technotrans

power to transform

Annual Report 2020

Future Ready

Key data of the technotrans group (IFRS)

190.5 m €
Technology 137.7 m €
Services 52.8 m €
Revenue

6.8 m €
Technology -0,2 m €
Services 7.0 m €
EBIT

3.6%
Technology -0.1%
Services 13.2%
EBIT margin

1,409
(previous year: 1,474)
Employees at Dec 31

3.9 m €
(previous year: 7.6 m €)
Free cash flow

53.6%
(previous year: 51.4%)
Equity ratio

21.5 m €
(previous year: 24.2 m €)
Net debt

0.72 €
(previous year: 0.88 €)
Earnings per share

0.36 €
Dividend proposal 2020

Future Ready

Content

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. Rounding differences may occur.

Dear Shareholders,

The 2020 financial year was a year that will undoubtedly remain long in everyone's memory.

For technotrans, it was shaped very decisively by two factors – one of them external, the coronavirus pandemic, and the other one internal, the strategic reorientation.

The worldwide spread of COVID-19 led to the biggest health crisis and deepest recession since the Second World War. Never before had there been such restrictions to social and economic life on a global scale.

technotrans handled this challenge well. The health and safety of our workforce and business partners was and remains our top priority. By adopting a comprehensive package of measures, we succeeded in protecting the health of our employees to the best of our ability. Our newly developed digital employee information tool enabled us to provide rapid information, identify contacts where there were cases of infection and therefore keep infection rates at a very low level. As a result, we were able to maintain business operations at all times and continued functioning as a reliable partner to our customers and suppliers throughout this difficult time. It is impressive how the entire technotrans workforce has demonstrated solidarity and the will to overcome the crisis. We owe our very special thanks to our employees for that. Without such solidarity and extraordinary commitment, we would not have come through this critical phase so well.

Thanks are also due to our customers and business partners, as well as to you our shareholders, for your continuing faith in technotrans throughout these turbulent times and for your loyalty to us.

Crisis handled effectively thanks to diversification

technotrans is no exception in that it has been hugely affected by the COVID-19 pandemic. The downturn in our market environment also affected our business performance. In the first half of the year, we therefore already felt obliged to retract our forecast and also – in light of the political uncertainty at the time surrounding the receipt of money under the work support scheme – the profit distribution proposal for 2019.

We ended the 2020 financial year with reduced revenue and earnings. Consolidated revenue fell by 8.4 percent to € 190.5 million and the consolidated operating profit (EBIT) declined to € 6.8 million. This represents a consolidated EBIT margin of 3.6 percent.

Even if the results are not in line with the expectations we had voiced at the start of the year, given the special, unforeseeable events of the past financial year we can be satisfied with our performance. Thanks to our diversified market, technology and product portfolio we managed to perform better than the German mechanical and plant engineering sector (VDMA), which reported a contraction of 11 percent over the same period.

The restructuring measures already under way before the coronavirus pandemic and a systematic cost management approach combined with short-time meant technotrans remained profitable even in a year dominated by COVID-19. After adjustment for non-recurring structural costs of € 3.2 million and non-recurring income of € 0.6 million from a terminated fine procedure, adjusted EBIT came to € 9.4 million and is therefore actually above the prior-year figure. The same is true of the adjusted EBIT margin of 4.9 percent.

Well-equipped for the future: Future Ready 2025

In October 2020 we were able to celebrate 50 successful years as a company. In the 50th year of our existence the technotrans group comprises six brands at 17 locations worldwide, with a wide range of products for highly diverse applications and markets. This history gives us solid foundations. technotrans is one of the leading technology carriers in the field of thermal management. With our market expertise, we have built up high levels of customer satisfaction and loyalty. These core strengths have made us successful and remain the basis for future profitable growth. The world is changing, even setting aside COVID-19. Digitalisation, electrification and sustainability are having a big impact on entrepreneurial activity. This is what prompted the Board of Management to undertake the strategic repositioning of technotrans in order to fortify the group for the future and continue building on our claim to technological leadership.

The **Future Ready 2025** corporate strategy, which we unveiled in December, marks the start of a comprehensive transformation process. We will set the future direction with a clear one-brand strategy under our new **"power to transform"** claim. The individual companies in our group will move closer together to forge a strong collective. In future, instead of presenting separate corporate identities we will operate as ONE large enterprise – under ONE name: technotrans. Under the shared umbrella brand, we present the market with a unique range of products and services in the field of thermal management. The exception within the group network is gds, which as a full-service provider for technical documentation addresses different markets, so is retaining its separate identity.

Our strategy comprises two phases. In phase 1, which spans the years 2021 and 2022, the emphasis is on stability and profitability. We will tap group-wide synergy effects through merging group companies and harmonising functional areas. We are laying the foundations for our sustained growth by focusing on the four selected target markets **Print**, **Plastics**, **Energy Management** (e-mobility, quick-charging stations and data centres), and **Healthcare & Analytics** along with the established field of the **Laser & Machine Tool Industry**. Our use of English names for these markets reflects our strategic ambition to continue advancing our position internationally, too.

In phase 2, which will start in the 2023 financial year at the latest, we will be shifting the focus to profitable growth. In optimally positioning our company we aim to push sales and R&D activities so that we can build profitably on our market position.

The 2025 strategy envisages sustainability as a firm part of our corporate culture. Clearly defined key figures have been specified as long-term targets within the ESG criteria electricity, vehicle fleet, diversity, personnel development and reduce packaging waste. As such, they emphasise our entrepreneurial responsibility and help technotrans maintain a sustainably transparent focus.

technotrans stands for stability and continuity. As a sign of this continuity, we want to continue offering our shareholders an attractive rate of return. Even in a year severely burdened by COVID-19, by agreement with the Supervisory Board of technotrans SE we will therefore propose the distribution of a dividend of € 0.36 per share to the Annual General Meeting in May. Based on the XETRA closing price of technotrans shares at the end of the 2020 financial year of € 25.00, the dividend yield is 1.4 percent.

Our new **Future Ready 2025** strategy heralds in the next development phase of the company's history. We will be following a clear plan and clearly defined targets for the next five years. By pulling together all its resources, technotrans will become even more efficient and effective, and therefore even more sustainably valuable for our customers and you.

We are absolutely confident that this path will be a successful one! Because behind our company we have very many hard-working employees who every day demonstrate remarkable commitment to technotrans. This gives us the confidence that – notwithstanding these rapidly changing, challenging times – together we will be able to keep the company moving in a successful direction, 50 years on from its founding. To the benefit and advantage of our customers, shareholders and employees.

The Board of Management

Michael Finger **Dirk Engel** **Peter Hirsch**

Success story

From Westphalia into the world: A 50-year success story.

2021

Commissioning of the new building of Reisner Cooling Solutions GmbH in Holzwickede

2020

New strategy ”Future Ready 2025“. technotrans sets course for the future

50th anniversary of the company

2019

The modern and energy-efficient plant of Termotek GmbH in Baden-Baden takes up production

2018

technotrans AG becomes technotrans SE

Acquisition of Reisner Cooling Solutions GmbH

Expansion of competence to a full-range supplier in the plastics processing sector

2017

Foundation of technotrans Grundstücksverwaltungs GmbH

2016

Acquisition of gwk Gesellschaft Wärme Kältetechnik mbH

Entry into the market of the plastics processing industry

Acquisition of a majority interest in Ovidius GmbH by gds GmbH

2014

Expansion of expertise in the field of e-mobility to include stationary solutions for batteries and converters in trains

2013

Acquisition of a majority interest in KLH Kältetechnik GmbH and its affiliated companies in Singapore and PR China

Expansion of compe-tence to a full-range supplier in the laser sector

2012

Establishment of the stamping and forming technology division

Majority shareholding in Sprachenwelt gmbh by gds

Consolidation of chinese production facilities in Taicang

2011

Acquisition of Termotek AG

Entry into the mar-ket laser/medical technolgoy

Entry into the mar-ket machine tool technology

Entry into the market e-mobility with mobile solutions

2009

gds becomes an independent division within the technotrans group

2007

Opening of a sales and service office in Melbourne (Australia)

Foundation of the subsidiary in Shanghai

Success story

2006
Foundation of technotrans américa latina ltd., Brasil

2001
Foundation of technotrans Japan K.K. Kobe

2000
Market entry USA through acquisition of Ryco Graphics Manufacturing Inc., Chicago, USA

Merger with technotrans america inc.

1999
Foundation of the subsidiary technotrans italia s. r. l. in Mailand

1998
Initial public offering

1997
Transformation into a stock corporation

1993

technotrans france sarl is founded

1992

technotrans becomes original equipment supplier to the leading printing press manufacturers worldwide

1990

Management-Buy-out

technotrans graphics ltd., Colchester, UK is founded

technotrans among the top 3 worldwide for dampening solution circulators

1987

Launch of the first ink roller temperature control systems

1977

Production of the first dampening solution equipment

1970

Foundation of the company

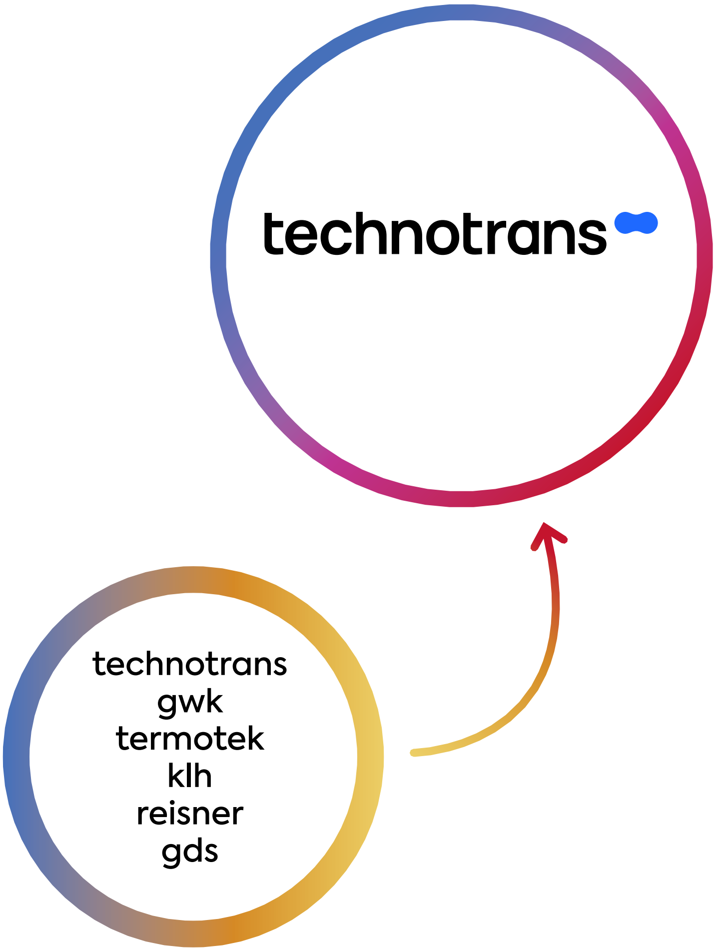
What happens when strong partners come together?

The power of one brand: technotrans.

2020, in its 50th year of existence, the technotrans group comprises 6 brands at 17 locations worldwide with a wide range of products for countless fields of application.

This will result in a single identity in the course of this year – with a clear brand strategy on how we shape the future: one group of companies, one brand, one promise.

Our goal is to develop technotrans from a diversified group of companies to a multifunctional, high-performance company. A leading brand that offers a wide range of innovative products and services. We asked ourselves: What if we united the power of our individual companies? And the answer was clear: We would be much stronger together than everyone is today. That is it – the new power of technotrans: **power to transform**.

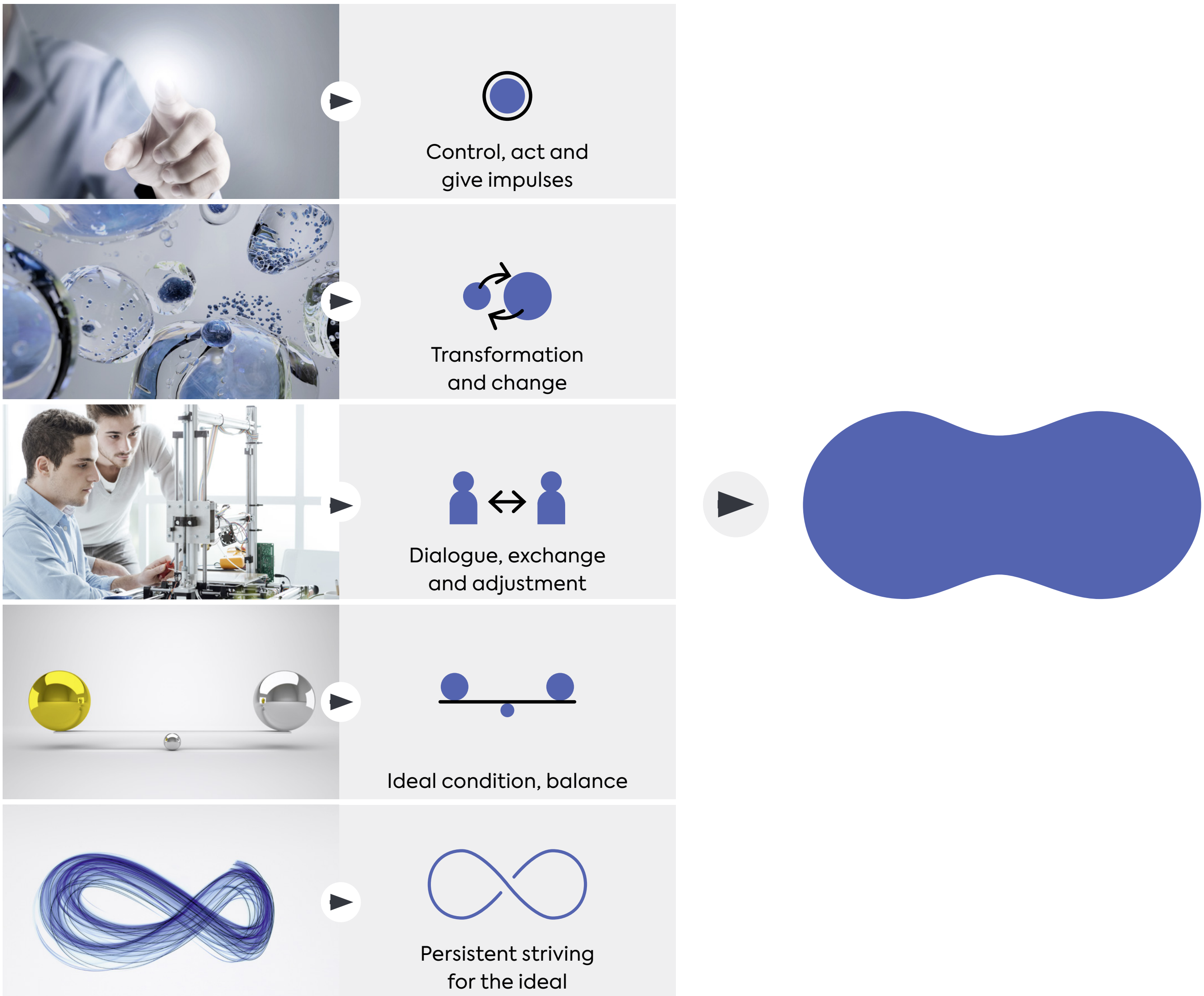


For us, transformation means: Create new things. Get better together. Shaping the future.

Strength, energy and performance are key terms of our corporate identity = power. Our power will make our transformation glow. And with our innovative technologies, we help our customers to develop themselves and their systems. This is how the new claim simultaneously formulates our strength and customer benefits: **power to transform**.

What does the new logo mean?

The optimum.



The design of the new technotrans logo symbolizes the optimum.
It has a friendly and technical character at the same time. Two geometric circles combine to form a perfectly balanced, soft form.
The sign looks clear, modern and has a high recognition value. The colour blue symbolizes technology and precision, safety and seriousness.


power to transform
products into markets


power to transform
tasks into success


power to transform
people into teams


power to transform
technology into products

»The COVID-19-pandemic demanded a lot from our employees in the 2020 financial year. We thank them for their extraordinary commitment.«

Dear Shareholders,

Before I report to you on the work of the Supervisory Board and its committees in the 2020 financial year, I would first like to look back briefly on this challenging year as a whole. It was a year in which the COVID-19 pandemic had a lasting impact on our business and work. The employees of technotrans SE put in an extraordinary performance. Despite the effects of the COVID-19 pandemic, the company demonstrated remarkable operational strength. The Board of Management took resolute action early on in the spring and systematically introduced measures to safeguard liquidity. Meanwhile the structural and personnel restructuring was successfully implemented and the Future Ready 2025 strategic concept for the technotrans group developed and approved. We closely monitored this process of transformation and will continue to do so.

