Outside these meetings, the Board of Management informs the Supervisory Board Chair of current developments.

To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees. The Nominating Committee (members: the shareholders' representatives on the Supervisory Board; currently Dr Norbert Bröcker, Heinz Harling, Dr Wolfgang Höper and Dieter Schäfer) proposes suitable candidates for Supervisory Board elections at the Annual General Meeting. An Audit Committee was in addition formed (members: Dieter Schäfer, Dr Wolfgang Höper, Heinz Harling) and a Personnel Committee for Board of Management Affairs (members: Heinz Harling, Dr Norbert Bröcker and Dr Wolfgang Höper). The Audit Committee meets in the presence of the auditors and the members of the Board of Management, and concerns itself with matters relating to the annual financial statements, the presentation of the accounts, controlling and risk management, fiscal matters, compliance, assuring the independence of the auditors, commissioning the auditors with the audit task, identifying the priority areas for the audit, and agreeing the fee. The interim reports to be published are discussed in advance by the members of this committee. The Supervisory Board examines the efficiency of its work at least once a year with the aid of a structured questionnaire.

› **Goals for the Composition of the Supervisory Board and Board of Management Pursuant to Section 111 (5) of the German Stock Corporation Act (AktG)**

The Supervisory Board is open to women serving on both the Supervisory Board and the Board of Management. Having said that, the Supervisory Board wishes to emphasise that for both future proposals to the Annual General Meeting for the election of Supervisory Board members and appointments to the Board of Management, it will continue to prioritise the knowledge and specialist qualifications of the candidates, irrespective of their gender.

In September 2015, the Supervisory Board therefore set both the target for the proportion of women on the Supervisory Board and the target for the proportion of women on the Board of Management as zero, in a reflection of the fact that these targets correspond to the current proportion of women on either board. The first implementation periods for these targets ended respectively on June 30, 2017. The proportion of women on the Supervisory Board and Board of Management did not change in the implementation period. For the period following June 30, 2017 the Supervisory Board again set the target for the proportion of women on the Supervisory Board and Board of Management as zero. In order genuinely to find the most suitable candidates (whether male or female) for the Board of Management and Supervisory Board to maintain the successful development of technotrans SE, the Supervisory Board supports leaving the targets as zero percent.

Specifically in light of the experience in recruiting new members of the Board of Management in the 2018 financial year, the Supervisory Board takes a critical view of numerical targets because these additionally complicate the selection processes employed. The new implementation periods run until June 30, 2022. The Supervisory Board nevertheless does not rule out the proposal of a female candidate for election to the Supervisory Board or the appointment of a woman to the Board of Management before June 30, 2022, should a suitable opportunity arise to appoint a female candidate whom the Supervisory Board considers to be suitable. The Supervisory Board was also receptive to such a move for the new appointments made in the 2018 financial year. Nevertheless, two men were ultimately appointed to the Board of Management.

› **Goals for the Filling of Management Functions Pursuant to Section 76 (4) of the German Stock Corporation Act (AktG)**

When filling management functions in the company, the Board of Management considers diversity and in particular seeks to give appropriate consideration to women. The Board of Management sets the targets for the proportion of women in both management tiers below Board of Management level. In September 2015, the Board of Management therefore set a target of around 6 percent for the proportion of women in the first management tier of technotrans SE below the Board of Management, and a target of around 17 percent for the proportion of women in the second management tier below the Board of Management. These targets were equally to be achieved or maintained by the deadline of June 30, 2017. In the implementation period, the proportion of women in the first management tier was increased from 6 to 11 percent and therefore by more than the targets set. In the second management tier, however, the proportion of women remained below the target of 17 percent during the first implementation period, at 9 percent. Within the short first implementation period up until June 30, 2017 there arose one vacancy in the second management tier, which it has not yet been possible to fill with a female manager.

The Board of Management is receptive to involving and promoting women in senior positions. In light of the comparatively small number of senior positions at technotrans SE, however, it does not consider merely belonging to a particular gender in itself to be an appropriate criterion for the selection of management employees. When choosing candidates to fill management posts, the Board of Management therefore looks primarily at the qualifications of the candidates. Past experience has shown that applying these criteria when giving appropriate consideration to women in the two management tiers below the Board of Management is a process that is evolving over a period of many years.

For the period after June 30, 2017 the targets of 11 percent and 9 percent now apply to the first two management tiers below the Board of Management, in each case with implementation periods up until June 20, 2022. The retention of the current status quo of 11 percent and 9 percent respectively is justified by the fact that, in light of the comparatively small circle of first and second-tier managers at technotrans SE, the existence of even one vacancy at the cutoff date can mean the self-imposed targets are significantly undershot. Conversely, replacement with a suitable female candidate at short notice or unexpectedly may lead to an unexpectedly positive rise over and above the target levels. In that respect, the targets are not especially suitable for implementing actual changes in the composition of management tiers at technotrans SE. Notwithstanding this, the Board of Management sets itself the target of developing and increasing the actual proportions in the first and second management tier. technotrans SE will report on the implementation of the targets in accordance with the statutory provisions.

› **Transparent Corporate Communications**

technotrans attaches importance to an open and transparent corporate policy and corporate communications. As well as clear, intelligible content, this aspect entails equal access to information about the company for all target groups.

technotrans attaches considerable importance to the internet as an information medium that is independent of time and place, and moreover freely accessible. technotrans' website accordingly provides visitors with a wide range of well-structured information about every aspect of the company. In the "Investor Relations" section, for instance, comprehensive financial information about technotrans can be called up, such as Annual and Interim Reports, ad hoc information and press releases. All information is posted on the website simultaneously in German and English.

In addition, the timings of the principal recurring events, e.g. the publication dates of the Annual and Interim Reports as well as the date of the Annual General Meeting, are summarised in a "Financial Calendar". This calendar also indicates which investor events technotrans is attending. All dates are published sufficiently well in advance and posted on technotrans' website. The dates for the publications take account of the requirements of the stock exchange rules of the Frankfurt Stock Exchange for securities listed in the Prime Standard.

When understood and lived out in this way, corporate governance strengthens trust in the company among shareholders and capital markets, but also employees, customers and suppliers.

Diversity Concept for the Composition of the Board of Management and Supervisory Board (Section 289f (1) No. 6 of German Commercial Code [HGB])

I. Diversity Concept for the Composition of the Board of Management

The diversity concept for the composition of the Board of Management with regard to international make-up, diversity of professional experience, educational background and age as well as composition by gender takes particular account of the following aspects:

- › For diversity in the composition of the Board of Management, the Supervisory Board seeks a variety of professional and international experience as well as suitable participation of both genders. However the diversity concept is not the overriding criterion applied in the selection of Board of Management members; rather, the knowledge, specialist qualifications and personality of the individual candidates remain the area of focus. To that extent the diversity concept serves as a supplementary guideline in the selection of suitable Board of Management candidates.
- › At least one member of the Board of Management should have particular international experience.
- › Breadth of experience as a result of age should be considered when selecting candidates, and the age of the Board of Management as a whole should not be allowed to become too high.
- › The members of the Board of Management are to contribute a variety of professional experience and expertise. This is to comprise both professional training and specialist experience at various companies and in various positions over their career.
- › Reference is made to the remarks on the specified targets with regard to diversity of composition by gender.

The goal is to achieve the most suitable and promising composition of the Board of Management as a whole by implementing the aspects pursued. The Supervisory Board considers the company management to be comprehensively well equipped in this regard. The composition of the Board of Management was changed in the 2018 financial year. The diversity concept as well as the fundamental personal and specialist qualifications remained the decisive criteria. Candidates with widely varying career paths in terms of age, professional experience and internationality were identified in the personnel selection process and their services secured for technotrans SE. This further increased diversity in the Board of Management.

II. Diversity Concept for the Composition of the Supervisory Board

The diversity concept for the composition of the Supervisory Board with regard to international make-up, diversity of professional experience, educational background and age as well as composition by gender takes particular account of the following aspects:

- › For diversity in the composition of the Supervisory Board, the Supervisory Board seeks a variety of professional and international experience as well as suitable participation of both genders. However for its objective and the candidates proposed to the Annual General Meeting the overriding criterion applied is not the diversity concept; rather, the knowledge, specialist qualifications and personality of the individual candidates remain the area of focus.
- › At least one-third of the shareholders' representatives are to have several years' international experience, e.g. in advising or working for international businesses.
- › In its composition the Supervisory Board is to offer both industry experience and diversity of specialist expertise. It is expressly desired that Supervisory Board members should have diverse professional backgrounds.
- › At the time of their election the members of the Supervisory Board are not yet to have reached the age of 67. Exceptions may be permitted in justified individual cases.
- › Reference is made to the remarks on the specified targets with regard to diversity of composition by gender.

The goal pursued with the diversity concept and the general targets concept for the Supervisory Board are to give technotrans SE a balanced Supervisory Board that possesses wide-ranging expertise and is especially well equipped to perform its supervisory task successfully. There were no changes to Supervisory Board in 2018. Its members addressed the targets principle and diversity concept in depth and will continue to attach high relevance to this topic in the future.

CORPORATE BODIES

Board of Management



Dipl.-Kfm. Dirk Engel (52)
Spokesman of the Board of Management

Since 2004 Head of Corporate Accounting, since 2006 Chief Financial Officer, since March 12, 2018 Spokesman of the Board of Management

Responsible for **Finance and Administration**
(Finance/Controlling, Human Resources, IT, Legal & Compliance and Investor Relations)



Dipl.-Ing. Peter Hirsch (46)
Member of the Board of Management

Since 2013 Business Development Manager, since 2014 Managing Director of Termotek GmbH, since July 1, 2018 member of the Board of Management

Responsible for **Technology and Operations**
(Research & Development, Electrical Engineering, Business Units, Production, Purchasing and Logistics)



Dipl.-Ing. (FH) Hendirk Niestert (43)
Member of the Board of Management

Since 2007 Head of Service, since February 1, 2018 member of the Board of Management

Responsible for **Markets** (Sales, Service, Quality Management and Marketing)

Dipl.-Wirtsch.-Ing. Henry Brickenkamp

Member of the Board of Management until June 30, 2018

Dr.-Ing. Dipl.-Phys. Andreas J. Schmid

Member of the Board of Management until April 13, 2018

Supervisory Board



Reinhard Aufderheide

technotrans SE, Sassenberg
(employees' representative)



Dr. Norbert Bröcker

Deputy chairman of the supervisory board
Partner of law firm Hoffmann Liebs Partnerschaft von
Rechtsanwälten mbB, Düsseldorf

Member of the nominating and personnell comittee



Dipl.-Ing. Heinz Harling

Chairman of the supervisory board
Member of the supervisory board of elexis AG
Lecturer at Hamm-Lippstadt University of Applied
Sciences

Member of the audit, nominating and personnell
committee



Dr. Wolfgang Höper

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

Member of the audit, nominating and personnell
committee



Dipl.-Ing. (FH) Thomas Poppenberg

technotrans SE, Sassenberg
(employees' representative)



Dipl.-Kfm. Dieter Schäfer

Industry consultant for machine tool manufacturing
companies
Chairman of the audit committee of technotrans SE

Member of the audit and nominating committee

TECHNOTRANS ON THE CAPITAL MARKET - SHARES

After a promising start to the year, political factors increasingly shaped the situation on the stock markets as the 2018 financial year progressed. Particularly the trade dispute between the USA and China, the British government’s struggle to determine the parameters for Brexit and not least the announced structural changes in the automotive industry in the wake of the diesel issue were contributory factors in unsettling market participants. The devaluation of the euro against the US dollar was unable to compensate for the dampening effect of the other developments.

The consequence was increased volatility on stock markets, with falling share prices. The prices of export-heavy technology companies in the small and mid-cap segments were particularly affected.

Broad-based reticence among investors was correspondingly reflected in the performance of the main indices, which as time progressed were unable to maintain their promising levels of the start of the year: the MDAX and DAX shed 17 and 18 percent respectively. The declines in the SDAX and DAXsector Technology were even sharper, with 20 and 27 percent respectively.

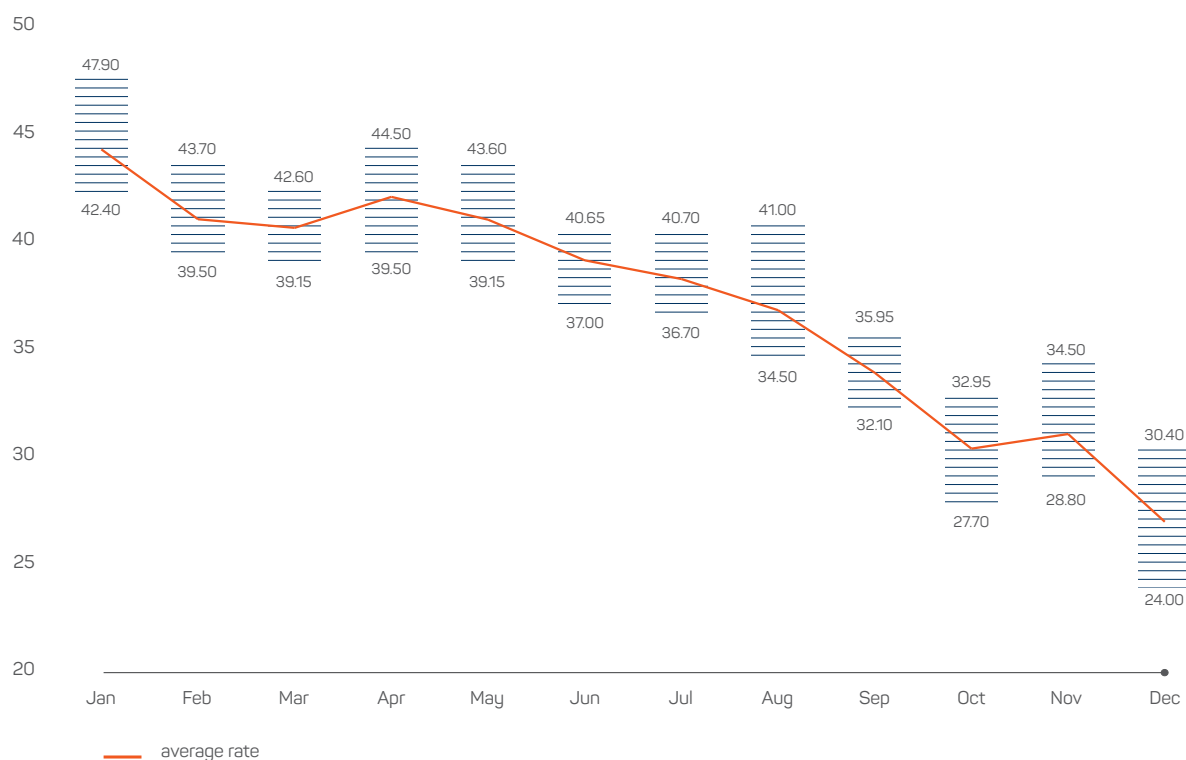
technotrans share price performance in 2018 (XETRA)



technotrans shares were unable to remain immune to this market environment and traded at EUR 24.50 on December 28, 2018 – a decline of around 46 percent on the prior-year figure. The reversal compared with the SDAX and DAXsector Technology as the relevant benchmark indices was disproportionately high. There was accordingly a substantial decline in market capitalisation from EUR 306 million to EUR 169 million (as of December 28, 2018).

As in previous years, the highest volume of trades was again achieved via XETRA. The proportion rose year on year to 85 percent (previous year: 80 percent). The daily XETRA trading volume fell to 14,287 shares (previous year: 16,192 shares).

High and low technotrans share prices in 2018 (in €)



Notwithstanding the fact that business progressed according to plan, and even though the revenue and earnings forecast were not adjusted in the course of the year, technotrans shares steadily diminished in value over the financial year.

The publications in the months of March (2017 Annual Report; all time high), August (Q2) and November (Q3) lent temporary support. None the less, the downward trend continued throughout the year despite consistently positive analyst assessments, leaving the share price only slightly above its year-low at the end of the financial year.

Capital market oriented

		2018	2017	2016	2015	2014
Trading price (XETRA closing price)						
High	in €	47.90	50.75	24.77	19.90	9.56
Low	in €	24.00	22.17	15.75	9.21	7.41
End of financial year	in €	24.50	44.30	22.90	19.30	9.28
Number of shares at the end of the period	units	6,907,665	6,907,665	6,907,665	6,530,588	6,516,434
Market capitalisation	(€ '000)	169,238	306,010	158,186	126,040	60,473
Net profit per share (basic, IFRS)	in €	1.79	1.76	1.09	0.96	0.67
Dividend per share	in €	0.88	0.88	0.55	0.48	0.33

Investor Relations Work

Our investor relations work maintains a continuous and open communication 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. The Board of Management sought a steady dialogue with existing and potential shareholders in the period under review.

Particularly in light of the unsatisfactory trading price development, a very intensive dialogue with the capital market was given high priority. The new members of the Board of Management therefore participated very actively in this process right from their appointment and, together with Chief Executive Officer Dirk Engel, assured ongoing, intensive and direct contact with the investors.

In the 2018 financial year the members of the Board of Management were available to provide further information at capital market events, conferences, roadshows in Germany and abroad, and meetings held at the company's locations. As well as regularly publishing up-to-date information on the company's development, the Board of Management held one-to-one meetings and interviews with analysts and business journalists.

We inform market participants of notable developments in the form of ad hoc information. In the 2018 financial year, we used that format in January 2018 to provide information about the changes to the Board of Management.

technotrans maintains the dialogue with private shareholders through the Annual General Meeting and personal contacts.

All in all, we again registered a high level of interest among investors in technotrans' growth-led business model in the financial year.

The systematically pursued diversification and growth strategy was assessed positively by seven (previous year: six) financial analysts (Bankhaus Lampe, M.M. Warburg, equinet, Hauck & Aufhäuser, HSBC Trinkaus und Burkhardt, ODDO BHF and – a new addition – Commerzbank). The upside targets in the financial year lay between EUR 34 and 51, with six "buy" recommendations and one rating of "neutral".

We provide regular information on key financial dates, our investor relations activities, the business performance and other aspects of relevance for financial markets in the Investor Relations section of our company's website www.technotrans.com. In addition, our Investor Relations team is available for existing and potential shareholders at any time.

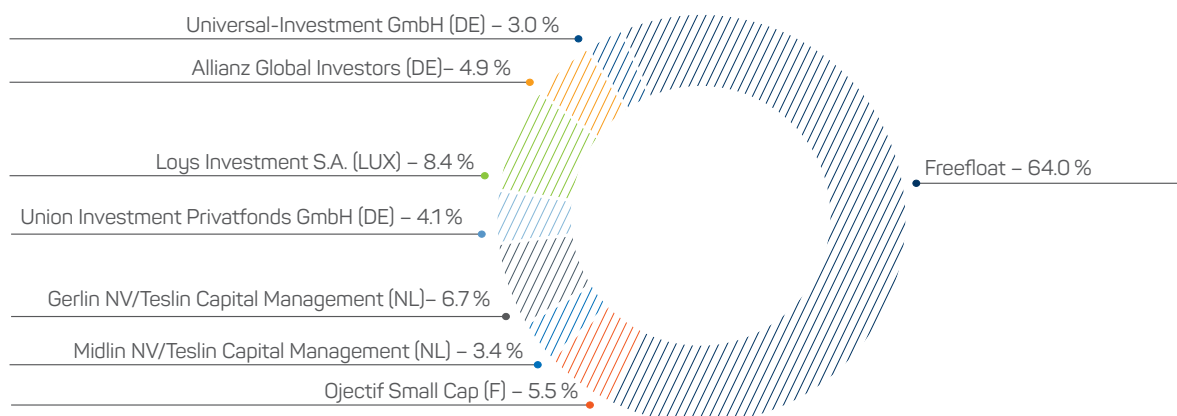
Shareholder Structure

The biggest shareholders of technotrans SE are institutional investors with long-term investment horizons from Germany and other European countries.

With effect from December 24, 2018 Teslin Capital Management BV, Maarsbergen, the Netherlands, as the manager of the funds Midlin NV and Gerlin NV, exceeded the threshold of 10 percent of the voting rights in technotrans SE. This is consequently to be classified as a material interest.

The free float at the reporting date of December 31, 2018 was around 64 percent of the share capital.

Shareholdings at the end of in %



The Board of Management and Supervisory Board propose a dividend of EUR 0.88

The Board of Management and Supervisory Board will propose to the Annual General Meeting on May 10, 2019 that a dividend of € 0.88 per share be distributed for the past financial year of 2018. This represents a distribution rate of 49.0 percent.

The dividend yield based on the closing price on December 28, 2018 is 3.6 percent.

Our profit distribution policy envisages the distribution of up to 50 percent of consolidated net profit. Our proposal ensures that our shareholders participate appropriately in the company's profit performance, in keeping with our established dividend policy.

Such a distribution is subject to the annual financial statements of technotrans SE showing an accumulated profit. This was the case for the 2018 financial year..

Dividend

Financial year		2018	2017	2016	2015	2014
Dividend per share	in €	0.88 ¹	0.88 ¹	0.55	0.48	0.33
Payout ratio	in %	49%	50%	50%	50%	49%
Amount distributed	(€ '000)	6,079 ³	6,079 ³	3,799	3,138	2,151
Dividend yield ²	in %	3.6%	2.1%	1.5%	2.8%	2.1%

¹Proposal to the Annual Meeting

²Dividend payment/technotrans trading price on day of Annual General Meeting; for FY 2018: dividend payment/technotrans trading price at year end

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

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GROUP STRUCTURE

Organisational and legal corporate structure

The technotrans Group is an internationally active technology and service company that concentrates on customer-specific applications in the field of liquid thermal management.

technotrans completed the conversion of technotrans AG into technotrans SE with effect from June 28, 2018. With the entry in the commercial register, the group of companies now trades as a Societas Europaea (SE). The dual system consisting of the Board of Management and the Supervisory Board as well as employee participation remain unaffected. On May 18, 2018, the Annual General Meeting passed a resolution to change the legal form of the company. This step did not result in any changes for shareholders. technotrans has been listed on the stock exchange since 1998. In its reporting technotrans complies with the transparency requirements of the Prime Standard.

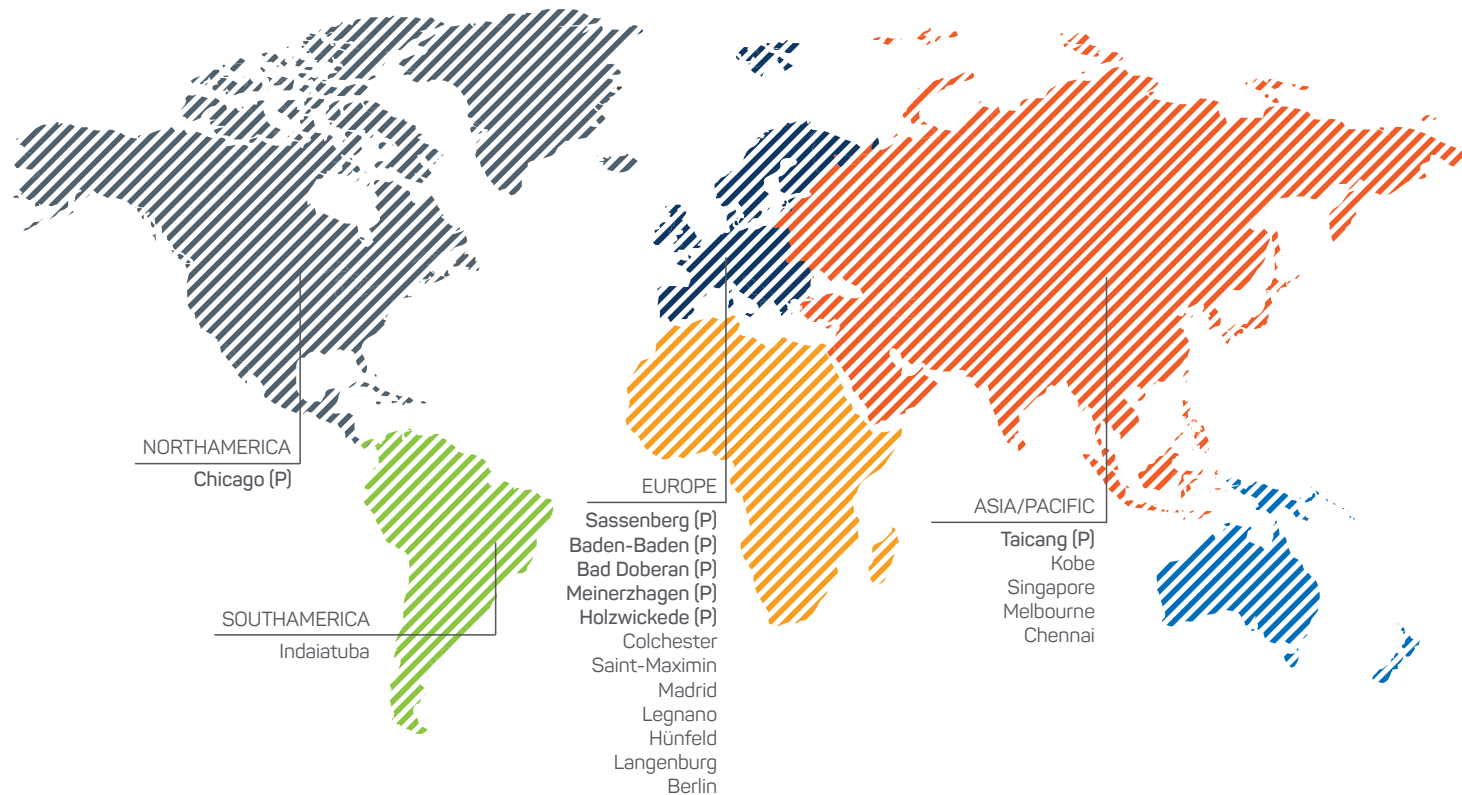
The parent company, technotrans SE, which has its registered office in Sassenberg (Westphalia), directly or indirectly has a majority interest in 19 subsidiaries. technotrans SE is managed by a Board of Management comprising three members.

The Group's structure is geared to ensuring that all companies make their contribution to expanding the Group's global market position.

With a total of 1,453 employees (December 31, 2018) at 19 locations and numerous partnerships, the technotrans Group is present in all the world's key markets.

technotrans worldwide presence

Sales and service locations, Production plants (P)



The Group operates on the one hand with the production plants and on the other with the sales and service companies. The production plants are specialised in the development and manufacture of customer-specific series. The technotrans sales and service companies are responsible for direct sales and product servicing. In addition, a key account management team looks after international key accounts.

The technotrans Group has no financial holdings. An overview of the Group's shareholdings can be found in the notes to the consolidated financial statements under „Scope of consolidation“.

technotrans made two direct growth acquisitions in the 2018 financial year:

The subsidiary newly established by technotrans SE, Reisner Cooling Solutions GmbH Holzwickede, acquired the business operations of Reisner Cooling Energy, Holzwickede from its insolvency as part of an asset deal with effect from June 1, 2018. Reisner designs and manufactures individual cooling systems for metal processing and the plastics industry.

In July 2018, gwk Gesellschaft Wärme Kältetechnik mbH acquired the business operations of Hahn Enersave GmbH, Wiehl, by way of an asset deal. This is a supplier of compact and highly efficient temperature control units and water distributors for the rubber and plastics processing industry and its end customers.

On July 7, 2018 technotrans SE acquired the remaining two percent stake in gwk Gesellschaft Wärme Kältetechnik mbH. Following the transaction, all shares are now held by technotrans SE.

With effect from the end of the financial year the business operations of technotrans middle east FZ-LLC, Dubai, UAE, were terminated and deconsolidated. The companies technotrans Asia Pacific Limited (Hong Kong) and technotrans printing equipment (Beijing) were wound up and deconsolidated with effect from December 31, 2018.

BUSINESS MODEL

Segments

The business activities of technotrans SE are divided into two segments: **Technology and Services**. In fiscal 2018, these remained the reportable segments according to IFRS.

The **Technology segment** accounts for 72 percent of Group revenue. This is where technotrans develops and markets systems and equipment based on its core competencies in liquid technology and thermal management. technotrans bundles its special expertise in cooling and temperature control (BU „temperature control“), filtration and separation (BU „fluid conditioning“) and spraying and pumping (BU „ink & fluid technology“) of liquids in three technological business units (BU). They are the result of intensive research and development as well as decades of experience. The focus is on systems and equipment that technotrans, as a leading systems supplier, develops so that - in addition to their necessary function in the respective application - they meet the specific requirements of customers with exemplary quality and efficiency.

In close cooperation with existing and potential customers, including numerous well-known industrial companies, the Group is continuously expanding its product range and thus opening up new application areas and sales markets in order to secure long-term growth.

The Technology segment is supplemented by the **Services segment** (28 percent of consolidated revenue). Numerous services, such as the worldwide supply of spare parts and repair and installation, round off technotrans' activities. This also includes customer support during maintenance and operation of the systems. In addition, further services in the field of technical documentation are allocated to this segment. The subsidiaries gds GmbH, gds Sprachenwelt GmbH and Ovidius GmbH primarily create and translate technical documentation and also market their own software solutions, which enable customers to create and manage documentation on a modular basis independently. In 2018, the documentation business accounted for around three percent of Group revenue as in the previous year.

Markets and customers

Sales and Service concentrate their worldwide activities on four sub-markets within the mechanical and plant engineering industry: the printing industry, the plastics processing industry, the laser and machine tool industry as well as separately identified growth markets.



PRINTING INDUSTRY

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



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



GROWTH MARKETS

medical/scanner technology, electromobility, semiconductors, others



SERVICES

spare parts, installations, maintenance, technical documentations

technotrans has been an important supplier and reliable partner to the **printing industry** for many years. The worldwide production volume of print products has been more than € 400 billion annually for years. A value of € 427 billion is expected for 2022. Two thirds of the printing volume are generated by sheet-fed offset, digital and flexographic printing. While sheet-fed offset still accounts for the largest share of the world's printing volume, at around 40 percent, digital printing (15 percent) and flexographic printing (13 percent) have steadily increased their shares in recent years. technotrans offers customer-specific products and services in this area and supplies virtually all of the world's leading printing companies and machine manufacturers.

PRINTING INDUSTRY

„Traditionally technotrans is a partner to printers for all processes. From offset on sheets or rolls to digital and flexo printing, we are involved in shaping the future of the various technologies. We are as much in tune with digital trends as with classic market requirements.“

Peter Böcker

Head of Sales, technotrans Print

Our market share in this area is well over 50 percent. The large installed base and the cyclical willingness to invest contribute to the fact that - in addition to the actual service - modernisation and retrofitting in the direct end customer business also represent a significant share of revenue. technotrans generates around 38 percent of its consolidated revenue in the printing industry.

The **plastics industry** is the second largest market segment, accounting for 29 percent of Group revenue. With a broad product portfolio from gwk Gesellschaft Wärme Kältetechnik mbH (gwk) and Reisner Cooling Solutions GmbH (RCS), technotrans has developed into a powerful partner for mould temperature control and machine cooling in both injection moulding and plastics extrusion. Individual temperature control and cooling machines for machine manufacturers and users in a wide range of applications as well as turnkey industrial cooling systems and products for water treatment and tool cleaning round off the product range.

A robust cooling technology optimally adapted to the application is the prerequisite for a stable and economical production process in the **laser and machine tool industry**. Together with its production companies Termotek GmbH and KLH Kältetechnik GmbH, technotrans has been serving this market for several years with high-quality system solutions in the field of cooling and temperature control, filtering and spraying liquids. The share of consolidated revenue in the past financial year amounted to around 20 percent.

The importance of electromobility is growing rapidly worldwide. technotrans supplies cooling systems for lithium-ion batteries for both mobile and stationary applications in this **growth market**. During charging, the service life of high-performance batteries in electric vehicles and stationary energy storage systems is significantly extended by the use of special cooling and temperature control systems. technotrans products are therefore used, for example, in electrically powered buses, trams and trains, as well as in AGVs (automated guided vehicles), but also in battery charging stations and energy conversion via converters. In medical and scanner technology, a further business area within the growth markets, customers rely on technotrans' customised cooling solutions as an integrated component or as an external, centralised overall concept. In 2018, the growth markets achieved a total consolidated revenue share of 10 percent.

The main business processes comprise the development, assembly, testing and sale of various liquid conditioning equipment as well as all relevant **services** for major customers and their end customers. The vertical integration approach selected enables technotrans to respond flexibly and cost-effectively to customer requirements.

The propensity of the end customer markets in which the technotrans Group operates to invest regularly plays a key role in the course of business. In turn, it is influenced by the current and expected economic situation. The cyclical fluctuations in this industry have a pronounced influence on business development due to the focus of activities on the German mechanical and plant engineering industry. The targeted expansion and diversification of business activities into high-growth sectors such as the plastics industry, the laser industry and energy storage and medical technology will help to further reduce this correlation.

With the exception of the printing industry, the market is served by a large number of suppliers in the other market segments in which technotrans is active. technotrans' competitive environment here is highly fragmented. A key success factor for technotrans is therefore its positioning as a systems supplier of complex, customised solutions with its own global service network. This is particularly true in comparison with pure component suppliers. technotrans is systematically extending its targeted market leadership in selected niche markets. This usually results in high barriers to market entry for potential competitors.

Research & Development

Financial year		2018	2017	2016	2015	2014
R&D spending ¹	(€ '000)	7,980	7,528	5,534	4,293	3,382
Innovation ratio ²	in %	5.1	5.1	5.3	5.3	4.6
Capitalisation ratio ³	in %	9.5	4.6	0.0	4.1	4.9
Capitalised development ⁴	(€ '000)	1,234	836	832	1,195	1,439

¹R&D spending pursuant to Consolidated Income Statement

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

³Capitalised development costs refer to R&D spending

⁴Residual carrying amounts

Research and development are the Group's basis for future success. The associated expenditure rose by six percent to € 8.0 million in the 2018 reporting year (previous year: € 7.5 million). At 3.7 percent, the R&D ratio (development expenditure in relation to consolidated revenue) was again at the previous year's level (3.7 percent). If, as usual, R&D expenditure is placed in relation to Technology segment revenue, the figures shown in the table are obtained.

As in previous years, technotrans generally reports development expenditure in the income statement. If the relevant conditions are met, development costs are capitalised in accordance with IAS 38 and recognised on the balance sheet as intangible assets. The development expenditure recognised as an intangible asset of 0.8 million (previous year: € 0.4 million) contrasted with depreciation and amortisation of € 0.4 million (previous year: € 0.4 million). The capitalisation ratio, i.e. the ratio of capitalised development costs to R&D expenditure, will be 9.5 percent in 2018 (previous year: 9.5 percent): 4.6 percent). Further explanations can be found in the notes to the consolidated financial statements under the notes to the balance sheet „3) Intangible assets“.

technotrans' research and development activities in the past financial year focused primarily on projects and processes aimed at enhancing energy efficiency and conserving resources in customer products. At the same time, technotrans further expanded its existing capabilities in technology-oriented areas, in particular e-mobility, in order to strengthen its market position and innovative capability on a sustained basis.