The Supervisory Board of technotrans SE performed the duties incumbent upon it under the law and in accordance with the Articles of Incorporation and the Rules of Procedure in full and with great care in the 2020 financial year. We continuously oversaw and advised on the activities of the Board of Management in running the company based on detailed written and oral reports submitted by the Board of Management, and were involved directly and promptly in all decisions of fundamental significance. In view of the special situation arising from the COVID-19 pandemic, the Supervisory Board and Board of Management intensified their collaboration and information-sharing in the 2020 financial year. The Chairs of the Supervisory Board and its committees also maintained a close, regular exchange of information with the Board of Management in between the committee meetings.

The Board of Management at all times fulfilled its duties to report and inform under the statutory requirements and the Articles of Incorporation as well as its duties in accordance with the German Corporate Governance Code as amended on December 16, 2019 and informed the Supervisory Board regularly, promptly and comprehensively of the current status of transactions, the intended business policy and the economic position of the company and the group, the prevailing risks, risk management as well as relevant questions of compliance, strategy and corporate planning. Significant business transactions were discussed in the committees and the plenary meetings on the basis of reports. Deviations in the business performance from the plans and targets were explained individually and discussed at length by the Supervisory Board.

One particular priority of our activities this year was the global impact of the COVID-19 pandemic on the revenue and earnings performance of the technotrans group. In the second half of the financial year our activities prioritised the further strategic development of the group up until 2025. We discussed the market and technology strategy, the business goals and priorities as well as the human resources strategy with the Board of Management. In light of the changing regulatory framework, the Supervisory Board resolved to modify the remuneration system for the Supervisory Board in the year under review (from June 1, 2020).

The Supervisory Board met for four regular meetings in the presence of the Board of Management in 2020, which took place on March 9, May 19, October 9 and December 11, 2020. In addition, the Supervisory Board held discussions in two extraordinary meetings, on April 23, 2020 and May 20, 2020, as well as in telephone conferences and by e-mail. The Supervisory Board also met without the presence of the Board of Management. This was to address agenda items that either related to the Board of Management itself or were internal Supervisory Board matters.

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.

All members of the Supervisory Board and Board of Management were present at all meetings, except for the Supervisory Board meeting on December 11, 2020 which the Supervisory Board member Mr Peckruhn did not attend, and the Audit Committee meeting on October 28, 2020, which the Board of Management member Mr Hirsch did not attend. The Board of Management member Mr Niestert did not take part in the Supervisory Board meetings in October and December, nor attended the Audit Committee meetings from July 2020. Ms Andrea Bauer, as nominated candidate for the Supervisory Board of technotrans SE, took part in the extraordinary meeting of the Supervisory Board on April 23, 2020 as well as the Supervisory Board meeting on May 19, 2020.

Key themes of the Supervisory Board meetings in 2020

A defining feature of the past financial year was the further development of the business activities of technotrans SE and the operational and strategic development the group. The economic effects of the COVID-19 pandemic were given particular priority in the Supervisory Board meetings. Other recurring agenda items included the general acquisitions strategy and the strategic position of the group. At its regular meetings the Supervisory Board also considered the reports by the Board of Management on aspects of risk management, preventive compliance work, significant litigation and corporate governance.

The main topic of the **first ordinary meeting** on **March 9, 2020** was the annual financial statements of technotrans SE for 2019 and the 2019 Consolidated Financial Statements. The Supervisory Board discussed the submissions and, following intensive exchanges with the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Osnabrück, and on the recommendation of the Audit Committee, approved the annual financial statements and Consolidated Financial Statements for the 2019 financial year. The Supervisory Board also approved the dividend proposal by the Board of Management and the proposed agenda for the 2020 Annual General Meeting with the resolution proposals set forth therein. These concerned such matters as the appointment of Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft, Osnabrück, as auditors of the annual financial statements and Consolidated Financial Statements for the 2020 financial year, the redrafting of Article 17 “Remuneration of the Supervisory Board members” of the company’s Articles of Incorporation and the new election of the Supervisory Board. On the basis of the proposal of the Nominating Committee and Supervisory Board, the Annual General Meeting on May 20, 2020 elected Ms Andrea Bauer to the Supervisory Board of technotrans SE. Other agenda items at that Supervisory Board meeting were the non-financial group report, the strategic repositioning of the group and status reports on ongoing M&A projects.

The extraordinary meeting of the Supervisory Board on **April 23, 2020**, which took the form of a web meeting, focused on financial and accounting matters associated with the COVID 19 pandemic, and also the preparations for the first virtual Annual General Meeting of technotrans SE.

Against the backdrop of announcements from within German government circles in the period between April and May 2020, there was the risk that access to government development loans and possibly money under the work support scheme might be restricted or rejected altogether for companies distributing a dividend. To rule out any disadvantages for technotrans from implementing the work support scheme, on **April 30, 2020** the Board of Management and Supervisory Board resolved to retract its previous profit distribution proposal published in the notice convening the Annual General Meeting, under Agenda Item 2, and to submit a new, amended profit distribution proposal for the 2019 financial year to the Annual General Meeting on May 20, 2020. This envisaged carrying forward the full accumulated profit of technotrans SE as reported in the individual financial statements of € 6,840,657.95 for new account. The 2020 Annual General Meeting voted in favour of this amended profit distribution proposal by a large majority.

On the day before the Annual General Meeting, on **May 19, 2020**, the Supervisory Board met for a **second ordinary meeting**. It took the opportunity there to consider in detail the report on the business performance over the months January to April 2020, the construction project at Reisner Cooling Solutions GmbH at the Holzwickede location, as well as the outlook for 2020 and the measures to safeguard revenue and earnings for the group as a whole. In addition, the Board of Management provided information on the preparations for the first virtual Annual General Meeting taking place the next day. In light of the changed legal situation to reflect the COVID-19 pandemic, the event was held without the physical presence of shareholders or their proxies.

At the extraordinary meeting held after the Annual General Meeting on **May 20, 2020** Dipl Ing Heinz Harling was elected again as Chair and Dr Norbert Bröcker as Deputy Chair of the Supervisory Board. The members and chairs of the Audit Committee, Personnel Committee and Nominating Committee were also elected.

On **July 29, 2020** the Chair of the Supervisory Board arranged a Supervisory Board resolution by circulation procedure. The subject of the resolution was changes on the Board of Management. On the recommendation of the Personnel Committee, it was unanimously resolved to appoint Michael Finger as Chief Executive Officer with effect from August 1, 2020.

Corporate Governance Code

In the 2020 financial year, after examining the recommendations and suggestions of the Corporate Governance Code (DCGK) including as amended on December 16, 2019, the Supervisory Board resolved a Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) by a written circulation procedure on September 30, 2020. The Declaration of Compliance was made permanently available to shareholders on the website of the company. The Board of Management and Supervisory Board in addition report on corporate governance at technotrans in the Corporate Governance Declaration.

The **third ordinary Supervisory Board meeting** took place on **October 9, 2020** in Meinerzhagen at the location of gwk Gesellschaft Wärme Kältetechnik mbH statt. In addition to the group's business performance up until August 31, 2020 the priority topics at this meeting were the presentation of the basic traits of the evolved remuneration system for the Board of Management and the presentation of the 2025 strategy prepared by the Board of Management. The elaborated draft of a remuneration system for the Board of Management is to be presented to the 2021 Annual General Meeting and submitted for approval. It has also taken into account the new requirements of Shareholder Rights Directive II (ARUG II) as well as the new version of the DCGK.

Within the report on the strategic positioning of the company, the emphasis was on the consultations on the core elements portfolio, performance and organisation along with the medium-term goals. The Board of Management also reported on new technological developments and on the status of negotiations to take over and integrate the business operations of KLH Metall GmbH into KLH Kältetechnik GmbH (asset deal), to which the Supervisory Board gave its consent.

The **final ordinary meeting** of the Supervisory Board on **December 11, 2020** looked at the forecast for 2020 and the budgeting for the 2021 financial year including revenue, cost, profit, investment and human resources planning, the strategic five-year plan as well as the concluding of new target agreements for the Board of Management for the 2021 financial year. The Board of Management confirmed the recently published guidance for the full year of 2020. After full discussions and consultations, the Supervisory Board approved the annual plans submitted by the Board of Management for the 2021 financial year. The most substantial agenda item was the presentation and discussion of the "Future Ready 2025" strategy drawn up by the Board of Management, and of the new corporate design for the technotrans group. In both cases the Supervisory Board gave its consent.

The Supervisory Board's self-evaluation was conducted on the basis of extensive questionnaires. The evaluation focuses especially on the Supervisory Board's organisational and operational procedures and the flow of information.

The work of the Supervisory Board committees in 2020

To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees. It currently has an Audit Committee (members: Andrea Bauer [Chair], Heinz Harling and Dr Wolfgang Höper), a Committee for Board of Management Affairs (Members: Heinz Harling [Chair], Andrea Bauer and Dr Norbert Bröcker) and a Nominating Committee (members: Heinz Harling [Chair], Andrea Bauer, Dr Norbert Bröcker and Dr Wolfgang Höper). The Chairs of the Supervisory Board and the Chair of the Audit Committee also maintained an intensive dialogue with the Board of Management in between the committee meetings. There was no evidence of conflicts of interest among Supervisory Board and Board of Management members which must be disclosed without delay to the Supervisory Board and of which the Annual General Meeting is to be notified.

In the past financial year the Committee for Board of Management Affairs held thirteen meetings, on **March 31, 2020**, **July 16, 2020**, **September 9, 2020**, **September 18, 2020**, **October 1, 2020**, **October 8, 2020**, **November 3, 2020**, **November 13, 2020**, **November 23 and 24, 2020**, **December 3, 2020**, **December 10, 2020** and **December 19, 2020**. Where necessary resolutions were passed or recommendations for the passing of resolutions were made to the Supervisory Board. The matters it dealt with in the meetings included in particular human resources decisions and contract matters, including the appointment of Michael Finger to the Board of Management with effect from May 1, 2020, his appointment as Chief Executive Officer from August 1, 2020 and the ending of the appointment of Hendirk Niestert as full member of the Board of Management with effect from the end of January 31, 2021. Other matters discussed within the Committee for Board of Management Affairs concerned the remuneration development of the Board of Management and the extension to the existing contract with the Board of Management member Dirk Engel. With the assistance of an external consultant, the remuneration system for the Board of Management was overhauled and brought in line with the broader stock corporation requirements as well as the DCGK (German Corporate Governance Code) as amended on December 16, 2019. All members attended all meetings of the committee.

The members of the Nominating Committee met on **March 3, 2020**. Consultations focused on preparations for the Supervisory Board elections at the 2020 Annual General Meeting. The Supervisory Board supported the proposal of the Nominating Committee on the election of Ms Andrea Bauer to the Supervisory Board of technotrans SE. With an eye to the upcoming regular Supervisory Board election in 2021, the Nominating Committee has been giving much consideration to succession planning for the Supervisory Board, with the support of an external consultant.

The Audit Committee met five times in 2020, on **March 2, 2020**, **May 20, 2020**, **July 23, 2020**, **October 28, 2020** and **December 4, 2020**. At the meetings in

March and December 2020, which were attended by representatives of the auditors as well as the Board of Management members, it addressed matters concerning the annual financial statements for the 2019 financial year, the presentation of the accounts, IFRS accounting, the internal control system, the effectiveness of the risk management system and compliance. The presentation of the accounts includes in particular the Consolidated Financial Statements and the Combined Management Report (including CSR reporting), intra-year financial information and the separate financial statements according to the German Commercial Code. Other aspects included fiscal matters, the statement of independence required of the auditors, the recommendation of the Audit Committee to award the audit mandate, the concluding of a fee agreement and the decision on the audit priority for the auditors for 2020, as well as the audit of the 2020 annual financial statements. On May 20, 2020 a constituent meeting of the Audit Committee was held following the 2020 Annual General Meeting. At the meetings in July and October 2020 the Board of Management reported on the current business and financial position after the end of the second/third quarter, in particular on the appropriate response to the impact of the COVID-19 pandemic, risk exposure and the strategic direction of the group up until 2025. The Audit Committee also discussed the Interim Financial Report as well as the quarterly communications with the Board of Management. In addition, this committee looked into monthly financial reporting to the Supervisory Board, the controlling system and its content, budget planning for 2021 and capital market communications.

The members of the Supervisory Board are sufficiently independent and have sufficient time to serve as non-executive directors. They had ample opportunity to assess the reports and resolution proposals of the Board of Management constructively in the committees and 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 Chair 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 its Supervisory Board meetings. 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 to the Annual General Meeting arose in the year under review.

The members of the Supervisory Board stay informed by closely following relevant organisations, trade media, publications by firms of accountants and sharing insights with colleagues from other listed companies. In isolated cases, firms of consultants are brought in. One such example in 2020 was the hkp group, Frankfurt, to advise on the forthcoming reorganisation of Board of Management remuneration.

Approval of the annual financial statements and approval of the Consolidated Financial Statements at December 31, 2020

The annual financial statements of technotrans SE and the Combined Management Report for technotrans SE and the group for the 2020 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). In accordance with the audit mandate of the Supervisory Board, the auditors Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft, Osnabrück, appointed by the Annual General Meeting for the annual financial statements and Consolidated Financial Statements audited the annual financial statements of technotrans SE for the 2020 financial year, the 2020 Consolidated Financial Statements and the Combined Management Report for 2020 of technotrans SE and the group and in each case granted an unqualified audit certificate. The auditors established that the risk management system complies with the legal requirements and that no risks to the company as a going concern exist. As planned, no reviews of interim financial reports were carried out. The audit reports and accounting records for the 2020 financial year as well as the Board of Management's proposal on the appropriation of profit for the 2020 financial year were sent to all Supervisory Board members in good time. These were discussed in detail both by the Audit Committee at its meeting on March 1, 2021 and by the Supervisory Board at its meeting on March 8, 2021. The committee addressed in particular the key audit matters described in the respective audit certificate. 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 the meetings, the representatives of the auditors of the accounts reported on the key findings of the examinations and were available for questions. The Chair of the Audit Committee, too, reported to the Supervisory Board on the examinations of the Audit Committee. Following examination of the annual financial statements, the Consolidated Financial Statements and the Combined Management Report, the Supervisory Board raised no objections to the findings of the audit and on March 8, 2021 signed off the 2020 annual financial statements and Consolidated Financial Statements prepared by the Board of Management. The examination of the non-financial declaration equally gave rise to no objections. The annual financial statements for the 2020 financial year are thus established pursuant to Section 172 first sentence of the German Stock Corporation Act (AktG). Based on its own examination the Supervisory Board supports the proposal of the Board of Management on the appropriation of profit.

At its meeting on **March 8, 2021**, taking into account the recommendation and preference of the Audit Committee on the election of the auditors, the Supervisory Board 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. At the same meeting, I informed the Board of Management and my colleagues on the Supervisory Board, which I have chaired for thirteen years now, that I am resigning as a member of the Supervisory Board of technotrans SE with effect from the end of the forthcoming Annual Shareholders' Meeting on May 7, 2021.

On behalf of the Supervisory Board I would like to thank the members of the Board of Management, the employees and the employee representatives of technotrans SE and of all group companies for their committed and effective work and their constructive partnership over the past year. In addition, it extends its express thanks to you, our shareholders, for your involvement in technotrans SE, which in some cases extends back over a lengthy period.

The Supervisory Board approved this report on March 8, 2021 pursuant to Section 171 (2) of the German Stock Corporation Act (AktG).

On behalf of the Supervisory Board

Heinz Harling

Chairman of the Supervisory Board

Corporate Governance Report and Corporate Governance Declaration

Fundamentals of corporate governance

General disclosures on the company and the governing bodies

technotrans SE is a technology and services group with worldwide operations, with its headquarter in Sassenberg. The company's core skill focuses on application-specific solutions in the area of thermal management. This comprises energy optimisation and management of the temperatures encountered in sophisticated technological applications. With 17 locations, the company has a presence in all major markets worldwide.

The purpose of the company is the development, manufacture, construction, sale, installation, repair and servicing of technical plant, systems and components, the trading in these, and the provision of maintenance and other services, including technical documentation and translations. The group parent is technotrans SE, with registered office in Sassenberg (Westphalia). This latter is entered on the Commercial Register of the Local Court of Münster under HRB 17351.

technotrans operates in such sectors as the printing industry, plastics processing, energy management, the laser and machine tool industry, healthcare & analytics, metal processing and the food industry. The group also offers an extensive portfolio of services including commissioning, installation, maintenance, repair and the 24/7 provision of parts.