Purchasing, Production and Quality

Procurement and supply chain management are of great importance to technotrans. Organic and inorganic growth as well as increasing product diversification place many new demands on the entire materials management sector.

In addition to growth in operating business and the expansion of supplier management, the company will continue to implement optimisation concepts for procurement. The major focus remains on flexibility for the technotrans locations while at the same time expanding the lead buyer principle.

technotrans has implemented a continuous improvement process at all its production locations. Programmes to increase productivity and efficiency are continuously implemented, opportunities for improvement identified and successively implemented. The cross-site reduction of interfaces in process flows, new production concepts and optimised internal logistics concepts are just a few of the key topics Lean concepts and internal supply chain management reflect the approach and objectives. As different products and product ranges are manufactured at all locations, it is important to apply adequate optimisation concepts and to generate mutual benefits through a systematic exchange of experience.

Alongside cost efficiency, quality is a key value of technotrans products. The focus is on continuous improvements in quality management so that customers can be supplied quickly with reliable equipment in what are often short development times. technotrans also sees itself as a quality leader in the competitive arena. The introduced multi-site management approach serves to harmonise the procedures and processes of the Group's various locations and at the same time to reduce audit costs. In addition, the new quality management certificate according to DIN/ISO 9001:2015 was also issued. Here, the Group benefits from a strategic approach that includes the subsidiaries. In 2018, product quality - measured by the low warranty ratio - remained stable at a high level compared with the previous year.

GOALS AND STRATEGIES

Over the past few years, technotrans has developed into a sustainably profitable company thanks to its successful marketing activities.

The overriding objective of the technotrans Group is to achieve a long-term increase in enterprise value. The company's strategy is to continuously expand its current market position as a specialist in liquid technology (fluid management and thermal management). In order to achieve this goal, technotrans is concentrating on its core competencies and investing selectively in measures that will enable it to further expand its product portfolio and open up new areas of application. Organic growth is also generated by cooperations in the area of core competencies.

technotrans sees a further opportunity for the Group's development in targeted growth acquisitions. To this end, technotrans is constantly examining purchase options for other profitable industrial companies in the SME sector. Companies of interest to technotrans are those that operate in future-oriented industrial niche markets in which it is possible to achieve a market share in the region of 50 percent or more, taking into account their own size and available resources. This is a prerequisite for offering customers both technological and price standards due to the corresponding economies of scale. technotrans' clear focus on system partnerships with large industrial customers (OEMs) who operate worldwide and also expect this positioning from their suppliers provides a good basis for this.

Our growth potential lies in the development of new industries and applications, the expansion of our international customer base and the exploitation of cross-selling effects in the various business areas. Our strategy also includes the development of new products through technological innovation and the provision of customer-specific solutions based on standard platforms.

Increase customer benefit: Our product portfolio and processes are continuously revised and adapted to changing customer needs. As a systems supplier, technotrans has held a leading position in its product areas for many years. On the basis of our close ties with machine manufacturers and our pronounced expertise in liquid thermal management, we will continue to consolidate our role as a technology partner in the future and - if possible - expand it even further.

The implementation of our growth strategy is supported by our international sales and service locations, which are opening up new markets for our core competencies.

The digital transformation in the economy also calls for a review of the business models of the technotrans group of companies. As specialists in their niches, the Group companies are called upon to seize their opportunities at an early stage so that they can maintain or expand their market position and open up new markets.

Expand business base: By addressing diversified markets, the Group is less dependent on the cycles of individual industrial sectors. Economic fluctuations can thus be better compensated for, which significantly supports the stability of the business model. technotrans will continue to expand its business base in the future. This includes both further penetration of established markets and the opening up of new sectors and areas of application, preferably by making use of technotrans core competencies. In order to achieve technotrans' growth targets, new areas of application have been successfully established or expanded in selected submarkets of mechanical and plant engineering for a number of years.

Support for internationalisation: Today, the markets are also global for medium-sized businesses. This means that some technotrans Group companies will have to step up their international activities.

technotrans' growth strategy includes not only the organic development of new markets but also the acquisition of companies. technotrans concentrates in particular on potential transactions that support a technological or market-oriented expansion of the technotrans Group's business model. Acquisitions are generally designed in such a way that they directly make a positive value contribution. Where possible and reasonable, the owners of important know-how are also bound to the company for a longer period of time.

Strengthening integration: Within the Group, capacities and potential are networked and thus optimally exploited. The aim is to use these synergy potentials to create long-term added value in all areas of the company. In order to further increase efficiency, Group development projects will be continued, and processes and structures further harmonised. technotrans' strategy includes the systematic expansion of common infrastructures and cross-divisional functions, for example in procurement or in the international sales and service network.

Profitable growth will continue to be the focus of technotrans' strategic development in the future. The company has set itself the goal of growing faster than the market. In the medium term, Group revenue is to be increased to € 300 million. In order to achieve this goal, the Group's new growth markets in particular are expected to generate above-average revenue growth in the future. Growth-oriented measures also include the acquisition of strategic business areas, innovative technologies or products. The Board of Management aims to gradually improve the return on sales (EBIT margin).

Furthermore, a sustainable ability to pay dividends and solid financing through a high equity ratio contribute to achieving the overall Group target.

Principles and objectives of financial and liquidity management

technotrans is able to make flexible investments at any time on the basis of good liquidity in conjunction with financing commitments from banks. Financial management within the technotrans Group is controlled centrally by technotrans SE.

PLASTICS INDUSTRY

„In the growing plastics market, technotrans is an established partner to a large number of renowned businesses through gwk. And it's to our benefit that there is growing pressure on plastics manufacturers to make their production more sustainable and energy-efficient. Our solutions deliver that.“

Nico Küls

Head of Sales and Marketing, gwk

Financial and liquidity management primarily comprises liquidity management, the procurement of debt capital and the management of interest rate and currency risks. The Group largely forms a single financial entity, thus optimising capital procurement and investment opportunities. technotrans' overriding financial policy objective is to ensure a balance between growth, return on equity and financing security.

technotrans' financial management continues to focus on generating the financial resources required in each case for operating organic growth and for the investments required in this connection from its own resources.

The most important source of financing remains the cash inflow from operating activities (operating cash flow). By optimising net current assets (net working capital), cash and cash equivalents are released,

indebtedness is kept low and key balance sheet ratios (e.g. equity ratio) and return on capital are improved.

The risk limitation covers all financial risks that could jeopardise technotrans' existence. technotrans uses selected derivative financial instruments exclusively to hedge interest rate risks relating to variable-interest financial liabilities.

technotrans covers its capital requirements from operating cash flow and the raising of medium and long-term financing. In addition, the company manages the Group's financial requirements, if required, through the available short-term credit facilities of technotrans SE, Termotek GmbH, KLH Kältetechnik GmbH, gwk Gesellschaft Wärme Kältetechnik mbH and Reisner Cooling Solutions GmbH. Liabilities to banks totalled € 34.4 million as of the balance sheet date (previous year: € 23.0 million). The planned growth in the 2018 financial year is mainly related to the new construction project to expand capacity at the Baden-Baden location.

For financing purposes, technotrans makes use of its long-standing relationships with several German financial institutions. Stabilising factors in long-term financing are a broad distribution of the credit volume and a balanced repayment structure for alternative financing instruments.

There are no currency effects in the area of external financial liabilities. Within the Group, short-term and long-term loans are sometimes made between Group companies in order to ensure an extensive local supply of liquidity. In addition, as of the balance sheet date, there were significant cash and cash equivalents in EUR, USD and GBP. Instruments for hedging foreign currency positions were not used beyond the 2018 reporting date.

technotrans uses off-balance-sheet forms of financing primarily in the form of rental and leasehold leasing, in particular for IT accessories and company vehicles.

Capital structure

technotrans' capital structure is based on a solid equity base and a needs-based proportion of debt financing. With an equity ratio of 55.3 percent as of December 31, 2018 (previous year: 55.7 percent) and a total credit facility of € 47.6 million (previous year: € 40.0 million), technotrans has a viable and sustainable financing structure. On the balance sheet date, cash and cash equivalents amounted to € 15.6 million (previous year: € 14.8 million) and the committed but unutilised credit facility to € 13.2 million.

In the course of 2018, new financing loans were taken out to finance the various investment projects. As of December 31, 2018, the remaining term of the Group's existing financial liabilities averaged four years. In the past financial year, short-term financing lines were only used temporarily. At the end of the financial year, the average weighted interest rate on debt capital was around 1.6 percent (previous year: 1.7 percent). technotrans supplements financing with operating leases where this makes economic sense. Other off-balance-sheet financing instruments are of only minor importance. In 2018, there were no restrictions on the availability of the loans granted.

technotrans SE's financial and liquidity planning also assumes sufficient liquidity for its operating business in 2019 to be able to meet its foreseeable payment obligations at all times. On the basis of a solid equity base and good liquidity in conjunction with financing commitments from banks, technotrans can make flexible investments at any time. As a listed company, technotrans also has access to the instruments of the capital market.

CONTROL SYSTEM

The Board of Management of technotrans SE primarily uses financial ratios to manage the Group. The established business management system is characterised by efficient planning and control instruments. In addition, non-financial performance indicators are an important decision-making basis for corporate management.

Internal corporate management within the technotrans Group serves to monitor the implementation of the corporate strategy. The control system essentially consists of regular strategic discussions within the Board of Management and planning discussions during the year - including investment and personnel planning - with the respective managing directors of the companies as well as a monthly analysis of the respective business development. Deviations should be detected as early as possible in order to initiate suitable measures promptly if necessary. In addition to central Group reporting for overall Group and segment management, the business units operating independently on the market also have controlling resources. In addition, the managing directors monitor and analyse their respective markets and their specific competitive environment and report to the Board of Management on significant changes as well as on opportunities and risks. The Board of Management reports regularly to the Supervisory Board.

Financial performance indicators

technotrans uses the revenue and EBIT margin indicators determined on the basis of International Financial Reporting Standards (IFRS) as its central target and control parameters. These most important performance indicators are determined, planned and continuously monitored for the Group, for the Technology and Services segments subject to reporting requirements and for the individual Group companies including the parent company.

In addition, technotrans takes into account other financial parameters such as the equity ratio, the gearing ratio and the free cash flow (which is derived from the cash flow from operating activities less cash outflows from investing activities) in order to manage the group of companies.

For the 2018 financial year, it was planned at Group level to achieve revenue in the range of € 212 to 220 million and an operating result (EBIT) between € 18.0 and 20.0 million. At mid-year, these targets were moderately adjusted within the bandwidths in connection with the recently acquired businesses. Accordingly, Group revenue for 2018 should reach the upper end and operating profit the lower end of the range.

The 2018 financial year was a successful one for the technotrans Group. Overall, the targeted revenue growth of five to six percent was achieved. Both business segments again improved. With revenue of € 216.3 million in the past financial year, the Group achieved revenue in the middle of the forecast range. The weaker than expected development in the printing industry in the second half of the year and a weakening of market dynamics in the plastics and laser industries as a result of the economic situation contributed to the fact that management's expectations were not fully met.

Overall, the Board of Management of technotrans SE is satisfied with the Group's performance in the year under review. Revenue growth in the technotrans Group amounted to € 11.2 million, up 5.5 percent on 2017. As expected, the most recently acquired business operations made a revenue contribution in the low single-digit million range in the second half of the year. The Group thus achieved organic revenue growth of around 4 percent in 2018, which was also within the original forecast.

The lower revenue volume at the end of the year compared with the previous planning was again the reason why the earnings target of € 18.0 million was no longer achieved.

At € 17.4 million, the operating result (EBIT) was at the previous year's level and thus moderately below the lower end of the range of € 18 to 20 million that management most recently forecast. The EBIT margin was 8.0 percent compared with 8.5 percent in the previous year. Due to the new start-up, the acquired businesses were not yet able to make a positive contribution to earnings in the 2018 financial year. At the time of planning for 2018, an EBIT margin of 8.5 to 9.0 percent was expected.

Non-financial performance indicators

In addition to their economic objectives, all parts of the technotrans Group also pursue non-financial objectives. All significant aspects for the 2018 reporting year were summarised in a non-financial Group declaration in accordance with the CSR Directive Implementation Act.

The declaration within the meaning of Section 315b-c of the German Commercial Code (HGB) forms a special section in this combined management report (see chapter: combined non-financial statement). It is also available on the company's website at <https://www.technotrans.com/en/investor-relations/corporate-governance/csr.html>

MEDICAL AND SCANNER TECHNOLOGY

„Modern imaging diagnostics in medicine and scanners in security technology both rely on having dependable cooling systems. technotrans successfully covers both areas. Their economic development is being driven by new scientific achievements and growing user requirements.“

Holger Mehls

Key Account Manager, technotrans

DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

Overall, the expansion of the global economy slowed in the final months of fiscal 2018. According to the International Monetary Fund (IMF), global growth remained at the previous year's level of 3.7 percent in 2018.

While the economy in the euro zone and in some emerging markets weakened compared with the growth forecast at the beginning of 2018, the US economy accelerated at the same time.

Change of gross domestic product (in %)

	2018	2017
World	3.7	3.8
USA	2.9	2.2
Eurozone	1.8	2.4
Germany	1.5	2.5
China	6.6	6.9
Emerging countries	4.6	4.7

Source: International Monetary Fund, World Economic Outlook, January 2019

The German economy grew more slowly in 2018 than it has in five years. Gross domestic product (GDP) has only increased by 1.5 percent in the past twelve months compared to the previous year. In its ninth year, the German upswing has thus lost much of its momentum. According to estimates by the Ifo Institute, the economy grew by 0.2 percent in the final quarter. As recently as June, most economists had targeted a plus of well over two percent for 2018.

In the second half of 2018, Germany's exports stalled, and new tariffs and the protectionist threat slowed international trade. Growth last year was primarily driven by private consumption, with compensation of employees rising by 4.7 percent (not adjusted for inflation).

As the Verband Deutscher Maschinen- und Anlagenbau (VDMA - German Engineering Federation) has established, the industry is proving to be robust. For the year 2018 a positive balance is drawn; incoming orders were altogether five percent above the level of 2017. However, the increase in production by two percent last year missed the target of five percent that the company had set itself. For the new year, the association again expects real production growth of two percent.

The business climate recently deteriorated in all important branches of manufacturing industry. However, at 86.3 percent, capacity utilisation is still above the long-term average of 83.7 percent.

BUSINESS PERFORMANCE

The key events for the technotrans Group in the 2018 financial year included:

- › technotrans remains on course for growth.
Revenue in the Technology segment grows by six percent, in the Services segment by four percent.
- › Double-digit revenue growth in markets outside the printing industry more than compensated for the decline in revenue in this industry.
- › Operating earnings (EBIT) are moderately below the target most recently forecast by the Board of Management. Earnings remain below expectations due to the weaker revenue contribution in the second half of the year as well as the changed product mix and increased costs in connection with the production of goods and services.
- › M&A activities
technotrans takes over the business operations of Reisner Cooling Energy GmbH, a manufacturer of industrial refrigeration systems for the plastics and metalworking industries.
technotrans is also expanding its expertise in temperature control technology and integrating the business operations of Hahn Enersave GmbH into its subsidiary gwk Gesellschaft Wärme Kältetechnik mbH.
- › Changes on the Board of Management of technotrans SE
After the retirement of Dr Christof Soest (on December 31, 2017, Dr Andreas Schmid and Henry Brickenkamp, the Board of Management team is complete again with the appointment of Peter Hirsch and Hendirk Niestert.
- › technotrans AG becomes technotrans SE
technotrans completes its conversion into a Societas Europaea following approval by the shareholders at the Annual General Meeting in May 2018.
- › Ground-breaking ceremony for new Termotek building
The new location takes continuous growth into account and offers room for expansion as well as a tripling of production capacity. Production in the new building is scheduled to start in August 2019.
- › technotrans once again presents its expertise in temperature control and cooling technology at many technology trade fairs. Electric mobility is becoming increasingly important, and technotrans is recording rising demand for mobile and stationary battery cooling systems.

The Board of Management of technotrans SE is generally positive about the 2018 financial year. At the time of planning for 2018, the Board of Management expected revenue for the technotrans Group to be between € 212 million and € 220 million, assuming stable development of the global economy and supported by various project start-ups with existing and new customers. The operating result (EBIT) was to be in the range of € 18.0 to 20.0 million. With the publication of the half-year financial report and against the background of the acquisitions undertaken in the financial year, these targets were confirmed within the ranges. Accordingly, Group revenue in fiscal 2018 was to be at the upper end and operating earnings at the lower end of the range. With revenue of € 216.3 million, the Group achieved EBIT of € 17.4 million. The revenue and earnings performance achieved thus largely confirms technotrans' most recent forecasts.

The technotrans Group's balance sheet ratios also changed in 2018 as a result of growth and increased investment and financing activities in connection with the takeover of further business operations and the construction of the new Termotek GmbH production plant. Equity improved in absolute terms by € 5.4 million to € 75.2 million (previous year: € 69.8 million). The equity ratio reached 55.3 percent (previous year: 55.7 percent) and thus continued to represent a high proportion of the balance sheet total. It was thus again above the target of 50 percent.

As a result of the increased investment activity in the year under review and the higher income tax burden resulting from the previous year, free cash flow remained negative at € 3.8 million and was thus below the previous year's level.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

Revenue and earnings development

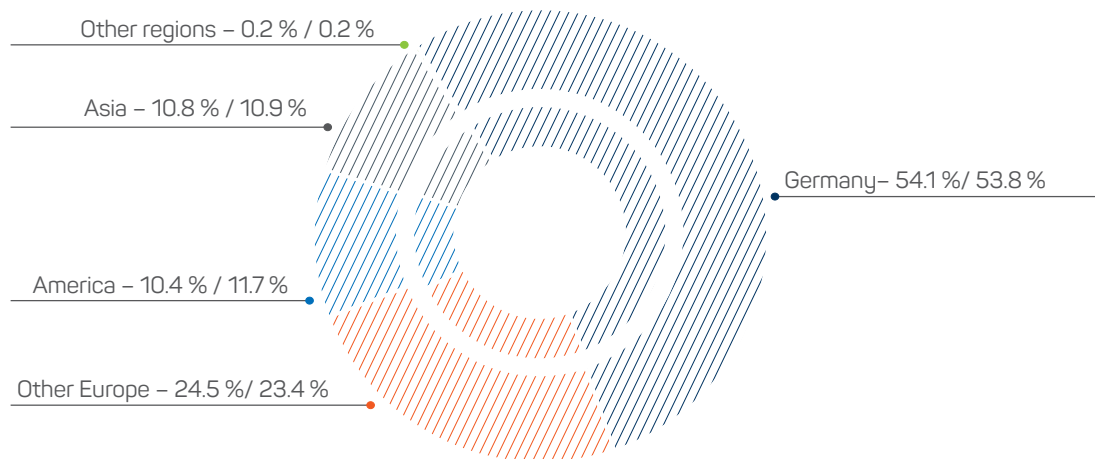
Group revenue in 2018 rose by € 11.2 million in absolute terms to € 216.3 million. Overall, technotrans recorded revenue growth of 5.5 percent at the reporting date. technotrans has thus once again succeeded in outperforming the markets themselves in terms of growth. 62 percent of consolidated revenue is now generated outside the printing industry (previous year: 58 percent).

Compared with the previous year, technotrans achieved a significant increase in revenue in the relevant markets of the plastics processing industry, the laser industry and the automotive industry, the machine tool industry and the growth markets combined, with revenue rising by 12.0 percent. Adjusted for the acquisitions made during the year, organic growth in these markets amounted to 9.7 percent. Activities in the growth markets contributed the largest revenue increase in 2018 with a plus of 38 percent over the previous year, followed by the plastics processing industry (plus 13 percent) and the laser and machine tool industry (plus 2 percent). Service revenue in the Technical Documentation segment also rose by a total of six percent.

Business with customers from the printing industry again reached a high level of revenue in the period under review, at around € 83 million, although this was 4 percent below the previous year's level. Overall, the slight decline in revenue in this market segment was more than offset by significant growth in the other markets.

Due to the customer structure in all submarkets, technotrans traditionally has a high direct share of deliveries and revenue in Germany. In fiscal 2018, the proportion of revenue generated by the Group with German customers rose from 53.8 percent in the previous year to 54.1 percent. The rest of Europe also recorded an increase of 24.5 percent (previous year: 23.4 percent) an increase over 2017. The share of revenue generated in America declined, reaching 10.4 percent in the past financial year after 11.7 percent in 2017. In the Asia region, the share of revenue remained almost unchanged at 10.8 percent (previous year: 10.9 percent). The other regions also remained constant with a 0.2 percent share of revenue at previous year's level.

Revenues by region (in %) comparison 2018/2017



In its series production business, technotrans works predominantly with industrial customers (OEMs) on the basis of call-off orders. As a rule, the equipment of certain machine models with technotrans products is agreed in advance. The time window between call-off and delivery is rarely more than four to six weeks. Due to these framework supply agreements, information on incoming orders and order backlog is not very meaningful. In addition, individual Group companies (such as gwk and Reisner) also generate revenues from the project business.

The **gross profit** for the Group, i.e. revenue less cost of sales, amounted to € 69.3 million (previous year: € 68.2 million). The 1.5 percent improvement in gross profit compared to the previous year was primarily due to the higher revenue volume and the effects of a changed product mix. Increased engineering expenses for project ramp ups of the growth markets operations had a negative impact on gross profit in the reporting period. As a result, the gross margin of 32.0 percent at the end of the year was therefore noticeably below the high prior-year level of 33.3 percent. The cost of materials is posted in entirety to the cost of sales. This rose disproportionately by 8.1 percent in 2018. At 39.7 percent, the cost of materials ratio (cost of materials in relation to consolidated revenue) therefore reached a noticeably higher level than in the previous year (previous year): 38.7 percent).

The operating result (**EBIT**) could not be increased in the past financial year; at € 17.4 million it was at the previous year's level. technotrans thus slightly missed its target of achieving EBIT of at least € 18 million in the 2018 financial year. The EBIT margin of a total of 8.0 percent (previous year: 8.5 percent) fell short of expectations. In the previous year, a € 1.0 million provision for legal costs released at the end of the year with an effect on earnings had a positive one-off effect on the annual result and the profit margin.

Margin development of technotrans group (in % and €)

	2018		2017		Change
	€ million	in %	€ million	in %	in %
Gross profit	69.3	32.0	68.2	33.3	1.5
EBITDA	22.6	10.4	22.7	11.0	-0.2
EBIT	17.4	8.0	17.4	8.5	-0.5
EBT	17.3	8.0	17.0	8.3	2.0
Annual net profit	12.4	5.7	12.3	6.0	0.9

The increase in distribution, general and administrative expenses in the financial year was significantly lower than the growth in revenue. While general administrative expenses rose by 4.4 percent to € 19.4 million (previous year: € 18.6 million), distribution expenses remained constant at € 26.5 million (previous year: € 26.5 million).

At € 8.0 million, development costs in the 2018 financial year were again higher than in the previous year (€ 7.5 million). technotrans invests in a large number of development projects in new markets. The new Group companies also have a wide range of development activities.

In the year under review, the positive balance of other operating income and expenses increased by € 0.2 million to € 2.0 million. Compared with the previous year, the effects on earnings of the release of a provision for legal costs in the previous year with an effect on income on the one hand and the net exchange rate effects on the other almost offset each other in a year-on-year comparison. In 2018, the exchange gains netted in the income statement amounted to € 0.2 million. The influence of exchange rate fluctuations on the operating result was not hedged by appropriate instruments.

As a result of the consolidation-related increase in the core workforce and a further capacity increase, the average number of employees rose by 8.4 percent to 1,402.

Taking into account the effect of moderate wage and salary increases (+three percent on average), personnel expense rose in absolute terms from € 70.6 million in the previous year to € 75.4 million in the year under review. The technotrans Group's personnel expenses ratio (personnel expenses in relation to consolidated revenue) thus rose slightly overall to 34.8 percent (previous year: 34.4 percent).

STAMPING AND FORMING TECHNOLOGY

„Ever since its introduction, our low-mist spray lubrication has been winning over customers in the field of metal processing. With the compressed-air-free lubrication systems, we have successfully transferred our technological experience from the printing industry to a new market segment.“

Reinhard Skricek

Sales Manager, technotrans industrial system solutions

After deduction of the expense items, the operating result before depreciation (**EBITDA**) amounts to € 22.6 million (previous year: € 22.7 million). The Group thus achieved an EBITDA margin of 10.4 percent after 11.0 percent in the previous year.

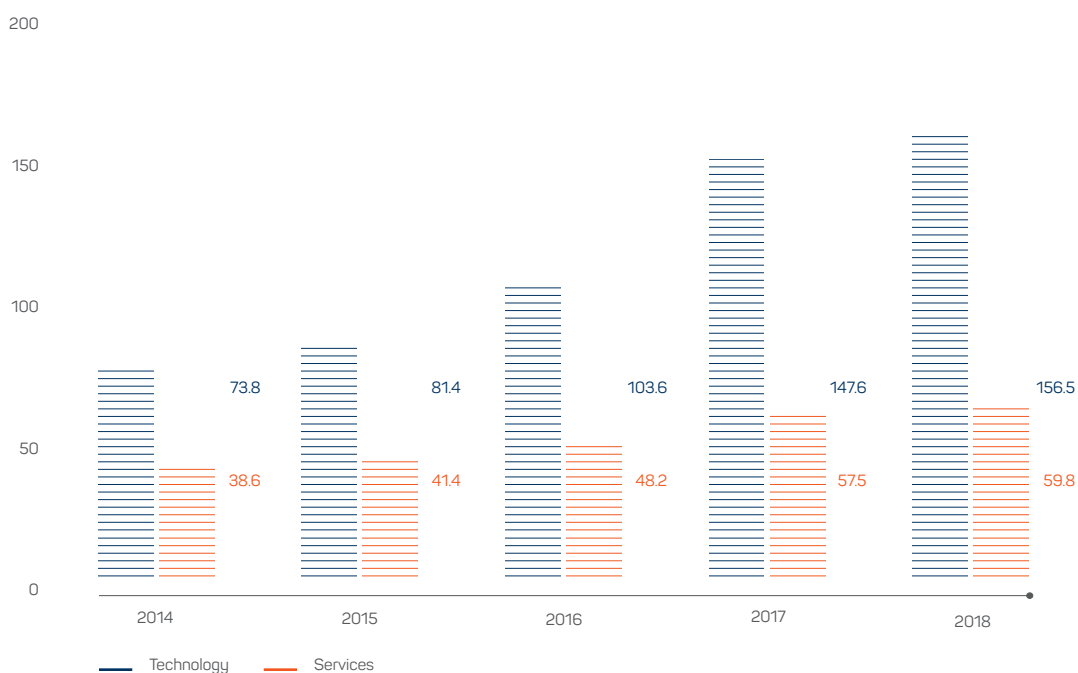
At € 5.2 million, scheduled **depreciation** was at the same level as in the previous year. Of this amount, € 4.1 million is still attributable to the Technology segment and € 1.1 million to the Services segment. It mainly results from the Group's general investment activities, principally replacement investments. € 1.0 million (previous year: € 1.6 million) is attributable to asset write-downs as part of the purchase price allocation. As in the previous year, there were no unscheduled write-downs in the year under review.

The balance of **financial income and expenses** was almost balanced in the past financial year. Interest expenses amounted to € 0.5 million. Despite new borrowings, they were slightly lower than in the previous year (€ 0.6 million). In addition, interest income of € 0.5 million primarily includes income from the pro rata reversal of a contingent purchase price obligation for Ovidius GmbH.

Compared with the previous year, profit before taxes improved by € 0.3 million to € 17.3 million (previous year: € 17.0 million). **Tax expenses** for the past financial year increased to € 4.9 million (previous year: € 4.7 million). This corresponds to a tax rate of 28.5 percent (previous year: 27.7 percent). Further information on special tax features can be found in „26) income tax“ to the consolidated financial statements.

Group earnings after taxes (annual result) for the 2018 financial year amounted to € 12.4 million (previous year: € 12.3 million), representing a return on sales of 5.7 percent (previous year: 6.0 percent). Earnings per share outstanding thus improved from € 1.76 to € 1.79.

Revenue by segments (in € million)



The **Technology segment** achieved revenue growth of 6.0 percent to € 156.5 million in 2018 (previous year: € 147.6 million).

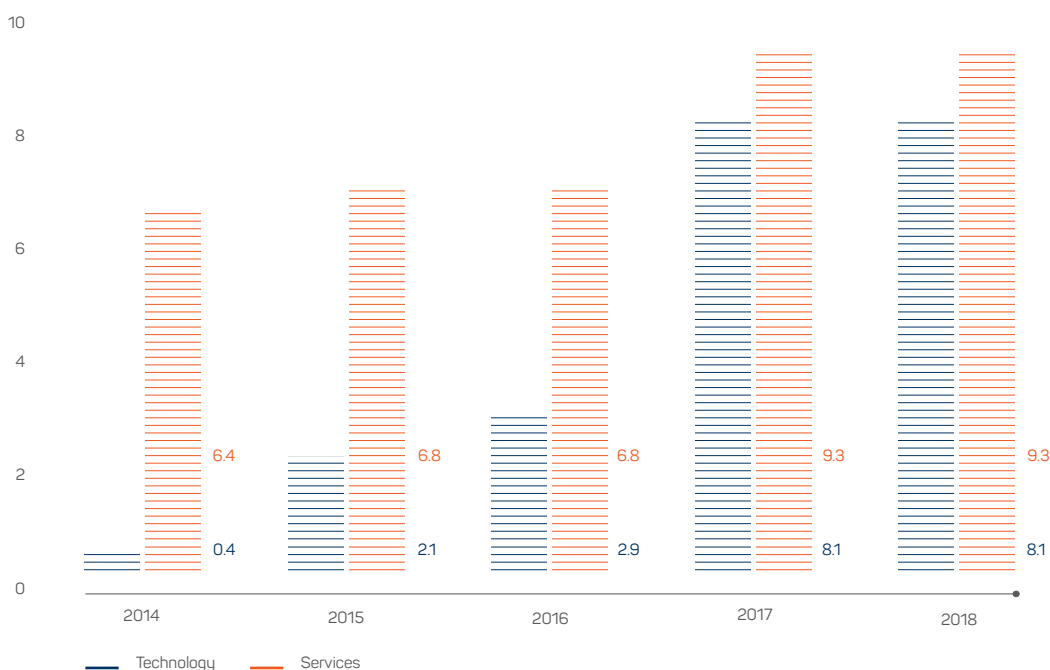
The share of this segment in Group revenue remained unchanged at 72 percent. The revenue growth of € 9.0 million is the result of successful market development activities outside the printing industry, which enabled the segment to achieve revenue growth of around 11 percent compared with the previous year. The growth markets (electromobility, semiconductor, medical and scanner technology) in particular are confirming the successful growth course and medium-term outlook with increasing series start-ups and the conclusion of several framework and project orders.

Revenue in the Technology segment is traditionally strongly oriented towards Germany due to the customer structure. At 55.9 percent, the share of revenue generated with German customers was slightly below the previous year's level (previous year: 56.6 percent). In the rest of Europe, on the other hand, the share of revenue rose again from 22.0 percent to 23.9 percent. In 2018, the segment's share of revenue in the Asia region remained unchanged at 12.0 percent (previous year: 11.9 percent). At 8.2 percent, Technology's share of revenue in America was below the prior-year figure (9.3 percent). Other regions accounted for less than 0.1 percent.

The Technology segment developed positively overall and thus made a major contribution to the Group's earnings performance (EBIT). As in the previous year, the segment result reached € 8.1 million. The segment return at the end of the financial year was 5.2 percent (previous year: 5.5 percent) and was thus slightly below expectations at the beginning of the year. In addition to a change in the product mix, the segment's earnings situation in 2018 was significantly impacted by the higher expenses already visible in the course of the year in connection with the production of goods and services (in particular increases in material and personnel costs).

The Technology segment had 1,057 employees at the end of the year (previous year: 956). As in previous years, the general administrative areas were allocated to the segments on a pro rata basis. The increase of 101 employees, or 10.6 percent, is attributable on the one hand to a growth-related increase in capacity at the technotrans Group's production sites and on the other to acquisition-related expansion.

EBIT by segments (in € million)



The **Services segment** recorded growth of 4.0 percent year-on-year in the reporting period and generated revenue of € 59.8 million (previous year: € 57.5 million). Overall, the Services segment accounted for around 28 percent of consolidated revenue in 2018, almost the same as in the previous year.

Within the segment, the increase was mainly due to follow-on business in the technology markets outside the printing industry (plus 21.2 percent) and improved business development in the Technical Documentation segment (plus 6.0 percent).

The Services segment shows the following regional breakdown of revenue for the 2018 financial year: Germany 49.4 percent (previous year: 46.6 percent), the rest of Europe 26.1 percent (previous year: 27.1 percent), Asia 7.8 percent (previous year: 8.0 percent) and America 16.2 percent (previous year: 17.8 percent). The remaining regions accounted for 0.5 percent.

Earnings before interest and taxes in the Services segment totalled € 9.3 million as in the previous year. With a segment return (EBIT margin) of 15.5 percent (previous year: 16.2 percent), the segment once again confirmed its good earning power and is thus in line with the Group Board of Management's expectations for 2018.

The Services segment had 396 employees at the end of the year (previous year: 373). As in previous years, the general administrative areas were allocated to the segment on a pro rata basis.

Financial position

As of December 31, 2018, **total assets** increased by 8.6 percent to € 136.0 million (previous year: € 125.3 million).

Net worth and capital structure (in € million)

Assets	2018	2017
Cash and cash equivalents	15.6	14.8
Receivables	27.1	24.2
Inventories	28.3	26.6
Other short-term assets	3.6	1.9
Long-term assets	61.4	57.8
	136.0	125.3

Equity and liabilities	2018	2017
Short-term debts	32.1	32.2
Long-term debts	28.7	23.3
Equity	75.2	69.8
	136.0	125.3

Assets

The increase in non-current assets from € 57.8 million to € 61.4 million is attributable to higher capital expenditure on property, plant and equipment as a result of the construction of our new production plant at the Termotek GmbH site in Baden-Baden as well as to acquisitions. The carrying amount of intangible assets increased slightly from € 6.9 million to € 7.7 million. The impairment test carried out did not result in any need to write down goodwill, which was recognised at € 23.5 million (previous year: € 23.1 million). For further explanations, please refer to the Notes to the Consolidated Financial Statements, "2 Goodwill". Of the investments of € 8.4 million, € 7.3 million is attributable to the Technology segment and € 1.1 million to the Services segment.

Investment and depreciation (in € million)

	Investment	Depreciation & amortisation
2014	1.4	3.0
2015	1.7	3.2
2016*	12.9	4.3
2017*	11.5	5.2
2018	9.4	5.2

* of which addition from company acquisition (2016: € 11.3 million, 2017: € 7.2 million, 2018: € 1.1 million)

Working capital (inventories and trade receivables) rose by 9.1 percent (€ 4.6 million) to € 55.4 million over the course of the year. The increase in assets reflects in particular the Group's expanded business base and balance sheet date effects. Other current assets amount to € 3.6 million (previous year: € 1.9 million). Cash and cash equivalents amounted to € 15.6 million as of the 2018 balance sheet date (previous year: € 14.8 million).

Equity and liabilities

On the equity and liabilities side, equity grew by 7.9 percent to € 75.2 million as at 31 December 2018 (previous year: € 69.8 million). With an equity ratio of 55.3 percent, Group equity continued to represent a high proportion of total assets and was thus above the target of 50 percent. The return on equity, the ratio of net income to equity, reached 16.5 percent (previous year: percent 17.5 percent).

At the end of the 2018 financial year, non-current liabilities totalled € 28.7 million, € 5.4 million higher than in the previous year (€ 23.3 million). In the year under review, non-current financial liabilities in particular increased from € 19.2 million to € 26.0 million. At the balance sheet date, technotrans had total financial liabilities of € 34.4 million (previous year: € 23.0 million). These result primarily from investments in fixed assets and from the acquisition of participations and are partly secured by land charges. Detailed information on the structure of financial liabilities can be found in the notes to the consolidated financial statements under the notes to the balance sheet „11) Financial liabilities“.

At € 32.1 million, current liabilities remained virtually unchanged compared with the previous year (€ 32.2 million).

The **provisions** included in liabilities decreased by € 0.3 million to a total of € 10.7 million at the end of 2018 (previous year: € 11.0 million). Long-term provisions totalling around € 0.9 million (previous year: € 1.2 million) include both personnel-related obligations (pensions) and those components of the remuneration of the Board of Management that are geared to the sustainable development of the company. Short-term provisions of € 9.8 million (previous year: € 9.8 million) consist of other obligations towards personnel (€ 6.3 million), warranty obligations (€ 1.7 million), and other provisions (€ 1.8 million).

technotrans calculates **net working capital** from current assets less current liabilities. As of December 31, 2018, net working capital increased to € 42.6 million (previous year: € 35.3 million).

The Group's **net debt**, calculated from the difference between current and non-current interest-bearing financial liabilities and cash and cash equivalents at the reporting date, rose to € 19.4 million at the end of the year under review. The ratio of net debt to equity (gearing) is 25.8 percent (previous year: 13.3 percent). The debt-equity ratio, i.e. the ratio of net debt to EBITDA, amounts to 0.9 and thus remains at a very comfortable rating level.

Financial Position

Based on earnings after taxes, cash flow from operating activities in 2018 developed positively compared with the previous year. In the past financial year, the technotrans Group slightly improved its cash flow from operating activities before changes in net current assets (cash inflow) by € 22.5 million (previous year: € 22.2 million).

ELECTRIC MOBILITY

„The number of charging stations in Germany is forecast to exceed 13,000 by Q1 2019, with more appearing by the day. These include many quick-charging stations (HPC) that are used by more and more electric cars. Considering the models that car manufacturers are planning to introduce from 2020, we at technotrans are set to continue participating in this business trend.“

Christian Walczyk

Head of Sales, technotrans industrial system solutions

Cash flow (in € million)

	2018	2017
Cash flow from operating activities	22.5	22.2
Net cash flow from operating activities	6.3	11.4
Cash flow from investing activities	-10.1	-11.2
Free Cash flow	-3.8	0.2
Cash and cash equivalents at end of period	15.6	14.8

By contrast, cash flow from operating activities (net cash inflow from operating activities) in 2018 was € 6.3 million, well below the previous year's level (€11.4 million). At around € 7.6 million, changes in working capital had the same negative cash flow effect as in 2017 (previous year: cash outflow of € 8.0 million). The commitment or release of funds from changes in net current assets is reflected in the consolidated cash flow statement for the year under review in particular in the items changes in trade receivables and changes in liabilities. In addition, current tax prepayments and the tax payments assessed for the previous year resulted in higher cash outflows for interest and taxes paid of € 8.5 million (previous year: € 2.9 million).

Payments of € 10.1 million were made for investments in fixed assets in the 2018 financial year (previous year: € 11.3 million). Of this amount, € 8.0 million is attributable to expenses in connection with the new building in Baden-Baden and further maintenance investments amounting to € 3.6 million (previous year: € 3.1 million). At € 2.1 million, cash flow from investing activities also included cash outflows for acquisitions. The technotrans Group's total capital expenditure was below the target originally forecast for the 2018 financial year of € 11.5 million (excluding acquisitions).

As a result of increased investment activity, free cash flow remained negative at € -3.8 million and was below the previous year's level (€0.2 million). The Group thus failed to achieve its original goal of generating a positive free cash flow again in fiscal 2018.

Net cash used in financing activities totalled € 4.5 million (cash inflow) in the 2018 financial year (previous year: cash outflow € -8.9 million). The raising of short-term and long-term loans resulted in an inflow of liquidity of € 15.2 million. The inflow is directly related to the increased financing requirements for investments and the higher tax payments at the end of 2018. A total of € 3.8 million (previous year: € 5.1 million) was paid for the scheduled repayment of financial liabilities (loan repayments) in the course of the year and dividends of € 6.1 million (previous year: € 3.8 million) were paid to technotrans shareholders. Further outflows of liquidity amounting to € 0.8 million were made in connection with the acquisition of the remaining shares in gwk Gesellschaft Wärme Kältetechnik mbH.

Cash and cash equivalents amounted to € 15.6 million at the end of the year and were thus higher than in the previous year: € 14.8 million. In addition, as of December 31, 2018, the Group had committed unutilised credit lines of € 13.2 million at its disposal. From the point of view of capital management, the Group's liquidity position remains comfortable. In 2019, technotrans will thus again be in a position to meet its payment obligations from operating business at any time.

ECONOMIC DEVELOPMENT OF TECHNOTRANS SE

Unlike the consolidated financial statements, the annual financial statements of technotrans SE are not prepared in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU), but in accordance with the rules of the German Commercial Code (HGB) and published in the Federal Gazette (Bundesanzeiger). The development of technotrans SE described below is based on its annual financial statements.

Business performance and economic environment

technotrans SE is the parent company of the technotrans Group. It is a technology company with core activities in the fields of cooling/temperature control, filtration/separation and spraying/pumping liquids. technotrans SE is also strongly influenced by its directly and indirectly held subsidiaries. It directly and indirectly holds 19 operating companies and also encompasses the central functions of the Group. The economic environment in which technotrans SE operates essentially corresponds to that of the technotrans Group. The management of the individual company is subject to the same principles as those of the Group.

Financial Performance

(€ '000)	2018	2017
Revenue	80,414	80,075
Inventory change	359	-171
Other operating income	1,623	878
Cost of material	35,571	36,192
Personal expenses	28,180	27,002
Depreciation and amortisation	1,494	1,337
Other operating expenses	11,232	11,123
Net finance costs	8,396	9,757
Ergebnis der gewöhnlichen Geschäftstätigkeit	14,315	14,885
Taxes	3,190	2,683
Annual net profit	11,125	12,202
Profit carried forward	3,616	2,491
Transfer to retained earnings	5,000	5,000
Net profit	9,739	9,693

Overall, 2018 was a successful financial year for technotrans SE. Revenue rose slightly from € 80.1 million in the previous year to € 80.4 million, however revenue fell short of the original forecast for the year (revenue growth in the order of three to five percent). At around 16 percent, the share of total revenue generated within the Group remained virtually unchanged from 2017. Direct business with customers in the printing industry again accounted for the highest share of revenue in 2018 at around € 54.4 million. However, revenue was 3.5 percent below the previous year's figure. Compared to 2017, only the new machine business with manufacturers in offset, digital and flexo printing remained stable as expected. By contrast, the high proportion of revenue from end customer projects from the previous year could not be maintained. The successful expansion of business in the other markets outside the printing industry more than compensated for this decline in revenue., a slight growth was realised altogether.

At € 55.4 million, the Technology segment's share of revenue increased by € 0.6 million (+1.2 percent) compared with the previous year (€ 54.8 million) to € 55.4 million. In the Services segment, revenue amounted to € 25.0 million after € 25.3 million in the previous year (-1.2 percent).

Earnings before interest and taxes (EBIT) reached € 5.9 million (previous year: € 5.1 million), a rise of 15.7 percent despite only slight revenue growth. This corresponds to an EBIT margin of 7.3 percent (previous year 6.3 percent). For the 2018 financial year, the Board of Management had set technotrans SE's earnings target at an EBIT margin of between 5.5 and 6.0 percent.

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

(€ '000)	2018	2017
Net profit for the period (Income Statement)	11,125	12,202
Income from write-ups of financial assets (-)	0	3,360
Income from investments (-)	2,897	2,284
Income from profit transfer agreement (-)	5,602	4,350
Interest and similar income (-)	236	90
Income from loans held as financial assets (-)	76	123
Interest and similar expenses (+)	415	450
Income tax expense (+)	3,123	2,615
Earnings before interest and taxes (EBIT)	5,852	5,060

At € 35.6 million, technotrans SE's **cost of materials** was down 1.7 percent on the previous year (€36.2 million). As a result, the cost of materials ratio (in relation to total output) fell slightly from 45.3 percent to 44.0 percent.

Personnel expenses rose by a total of € 1.2 million to € 28.2 million in the 2018 financial year (previous year: € 27.0 million). The increase of 4.4 percent is due on the one hand to the increase in personnel and capacity in the revenue-dependent areas and on the other hand to the implementation of the planned pay increase of three percent on average for 2018. The personnel expenses ratio (in relation to total output) rose from 33.8 percent to 34.9 percent.

Other operating income increased by € 0.7 million from € 0.9 million in the previous year to € 1.6 million. Of this amount, € 0.6 million (previous year: 0.3 million) was attributable to income unrelated to the accounting period. This mainly relates to income from the reversal of provisions and from payments received on impaired receivables. As in the previous year, exchange rate gains amounted to around € 0.2 million.

At € 11.2 million, **other operating expenses** remained almost unchanged at the level of the previous year (€11.1 million). Sales commission amounted to € 0.8 million (previous year: € 0.9 million). Almost all of these funds went to the company's own subsidiaries. At € 0.9 million, travel expenses remained largely constant compared with 2017. As in the previous year, around € 0.3 million was spent on the deployment of temporary staff in the financial year. Expenses for warranties (including additions to warranty provisions) amounted to € 0.6 million (previous year: € 0.8 million).

Scheduled **depreciation** of property, plant and equipment and intangible assets amounted to €1.5 million in the financial year (previous year: €1.3 million).

technotrans SE generated a total **financial result** of € 8.4 million (previous year: € 9.7 million). This includes income from investments in the amount of € 8.5 million (previous year: € 6.6 million), consisting of € 2.9 million in distributions from subsidiaries and € 5.6 million from the profit transfers of Termotek GmbH and gds GmbH as a result of the existing profit transfer agreements (EAV) (previous year: € 4.3 million). In the previous year, the write-up to financial assets resulted in additional income of € 3.4 million. At € -0.2 million, net interest income was slightly above the previous year's level (€ -0.4 million).

For the 2018 financial year, current **income taxes** totalled € 3.1 million (previous year: € 2.6 million).

A **net profit** of € 11.1 million is reported for the 2018 financial year (previous year: € 12.2 million).

Net Worth and Financial Position

ASSETS

(€ '000)	31/12/2018	31/12/2017
Fixed assets	53,353	54,265
Inventories	11,979	10,584
Receivables and other assets	31,558	27,986
Cash and cash equivalents	5,220	5,786
Current assets	48,757	44,356
Deferred items	473	451
Deferred tax assets	115	6
Total assets	102,698	99,078

EQUITY AND LIABILITIES

(€ '000)	31/12/2018	31/12/2017
Issued capital	6,908	6,908
Capital reserve	19,096	19,096
Retained earnings	35,706	30,707
Accumulated profit	9,740	9,693
Equity	71,450	66,404
Provisions	6,388	8,316
Liabilities	24,858	24,358
Deferred items	2	0
Total equity and liabilities	102,698	99,078

Compared with December 31, 2017, technotrans SE's total assets rose by € 3.6 million (+3.7 percent) from € 99.1 million to € 102.7 million.

Fixed assets decreased from € 54.3 million to € 53.4 million as of the balance sheet date. Intangible assets increased by € 0.5 million to € 0.8 million in the year under review. By contrast, property, plant and equipment continued to decline slightly by € 0.6 million year-on-year to € 9.1 million. In financial assets, changes in the investment portfolio and also as a result of a capital reduction led to an overall decrease in shares in affiliated companies of € 0.8 million to € 43.5 million (previous year: € 44.3 million).

Inventories amounted to € 12.0 million (previous year: € 10.6 million), € 1.4 million above the previous year's level.

Receivables and other assets increased again by € 3.6 million to € 31.6 million compared with the previous year. Of this amount, € 21.8 million relates to receivables from affiliated companies (previous year: € 19.3 million). technotrans SE granted new loans amounting to € 1.8 million to its subsidiaries Reisner Cooling Solutions GmbH and KLH Kältetechnik GmbH.

As a result, **cash and cash equivalents** declined from € 5.8 million to € 5.2 million as of the balance sheet date.

Compared to the previous year, **equity** increased from € 66.4 million to € 71.5 million. The increase is mainly related to the 2018 net profit, of which € 5.0 million was allocated to retained earnings in accordance with Section 58 (2) of the German Stock Corporation Act (AktG). The equity ratio improved from 67.0 percent to 69.6 percent.

Liabilities and **provisions** totalled € 31.2 million as of the balance sheet date (previous year: € 32.7 million). The change is mainly due to the € 1.9 million decrease in provisions. The change in financial liabilities resulted in an increase of € 1.0 million compared with the previous year.

The cash **flow from operating activities** (net cash and cash equivalents) amounted to € -0.8 million in the 2018 financial year (previous year: € 3.4 million). The change in net current assets resulted in an overall

increase in funds tied up in the amount of € 6.6 million. Of this amount, around € 4.2 million is attributable to an increase in receivables from, among others, affiliated companies and trade as of the reporting date. The increase in inventories and the reduction of provisions also contributed to the cash outflow.

As a result of the acquisition of the investment and moderate investment activity in fixed assets, payments in the reporting period amounted to € -2.0 million (previous year: € -0.8 million). Proceeds from the repayment of loans by subsidiaries, from a capital reduction and a disposal of an investment, as well as from interest payments and profit distributions received amounted to € 10.9 million (previous year: € 5.6 million). Payments from the granting of loans to affiliated companies amounted to € -2.9 million in the financial year (previous year: € -7.2 million). Overall, cash inflows and outflows led to a positive **cash flow from investing activities** of € 5.7 million (previous year: € -2.4 million).

The **cash flow from financing activities** shows a cash outflow of € 5.5 million in the reporting period (previous year: € 8.2 million). This comprises the raising of new loans of € 4.0 million in connection with capital expenditure and the acquisition of investments, cash outflows from the scheduled repayment of loans of € 3.0 million, interest paid (€ 0.4 million, previous year: € 0.4 million) and the payment of a dividend to the shareholders of technotrans SE in the amount of € 6.1 million (previous year: € 3.8 million).

LASER INDUSTRY

„The world market for photonics has grown vigorously in recent years – in 2017, revenue in Germany alone reached EUR 34.8 billion. As a reliable and innovative supplier, technotrans is sharing in this growth and is already looking forward to the Laser World of Photonics show in June 2019.“

Denis Roessel

Head of Sales, Termotek

Employees

At December 31, 2018 technotrans SE (according to section 267 of the German Commercial Code (HGB)) had a total of 503 employees, 34 more than at year-end 2017. In 2018, 395 of these employees are allocated to the Technology segment (previous year: 371 employees). The Services segment had 108 employees (previous year: 98).

Opportunities and risks

The business performance of technotrans SE is essentially subject to the same opportunities and risks as those of the technotrans Group. Only in the two risk categories „macroeconomic/sector-specific risks“ and „corporate strategy risks“ does technotrans SE in some cases have higher risks than the Group due to its lower budgeted result.

If the expectations regarding the economic or industry-specific development or the expectations regarding newly developed products prove to be incorrect, the sales target and thus also the earnings target may not be achieved. The Board of Management currently considers this risk to be low.

The opportunities and risks of the Group are presented in the combined management report.

Outlook

In view of technotrans SE's links with the Group companies and its weight within the Group, the Board of Management refers to the statements in the Forecast section, which in particular also reflect the expectations for the parent company.

OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON THE FINANCIAL YEAR 2018

In recent years, the technotrans Group has increasingly diversified and opened up new and interesting growth markets. A positive overall market situation and continuous improvements in the relevant business units contributed to the successful expansion of the Group. Based on the good revenue and earnings performance in the past financial year, coupled with a cautious outlook, the Board of Management is satisfied with the overall situation of technotrans SE and the Group. Group revenue reached a new high and the operating result reached an adequate return on sales of 8.0 percent.

The Group management sees the asset structure and the high equity ratio as a good basis for financing further growth. In addition, there is good operating profitability and an improvement in operating cash flow (cash flow from operating activities before changes in net current assets).

The broad customer structure, numerous planned new product launches and the increased orientation of the product portfolio towards new growth markets are good prerequisites for expanding the revenue and earnings level of the Group in the coming years as well. The Board of Management is therefore adhering to technotrans' growth story and its medium and long-term targets.

The Board of Management and Supervisory Board will propose to the Annual General Meeting in May 2019 that a dividend of € 0.88 per share be distributed for the 2018 financial year.

REMUNERATION REPORT

The remuneration report contains an individualised breakdown of the remuneration of the Board of Management and Supervisory Board of technotrans SE, broken down by components, as well as individualised information on the ancillary services provided by the company. In addition, the main features of the remuneration system are explained here.

Remuneration system for the Board of Management

The remuneration system for the Board of Management complies with current standards and legal requirements. The total cash remuneration of a Board of Management member consists of a fixed basic remuneration and a variable remuneration component (bonus). The exact amount of the variable remuneration component is determined on the basis of the achievement of targets in the respective financial year. Revenue and consolidated net income are the targets on which budget planning is based. If the agreed targets are exceeded, the variable remuneration component also increases, whereby this increase is limited to a factor of 2.5. The variable remuneration component is paid over a three-year period at 50, 30 and 20 percent in relation to the actual achievement of targets. There is no entitlement to a bonus in the event of a net loss for the year or if targets of less than 50 percent are achieved in the assessment year. The sustainability-oriented bonus is only paid out to the extent that the respective targets of the assessment year are achieved in subsequent years. The deferred bonus component may therefore fall, but an increase is no longer possible. If the target is achieved at less than 80 percent of the target achieved in the assessment year, the respective sustainability-oriented bonus component is omitted. The resignation of a member of the Board of Management does not automatically mean that their entitlement to a bonus from previous years no longer applies.

In addition, the company provides fringe benefits (insurance premiums) in the form of contributions to a provident fund and group accident insurance. In addition, official vehicles are available to the members of the Board of Management and they are reimbursed for travel and other expenses. The contracts of the D&O insurance taken out by the company for the members of the Board of Management provide for an excess of one and a half times the fixed annual income.

In addition, a cap has been set for severance payments: these amount to a maximum of one year's salary. The total remuneration of the members of the Board of Management is determined by the Supervisory Board. No share-based compensation components were planned for the 2018 financial year.

The degree to which the targets for calculating the variable remuneration component in the 2018 financial year were achieved was 92 percent in accordance with the target agreement (previous year: 146 percent). The Supervisory Board is only authorised to adjust the parameters of the remuneration during the year in the event of extraordinary events.

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

		Fixed basic remuneration	Management bonus, year under review	Fringe benefits	Total remuneration	Sustainabi- lity oriented bonus ¹
(€ '000)						
Dirk Engel	2018	201	186	50	437	125
Board Spokesman since March 12, 2018	2017	176	207	49	432	154
Peter Hirsch	2018	65	18	13	96	18
Member of the Board since July 1, 2018	2017	-	-	-	0	0
Hendirk Niestert	2018	119	34	43	196	34
Member of the Board since February 1, 2018	2017	-	-	-	0	0
Henry Brickenkamp	2018	110	180 ²	24	314	105
Member of the Board until June 30, 2018	2017	220	259	58	537	192
Dr. Christoph Soest	2018	-	107	-	107	47
Member of the Board until December 31, 2017	2017	176	207	45	428	154

¹Aspiration linked to the achievement of future performance targets

²The variable remuneration component consists of a pro rata entitlement for the year under review and for the sustainability-oriented bonus

For Dr. Andreas Schmid, a fixed amount of € 53 thousand was recognised as an expense and paid out until he left the company; remuneration in kind (fringe benefits) amounted to € 8 thousand.

Remuneration of the Supervisory Board

In accordance with the Articles of Association adopted by the Annual General Meeting, the members of the Supervisory Board receive compensation consisting of a fixed and a variable component in addition to reimbursement of their expenses. The amount of the variable remuneration is based on the consolidated net income for the year reported in the consolidated financial statements. In accordance with the Articles of Association, this variable remuneration component is not expressly geared to the sustainable development of the company. The annual fixed remuneration of the Supervisory Board of technotrans SE was set at € 10,000.00 by resolution of the Annual General Meeting on May 18, 2018. For both the fixed and variable remuneration components, higher amounts are provided for the Chairman of the Supervisory Board and his deputy than for the other members. In addition, in accordance with the Articles of Association, membership of the committees formed by the Supervisory Board is remunerated. The members of the Supervisory Board do not receive any stock options for their Supervisory Board activities. The company has taken out D&O insurance for the members of the Supervisory Board.

An excess in the amount of the variable portion of the remuneration in the year of the damage assessment is provided for.

In addition to the aforementioned total remuneration of the Supervisory Board, the employee representatives on the Supervisory Board receive remuneration in their capacity as employees in accordance with their employment contracts.

The members of the Supervisory Board receive the following remuneration for the 2018 reporting year in accordance with the Articles of Association:

	2018			2017		
	Total remuneration	of which fixed	of which variable	Total remuneration	of which fixed	of which variable
(€ '000)						
Heinz Harling	78	30	48	67	22	45
Dr. Norbert Bröcker	56	20	36	49	15	34
Dr. Wolfgang Höper	44	20	24	38	15	23
Dieter Schäfer	39	15	24	34	11	23
Reinhard Aufderheide	34	10	24	31	8	23
Thomas Poppenberg	34	10	24	31	8	23
Total remuneration	285	105	180	250	79	171

TAKEOVER-RELEVANT INFORMATION

The following disclosures comply with the requirements of Section 289a (1) of the German Commercial Code (HGB) and Section 315a (1) of the German Commercial Code (HGB).

1. As of December 31, 2018, the subscribed capital (share capital) consisted unchanged of 6,907,665 no-par value, fully paid-up shares with a notional value of €1 per share. The shares of technotrans SE are registered shares. Only ordinary shares have been issued; the rights and obligations associated with them comply with the relevant statutory provisions. They are subject only in the cases regulated by law and not to restrictions on voting rights and transfer in accordance with the Articles of Association. Voting-linking agreements between shareholders were not notified to the Board of Management.
2. As of December 31, 2018, the Dutch company Teslin Capital Management BV reported that it held a total of 10.08 percent of the company's voting rights. Beyond this, no direct or indirect interests in the capital exceeding ten percent of the voting rights are known.
3. All shares grant identical rights. There are no shares with special rights, in particular none that confer powers of control.
4. Employees who participate in the capital exercise their voting rights directly.
5. The statutory provisions pursuant to Sections 84 and 85 of the German Stock Corporation Act (AktG) on the appointment and dismissal of members of the Board of Management shall apply. The company's Articles of Association do not contain any provisions that go beyond Section 84 of the German Stock Corporation Act (AktG). The Supervisory Board appoints members of the Board of Management for a maximum of five years. Pursuant to Section 179 of the German Stock Corporation Act (AktG) in conjunction with Section 172 of the German Stock Corporation Act (AktG), an amendment to the Articles of Association is required. In accordance with Article 21 (2) of the Articles of Association, a simple majority of votes is generally required to pass a resolution at the Annual General Meeting; in certain cases, however, a majority of 75 percent is required to amend the Articles of Association.

MACHINE TOOLS

„Without our innovative cooling concepts, a production line will soon grind to a halt. Particularly the benefits we offer in terms of energy efficiency and worldwide service are convincing increasing numbers of manufacturers to equip their machine tools with technotrans individual or central cooling systems.“

Karsten Werneke,

Business Development Manager, technotrans

6. The Board of Management is authorised, with the consent of the Supervisory Board, to increase the share capital once or several times by up to a total of € 3,450,000 by issuing new shares against contributions in cash or in kind until 17 May 2023. No use was made of this authorisation in 2018. The subscription right of shareholders may be excluded insofar as the requirements of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) are met or insofar as the acquisition of companies or interests in companies or other assets is concerned, if the acquisition or interest is in the well-understood interest of the company; otherwise the subscription right may only be excluded insofar as fractional amounts are to be compensated.

In addition, the Board of Management is authorised until May 17, 2023 to acquire treasury shares of the company up to a total of 10 percent of the capital stock existing at the time of the resolution or - if this value is lower - at the time of the exercise of this authorisation. In the event of

acquisition via stock exchange trading, the purchase price per share may not be more than 10 percent higher or lower than the average XETRA closing price (or, if this authorisation is based on the XETRA closing price, the closing price determined in a successor system to the XETRA system) on the Frankfurt Stock Exchange on the five trading days preceding the acquisition. In the case of acquisition on the basis of a public purchase offer, the purchase price (excluding incidental acquisition costs) per share may not exceed the average XETRA closing price on the Frankfurt Stock Exchange on the 8th to 4th trading day prior to the date of the offer. The price may not be more than 10 percent higher or lower than the price quoted on the first (inclusive) trading day prior to the publication of the offer.

The Board of Management is authorised to redeem treasury shares acquired on the basis of the authorisation in whole or in part without a further resolution by the Annual General Meeting.

The Board of Management is also authorised to sell the acquired shares on the stock exchange or to third parties against payment of a cash purchase price. The selling price may not exceed the average XETRA closing price on the Frankfurt Stock Exchange on the five trading days preceding the sale by more than five percent.

The Board of Management is further authorised, with the consent of the Supervisory Board, to dispose of the acquired treasury shares in a manner other than by sale on the stock exchange or by offer to all shareholders if they are offered to third parties and transferred to them in return for non-cash contributions, in particular for the acquisition of companies or interests in companies or other assets. The price at which acquired treasury shares are sold to a third party may not be significantly lower than the average XETRA closing price on the Frankfurt Stock Exchange on the last five trading days prior to the conclusion of the agreement on the acquisition of the respective contribution in kind. The acquired treasury shares may also be used to fulfil obligations arising from the conversion rights granted in connection with the issue of convertible bonds. Shareholders' subscription rights are excluded for the use of treasury shares in the latter three cases.

By June 2008, a total of 690,000 treasury shares had been acquired via the stock exchange as part of the authorisation. In subsequent years and most recently in 2016, a total of 257,584 shares were issued to employees as part of the voluntary Christmas bonus and a total of 8,501 shares as part of their remuneration. In addition, 49,000 treasury shares were issued as purchase price for the acquisition of Termotek AG in the 2011 financial year. On November 3, 2016, the 374,915 treasury shares still held by the company at that time (corresponding 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 shareholders' subscription rights.

The Board of Management is also authorised, in accordance with the resolution adopted by the Annual General Meeting on May 18, 2018 and with the consent of the Supervisory Board, to issue bonds with a term of no more than twenty years on one or more occasions up to May 17, 2023 with a total nominal amount of up to € 100 million and to grant the holders of bonds conversion rights to a total of up to 3,450,000 no-par value registered shares of the Company.

7. There are no material agreements of the parent company that are subject to a change of control following a takeover bid.
8. No compensation agreements were concluded with members of the Board of Management or employees in the event of a takeover bid.

SUMMARISED NON-FINANCIAL STATEMENT BY TECHNOTRANS SE AND THE GROUP ACCORDING TO CSR DIRECTIVE IMPLEMENTATION ACT

The Group's strategy is geared to sustainable growth based on long-term earnings. Since the company was founded in 1970, we have combined this long-term business success with economic, social and ecological responsibility. Sustainability is an important component of technotrans' strategy. Sustainable management and a responsible use of limited resources are in line with our strategic goals of winning new customers, opening up new markets, always having sufficient access to financing and positioning ourselves as an attractive employer.

In the following we report on the sustainability aspects relevant to technotrans in accordance with the current statutory provisions on CSR reporting obligations. In this way we would like to inform our stakeholders about the current status and significance of the topic of sustainability in relation to technotrans SE and the Group.

This separate non-financial report complies with our obligation to disclose non-financial information for the 2018 financial year in accordance with the provisions of Sections 289b - e of the German Commercial Code (HGB) relating to non-financial statements and non-financial reports and Sections 315b - c of the German Commercial Code (HGB) relating to non-financial group statements and non-financial group reports. Pursuant to Section 315b (1) sentence 2 of the German Commercial Code (HGB), this report applies to both the technotrans Group and technotrans SE and therefore corresponds to the joint management report in the Combined Management Report.

The summarised non-financial statement was examined by the Supervisory Board of technotrans SE as part of its monitoring duty with regard to its legality, regularity and appropriateness.

The non-financial statement was prepared on the basis of recognised frameworks such as the German Sustainability Code and the guidelines of the UN Global Compact, which we are committed to complying with. However, the non-financial statement for the 2018 financial year was prepared independently of this on the basis of the statutory provisions.

Business model

The technotrans Group, with its headquarters in Sassenberg, generated revenue of € 216.3 million in the 2018 financial year. With 1,453 employees as at December 31, 2018, the technotrans Group (hereinafter referred to as „technotrans“) is represented at 19 locations worldwide. technotrans SE, the parent company of the Group, generated revenue of € 80.4 million in the 2018 financial year with 511 employees (as at December 31, 2018).

Our business activities are divided into the Technology and Services segments.

The **Technology segment** accounts for 72 percent of Group revenue. This is where technotrans develops and markets systems and equipment based on its core competencies of „Cooling and Temperature Control“, „Filtration and Separation“ and „Spraying and Pumping“. The focus is on systems and equipment that technotrans develops as a systems supplier and adapts, among other things, to meet the specific requirements of its customers as well as ensuring a high degree of efficiency. New products and applications are developed in close cooperation with existing and potential customers.

The **Services segment** accounts for 28 percent of consolidated revenue. It includes numerous services such as the installation of the systems, support during operation, a worldwide spare parts supply, 24/7 on-call service and the preparation of technical documentation in all major foreign languages.

For historical reasons, technotrans has strong links with the printing industry. The range of products and services has since been comprehensively diversified: Sales and Service currently concentrate their worldwide activities on four sub-markets within the mechanical and plant engineering sector: the printing industry, the plastics processing industry, the laser and machine tool industry, as well as separately identified growth markets including medical and scanning technology, E-Mobility, semiconductor industry).

The sales and service companies are responsible for direct sales and service of the products and services offered. Key account managers are responsible for servicing major international customers.

Business performance is regularly determined by the propensity to invest on the end customer markets in which technotrans is active. Current and expected economic developments are of great importance here. In addition, highly specific technical requirements of the customer and legal requirements influence the course of business.

As an internationally active group with different manufacturing depths at the respective production sites and a constantly growing product variety, the value-added chain to be covered by us must be classified as complex. As a technology company with a claim to quality leadership, we are aware of these requirements. In terms of procurement, we mainly work with suppliers from 13 countries. In addition to criteria such as quality, price and availability, aspects such as safety, environmental protection, short transport routes and, in particular, compliance with regulations and guidelines (compliance culture) are taken into account when selecting suppliers. In addition, our suppliers are required to confirm to us that their products always have all necessary export and foreign trade permits. We purchase the majority of our materials locally, i.e. from suppliers based in the country of our respective production company. This avoids long transport routes and conserves resources. On the sales side, too, the majority (around 60 percent) of revenue is generated in the respective country in which production takes place. Services are provided directly on site by one of our international service units. Our own service network with worldwide coverage is an important competence of our company.

Sustainability management

As a globally active Group, we are regularly exposed to changing conditions and challenges. This also includes the different requirements of our stakeholders with regard to sustainability. We counter these risks with constructive dialogue and a transparent and responsible approach to opportunities and risks in order to ensure the lasting success of our business activities now and in the future. An effective risk management system tailored to the Group and an internal control system (ICS) serve not only to meet legal requirements but also to safeguard our corporate goals and thus our long-term future and competitiveness.

It is important to us that all corporate decisions are always consistent with laws, internal regulations and voluntary commitments. technotrans assumes this responsibility worldwide in various ways, e.g. through its commitment to the United Nations (UN) Global Compact Initiative or its own Code of Conduct. Our employees act on the basis of our corporate philosophy „THINK-LEARN-ACT“, which is actively lived in the entire group worldwide.

The UN Global Compact is a strategic initiative that promotes corporate social responsibility and sustainability in organisations and companies. The focus is on ten universally recognised principles in the areas of human rights, labour standards, environmental protection and anti-corruption. These pursue the overriding goal of shaping globalisation socially and ecologically and implementing it sustainably. We consciously orient our activities towards these standards. The implementation of the ten principles represents a permanent challenge in everyday business and entrepreneurial life, which we consciously face.

The technotrans Code of Conduct originated in 2016. It represents our central compliance guideline and defines standards for how our employees treat each other and for their conduct towards our stakeholders as well as customers, suppliers, authorities and business partners. It contains important guidelines on compliance with labour standards, data protection, IT security, anti-corruption and environmental protection. It thus also represents an important basis for our sustainability strategy. The Code is binding on all employees of the technotrans Group worldwide; every new employee receives it in written form upon recruitment. In the future, the Code of Conduct will also be communicated regularly to all employees throughout the Group via an e-learning platform.

The current version of our Compliance Guideline is always available to all stakeholders via the internet under the following link and is generally accessible: <https://www.technotrans.com/en/investor-relations/corporate-governance/compliance.html>.

In order to ensure compliance with statutory regulations and voluntarily applied principles, the technotrans Group has an effective compliance management system in accordance with DIN ISO 19600. The Board of Management bears overall responsibility for this. The managing directors/general managers of the national and international subsidiaries have also expressly committed themselves to compliance with this requirement. They are supported by the Compliance Officers. This ensures uniform control and monitoring of Group requirements, compliance with legal requirements and voluntary commitments at the sites.

The compliance officers of technotrans SE coordinate, train and check the worldwide implementation of compliance regulations and initiate updates to these regulations when needed, e.g. by revising specific organisational guidelines. As part of their respective compliance and monitoring responsibilities, the Board of Management and Supervisory Board are regularly informed about the current status of compliance activities, in particular by means of an annual compliance report. In addition, these bodies on a regular basis proactively request the current assessment of compliance activities.

Another essential component of our sustainability strategy is our risk management system. It is intended to support the technotrans management to identify and address potential risks and opportunities at an early stage. Among other things, this is ensured by regular and timely reporting to the Board of Management. For further information, please refer to the section „Risk management and internal control system“ in this combined management report.

In recent years technotrans has acquired companies with very different structures and sizes. The timely and complete integration of all employees of the newly acquired companies into the Group strategy and compliance structure is very important to us. As part of the integration process, all key processes are successively analysed and, if necessary, adjusted with the aim of implementing all the Group's standards and guidelines as quickly as possible in the acquired companies. Due to the strong inorganic growth in the recent past, the integration of the new companies has not yet been completed in all areas. We are working with high priority on developing maximum synergy potentials in a timely manner.