Since 2021 the lead group companies technotrans SE, gwk Gesellschaft Wärme Kältetechnik mbH, termotek GmbH, klh Kältetechnik GmbH and Reisner Cooling Solutions GmbH have operated under the joint umbrella brand technotrans. The exception is gds GmbH with registered office in Sassenberg; while part of the group, it continues to operate under its own brand as a full-service provider for all aspects of technical documentation.

technotrans SE consciously espouses a dual management structure comprising Board of Management and Supervisory Board. The Board of Management is responsible for the operational management of the company. The Supervisory Board performs its supervisory role as a clearly separate entity. Both boards work together on a basis of trust in the interests of technotrans SE and the technotrans group.

The Articles of Incorporation can be accessed at the following web address: www.technotrans.com/company/corporate-governance/articles-of-incorporation

Corporate and group structure

technotrans SE is an operationally active group parent. It directly and indirectly holds interests in 18 subsidiaries that are included in the Consolidated Financial Statements. It is listed on the stock exchange and its reporting reflects the transparency requirements of the Prime Standard.

Declaration on the German Corporate Governance Code

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. Our corporate bodies 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. Corporate governance at technotrans SE takes the German

Corporate Governance Code (DCGK) as its benchmark, in each case as amended.

On September 30, 2020, on the basis of the DCGK version effective on that date as amended on December 16, 2019 (announced in the Federal Gazette on March 20, 2020) the Board of Management and Supervisory Board submitted the following Declaration of Compliance according to Section 161 of the German Stock Corporation Act:

“Since the Declaration of Compliance last submitted in September 2019 and up until March 20, 2020 (date of announcement of the new version of the German Corporate Governance Code (DCGK)) technotrans SE complied with the recommendations of DCGK as amended on February 7, 2017 (announced in the Federal Gazette on April 24, 2017) with the exception of the following departures:

Article 4.2.5 (Disclosure of Board of Management remuneration)

The DCGK previously recommended 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 previously disclosed 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 previously did not believe that changing the form of presentation for Board of Management remuneration would improve quality and ease of understanding. For that reason, no further sub-classification was practised, nor were the DCGK specimen tables used.

Article 5.1.2 (Composition of the Board of Management)

The DCGK previously recommended 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 disregarded this criterion when selecting the most suitable candidate for a position. When deciding on the appointment of new members of the Board of Management, the emphasis should 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 in conjunction with Article 9 (1) letter c) (ii) of the SE Regulation.

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

The DCGK contained 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 was to 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. The Code also contained 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 are to take account of these goals while also seeking to reflect the skills profile. The implementation status was to be published in the Corporate Governance Report. This report was also to provide details of what the Supervisory Board believed 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 was to ensure that the candidate in question could set aside the anticipated time required. The proposal of a candidate was also to be accompanied by a CV providing information on relevant knowledge, skills and experience. This was to 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 was to disclose the personal and business relationships of every candidate with the business, with the governing 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. Notwithstanding this, the Board of Management and Supervisory Board were and are of the opinion that the intention pursued by the Code can also be achieved without the need to state further specific goals. In that respect the Supervisory Board only met 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 has, however, largely observed 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 recommendation to publish the CVs of the candidates and Supervisory Board members, technotrans SE has observed 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 has however not primarily considered gender and has focused on the knowledge and professional qualifications of the candidates, regardless of their gender. The Supervisory Board also takes this as its basis in specifying the targets for the proportion of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Act in conjunction with Article 9 (1) letter c) (ii) of the SE Regulation. In light of the circumstances presented above, the Supervisory Board also declined 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 professional qualifications of its members.

Article 5.4.6 (Remuneration of the Supervisory Board members)

In the event that performance-related remuneration is promised, the DCGK envisages that this be tied to sustainable corporate performance.

In accordance with the Articles of Incorporation the members of the Supervisory Board previously received a variable remuneration component that did not expressly reflect sustainable corporate performance.

Since March 21, 2020 (when the new version of the DCGK took effect) and going forward, technotrans SE has complied and will comply with the recommendations of the DCGK as amended on December 16, 2019 (announced in the Federal Gazette on March 20, 2020) with the exception of the following departures:

Article A.2 (Whistleblower system)

The DCGK recommends in Article A.2 for example the institution of a whistleblower system for employees.

Compliance is of crucial importance for technotrans SE. In light of that, the company operates a compliance management system that reflects its risk exposure, and has a code of conduct that is also published on the website. Further information is available in the Annual Report, for example. A whistleblower system is intended to form part of the compliance management system but at technotrans SE it is currently still under development. A departure from this recommendation therefore needs to be declared for the time being.

Article B.1 (Composition of the Board of Management)

In accordance with the previous Article 5.1.2 that is now Article B.1, the DCGK 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 still considers that having a particular gender is not an attribute that would particularly qualify a female or male candidate for a particular position, and will therefore continue to disregard this criterion when selecting the most suitable candidate for a position. When deciding on the appointment of new members of the Board of Management, the emphasis is therefore 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 in conjunction with Article 9 (1) letter c) (ii) of the SE Regulation.

Article B.2 (Succession planning)

In Article B.2 the DCGK recommends long-term succession planning for the Board of Management and its description in the Corporate Governance Declaration.

The Supervisory Board continuously addresses Board of Management affairs and adopts a long-term view to succession planning. However the corresponding approach was not previously described in detail in the

Corporate Governance Declaration. In future, in other words from the next Corporate Governance Declaration, this DCGK recommendation will now be met.

Article B.5 (Age limit)

Article B.5 recommends specifying an age limit for Board of Management members and its disclosure in the Corporate Governance Declaration.

The Supervisory Board has already previously specified an age limit for Board of Management members and incorporated this into the contracts of employment for Board of Management members. However this age limit was not previously stated in the Corporate Governance Declaration, in the absence of pertinent recommendations in the DCGK. This is to be amended in the next Corporate Governance Declaration.

Article C.1 (Objective for the composition of the Supervisory Board)

The DCGK now contains the recommendation that the Supervisory Board should state specific objectives for its composition and draw up a skills profile for the overall board. As part of this, the Supervisory Board should heed diversity. Proposals by the Supervisory Board to the Annual General Meeting should take account of these goals while also seeking to reflect the skills profile for the overall board. The implementation status is to be published in the Corporate Governance Declaration. This document should also provide details of what the shareholder representatives on the Supervisory Board believe to be an appropriate number of independent members, as well as the names of those members.

The Supervisory Board has drafted an objective and a skills profile, in which it states 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. Notwithstanding this, the Board of Management and Supervisory Board were and are of the opinion that the intention pursued by the Code can also be achieved without the need to state specific goals, and that defining further goals would actually hinder the Supervisory Board in selecting suitable members. The Supervisory Board will report in future in the Corporate Governance Declaration on the implementation status of its general objective. In that respect the Supervisory Board only meets the recommendations of Article C.1 of DCGK with restrictions, despite the skills profile it has approved and the associated objective. The Supervisory Board has, however, largely observed the criteria stated in the recommendation of the Code when proposing persons to the Annual General Meeting for election.

With regard to the “diversity” criterion, which the company also takes to include the appropriate representation of women, the Supervisory Board nevertheless continues not to look primarily at gender and instead focuses on the knowledge and professional qualifications of the candidates, regardless of their gender. The Supervisory Board also takes this as its basis in specifying the targets for the proportion of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Act in conjunction with Article 9 (1) letter c) (ii) of the SE Regulation. This year’s election proposal of Ms Bauer demonstrates that this strategy can and should promote diversity while still taking account of knowledge and professional qualifications. In light of the circumstances presented above, the Supervisory Board also declined 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 professional qualifications of its members (see also below, “Independence of Supervisory Board members”).

With regard to the assessments of independence, one departure is declared because this year a reassessment was carried out by the Supervisory Board on the basis of the new DCGK independence indicators (see also below). There have not previously been any comments in the Corporate Governance Declaration on this reassessment. In future, these disclosures on the current assessment of the Supervisory Board will also be included in the Corporate Governance Declaration.

Article C.7, C.10 (Independence of Supervisory Board members)

Articles C.6 et seq. of the DCGK contain several recommendations on the independence of the company’s Supervisory Board members. Article C.7 of the DCGK provides new, separate indicators of when a Supervisory Board member cannot be considered independent within the meaning of the Code.

In satisfying the recommendations on the independence of Supervisory Board members, the extent to which the members of the Supervisory Board are regarded as independent based on the indicators in Article C.7 is now materially relevant. In future, the reasons for alternative or deviating categorisations must be given in the Corporate Governance Declaration. Going forward, the indicators now inserted in the DCGK focus on a period of office of Supervisory Board members of more than twelve years and prior membership of the Board of Management. From the perspective of the Supervisory Board this renders a reassessment of independence necessary, particularly because Mr Harling served on the Board of Management over ten years ago and also reached, and now exceeds, the twelve-year period of office in 2020. According to the new recommendations of the DCGK, in future Mr Harling and Dr Bröcker are to be considered non-independent within the meaning of the Code, bearing in mind that in the case of Dr Bröcker the business relationship and the resulting categorisation has already previously been disclosed and stated. The

Supervisory Board considers that the categorisation made by the DCGK serves its interests and is easy to understand and transparent for shareholders. The Supervisory Board has therefore resolved to adopt the indicators stated by the DCGK as authoritative from now on and not to make any deviating categorisation such as would be permitted under Article C.8. The recommendation of Article C.7 to have more than half of the shareholder representatives on the Supervisory Board independent from the company is therefore not complied with. Because categorisation is based on the new indicators, there has previously been no disclosure pursuant to Article C.1 in the Corporate Governance Declaration (see also under Article C.1). As explained above, this will be changed with the next Corporate Governance Declaration. Finally, a departure from Article C.10 must also be declared because the Supervisory Board Chair is not to be regarded as independent within the meaning of DCGK, on the basis of the new indicators drawn up by the DCGK and the way the company is therefore categorised.

However the Supervisory Board takes the view that in its current composition, the Supervisory Board nevertheless exhibits constructive and appropriate independence of its members with regard to both the shareholder structure and the company itself (along with its development). It is assumed in this that half the shareholder representatives can be considered independent within the meaning of the Code. The Supervisory Board believes this is demonstrated by the exercising of control and supervisory functions as well as the filling of Board of Management positions with external managers, along with the developments in progress to fill new Supervisory Board positions.

Article D.1 (Rules of Procedure for the Supervisory Board)

Pursuant to Article D.1 the DCGK recommends Rules of Procedure for the Supervisory Board and their publication on the website.

The Supervisory Board of technotrans SE has already had Rules of Procedure for many years. In the absence of pertinent recommendations these were not previously published on the website. The newly composed Supervisory Board is currently examining and updating its Rules of Procedure. Once they are updated, the intention is to publish them on the website pursuant to Article D.1 so that this recommendation is met in full in the future.

Article D.12 (Training and professional development)

Pursuant to Article D.12 members of the Supervisory Board are to be supported upon their appointment and through training and professional development measures, which are to be reported on to the Supervisory Board.

Support for Supervisory Board members in the form recommended is already customary at technotrans SE. In the absence of recommendations on this matter, it was not expressly covered in the Report of the Supervisory Board. This is to change in the next Report of the Supervisory Board, so that the recommendation in Article D.12 will be comprehensively met in the future.

Article G.1 – G.15 (Board of Management remuneration)

Articles G.1 – G.15 contain a large number of new recommendations on the features of the remuneration system and of the individual remuneration of the members of the Board of Management, including for determining variable remuneration components and to assess remuneration levels compared with other enterprises.

To that extent, it is clear that with regard to the past, some of the current recommendations were not met. This concerns especially the recommendations on determining variable remuneration components, the content of the remuneration system, the share-based approach and the predominantly long-term character. With regard to the pertinent statutory regulations in the past and the recommendations of the DCGK, the Supervisory Board considered the nature and scope of how remuneration was assessed, as well as the definition of the pertinent criteria and remuneration system applied, to be appropriate and in the interests of the company.

In light of the new recommendations of the DCGK and the ARUG II rules, the Supervisory Board is currently conducting an in-depth, thorough examination of Board of Management remuneration. After this process it plans to negotiate with the Board of Management members. The details of Board of Management remuneration – i.e. both the fundamental remuneration system and the individual remuneration of the individual Board of Management members – cannot yet currently be foreseen.

A departure from the recommendations of Articles G.1 – G. 15 is therefore declared for the past and present as a precaution, because there was a departure from Articles G.1, G.6, G.7 and G.10 in the past and it is currently not possible to state with certainty how far the company will meet the recommendations of Articles G.1 – G.15 in the future. The company will report on both the remuneration system and the remuneration of the Board of Management members in the statutorily required manner, and therefore elaborate on the declared departures also going forward.

Article G.18 (Supervisory Board remuneration)

Pursuant to Article G.18 any performance-related remuneration of the Supervisory Board shall be geared to the long-term development of the company.

In accordance with the Articles of Incorporation the members of the Supervisory Board previously received a variable remuneration component that did not expressly reflect sustainable corporate performance. An amendment to the Supervisory Board remuneration was resolved at the 2020 Annual General Meeting. According to this amendment, the Supervisory Board members now receive exclusively fixed remuneration and there is therefore no longer any departure from the recommendation in Article G.18.

Previous Declarations of Compliance of technotrans SE that are no longer current can be found on the internet at the following address: www.technotrans.com/company/corporate-governance/declaration-of-compliance/archive

Board of Management

Composition of the Board of Management and diversity

The Board of Management of technotrans SE currently comprises the three active members Michael Finger (CEO), Dirk Engel (CFO) and Peter Hirsch (CTO/COO). Further information on the members of the Board of Management is available on the technotrans website at www.technotrans.com/company/board-of-management.

Michael Finger is appointed to the Board of Management of technotrans SE until December 31, 2023, Dirk Engel until July 31, 2021 and Peter Hirsch until December 31, 2022.

Mr Engel declared in December 2020 that he will not extend his contract beyond the above date.

The Board of Management is professionally qualified for its tasks. Mr Finger and Mr Hirsch are Mechanical Engineering graduates and Mr Engel is a Business Administration graduate.

The proportion of women on the Board of Management is currently zero. However it is possible that this will change along with future changes within the Board of Management.

When filling management functions in the company, the Board of Management takes expressly also looks at the criterion of diversity and in particular seeks to give appropriate consideration to women. The Board of Management is therefore receptive to involving and promoting women in senior positions. In light of the comparatively small number of senior positions at technotrans SE, it does not treat belonging to a particular gender in itself to be an appropriate criterion for the selection of management employees. Rather, it looks at overall picture of all candidates' professional and personal qualifications when recruiting for senior positions.

On June 30, 2017 the Board of Management specified targets of 11 percent (first management tier) and 9 percent (second tier) as the proportion of women in the two management tiers below the Board of Management for the five-year period ending on June 30, 2022. The threshold figures reflect the actual proportions of women in the above management tiers as of June 30, 2017. The approach 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 a single vacancy at the cutoff date can in each case mean the targets are significantly undershot. Conversely, the appointment of a suitable female candidate to a senior position may directly lead to the target levels being overfulfilled. To that extent these targets are not especially suitable for bringing about the desired increase in the proportion of women in the first and second management tiers. Notwithstanding this, the Board of Management sets itself the fundamental target of increasing the proportion of women in the first and second management tier. technotrans SE will report on the implementation of the targets in accordance with the statutory provisions. In the 2020 financial year the proportion of women in the first and second management tiers was around 6 and 17 percent respectively.

As part of its long-term succession planning, based on the recommendations of the DCGK and in keeping with the statutory regulations the Supervisory Board has adopted job profiles for members of the Board of Management that are designed to provide appropriate diversity within this management body. When appointing to Board of Management positions, the Supervisory Board takes account of the following aspects in particular:

– Knowledge in need of supplementing: when a new appointment needs to be made, it is necessary first to check what desirable professional knowledge is missing from the Board of Management or needs to be improved. Candidates who possess this professional knowledge are to be identified.

– Diversity: for diversity in the composition of the Board of Management, the Supervisory Board seeks a variety of professional and international experience as well as a suitable gender balance. However the diversity concept is not the overriding criterion applied in the selection of Board of Management members; rather, the personal and professional qualifications of the individual candidates are the primary considerations. To that extent the diversity concept serves as a supplementary guideline in the selection of suitable Board of Management candidates.

- International character: at least one member of the Board of Management should have particular international experience.
- Balanced age structure: breadth of life experience in line with age should be considered when selecting candidates.
- Professional experience and expertise: the members of the Board of Management are to contribute a variety of professional experience and expertise. This should comprise both professional training and specialist experience at various companies and in various positions over their career.
- Age limit: when addressing succession planning the specified age limit for members of the Board of Management needs to be considered. A candidate may be appointed up until to their 65th birthday.