Responsible and lawful conduct is of central importance to technotrans' success. A comprehensive awareness of sustainability and a continuous development of our competencies in this area are obligations that we are happy to meet. Sustainable action is an integral part of the daily work of all our employees. Depending on the activities within the company, sustainability aspects are also included in the objectives of our specialists and managers.

TECHNICAL DOCUMENTATION

„Our customers can rely on the expertise of gds for describing ever more complex technologies. Its authoring systems consequently also include other technical documentation services, through which we are steadily expanding our full service for enhanced efficiency and optimised processes.“

Thorbjørn Ringkamp

Team Leader, internal sales team, gds

Materiality

Relevant sustainability issues for us are those that are of major importance to our business success and in which technotrans can make a particular contribution to sustainable development, as well as areas in which the activities of the technotrans Group have a major impact on sustainability aspects. Particularly in the context of corporate acquisitions, new issues can come to the fore that have not yet been considered or have not been classified as significant for technotrans from the point of view of sustainability. The requirements of our stakeholders are also an important point of reference. In order to identify and meet individual needs, we regularly exchange information with our key stakeholders.

We use various sources of information and dialogue formats for this purpose. We distinguish between internal communication within the Group and external communication directed at the outside world, such as customer communication, public relations (PR) and investor relations (IR).

Communication with employees within the Group mainly takes the form of staff appraisals, the intranet, e-mails, meetings and employee or works meetings. Internal corporate communication also takes place across locations. Our employees are regularly informed about relevant events and can make their own suggestions. technotrans' customer communications are aimed at existing and potential customers with the aim of inspiring them with enthusiasm for its products and services and developing suitable solutions. Communication often takes place in person or at trade fairs. Communication with investors, analysts and shareholders is handled by the Investor Relations department. There are private and institutional shareholders - irrespective of the size of the shareholdings; a personal contact person is available at all times in addition to written reporting in compliance with statutory requirements. In addition, institutional investors, in particular, are informed in telephone conferences or one-on-one meetings in a manner appropriate to their target group. The Annual General Meeting is a central element of communication with our shareholders. The aim of this open and comprehensible information policy is to establish a relationship of trust with all capital market participants based on mutual respect. This is very important to us.

Findings from these dialogues regularly flow into our business activities, into the development of new products and services, and into the focal points of our sustainability management.

In our view, the non-financial aspects presented below are of particular importance for the course of business and the success of technotrans SE and the group. In addition, we consider the impact of our business activities on the non-financial aspects described below to be material. We also deal with aspects that only

formally comply with the legal principle of materiality to a limited extent. However, these are aspects that are regularly discussed with our stakeholders. We therefore consider it appropriate and important to report on this as well.

Non-financial aspects

a) Environmental concerns

The global rise in economic output is likely to lead to an increase in the demand for resources. As a result, the pressure on the limited resources available will continue to increase in the coming years. We therefore need innovations and technologies that reduce the consumption of materials and commodities. On the basis of many years of experience and competence in sustainable management, technotrans SE pursues the goal of developing and implementing sustainable solutions together with its customers.

Environmental aspects have a considerable influence on the development of our products. In concrete terms, this is achieved through legal requirements which we are obliged to comply with. This includes, for example, the implementation of the EU Ecodesign Directive. Its implementation into German law takes place through the Energy Consumption Relevant Products Act (EVPG). The aim is to reduce the environmental impact of energy-related products.

In addition, there are growing demands from customers with regard to a suitable positioning of our company with regard to energy efficiency. With our solutions, we therefore make a contribution to the energy and resource management of our customers and support them in reducing their CO₂ footprint. In addition, we proactively inform our customers about our own activities in the context of sustainability. At our Sassenberg site, for example, we are a TÜV-certified specialist company in accordance with the German Water Resources Act, make extensive use of reusable systems and collective packaging and are committed to further avoiding and reducing waste as part of a waste management concept. Energy and resource management, combined with continuous efficiency improvements, is also of great importance for our own entrepreneurial activity and competitiveness.

Product development

Products are mainly developed at our German production sites. The product development process is regulated with the aid of internal procedural instructions, such as the „Product development“ procedural instruction at technotrans SE. We often work closely with our customers on new developments. In this way, we ensure that customer requirements are optimally met and would also like to position ourselves as a long-term competent development partner. From the generation of the idea to realisation, the development process of new products is standardised and goes through defined stages of an internal due diligence process (so-called „Quality Gates“) in order to measure the progress of product development over time and always keep an eye on the cost-benefit ratio of the project. Passing through a gate requires the approval of the project managers, whereby the approval of the Board of Management is required for certain essential gates. Feasibility studies, internal tests and field tests are carried out during the development phase to regularly check whether the previously defined goals have been achieved, so that countermeasures can be initiated at an early stage if necessary. This procedure is intended to prevent undesirable developments as far as possible. Nevertheless, there is always the possibility that efforts in new markets and with new customers to introduce new products are not successful. Due to the growing number of customers, the individual risk is lower. Through constant and close communication with our customers, we limit the risk of misjudgements, for example in relation to market potential or lack of customer acceptance.

The development departments of the individual companies exchange information closely. Similar projects are developed directly across locations. In addition, we collaborate with universities and research institutions in the field of development and support students in their project, bachelor and master theses.

As of December 31, 2018, the Group had 24 projects in product development. Many of these projects are still in the early stages of development. The realisation of this project is therefore still subject to a high degree of uncertainty. Other projects were completed in the financial year 2018 and made a concrete contribution to revenue. Many of our development projects in the year under review also had benefits for environmental protection (e.g. energy savings). The Group's total development expenditure over the past three years has developed as follows.

	2018	2017	2016
	(€ '000)	(€ '000)	(€ '000)
R&D spending ¹	7,980	7,528	5,534
Innovation ratio ²	5.1%	5.1%	5.3%

¹R&D spending pursuant to Consolidated Income Statement

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

For further information on development expenditure, please refer to sections „3) Intangible assets“ and „22) Development costs“ in the notes to the consolidated financial statements.

Our components are used worldwide in various industries. Our product and service portfolio essentially comprises technologies and processes that enable our customers to make their processes more efficient and environmentally friendly. This includes the reduction of energy and material consumption. The effectiveness of this concept is reflected in the realised projects in the financial year.

Resource-conserving products

The development of alternative drive concepts continues to progress. technotrans has recognised **E-mobility** as the locomotion of the future and offers customers the battery cooling systems required for this. By using cooling and temperature control systems, the service life of high-performance batteries in electric vehicles and stationary energy storage systems can be extended, as a constant and uniform temperature profile increases the service life of the battery. The zeta.line, a cooling and temperature control system for lithium-ion batteries, super and ultracaps for road and rail vehicles as well as stationary cooling systems for battery charging stations, converters and battery containers, was specially developed for these applications and ensures the ideal operating temperature of the batteries used in each case. Our developments are already being used in e-buses and railway technology used for public transport.

In the area of individual transport, networks of charging stations are currently being set up worldwide to ensure nationwide coverage. We have positioned ourselves with the companies that are currently participating in the development of a nationwide charging infrastructure. The focus here is on the high-power charging stations (HPC), which enable charging in the shortest possible time. With this technology a car with HPC compatibility can be charged by 80 percent in 15 minutes.

For technical reasons, the cables and contacts must be cooled. technotrans supplies the necessary technology. A steadily growing number of charging stations for electric vehicles are already equipped with our cooling systems.

At FAKUMA 2018 in Friedrichshafen, gwk presented the new generation of compact water temperature control units of the enersave series with maximum energy efficiency for universal applications in the **plastics processing industry**. The use of centrifugal pumps instead of the usual peripheral impeller pumps allows substantial energy savings of up to 86 percent. In addition, gwk presented the integrad 80, a multiple-circuit temperature control system with a high level of energy efficiency for large moulds. The large reduction of energy consumption is reached through a flexible control of the pump-speed. Customers report energy savings amounting up to 70 percent.

Our resource and health-saving solution for compressed air-free spray lubrication for the **stamping and forming technology** continues to meet with great interest from end customers and original equipment manufacturers (OEMs). The presentation of our spray.xact 5000, the lubrication solution for large systems for the forming of external body parts, at the EuroBLECH in Hanover attracted great interest from visitors. With a spray width of 4,600 millimetres, it is the most powerful system in our spray.xact product portfolio. It offers a highly flexible solution for the contactless and exact application of oils and aqueous solutions onto sheet metal blanks or coil strips. Due to the precise and low-fog spray technology without compressed air, the customer's oil consumption is significantly reduced and - in addition to conserving resources, a health-friendly working environment has been created.

The response of customers using systems from the spray.xact family has been consistently positive, especially with regard to the resource-saving use of oil combined with high performance. The oil savings communicated to us by customers are between 40 and 60 percent.

As an energy-efficient solution for process cooling e.g. for **laser technology**, the latest generation of cooling systems, the omega.eco series, was presented at the AMB trade fair in Stuttgart. This is characterised by a reduction of the necessary refrigerant volume by up to 60 percent and energy savings of around 33 percent. This enables the combination of highly efficient microchannel condenser technology, power-controlled components for refrigeration and their dynamic adaptation to the process to be cooled.

In our products delta.d eco and beta.c eco+ for **offset printing**, performance-controlled refrigerant compressors are also used, which enable continuous adjustment of the refrigerating capacity to the actual demand. If no refrigeration capacity is required, the system reduces the compressor speed and thus the refrigerant compression. This allows the energy consumption to be reduced proportionally to the required cooling capacity. Due to the enormous savings potential with constant maximum performance and operational reliability, this technology is now standard in the largest single series, the beta.c combination unit.

In the beta.c eco+, a patented free cooling function additionally uses cool outside temperatures (<20°C). This technology is particularly energy-efficient, as the refrigeration unit is not required when the free cooling

function is active. In addition, pumps and fans in particular, which frequently operate at partial load, are operated at variable speeds by means of frequency converters. By halving the speed, for example, energy consumption can be reduced by more than 80 percent.

The EU F-Gas Regulation aims to reduce the quantities of partially fluorinated hydrocarbons (HFCs) available on the market to one fifth of the sales volume in 2015 by 2030. This is intended to reduce the emission of greenhouse gases. It goes without saying that we actively participate in the reduction of potential negative environmental influences. We changed the refrigerant for all compact chillers produced by gwk at an early stage. This more than halves the impact of refrigerants, measured by their CO₂ equivalents, and exceeds the objectives of the F-Gases Regulation. In addition, further projects were being implemented throughout the Group in the year under review to further reduce the CO₂ equivalents of refrigerants.

Our **heat recovery** concepts provide further savings potential for our customers and a further step towards CO₂-neutral production. Waste heat, which is generated in the printing process, for example, is dissipated centrally via a water-supported recooling system and reused. For this purpose, we offer direct solutions for the use of waste heat, but also solutions for the use of waste heat in building services. Heat recovery concepts are tailor-made according to the conditions and requirements of the customer.

In addition to these products, we continuously pursue and develop further projects and processes - also across the Group - to increase the energy efficiency of our customers' value-added processes.

Own production

Also, with regard to our own production, we are constantly working on using energy, resources and materials as efficiently as possible. Particularly at the production sites with a higher depth of added value, we use a wide variety of input materials (including metals). Here we attach importance to the fact that no resources are wasted unnecessarily in the production process. Furthermore, we strive to further reduce waste within the framework of our work processes and production. If waste is unavoidable, it is separated by type and recycled. As part of our concept, this also includes informing our employees how they can make a contribution to this in their daily work and through their own ideas.

In addition, we regularly check the use of resources and environmentally hazardous substances in our products. The technotrans Group manufactures equipment that is partly subject to the RoHS II directive and therefore also to the requirements of CE marking. Irrespective of the scope of the directive for our products, many customers demand that the RoHS II directive be complied with and that a corresponding CE declaration of conformity be issued. technotrans has therefore set itself the goal, both from its own strategy and in the interests of its customers in particular, of manufacturing equipment that is largely RoHS II-compliant, even if individual products are not covered by this directive from a legal point of view. The underlying internal work processes were optimised and updated in a work instruction. To this end, we also assume responsibility with regard to our supply chain. Due to the purchase of various components, we oblige our suppliers not to use any environmentally hazardous substances and to declare this to us in a binding manner. In addition, when ordering the components, we strictly refer to compliance with the RoHS II directive. In addition to this, all main suppliers of the German production sites are requested once a year to submit a statement on the RoHS II Directive. In the material master, the materials that are RoHS II-compliant are marked accordingly. The parts list of an end product can be used to document whether a device meets the requirements of the directive and to what extent CE conformity can be declared to our customers. Internal processes are to be successively implemented and harmonised at all production sites. Due to the large number of suppliers, components and end products, this process has not yet been completed at all locations.

As part of the environmental, energy and quality management system, we continuously collect and analyse relevant key figures, such as energy consumption figures, and can therefore derive internal measures for ourselves.

Our subsidiary gwk passed the surveillance audit for DIN ISO 50001:2011 on December 6, 2018 without any findings. The implementation of recommendations for improvements was started immediately after the completion of the audit by the energy management team. It is planned to switch to the new revision ISO 50001:2018 for the recertification audit in 2020.

Also, at gwk, the installation of an energy monitoring system was recently completed. This consists of hardware and software components: network-capable electricity meters can be used to determine the electricity consumption for almost any production area in order to identify the largest energy consumers. In addition, the gas consumption of the paint shop is monitored by a separate meter. Consumption is to be evaluated using an IT application that is currently being developed. The energy key figures determined in this way are to serve as the basis for optimisation activities. At the same time, a new heating concept for production is being developed.

In addition, gwk is committed to the use of environmentally friendly materials: since 2018, a coating with a low solvent content has been used, which also requires a drying temperature and drying time reduced by fifty percent.

The other German production sites have also carried out energy audits in accordance with DIN EN 16247-1.

The key figures basis is not yet so advanced at all locations in the Group that we can report in full.

Furthermore, gwk was included in our management system according to DIN EN ISO 9001:2015 in 2018. Thus, gwk is part of our group certificate and fully integrated into our group-wide quality management system. Our site in Taicang (China) also meets this standard.

The construction of the new Termotek GmbH site began in June 2018. Completion is scheduled for August 2019. A tripled production area and a doubled office space create the necessary conditions for further growth. Production processes are optimised by an improved material flow. The location also sets standards in terms of sustainability: thanks to a comprehensive energy concept, resources will be used much more efficiently in the future. The building meets the KfW 55 efficiency house standard. A combination of water-water heat pump with recooling, floor collectors and cistern makes it possible to distribute energy according to demand and to store unused energy temporarily. For example, the hot water required for testing the cooling units is stored and used for air-conditioning the building. In addition, unused heat from the environment can be used for the test process. The calculated savings potential per year amounts to around 424 tonnes of CO₂, which corresponds to the emission volume of approx. 170 four-person households.

The active energy management of the new site is supported by comprehensive building automation, which allows energy consumption to be monitored separately for each production area. This is also used to centrally control resource-saving measures.

In addition to energy aspects, the concerns of the employees were also taken into account comprehensively in the planning: open multifunctional offices, communication areas and attractive social rooms are intended to positively influence active communication and a pleasant working environment.

The most efficient possible use of available energy is an important economic factor for industry. Climate-neutral production continues to be the focus of companies.

Optimal energy management is an important pillar of our corporate success, both from an ecological and an economic point of view. We will continue to attach great importance to environmental protection and sustainability in our product development and resource deployment in the future. In addition, we will ensure that globally applicable standards and guidelines in this context are implemented and complied with in the Group.

b) Employee interests

Training and qualification

Committed employees with outstanding skills and abilities are the foundation of our success. If structures or processes are changed, there may be a risk of losing employees and thus know-how because they do not identify with these measures and orient themselves elsewhere. In order to limit fluctuation, we use careful selection, targeted promotion and adequate further training of our employees as instruments of our personnel work. In particular, we attach great importance to the development of specialist and interdisciplinary skills and the sustained maintenance of the professional competence of specialists and managers. Only if we offer our employees appropriate training opportunities and promote a positive corporate culture can we ensure that we continue to develop as an organisation and continue to be regarded by our employees as an attractive employer.

For many years, we have attached great importance to training and are committed to the training of young people. On the one hand, we see this as social responsibility, which we gladly assume, and on the other hand we consider this as an investment in the future of our company. We see the demographic change in society and the shortage of skilled workers as a major challenge. Our response is to provide training beyond our own needs; junior staff are to be recruited primarily from our own ranks.

As of December 31, 2018, the Group had 120 trainees (previous year: 110). technotrans SE has 51 trainees (previous year: 51). Despite the sharp increase in the number of employees in Germany, the trainee ratio in the Group's German plants still exceeds nine percent and is thus above the industry average of around seven percent. The spectrum of training occupations in the technotrans Group is diverse and expands from year to year on the basis of market requirements. Our training offer currently includes 19 professions.

With our own training workshops in our production companies, for example an electrical training room set up specially for the trainees, participation in factory lessons and training within various departments, our trainees are optimally prepared for their future tasks. Our trainers are also regularly trained. In fiscal 2018, 28 trainees

successfully completed their training at our German companies. We have taken on 25 of them as permanent employees. This corresponds to a retention rate of 89 percent.

In order to enable our trainees to „look beyond their own horizons“, both professionally and personally, during their training they can take part in cross-location assignments in our Group companies. Thanks to the very positive experience gained, this exchange is to be expanded further.

Within the scope of personnel development, training and necessary further training measures were again carried out for numerous employees in 2018 in order to qualify them for the constantly changing requirements at an early stage. We see this as an investment in the future and rely both on internal experts from the individual departments and on external trainers.

As part of the training of new employees, numerous international service technicians were intensively trained in the 2018 financial year as well, in order to ensure a state-of-the-art product knowledge throughout the Group.

The employees discuss the corresponding qualification measures with their respective managers. For more comprehensive measures, the human resources department is consulted. The aim of these interviews is to

Employee structure of the technotrans Group

	2018		2017	
	number	in %	number	in %
Employees at year end	1,453		1,329	
Employees by segment				
Technology	1,057	72.7%	956	71.9%
Services	396	27.3%	373	28.1%
Age structure				
Employees up to 20 years	61	4.2%	57	4.3%
Employees 21 to 30 years	315	21.7%	297	22.3%
Employees 31 to 40 years	354	24.4%	310	23.3%
Employees 41 to 50 years	332	22.8%	317	23.9%
Employees over 50 years	391	26.9%	348	26.2%
Period of employment				
up to 5 years	691	47.6%	579	43.6%
6 to 10 years	201	13.8%	210	15.8%
11 to 20 years	355	24.4%	347	26.1%
21 to 30 years	155	10.7%	150	11.3%
over 30 years	51	3.5%	43	3.2%
Employees by regions*				
Germany	1,302	89.7%	1,168	87.9%
other Europe	50	3.4%	53	4.0%
North and South America	49	3.4%	49	3.7%
Asia	50	3.4%	57	4.3%
Australia	2	0.1%	2	0.2%
Employees by qualifications				
Employees with vocational training	714	49.1%	640	48.2%
Employees with an academic degree	292	20.1%	280	21.1%
Employees with an engineering qualification	236	16.2%	213	16.0%
Employees without qualification	91	6.3%	86	6.5%
Trainees	120	8.3%	110	8.3%

* dependent on the location of the company

implement a tailor-made further training measure for the respective employee. The personnel development activities for technotrans SE are established under the name „technotrans campus“ in the form of a structured training catalogue. Based on our positive experience, we intend to gradually extend the concept to all Group companies in the coming years.

For the further academic training of our employees, we have initiated talks about cooperation with the Münster Steinfurt University of Applied Sciences. The aim is to develop an additional module for further training in the form of lectures and/or courses that can be completed with a certificate.

Health management

Maintaining and promoting the health of our employees is very important to us. It ensures that the efficiency of our employees is guaranteed in the sense of a smooth production process also in the future. In addition to the regular health check-ups carried out by our company doctor as part of the legally prescribed examinations, employees can take advantage of free back courses several times a year, lease service bicycles and receive special terms at fitness studios on the basis of cooperation agreements. In addition, participation in company runs is supported in order to promote both health and team cohesion. The company health management is rounded off by a supplementary dental insurance policy for our employees paid by the company.

Compensation and employee rights

For their performance, employees receive market-oriented remuneration consisting of fixed and variable components. A uniform remuneration system has been introduced at the main site in Sassenberg and at other sites in Germany in recent years. Under this system, employees are assigned to so-called grades depending on their position, for each of which certain market-oriented remuneration bands have been defined. In addition, our compensation system is based on an annual employee appraisal. In order to ensure a fair assessment, all managers are trained accordingly on a regular basis. This remuneration system was introduced at gwk in 2018. In the future, other locations of the Group should follow.

Employee structure of technotrans SE, Sassenberg

	2018		2017	
	number	in %	number	in %
Employees at year end	511		477	
Employees by segment				
Technology	402	78.7%	378	79.2%
Services	109	21.3%	99	20.8%
Age structure				
Employees up to 20 years	28	5.5%	29	6.1%
Employees 21 to 30 years	117	22.9%	108	22.6%
Employees 31 to 40 years	89	17.4%	68	14.3%
Employees 41 to 50 years	127	24.9%	130	27.3%
Employees over 50 years	150	29.3%	142	29.8%
Period of employment				
up to 5 years	211	41.3%	175	36.7%
6 to 10 years	50	9.8%	52	10.9%
11 to 20 years	161	31.5%	164	34.4%
21 to 30 years	78	15.3%	76	15.9%
over 30 years	11	2.1%	10	2.1%
Employees by qualifications				
Employees with vocational training	261	51.1%	238	49.9%
Employees with an academic degree	81	15.8%	77	16.1%
Employees with an engineering qualification	94	18.4%	86	18.0%
Employees without qualification	24	4.7%	25	5.2%
Trainees	51	10.0%	51	10.7%

Managers receive individually agreed bonuses, half of which are based on the achievement of company targets and half on personal performance. Annual percentage salary increases for the other employees at the locations in Germany are negotiated between the Board of Management, the management (in the case of subsidiaries) and the respective Works Council. The average salary increase in the 2018 financial year was around three percent; a comparable level was negotiated for the 2019 financial year.

In addition, we offer our employees various additional benefits. We orient ourselves towards the respective local and legal conditions and possibilities. The scope of services therefore varies between the individual locations. The benefits include, for example, pension contributions or contributions to an employer-financed supplementary dental insurance. In the area of occupational pension provision, we are implementing the law on the strengthening of company pension schemes in technotrans SE for old contracts as early as January 1, 2019. We plan to further expand our commitment in this area, among other things by offering consulting services, in order to further reduce a potential pension gap for our retired employees.

technotrans products stand for high quality and operator safety. We also want to make the workplace as safe as possible for our employees. At our sites, our managers are responsible that statutory occupational health and safety regulations are being observed. In particular, we have implemented individual concepts at our production sites. Specifically, this includes for example the „Team technosafe“, which was established to proactively promote occupational health and safety at the Sassenberg site. In addition, we have initiated the development of the „Health and Safety“ and „Environment and Energy“ organisational guidelines, which are intended to serve as guidelines for employees. These concepts are designed to ensure that the legal requirements are always met, but also to implement additional short-term measures if necessary. It also includes all fire protection, occupational safety and environmental protection measures. In addition to the legal requirements, such as the regular meetings of the Occupational Safety and Health Committee, there are, for example, voluntary factory inspections or meetings of first-aiders and fire safety assistants to exchange experience in order to identify potential hazards at an early stage and counteract them preventively. The pleasingly low accident rate in the Group shows just how functional these concepts are.

Following its successful establishment in fiscal 2017, the members of the Group Works Council held regular meetings to discuss the concerns of employees in the domestic Group companies. Among other things, uniform regulations across the Group's locations are developed there. In addition, a Works Council was established at SE level when technotrans AG was converted into an SE. This currently is made up of nine members of the (domestic) Group Works Council and three representatives of the European branches. This body develops employee-relevant agreements at European level. A professional approach to employee representation, which allows neither preferential treatment nor discrimination, remains an integral part of our corporate culture. We cooperate openly and in a spirit of trust with employee representatives, engage in constructive and cooperative dialogue and strive to achieve a fair balance of interests at all times.

Equal opportunities and diversity

The personality and qualifications of our employees are what count for us. In the companies of the Group, no discrimination of any kind whatsoever is tolerated against any person, particularly on the grounds of age, nationality, skin colour, gender, religion, social background or disability. We counter misconduct in this area in the workplace with a zero-tolerance policy. Personnel decisions such as hiring, promotions, remuneration, terminations, etc. are made in accordance with these principles. We value the differences and diverse qualities of our employees. Our corporate culture is characterised by open, fair and respectful dealings. These principles are firmly anchored in our global Code of Conduct and are lived in our daily dealings. For example, we give refugees the chance to get to know every day working life in Germany.

Studies have shown that cultural diversity in teams can have a positive impact on innovation than other criteria such as age or gender.

For technotrans as a company with international locations operating in dynamic markets, innovation and creativity are extremely important for its success. At our headquarters in Sassenberg alone, people of eleven different nationalities work; twelve percent of the approximately 500 employees have a migrant background. We regard this structure as an opportunity to be seized. One of the ways in which we aim to further expand the company's innovative strength is through an optimally diversified team composition. Concrete positive experiences in our company confirm us in this approach: the consideration of facts also from culturally different perspectives is an important basis for the development of individual, flexible solutions for our customers.

In 2018, we established a cooperation with the Hamm-Lippstadt University of Applied Sciences as part of the „Benefits of Cultural Diversity“ research project sponsored by the state of North Rhine-Westphalia in order to systematically build up further knowledge in this area. The core of the four-year research project is

the investigation of the influence of cultural diversity on the optimisation of work results and the generation of new business potentials. For implementation, concrete recommendations for action for targeted, interculturally adapted promotion of employees by personnel advisors and managers are to be developed. We expect this to generate positive and sustained impetus for the further development of diversity at technotrans and, as a result, a further expansion of our competitiveness.

An important focus of activities in the area of diversity is an appropriate proportion of female executives. At 20.6 percent, the proportion of women in the total workforce as of December 31, 2018, the balance sheet date for the Group as a whole, remained virtually unchanged from the previous year.

technotrans sees itself as a family-friendly employer. We support our employees in reconciling their professional and private lives through a variety of offers. These include flexible working time models such as flexitime and various part-time models. We make it easier for women in particular to return to work during and after parental leave. Around 30 percent of all women in the Group take advantage of the opportunity to work part-time. A few years ago, technotrans also set up a cooperation with a municipal kindergarten at its Sassenberg location, thus creating flexible childcare facilities for children who are not yet required to attend school. This offer is also particularly aimed at women who do not want to lose sight of their professional goals during parenthood.

Only with satisfied and motivated employees can we secure long-term business success in the Group. Open, friendly and fair communication between employees is firmly anchored in our corporate culture. All personnel work is geared towards promoting this culture and enhancing the technotrans Group's attractiveness as an employer. In this way we want to ensure that the company is always well equipped with specialists. In the event of exit, the respective employees are interviewed to identify the causes of fluctuation. The fluctuation rate in the Group remained at a low level in the 2018 financial year.

At December 31, 2018, the technotrans Group had 1,453 employees (previous year: 1,329) employees. This corresponds to an increase of 9.3 percent. At technotrans SE, there were 511 (previous year: 477) employees. The increase over the previous year is 7.1 percent.

c) Social issues

Data protection and data security, especially with the timely implementation of the General Data Protection Regulation (GDPR) on May 28, 2018, technotrans attaches great importance to these issues. With increasing digitalisation and networking, the legal requirements are on the rise. We assume responsibility because compliance with data protection regulations is an important basis for trustful cooperation with our employees and business partners. Personal data that we collect and store is processed for the specific purpose and in accordance with the applicable data protection laws.

Our commitment is not limited to our operative business. As an international company, we also feel socially committed. We have been an active supporter of Friedensdorf International (Aktion Friedensdorf e.V.) since 2011, because it is a meaningful and sustainable work that is important for the future. The association cares for children from war and crisis zones and supports them with medical and psychological help, education, projects and relief goods.

In addition, we are involved locally at our sites in the form of numerous projects and initiatives, because we feel a strong bond with these regions in which we want to operate in the long term. Each location has different framework conditions; social commitment can therefore have different focal points from location to location and can consist of strategic cooperation as well as individual campaigns for employees. Social commitment activities are managed regionally in coordination with Group headquarters.

technotrans is also continuously committed to recruiting new staff. In cooperation with associations and regional (higher) schools, events are regularly organised to promote young technical talent and to provide guidance for career choices. We promote interest in MINT subjects (mathematics, informatics, natural sciences, technology) through numerous initiatives and projects. Some of them, such as „Girls' Day“, have established themselves as a permanent commitment within the Group. We will continue to do so. In addition, we provide young people with the opportunity to get to know the world of work during school holidays through qualified internships for schoolchildren, in compliance with all legal regulations, in order to be able to better orient themselves in their careers. Also, within the scope of occupational field knowledge on each day, we regularly give students the opportunity to look into various training occupations.

d) Respect for human rights

Equal opportunities, equal rights, fairness, mutual acceptance and tolerance characterise technotrans' corporate culture. We value the diversity and differences within our organisation and among our business partners. technotrans is committed to ensuring that all its employees act in accordance with internationally recognised human rights and essential labour and social standards.

technotrans is committed to the protection of human rights, compliance with labour standards and distances itself from child labour and forced labour. With our commitment to the UN Global Compact initiative and the incorporation of these principles in the technotrans Code of Conduct, these regulations become binding for our employees. The respective management of the local units is responsible for implementing national standards. Compliance is regularly assessed. In the 2018 financial year, the principles relating to labour standards and human rights that apply throughout the Group were observed.

We also do not tolerate human rights violations at our service providers and suppliers. New suppliers to technotrans SE undergo a standardised approval process and are only approved as suppliers and created by the system if their assessment is positive. In addition to compliance aspects such as compliance with applicable working conditions and social standards (child and forced labour, discrimination), environmental protection requirements are also included in the evaluation. The production sites of the subsidiaries have implemented equivalent approval processes in which the sustainability aspects do not yet have the desired significance. The aim here is that as the Group's purchasing processes become increasingly harmonised, these criteria should also be taken care accordingly.

Due to the high number of suppliers and subcontractors, the upstream part of the supply chain and the associated process steps can only be monitored to a limited extent or viewed transparently by us. As there is no contractual relationship between technotrans and our suppliers' upstream suppliers, intervention is not legally possible either. We can only oblige our direct suppliers to sensitise or oblige their upstream suppliers accordingly within the scope of the contractual design options. Our goal here is to improve insight across the supply chain.

Compliance with environmental aspects and occupational health and safety are addressed as part of the regular supplier audits and recorded in the audits. As part of the integration of newly acquired companies and the expansion of group certification, we are also introducing the currently applicable standards in these companies. A further expansion and standardisation of processes within the Group is being sought.

e) The fight against corruption and bribery

The relationships with all business partners are based on quality, reliability, competitive prices and compliance with ecological and social standards. Compliance with these standards by all employees forms the basis of technotrans' outstanding reputation in the procurement and sales markets. It is the central basis for the sustainable acquisition of new customers.

In order to ward off potential damage to the Group, we rely on transparency and internal control mechanisms. Compliance with our company-wide anti-corruption guideline, which is part of the standardised compliance management system, plays a special role here as well. Every employee is obliged to inform his or her superiors of any form of attempted bribery. In case of doubt, the Legal & Compliance department of technotrans SE or the Board of Management should be contacted. Special contract elements and framework contracts must be coordinated with this unit. The recognition and adherence to these and other compliance requirements is taught, among other things, through internal training courses and random checks. In this way, we are countering the issue of corruption preventively. In addition, the Board of Management is in regular contact with our subsidiaries.

We were not aware of any cases of corruption in the 2018 financial year. Compliance with the anti-corruption principles of legal regulations is monitored worldwide within the Group. As part of the integration of the newly acquired companies, the employees of these companies have also been and are being sensitised to this in order to ensure integrity and legal conformity throughout the Group without restriction. The aim is to ensure that this sensitisation also applies to further new employees.

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE STATEMENT

The corporate governance declaration pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) includes the declaration of compliance with the German Corporate Governance Code, relevant information on corporate governance practices and the description of the working methods of the Board of Management and Supervisory Board as well as their composition and working methods of committees of the Supervisory Board, the target figures defined pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act (AktG) and the information on the achievement of the target figures as well as a description of the diversity concept.

The corporate governance declaration pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) is available on the Company's website at <https://www.technotrans.com/en/investor-relations/corporate-governance/corporate-governance-declaration.html>.

The recommendations and suggestions contained in the German Corporate Governance Code (GCGC) have been an integral part of our corporate management for many years.

In September 2018, the Board of Management and Supervisory Board of technotrans SE issued the Declaration of Compliance for the 2018 financial year required under Section 161 of the German Stock Corporation Act (AktG). It has been permanently available to shareholders on the company's website (<https://www.technotrans.com/en/investor-relations/corporate-governance/declaration-of-compliance.html>).

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (SECTION 289 (4) AND 315 (4) OF THE GERMAN COMMERCIAL CODE [HGB])

Entrepreneurial action serves to increase the enterprise value through the targeted use of identified opportunities. The taking of risks is inextricably linked to this. The opportunity and risk management system we use serves to optimise the relationship between risks and opportunities in the interests of sustainable business success. To ensure this, we use suitable instruments and develop them further.

As part of a systematic and efficient risk management system, risk policy principles are defined, and current developments are regularly recorded, analysed, evaluated and - if necessary - appropriate countermeasures taken. The risk management system helps to ensure the Group's continued existence in the long term by identifying at an early stage all risks that could have a material adverse effect on the Group's net assets, financial position and results of operations. The Internal Control System (ICS) forms an integral part of the risk management system for the management of risks and is therefore presented in summary form.

The Group-wide risk management system is based, among other things, on the following risk principles:

- › The overriding risk principle at technotrans is the safeguarding of the company's continued existence. No action or decision may entail a risk to the continued existence of the company.
- › Risks threatening the continued existence of the company must be reported to the Board of Management without delay.
- › To achieve economic success, the necessary risks are consciously accepted to a certain extent. Earnings risks must be rewarded by corresponding opportunities for returns.
- › Risks are to be avoided as far as possible or - if economically feasible - insured, continuously monitored and communicated to the Board of Management and, if necessary, the Supervisory Board as part of regular risk reporting. Residual risks must be countered.

Risk management is used to promote awareness of opportunities and risks among technotrans employees and to prevent potential risks. The necessary procedures and communication rules within individual divisions have been defined and established by the Board of Management. Risks are recorded decentrally and reported to Group Controlling in a standardised form.

The respective operational superiors (risk managers) are responsible for compliance with the requirements and instructions in dealing with risks. Control is performed in the form of audits by Group Controlling and the Board of Management.