The Supervisory Board examines at regular intervals to what extent the Board of Management members meet the above criteria, whether the composition of the Board of Management as a whole is suitable and whether the targets in the job profile are still appropriate.

Ultimately the Supervisory Board decides which candidate to choose for the Board of Management position based on the interests of the company and after due consideration of the particular case.

Modus operandi of the Board of Management

The Rules of Procedure for the Board of Management lay down the specific tasks of the Board Spokesman, which matters are for the Board of Management as a whole to address, what decision-making process is followed and what majority is required for individual decisions. The portfolios of the individual Board of Management members are specified in the schedule of responsibilities. The Board of Management normally holds an in-person meeting each week. The Board of Management may also vote on matters away from in-person meetings or by circulation procedure.

The Board of Management and Supervisory Board of technotrans SE work together to the benefit of the company. The Board of Management gives regular, comprehensive reports to the Supervisory Board on the current business performance, the corporate strategy as well as possible risks. Furthermore, the Board of Management regularly informs the Supervisory Board Chair of current developments.

The principles that apply within the company are also implemented on the basis of existing programmes and management systems. The most senior management body of the technotrans group is the Executive Board. On behalf of the whole group and across all locations, it drafts proposals on the ongoing development of the strategy, structure and culture of the technotrans group. It comprises the managing directors of all German locations as well as the group officers for Sales, Service, Finance and HR, and meets at least six times a year. Other management bodies are the Global Management Board, which meets once or twice per year, as well as other specialist management bodies which each conduct specialist dialogues on an ad hoc basis.

Corporate governance tools

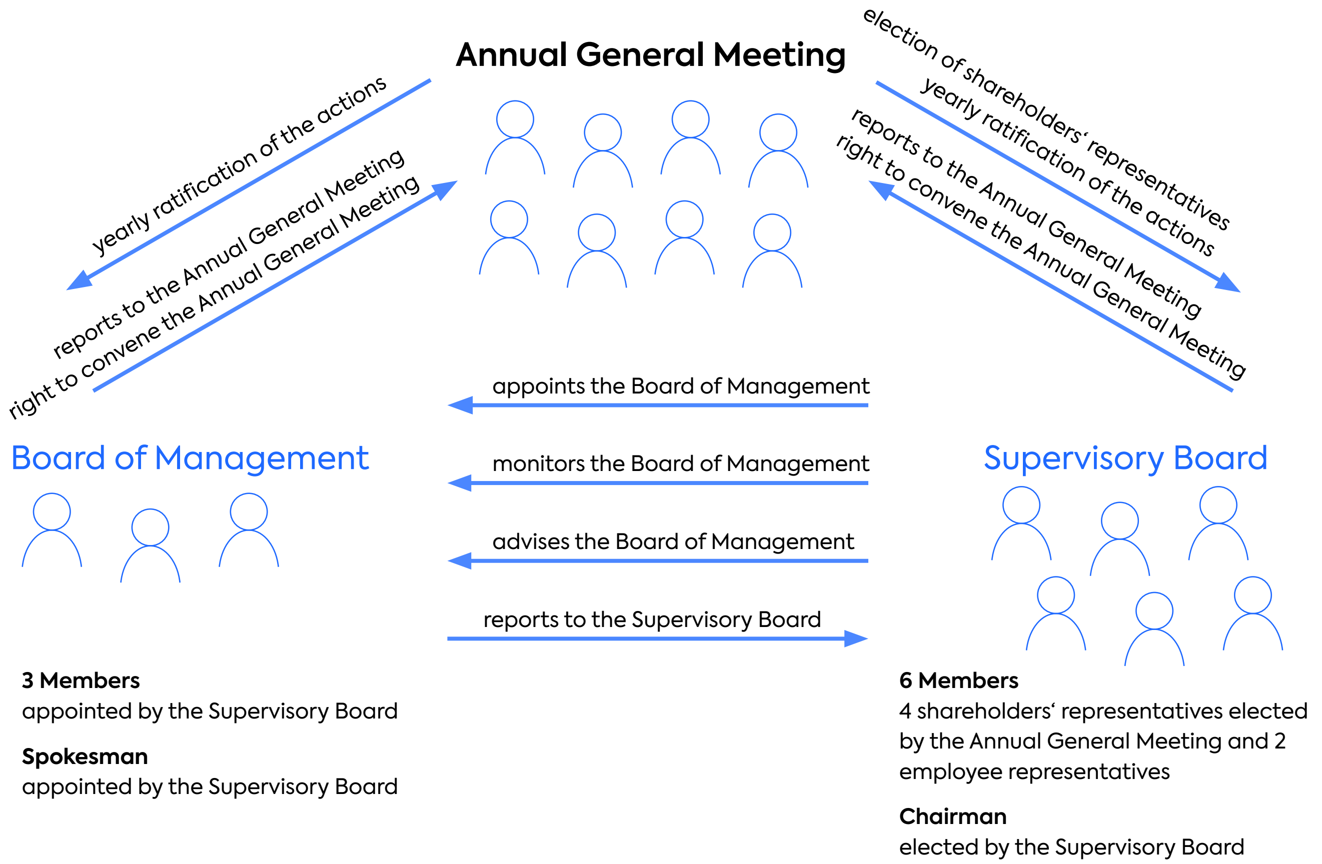
Information about the activities and decisions of the Board of Management appears regularly in the form of annual reports, interim reports and quarterly communications. The publication dates of this information can be found in the Financial Calendar on the technotrans website, at the following address: www.technotrans.com/investor-relations/financial-calendar

technotrans also reports ad hoc on events within the group that are relevant for the capital market, for example in the form of press releases or ad hoc information. In addition, employees receive information in employee meetings and through the intranet.

Sustainably economic, ecological and social activity in keeping with applicable law is an indispensable element of entrepreneurial culture for technotrans. The company regularly updates stakeholders on the current status and relevance of sustainability. A report is published each year in the form of a Combined Non-Financial Statement (CSR report) in accordance with the regulations of Sections 289b–e HGB on the Non-Financial Statement, and of Sections 315b–c HGB on the Non-Financial group Statement and Non-Financial group Report. Pursuant to Section 315b (1) sentence 2 HGB this report applies both to technotrans SE and to the technotrans group, and is published annually as part of the Combined Management Report.

Employees are also actively encouraged to embrace sustainability in their day-to-day actions. technotrans has incorporated the principles of the UN Global Compact into the technotrans Code of Conduct, which is binding for all employees worldwide. This document constitutes the corporate compliance guideline at group level. It defines standards on how all employees should deal with each other and on how to behave towards stakeholders such as customers, suppliers, government agencies and business partners. It also contains important regulations on compliance with employment standards, data protection, IT security, anti-corruption, competition law, money laundering legislation and environmental protection. As such, it constitutes an important tool for governance and for implementing the sustainability strategy. The current version of the

The corporate bodies of technotrans SE



technotrans Code of Conduct can in each case be accessed on the technotrans website at the following address:

www.technotrans.com/company/corporate-governance/compliance

To ensure compliance with statutory requirements and voluntarily adopted principles, the technotrans group uses an effective compliance management system to DIN ISO 19600. The Board of Management bears overall responsibility for it. The managing directors/ general managers of the national and international group companies have likewise committed to uphold it. They are supported in their efforts by local compliance officers. This permanently guarantees uniform management and control of group regulations, compliance with statutory requirements and voluntary commitments at all locations.

A further major component of the sustainability strategy is the group-wide risk management system based on DIN ISO 31000. This helps employees and managers to identify and respond to potential opportunities and risks early on. It involves regular, prompt reporting to the Board of Management, among other things.

Board of Management remuneration and securities transactions

The provisions of the DCGK serve as the benchmark when assessing Board of Management remuneration. It is clear that with regard to the past, some of the recommendations of DCGK as amended on December 16, 2019 have not yet been met. This concerns particularly the recommendations on the features of variable remuneration components, such as a long-term character or remuneration in the form of shares. With regard to the pertinent statutory regulations in the past and the recommendations of the DCGK, the Supervisory Board considered the nature and scope of how remuneration was assessed as well as the definition of the pertinent criteria and the features of the remuneration system applied to be appropriate and in the interests of the company. With the goal of bringing Board of Management remuneration even more closely in line with the requirements of the DCGK and the ARUG II rules, the Supervisory Board is currently working tirelessly with an independent specialist on a complete overhaul of the Board of Management remuneration system which will comprise a fixed basic salary as well as variable remuneration components, or STI (short term incentives) and LTI (long term incentives), the latter linked directly to the share price. However, it is currently not yet possible to state the precise details of the fundamental and individual components of the remuneration system for the Board of Management.

For further details, please refer to the above Declaration of Compliance with the DCGK. Details of the existing features of the remuneration system and the actual level of total remuneration are provided in the Remuneration Report, in the latest Annual Report.

According to Article 19 of the EU Market Abuse Regulation, the members of the Board of Management must make a public declaration if they buy or sell technotrans shares exceeding the threshold value of € 20,000. There were no such transactions in the 2020 financial year.

The securities portfolios of the Board of Management members are stated in the Annual Report.

There were no advance payments and/or loans to members of governing bodies in the 2020 financial year. Nor did the company enter into any contingent liabilities on their behalf.

Supervisory Board

Composition and diversity of the Supervisory Board

The Supervisory Board of technotrans SE comprises six members. In accordance with the Articles of Incorporation and the agreement between the company and the shareholders following the completion of the modifying conversion in 2018, there are four representatives of the shareholders and two employee representatives.

The current members of the Supervisory Board and their CVs can be accessed on the technotrans website at the following address: www.technotrans.com/company/supervisory-board

The disclosures also include the year of appointment, the end of the appointment period, other non-executive and executive directorships, as well as professional knowledge.

Please refer to the Declaration of Compliance with the DCGK with regard to the "diversity" criterion, which the company also takes to include the appropriate representation of women. In this regard the Supervisory Board continues to prioritise the knowledge and professional qualifications of a candidate independently of gender.

The DCGK contains several recommendations on the independence of the company's Supervisory Board members. These recommendations include indicators for when a Supervisory Board member cannot be considered independent within the meaning of the Code. The version of the Code that is currently in effect includes an assessment of the independence of Supervisory Board members based on whether a member has served on the Supervisory Board for more than twelve years. Dr Bröcker and Mr Harling have been members of the Supervisory Board since 2007 and 2008 respectively. According to the DCGK, they are therefore not formally considered independent based on this indicator alone. The recommendation of the DCGK that more than half of the shareholder representatives should be independent members is consequently not complied with. The shareholder representatives Ms Bauer and Dr Höper can be classified as independent within the meaning of the DCGK. For further details, please refer to the above Declaration of Compliance. The Supervisory Board has moreover declared there that it regards the current composition as constructive and the independence of its members as appropriate.

The Supervisory Board has adopted its own skills and job profile to ensure that the process for selecting new board members follows objective suitability criteria. The line-up of the board should always be such that it can perform its supervisory and advisory functions in the competent and due manner intended under the German Stock Corporation Act (AktG) and the DCGK. For each aspect of the Supervisory Board's activities there should be at least one competent person on the board, so that the necessary range of skills and experience is fully covered by the Supervisory Board members as a whole. That aside, certain indispensable general skills and experience are expected of each Supervisory Board member.

The Supervisory Board updated the skills and job profile for its members at its meeting on February 2, 2021. It covers the following criteria:

- Supervisory Board members should meet the following standards over and above general requirements regarding education, reliability, professional experience and specialist suitability, or acquire these skills where they go beyond the minimum standard required under the German Stock Corporation Act:
  - An understanding of the business activities of the technotrans group, including its market and competitive environment, the key markets, the customer structure and the strategic direction
  - The ability to make a qualified assessment of reports to the Supervisory Board and draw their own conclusions
  - The ability to evaluate the correctness, cost effectiveness, appropriateness and legality of the decision documents to be examined
- With regard to special skills of individual Supervisory Board members that need to be exhibited by the board

as a whole, the following subject areas in particular are highly relevant:

- Appropriate expertise and personal experience in the energy sector, knowledge of its political importance and of how the various stakeholder interests in the sector interact
- Leadership experience
- International experience
- Appropriate expertise in matters of capital market law
- Expertise in the fields of accounting or auditing held by at least one independent member of the Supervisory Board
- Particular knowledge of and experience in the application of accounting standards and internal control procedures held by the Chair of the Audit Committee. They must equally be independent and should not be a former Board of Management member of the company whose term of office ended less than two years ago.

In addition to the skills and job profile, the Rules of Procedure of the Supervisory Board, which can be accessed at www.technotrans.com/company/corporate-governance/procedure-rules-of-supervisory-board, contain provisions on the composition of the board. These state that only persons who are not above the age of 67 at the time of the election shall be proposed for election or re-election as a member of the Supervisory Board.

In its current composition the Supervisory Board of technotrans SE meets all of the above requirements.

Its members as a whole possess all the key skills, abilities and experience that are required for them to perform their duties properly.

New Supervisory Board members receive a comprehensive information package comprising the Articles of Incorporation, the Rules of Procedure for the Supervisory Board, Audit Committee and Board of Management, as well as information on capital market regulations for Supervisory Board members and information on liability insurance (D&O policy).

Modus operandi of the Supervisory Board

The Supervisory Board appoints the Board of Management, approves the Board of Management's schedule of responsibilities, advises it on the running of the company and oversees its activities. The board also holds responsibility for dismissing Board of Management members. It in addition determines the structure and amount of Board of Management remuneration. The Supervisory Board is involved in all key entrepreneurial decisions.

The Articles of Incorporation of technotrans SE as well as the Rules of Procedure of the Board of Management define the range of measures and transactions that the Board of Management may only conduct with the consent of the Supervisory Board. The Articles of Incorporation can be accessed on the technotrans website.

The principles of cooperation for the Supervisory Board of technotrans SE are set forth in the Rules of Procedure of the Supervisory Board. These can be accessed at the following web address: www.technotrans.com/company/corporate-governance/procedure-rules-of-supervisory-board.

The members of the Supervisory Board are requested to take responsibility individually for the training and professional development they require to perform their duties. technotrans supports the Supervisory Board members through this process in the recommended form. Board of Management members moreover provide extensive assistance throughout the induction phase of new Supervisory Board members by providing detailed information about the company in personal discussions and being available to answer any questions.

Regularly once a year, the Supervisory Board examines the effectiveness of its activities in the form of a structured questionnaire. The topics of the self-evaluation include in particular whether the Board of Management has supplied the Supervisory Board with prompt, substantively adequate information, the processes within the Supervisory Board and the flow of information between the committees and the Supervisory Board. The self-evaluation was carried out in December 2020.

For detailed information on the work of the Supervisory Board and its committees, please refer in each case to the Report of the Supervisory Board published in the respective Annual Report. This report can be found at www.technotrans.com/investor-relations/financial-reports.

Activities of the Supervisory Board in the year under review

The Supervisory Board of technotrans SE performed the duties incumbent upon it under the law and in accordance with the Articles of Incorporation and the Rules of Procedure in full and with great care in the 2020 financial year. It regularly advised the Board of Management on the running of the company and continuously oversaw its activities. It was involved directly and at an early stage in all decisions of fundamental significance.

The Board of Management at all times fulfilled its duties to report and inform under the statutory requirements and the Articles of Incorporation and informed the Supervisory Board regularly, promptly and comprehensively of 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 were discussed in the committees and the plenary meetings on the basis of reports. Deviations in the business performance from the plans and targets were explained individually and discussed at length by the Supervisory Board. The Supervisory Board Chair moreover maintained regular contact with the Board of Management.

For further information on the meetings, please refer in each case to the Report of the Supervisory Board published in the respective Annual Report. As previously indicated, this report can be found at www.technotrans.com/investor-relations/financial-reports.

There was no evidence of conflicts of interest among Supervisory Board and Board of Management members which must be disclosed without delay to the Supervisory Board and of which the Annual General Meeting is to be notified.

Committees and their modus operandi

To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees: the Audit Committee, the Committee for Board of Management Affairs and the Nominating Committee. For detailed disclosures on the tasks of the committees, please refer to Sections 7 et seq. of the Rules of Procedure of the Supervisory Board.

Disclosures on the members and chairs of the committees can be accessed at the following address: www.technotrans.com/company/supervisory-board

The committee chairs regularly brief the full Supervisory Board on their work. For further details, in each case please refer to the current Report of the Supervisory Board. That report also includes a summary of members' attendance at the board's meetings and committees.

The Chair of the Supervisory Board and the Chair of the Audit Committee also maintained an intensive dialogue with the Board of Management outside the regular board meetings.