In addition, the risk management system, including the ICS, is regularly enhanced and thus forms the basis for the systematic identification, analysis, evaluation, control, documentation and communication of the various risk types and profiles. The same applies to our compliance programme. technotrans does not tolerate any infringements of applicable law and regularly reviews and develops its internal rules and regulations and its own compliance organisation to this end.

Organisation of the risk management system

The responsible handling of business risks and opportunities is one of the principles of good corporate governance. The Board of Management regularly informs the Audit Committee or directly the Supervisory Board about existing risks and their development. Risk management is organisationally integrated into the Legal and Compliance function and, with the support of Group Controlling, ensures regular and timely reporting to the Board of Management. This organisational structure makes it possible to identify trends and risks at an early stage with the help of key figures and thus ensures that the Group Board of Management can immediately initiate suitable measures in the event of negative changes.

The scope and structure of technotrans SE's accounting-related internal control system (ICS) are at the discretion and responsibility of the Board of Management. With regard to the accounting process, the objective of the ICS is to implement controls to ensure sufficient assurance that the (consolidated) financial statements comply with the regulations despite the identified risks.

The ICS contains the principles, procedures and measures to ensure the correctness of accounting and is subject to continuous further development. The ICS is designed so that the annual financial statements are prepared in accordance with the relevant provisions of the German Commercial Code (HGB) and the German

Stock Corporation Act (AktG) and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB).

The Group accounting processes are controlled by the responsible employees in Group Accounting. The organisation of the accounting-related ICS has a uniform and centrally defined reporting structure, which is based on local legal requirements and is in line with the Group's principles. The subsidiaries report periodically in accordance with IFRS as part of Group reporting. Newly established or acquired companies are integrated into this reporting process as quickly as possible.

There is no uniform corporate structure for the ERP and accounting systems. The reporting and consolidation processes for all group companies are carried out via a uniform IT system provided centrally by technotrans SE.

To ensure uniform reporting, there are corporate guidelines such as accounting and consolidation manuals, compliance with which is regularly monitored. Internal accounting controls at the subsidiaries and compliance audits on site are carried out at regular intervals. These include, in particular, IT-supported and random checks and plausibility checks as well as the separation of functions and the dual control principle.

An internal audit of the local financial statements is performed at the end of the financial year before they are released for the consolidated financial statements. All the measures taken and the ongoing development and adaptation of the ICS help to ensure the reliability of the accounts. Even appropriate and functioning systems cannot provide absolute security for identifying and controlling risks.

technotrans has a uniform risk management organisation throughout the Group. The early risk detection system complies with the requirements of the German Act on Control and Transparency in Business (KonTraG). Risks at technotrans SE and at the subsidiaries are identified promptly and locally as part of regular risk reporting (quarterly). This includes changes in risks already identified and new developments that could lead to the emergence of further risks.

The risks are analysed, assessed on the basis of the probability of occurrence and the potential amount of loss, and measures are compared (net view). Remaining residual risks are reassessed and further measures taken. For example, in order to avoid bad debt losses, each customer is allocated general or individual credit limits (taking into account the sum insured of the commercial credit insurance if necessary) and payment behaviour is monitored. Regular receivables analyses are used to assess which measures must be taken to close overdue positions. The results of these analyses are then discussed with the customer.

In the case of customers in series production, a delivery stop is announced in the next stage and finally imposed until the credit limit is fallen below again. At the same time, external sources are used to regularly assess the creditworthiness of customers and adjust credit limits if necessary. This also occurs after repeated delivery stops.

Risks are addressed in individual discussions or within the framework of meetings and then assessed according to their probability of occurrence and potential consequences. Risks are defined as events that cause a percentage deviation from the EBIT expected value in the annual planning for the following year.

Risks are classified qualitatively as „low“, „medium“ and „high“. Individual risk potentials are determined for quantifiable risks, taking into account the potential amount of loss and the probability of occurrence. These are set in relation to the planned result for the period (planned EBIT) and thus form the valuation basis for the risk class („low“, „medium“ and „high“).

Based on this, technotrans classifies its risks for 2019 as follows

- **“Low” if the risk potential of the individual risk is valued at less than 10 percent of the planned profit for the period,**
- **“Medium” if the risk potential of the individual risk is valued at between 10 and 20 percent of the planned result for the period,**
- **“High” or a threat to the continued existence of the Group if the risk potential of the individual risk is valued at more than 20 percent of the planned result for the period.**

OPPORTUNITY AND RISK PROFILE

As a technology company, technotrans operates in a dynamic market environment in which new opportunities and risks are constantly opening up. technotrans operates an opportunity and risk management system that supports management in achieving its corporate objectives. The prerequisite for technotrans' long-term success is the early identification and exploitation of opportunities. At the same time, the company is exposed to risks that may make it more difficult to achieve its short- and medium-term goals.

technotrans defines risks as internal and external events resulting from uncertainty as to future developments which may have a negative impact on the achievement of corporate objectives. technotrans sees opportunities as possible successes that go beyond the targets set and thus benefit business development. Risks and opportunities are inextricably linked.

The structures and processes for the risk management system explained in the risk report thus also support opportunity management in feedback. However, opportunities are not identified exclusively by management or the person responsible for risk, but also by the individual employee.

In order to determine the overall risk, technotrans bundles individual risks that belong together in terms of content. Based on the recommendations of DRS 20, technotrans categorises its risks into five risk groups which could have a detrimental impact on the net assets, financial position or results of operations of the technotrans Group. It should be noted that the probability of the occurrence of all the following risks is rated by the Board of Management as low. Unless otherwise stated, the risks relate to all segments.

Macroeconomic / industry-specific risks

technotrans cannot escape a downturn in global economic growth either, which it must expect to have a direct impact on revenue and earnings. At technotrans, the regional and market-segment-related distribution of revenue is becoming increasingly diversified, leading to a better balance of activities in economically weak and growing markets and industries. It is rare for all regions and market segments to be affected to the same extent by a deteriorating economic development. The management of economic risk essentially comprises the control of capacities and costs. Flexible production structures enable technotrans to adapt quickly to changes in the order situation.

As a systems supplier, technotrans generates a comparatively high proportion of its revenue with the world's leading printing press manufacturers. As a result of the industry's consolidation process in recent years and an overall stagnation in the market volume for print products, technotrans has become interdependent with machine manufacturers (OEMs). An economic imbalance or the withdrawal of one of these customers from the market could have a significant short-term impact on the company's financial position and results of operations. However, the Board of Management does not expect any lasting effects, as the consolidation is unlikely to have any impact on the overall sales market for printing presses. technotrans is also successfully expanding its range of products and services in the niche markets of digital and flexographic printing.

In the other relevant markets, technotrans is countering the risks arising from weaker growth momentum and increasing competitive pressure through innovative technological advances and a stronger market presence.

A high share of revenue in individual industries harbours both opportunities and risks. In order to counter the risks arising from its dependence on individual market segments and products, technotrans attaches great importance to its broad positioning, the expansion of its technological and innovation leadership and its focus on new customers and growth markets.

With one exception, the Board of Management assesses the net risks in this risk category at the time the report was written as low. The risk of a downturn in global economic growth is estimated to be moderate (previous year: low).

Corporate strategy risks

The acquisition of companies is associated with a number of risks that can have a direct impact on the earnings, financial and asset situation. If the expectations regarding the economic or industry-specific development or the planning of newly acquired companies or the expectations regarding newly developed products prove to be inaccurate, the revenue and earnings targets may not be met. Achievement of the margin targets is largely dependent on the planned revenue development and strict cost control. Furthermore, unplanned expenses, for example for unexpectedly needed structural measures or unforeseeable additional quality problems, can be the cause of serious deviations.

In recent years, the Group's strategic orientation has been characterised by investments in growth markets, the expansion of existing markets and the acquisition of further companies. The aim of these investments is to expand our presence in existing markets and to develop new market segments with attractive growth potential.

In order to open up further sales markets, technotrans focuses on its core competencies and specifically addresses niche markets in which it can be successful as a systems partner to large industrial customers. The relevant markets will continue to be monitored on an ongoing basis and opportunities for strategic acquisitions identified as a complement to organic growth. technotrans aims to use targeted acquisitions to strengthen its technological leadership, tap into market potential, improve its services to customers and expand its product portfolio.

The speed with which the acquisitions are integrated into the Group will also be of decisive importance in realising the expected Group-wide synergies. Building on the experience of the most recent successful acquisitions, the Board of Management counters this risk with increased personal commitment and regular reviews of the measures initiated. Newly acquired companies are integrated into the reporting of the technotrans Group immediately after acquisition; this also includes the standardised risk management system.

As a result of its corporate strategy, the Group has been able to drive growth by continuously expanding its investment portfolio and has recognised goodwill of € 23.5 million (previous year: € 23.1 million). In accordance with IAS 36, this must be subjected to an impairment test at least once a year. If impairment losses are identified, the corresponding goodwill must be written down. As in the previous year, no impairment losses were recognised in the year under review.

technotrans also invests in the development and optimisation of its own technologies, products and processes in order to maintain its competitiveness, meet market requirements and win new customers. The activities focus on all sales markets. Already in the product and application development phase, new products are created in constant coordination with the customer (product/market strategy).

Basically, in new markets with new customers, there is always the possibility that efforts to introduce new products may not be successful. On the other hand, the individual risk is lower due to the growing number of customers. Nevertheless, misjudgements regarding the strategic orientation of the Group and its market potential as well as a lack of customer acceptance of newly developed products cannot be ruled out and may have a negative impact on the Group's competitive position and revenue. We counter these risks through constant customer contact and the resulting proximity to the market.

Our knowledge of our customers' needs enables us to develop and offer products that meet their needs. In this way, we are further expanding our competitive position and our level of awareness. In addition, maintaining high quality standards is of the utmost importance to us.

In our estimation, we have based our planning for the 2019 financial year on realistic planning assumptions and, if necessary, can take rapid countermeasures to exclude or minimise these risks as far as possible.

In summary, the Board of Management considers all corporate strategy risks to be low at the time the report was prepared.

Financial risks

Financial risks primarily include liquidity risk, interest rate and currency risk as well as default risk.

In principle, the individual subsidiaries finance themselves from their operating results. Depending on the liquidity situation, technotrans SE assists with financing and makes funds available as required. In order to ensure the ability to act at all times, the parent company has sufficient liquidity reserves.

In connection with the acquisitions and the construction project at the Baden-Baden location, technotrans entered into financial liabilities in the 2018 financial year. A diversified financing structure, spread across several core banks, prevents dependence on individual lenders, so that from today's point of view bank default risks are limited. In addition, the operating business will generate sufficient liquid funds to continue to grow from its own resources.

Even a change in the interest rate level would not have a major impact on the earnings situation, as the current financing consists of a mix of fixed-interest and variable-rate financing and in selected cases the interest rate risks are hedged. As of the balance sheet date of December 31, 2018, the unsecured portion of financing in bank debt amounted to €. A deterioration in the earnings, financial and asset situation that deviates significantly from the planning for the 2019 financial year could result in the company making use of the credit line it has agreed to but has not drawn on. On the basis of our plans for 2019, the Board of Management considers this risk to be low.

Currency fluctuations have an impact on the technotrans Group's business activities as a result of its corporate structure and increasing international activities. Since the vast majority of operating business is invoiced in euros on the production and sales side, exchange rate risks from transactions are limited. The development of exchange rates can, however, more or less promote or hinder the competitiveness of our customers.

Balance sheet currency risks also exist in the translation of revenue, income and expenses as well as intercompany receivables and payables of the international subsidiaries into the Group currency, the euro. Changes in exchange rates may therefore have a corresponding effect on the consolidated result. In the 2018 financial year, the Group recorded a currency gain of € 0.2m in the income statement.

Regardless of the economic situation, there is always a risk of a customer becoming insolvent. On the basis of the diversified portfolio and the experience of recent years, we assess the risk of bad debt losses on the receivables side, in particular large bad debt losses, as low overall. Effective systems for monitoring creditworthiness and, if necessary, calling in collateral ensure that new customers are dealt with in an orderly manner. A trade credit insurance policy tailored to technotrans also limits the default risk.

Systematic controls are used to reduce further financial risks in the context of potential compliance and fraud cases. Of particular importance in this context are the effectiveness of corresponding employee communication and IT security standards as well as compliance with the requirements of the new General Data Protection Regulation (GDPR).

Overall, the Board of Management considers all financial risks for the Group to be low.

Economic performance risks

There are risks on the procurement market, in particular in the form of supply bottlenecks and dependencies on individual suppliers. Downtimes are to be seen as a significant risk from a production point of view.

technotrans is dependent on its suppliers and service providers being able to ensure that they are supplied with the required quality at all times. Risk management is therefore an integral part of supplier management. technotrans works closely with selected system suppliers. Expected shortages of raw materials and the associated price risks are countered, among other things, by long-term framework contracts. By establishing a group purchasing structure, economies of scale for the Group are exploited in the procurement of the most important material groups. On the materials and procurement side, we expect raw material prices for some components to tend higher in 2019. Depending on the respective market situation, it is not always possible for the Group companies to pass on the resulting burdens to their customers promptly and in full.

Interruptions in production and disruptions in transport and logistics generally represent a relevant risk, which technotrans counters by implementing flexible processes and high technical standards. A higher depth of value added, for example at gwk, also strengthens the flexibility within the Group to secure external supply bottlenecks if necessary. Due to the increasing diversification within the Group, the risks are therefore of minor significance with regard to the effects on the Group.

In addition, there is the risk that customer expectations with regard to on-time delivery or quality may not be met (sales risk). A large number of processes and instances, ranging from supplier management and customer project handling to quality management, are designed to eliminate these risks in a forward-looking manner.

The basis of the modern working environment is a secure and effective IT infrastructure. The growing networking of a large number of IT systems and the necessity of permanent availability place high demands on the information technology used. The software-supported mapping of business processes means that technotrans' corporate data is subject to a general IT risk. These include in particular the dangers of system failures, data loss and virus or hacker attacks that can lead to business interruption.

technotrans counters possible risks from the failure of computer systems and networks, unauthorised data access or data misuse by means of a central shared service centre function (technical and organisational) and regular investments in hardware and software. In order to limit future IT risks, technotrans uses preventive system security measures (use of virus scanners, firewall systems and access controls) and a successive SAP ERP implementation strategy within the group. The Board of Management currently considers the IT risks to be low.

The success of the Group is significantly influenced by qualified and motivated employees and managers. technotrans is therefore investing both in maintaining its workforce and in improving its attractiveness as a workplace so that it can master the challenges of the imminent digitalisation and demographic change.

Possible risks arise primarily in personnel recruitment and development. Changes in structures or processes entail the risk of losing employees and their know-how because they do not identify with these measures and therefore orient themselves elsewhere (fluctuation). We counter this risk through targeted training and development measures, the transfer of individual competencies to teams and performance-related remuneration. Employees appreciate the positive corporate culture, so that the entire package of measures makes technotrans an attractive employer.

Overall, the Board of Management considers the economic performance risks to be low.

Legal risks

The international business activities of technotrans SE and its Group companies mean that the company is exposed to various legal risks. Of particular importance are the areas of national and international contract drafting.

The operating business of the individual companies gives rise in particular to risks from warranty and product liability claims arising from customer complaints. As an element of the risk management system, these risks are largely covered by insurance policies. In addition, provisions of € 1.7 million were accounted for in 2018 by way of adequate risk provisioning (previous year: € 1.9 million).

Provisions are recognised for significant individual risks of Group companies arising from legal disputes and related litigation risks if the obligation is probable and the amount can be determined with sufficient precision. There are currently no legal disputes whose outcome could, in our estimation, have a significant impact on our earnings or asset situation.

Risks are also posed by changing international regulations and laws and the associated changes in standards - for example in the use of raw materials or ingredients - especially in Germany and the EU. The erection of trade barriers and increasing restrictions on competition can have a negative impact. Effective contract and quality management as well as a compliance management system minimise these risks but cannot guarantee a fundamental exclusion. technotrans has adequate insurance cover for risk provisioning and, in addition, provisions are recognised in individual cases.

Overall, the Board of Management considers all legal risks to be low.

OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON THE RISK SITUATION

We are of the opinion that the risk management system in place is suitable for identifying, analysing and quantifying existing risks in order to manage them adequately.

At present, there are no discernible risks that could jeopardise the continued existence of the company on their own or in combination with other factors. The Group is well positioned. With a manageable risk profile, the conditions are in place for technotrans to continue and grow its long-term corporate strategy in the coming years.

No risks to the technotrans Group's existence have been identified; this applies both to our previous business activities and to activities that we are planning or have already initiated. The overall risk situation of the Group results from the aggregation of all categories across all business units and functions. It has not changed significantly compared to the previous year and remains manageable and controllable.

In the opinion of the Board of Management, the Group is also ideally positioned in the medium term to further expand its market position and grow globally.

FUTURE GENERAL CONDITIONS

In its economic outlook at the beginning of the year, the International Monetary Fund (IMF) predicted global growth of 3.5 percent for 2019. At 3.6 percent, the forecast for 2020 will also be slightly lower than previous estimates.

For the euro zone, the IMF predicts economic growth of 1.6 percent per annum over the next two years. In Germany, growth is expected to slow to only 1.3 percent this year and recover to 1.6 percent in 2020. For the USA, the IMF continues to expect growth of 2.5 percent in 2019, although the increase is not expected to decline to 1.8 percent until 2020. Economists estimate that China, on the other hand, will grow by only 6.2 percent in the next two years.

Growth Forecast of Gross Domestic Product in percent

	2019	2020
World	3.5	3.6
USA	2.5	1.8
Eurozone	1.6	1.7
Germany	1.3	1.6
China	6.2	6.2
Emerging countries	4.5	4.9

Source: International Monetary Fund, World Economic Outlook, January 2019 (forecast)

In summary, there is a risk that the global economy will continue to weaken. Increasing political uncertainties are weighing on the growth prospects and optimism of many companies. Among the greatest dangers are the escalation of the trade conflict between China and the USA and the economic risks of a disorderly Brexit. The industry fears that a hard Brexit will place a heavy burden on the German economy. So far, the Federal Statistical Office expects a growth rate of 1.5 percent. This scenario assumes an orderly withdrawal of the United Kingdom from the EU. Given the current scope of supplies and services with the United Kingdom, no material effects on the technotrans Group are expected, irrespective of the actual scenario.

Measured by the Ifo business climate index, the German economy is in a downturn at the start of 2019. The current survey results show a more pessimistic expectation for Germany.

EXPECTED DEVELOPMENT IN THE KEY PERFORMANCE INDICATORS RELEVANT TO TECHNOTRANS MARKETS

The technotrans Group's future business performance in 2019 will also depend to a large extent on the global economy and various project launches with existing and new customers. Production difficulties in some industries and lower demand could weigh on growth in 2019.

The individual sectors of mechanical and plant engineering have their own cycles due to technical or legal requirements. Their production process therefore differs in part from the mechanical engineering average. The machine tool and plastics processing industries, for example, are heavily dependent on the automotive and packaging industries, while the printing industry depends on global demand from the offset printing market and digital and packaging printing. The laser industry, on the other hand, serves a variety of production technologies (e.g. electromobility, medical technology and the semiconductor industry).

Printing industry



Following a slump in sentiment in December 2018, the business climate in the German printing and media industry recovered somewhat at the beginning of 2019. In 2018, the industry as a whole ended the year with a decline in incoming orders and sales. In the course of digitalisation, the capacity utilisation of print shops has declined due to the dwindling circulation of traditional print media. Overcapacities and technological advances in printing processes are intensifying competition and resulting in high price pressure. Due to the ongoing consolidation of printing operations in some industrialised countries, the market volume for sheet-fed and web offset presses is expected to expand only moderately in the future.

A large proportion of new press business in the printing industry is attributable to packaging printing, which in turn is growing in line with the development of global GDP and the rise in the total volume of packaging. technotrans has relevant system solutions available for all analogue, digital and flexographic printing technologies and, thanks to its very good market position in the industry, offers a good foundation in the application fields of packaging, digital and industrial printing. This must also be stabilised in 2019.

Plastics processing industry



The customer base is broadly diversified and includes the packaging, automotive and electrical industries as well as the healthcare and consumer goods industries. The German plastics industry is one of the most important economic sectors in Germany with revenue of around 80 billion euros (2017) and around 370,000 employees across more than 3,000 companies.

The plastics industry in Germany continues to be in a good economic position. Manufacturers of plastics and rubber machinery are expecting growth of three percent in 2018 and a sideways movement in 2019. „The market for injection moulding machines weakened in the second half of 2018, driven by weak global sales figures in the automotive market and uncertainties due to nitrogen oxide emissions from diesel engines,” commented Dr Hans Ulrich Golz, President of the Injection Moulding Technology Segment of the Krauss Maffei Group. 2019 is a K-year. In autumn, the plastics industry will come together for the world's largest „K” trade fair in Düsseldorf, where many new impulses are expected.

Laser industry



We expect further growth in the laser industry sector in the coming year. The spectrum of new applications and areas of application for laser technology creates an overall positive environment. In EUV lithography for the coating of microprocessors, we anticipate a further rise in revenue. technotrans is supplying the cooling technology required for this highly innovative manufacturing process.

Machine tool industry



The machine tool industry is currently benefiting from high capacity utilisation in industry. In 2018, the Machine Tool division (Machining and Forming) again recorded revenue growth. The sustained order backlog and rising industrial production led to this growth. By far the most important customer industries for German machine tools are the automotive industry and its suppliers. The major customers in the automotive industry are always pursuing long-term investment programmes. Against the background of the further spread of electric drive concepts, a wide variety of challenges arise.

Production is expected to rise again by an average of 2 percent in 2019.

E-Mobility



The market for electrical energy storage solutions has been in a strong development or growth phase for years.

The global automotive industry is facing a challenging turning point. Driven by political demands for decreasing emission and consumption values, many manufacturers are expanding their capacities for the construction of electrically or partially electrically powered vehicles. Precise estimates of which industry will change how much as a result of electromobility are difficult to make.

technotrans will benefit in this product area from the sustained dynamic market. With technological solutions and our process competence, we consistently open up new customer groups.

Medical technology



In general, the markets in medical technology (imaging and advanced therapies) are developing positively. In the medium to long term an average annual growth of 3-4 percent is expected. We expect moderate growth in this area in 2019.

EXPECTED DEVELOPMENT OF THE TECHNOTRANS GROUP

The economic experts agree that the expansion rates of economic development in the large national economies have passed their peak. In view of the general economic conditions and despite continuing political uncertainty, technotrans expects further growth in the 2019 financial year, although there are increasing signs of an economic slowdown in the first few months of the new financial year already.

In line with its strategic objectives, technotrans will continue to pursue the course it has successfully pursued in recent years. The Board of Management is guided by the fundamental objectives of organic and inorganic growth. It focuses on further openings for new industries and applications, the expansion of internationalization and the provision of technological innovations.

Several early indicators point to the possibility of a deterioration in the business environment in the further course of the year and an adverse impact on the technotrans Group's business performance. Against this backdrop, the Board of Management anticipates revenue in a range of € 224 to 232 million and an operating result (EBIT) of € 17.5 to 19.0 million for the technotrans Group in the 2019 financial year. We continue to make targeted investments in our future areas and new growth areas and expect to achieve an EBIT margin of between 7.8 and 8.2 percent in 2019.

New acquisitions are not included in the revenue and earnings planning for 2019. The outlook for the Group is based on the plans for the individual companies in the technotrans Group. The order situation at the end of 2018 and the bidding activities support this planning. Provided that the general economic conditions are better than expected and larger project launches are implemented in the growth markets, planning can also be exceeded.

The development of our individual markets will be of central importance in the new financial year.

In fiscal 2019, we expect a stable development in the printing industry with machine manufacturers. In the plastics processing industry, we intend to expand our business activities with strategic customers and increase our market share. Progressive industrialisation is driving demand for improved product properties (e.g. composite materials and high-performance plastics), increased energy efficiency in production and the development of resource-saving and sustainable production processes.

We are well positioned in the laser industry. For the current financial year, we expect moderate growth in the markets of the laser and machine tool industries as well as stamping and forming technology.

In close cooperation with a large number of existing and new customers, we are developing new customer-specific solutions for the dynamically growing markets of electromobility and medical technology. New development and production capacities represent additional growth potential for technotrans' sustained, positive business performance.

In addition, we have good prerequisites for further opening up new markets. In addition to purely organic growth, acquisitions of companies will also be of significance for the expansion of the technotrans Group's business activities.

On the procurement side, the Board of Management expects moderately rising prices on the raw material and energy markets. Depending on the respective market situation, it is not always possible to pass on the resulting effects to customers promptly and in full.

technotrans has increased its personnel in line with demand as a result of the revenue growth achieved and in view of the future challenges facing the operating units. A moderate increase in personnel is planned for 2019. The average pay increase of 3.0 percent also leads to a further increase in personnel costs over the year as a whole. The annual forecast also does not include any effects from exchange rate changes. For the remaining items of the consolidated income statement, the Board of Management expects changes within the usual range.

For the **Technology segment**, the Board of Management assumes that the Group will continue to benefit from its good position in the various markets in 2019 and thus achieve organic growth.

In pure price competition, we can only survive to a limited extent. This is why we concentrate on technologically high-quality solutions in which we respond to individual customer requirements. This requires a modularisation of the products in order to be able to produce individual solutions efficiently. The Board of Management expects a positive development overall in the operating segment return.

The **Services segment** accounts for a relatively high proportion of the technotrans Group's total revenue and thus makes an important contribution to the Group's stability. The Board of Management assumes that the Services segment will continue to develop positively as a result of the expanded installed base and greater use of the global service network. For the Technical Documentation division, the Board of Management expects revenue growth to be at least in the order of 2018. This is associated with the expectation of an overall increase in earnings in the Services segment, so that the segment return can basically maintain its level of 2018.

For 2019, the Board of Management expects a positive cash flow development on the basis of stable income and earnings. Investments in property, plant and equipment and intangible assets are expected to amount to around € 8 million in 2019 (excluding acquisitions). Of this amount, approximately € 5.0 million is attributable to the construction of our new Termotek GmbH production site in Baden-Baden. In addition, technotrans is currently planning further new and replacement investments of between € 3.0 and 3.5 million at its German production sites. Our goal is to generate a positive free cash flow in fiscal 2019.

The scheduled repayment of bank debts and the dividend payment are to be financed from current cash flow or liquidity available. In addition, technotrans has unused credit lines which, together with surplus cash and cash equivalents, provide sufficient flexibility to finance ongoing business. As in previous years, the equity ratio is to be maintained at over 50 percent in 2019.

The Board of Management continues to regard acquisitions as a suitable way of strategically expanding the company's growth and opening up further industries of the future. Corresponding possibilities are continuously analysed.

The conditions for the distribution of a dividend for the 2019 financial year are met: The company has a solid balance sheet structure and profitability has developed positively. From today's perspective, however, the Board of Management would make the payment dependent on whether larger investment projects are planned at the appropriate time, which would require the use of funds, for example for a larger acquisition, as a matter of priority. Under these conditions, we maintain our dividend statement that we will continue to pay out half of the consolidated net income for the year in the future.

Given the prevailing conditions, the Board of Management expects technotrans SE's (individual financial statements) revenue for the 2019 financial year to grow slightly by between 1 and 3 percent to € 81.0 to 83.0 million. From the present perspective the Board of Management expects the higher level of revenue to produce an operating result (EBIT) in the range of € 4.5 to 5.5 million, corresponding to an EBIT margin of 5.5 to 6.5 percent.

OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON FUTURE BUSINESS DEVELOPMENT 2019

The technotrans Group is consistently pursuing its strategic course. The Board of Management is concentrating its activities both on organic growth and on expansion through potential acquisitions.

In the 2019 and 2020 financial years, technotrans will focus increasingly on maintaining and continuously improving the performance of the Group companies. The Board of Management sees the greatest challenges for 2019 as the development in the cost of materials, followed by selling prices, personnel recruitment and the ability of upstream suppliers to deliver.

Revenue growth, the resulting economies of scale, but also cost discipline and higher margins from the increasing technology and service business should lead to an increase in the value of the company. In addition, internal process optimisation measures and Group development projects will be continued or launched as planned.

At the time of preparing these annual financial statements, the Board of Management expects the technotrans Group's business to develop positively overall in the 2019 financial year.

Disclaimer:

The Combined Management Report contains forward-looking statements. Actual results may differ materially from expectations regarding future developments if any of the uncertainties mentioned or otherwise occur or if the assumptions underlying any of the statements prove to be incorrect.

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CONSOLIDATED BALANCE SHEET

ASSETS	Note	31/12/2018	31/12/2017
		€ '000	€ '000
Non-current assets			
Property, plant and equipment	(1)	28,583	25,477
Goodwill	(2)	23,513	23,144
Intangible assets	(3)	7,693	6,888
Other financial assets	(4)	162	231
Deferred tax	(26)	1,466	2,034
		61,417	57,774
Current assets			
Inventories	(5)	28,296	26,589
Trade receivables	(6)	27,111	24,182
Income tax receivable	(7)	629	83
Other financial assets	(8)	758	596
Other assets	(8)	2,255	1,285
Cash and cash equivalents	(9)	15,566	14,798
		74,615	67,533
Total assets		136,032	125,307

EQUITY AND LIABILITIES			
	Note	31/12/2018	31/12/2017
		€ '000	€ '000
Equity	(10)		
Issued capital		6,908	6,908
Capital reserve		19,097	19,097
Retained earnings		43,282	37,797
Other reserves		-6,426	-6,440
Net profit for the period		12,383	12,191
Total equity attributable to technotrans SE shareholders		75,244	69,553
Non-controlling interests in equity		0	197
		75,244	69,750
Non-current liabilities			
Borrowings	(11)	25,956	19,187
Provisions	(15)	942	1,206
Other financial liabilities	(12)	614	1,073
Deferred tax	(26)	1,220	1,833
		28,732	23,299
Current liabilities			
Borrowings	(11)	8,431	3,837
Trade payables	(13)	6,712	6,062
Prepayments received	(14)	3,115	5,805
Provisions	(15)	9,751	9,769
Income tax payable	(16)	700	3,203
Other financial liabilities	(17)	800	1,285
Other liabilities	(17)	2,547	2,297
		32,056	32,258
Total equity and liabilities		136,032	125,307

CONSOLIDATED INCOME STATEMENT

	Note	2018	2017
		€ '000	€ '000
Revenue	(18)	216,286	205,095
of which Technology		156,476	147,570
of which Services		59,810	57,525
Cost of Sales	(19)	-147,021	-136,849
Gross profit		69,265	68,246
Distribution costs	(20)	-26,535	-26,453
Administrative expenses	(21)	-19,407	-18,596
Development costs	(22)	-7,980	-7,528
Other operating income	(23)	3,189	3,907
Other operating expenses	(24)	-1,181	-2,138
Earnings before interest and taxes (EBIT)		17,351	17,438
Financial income		499	145
Financial charges		-543	-620
Net finance costs	(25)	-44	-475
Profit before tax		17,307	16,963
Income tax expense	(26)	-4,924	-4,693
Net profit for the period		12,383	12,270
of which:			
Profit attributable to technotrans SE shareholders		12,383	12,191
Profit/loss attributable to non-controlling interests		0	79
Earnings per share (€)	(27)		
basic / diluted		1.79	1.76

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2018	2017
		€ '000	€ '000
Net profit for the period	(10)	12,383	12,270
Other results			
Items that were not be reclassified to Income Statement			
Revaluation of the net debt from defined benefit obligations	(15)	-1	23
Deferred tax		-3	-10
		-4	13
Items that were or must be reclassified to Income Statement			
Exchange differences from the translation of foreign group companies		265	-292
Change in the amount recognised within equity (net investments in a foreign operation)	(10)	-240	-358
Change in the market values of cash flow hedges		-29	-9
Amount reclassified to the Income Statement		24	60
Deferred tax		-6	-15
Change in the amount recognised within equity (cash flow hedges)	(32)	-11	36
		14	-614
Other profit after tax		10	-601
Overall result for the financial year		12,393	11,669
of which:			
Profit attributable to technotrans SE shareholders		12,393	11,805
Profit/loss attributable to non-controlling interests		0	79

CONSOLIDATED CASH FLOW STATEMENT

	Note	2018	2017
		€ '000	€ '000
Cash flow from operating activities	(28)		
Net profit for the period		12,383	12,270
Adjustments for:			
Depreciation and amortisation		5,248	5,217
Income tax expenses	(26)	4,924	4,693
Gain (-) / loss (+) on the disposal of property, plant and equipment	(23, 24)	- 106	- 253
Foreign exchange losses (+) / gains (-)		- 33	- 180
Net finance costs	(25)	44	475
Cash flow from operating activities before working capital changes		22,460	22,222
Change in:			
Inventories	(5)	- 950	- 980
Receivables and other current assets		-3,993	- 6,036
Liabilities and prepayments		- 2,301	- 2,127
Provisions	(15)	- 404	1,194
Cash from operating activities		14,812	14,273
Interest received		26	14
Interest paid		- 510	- 586
Income taxes paid / income tax rebates		- 8,016	- 2,292
Net cash from operating activities		6,312	11,409
Cash flow from investing activities	(29)		
Cash payments for investments in property, plant and equipment and in intangible assets		- 8,381	- 11,471
Cash payments for the acquisition of consolidated companies		- 2,065	- 248
Proceeds from the sale of property, plant and equipment		381	460
Net cash used for investing activities		- 10,065	- 11,259

	Note	2018	2017
		€ '000	€ '000
Cash flow from financing activities	(30)		
Cash receipts from the raising of short-term and long-term loans		15,200	0
Cash payments from the repayment of loans		-3,837	-5,068
Distribution to investors		-6,079	-3,799
Payment for the acquisition of non-controlling interests		-820	0
Net cash used in financing activities		4,464	-8,867
Net increase/decrease in cash and cash equivalents		711	-8,716
Cash and cash equivalents at start of period		14,798	23,929
Net effect of currency translation in cash and cash equivalents		57	-415
Cash and cash equivalents at end of period	(9, 31)	15,566	14,798

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOTES 10)	Issued capital	Capital reserve	Retained earnings
	€ '000	€ '000	€ '000
01/01/2017	6,908	19,097	41,583
Net profit for the period	0	0	12,191
Other result	0	0	13
Overall result for the financial year	0	0	12,204
Distribution of profit	0	0	-3,799
Transactions with owners	0	0	-3,799
31/12/2017 / 01/01/2018	6,908	19,097	49,988
Net profit for the period	0	0	12,383
Other result	0	0	-4
Overall result for the financial year	0	0	12,379
Distribution of profit	0	0	-6,079
Transactions with owners	0	0	-6,079
Changes in ownership interests			
Acquisition of non-controlling interests without a change in control	0	0	-623
Total changes in ownership interests	0	0	-623
Total transactions with owners of the company	0	0	-6,702
31/12/2018	6,908	19,097	55,665

	Other reserves			Total equity attributable to technotrans SE shareholders	Non-controlling interests in equity	Group equity
	Exchange differences	Reserve for exchange rate differences from the financing of investments	Hedging reserve			
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
	- 3,721	- 2,047	- 58	61,762	118	61,880
	0	0	0	12,191	79	12,270
	- 292	- 358	36	- 601	0	- 601
	- 292	- 358	36	11,590	79	11,669
	0	0	0	- 3,799	0	- 3,799
	0	0	0	- 3,799	0	- 3,799
	- 4,013	- 2,405	- 22	69,553	197	69,750
	0	0	0	12,383	0	12,383
	265	- 240	- 11	10	0	10
	265	- 240	- 11	12,393	0	12,393
	0	0	0	- 6,079	0	- 6,079
	0	0	0	- 6,079	0	- 6,079
	0	0	0	- 623	- 197	- 820
	0	0	0	- 623	- 197	- 820
	0	0	0	- 6,702	- 197	- 6,899
	- 3,748	- 2,645	- 33	75,244	0	75,244

I. APPLICATION OF IFRS - BASIC EXPLANATIONS

technotrans SE is a listed corporation domiciled in Sassenberg, Germany. Effective June 28, 2018, technotrans AG was converted into a European Company (SE) and has since been traded under the name technotrans SE. The company is registered under the number HRB 17351 in the register of the local Court of Münster. The present consolidated financial statements of technotrans SE and its subsidiaries („Group“) as at December 31, 2018 were approved for issue to the Supervisory Board by resolution of the Board of Management on March 1, 2019. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves them.