Supervisory Board remuneration and securities transactions

The remuneration of the Supervisory Board is based on the relevant resolutions passed by the Annual General Meeting and is laid down in Article 17 of the Articles of Incorporation of technotrans SE. These can be accessed at the following web address: www.technotrans.com/company/corporate-governance/articles-of-incorporation.

In addition to reimbursement of their expenses, the members of the Supervisory Board accordingly receive fixed remuneration in the amount of € 30,000.00 for each full financial year for which they have served on the Supervisory Board, payable at the close of the Annual General Meeting that gives discharge for the preceding financial year. The Chair receives twice the fixed amount of remuneration, and the Deputy Chair one and a half times the fixed amount. The members of a committee formed by the Supervisory Board – with the exception of the Audit Committee – moreover each receive an additional remuneration of € 5,000.00. The members of the Audit Committee each receive an additional fixed remuneration of € 7,500.00. The Chair of a committee in each case receives double the amount. In addition, the members of the Supervisory Board receive an attendance fee of € 1,500.00 for each Supervisory Board meeting (in-person meeting, telephone or video conference lasting at least two hours) in which they take part. Members of a committee receive an attendance fee of € 500.00 for each committee meeting (in-person meeting, telephone or video conference lasting at least two hours) in which they take part. The Chair of a Supervisory Board committee in each case receives double the attendance fee for participation in meetings chaired by them. If a Supervisory Board member takes part in multiple meetings on one day, they are only entitled to one attendance fee.

The Annual General Meeting may resolve one or multiple long-term variable remuneration components for the Supervisory Board, on top of the remuneration according to the Articles of Incorporation. If the Annual General Meeting resolves to grant such a remuneration component, it shall simultaneously specify a cap (maximum remuneration) for the total remuneration of each Supervisory Board member.

Supervisory Board members who have not held office for a full financial year receive pro rata temporis remuneration pursuant to the above paragraphs, in line with their period of office; this applies correspondingly for the separate remuneration of membership of a Supervisory Board committee.

The company shall reimburse every Supervisory Board member for the value-added tax incurred on their remuneration.

Another component of the remuneration of Supervisory Board members is the calculated pro rata share of an insurance premium for third party financial loss insurance (D&O policy) paid by the company in an arm's length transaction and taken out in its own name in favour of the Supervisory Board members.

In accordance with Article 19 of the EU Market Abuse Regulation the members of the Supervisory Board are obliged to make a public declaration if they acquire or dispose of shares in technotrans exceeding the threshold value of € 20,000. No transactions were reported by Supervisory Board members in 2020. All reportable share trading by Supervisory Board members that are reported to the company are published in accordance with Article 19 of the EU Market Abuse Regulation.

Detailed disclosures on the remuneration of the Supervisory Board and the amounts paid to its individual members are in each case contained in the current Remuneration Report, which is published in the Annual Report. It can be accessed at the following web address: www.technotrans.com/investor-relations/financial-reports.

Corporate reporting and auditing

Reference to other elements of corporate reporting

In addition to the annual financial statements, technotrans SE prepares interim financial statements within the meaning of Section 115 of the German Securities Trading Act (WpHG) as well as quarterly communications pursuant to Section 53 of the Rules and Regulations of the Frankfurt Stock Exchange. The separate financial statements of technotrans SE on which the dividend payment is based are prepared according to the provisions of the German Commercial Code (HGB). The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS). As well as the annual and interim financial statements, technotrans publishes a Combined Management Report pursuant to Section 289 HGB, in which the business performance and situation of the company are presented.

technotrans provides information on relevant aspects of sustainability in the Combined Non-Financial Statement, which forms part of the Combined Management Report. This statement satisfies the statutory requirements on sustainability reporting under the CSR Directive Implementation Act.

The publication dates of the regular publications listed above can be found in the Financial Calendar on the technotrans website, at the following address: www.technotrans.com/investor-relations/financial-calendar

All material information about the situation of the company is published on the technotrans website at www.technotrans.com. It includes annual financial statements, interim reports and quarterly communications of the technotrans group as well as press releases, ad hoc information and voting rights notifications.

The company holds telephone conferences with financial analysts and investors when trading figures are published. Recordings are subsequently made freely available on the technotrans website. Above and beyond these publication dates, information is shared with financial analysts, investors and other capital market operators.

Talks at roadshows, conferences and plant tours are moreover a key instrument of investor relations work. In line with the recommendations of the DCGK, the Chair of the Supervisory Board is involved in these activities. There were several opportunities for contact in the 2020 financial year where Mr Harling discussed matters relating to the Supervisory Board with institutional investors.

Inside information pursuant to Art. 17 (1) of the EU Market Abuse Regulation is disclosed directly in the form of ad hoc announcements. This is also available on the technotrans website at the following address: www.technotrans.com/investor-relations/investor-news/ad-hoc-announcements.

Auditing of the financial statements

The Audit Committee of the Supervisory Board oversees auditing of the financial statements from a professional and quality perspective. It examines the independence of the auditors and appraises the supplementary services provided by the auditors. It also prepares the proposal to the Annual General Meeting on the election of the auditors and makes a recommendation on the matter. It is moreover responsible for awarding the audit mandate, specifying supplementary audit priorities and agreeing a fee with the auditors. During the audit the Chair of the Audit Committee maintains constant contact with the auditors and discusses the content of the financial statements audit with them. In accordance with legal requirements the auditors are in each case elected by the Annual General Meeting for one financial year. Most recently the Annual General Meeting appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Osnabrück, as auditors for the 2020 financial year at the proposal of the Supervisory Board. Under the statutory requirements to rotate auditors, PwC may be commissioned with the audit for a final time for the 2028 financial year.

By means of internal rotation PwC furthermore ensures that the audit procedures are always conducted with the requisite independence from the company. Before the Audit Committee makes a recommendation to the Supervisory Board on the appointment of the auditors, it obtains a statement from the firm of auditors on whether and to what extent there exist any commercial, financial, personal or other relationships between it, its governing bodies and its audit managers on the one hand, and the audited technotrans companies and their governing bodies on the other hand, that could raise doubts about the independence of the auditors. If, during the audit, matters should arise that undermine the auditor's impartiality or are grounds for its exclusion and cannot be immediately remedied, the auditor shall notify the Chair of the Audit Committee immediately. They must equally notify the Supervisory Board of all material matters relating to their tasks which come to their attention during the audit. Also, they must inform the Supervisory Board or note in the audit report if they establish facts that are at odds with the company's Declaration of Compliance.

The company in each case discloses information on the fees paid to PwC in the current Annual Report. In the 2020 financial year, as well as the fee for the auditing of the financial statements in the amount of € 271 thousand there were fees of € 49 thousand for tax advisory services.

Shareholders/Annual General Meeting

Disclosures on shareholdings and their movements

The issued capital (share capital) at December 31, 2020 comprises 6,907,665 fully paid no par value shares each representing a nominal amount of € 1.00 of the share capital. The shares of technotrans SE are registered shares. Exclusively ordinary shares have been issued. The rights and obligations they carry are in line with the relevant statutory requirements, taking account of the requirements under the Articles of Incorporation of technotrans SE. The Board of Management has not been notified of any voting trust agreements between shareholders.

At December 31, 2020 Gerlin N.V., Midlin N.V. and Luxempart S.A. have shareholdings in the share capital of technotrans SE that exceed 10 percent in total. Pursuant to the voting rights notifications published on December 2, 2020 Gerlin N.V., Midlin N.V. and Luxempart S.A. concluded an "acting in concert agreement" with effect from December 1, 2020. According to the voting rights notification published on December 21, 2020 the shareholding of the above shareholders in the share capital of technotrans SE amounts to 24.57 percent in total. No other direct or indirect interests in the capital amounting to more than ten percent of the voting rights are known.

All shares carry identical rights. No shares are equipped with special rights, in particular none imparting authority to control.

Employees participating in the capital exercise their voting rights directly.

The statutory requirements pursuant to Articles 39, 40 of the SE Regulation on the appointment and dismissal of the members of the Board of Management are applied. Over and above these, the provisions of the Articles of Incorporation are to be observed. Over and above the requirement of Article 46 of the SE Regulation the Supervisory Board appoints the members of the Board of Management, as specified in the Articles of Incorporation and Section 84 AktG, for a maximum of five years. To amend this point in the Articles of Incorporation, pursuant to Section 179 AktG in conjunction with Section 21 (2) of the Articles of Incorporation the Annual General Meeting must pass a resolution by a simple majority.

The Board of Management is, with the consent of the Supervisory Board, authorised to increase the share capital on one or more occasions by up to a total of € 3,450,000 until May 17, 2023, through the issue of new shares against contributions in cash or in kind. No use was made of this authorisation in 2020. The subscription right of the shareholders may be excluded insofar as the requirements of Section 186 (3) fourth sentence AktG are met or insofar as the purpose is the acquisition of companies or participating interests in companies or other assets, if the acquisition or participating interest is in the properly understood interests of the company. Other than that, the subscription right may only be excluded for the purpose of compensating for fractional amounts. In addition the Board of Management of the company is authorised until May 17, 2023 to acquire treasury shares up to 10 percent overall of the share capital existing at the time of the resolution, or at the time of this authorisation being exercised, if the latter figure is lower. If acquired by stock exchange dealings, the purchase price per share shall not exceed or undercut by more than 10 percent the average XETRA closing price (or, insofar as the XETRA closing price serves as the basis for this authorisation, the closing price determined by a successor system taking the place of the XETRA system) on the Frankfurt Stock Exchange on the five trading days preceding the acquisition. If acquired on the basis of a public offer to buy, the acquisition price per share (excluding incidental acquisition costs) shall not exceed or undercut by more than 10 percent the average XETRA closing price on the Frankfurt Stock Exchange on the eighth to fourth trading day (in each case inclusive) before disclosure of the offer to buy.

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

The Board of Management is furthermore authorised to dispose of the acquired shares via the stock market or to third parties, by cash sale. In these cases the selling price shall not undercut the average XETRA closing price on the Frankfurt Stock Exchange on the five trading days prior to sale by more than 5 percent.

The Board of Management is, with the consent of the Supervisory Board, moreover authorised to dispose of the acquired treasury shares in a manner other than by sale on the stock market or by offer to all shareholders if they are offered to and transferred to third parties in exchange for contributions in kind, especially for the acquisition of businesses or of participating interests in businesses or of other assets. The price at which the acquired treasury shares are surrendered to a third party shall not significantly undercut the average XETRA closing price on the Frankfurt Stock Exchange on the last five trading days before the concluding of the agreement on the acquisition of the contribution in kind in question. The acquired treasury shares may also be used in fulfilment of obligations in respect of conversion options granted as a result of the issuing of convertible bonds.

The subscription right of the shareholders is excluded for the use of treasury shares in the last three cases.

The Board of Management is in addition authorised, in accordance with the resolution of the Annual General Meeting of May 18, 2018 and with the consent of the Supervisory Board, to issue bonds with a term of a maximum of twenty years and an aggregate nominal amount of up to € 100 million on one or more occasions up until May 17, 2023 and to grant the bearers of bonds conversion options on a total of up to 3,450,000 no par value registered shares of the company.

There are no material agreements of the parent company that are conditional on a change of control following a takeover bid.

No compensation has been agreed with the members of the Board of Management or with employees in the event of a takeover bid.

Rights of shareholders at the Annual General Meeting

The shareholders exercise their rights essentially by passing resolutions and tabling questions at the Annual General Meeting. Each ordinary share carries one vote. The shareholders have the right to table a reasoned counter-motion to proposals of the Board of Management or Supervisory Board on agenda items at the Annual General Meeting. Shareholders whose shares together amount to one-twentieth of the share capital or the proportionate amount of € 500,000 may demand that items be placed on the agenda and announced.

The invitation to the Annual General Meeting including all documents and reports required are made available for downloading on the technotrans website at www.technotrans.com/investor-relations/annual-shareholders-meeting before the statutory deadline.

Shareholders may also exercise their voting right by transferring it to instructions-bound proxies of the company or authorising third parties to exercise the voting right.

At the 2021 Annual General Meeting, the shareholders will be asked to vote for the first time on the remuneration system that meets the Shareholder Rights Directive Implementation Act (ARUG II).

In the event of structural measures technotrans follows the statutory requirements on the convening of an Annual General Meeting. In the event of a takeover of the company, convening is decided upon on a case-by-case basis.

Related parties

No contracts were concluded between members of the Supervisory Board and technotrans SE in the 2020 financial year.

Board of Management and Supervisory Board members' membership of governing bodies of other companies as well as transactions with related parties is disclosed on the technotrans website.

»Together with our customers, we will create the innovations of tomorrow.«

If there is a challenge in the area of thermal management, we will develop and create the better solution!

Board of Management

Dipl.-Ing. Michael Finger
Board Spokesman

- Member of the Board of technotrans since May 2020, Board Spokesman since August 2020
- Michael Finger is responsible for Markets (Sales, Service, Marketing, QM)

Dipl.-Kfm. Dirk Engel
Member of the Board

- In charge of Finance and Accounts for the technotrans group since 2004, Member of the Board since 2006, Board Spokesman from 2018 until 2020
- Dirk Engel is responsible for Finance & Administration (Finance/Controlling, Human Resources, IT, Legal & Compliance and Investor Relations)

Dipl.-Ing. Peter Hirsch
Member of the Board

- Joined technotrans in 2013 as Managing Director of the subsidiary Termotek in Baden-Baden, since July 2018 Member of the Board of technotrans SE
- Peter Hirsch is responsible for Technology & Operations (Research & Development, Engineering, Production, Purchasing and Logistics)

Dipl.-Ing. (FH) Hendirk Niestert
Member of the Board (until January 31, 2021)

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

Supervisory Board

Dipl.-Ing. Heinz Harling

Chairman of the Supervisory Board

– Lecturer at Hamm-Lippstadt University of Applied Sciences, Hamm-Lippstadt
– Member of the nominating, personnel and audit committee

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 personnel comittee

Andrea Bauer

(since May 20, 2020)

– Chairwoman of the audit committee of technotrans SE
– Member of the nominating and personnel committee

– Member of the Supervisory Board and audit committee at noventi SE
– Chairwoman of the Advisory Board of the IFA Group, Haldensleben
– Member of the Advisory Board of IKB, Düsseldorf
– Member of the Supervisory Board of Aurubis AG, Hamburg: Member of the personnel and mediation committee
– Member of the Regional Advisory Board Commerzbank AG, Frankfurt and Düsseldorf

Dr Wolfgang Höper

- Entrepreneur
- Member of the advisory board of SchäferRolls GmbH & Co. KG, Renningen
- Member of the advisory board of Dr Hahn GmbH & Co. KG, Mönchengladbach
- Member of the nominating and audit committee

Andre Peckruhn

- Operational purchaser at technotrans SE, Sassenberg
- Employees‘ representative

Thorbjørn Ringkamp

- Team leader sales at gds GmbH, Sassenberg
- Employees‘ representative

Dipl.-Kfm. Dieter Schäfer

(until May 20, 2020)

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

technotrans on the capital market – shares

The coronavirus pandemic substantially determined the fortunes of stock markets in 2020. The economic slump it caused triggered massive markdowns on the stock markets in March.

The coronavirus pandemic substantially determined the fortunes of stock markets in 2020. The economic slump it caused triggered massive markdowns on the stock markets in March. Extensive support measures by governments and the weather-related decline in infection rates in Europe soon restored investor confidence. Technology stocks in particular were already back at or above pre-crisis levels by September. In the fourth quarter, setbacks in combating the coronavirus, the US elections and tough negotiations over Brexit once again put market developments under strain. The unsettled year ultimately came to a positive close for investors. The relevant indices closed at pre-crisis levels.

Pandemic-related restrictions to the international trading of goods and services prompted investor restraint especially in the case of export-oriented businesses in the mechanical engineering sector. This also limited the share price performance of technotrans shares in the months following the market-wide collapse in March. After publication of robust first-half figures coupled with a positive outlook for the year, the shares recovered lost ground from August on. Announcements of new, highly promising partnerships and innovative solutions supported this trend in the fourth quarter.