The consolidated financial statements were prepared on the basis of section 315e of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB). All mandatory regulations adopted by the European Union were taken into account.

Details of the accounting policies can be found in section „II. Group c) „Accounting and valuation principles“. This is the first consolidated financial statement in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are also presented in the section „Recognition and measurement principles“.

The consolidated financial statements are based on uniform accounting and valuation principles. It is prepared in thousand €.

II. GROUP

a) Consolidated Companies

The consolidated financial statements include technotrans SE and its 19 subsidiaries over which it exercises control. A controlling influence regularly results from holding the majority of voting rights. technotrans SE directly or indirectly holds the majority of the voting rights in 18 subsidiaries. The Group does not hold any majority voting rights in SHT Immobilienbesitz GmbH & Co. Vermietungs KG, which exclusively owns and manages the company premises in Bad Doberan, which are leased to KLH Kältetechnik GmbH. However, based on the terms of the lease agreement, the Group receives substantially all of the income from this activity. Consequently, the Board of Management concludes that SHT Immobilienbesitz GmbH & Co. Vermietungs KG is a subsidiary and must therefore be consolidated. Subsidiaries which, due to their dormant or only minor business activities, are of minor significance for the Group and for the presentation of a true and fair view of the net assets, financial position and results of operations are 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 their minor significance.

On June 1, 2018, the newly founded company Reisner Cooling Solutions GmbH, Holzwickede, acquired the business operations of the insolvent company Reisner Cooling Energy GmbH by way of an asset deal. Reisner designs and manufactures individual cooling systems for metal processing and the plastics industry. The acquisition is intended to open up further markets for cooling systems. The purchase price for the acquired assets and liabilities amounts to € 565 thousand and was paid in cash.

The acquired company accounted for € 2,257 thousand of consolidated revenues. The share of the annual result amounts to € -286 thousand. The company was consolidated for the first time at the time of acquisition. The incidental acquisition costs of € 13 thousand were recognised in the income statement under general administrative expenses.

The acquisition had the following accounting effect on the consolidated financial statements of technotrans SE:

	Fair value
	€ '000
Property, plant and equipment	98
Intangible assets	526
Inventories	30
Receivables and other current assets	3
Total assets	657
Provisions	92
Total liabilities	92
Identifiable assets and liabilities	565
Consideration transferred	565
of which paid	565
Net cash inflow	565

The allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 „Business Combinations“ has not yet been finalised.

With effect from 2 July 2018, gwk Gesellschaft Kälte Wärmetechnik mbH, Meinerzhagen, acquired the business operations of Hahn Enersave GmbH, Wiehl, by way of an asset deal. Business operations consist primarily of the manufacture of temperature control units and water distributors for single and multi-circuit temperature control and the associated service business. The acquisition complements gwk's product portfolio. A purchase price of € 1,500 thousand was paid in cash for the acquisition of the assets and liabilities. In connection with this acquisition, incidental acquisition costs totaling € 15 thousand were incurred. These costs were recognised as an expense in the operating result under general administrative expenses.

The acquired assets and liabilities were recognised at fair value as part of the purchase price allocation in accordance with IFRS 3. The fair values of the identified assets and liabilities at the acquisition date are as follows:

	Fair value
	€ '000
Property, plant and equipment	72
Intangible assets	362
Goodwill	369
Inventories	727
Total assets	1,530
Provisions	15
Liabilities	15
Total liabilities	30
Identifiable assets and liabilities	1,500
Consideration transferred	1,500
of which paid	1,500
Net cash inflow	1,500

The goodwill of € 369 thousand includes non-separable intangible assets such as expected synergies and earning potentials that were not recognised separately. The allocation of the purchase price to the acquired assets and liabilities in accordance with IFRS 3 „Business Combinations“ has not yet been finalised. The goodwill is deductible for income tax purposes.

The acquired business operations accounted for € 607 thousand of consolidated revenues. The share of the annual result amounts to € -17 thousand. The company was consolidated for the first time at the time of acquisition.

Effective July 6, 2018, technotrans SE acquired the non-controlling interests in gwk Gesellschaft Kälte Wärmetechnik mbH, Meinerzhagen, Germany. technotrans SE now holds 100 percent of the shares. In return for the acquisition of the shares, technotrans SE granted the seller a fixed purchase price of € 820 thousand. The share of acquisition costs that exceeded the carrying amount of the non-controlling interests at the time of acquisition by € 197 thousand was offset against retained earnings (€ 623 thousand).

In the 2018 financial year, the already dormant company technotrans Asia Pacific limited, Hong Kong/China, and its subsidiary technotrans printing equipment (Beijing) co. Ltd., Beijing/China, were deconsolidated. The deconsolidation resulted in a loss of € 63 thousand.

Due to the economic and political situation in the market of technotrans middle east FZ-LLC, Dubai/UAE, business operations were discontinued. The company was liquidated and deconsolidated as of December 31, 2018. This resulted in a deconsolidation gain of € 46 thousand.

Companies

		Domicile	Interest in %
technotrans SE	DE	Sassenberg	parent company
gwk Gesellschaft Wärme Kältetechnik mbH	DE	Meinerzhagen	100 % ²⁾
Termotek GmbH	DE	Baden-Baden	100 % ²⁾
KLH Kältetechnik GmbH	DE	Bad Doberan	100 % ²⁾
Reisner Cooling Solutions GmbH	DE	Holzwickede	100 %
SHT Immobilienbesitz GmbH & Co. Vermietungs KG	DE	Mainz	94 % ¹⁾
technotrans Grundstücksverwaltungs GmbH	DE	Sassenberg	100 %
gds GmbH	DE	Sassenberg	100 % ²⁾
gds Sprachenwelt GmbH	DE	Hünfeld	100 % ⁴⁾
Ovidius GmbH	DE	Berlin	56 % 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 middle east FZ-LLC	UAE	Dubai	100 % ³⁾
technotrans america inc.	USA	Mt. Prospect	100 %
technotrans américa latina ltda.	BR	Indaiatuba	100 %
technotrans group (taicang) co. ltd.	CN	Taicang	100 %
technotrans technologies pte. ltd., (Singapur und Melbourne)	SG	Singapore	100 %
technotrans india pvt ltd	IN	Chennai	100 % ⁵⁾
technotrans japan K.K.	JP	Kobe	100 %
technotrans Asia Pacific limited, (Hongkong und Tokio)	CN	Hong Kong	100 % ³⁾
technotrans printing equipment (Beijing) co. Ltd.	CN	Beijing	100 % ³⁾
GWK Heating and Cooling Technology (Shanghai) Co. Ltd.	CN	Shanghai	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 (HGB) and uses the option not to prepare and disclose the documentation pertaining to its annual financial statements.

³⁾ The company was liquidated in the financial year and deconsolidated as of December 31, 2018.

⁴⁾ Indirect interest held through gds GmbH

⁵⁾ Indirect interest held through technotrans technologies pte. Ltd.

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 annual financial statements and interim financial statements (HB II based on IFRS) of the companies included in the Group as of December 31, 2018, prepared in accordance with uniform accounting and measurement policies.

In accordance with IFRS 3, the capital consolidation of subsidiaries is performed using the purchase method. The cost of the business combination corresponds to the cash components paid and the liabilities incurred and assumed at the acquisition date. These acquisition costs are allocated to the identifiable assets, liabilities and contingent liabilities of the acquired company by recognizing them at their fair values valid at the time of acquisition. The positive differences remaining after purchase price allocation are recognised as goodwill. The non-controlling interests were measured at cost (partial goodwill method). Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Goodwill is recognised as an asset and tested annually for impairment. The costs associated with the business combination are expensed as incurred.

All receivables and payables, revenues, expenses and income between Group companies as well as intercompany profits from intra-group deliveries are eliminated in consolidation. Where necessary, deferred taxes are recognised on consolidation adjustments affecting profit or loss.

c) Recognition and measurement principles

With the exception of certain financial instruments, which are reported at fair value, the consolidated financial statements are prepared on the basis of historical cost.

Estimates and judgements 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 that affect the reported amounts and the related disclosures in the notes. Significant judgments outside the scope of the estimates relate to the definition of cash-generating units, the consolidation of companies without a majority of voting rights, the measurement method of non-controlling interests and the timing of revenue recognition.

All estimates and assumptions are made to the best of our knowledge and belief in order to give a true and fair view of the net assets, financial position and results of operations of the Group. Estimates and premise-sensitive accounting principles are characterized by uncertainty and may change over time. Actual results may differ from these estimates. Group Controlling is responsible for regularly monitoring all material fair value measurements, including Level 3 fair values. Changes are reported to the Chief Financial Officer. Regular reviews of significant unobservable input factors and valuation adjustments are carried out.

The estimates and underlying assumptions are reviewed regularly. If the reassessment results in a difference, the difference is recognised in the accounting period in which the reassessment was made if it affects that period only. It is recognised in the accounting period in which the reassessment is made and in subsequent periods if it also affects subsequent periods.

Estimates by the Board of Management that are subject to material uncertainties and entail the risk of material adjustments in future fiscal years relate in particular to the following matters:

1) Accounting of acquisitions

As a result of acquisitions, goodwill is recognised in the Group's balance sheet. When an acquisition is consolidated for the first time, all identifiable assets, liabilities and contingent liabilities are recognised at fair value on the acquisition date. Assets such as land, buildings and office equipment are generally measured on the basis of independent appraisals, while the fair value of an intangible asset is determined internally using an appropriate valuation technique depending on its nature and the complexity of its determination. The assumptions made for this purpose are regularly subject to forecast uncertainty. Goodwill exists of company acquisitions in previous periods. Goodwill is tested for impairment annually or on the basis of an impairment test if there are any indications of impairment. With regard to the „significant exercise of discretion under the 2018 financial reporting framework“, 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 must assess whether there is any indication that the carrying amount of an item of property, plant and equipment or an intangible asset may be impaired. In this case, the recoverable amount of the asset in question is estimated. The recoverable amount corresponds to the higher of fair value less costs to sell and value in use. To determine the value in use, the discounted future cash flows of the asset in question must be determined. This estimate includes significant assumptions regarding the economic environment and future cash flows. Changes in these assumptions or circumstances could result in additional impairment losses or reversals of impairment losses in the future. With regard to the „significant exercise of discretion under the 2018 financial reporting framework“, see Note 1 „Property, plant and equipment“, Note 2 „Goodwill“ and Note 3 „Intangible assets“.

3) Recognition and measurement of provisions

For the recognition and measurement of other provisions, the amount and the probability of their utilization are estimated. The amount of the actual claim may differ from the estimates. The assumptions and estimates are based on the current state of knowledge and currently available data. With regard to the „significant exercise of discretion under the 2018 financial reporting framework“, see Note 15 „Provisions“.

4) Income tax expense

As the Group operates in numerous countries and generates income, it is subject to a wide variety of tax laws in a large number of tax jurisdictions. Although management believes that it has made a reasonable estimate of tax imponderables, there can be no assurance that the actual outcome of such tax imponderables will be consistent with the original estimate. Any differences could have an impact on tax liabilities and deferred taxes. At each balance sheet date, the Board of Management assesses whether it is probable that future tax benefits will be available and it is sufficiently probable for the reporting of deferred tax assets. Among other things, this requires the Board of Management to assess the tax benefits arising from the available tax planning strategies and future taxable income. The reported deferred tax assets could be reduced if the estimates of planned taxable income are lowered or if changes in current tax legislation limit the realizability of future tax benefits. With regard to the „significant exercise of discretion under the 2018 financial reporting framework“, see Note 26 „Income tax expenses“.

5) Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, to what extent and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. The determination of whether control is transferred on a time or period basis requires discretionary decisions. The Group recognizes revenue as soon as a customer obtains control of the goods or, in the case of services, as soon as the service has been rendered. In the Group's estimation, revenues are generally recognised when they occur.

Where contracts include two performance obligations, the transaction price is allocated to the products or the product and service on the basis of the relative individual selling prices. If a discount is granted, it is allocated to both performance obligations on the basis of their relative individual selling prices. Management estimates the individual selling price at the inception of the contract. With regard to the „significant exercise of discretion under the 2018 financial reporting framework“, see Note 18 „Revenue“.

6) Valuation of financial assets

The Group uses an allowance matrix to measure expected credit losses on trade receivables. The Group uses past default rates and forward-looking information to determine expected loss rates. The assumptions used to determine the loss ratios are based on the Group's estimates. With regard to the „significant exercise of discretion under the 2018 financial reporting framework“, see Note 32 „Financial instruments“.

Accounting and valuation methods

The application of special IFRS is explained in the notes to the individual financial statement items in the further course of the notes. In principle, the following accounting and valuation methods were applied:

Property, plant and equipment are measured at historical cost less scheduled depreciation and accumulated impairment losses. Subsequent acquisition costs are capitalized if they increase the value of property, plant and equipment. The cost of self-constructed property, plant and equipment is determined on the basis of direct costs and systematically allocable fixed and variable production overheads, including depreciation. Regular maintenance and repair expenses are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives, except for land. The useful life and depreciation method are reviewed annually. Parts of an item of property, plant and equipment with a significant cost value in relation to the total value are depreciated separately. Upon sale or shutdown, the cost and the related accumulated depreciation of the assets are derecognised from the balance sheet and any resulting gain or loss is recognised in profit or loss.

Useful life of property, plant and equipment

If there are indications of impairment, property, plant and equipment are tested for impairment in accordance with IAS 36. If necessary, property, plant and equipment are written down to the „recoverable amount“. If the reasons for the write-down subsequently cease to apply, the write-down is reversed to a maximum of the net carrying amount that would have been determined if no such write-down had been made.

Buildings	20 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

The **goodwill** reported represents the difference between the purchase price and the fair value of the net assets acquired as part of business combinations. In accordance with IAS 36, goodwill must be tested for impairment once a year or if there are indications of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to the Group's cash-generating units that benefit from the synergies of the business combination. If necessary, value adjustments are made to the „recoverable amount“. In accordance with IAS 36.124, such a value adjustment is not reversed if the reasons for it subsequently cease to apply.

Purchased **intangible assets**, namely concessions, industrial property rights and similar assets, are carried at cost. They are reduced by scheduled depreciation in accordance with the straight-line method over their useful lives. Trademarks, licenses and customer bases acquired in business combinations are measured at fair value at the acquisition date. Intangible assets identified from previous acquisitions have a finite useful life and are subsequently carried at cost less accumulated amortisation. Residual value, useful life and depreciation method are reviewed annually.

Self-constructed intangible assets are recognised at cost. Development expenses aimed at the significant development of a product are capitalized if the product is technically and economically feasible, the development is marketable, the expenses can be reliably measured and the Group has sufficient resources to complete the development project. In accordance with IAS 38.65 et seq., in addition to directly attributable direct costs, they also include overheads that can be directly allocated to the creation, production and preparation of the asset, insofar as they are incurred from the start of the development phase to its completion. The capitalization requirements of IAS 38.21, 38.22 and 38.57 are observed. Scheduled amortization of capitalized development costs begins as soon as the asset can be used. This time usually coincides with the start of commercial use.

All self-constructed intangible assets acquired against payment have a finite useful life. With regard to any necessary impairment to the „recoverable amount“ of intangible assets, the comments on property, plant and equipment apply analogously.

The **taxes** of the period consist of current and deferred taxes. Taxes are recognised in the income statement unless they relate to items recognised directly in equity or other comprehensive income. In these cases, the corresponding taxes are also recognised in equity or other comprehensive income. **Deferred taxes** are recognised in accordance with IAS 12 using the balance sheet approach method on temporary differences between the carrying amounts in the commercial balance sheet and in the tax balance sheet (liability method)

as well as on tax loss carryforwards and for creditable taxes. Deferred tax assets for temporary differences and tax loss carryforwards are only recognised to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred taxes are measured using local tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are also recognised for temporary differences arising on acquisitions, with the exception of temporary differences on goodwill if these are not recognised for tax purposes. Deferred tax assets and liabilities are offset if there is a right of set-off and the items relate to income taxes levied by the same tax authorities and incurred by the same company.

Inventories are generally measured at the lower of cost or net realizable value. In accordance with IAS 2, in addition to direct material and production costs, production costs also include fixed and variable production overheads attributable to production by means of overhead costing.

Net realisable value is the estimated selling price less estimated costs of completion and necessary selling expenses. If the reasons that led to the impairment no longer exist, the impairment loss is reversed.

Trade receivables and other current receivables are generally carried at amortized cost using the effective interest method. Impairments, which are made in the form of individual and group portfolio value adjustments, take sufficient account of the default risk. For further information on the accounting treatment of trade receivables in the Group and the description of the Group's impairment policies, see Note 32 „Financial instruments“. Objective defaults lead to a write-off of the receivable in question. Long-term non-interest-bearing receivables are discounted.

Cash and cash equivalents are stated at nominal value and translated into euros at the closing rate. They comprise cash and demand deposits as well as financial assets that can be converted into cash at any time.

Issued capital (no-par value shares) is carried at nominal value.

If the Group purchases **treasury shares**, these are deducted from equity. The purchase, sale, issue or retirement of treasury shares is not recognised in profit or loss, but as an addition to or disposal of equity. Differences between the acquisition costs of the shares issued and the fair values at the time of sale or issue are offset against capital reserves.

Liabilities are generally recognised at amortized cost. Liabilities in foreign currencies are translated in accordance with IAS 21.21 and 23 (a). With the exception of the obligation from put/call options from corporate transactions, financial liabilities are not measured at fair value through profit or loss. They are initially measured at fair value, including transaction costs, and subsequently at amortised cost using the effective interest method. Put/call options are measured at fair value. The put/call options are subsequently remeasured at fair value, with changes in fair value recognised in profit or loss.

Provisions are recognised for obligations to third parties if existing obligations at the balance sheet date are likely to result in a future outflow of resources and the amount can be reliably estimated. They are carried at the expected settlement amount. Long-term provisions are discounted.

Provisions for warranties are set up at the time the goods in question are sold. The amount is based on the historical development of warranties and a consideration of all possible future warranty cases weighted with their probability of occurrence.

Provisions for legal disputes are recognised in the amount of the probable claim plus litigation costs.

Employee benefits are measured at the amounts expected to be payable to settle the obligations. They are recognised as current liabilities if the payment are expected to be rendered within 12 months of the end of the period in which the employee rendered the corresponding service.

Post-employment benefits are both defined benefit and defined contribution plans. **Provisions for pensions** and similar obligations are measured using the projected unit credit method. Gains and losses resulting from changes in expectations regarding life expectancy, expected future pension, salary increases and the discount rate compared with the actual development during the period are recognised directly in other comprehensive income in the statement of comprehensive income.

Termination benefits are payable when an employment relationship is terminated by the Group or when an employee voluntarily leaves the Group in exchange for a severance payment. The Group recognizes such provisions when the Group can no longer withdraw the offer for such payments.

The Group's **financial instruments** consist primarily of trade receivables and other financial assets and liabilities. These are recognised for the first time from the date on which they arise. On initial recognition, a financial asset is classified and measured as follows:

- › at amortized cost
- › measured at fair value with changes in value in other comprehensive income (FVOCI)
- › measured at fair value with changes in value through profit or loss (FVTPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets. For classification see II. Group d) Changes in recognition and measurement and Note 32 „Financial instruments“.

Derivative financial instruments are carried at fair value. At technotrans, derivative financial instruments were used at December 31, 2018 exclusively to hedge interest rate risks. If they meet the requirements of a cash flow hedge, the corresponding effective changes in the market price are recognised directly in equity. Financial instruments are recognised when technotrans becomes a contracting party to the financial instrument. Financial assets are recognised on the settlement date, except for derivative financial instruments which are recognised on the trading date.

Financial income and expenses are recognised on an accrual basis using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in accordance with IAS 23. No financing costs were capitalised in the 2018 financial year.

Currency translation: All financial statements of foreign Group companies prepared in foreign currencies are translated in accordance with the functional currency concept (IAS 21). The functional currency of the companies included in the consolidated financial statements is the respective local currency.

Transactions that a Group company concludes in a currency other than its functional currency are translated into the functional currency for the first time at the spot rate prevailing on the date of the transaction and recognised in the balance sheet. At each subsequent balance sheet date, monetary items (cash and cash equivalents, receivables and payables) denominated 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 historical rates.

The assets and liabilities of foreign subsidiaries are translated at the middle rate on the balance sheet date (closing rate) and included in the consolidated financial statements. Expenses and income are translated at the daily rate - approximated at the average rate for the year - and the resulting differences are recognised directly in equity. Exchange differences arising from the translation of prior years are also recognised directly in equity.

Exchange rate differences from the net investment in a foreign operation (group company) are recognised directly in equity; they are not recognised in profit or loss until the net investment is disposed of.

The following exchange rates were used for currency translation purposes:

	Mean rates for the financial year		Mean rates at balance sheet date	
	2018	2017	31/12/2018	31/12/2017
USD	1.1810	1.1297	1.1450	1.1993
JPY	130.3959	126.7112	128.8500	135.0100
GBP	0.8847	0.8767	0.8945	0.8872
SEK	10.2583	9.6351	10.2548	9.8438
CNY	7.8081	7.6290	7.8751	7.8044
HKD	9.2559	8.8045	8.9675	9.3720
CHF	1.1550	1.1117	1.1269	1.1702
BRL	4.3085	3.6054	4.4440	3.9729
AED	4.3368	4.1494	4.2027	4.3988
INR	80.7332	73.5324	79.7298	76.6055

d) Changes in recognition and measurement principles

The consolidated financial statements of technotrans SE as at December 31, 2018 take into account all standards and interpretations adopted by the European Union, the application of which is mandatory for the 2018 financial year.

As of January 1, 2018, the Group applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time. The other changes to standards listed below had no or no material impact on the consolidated financial statements.

Due to the transition methods chosen by the Group for the application of these standards, the comparative information in these financial statements has not been adjusted to the requirements of the new standards.

The following standards were applicable for the first time as of January 1, 2018:

IFRS 9 - Financial Instruments

IFRS 9 sets out the requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial contracts. The standard replaces IAS 39 Financial Instruments: recognition and measurement.

Impairment losses are shown together with other items in the consolidated income statement. Impairment losses on trade receivables are shown under distribution costs (see Section 20 „Distribution costs“). The impairment losses on other financial assets are reported in the financial result (see Section 25 „Net finance costs“).

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three important classification categories for financial assets: „measured at amortized cost“, „measured at fair value through profit or loss“ (FVTPL) and „measured at fair value through other comprehensive income“ (FVOCI). With these new classification categories, the existing categories of IAS 39 „held-to-maturity investments“, „loans and receivables“ and „available-for-sale investments“ were replaced. The classification of financial assets in accordance with IFRS 9 is based on the entity’s business model for managing financial assets and the characteristics of contractual cash flows.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

The first-time adoption of IFRS 9 had no material impact on the Group’s accounting policies with respect to financial liabilities and derivative financial instruments. The following table shows the original IAS 39 measurement category and the new IFRS 9 measurement category as of January 1, 2018 for each class of financial assets and financial liabilities that the Group has established. The change in classification resulting from the first-time adoption of IFRS 9 had no effect on the carrying amounts. For information on changes in valuation rules, see Section 32 „Financial instruments“.

	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying amount under IAS 39 € '000	Carrying amount under IFRS 9 € '000
Financial assets				
Rent deposits	Loans and receivables	Amortised cost	243	243
Trade receivables	Loans and receivables	Amortised cost	24,182	24,182
Receivables from suppliers	Loans and receivables	Amortised cost	265	265
Other financial assets	Loans and receivables	Amortised cost	319	319
Cash and cash equivalents	Loans and receivables	Amortised cost	14,798	14,798
			39,807	39,807
Financial liabilities				
Interest rate swaps	Measured at fair value	Derivatives in hedging requirements	33	33
Put/call options	Measured at fair value	Measured at fair value (FVTPL)	1,065	1,065
Borrowings	Measured at fair value	Other financial liabilities	23,024	23,024
Other non-current financial liabilities	Measured at fair value	Other financial liabilities	8	8
Assumption of debt company acquisition gwk	Measured at fair value	Other financial liabilities	248	248
Trade payables	Measured at fair value	Other financial liabilities	6,062	6,062
Debtors with credit balances	Measured at fair value	Other financial liabilities	418	418
Other current financial liabilities	Measured at fair value	Other financial liabilities	586	586
			31,444	31,444

The Group measures its financial assets at amortised cost when the financial assets are held within the business model, with the objective of recognising the contractual cash flows and the contractual terms of the financial asset result in cash flows at specified dates that represent only principal and interest payments on the outstanding principal amount.

Trade receivables are amounts owed by customers for goods and services sold. They are generally due in the short term. They are recognised initially at the amount of the unconditional consideration. The Group holds trade receivables in order to collect the contractual cash flows. Trade receivables and other receivables classified as loans and receivables in accordance with IAS 39 are now classified at amortized cost.

The Group classifies contingent consideration from acquisitions as financial liabilities at fair value through profit or loss (FVTPL). Changes in fair value are recognised in the financial result in the period.

Impairment of financial assets

IFRS 9 replaces the „losses incurred“ model of IAS 39 with a „expected credit loss“ model. The expected credit loss for these are determined on the basis of the expected credit loss over the term. To determine the expected credit losses, customers are grouped into groups of similar credit risks. In addition to a collective assessment, an individual assessment of credit risks is made if the default risk has increased significantly as of the reporting date. Effects from the new application of IFRS 9 at the date of first-time adoption on 1 January 2018 are to be recognised directly in equity. Further information on the determination of the Group's valuation allowances (see Note 32 „Financial instruments“).

The determination of the impairment requirement for cash and cash equivalents is also governed by IFRS 9. They are mainly deposited at banks or financial institutions which have been selected on the basis of many years of positive experience as well as on the basis of bank ratings. The Group assumes that its cash and cash equivalents have a low default risk based on the external ratings of banks and financial institutions.

Accounting for hedging transactions

For the accounting for hedging transactions, the Group ensures that the hedging relationships are consistent with the Group's risk management objectives and strategy. The technotrans Group currently uses interest rate swaps exclusively to hedge future interest cash flows. In accordance with IAS 39, interest rate swaps were carried at market price. Valuation gains and losses from changes in market prices were recognised directly in equity in the hedging reserve. The amounts recognised in equity were recognised in profit or loss in the period in which the completed transaction affects profit or loss. Under IFRS 9, these amounts also affect profit or loss for the period at the time when the hedged transaction affects profit or loss. The requirements of IFRS 9 were met for all types of hedge accounting used by the technotrans Group in the previous year. Thus, there was no impact on the amounts reported for 2017.

Transition

The changes in accounting policies resulting from the first-time adoption of IFRS 9 were applied retrospectively. However, the Group has made use of the exemption not to restate certain comparative information relating to classification and measurement for prior periods. Changes in hedge accounting methods were applied prospectively. All hedging relations designated in accordance with IAS 39 as of December 31, 2017 met the criteria for hedge accounting in accordance with IFRS 9 as of January 1, 2018 and are therefore considered to be continuing hedging relations.

IFRS 15 - Revenue from Contracts with Customers and Amendments to IFRS 15

The Group applied IFRS 15 for the first time from January 1, 2018, resulting in changes in accounting policies. In accordance with the transitional provisions of IFRS 15, the Group has applied the new rules according to the modified retrospective method, according to which the cumulative adjustment amounts are recognised as of January 1, 2018. Consequently, the comparative figures for the 2017 financial year have not been restated, i.e. they have been presented as before in accordance with IAS 18, IAS 11 and the corresponding interpretations. In addition, the disclosure requirements under IFRS 15 were generally not applied to the comparative information.

Sale of goods

In accordance with IAS 18, revenue from the sale of goods was recognised upon delivery and performance of the goods and thus at the time at which the customer accepts the goods and the associated risks and rewards of ownership. Revenue was recognised at this time if the revenue and costs can be reliably measured, it is probable that the consideration will be received and there is no continuing right of disposal over the goods.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods. In the Group's estimation, the previous date of revenue recognition corresponds to the date of recognition in accordance with IFRS 15. IFRS 15 therefore had no effect on the revenue recognition of goods at the date of first-time adoption.

Revenues are reported according to both standards after deduction of sales deductions such as bonuses, cash discounts or rebates.

Services

Revenues from services were recognised in accordance with IAS 18 as soon as the services were rendered. Services are provided in various reporting periods, among other things within the framework of a single agreement. The total remuneration for the service contracts was allocated between the services on the basis of their relative fair values.

Under IFRS 15, the total fee for service contracts is allocated to all services based on their selling prices. Individual selling prices are determined on the basis of the list prices at which the Group offers its services in separate transactions. Based on the Group's assessment, the fair values and individual selling prices of the services are largely comparable. The first-time adoption of IFRS 15 therefore has no effect on the revenue recognition of services.

The application of IAS 18 would therefore not have had any effect on the consolidated balance sheet, the consolidated statement of other comprehensive income or the consolidated statement of cash flow as at 31 December 2018.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

The amendments relate to the recognition of vesting conditions in the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions that provide for net settlement of withholding taxes, and the change in the classification of cash-settled share-based payment transactions from „cash-settled“ to „equity-settled“.

The amendments have no impact on the consolidated financial statements of technotrans SE.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The adjustments relate to the first-time adoption of IFRS 9 for insurers. Without these adjustments, the different effective dates of IFRS 9 and the new standard for insurance contracts will result in increased volatility in results and double the conversion effort for a transitional period.

The amendments have no impact on the consolidated financial statements of technotrans SE.

Amendments to IAS 40 - Transfer of Investment Property

The amendment to IAS 40 is for clarification. In which cases the classification of a property as „investment property“ begins or ends when the property is still under construction or development. The list of properties not yet completed in IAS 40.57 has so far not clearly defined the classification of properties. The list is now explicitly considered to be non-exhaustive, so that properties that have not yet been completed can now also be subsumed under the regulation.

The amendments have no impact on the consolidated financial statements of technotrans SE.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses a question on the application of IAS 21 - The Effects of Changes in Foreign Exchange Rates. It clarifies the date at which the exchange rate for the translation of transactions in foreign currencies containing advance payments received or made is to be determined. The exchange rate for the underlying asset, income or expense is then determined by reference to the date on which the asset or liability resulting from the prepayment is recognised for the first time.

The amendments have no material impact on the consolidated financial statements of technotrans SE.

Improvements to IFRS (2014 - 2016)

As part of the annual improvement project, amendments were made to two standards (IFRS 1 and IAS 28).

The amendments have no material impact on the consolidated financial statements of technotrans SE.

New accounting standards

A number of new standards and interpretations are to be applied in the first reporting period of a financial year beginning on or after January 1, 2019, although early application is possible; however, the technotrans Group did not apply the new or amended standards early in preparing these consolidated financial statements. Unless otherwise indicated, the effects on the consolidated financial statements are currently being reviewed.

In the past two years, an in-depth analysis of the effects of the new IFRS 16 regulations has been carried out. The analysis was completed on the balance sheet date.

The expected changes resulting from these standards are explained below:

a) EU endorsement has already taken place

IFRS 16 - Leases

IFRS 16 introduces a uniform accounting model under which leases are recognised in the lessee's balance sheet. A lessee recognises a right of use asset, which represents its right to use the underlying asset, and a liability from the lease, which represents its obligation to make lease payments. There are exceptions for short-term leases and leases of low-value assets. Lessor accounting is similar to the current standard - which means that lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces the existing guidance 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 Involving the Legal Form of a Lease.

The expected effects of the amendments to IFRS 16 on the consolidated financial statements:

The standard has a significant impact on the presentation of the net assets, financial position and results of operations. Whereas payment obligations for operating leases were previously recognised as expenses on a straight-line basis over the lease term, the resulting rights and obligations will in future be recognised as rights of use assets and lease liabilities. In addition, depreciation for rights of use as well as interest expenses from leasing liabilities must be recognised.

technotrans SE expects a significant increase in total assets at the time of first-time adoption due to the increase in leasing liabilities and a similar increase in fixed assets due to the right of use to be capitalised. Based on the information currently available, technotrans SE estimates that a right of use of around € 4.0 million and a lease liability of around € 4.2 million will be recognised at January 1, 2019. As of January 1, 2019, this resulted in a one-time effect in equity of around € 200 thousand, which is recognised in retained earnings. The increase in leasing liabilities also results in a corresponding increase in net financial liabilities. Since IFRS 16 replaces the straight-line expenses for operating leases with a depreciation expense for right of use assets and interest expense for lease liabilities, this will lead to an improvement in EBIT and an increase in operating cash flow in the cash flow statement.

Short-term leases with a term of up to one year and leases for assets with a low value are not taken into account. For the transitional scenario, however, leases with a remaining term of less than one year were considered.

The actual effects of the adoption of the standard as of January 1, 2019 may differ from the effects estimated above as the Group has not yet completed testing and evaluation of the controls of its new IT systems and the new accounting policies may be subject to change until the first consolidated financial statements are published after the date of adoption.

No material effects on the Group's finance leases are expected.

technotrans SE is not a major lessor. The Group does not anticipate any significant changes in these leases.

The Group does not expect the application of IFRS 16 to have a material impact on the key performance indicators of revenues and EBIT margin or on the Group's compliance with its capital management objectives.

The standard is effective for annual periods beginning on or after January 1, 2019. The Group does not make use of the option of early adoption of IFRS 16. technotrans SE intends to apply IFRS 16 using the modified retrospective method. For this reason, the cumulative effect of applying IFRS 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information is not restated.

The analysis of the classification of leases in accordance with IFRS 16 shows no differences to the classification of leases in accordance with IAS 17.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 shall be applied for annual periods beginning on or after 1 January 2019. The adjustments relate to a limited adjustment of the assessment criteria relevant for the classification of financial assets. Under certain conditions, financial assets with a prepayment feature with negative compensation may be carried at amortised cost or at fair value in other comprehensive income instead of at fair value through profit or loss.

The amendments have no material impact on the consolidated financial statements of technotrans SE.