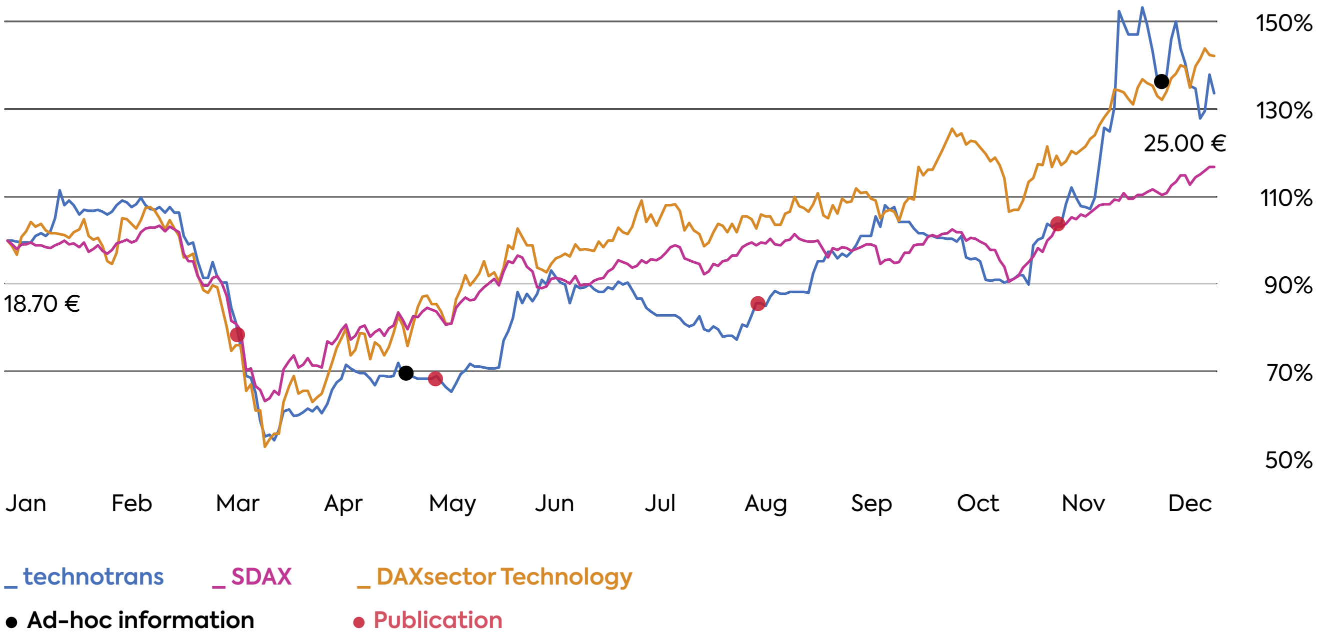
technotrans shares closed at € 25.00 on December 30, 2020 (XETRA closing price) and therefore posted solid value growth of around 33.7 percent in the period under review. This meant technotrans outperformed the relevant benchmark indices DAX (+ 3.6 percent), MDAX (+ 18.0 percent) and SDAX (+ 8.8 percent).

Market capitalisation increased by € 43.5 million to € 172.7 million in the 2020 financial year. The XETRA closing prices ranged between € 10.14 and € 28.65 over the course of the year.

At 75 percent, XETRA trading accounted for the greater part of trades. The daily XETRA trading volume of shares increased marginally to an average of 10,970 units (previous year: 10,749 units).

In the Deutsche Börse index ranking, technotrans shares ranked in 208th place regarding free-float market capitalisation on December 30, 2020 (previous year: 202nd), and 201st by order book turnover (previous year: 190th).

technotrans share price performance in 2020 (XETRA)



Key figures of the share

		2020	2019	2018	2017	2016
Trading price (XETRA closing price)						
High	in €	28.65	30.00	47.90	50.75	24.77
Low	in €	10.14	15.52	24.00	22.17	15.75
End of financial year	in €	25.00	18.70	24.50	44.30	22.90
Number of shares at the end of the period	shares	6,907,665	6,907,665	6,907,665	6,907,665	6,907,665
Market capitalisation	€ '000	172,692	129,183	169,238	306,010	158,186
Net profit per share (basic, IFRS)	€	0.72	0.88	1.79	1.76	1.09
Dividend per share (Proposal to the Annual General Meeting)	€	0.36	0.00	0.88	0.88	0.55

For us, transformation means:
New things.
Get better together.
Shaping the future.

We strive for the optimum. For us, the optimal state is always a balance: a balance of people and environment, reflection and dialogue, tasks and solutions – cooling and temperature control. This competence creates trust and give security.

Investor Relations work

Our Investor Relations activities focused on maintaining a regular and transparent dialogue with existing and potential investors, despite the pandemic-related restrictions. The limitations on contact introduced to combat the pandemic represented a particular challenge. We responded by making targeted use of digital communication platforms.

All members of the Board of Management as well as the Investor Relations team maintained the same level of availability to shareholders for individual talks and at virtual conferences and roadshows. After the coronavirus outbreak in the first quarter, there was a pleasingly high level of investor interest especially in the second half of the year.

The Annual General Meeting moreover took place on the date originally announced despite the coronavirus. It took the form of a virtual event for the first time. The legal basis was provided with the passing of COVID-19 legislation. Participation was handled via an entirely new shareholder portal. This enabled all shareholders to submit their questions to the management in advance, follow the entire Annual General Meeting via live stream and cast their votes. All resolution proposals were carried by large majorities and the Board of Management and Supervisory Board provided comprehensive answers to all questions submitted. The share capital represented (including postal votes) reached a new all-time high of more than 56 percent.

There was another first on December 17, 2020. The Board of Management held its first webcast to present the new medium-term group strategy entitled "Future Ready 2025".

The regular financial reports were published on schedule. We also provided information on significant developments in the form of two ad hoc releases.

The announcement on April 30, 2020 concerned the retraction of the annual forecast for 2020 and the amendment of the profit distribution proposal in light of COVID-19. On December 11, 2020 we announced that the long-serving Chief Financial Officer Dirk Engel is to leave technotrans SE when his Board of Management contract expires in July 2021.

Analyst assessments

Research coverage of technotrans shares changed substantially in the 2020 financial year. Due to organisational changes, Bankhaus Lampe, Berenberg and HSBC Trinkaus & Burkhardt ended their analysis of technotrans shares.

At the balance sheet date, active coverage was provided by Commerzbank AG, M.M. Warburg and Hauck & Aufhäuser. The analyst recommendations that were valid at the end of 2020 comprised one "buy" and two "hold" with upside targets ranging between € 24.00 and € 33.00.

Change of designated sponsor

Bankhaus Lampe also ended its role as designated sponsor at the end of 2020. With effect from October 2020, Hauck & Aufhäuser took on this task for technotrans shares.

Investor Relations information

The Investor Relations section of our website www.technotrans.com provides our shareholders with comprehensive, up-to-date information. It includes information about the shares, corporate key figures, analyst assessments, financial reports, presentations, recordings of conference calls and video webcasts, mandatory announcements, the Financial Calendar as well as information on the Annual General Meeting.

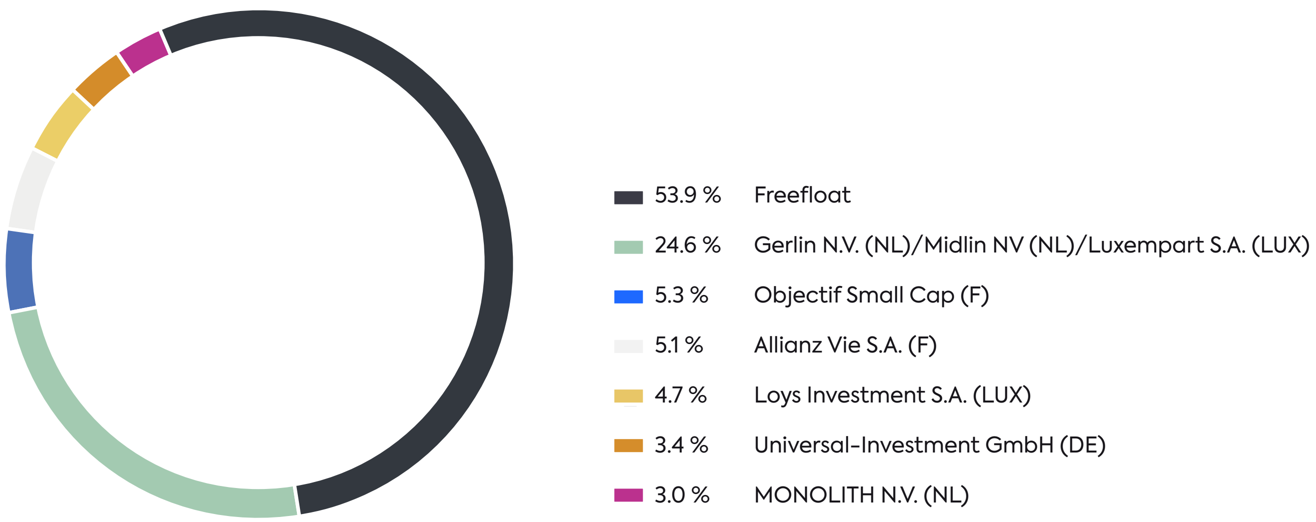
Capital market related information can be subscribed to and printed financial reports requested from the "IR Service" section of the technotrans website.

Composition of shareholders

The composition of shareholders is, as before, dominated by institutional investors from Germany and other European countries who take a long-term view. The free float declined by around 14 percent year on year and represented some 54 percent of the share capital at December 31, 2020.

The shareholders Gerlin N.V., Midlin N.V. and Luxempart S.A. gave notice that they had concluded an "acting in concert agreement" with effect from December 1, 2020 in voting rights notifications published on December 2, 2020. According to the voting rights notification dated December 21, 2020 the shareholding of these shareholders in the share capital of technotrans SE amounted to 24.57 percent in total.

Shareholder structure as of December 31, 2020 in %



The Board of Management and Supervisory Board propose a dividend of € 0.36

The Board of Management and Supervisory Board will propose to the Annual General Meeting on May 7, 2021 that a dividend of € 0.36 per share be distributed for the past financial year of 2020.

The dividend yield based on the XETRA closing price of € 25.00 on December 30, 2020 is 1.4 percent.

Our dividend policy envisages the distribution of up to 50 percent of consolidated net profit. The distribution rate, based on the dividend proposal of € 0.36, is 50 percent.

This dividend proposal reflects our policy of ensuring that our shareholders always participate appropriately in the company's profits, based on the ongoing dividend policy.

The payment of a dividend is subject to the annual financial statements of technotrans SE showing an accumulated profit. This was the case for the 2020 financial year.

Financial year		**2020**	**2019**	**2018**	**2017**	**2016**
Dividend per share	in €	0.36[1]	0.00	0.88	0.88	0.55
Payout ratio	in %	50	0	49	50	50
Amount distributed [3]	€ '000	2,487[3]	0	6,079	6,079	3,799
Dividend yield [2]	in %	1.4%	0.0	3.8	2.1	1.5

[1] Proposal to the Annual General Meeting
[2] Dividend payment/technotrans trading price on day of Annual General Meeting; for FY 2020: dividend propsal/ technotrans trading price at year end
[3] Based on the number of dividend-bearing shares for the past financial year on the day of the Annual General Meeting

Combined Management Report

Opportunities and Risks Report

Forecast Report

Group structure

Organisational and legal corporate structure

technotrans SE is a technology and services group with worldwide operations. The company's core skill focuses on application-specific solutions in the area of thermal management. This comprises energy optimisation and management of the temperatures encountered in sophisticated technological applications.

With activities spanning the creation of individual concepts, engineering, production and 24/7 on-call service arrangements, technotrans offers its customers every discipline associated with the core skills of cooling/temperature control, filtering/separating and pumping/spraying of liquids. A one-stop shop, available worldwide.

The group parent is technotrans SE, with its registered office in Sassenberg in the state of North Rhine-Westphalia. The Consolidated Financial Statements furthermore include 18 subsidiaries.

technotrans SE has a dual management structure comprising Board of Management and Supervisory Board. The Board of Management consisting of four members (until January 31, 2021) is responsible for the operational management of the company. The Supervisory Board appoints, advises and oversees the Board of Management. It comprises six members. Of these six, four are representatives of the shareholders and two are employee representatives.

technotrans SE has been a listed company since 1998 and its reporting satisfies the transparency requirements of the Prime Standard, the segment of the Frankfurt Stock Exchange that is regulated by law.

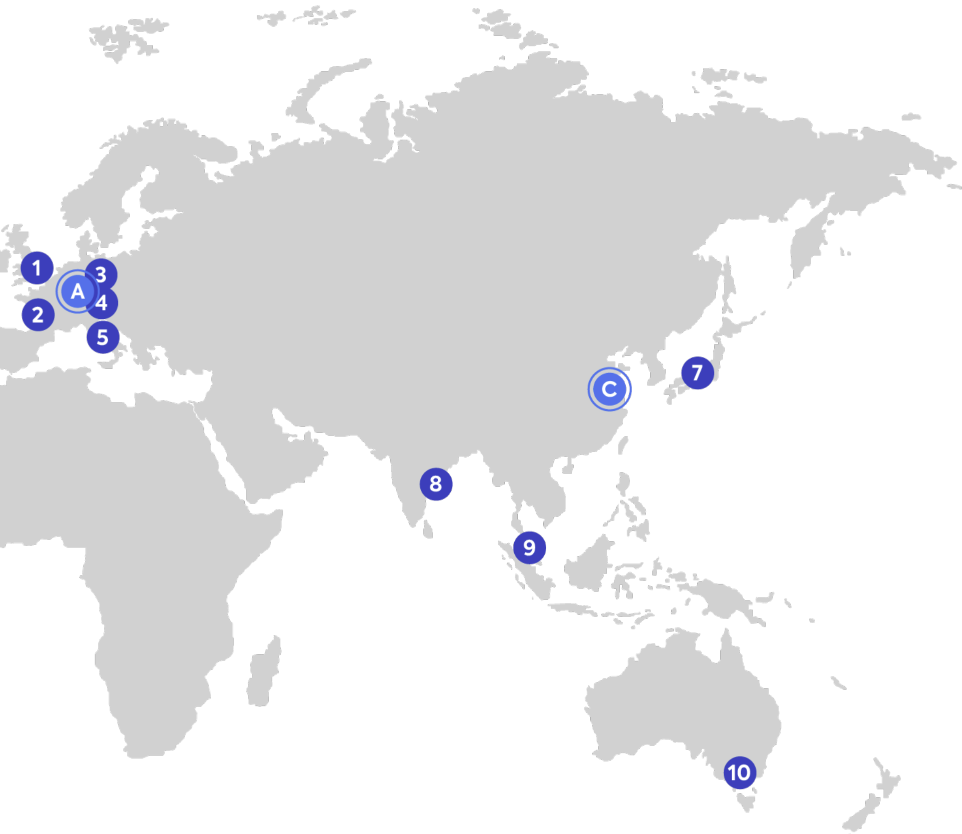
The group's structure is designed to enable all companies to make a contribution towards strengthening the worldwide market position of the group.

With a total of 1,409 employees as at December 31, 2020 at seven German and ten international locations as well as a large number of partnerships, the technotrans group has a presence in all relevant markets worldwide.

The group brings together seven production plants and nine sales and service companies under the umbrella of technotrans. The production plants specialise in the development and manufacture of customer-specific one-off and series units. The sales and service companies are responsible for direct sales and service of the products in their designated regions. Major international key accounts are supported by key account managers at the relevant production plants.

technotrans SE does not have any financial holdings. An overview of shareholdings is provided in the Notes to the Consolidated Financial Statements, in the section "Consolidated companies".

The reporting entity remains unchanged from the previous year.



LOCATIONS

Production sites

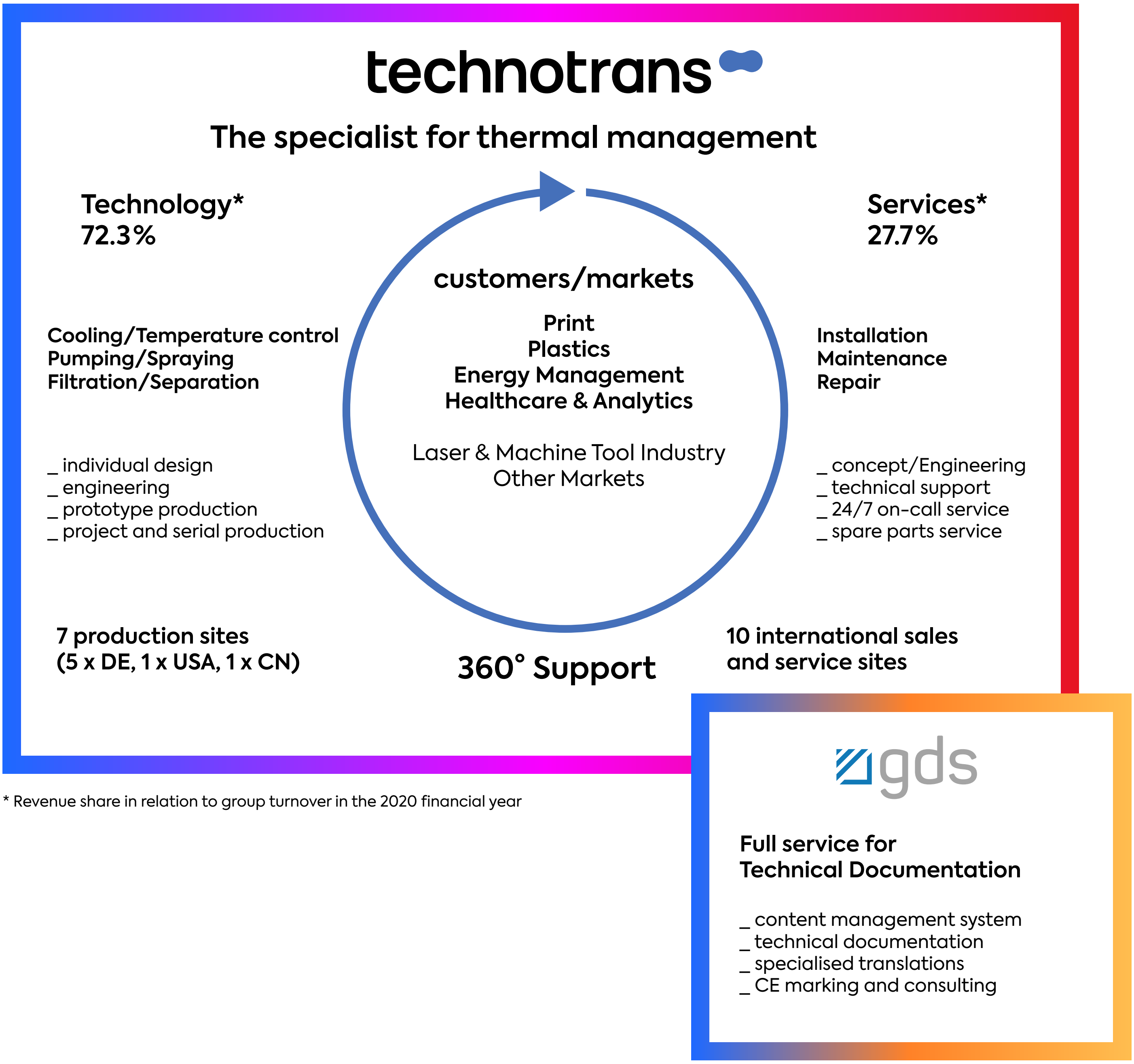
A.1	(DE)	Sassenberg HQ
A.2		Meinerzhagen
A.3		Holzwickede
A.4		Bad Doberan
A.5		Baden-Baden
B	(US)	Chicago
C	(CN)	Taicang

Sales and Service sites

1	(GB)	Colchester
2	(FR)	Saint Maximin
3	(DE)	Berlin
4	(DE)	Hünfeld
5	(IT)	Legnano
6	(BR)	Indaiatuba
7	(JP)	Kobe
8	(IN)	Chennai
9	(SG)	Singapore
10	(AU)	Melbourne

Business model

360° competence for our customers



* Revenue share in relation to group turnover in the 2020 financial year

Segments

The business activities of technotrans SE comprise the Technology and Services segments. These are also the basis of segment reporting in accordance with IFRS.

The **Technology segment** generates around 72.3 percent of consolidated revenue. In this business area technotrans develops and manufactures equipment and systems based on its core skills. technotrans creates and builds system solutions that are of the highest standard in terms of quality and sustainability. These solutions are for the most part customised to the individual requirements of the client. Sales teams that possess a wealth of technical and industry-specific expertise help to determine the customer's precise needs. In the 2020 financial year, technotrans built on and accelerated its ability to innovate by setting up a centrally run research and development unit to operate as a shared service organisation.

technotrans pursues the goal of sustainably profitable growth. To achieve this the group is steadily broadening its portfolio of products and services in close collaboration with existing and potential customers, and unlocking new application areas and sales markets. The customer base is well diversified. A large number of renowned industrial enterprises have been working with technotrans for many years now.

The **Services segment** accounts for around 27.7 percent of consolidated revenue. It encompasses an extensive portfolio of products and services. Among the services that technotrans offers its customers are a round-the-clock worldwide supply of parts, comprehensive repair services and 360-degree support for the installation, commissioning and maintenance of systems.

The comprehensive services of the "Technical Documentation" field are also part of this segment. The group company gds GmbH compiles standard-conforming technical documentation for systems and devices in all common languages for external customers and the technotrans group. As a full-service provider, gds also offers efficient software solutions (authoring systems) that enable customers to create and manage technical documentation themselves conveniently and reliably. To round off this company's portfolio, it also provides technical translation services.

Markets and customers

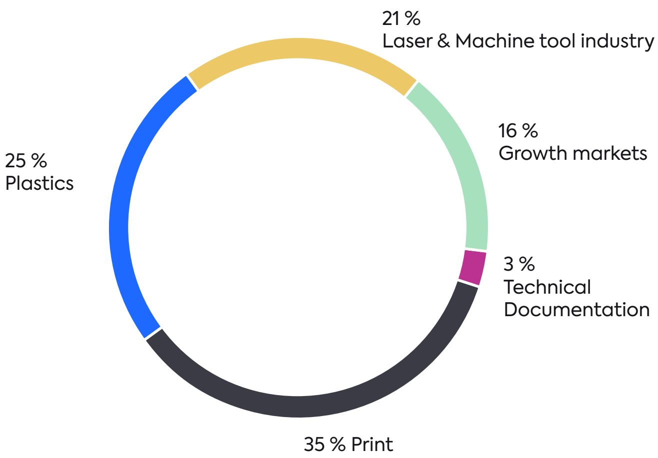
For many years technotrans has focused its sales and service activities on four subsidiary markets within the mechanical and plant engineering sector: the printing industry, the plastics processing industry, the laser and machine tool industry, and separately identified growth markets.

In December 2020, as part of the "Future Ready 2025" strategic reorientation, the Board of Management decided that from now on all activities will be focused increasingly on the following four target markets: **Plastics** (plastics manufacturing and processing), **Energy Management** (including e-mobility for rail and road transport, as well as data centres), **Healthcare & Analytics** (lab and medical technology including pharmaceutical, chemical and biological) and **Print** (offset, digital and flexo printing). technotrans will nevertheless remain involved in its previous focal areas and will continue to supply a wide range of solutions for such fields as the **Laser & Machine Tool Industry**. These aside, technotrans is constantly scanning all markets to identify innovative areas of application that it classifies collectively as **Other Markets** (growth markets). For further details of the "Future Ready 2025" strategy, please refer to the "Goals and strategies" section.

technotrans has been a significant supplier and reliable partner to the **printing industry** since many years, in fact on a worldwide scale. Sheet-fed offset, digital and flexo printing methods account for roughly two-thirds of the estimated global production volume of print products. While the sheet-fed method's share of the market has declined slightly to around 35 percent, digital and flexo printing have seen their shares steadily grow in recent year to 18 and 14 percent respectively. As one of the leading manufacturers of temperature control and filtration systems, technotrans supplies customer-specific solutions in this area for all printing methods. The portfolio is completed by a full range of services and technotrans can list all leading printing press manufacturers worldwide among its customers.

The market share in this area has been well above 50 percent for many years. The extensive installed base and cyclical nature of the propensity to invest mean that a substantial portion of service revenue is generated through modernisation and retrofit projects directly from end customers. technotrans generates around **35 percent** of consolidated revenue in the printing industry.

Revenue share 2020 by markets in %



The second-biggest market segment, with a share of around **25 percent** of consolidated revenue, is the **plastics processing industry**. technotrans is positioned here as an expert, high-performance partner with the extensive portfolio of offered by the group companies gwk Gesellschaft Wärme Kältetechnik mbH and Reisner Cooling Solutions GmbH. There is a comprehensive range of individual cooling and temperature control solutions available for machinery manufacturers and end customers from various sectors. These include machine cooling systems and tool temperature control for both injection moulding and also plastic and rubber extrusion. Equipment for water treatment and tool cleaning as well as turnkey, fully integrated, energy-efficient, large-scale cooling systems that produce process refrigeration complete the product range.

Optimum thermal management that is precisely matched to the application is a prerequisite for a stable and economical production process in the **laser and machine tool industry**. For many years, technotrans has been serving this market with high-quality cooling and temperature control solutions through its production companies technotrans SE, Termotek GmbH and KLH Kältetechnik GmbH. These feature in such areas as metal working or the EUV process ("extreme ultra violet") that is used in the manufacturing of compact integrated circuits for the semiconductor industry. technotrans covers virtually all performance categories and supplies systems that exhibit very high temperature stability and control dynamics. The share of consolidated revenue in the past financial year was around **21 percent**.

The **growth markets** bracket together industries that exhibit very dynamic growth coupled with comparatively low cyclical dependency. They have previously included electric mobility and medical and scanner technology. From the next financial year, both areas will constitute separate focal markets (Energy Management, Healthcare & Analytics) in line with the "Future Ready 2025" strategic reorientation, and as such will be presented in greater detail.

In electric mobility, technotrans develops custom system solutions for both mobile and stationary applications. technotrans' mobile systems ensure the smooth operation of electrically powered buses, trams, trains, AGVs (automated guided vehicles) and other special vehicles. During the charging process and also during regular operation, technotrans technology maintains optimum temperature conditions in the lithium-ion high-performance batteries fitted in the vehicles. This assures consistently high performance at all times, and significantly extends the operating life. For rail vehicles in Europe, technotrans supplies a large number of customers with an extensive range of services.

Its stationary solutions are used for example in fast-charging points that use high-power charging (HPC) and in energy conversion stations, or "inverters".

For customers of medical & scanner technology, technotrans develops custom cooling solutions that are used as a fully integrated component or external system and meet high standards of quality and safety.

The growth markets overall accounted for a **16 percent** share of consolidated revenue in the 2020 financial year.

As well as developing, designing and building individual system solutions, technotrans supplies key accounts (OEM) and end customers worldwide with an extensive portfolio of complementary services from a single source. They include compiling and managing the technical documentation needed, with the accompanying translation services. The area that shares this name generated **3 percent** of consolidated revenue in the past financial year.

Manufacturing penetration in the production operations at technotrans' supplier plants reveals comparatively low plant intensity overall. This enables technotrans to respond to customer requirements flexibly and swiftly, and also to keep manufacturing operations cost-effective.

Investment propensity in the end customer markets is regularly a key determinant of the technotrans group's business performance. This propensity is highly influenced by the present and anticipated economic situation. In view of its focus on the German mechanical and plant engineering sectors, cyclical fluctuations in that industry have a strong influence on its business performance. In recent years there has been a targeted effort to diversify business activities across a range of industries with different dynamics. This interaction (correlation) has been gradually reduced as a result.

A large number of suppliers are active in the market segments that technotrans covers outside the printing industry. In this field of competition, technotrans has successfully positioned itself as a systems supplier of complex, custom solutions of very high quality and with its own worldwide service network. This clear demarcation as a systems supplier rather than a straightforward components supplier generally puts up high technological market entry barriers for potential competitors. technotrans aims to be the market leader in the niches it serves in its target markets.

Research and development

The Research & Development area is the basis for the group's future success. Spending on such activities showed a moderate decline of 3.0 percent compared with the previous year, to € 7.3 million (previous year: € 7.6 million). The R&D ratio (development costs in relation to consolidated revenue) rose from 3.6 percent in the previous year to 3.9 percent.

As in previous years, technotrans fundamentally recognises development spending in the Income Statement. If the appropriate requirements are satisfied, development costs are treated as an intangible asset pursuant to IAS 38 and recognised as such on the Balance Sheet. The development costs recognised as an intangible asset of € 1.1 million (previous year: € 1.1 million) contrasted with depreciation and amortisation of € 0.4 million (previous year: € 0.4 million). The capitalisation ratio, in other words the ratio of development costs recognised as an intangible asset to R&D spending, is reported as 13.4 percent for 2020 (previous year: 12.8 percent).

Further comments are provided in the Notes to the Consolidated Financial Statements under the Notes to the Balance Sheet "4) Intangible assets".

For its research and development activities in the past financial year, technotrans continued to concentrate on projects and methods that improve the energy and resource efficiency of its products. It also brought the so-called "group chiller" to market maturity – the first modular cooling system designed for group-wide use. Going forward, it will be available under the product name of "ECOtec.chiller". technotrans also embraced innovative solutions to build on its expertise in the target markets Energy Management and Healthcare & Analytics, and permanently enhanced its competitiveness in these dynamic markets.

One characteristic of close, order-specific cooperation with customers is that further research and development expenditure finds its way into the cost of sales as fixed components of customer projects.

		2020	2019	2018	2017	2016
R&D spending[1]	€ '000	7,347	7,575	7,946	7,528	5,534
Innovation ratio[2]	in %	5.,3	5.1	5.1	5,1	5.3
Capitalisation ratio[3]	in %	13.4	12.8	9.6	4.6	0.0
Capitalised development costs[4]	€ '000	2,675	1,977	1,234	836	832

[1] R&D spending pursuant to Consolidated Income Statement
[2] R&D spending pertaining to the revenue for the Technology segment
[3] Capitalised development costs refer to R&D spending (R&D expenses + capitalised development costs)
[4] Residual carrying amounts in the balance sheet

Purchasing, production and quality

Procurement and supply chain management are highly relevant for technotrans, especially at this time of the worldwide COVID-19 pandemic. Disruptions to the supply chain due to poor availability and limited transport capacity, but also organic and non-organic growth as well as growing product diversity, place wide-ranging demands on the entire materials management operations.

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

technotrans has implemented a continuous improvement process at all production locations. The programmes already introduced to boost productivity and efficiency are a firm part of the medium-term strategy “Future Ready 2025”. Reducing interfaces in the production processes across locations, new manufacturing concepts and optimised internal logistics concepts are other priorities within the drive to unlock group synergies.

Key tools for achieving these strategic goals include lean concepts and internal supply chain management. Following on from their successful implementation at the group company Termotek in Baden-Baden, lean production processes and methods were optimised at the production locations Sassenberg, Bad Doberan and Meinerzhagen in the period under review. With the completion of the new building at Reisner Cooling Solutions GmbH in Holzwickede in February 2021, this strategic production principle will have been adopted at all German locations.

Very high quality and reliability, along with notable efficiency, are major characteristics of technotrans’ systems and plants. A comprehensive, group-wide quality management system therefore maintains the ability to supply customers with reliable equipment punctually, despite often brief development timescales. The system is accredited to DIN EN ISO 9001:2015 and set up with a multi-site management approach. This harmonises the processes at the various group locations, with a positive impact on efficiency and auditing work.

In a first in the past financial year, technotrans also obtained E1 type approval from the Federal Motor Transport Authority (KBA) for two battery cooling systems and verification for the Sassenberg location. This approval and the process reliability that it confirms marks an important strategic step towards future business expansion of road-based system solutions in e-mobility.

Goals and strategies

In December 2020 the Board of Management unveiled the group's new five-year strategy called "Future Ready 2025". Under the claim "power to transform", it published a strategic timetable that in essence has three goals: to increase group-wide profitability, to generate revenue growth from a stronger focus on four selected target markets, and to present a uniform group-wide identity by creating a technotrans umbrella brand.

The corporate strategy is geared towards steadily expanding the current market position in the core area of thermal management. Thermal management is taken to mean energy optimisation and management of the temperatures encountered in sophisticated applications. To achieve this goal, technotrans will remain active in all existing areas of business but in future will focus on four aligned target markets. These are **Plastics** (plastics manufacturing and processing), **Energy Management** (including e-mobility for rail and road transport as well as data centres), **Healthcare & Analytics** (lab and medical technology including pharmaceutical, chemical and biological) and **Print** (offset, digital and flexo printing). For the first three of these focal markets, the in-detail fundamental analyses indicate very dynamic growth, whereas the fourth target market Print represents a substantial volume of basic business in which technotrans aims to consolidate its market lead and unlock the innovation potential that exists within the industry. These aside, technotrans is constantly screening all markets to identify innovative areas of application that it will address collectively as **Other Markets** (growth markets).