IFRIC 23 - Uncertainty over Income Tax Treatments

The amendments to IFRIC 23 are to be applied for the first time in the first reporting period of a financial year beginning on or after 1 January 2019.

The tax treatment of certain facts and transactions may depend on future recognition by the tax authorities or the tax courts. IAS 12 Income Taxes regulates how current and deferred taxes are to be accounted for. IFRIC 23 supplements the regulations in IAS 12 with regard to the consideration of uncertainties with regard to the income tax treatment of facts and transactions.

The amendments have no material impact on the consolidated financial statements of technotrans SE.

b) EU endorsement still pending

The IASB has also issued standards and interpretations that have not yet been endorsed by the European Union. Of these, the following standards are relevant for the Group. The effects on the consolidated financial statements are currently being reviewed.

IFRS 14 - Regulatory Deferral Accounts

Due to the extremely limited number of users, the European Commission will not propose the adoption of IFRS 14 in EU law. Therefore, IFRS 14 does not have to be reported within the scope of IFRS 8.30 disclosures. The standard is only included in the table for completeness.

An EU endorsement is currently not planned. The amendments are to be applied for the first time as of January 1, 2020, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

IFRS 17 - Insurance Contracts

IFRS 17 replaces IFRS 4 and for the first time provides uniform requirements for recognition, measurement, presentation and disclosures in the notes to insurance contracts, reinsurance contracts and investment contracts with discretionary participation. In accordance with the measurement model of IFRS 17, groups of insurance contracts are measured on the basis of the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks and a contractual service margin that results in a profit being reported in line with the service rendered.

The amendments are to be applied for the first time as of January 1, 2021, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

Amendments to IFRS 3 - Definition of a Business

The amendment clarifies that a business operation is a group of activities and assets that includes at least an input and a substantial process that together contribute significantly to the entity's ability to produce output. Furthermore, with regard to services (output), the focus is now on the provision of goods and services to customers; the reference to cost reductions no longer applies. The new rules also include an optional „concentration test“ to facilitate the identification of business operations.

The amendments are to be applied for the first time as of January 1, 2020, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

The amendments create a uniform and more precise definition in IFRS of the materiality of financial statement information and supplement it with accompanying examples. In this context, the definitions from the framework concept, IAS 1, IAS 8 and IFRS Practice Statement 2 Making Materiality Judgements are harmonized.

The amendments are to be applied for the first time as of January 1, 2020, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no material impact on the consolidated financial statements.

Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the event of the sale of assets to an associate or joint venture or the contribution of assets to an associate or joint venture.

The implementation of the standards is currently postponed indefinitely. Amendments are to be applied - subject to adoption in EU law. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures

The amendments clarify that IFRS 9 has to be applied to non-current investments in associates or joint ventures that are not accounted for using the equity method.

The amendments are to be applied for the first time as of January 1, 2019, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

In the future, the amendment, curtailment or settlement of a defined benefit plan will require the current service cost and net interest for the remainder of the financial year to be recalculated using current actuarial assumptions used to remeasure the required net liability. In addition, the amendments contain additions to clarify how a plan amendment, curtailment or settlement affects the asset ceiling requirements.

The amendments are to be applied for the first time as of January 1, 2019, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no material impact on the consolidated financial statements.

Framework - Amendments to References to the Conceptual Framework in IFRS Standards

The revised framework consists of a new superordinate section „Status and purpose of the conceptual framework“ and eight fully contained sections.

The amendments are to be applied for the first time as of January 1, 2020, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

Improvements to IFRS (2015 - 2017)

As part of the annual improvement project, amendments were made to four standards (IFRS 3, IFRS 11, IAS 12 and IAS 23).

The amendments are to be applied for the first time as of January 1, 2019, subject to their adoption into EU law. The technotrans Group currently assumes that there will be no material impact on the consolidated financial statements.

III. NOTES TO THE CONSOLIDATED BALANCE SHEET

Consolidated Statement of Changes in Fixed Assets

2017		Cost						
		at January 1, 2017	foreign currency translation differences	Additions from corporate acquisition	Additions	Disposals	Transfers	at December 31, 2017
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Property, plant and equipment	(1)							
Property*		20,645	-29	0	8,046	0	465	29,127
Technical equipment and machinery		6,379	-51	0	802	-41	2	7,091
Other equipment, operating and office equipment		11,526	-175	0	1,552	-875	25	12,053
Construction in progress		529	0	0	504	0	-492	541
		39,079	-255	0	10,904	-916	0	48,812
Intangible Assets	(3)							
Goodwill	(2)	23,144	0	0	0	0	0	23,144
Concessions, industrial and similar rights		19,719	-42	0	200	-18	0	19,859
Development expenditure recognised as an intangible asset		8,578	-30	0	367	0	0	8,915
		51,441	-72	0	567	-18	0	51,918
2018		Cost						
		at January 1, 2018	foreign currency translation differences	Additions from corporate acquisition	Additions	Disposals	Transfers	at December 31, 2018
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Property, plant and equipment	(1)							
Property*		29,127	-11	0	81	0	0	29,197
Technical equipment and machinery		7,091	12	88	174	-58	13	7,320
Other equipment, operating and office equipment		12,053	10	82	1,569	-771	0	12,943
Construction in progress		541	0	0	4,820	-177	-13	5,171
		48,812	11	170	6,644	-1,006	0	54,631
Intangible Assets	(3)							
Goodwill	(2)	23,144	0	369	0	0	0	23,513
Concessions, industrial and similar rights		19,859	14	888	856	-47	0	21,570
Development expenditure recognised as an intangible asset		8,915	11	0	839	0	0	9,765
Prepayments		0	0	0	42	0	0	42
		51,918	25	1,257	1,737	-47	0	54,890

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

Accumulated depreciation						Residual
	at January 1, 2017	Foreign currency translation differences	Depreciation for the year	Disposals	at December 31, 2017	at December 31, 2017
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
	10,288	-23	756	0	11,021	18,106
	4,305	-44	464	-41	4,684	2,407
	6,752	-138	1,685	-669	7,630	4,423
	0	0	0	0	0	541
	21,345	-205	2,905	-710	23,335	25,477
	0	0	0	0	0	23,144
	11,912	-36	1,949	-18	13,807	6,052
	7,746	-30	363	0	8,079	836
	19,658	-66	2,312	-18	21,886	30,032

Accumulated depreciation						Residual
	at January 1, 2018	Foreign currency translation differences	Depreciation for the year	Disposals	at December 31, 2018	at December 31, 2018
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
	11,021	-6	970	0	11,985	17,212
	4,684	12	519	-57	5,158	2,162
	7,360	13	1,938	-676	8,905	4,038
	0	0	0	0	0	5,171
	23,335	19	3,427	-733	26,048	28,583
	0	0	0	0	0	23,513
	13,807	12	1,380	-46	15,153	6,417
	8,079	10	442	0	8,531	1,234
	0	0	0	0	0	42
	21,886	22	1,822	-46	23,684	31,206

1) Property, plant and equipment

technotrans Grundstücksverwaltungs GmbH commenced construction of the new Termotek GmbH production plant in Baden-Baden in the year under review.

Additions to technical equipment and machinery as well as other equipment, factory and office equipment mainly relate to replacements.

As in previous years, no internally generated property, plant and equipment was capitalized in fiscal year 2018. There were no unscheduled write-downs or reversals of impairment losses in the year under review. The real estate amounting to € 8,618 thousand (2017: € 9,917 thousand) serves as collateral for long-term loans (see Section 11 „Financial liabilities“).

2) Goodwill

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

	31/12/2018	31/12/2017
	€ '000	€ '000
segment technology: Laser Cooling	6,858	6,858
segment technology: Plastic processing industry	5,757	5,590
segment technology: Cooling Technology	2,966	2,966
	15,581	15,414
segment services: Services	7,171	6,969
segment services: Translation Services	585	585
segment services: Software solutions for Technical Documentation	176	176
	7,932	7,730
	23,513	23,144

The goodwill of € 369 thousand resulting from the acquisition of the business operations of Hahn Enersave GmbH as of July 2, 2018 was allocated in the 2018 financial year to the cash-generating units in which the main synergies from this business combination are expected to arise. As part of the allocation, € 167 thousand was allocated to the cash-generating unit Plastics processing industry in the technology segment and € 202 thousand to the cash-generating unit group Services in the services segment.

In fiscal 2018, all six cash-generating units or groups of cash-generating units were subjected to an impairment test in accordance with IAS 36.10. The carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The valuation at fair value was classified as fair value level 3 based on the input factors of the valuation technique used.

At technotrans, the recoverable amount corresponds to the value in use. This value in use was based on significant assumptions. The cash flow forecasts for goodwill were based on the 2019 budget and revenue trends for the financial years 2020 to 2023 of the respective cash-generating unit. For the subsequent financial years, no separate revenue planning was made for the cash-generating units concerned; instead, further average and constant revenue growth rates were assumed for the cash-generating units (long-term market trend of the respective industry). In addition, the costs (materials, personnel and other costs) for each cash-generating unit were estimated on the basis of assumptions for the forecast period; cost increases were taken into account accordingly. All assumptions made by the Board of Management are based on experience and reflect the expectations of relevant customers and industry. The impairment tests take place annually in November.

The growth rates of the planning period used for the impairment test in 2017 and 2018, the average EBIT

margins, the cost of capital rates used to discount the forecast cash flows and the constant growth rates applied after the planning period are shown in the following table:

The values in use determined on the basis of these assumptions exceed the carrying amounts of the

	revenue growth		average EBIT margin		pre tax capital cost rate		terminal growth rate	
	2018	2017	2018	2017	2018	2017	2018	2017
Parameters used for the impairment test	%	%	%	%	%	%	%	%
segment technology: Laser Cooling	5.2	5.3	10.7	11.4	12.3	11.9	1.5	1.5
segment technology: Plastic processing industry	3.7	5.9	6.2	4.9	10.5	10.3	1.0	1.0
segment technology: Cooling Technology	4.8	7.4	3.6	3.7	11.5	11.2	1.1	1.1
segment services: Services	1.7	3.5	14.4	15.2	11.8	11.6	0.8	0.8
segment services: Translation Services	4.2	4.2	16.8	17.7	11.5	10.9	1.5	1.5
segment services: Software solutions for Technical Documentation	18.1	14.0	13.1	16.7	11.5	10.9	1.5	1.5

cash-generating units. A change in the assumptions deemed possible would not have led to a need to adjust the carrying amounts of the cash-generating unit.

3) Intangible assets

Depreciation and amortization relate to an amount of € 1,033 thousand (2017: € 1,628 thousand) in intangible assets recognised as part of the purchase price allocation, all with finite useful lives.

Intangible assets resulting from development activities are capitalized in accordance with IAS 38 if it is probable that the use of the asset will result in a future economic benefit and the costs of the asset can be reliably determined. In fiscal 2018, the Group recognised € 840 thousand in intangible assets arising from development activities (2017: € 367 thousand) were capitalized.

The capitalization related primarily to further developments in the field of spray lubrication and the development of cooling concepts for E-mobility applications. Software solutions were developed and capitalized at the subsidiaries of gds GmbH and Ovidius GmbH during the fiscal year.

Due to the failure to meet the recognition requirements of IAS 38, € 7,980 thousand (2017: € 7,528 thousand) of the development costs were recognised as expenses.

There are no concessions, industrial property rights and similar assets or capitalized development costs with indefinite useful lives. The useful life taken as the basis for the amortisation of software and capitalized development costs is three to five years.

Scheduled amortization of capitalized development costs is allocated to cost of sales in the income statement in accordance with the cost-of-sales method. Scheduled amortization of concessions, industrial property rights and similar assets is allocated to cost of sales, selling expenses, general administrative expenses and development expenses using cost center accounting.

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4) Other non-current financial assets

	31/12/2018	31/12/2017
	€ '000	€ '000
Rent deposits	134	200
Other	28	31
	162	231

5) Inventories

	31/12/2018	31/12/2017
	€ '000	€ '000
Raw materials and supplies	18,088	14,423
Work in progress	6,035	8,408
Finished goods and merchandise	4,173	3,758
	28,296	26,589

Of the total inventories, € 2,800 thousand (2017: € 2,715 thousand) are carried at fair value less costs to sell and production costs. In fiscal year 2018, impairment losses on inventories of € 1,375 thousand (2017: € 1,670 thousand) was recognised as an expense. In the same period, reversals of impairment losses of € 853 thousand (2017: € 1,040 thousand), as higher net realizable values could be achieved than assumed in the previous year.

6) Trade receivables

In the Technology segment, outstanding receivables are mainly concentrated on the major OEMs and end customers.

Receivables from contracts with customers are included exclusively in trade receivables. As of the balance sheet date, receivables from contracts with customers amounted to € 27,019 thousand (2017: € 24,115).

In the year under review, additions to impairment losses on receivables in the amount of € 530 thousand (2017: € 312 thousand) were booked, which are recognised in the income statement under distribution expenses. Impairment losses are recognised to measure the receivables at fair value. These impairments are assessed both individually (€ 1,223 thousand) and collectively (€ 268 thousand) and are measured on the basis of the expected default risk. Impairment losses are recognised in particular if the debtor is experiencing significant financial difficulties. The carrying amounts of trade receivables are generally adjusted using an allowance account. Receivables are not derecognised until the debtor has opened insolvency proceedings or the receivable has become uncollectible. To determine the value adjustment, see Section 32 „Financial instruments“.

The following table provides an overview of the impairment losses on receivables:

	31/12/2018	31/12/2017
	€ '000	€ '000
Opening level	1,529	1,535
Allocated	530	312
Derecognition of receivables	-189	-227
Cash receipts for receivables written off	-388	-62
Closing level	9	-29
	1,491	1,529

7) Income tax receivables

This mainly comprises ongoing income tax receivables.

8) Other current assets

	31/12/2018	31/12/2017
	€ '000	€ '000
Other financial assets		
Receivables from suppliers	338	265
Deposits	54	43
Other	366	288
	758	596
Other assets		
Prepaid expenses	831	731
Creditable input tax	643	208
Other	781	346
	2,255	1,285
	3,013	1,881

9) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand. The fair value of cash and cash equivalents corresponds to the carrying amount. There were no marketable securities as of the balance sheet date.

The development of cash and cash equivalents is shown in the cash flow statement.

10) Equity

The development of equity is shown in the consolidated statement of changes in equity. As of December 31, 2018, the Group's equity amounted to € 75,244 thousand (2017: € 69,750 thousand). Non-controlling interests account for € 0 thousand of this amount (2017: € 197 thousand).

Issued Capital

At December 31, 2018, the issued capital (share capital) of technotrans SE consisted of 6,907,665 no-par value registered shares issued and outstanding. The issued shares are fully paid up. The notional interest in the share capital is € 1 per share. All shares grant identical rights. No special rights or preferences are granted to individual shareholders. This also applies to the dividend subscription right.

Authorized capital

The Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital once or several times by up to a total of € 3,450,000.00 by issuing new shares against contributions in cash or in kind until 17 May 2023. Shareholders' subscription rights may be excluded insofar as the requirements of Section 186 (3) sentence 4 of German Stock Corporation Act (AktG) are met or insofar as the acquisition of companies or equity interests in companies is concerned, if the acquisition or equity interest is in the well-understood interest of the Company; otherwise subscription rights may be excluded insofar as fractional amounts are to be compensated. No use was made of this authorization in 2018.

Conditional capital

At the Annual General Meeting on 18 May 2018, the Board of Management was authorised, with the approval of the Supervisory Board, to issue bearer and/or registered bonds with a maximum term of 20 years on one or more occasions up to 17 May 2023 for a total nominal amount of up to € 100 million and to grant the holders of bonds conversion and/or option rights to a total of up to 3,450,000 no-par value registered shares of the Company.

To the extent legally permissible, the bonds may also be issued in other legal currencies. The total nominal amount of the bonds may not exceed € 100 million or the respective equivalent in any other legal currency. The shareholders are generally entitled to a subscription right to the bonds. The bonds may also be underwritten by a bank or a banking syndicate with the obligation to offer them to the shareholders for subscription. In addition, however, the Board of Management is authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders to the bonds within the limits specified individually and specifically in the authorization.

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the issue and terms of the bonds and their terms and conditions itself, in particular to determine the interest rate, the issue price, the term and denomination, dilution protection provisions, conversion or option period and to determine the conversion and option price.

This authorisation was not utilised in the 2018 financial year.

Capital reserve

The premium from past share issues in connection with the issue of subscription shares from contingent capital and the issue of ordinary shares from authorized capital (capital increase against contribution in kind) was transferred to the capital reserve. The costs of the share issues were deducted.

The capital reserve according to IFRS corresponds to the capital reserve of the parent company according to German Commercial Code (HGB). 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, amounts must also be transferred to the capital reserve under German Commercial Code (HGB) (write-downs from the period before the conversion) which would not be transferred to the capital reserve if a pure IFRS approach were adopted. In order to achieve the same level of capital reserves between German Commercial Code and IFRS, corresponding amounts are therefore withdrawn from retained earnings and allocated to capital reserves.

Retained earnings

Retained earnings include the results of the companies included in the consolidated financial statements to the extent that they were not distributed. Of which € 691 thousand (2017: € 691 thousand), the statutory reserve of technotrans SE pursuant to Section 150 (2) of German Stock Corporation Act (AktG).

Pursuant to Section 268 (8) of the German Commercial Code (HGB), an amount of € 115 thousand (2017: € 6 thousand) of the parent company's other revenue reserves will not be distributed due to the capitalization of deferred taxes as well as an amount of € 21 thousand (2017: € 19 thousand) will not be distributed due to the difference from the valuation of the pension provision pursuant to Section 253 (6) of the German Commercial Code (HGB).

Other reserves

	31/12/2018	31/12/2017
	€ '000	€ '000
Exchange differences	-3,748	-4,013
Reserve for net investments in a foreign operation	-2,645	-2,405
Hedging reserve	-33	-22
	-6,426	-6,440

In accordance with IAS 39, the negative fair value of the interest rate swaps used, net of deferred taxes, was recognised directly in the hedging reserve (see Section 32 „Financial instruments“). In the 2018 financial year, a loss of € 5 thousand (2017: € 51 thousand gain) was recognised directly in equity. In return, deferred taxes of € -6 thousand (2017: € 15 thousand) was recognised directly in equity.

technotrans SE has granted its subsidiaries loans that are to be regarded as net investments in foreign operations. In accordance with IAS 21.32 and IAS 12.61A, cumulative translation differences accumulated up to the balance sheet date and any related taxes are recognised directly in equity. Exchange rate differences are not recognised in the income statement until the liquidation or partial liquidation of the company.

In the 2018 financial year, translation losses of € 240 thousand (2017: € 358 thousand loss) were offset directly in equity; since a liquidation or partial liquidation is not planned in the foreseeable future, no deferred taxes were offset against these exchange losses in equity in the financial year, as in the previous year.

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

Treasury shares

At the Annual General Meeting on 18 May 2018, the shareholders authorised the Board of Management to buy back own shares in accordance with Section 71 (1) No. 8 German Stock Corporation Act (AktG) until 17 May 2023. This authorization extends to the repurchase of treasury shares up to a total of 10 percent of the Company's share capital at the time the resolution is adopted or - if this value is lower - at the time the authorization is exercised.

In accordance with IAS 32.33, the repurchased shares are deducted from equity at cost (including incidental acquisition costs). The buyback is based on the strategic objectives of the company. No transactions with treasury shares were carried out in the 2018 financial year.

Capital management

As of December 31, 2018, the equity ratio was 55.3 percent (2017: 55.7 percent). The most important financial objectives of technotrans SE include securing the Group's solvency at all times and sustainably increasing its value.

The creation of sufficient liquidity reserves is of great importance in this context. The goal is to have liquidity reserves of at least 5 percent of annual revenues available at all times. Achievement of the targets is to be ensured by the use of various measures to reduce the cost of capital and optimize the capital structure, as well as by effective risk management.

Methodologically, technotrans' capital management is based on financial-market-oriented indicators such as return on sales (long-term target margin for EBIT: 10 percent), the equity ratio (target: > 50 percent) and debt ratios. technotrans is not subject to statutory capital requirements. A solid capital structure provides technotrans with the stability that serves as the basis for a business model geared to sustainability and thus satisfies the long-term needs of customers, suppliers, employees and shareholders.

An unsecured loan is subject to the obligation to comply with financial covenants. The financial ratios, equity ratio, gearing ratio and EBITDA margin are determined for the consolidated financial statements and were complied with in the 2018 financial year.

11) Financial liabilities

	31/12/2018	31/12/2017
	€ '000	€ '000
Short-term borrowings	8,431	3,837
Long-term borrowings	25,956	19,187
	34,387	23,024

The increase in financial liabilities is mainly due to new borrowings in connection with the construction of the new Termotek GmbH production plant in Baden-Baden. There were no hedged liabilities at the balance sheet date. Interest rate hedges exist only for financial liabilities..

Residual maturities of financial liabilities

	up to 1 year	1 to 5 years	over 5 years	Total	Interest p.a.	Collateral
	€ '000	€ '000	€ '000	€ '000		
€ fixed rate credit	0	0	4,000	4,000	1.55%	None
€ fixed rate credit	740	2,963	0	3,703	1.00%	None
€ fixed rate credit	0	2,100	1,050	3,150	1.30%	None
€ fixed rate credit	688	2,312	0	3,000	2.05%	None
€ fixed rate credit	313	1,250	937	2,500	1.45%	Land charge
€ fixed rate credit	313	1,250	937	2,500	1.70%	Land charge
€ fixed rate credit	286	1,143	857	2,286	1.45%	Land charge
Variable € credit	429	1,714	0	2,143	3-month. EURIBOR+ 1.59%	None
Money market loan	2,000	0	0	2,000	1.20%	None
Variable € credit	0	1,500	0	1,500	6-month EURIBOR+ 1.25%	Land charge
Variable € credit	0	0	1,350	1,350	6-month EURIBOR interest rate swap (fixed rate: 1.91%)	None
Money market loan	1,000	0	0	1,000	0.96%	None
€ fixed rate credit	315	632	0	947	1.45%	Land charge
€ fixed rate credit	300	600	0	900	1.65%	Land charge
€ fixed rate credit	36	143	567	746	4.50%	Land charge
Variable € credit	572	143	0	715	3-month EURIBOR interest rate swap (fixed rate: 2.63%)	None
Money market loan	700	0	0	700	1.20%	None
€ fixed rate credit	245	184	0	429	3.31%	Land charge
Variable € credit	157	118	0	275	3-month EURIBOR interest rate swap (fixed rate: 3.40%)	Land charge
€ fixed rate credit	87	43	0	130	1.71%	Chattel mortgage
€ fixed rate credit	106	0	0	106	2.00%	None
€ fixed rate credit	17	70	5	92	2.35%	Chattel mortgage
lease purchase	51	35	0	86	3.05%	Chattel mortgage
€ fixed rate credit	12	50	3	65	2.10%	Chattel mortgage
lease purchase	33	0	0	33	3.08%	Chattel mortgage
€ fixed rate credit	26	0	0	26	3.10%	Chattel mortgage
€ fixed rate credit	5	0	0	5	3.10%	Chattel mortgage
	8,431	16,250	9,706	34,387		

The secured bank loans are secured by land and buildings with a carrying amount of € 8,618 thousand (2017: € 9,197 thousand) and property, plant and equipment with a carrying amount of € 604 thousand (2017: € 857 thousand) collateralised.

For loans in the amount of € 21,867 thousand (2017: € 527 thousand), no collateral was provided.

12) Other non-current financial liabilities

Other non-current financial liabilities include put/call options in connection with the acquisition of Ovidius GmbH in the amount of € 614 thousand (2017: € 1,065 thousand) (see Note 32 „Financial instruments“).

13) Trade payables

	31/12/2018	31/12/2017
	€ '000	€ '000
Accounts payable trade	5,418	4,456
Outstanding purchase invoices	1,294	1,606
	6,712	6,062

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

14) Prepayments received

The prepayments received mainly originate from project business. They finance the finished goods included in inventories for which revenues could not yet be realised. € 1,592 thousand of the advance payments received relate to the project business of gwk Gesellschaft Wärme Kältetechnik mbH and € 551 thousand to technotrans SE.

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, 2018	7,159	1,872	1,699	245	10,975
Exchange rate movements	22	4	2	0	28
Used	4,426	874	1,280	11	6,591
Reversed	454	142	157	0	753
Addition of company acquisition	93	13	0	0	106
Compounding	5	0	0	4	9
Allocated	4,542	808	1,568	1	6,919
Closing level at December 31, 2018	6,941	1,681	1,832	239	10,693
Long-term provisions	699	0	15	228	942
Short-term provisions	6,242	1,681	1,817	11	9,751

The obligations to personnel mainly comprise gratuities, bonuses and performance-related payments for employees as well as time accounts. These obligations are primarily uncertain as to their maturity.

A partial retirement contract was concluded with one employee during the financial year. The obligation arising from these partial retirement arrangements was determined actuarially. The calculation is based on an interest rate of 1.5 percent. Partial retirement obligations are secured against possible insolvency pursuant to Section 8a of the Partial Retirement Act (Altersteilzeitgesetz). For hedging purposes, cash was deposited in a money market fund (Deka Investments) and pledged in favour of the employee. In accordance with IAS 19.7, the assets represent „plan assets“ and are netted with the corresponding provision. Income from plan assets is offset against the corresponding expenses. No income was generated in the 2018 financial year. As of December 31, 2018, cash and cash equivalents amounting to € 46 thousand were invested.

Warranty provisions are recognised for current legal, contractual and constructive warranty obligations to third parties. Provisions were measured on the basis of past experience, taking into account the circumstances on the balance sheet date.

technotrans is involved in judicial and extrajudicial legal disputes within the framework of its general business activities, the outcome of which cannot be predicted with certainty. Legal disputes can arise, for example, in connection with product liability cases and warranties. Provisions are recognised for any resulting risks not already covered by insurance, provided that it is probable that they will be required to settle the obligation and the amount of the provision can be reliably estimated. As of the 2018 balance sheet date, no provisions were recognised for legal disputes arising from product liability and warranty.

Miscellaneous other provisions include year-end closing costs, commissions and other obligations. The uncertainty factor here is also mainly the amount.

A direct pension commitment has been made to employees of the former BVS Beratung Verkauf Service Grafische Technik GmbH. Pensions are already being paid for all employees. To calculate the pension provisions, the defined benefit obligation (DBO) was determined by an actuarial report using the 2018 G mortality tables of Prof. Dr. Klaus Heubeck for the first time. The calculation is based on an interest rate of 1.6 percent (2017: 1.6 per cent) and a pension trend of 2.0 per cent (2017: 2.0 percent). Salary development and fluctuation did not have to be taken into account, as those entitled to pensions have since left the company. The interest costs on the DBO in 2018 amount to € 4 thousand (2017: € 3 thousand). The actuarial loss amounts to € 1 thousand (2017: € 23 thousand gain). The actuarial loss was recognised in other comprehensive income. In 2018, pension payments in the amount of € 11 thousand (2017: € 11 thousand) were made.

16) Income tax payable

Income tax payable in the year under review mainly relate to technotrans SE and its subsidiaries (fiscal unity).

17) Other current liabilities

	31/12/2018	31/12/2017
	€ '000	€ '000
Other financial liabilities		
Debtors with credit balances	588	418
Assumption of debt company acquisition gwk	0	248
Current liabilities from derivative financial instruments	38	33
Other financial liabilities	174	586
	800	1,285
Other liabilities		
Sales tax	939	821
Operating taxes	819	758
Liabilities in respect of social insurance	180	111
Other liabilities	609	607
	2,547	2,297
	3,347	3,582

As part of the acquisition of gwk Gesellschaft Wärme Kältetechnik mbH in the 2016 financial year, a claim by the remaining minority shareholder for the distribution of a share in profits amounting to € 497 thousand was taken over. The claim was carried as a liability at the time of initial consolidation. The distributions were made in two equal amounts in fiscal years 2017 and 2018.

IV. NOTES TO THE CONSOLIDATED INCOME STATEMENT

18) Revenue

Revenue streams

The effect of the first-time adoption of IFRS 15 on revenues from contracts with customers in the Group is described in the notes under „II. Group d) Change in recognition and measurement principles“. Due to the transition method applied for IFRS 15, the comparative information was not adjusted to the new regulations.

The Group generates revenues primarily from the sale of products and the provision of services to its customers. Revenue recognition in the Group is generally based on the point in time.

Breakdown of revenues from contracts with customers

Revenues - subdivided into business segments - are presented in the segment report. € 187,099 thousand (2017: € 176,935 thousand) result from the sale of goods including the sale of spare parts, € 29,187 thousand (2017: € 45,956 thousand) from the provision of services. Geographically, revenues are broken down as follows:

	2018	2017
	€ '000	€ '000
Technology		
Germany	87,461	83,538
Rest of Europe	37,423	32,446
America	12,777	13,759
Asia	18,731	17,621
Africa/Oceania	84	206
	156,476	147,570
Service		
Germany	29,529	26,800
Rest of Europe	15,637	15,602
America	9,669	10,234
Asia	4,696	4,621
Africa/Oceania	279	268
	59,810	57,525

Contract balances

The following table provides information on contract assets and contract liabilities under contracts with customers:

	2018	2017
	€ '000	€ '000
Contract assets	615	0
Contract liabilities	4,111	6,561

Contract assets mainly relate to the Group's claims for consideration for services completed but not yet invoiced as of the balance sheet date. Contract assets are reported in the balance sheet under trade receivables.

The contract liabilities are mainly reported in the balance sheet under prepayments received and other liabilities. Of the contract liabilities € 6,561 thousand which were reported at the beginning of the period, € 6,389 thousand were recognised as revenue in the 2018 financial year. It is expected that the contract liabilities will essentially be fulfilled within the next financial year.

Performance obligations and methods of revenue recognition

Revenue is measured on the basis of the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control of the product or service to a customer. Invoices shall be issued in accordance with the contractual agreements. There are no significant financing components, as normally short-term payment terms customary in the market are agreed.

19) Cost of sales

Cost of sales comprises the cost of traded products and the cost price of merchandise sold. In accordance with IAS 2, in addition to directly attributable costs such as material and personnel costs, they also include overheads, including pro rata depreciation on property, plant and equipment and intangible assets used in production. The amount of inventories recognised as an expense in the period under review essentially corresponds to the cost of materials (raw materials, consumables and changes in inventories of finished goods and work in progress). The cost of field service and warranty expenses are also included in cost of sales. Other cost of sales mainly includes other building costs.

	2018	2017
	€ '000	€ '000
Cost of materials	85,888	79,422
Cost of labour	42,737	39,104
Subcontractors, personnel leasing	7,505	8,436
Depreciation and amortisation	2,312	1,911
Travel expenses	2,192	1,950
Warranty and goodwill	1,654	1,947
Tenancy and leasing costs	1,245	1,192
Operating requirements	1,223	889
Maintenance	1,027	977
Energy expenses	820	820
Other	418	201
	147,021	136,849

20) Distribution costs

In addition to the costs of the sales department and internal service, distribution costs include the costs of advertising and logistics. In addition, the amortization of intangible assets (customer relationships and brands) recognised as part of the purchase price allocation is reported under distribution expenses. This item also includes sales-related commission expenses and value adjustments on receivables.

	2018	2017
	€ '000	€ '000
Cost of labour	15,862	15,267
Logistics costs	4,359	4,240
Depreciation and amortisation	1,357	1,971
Tenancy and leasing costs	863	775
Promotional and exhibition costs	851	863
Travel expenses	714	891
Sales commissions	664	663
Impairment of receivables	530	312
Other	1,335	1,471
	26,535	26,453

21) Administrative expenses

Administrative expenses include personnel and other costs for management and administrative functions, unless these have been charged to other cost centers as internal services.

	2018	2017
	€ '000	€ '000
Cost of labour	10,468	10,156
IT costs	2,124	1,956
Consultancy, audits	1,396	1,454
Depreciation and amortisation	1,071	920
Insurances	903	867
Tenancy and leasing costs	574	612
Investor relation	366	312
Telephone and postage	348	331
Travel expenses	331	395
Contributions	320	310
Other	1,506	1,283
	19,407	18,596

	2018	2017
	€ '000	€ '000
Fees for		
Auditing of the financial statements	262	287
Tax consultancy services	0	4
Other services	43	0
	305	291

KPMG AG WPG audited the annual financial statements and consolidated financial statements of technotrans SE and carried out various audits of the annual financial statements of subsidiaries. KPMG AG WPG provided us with tax advice in connection with advice on international issues.

In the 2018 financial year, the fee recorded as expense for the auditor in accordance with section 319 (1) sentences 1 and 2 of the German Commercial Code (HGB) amounted to a total of € 305 thousand (2017: € 291 thousand). The figures for the 2018 financial year include fees and expenses to KPMG AG WPG, the auditor of the consolidated financial statements, for the audit of the consolidated financial statements and for the audit of the annual financial statements of technotrans SE.

22) Development costs

No research costs were incurred. Development costs are expensed as incurred until the criteria of IAS 38.57 are cumulatively met. As of this date, development costs are capitalized (see Section 3 „Intangible assets“).

23) Other operating income

	2018	2017
	€ '000	€ '000
Income unrelated to the accounting period		
Book profits on the disposal of assets	136	294
Reversal of provisions	10	1,085
Other income unrelated to the accounting period	239	122
	385	1,501
Other operating income		
Personnel-related revenue	992	732
Foreign currency gains	471	283
Income from tenancy agreements	200	204
Insurance payments	123	109
Other	1,018	1,078
	2,804	2,406
	3,189	3,907

24) Other operating expenses

	2018	2017
	€ '000	€ '000
Expenses unrelated to the accounting period		
Book losses on the disposal of assets	30	41
Other expenses unrelated to the accounting period	33	47
	63	88
Other operating expenses		
Foreign currency losses	314	1,296
Other operating taxes	267	217
Other	537	537
	1,118	2,050
	1,181	2,138

25) Net finance costs

	2018	2017
	€ '000	€ '000
Financial income	499	145
Financial charges	-543	-620
Net finance costs	-44	-475

Interest income of € 26 thousand (2017: € 14 thousand) is from the interest on bank balances. In addition, € 473 thousand (2017: € 64 thousand) from the valuation of put/call options (see Section 12 „Other non-current financial liabilities“).

Interest expenses mainly include interest on the Group's financial liabilities.

In addition, interest expenses from compounding amounting to € 32 thousand (2017: € 34 thousand) are included in this item.

No borrowing costs were capitalized in the reporting period.

26) Income tax expense

	2018	2017
	€ '000	€ '000
Actual income tax expense		
Tax expense for the period	-5,273	-4,881
Tax income unrelating to the accounting period	294	188
	-4,979	-4,693
Deferred tax		
Occurrence or reversal of temporary differences	180	465
Reduction of the tax rate	-10	-567
Recognition or utilization of deferred tax assets of previously unrecognised tax loss carryforward	-243	-149
Recognition of non-recorded or impairment on deferred taxes on temporary differences	128	251
	55	0
	-4,924	-4,693

The income tax expenses include corporation and trade income taxes of the domestic companies as well as comparable income taxes of the foreign companies. Other operating taxes are included in other operating expenses.

Deferred taxes arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements using the balance sheet liability method.

The deferred tax assets recognised in the balance sheet also include tax reduction claims to the extent that the use of existing loss carryforwards is expected in subsequent years. Deferred taxes are calculated on the basis of the tax rates that apply or will soon apply in the individual countries at the time of realization.

The calculation of the applicable domestic tax rate for the year under review of 30.24 percent (2017: 30.25 percent) is based on a corporate income tax rate of 15.00 percent, a solidarity surcharge of 5.50 percent and an effective trade earnings tax rate of 14.42 percent (2017: 14.43 percent).

The following deferred tax assets and liabilities are attributable to recognition and measurement differences in the individual balance sheet items and to losses carried forward that can be used in the future:

2018	Net balance at 1 January € '000	Recognised in profit or loss € '000	Recognised in OCI € '000	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
				€ '000	€ '000	€ '000
Non-current assets	-1,695	260	0	-1,435	413	1,848
Inventories	415	217	0	632	666	34
Receivables	294	-248	0	46	210	164
Provisions	158	127	-3	282	388	106
Liabilities	19	-51	-6	-38	10	48
Loss carryforwards	1,009	-250	0	759	759	0
Tax assets (liabilities) before offsetting	200	55	-9	246	2,446	2,200
Offsetting					980	980
Net tax assets (liabilities)				246	1,466	1,220

2017	Net balance at 1 January € '000	Recognised in profit or loss € '000	Recognised in OCI € '000	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
				€ '000	€ '000	€ '000
Non-current assets	-2,218	523	0	-1,695	342	2,036
Inventories	249	166	0	415	448	33
Receivables	124	170	0	294	294	0
Provisions	174	-6	-10	158	264	106
Liabilities	51	-17	-15	19	19	0
Loss carryforwards	1,845	-836	0	1,009	1,009	0
Tax assets (liabilities) before offsetting	225	0	-25	200	2,376	2,175
Offsetting					342	342
Net tax assets (liabilities)				200	2,034	1,833

Deferred tax liabilities from non-current assets include deferred tax liabilities in the amount of € 1,451 thousand (2017: € 1,725 thousand) on the intangible assets capitalized as part of the business combinations.

In 2018, there are tax loss carryforwards of € 10,448 thousand (2017: € 12,760 thousand). On tax losses amounting to € 2,971 thousand (2017: € 4,041 thousand) deferred taxes in the amount of € 759 thousand (2017: € 1,009 thousand) were recognised in accordance with IAS 12.34. The remaining loss carryforwards in the amount of € 7,477 thousand (2017: € 8,719 thousand) and deductible temporary differences of € 5 thousand (2017: € 983 thousand), no deferred tax assets were capitalized. The unrecognised loss carryforwards in the USA may be carried forward for 20 years (€ 1,785 thousand; 2017: € 1,617 thousand) and for an unlimited period in all other cases

The following table shows the reconciliation from the expected tax expense to the actual income tax expense.

	2018	2017
	€ '000	€ '000
Applicable tax rate	30.24%	30.25%
Consolidated earnings before taxes on income	17,307	16,963
Theoretical tax expense/income	-5,234	-5,132
Differences compared with local tax rates	-21	72
Impairment (-) or reversal of impairment (+) on deferred tax assets on tax loss carryforwards and temporary differences	80	251
Expense or income from the non-recognition of deferred tax assets on tax losses occurring in the financial year and temporary differences	-116	-22
Tax effect from the use of deferred taxes on temporary differences and from tax loss carryforwards following impairment	205	421
Tax effect of non-deductibility of business expenses and tax-exempt income	-122	97
Changes to deferred tax resulting from tax rate changes	-10	-567
Other taxes not relating to the period	294	187
Actual and deferred income tax expense	-4,924	-4,693

Deferred taxes reported in other comprehensive income in the year under review only resulted from the change in cash flow hedges amounting to € -6 thousand (2017: € -15 thousand) as well as in the amount of € -3 thousand (2017: € -10 thousand) from the change in pension obligations. As in the previous year, no deferred taxes were incurred in the 2018 financial year as a result of exchange rate effects from net investments in a foreign operation. Of the total amount of deferred taxes recognised in other comprehensive income (€ 576 thousand; 2017: € 576 thousand), € 550 thousand (2017: € 550 thousand) on exchange rate effects from net investments in a foreign operation, € 13 thousand (2017: € 16 thousand) on pension obligations and € 4 thousand (2017: € 10 thousand) on cash flow hedges.

27) Earnings per share

		2018	2017
Net profit for the period	€ '000	12,383	12,270
of which::			
Profit attributable to technotrans SE shareholders		12,383	12,191
Profit/loss attributable to non-controlling interests		0	79
Average number of ordinary shares outstanding in the year		6,907,665	6,907,665
Basic/diluted earnings per share	in €	1.79	1.76

In the 2018 financial year, there were again no subscription rights issued that would have had a diluting effect on earnings per share in accordance with IAS 33.

V. NOTES TO THE SEGMENT REPORT

		Technology	Services	Consolidated/ not allocated	Group
		€ '000	€ '000	€ '000	€ '000
External revenue	2018	156,476	59,810	0	216,286
	2017	147,570	57,525	0	205,095
Inter-segment revenue	2018	0	1,572	-1,572	0
	2017	0	1,583	-1,583	0
Segment result	2018	8,081	9,270	0	17,351
	2017	8,142	9,296	0	17,438
Depreciation and amortisation	2018	4,100	1,148	0	5,248
	2017	4,114	1,103	0	5,217

Segment information is provided on the basis of the business segments for internal reporting purposes. Segmentation into the Technology and Services divisions is in line with the technotrans Group's internal reporting structure.

The Technology segment generates revenue by selling equipment and systems in the field of liquid technology in the application areas of cooling and temperature control (business unit „temperature control“), filtration and separation (business unit „fluid conditioning“) and spraying and pumping (business unit „ink technology“). The Services segment generates revenue with after-sales service, installation, commissioning, maintenance and spare parts supply as well as the creation of technical documentation and the production and sale of software for the compilation of documentation. The translation services revenues generated by gds Sprachenwelt GmbH are also allocated to the Services segment.

Revenue for the 2018 and 2017 financial years were generated in the following areas:

	2018	2017
	€ '000	€ '000
Technology		
Business Unit „temperature control“	138,943	128,822
Business Unit „fluid conditioning“	9,489	9,757
Business Unit „ink technology“	8,044	8,991
	156,476	147,570
Services		
Spare parts	30,516	29,365
Product related services	22,192	21,440
Technical documentation (incl. translation services)	7,102	6,720
	59,810	57,525

The revenues of € 216,286 thousand (2017: € 205,095 thousand) are divided into € 116,990 thousand (2017: € 110,338 thousand) generated in Germany and € 99,296 thousand (2017: € 94,757 thousand) generated abroad. Of this amount, € 18,600 thousand is attributable to the USA (2017: € 18,087 thousand) and on China € 6,776 thousand (2017: € 7,699 thousand). Revenue is allocated on the basis of the location of the customer with which the revenue is realised.

The non-current assets of € 61,417 thousand (2017: € 57,773 thousand) can be broken down by region as follows: Domestic € 59,532 thousand (2017: € 55,800 thousand) and abroad € 1,885 thousand (2017: € 1,973 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 includes both directly allocable and sensibly distributable variables. It is not necessary to reconcile segment data with Group data, as the information in the segment reporting corresponds to that in the consolidated income statement and the cash flow statement. The segment result corresponds to the result from operating activities (EBIT) in the income statement. The cumulative result of both segments in the amount of € 17,351 thousand (2017: € 17,438 thousand) reduced by the financial result of € -44 thousand reported in the income statement (2017: € -475 thousand) results in earnings before income taxes of € 17,307 thousand (2017: € 16,963 thousand).

The revenue of a customer in the Technology and Services segments accounts for € 23 million of the Group's total revenue.

VI. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is broken down into cash flows from operating activities, investing activities and financing activities.

28) Cash flow from operating activities

Cash flow from operating activities (net cash and cash equivalents) amounted to € 6,312 thousand in the year under review (2017: € 11,409 thousand). This includes € 14,812 thousand in cash and cash equivalents from operating activities (2017: € 14,273 thousand), interest and income taxes received and paid of € -8,500 thousand (2017: € -2,864 thousand). The change in net current assets resulted in a negative cash flow contribution in 2018.

29) Cash flow from investing activities

The cash flow from investing activities consists of payments for investments in property, plant and equipment of € 6,644 thousand (2017: € 10,904 thousand) and for investments in intangible assets in the amount of € 1,737 thousand (2017: € 567 thousand).

Furthermore, the business operations of Hahn Enersave GmbH (€ 1,500 thousand) and Reisner Cooling Energy GmbH (€ 565 thousand) were acquired in the year under review.

30) Cash flow from financing activities

In the year under review, new loans of € 15,200 thousand were taken out and repayments of € 3,837 thousand were made (2017: € 5,068 thousand) on short-term and long-term loan liabilities. In addition the amount of € 6,079 thousand (2017: € 3,799 thousand) was distributed to shareholders.

31) Cash and cash equivalents at end of period

Cash and cash equivalents consist of cash on hand and demand deposits. They correspond to the cash and cash equivalents shown in the balance sheet.

VII. OTHER NOTES

32) Financial instruments

Financial instruments (financial assets and liabilities) have been classified as „measured at amortised cost“, „measured at fair value through profit or loss“ (FVTPL) and „measured at fair value through other comprehensive income“ (FVOCI) since the introduction of IFRS 9 on 1 January 2019. With these new classification categories, the existing categories of IAS 39 „held-to-maturity investments“, „loans and receivables“ and „available-for-sale investments“ are replaced. Financial assets and liabilities were not netted.

Accounting classifications and fair values

The following table shows the categories to which the financial instruments were allocated as well as the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not contain fair value information for financial assets and financial liabilities that are not measured at fair value if the carrying amount is an appropriate approximation of fair value. The different levels are as follows:

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

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

	Section	31/12/2018		31/12/2017		Fair value hierarchy
		Carrying amount	Fair value	Carrying amount	Fair value	
		€ '000	€ '000	€ '000	€ '000	
Derivatives in hedging requirements						
Market value of interest rate swaps	(17)	-38	-38	-33	-33	Level 2
Financial liabilities measured at fair value (FVTPL)						
Put/call options	(12)	-614	-614	-1,065	-1,065	Level 3
Assets measured at amortised costs						
Rent deposits	(4, 8)	188	188	243	243	Level 2
Trade receivables	(6)	27,111	27,111	24,182	24,182	
Receivables from suppliers	(8)	338	338	265	265	
Other assets	(8)	394	394	319	319	
Cash and cash equivalents	(9)	15,566	15,566	14,798	14,798	
		43,597	43,597	39,807	39,807	
Financial assets and liabilities not measured at fair value						
Borrowings	(11)	-34,387	-34,662	-23,024	-23,080	Level 2
Other non-current liabilities	(12)	0	0	-8	-8	Level 2
Assumption of debt company acquisition gwk	(12, 17)	0	0	-248	-248	
Trade payables	(13)	-6,712	-6,712	-6,062	-6,062	
Debtors with credit balances	(17)	-588	-588	-418	-418	
Other current liabilities	(17)	-135	-135	-586	-586	
		-41,822	-42,097	-30,346	-30,402	
		1,123	848	8,363	8,307	
Gains (+) or losses (-) not entered			-275		-56	

The carrying amounts of financial instruments (e.g. cash and cash equivalents, trade receivables and payables and other receivables and payables) generally correspond to their fair values. For receivables with a remaining term of up to one year, the most reliable estimate of fair value is their nominal value less the value adjustments made. The fair value of receivables with a remaining term of more than one year is derived from their discounted cash flows.

In contrast, there are differences between the carrying amounts and fair values of financial liabilities. The fair value of interest-bearing liabilities is derived from the discounted cash flows from repayments and interest payments. Current reference interest rates from banks were requested and used to determine the fair values as of the balance sheet date. The reference interest rates were between 1.0 percent and 2.8 percent, depending on the term. An appropriate risk premium was added.

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

As part of the acquisition of the shares in Ovidius GmbH in fiscal year 2016, put/call options were agreed with the remaining minority shareholders. The calculation of the purchase price is fixed until 2021. The purchase price depends on the average revenue and earnings performance (EBIT) of the acquired company from 2017 to 2020. The fair value was determined on the basis of the multiples method, taking into account the planned key financial figures of the acquired companies for this period. As of 2021, the purchase price is determined on the basis of the company valuation in accordance with the DCF method. The purchase price was discounted using a risk-free cost of capital rate. By exercising this option, gds GmbH's interest in Ovidius GmbH can be increased to 100 percent. technotrans has opted for the so-called „Anticipated Acquisition Method“ when accounting for the acquisition. Accordingly, the acquisition of the outstanding non-controlling interests as part of the initial consolidation was recognised as an obligation from the put/call options in the amount of € 1,090 thousand. The adjustments to this obligation are recognised in the financial result.

The fair value of these put/call options amounts to € 614 thousand (2017: € 1,065 thousand). The fixed calculation formula (multiples method) for the period up to 2021 results in a fair value of € 20 thousand. The valuation was also carried out in the financial year using the capitalised earnings value method for the period from 2021 onwards. The valuation was based on an expected average revenue of € 3,150 thousand for the years 2019 to 2023 and an average EBIT margin of 13.1 percent, discounted at a risk-adequate discount rate of 9 percent. The main unobservable factors are average revenues, EBIT margins and the discount factor. Fair values may be higher or lower due to changes in factors over time. A reduction of the EBIT margin by one percentage point would result in a reduction of the fair value of the put/call options by € 61 thousand. A decrease in revenues of an average of 10 percent would result in a reduction of € 187 thousand. The effects of the increase in input factors would have a corresponding opposite effect on the fair value in the same amount. Changes in the discount factor by one percentage point would result in an increase or decrease of € 103 thousand in the fair value.

Reconciliation of Level 3 Fair Values

The following table shows the reconciliation of the opening balance to the closing balance for fair values at level 3.

	<u>Put/call options</u>
	€ '000
January 1, 2017	1,104
Loss or income recognised as financial charges	
Change in fair value	- 64
Interest costs	25
December 31, 2017 / January 1, 2018	1,065
Loss or income recognised as financial charges	
Change in fair value	- 473
Interest costs	22
December 31, 2018	614

Net gains or losses on financial instruments by measurement category

	From interest	From subsequent measurement			2018	2017
		At fair value	Currency translation	Impairment		
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Derivatives in hedging requirements	0	24	0	0	24	39
Financial liabilities measured at fair value (FVTPL)	-22	473	0	0	451	0
Assets measured at amortised costs	26	0	24	-530	-480	-882
Financial liabilities not measured at fair value	-511	0	0	0	-511	-586
	-507	497	24	-530	-516	-1,429

Nature and extent of risks arising from financial instruments

The Group is exposed to the following risks arising from the use of financial instruments:

- › Credit risk
- › Liquidity risk
- › Market risk

Credit risk is the risk that one party to a financial instrument will cause the other party damage by failing to meet its obligations. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risk is reflected in interest rate risks and exchange rate risks. Liquidity risk is the risk of current difficulties in meeting financial liabilities, e.g. the risk of not being able to prolong loans or not receiving new loans to repay maturing loans.

Credit risk

At technotrans, significant risks are attributable to the default risk on trade receivables and contract assets, and theoretically also to the insolvency risk on the part of the banks with which technotrans holds credit balances. Banks are selected on the basis of many years of positive experience and the ratings of the banks.

The credit risks exist in the amount of the reported carrying amounts of € 43,597 thousand (2017: € 39,807 thousand). The trade receivables and contract assets are partially credit insured; the insured volume at the balance sheet date was € 11,804 thousand.

The bad debt risk includes a certain concentration of risk, as a significant portion of the receivables portfolio is attributable to OEMs in the various industries. There were no significant losses on receivables in the financial year.

With regard to new customers, the risk of bad debt losses is limited by obtaining credit information and observing credit limits with IT support. In addition to compliance with credit limits, retention of title is regularly agreed until final payment of the delivery or service. As a rule, technotrans does not require customers to provide collateral.

Impairment of financial assets

The Group recognizes valuation allowances for expected credit losses on financial assets. In determining the expected loss, the Group considers reasonable and reliable information that is relevant and available without unreasonable expense.

At each balance sheet date, the Group assesses whether financial assets at amortised cost are impaired in terms of creditworthiness. Indicators for this are significant financial difficulties of the debtor, breach of contract, insolvency of the debtor or other restructuring procedures. Impairment losses on financial assets are deducted from the gross carrying amount. The timing and amount of depreciation are estimated individually for each financial asset.

In addition to individually determined allowances, the Group uses an allowance matrix to measure expected credit losses on trade receivables and contract assets. The loss rates used here are calculated using the roll rate method, which is based on the probability that a receivable will progress through successive stages in the payment delay.

The following table provides information on the estimated credit risk and expected credit losses for trade receivables and contract assets as of December 31, 2018.

	Loss rate	Gross carrying amount	Loss allowance
	%	€ '000	€ '000
Not individually impaired receivables:			
not overdue	0.5	20,353	- 99
overdue by up to 30 days	1.2	5,185	- 61
overdue by between 31 and 60 days	1.6	916	- 15
overdue by between 61 and 90 days	8.0	370	- 30
overdue by more than 90 days	19.6	324	- 63
		27,148	- 268
Individually impaired receivables:			
		1,454	- 1,223
		28,602	- 1,491

To measure expected credit losses, trade receivables and contract assets were combined on the basis of common credit risk characteristics and days past due. Contract assets relate to work in progress not yet invoiced have essentially the same risk characteristics as trade receivables for the same contract types. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Due to the constantly low actual credit losses in the Group, the loss rates are calculated on the basis of last year's credit losses. This rate is multiplied by a scaling factor to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to pay their receivables. The scaling factor is based on gross domestic product forecasts and the industry outlook and is 2 percent.

The introduction of IFRS 9 and thus the first-time application of the value adjustment matrix had no effect on the amount of the value adjustments.

Comparative information in accordance with IAS 39

The analysis of the recoverability and age structure of trade receivables that are neither past due nor impaired was as follows as of December 31, 2017:

	<u>31/12/2017</u>
By age structure of receivables (without impairment)	€ '000
Carrying amount	24,182
of which: neither impaired nor overdue	18,884
of which: not impaired and	
overdue by up to 30 days	3,422
overdue by between 31 and 60 days	703
overdue by between 61 and 90 days	290
overdue by more than 90 days	883

Liquidity risk

technotrans SE employs rolling financial and liquidity planning to determine its liquidity requirements. Care is taken to ensure that sufficient liquid funds are available at all times to settle the liabilities. The Group has an unsecured bank loan which is subject to compliance with financial covenants. A future breach of these ratios may result in the loan being repaid earlier than indicated in the table below.

The future cash flows from contingent consideration (see Note 12) and from interest rate swaps may differ from the amounts shown in the following table as interest rates or the relevant conditions are subject to change.

Except for these financial liabilities, no cash flows included in the maturity analysis are expected to arise significantly earlier or in a materially different amount.

The liquid funds available are held exclusively with banks that have a very good credit rating. In addition, there were unused credit lines of up to € 13.2 million as of the balance sheet date (2017: € 17,0 million).

The following table shows the contractual maturities of the financial liabilities, including any interest payments:

	Carrying amount € '000	Contractual/ expected payment € '000	Due within					over 5 years € '000
			6 months	6-12 months	1-2 years	2-5 years		
			€ '000	€ '000	€ '000	€ '000	€ '000	
At December 31, 2018								
Borrowings	34,387	36,322	6,039	3,000	5,590	11,795	9,898	
Other non-current financial liabilities	614	614	n/a	n/a	n/a	n/a	614	
Trade payables	6,712	6,712	6,708	4	n/a	n/a	n/a	
Other current financial liabilities	762	762	762	n/a	n/a	n/a	n/a	
Interest rate swaps	38	87	22	14	12	25	14	
	42,513	44,497	13,531	3,018	5,602	11,820	10,526	
At December 31, 2017								
Borrowings	23,024	24,547	2,095	2,102	4,334	10,549	5,467	
Other non-current financial liabilities	1,073	1,144	n/a	n/a	8	991	145	
Trade payables	6,062	6,062	6,054	8	n/a	n/a	n/a	
Other current financial liabilities	1,252	1,252	1,252	n/a	n/a	n/a	n/a	
Interest rate swaps	33	70	30	22	15	3	n/a	
	31,444	33,075	9,431	2,132	4,357	11,543	5,612	

Market risks

technotrans' aim is to be exposed to **interest rate risks** only to a limited extent. Financial liabilities in the amount of € 28,404 thousand (2017: € 17,094 thousand) were raised at a fixed interest rate. Long-term loans with variable interest rates are hedged by the use of interest rate swaps; this requirement does not apply to short-term loans. Variable-interest loans in the amount of € 2,340 thousand (2017: € 1,858 thousand) of the total amount of these loans (€ 5,983 thousand; 2017: € 5,930 thousand) were converted into fixed-interest loans by means of interest rate swaps. Apart from the put/call options, the Group does not recognise any fixed-interest financial assets and liabilities at fair value through profit or loss. Derivatives (interest rate swaps) are not intended as hedging instruments for fair value. Therefore, a change in the interest rate at the balance sheet date would not affect profit or loss.

The carrying amounts of the interest rate swaps are also subject to interest rate risk.

The Group is exposed to **exchange rate risks** in the course of its business operations. As of December 31, 2018, trade receivables and cash and cash equivalents are mainly denominated in euros; notable amounts are denominated in US dollars, Chinese renminbi and British pounds. The aforementioned foreign currency holdings are mainly held by technotrans SE and the respective national companies of the Group.

		31/12/2018			31/12/2017			
		USD	CNY	GBP	USD	CNY	GBP	AED
Trade receivables	in Thousand	2,777	4,058	309	3,635	4,252	194	322
	€ '000	2,425	515	345	3,031	545	219	73
Cash and cash equivalents	in Thousand	1,195	5,385	457	2,343	3,049	649	1,407
	€ '000	1,044	684	510	1,953	391	731	320

Financial liabilities are mainly denominated in euros.

Net investments in a foreign operation exist exclusively in Brazilian real. Changes in exchange rates would have an impact on equity.

Other foreign currency risks in the technotrans Group are limited by the fact that production is essentially carried out in the euro zone and that the currency in which the customer is invoiced is generally the same as the production currency. In the event of significant deviations, this currency risk is hedged using derivative financial instruments. There were no currency hedges as of December 31, 2018.

Sensitivity analysis

A possible strengthening or a possible weakening of the most important foreign currency closing rates by 10 percent against the euro in the Group would have had the following effects on equity and earnings after taxes as of the balance sheet date, assuming that all other variables, in particular interest rates, are unchanged:

	€ '000	Effect on equity		Effect on profit after tax	
		Increase + 10%	Reduction - 10%	Increase + 10%	Reduction - 10%
At December 31, 2018					
USD		- 586	586	- 98	98
GBP		- 58	58	- 14	14
BRL		438	- 438	5	- 5
At December 31, 2017					
USD		- 630	630	- 175	175
GBP		- 68	68	- 14	14
BRL		452	- 452	10	- 10

A change in both the closing rate and the average rate was included in the presentation for the reporting period, each with a change of 10 percent compared with the exchange rates used in the respective consolidated financial statements.

Market risks due to interest rate fluctuations only exist for interest rate swaps. A reduction of the interest rate by one percentage point would have only a minor negative impact on the valuation of the interest rate swap and thus on equity.

Hedging instruments

As of the balance sheet date, the following derivative financial instruments existed to hedge the interest rate risk of the € loans with variable interest rates (see Section 11 „Financial liabilities“); including these derivative financial instruments, the financial assets and financial liabilities are not exposed to any material interest rate risk.

	Nominal amount	Repaid	Balance	Fixed rate	Variable Interest	Maturity	Fair Value
	€ '000	€ '000	€ '000	% p.a.			€ '000
Payer-Swap	4,000	3,285	715	2.63	3-months EURIBOR	Jan. 2020	- 7
Payer-Swap	1,100	825	275	3.40	3-months EURIBOR	Aug. 2020	- 5
Payer-Swap	1,350	0	1,350	1.91	6-months EURIBOR	Oct. 2025	- 26

The fair values result from the valuation of the outstanding items without taking into account opposing value developments from the underlying transactions. The fair values (level 2 in accordance with IFRS 13.82) are determined by major German banks on the basis of discounted cash flows.

Interest rate swap

The underlying and hedging transactions are identical in terms of nominal value or principal amount, maturities, interest payment dates, interest adjustment dates, maturity dates and currencies. In those cases where a hedge exists to hedge a future transaction, the hedging relationship is accounted for only if it is highly probable that the transaction will occur. The efficiency of the hedging transaction within the meaning of IAS 39.88 (b) is high, almost 100 percent. Otherwise, the requirements of IAS 39.88 are met.

The interest rate swaps are accounted for as cash flow hedges at market price; valuation gains and losses from changes in market prices are recognised directly in equity in the hedging reserve. The fair value of the hedging instruments at the balance sheet date is € 38 thousand (2017: € 33 thousand) was recorded under „Other current liabilities“ (Section 17). The underlying loan transactions are measured at amortised cost using the effective interest method.

The deferred taxes of € -6 thousand attributable to negative market prices were offset against the hedging reserve in the fiscal year with no effect on income, so that the negative amount remaining in the hedging reserve was € 33 thousand as of the reporting date.

	€ '000
Opening level at January 1, 2017	-58
Amount reclassified to the Income Statement	60
Change of the market values of cash flow hedges	-9
Deferred tax on these not affecting income	-15
Level at December 31, 2017 / January 1, 2018	-22
Amount reclassified to the Income Statement	24
Change of the market values of cash flow hedges	-29
Deferred tax on these not affecting income	-6
Closing level at December 31, 2018	-33

Reconciliation of changes in liabilities to cash flows from financing activities

	Liabilities	
	Financial liabilities	Put/call options
	€ '000	€ '000
01/01/2018	23,024	1,065
Cash flow from financing activities		
Cash receipts from the raising of loans	15,200	0
Cash payments from the repayment of loans	-3,837	0
Net cash used in financing activities	11,363	0
Other changes		
Interest expences	510	22
Interest paid	-510	0
Change in fair value	0	-473
Total other changes related to liabilities	0	-451
31/12/2018	34,387	614

33) Future payment obligations

	31/12/2018			Total € '000	31/12/2017 Total € '000
	up to 1 year	1 to 5 years	over 5 years		
	€ '000	€ '000	€ '000		
Tenancy and operating lease agreements	1,788	3,057	384	5,229	4,591
Maintenance agreements	929	340	0	1269	870
Other	101	20	0	121	99
	2,818	3,417	384	6,619	5,560

Future payment obligations are measured at nominal value; amounts in foreign currencies are translated at the closing rate.

The maintenance contracts mainly relate to the ERP data processing system.

The future obligations for rental and leasing contracts mainly relate to rental obligations for the business premises of the subsidiaries and for the concluded vehicle leasing contracts. Expenses from rental and lease agreements (minimum lease payments) amounted to € 2,749 thousand in the year under review (2017: € 2,645 thousand).

34) Personnel expenses

	2018 € '000	2017 € '000
Wages and salaries	62,453	59,000
Social insurance	11,653	10,439
Expenses for retirement benefits and maintenance payments	1,268	1,149
	75,374	70,588

Wages and salaries also include termination benefits in the amount of € 133 thousand (2017: € 115 thousand).

Social security contributions include expenses for defined contribution plans (employer contributions to statutory pension scheme) in the amount of € 5,784 thousand (2017: € 5,131 thousand).

35) Total employees, yearly average

	2018	2017
Average number of employees	1,402	1,293
of which in Germany	1,244	1,132
of which abroad	158	161
Technicians/skilled workers	921	839
Academic background	288	272
Trainees	105	99
Other	88	83

36) Related parties

“Related parties” include the members of the Board of Management and Supervisory Board of technotrans SE and their close family members.

Since fiscal year 2011, the compensation system for the Board of Management has complied with the latest standards and the statutory requirements of the German Act on the Appropriateness of Management Board Compensation (VorstAG). With regard to the compensation components, reference is made to the report on the „Remuneration system for the Board of Management“ in the Group management report.

In the year under review, consulting services of the law firm Hoffmann Liebs Partnerschaft von Rechtsanwälten mbB, Düsseldorf, in which Dr. Norbert Bröcker is a partner, amounting to € 226 thousand (2017: € 119 thousand) were used. All services have been concluded at arm's length conditions.

Remuneration of members of the Board of Management and the Supervisory Board

	2018	2017
	€ '000	€ '000
Board of Management		
Regular payments		
of which fixed	686	724
of which variable	525	673
	1,211	1,397
Supervisory Board		
Regular payments		
of which fixed	105	79
of which variable	180	171
	285	250

In addition to the remuneration paid in the financial year, the members of the Board of Management are entitled to bonuses of € 329 thousand (2017: € 500 thousand), which is linked to the achievement of future sustainability goals.

The current remuneration of the Board of Management (fixed) includes payments by the Company for defined contribution plans in the amount of € 80 thousand (2017: € 90 thousand). In addition, a corresponding provision in the amount of € 7 thousand was allocated in the fiscal year.

The members of the Board of Management have not received any pension commitments. Loans have not been granted to them and no guarantee obligations have been assumed in their favour.

The members of the Board of Management and the Supervisory Board are listed separately in the section „Corporate Bodies“.

Shareholdings of the members of the Board of Management and the Supervisory Board

	Shares	
	31/12/2018	31/12/2017
Board of Management		
Dirk Engel	20,000	20,000
Peter Hirsch	1,021	1,021
Hendirk Niestert	1,381	1,381
Henry Brickenkamp*	46,537	47,037
Dr. Andreas J. Schmid*	0	0
Dr. Christof Soest**	10,764	10,764
Supervisory Board		
Reinhard Aufderheide	380	380
Dr. Norbert Bröcker	250	250
Heinz Harling	64,854	64,854
Dr. Wolfgang Höper	0	0
Thomas Poppenberg	656	656
Dieter Schäfer	0	0
Family members		
Marian Harling	500	500

* resigned from the Board of Management in 2018

** resigned from the Board of Management in 2017

37) Corporate governance

In September 2018, the Board of Management and Supervisory Board issued the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders and interested parties on the Company's website (www.technotrans.com).

38) Subsequent events

The date on which the Board of Management approves the annual financial statements in accordance with IAS 10.17 is March 1, 2019. These consolidated financial statements are subject to approval by the Supervisory Board (Section 171 (2) of German Stock Corporation Act (AktG)).

After the end of the 2018 financial year, no further events of particular significance with an impact on the earnings, financial positions or net worth of the company occurred.

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 € 9,739,407.53 as reported in the individual financial statements be distributed as follows:

	€
Distribution of a dividend of € 0.88 per no par value share on share capital of € 6,907,665.00 bearing dividend entitlements	6,078,745.20
Profit carried forward	3,660,662.33
Accumulated profit	9,739,407.53

The dividend shall be payable on May 15, 2019.

Sassenberg, March 1, 2019

technotrans SE
The Board of Management



Dirk Engel



Peter Hirsch



Hendirk Niestert

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 1, 2019

technotrans SE
The Board of Management



Dirk Engel



Peter Hirsch



Hendirk Niestert

INDEPENDENT AUDITOR'S REPORT

To technotrans SE, Sassenberg

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of technotrans SE (until June 28, 2018 technotrans AG), Sassenberg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position, as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of technotrans SE (until June 28, 2018 technotrans AG), Sassenberg, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements we have not audited the content of the combined non-financial statement of technotrans SE and the Group ("non-financial statement") which are included in "Further Legal Disclosures" section of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- › the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- › the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the non-financial statement and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Disclosure of the amount of goodwill and the parameters applied within the scope of the impairment test is provided in the notes (section 2) Goodwill) to the consolidated financial statements, more precisely in the explanations on the balance sheet.

THE RISK FOR THE FINANCIAL STATEMENTS

As at December 31, 2018, goodwill totalled EUR 23.5 million thereby comprising 17% of the balance sheet total and a substantial portion of the assets.

Goodwill is tested for impairment annually at the level of CGUs or groups of CGUs. The carrying amount is thereby primarily compared with the recoverable amount of the CGU or groups of CGUs. If the carrying amount exceeds the recoverable amount, an impairment is recorded.

The goodwill impairment test is complex and is based on a number of judgemental assumptions. These include, among others, the expected business and earnings development of the CGUs or groups of CGUs for the upcoming five years, the assumed long-term growth rates and the discount rate used.

On the basis of the impairment tests carried out, the Group has not identified the need for the recording of an impairment.

Against this background, there is the risk for the financial statements that required impairments were not sufficiently recognized. In addition, there is the risk that the disclosures in the notes associated herewith are not appropriate.

OUR AUDIT APPROACH

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions as well as the Group's valuation model. This included a discussion of the expected development of the business and results as well as of the assumed underlying long-term growth rates with the Group Controlling. In addition, reconciliations were made with the budget prepared by the Executive Board which was approved by the Supervisory Board. Furthermore, we assessed the consistency of the assumptions with external market assessments.

We also assessed the Group's planning accuracy by comparing projections for previous financial years with the actual results realised and analysed deviations. As changes in the capital costs can have a substantial impact on the results of the impairment test, we have compared the assumptions and parameters underlying the capital costs – in particular the risk-free rate, the market risk premium and the beta factor – with own assumptions and publicly available information.

To provide for the mathematical accuracy of the valuation model utilised, we recalculated the Group's calculations on the basis of elements selected in a risk-orientated manner.

Finally, we assessed whether the disclosures in the notes with respect to the recoverability of the carrying amount of the goodwill are appropriate.

OUR OBSERVATIONS

The underlying valuation model used in the impairment test of goodwill is appropriate and consistent with the applicable accounting principles.

The Group's assumptions and parameters underlying the valuation are within an acceptable bandwidth and are, on the whole, balanced.

The disclosures in the notes associated herewith are appropriate.

Other Information

Management is responsible for the other information. The other information comprises:

- › the non-financial statement and
- › the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- › is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- › otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 18, 2018. We were engaged by the supervisory board on December 6, 2018. We have been the group auditor of technotrans SE without interruption since the Initial Public Offering (IPO) of technotrans SE in the financial year 1998.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Blücher.

Bielefeld, March 11, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by:



Blücher
Wirtschaftsprüfer
(German Public Auditor)



Nottelmann
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR

Publication	Date
Annual Report 2018	March 12, 2019
Quarterly Communication 1-3/2019	May 7, 2019
Annual Shareholder Meeting 2019	May 10, 2019
Interim Report 1-6/2019	August 6, 2019
Quarterly Communication 1-9/2019	November 5, 2019

Event	
M.M. Warburg Highlights, Hamburg	June 27 - 28, 2019
German Equity Forum, Frankfurt	November 25 - 27, 2019

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CONCEPT AND DESIGN

technotrans SE, Sassenberg

PRINT

Darpe Industriedruck GmbH & Co. KG, Warendorf

printed on Heidelberger 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

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