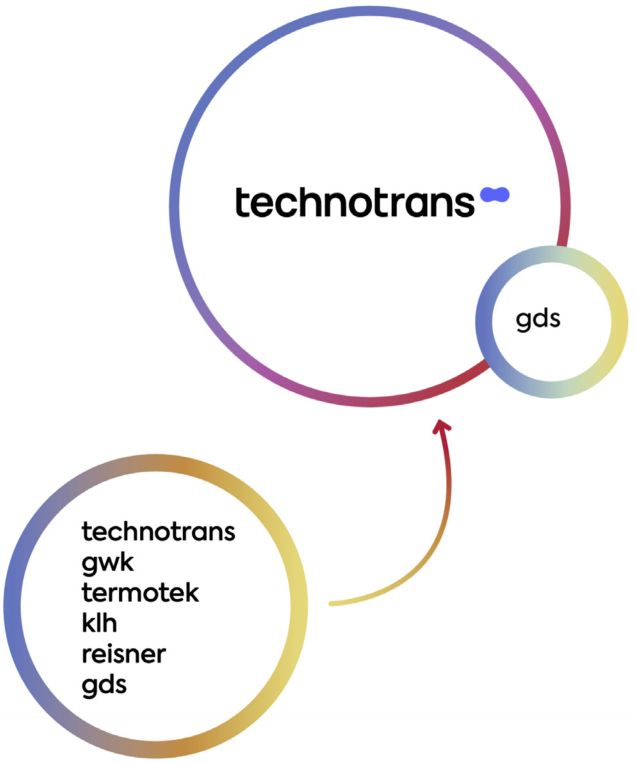
The selected markets also constitute the main investment targets for the coming years. These targets may also be pursued through corporate acquisitions. With that in mind, technotrans is constantly reviewing suitable opportunities to acquire profitable mid-cap industrial enterprises. Key criteria for a potential acquisition are established business activities in a technotrans target market with growth potential, with the expectation that it will contribute positively to the group strategy within a reasonable time frame.

The targeted growth is key to being in a position to offer innovative, high-quality, cutting-edge technologies at globally competitive prices by capitalising on economies of scale. One cornerstone of increased revenue is specifically to maintain the positioning as a development and system partner for globally active industrial key accounts (OEM).

The technotrans group's economic and technological clout will moreover be increased through the merger of KLH Kältetechnik GmbH with technotrans SE, and of Reisner Cooling Solutions GmbH with gwk Gesellschaft Wärme Kältetechnik mbH, in the 2022 financial year;

the result will be that technotrans will then have just three companies in Germany with a total of five production locations. This deliberate concentration will be underscored by the rollout of the shared technotrans umbrella brand. gds GmbH will be an exception: as a full-service provider for all aspects of technical documentation it will retain its separate brand within the group.

technotrans a strong umbrella brand



technotrans will also streamline its organisational structures in the sales, service, production and purchasing areas in order to minimise response times and optimise processes. Developing new products through technological innovation and providing customer-specific solutions that are based on modular standard platforms will remain part of the strategy.

Another important component of the new corporate strategy is sustainability, an aspect that all technotrans employees have already been actively practising for many years. In defining quantifiable sustainability targets, technotrans is taking the next logical step. It applies this principle both in refining energy-efficient technologies and to the group itself: by 2025, one of technotrans' aims is to source 100 percent of its power from renewables and to use only packaging materials that can be recycled as single grades.

Increasing customer benefit

The product portfolio and also the operating processes are continually being revised, systematically streamlined and adapted to changing customer requirements. As a systems supplier, technotrans has long ranked as a preferred supplier in its product areas. Based on our close collaboration with machinery manufacturers (OEM) and our clear expertise in thermal management, going forward technotrans will consolidate and build on its role as a major technology partner.

Implementation of the growth strategy is substantially supported by its international sales and service locations that are steadily unlocking new sales markets and at local level guarantee high levels of customer satisfaction right across the world. The expertise of these units is to be specifically expanded because they are vital to the further development of the international market position.

The spread of digitalisation is also impacting the business models of the technotrans group. As specialists in their respective niches, all group companies face the challenge to promptly seize the opportunities that this offers so that they can retain or extend their market position and access new markets. The Digital Service app introduced in 2020 is a vital building block in that respect. It allows video-based customer support on the ground without a technician needing to be physically present, and also opens up a wide range of new applications. This technology proves highly beneficial especially at a time when service callouts are restricted by the worldwide COVID-19 pandemic.

Broadening the business base

By addressing diversified markets, the group is less heavily dependent on the business cycles of individual industrial sectors. This makes it easier to compensate for cyclical fluctuations, decisively supporting the stability of the business model. technotrans will continue to follow this strategy in the future and will steadily broaden its business base. This entails both achieving further penetration of established markets and entering new industries and application fields, especially in the core area of thermal management.

Promoting internationalisation

Markets today are global – including for SMEs. This obliges the companies that make up the technotrans group to accelerate the development of their international activities.

technotrans' growth strategy includes organically accessing new markets, but also potential business acquisitions internationally. technotrans concentrates on acquisition opportunities that support a technological or market-focused expansion of the technotrans group's business model. Acquisitions are fundamentally structured in such a way that they directly deliver increased value added. Where possible and helpful, expertise carriers at acquired businesses are bound into the technotrans group long-term. The internationalisation strategy focuses on the USA and Asia.

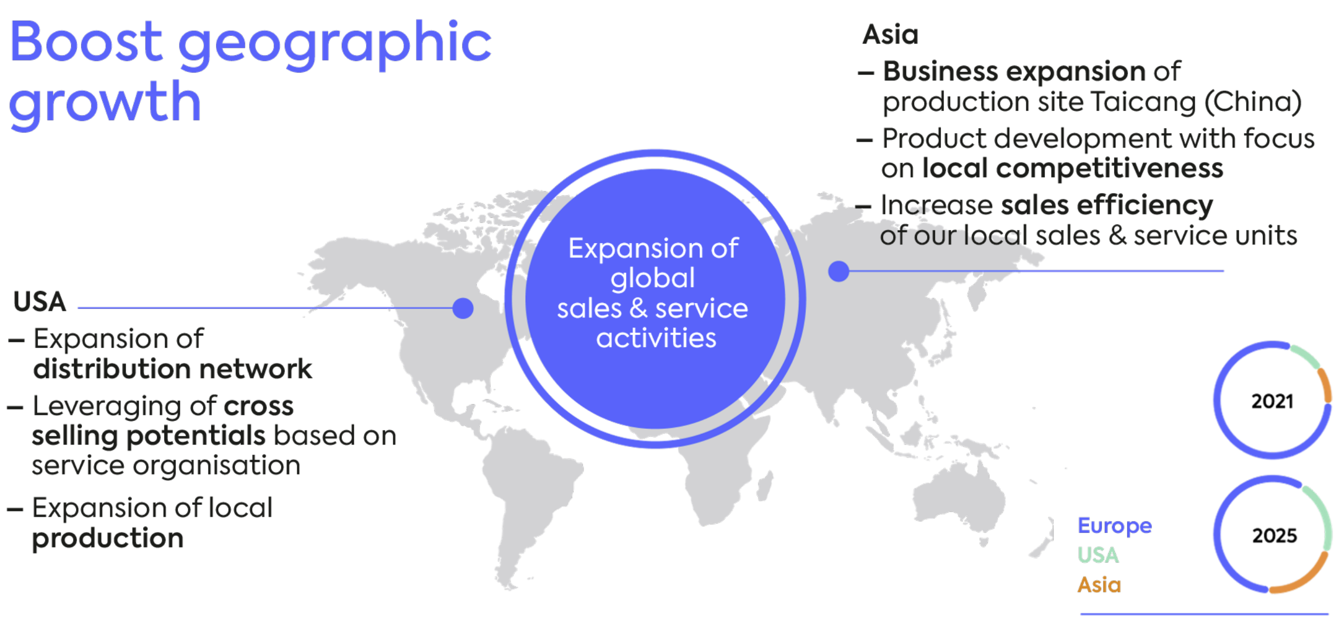
Deepening integration

Across the group, capacities and potential are being integrated to put them to optimum effect. The aim is for this synergy potential to create long-term value added in every area of the group. The medium-term strategy "Future Ready 2025" underscores this with the adoption of an identity using a single umbrella brand and the merger of group companies.

Another relevant component of the technotrans group strategy is to systematically expand shared infrastructures and cross-disciplinary functions under a shared services approach, for instance in procurement or the international sales and service network.

Profitable growth is the focus for strategic development. The clear focus on target markets and the customer-oriented process optimisation measures are designed to increase organic consolidated revenue to € 265-285 million by 2025. This figure could turn out higher if there are targeted acquisitions. In addition to the declared revenue target, the Board of Management seeks a gradual improvement in return on sales (consolidated EBIT margin) to lift it into the range of 9 to 12 percent by 2025. To complement this, from the 2021 financial year the new financial performance indicator of ROCE (return on capital employed) will be adopted for business management. Its target level for 2025 is > 15 percent. The ROCE performance indicator is a benchmark of an enterprise's return on investment. It illustrates how productively and efficiently an enterprise is using the capital it has available.

A sustained ability to distribute dividends and a sound financial basis based on a high equity ratio are indications of stability and continuity within this process of change.



Principles and goals of financial and liquidity management

On the basis of its healthy liquidity base in combination with corresponding financing commitments by major banks, technotrans is always in a position to invest. The task of financial management within the technotrans group is handled centrally by technotrans SE.

Financial and liquidity management involves managing liquidity, securing borrowed capital and managing interest and foreign currency risks. To a large extent the group constitutes a financial entity and is thus able to optimise its raising of capital and investment options. The overriding goal of technotrans' financial policy is to assure a balance between growth, return on equity and financing security.

In its financial management, technotrans continues to strive to generate internally both the financial resources required to fund the organic growth of its operations, and the investments this involves.

The most important source of financing is the cash inflow from operating activities (operating cash flow). The optimisation of net working capital releases liquid funds, keeps debt low and thus improves the indicators relating to balance sheet structure (such as equity ratio) and return on investment.

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

The group covers capital requirements from operating cash flow and by raising medium and long-term financing. The company also manages the group's need for financing via the available short-term credit facilities of technotrans SE, Termotek GmbH, KLH Kältetechnik GmbH and gwk Gesellschaft Wärme Kältetechnik mbH. Bank borrowings amounted to € 44.0 million (previous year: € 40.5 million) at the balance sheet date. The increase is essentially attributable to two factors: first, new loans were raised in connection with the new building at the production plant of Reisner Cooling Solutions in Holzwickede. Second, short-term loans were raised in response to the coronavirus pandemic in the second quarter of 2020 to maintain liquidity.

Other than that, financing with borrowed capital is based on long-established business relationships with various German banks with good credit standing. Non-current borrowings reveal a balanced maturities structure and are spread across several banks.

There are no exchange-rate factors affecting external borrowings. Within the group, short-term and long-term lending between the group companies is practised to some degree in order to maintain adequate liquidity locally at all times. Substantial liquidity holdings (cash and cash equivalents) moreover exist in EUR, USD and GBP at the balance sheet date. Instruments for the hedging of foreign currency positions were not used beyond the reporting date of December 31, 2020.

In addition to bilateral credit financing, technotrans SE also has capital-market-based instruments available for financing through equity and borrowed capital. Other forms of financing used by technotrans include above all tenancy and operating leases, mainly for IT equipment and company vehicles.

Capital structure

technotrans' capital structure comprises a sound equity base and a demand-led level of borrowing. With an equity ratio of 53.6 percent at December 31, 2020 (previous year: 51.4 percent) and total borrowing arrangements amounting to € 58.1 million (previous year: € 56.5 million), technotrans has a viable and sustainable financing structure. Cash and cash and cash equivalents at the balance sheet date totalled € 25.7 million (previous year: € 20.9 million). In addition, there were also available but unused borrowing facilities amounting to € 9.8 million.

Long-term loans were raised in the 2020 financial year to finance the new building at the Holzwickede location. To maintain liquidity in light of the coronavirus pandemic, short-term credit lines were also drawn on. At December 31, 2020 the maturities of the group's existing debt financing averaged 4.9 years (previous year: 4.3 years). The average weighted interest rate for borrowings at the end of the financial year was around 1.3 percent (previous year: 1.5 percent). Wherever economically advisable, technotrans supplements financing with operating lease agreements. Other off-balance-sheet financial instruments are of only minor significance. In 2020 there were no restrictions on the availability of the loans provided.

The financial and liquidity planning of technotrans SE consistently assures adequate liquidity including for business operations in 2021, enabling it to meet the foreseeable payment obligations at all times. German government support loans in connection with the coronavirus pandemic were not used.

Strategy – key activities

Control system

The Board of Management of technotrans SE relies first and foremost on financial performance indicators to manage the group. Efficient planning and control tools are hallmarks of the established business administration system. In addition, non-financial performance indicators provide an important decision-making basis for corporate management.

The technotrans group's internal control system has the purpose of overseeing implementation of the corporate strategy. The control system basically comprises regular strategic meetings within the Board of Management and in-year planning discussions, including investment and personnel planning aspects, with the respective managing directors of the companies, as well as a monthly analysis of their respective business performance. The system seeks to identify deviations as early on as possible so that swift action can be taken as appropriate. In addition to central group Reporting for the overarching management of the group and segments, the business units that operate independently in the market have their own resources for controlling. Over and above this, the individual managing directors monitor and analyse their respective markets and specific competitive environment and report to the Board of Management on material changes to it, and on the opportunities and risks. The Board of Management submits regular reports to the Supervisory Board.

FINANCIAL PERFORMANCE INDICATORS

At technotrans, the performance indicators **revenue** and **EBIT margin** calculated on the basis of the International Financial Reporting Standards (IFRS) are used as the central target and control parameters. These central performance indicators are planned and continuously monitored separately for the group and the reportable **Technology** and **Services** segments. Starting with the 2021 financial year, the additional performance indicator of **ROCE** (return on capital employed) will also be tracked.

For the steering of the group, technotrans in addition uses other financial variables such as the **equity ratio**, the gearing ratio, the **free cash flow** (determined from the cash flows from operating activities less the cash payments for **investing activities**), as well as the ratio of net working capital (current assets less current liabilities) to revenue.

At group level, the original plan was to achieve revenue in the order of € 204 to € 214 million and an operating result (EBIT) of between € 6.0 and € 10.7 million for the 2020 financial year. This forecast was retracted on April 30, 2020 in view of the coronavirus pandemic. An updated forecast was published on November 10, 2020. It included revenue of € 185 million and achieved an EBIT margin of between 2.5 and 3.0 percent. The group achieved the following results in the 2020 financial year:

		Actual 2019	1. forecast 2020 valid until 30/04/2020	2. forecast 2020 valid since 10/11/2020	**Actual 2020**	Level of achievement 1. forecast	Level of achievement 2. forecast
group							
Revenue	€ million	207.9	204 - 214	185	**190.5**	not achieved	better than expected
EBIT	€ million	8.3	6.0 - 10.7	4.6 - 5.6	**6.8**	achieved	better than expected
EBIT margin	in %	4.0	3.0 - 5.0	2.5 - 3.0	**3.6**	achieved	better than expected
Investments (without IFRS 16)	€ million	9.4	8	8	**8.2**	achieved	achieved
Equity ratio	in %	51.4	> 50%	> 50%	**53.6**	achieved	achieved
Free cash flow	€ million	7.6	positive FCF	positive FCF	**3.9**	achieved	achieved

Considering how the global coronavirus pandemic substantially impacted the economic environment, the Board of Management is satisfied with the business development in the circumstances.

NON-FINANCIAL PERFORMANCE INDICATORS

Alongside economic goals, all business units of the technotrans group also pursue non-financial goals. The material aspects for the year under review of 2020 are summarised in the Non-Financial group Statement in accordance with the CSR Directive Implementation Act.

The declaration in accordance with Section 315b-c HGB forms a separate section of this Combined Management Report (see chapter: Combined Non-Financial Statement of technotrans SE and the technotrans group in accorddance with section 289b et seq.. 315b et seq. HGB).

For further information on the topic of sustainability, please refer to the technotrans website at: www.technotrans.com/sustainability

Development of the economic environment

The economic environment in the 2020 financial year presented technotrans with economic challenges on an unexpected scale.

The coronavirus pandemic in 2020 triggered an unprecedented collapse in the global economy that was comparable in scale to the economic and financial crisis of 2008/2009. Particularly from the second quarter of 2020, there was a collapse in economic activity as a whole in industrial nations and in trade worldwide. Concerns surrounding a disorderly Brexit at the end of the year and the trade dispute between the USA and China persisted but were overshadowed by the effects of the coronavirus.

Governments worldwide responded immediately with far-reaching measures to protect against infection and provide economic support, thus averting an even sharper downturn. The decline in infection levels in the summer months led to a noticeable recovery in the economic environment. However this only held up until the resurgence in infection figures in the autumn. At the end of the year, policymakers worldwide resorted to fresh lockdown measures, placing a new burden on the global economy at the turn of the year.

The scale of the coronavirus pandemic's effect on the global economy is highlighted by analyses by the International Monetary Fund (IMF): it anticipates that there will have been a 3.5 percent downturn in worldwide gross domestic product (GDP) in 2020. This contrasts with a rise of 2.8 percent in 2019.

Broken down by individual region, the coronavirus hit the euro zone especially hard. The IMF forecasts a contraction of 7.2 percent there. Italy and Spain were affected especially badly. This marks a reversal from a rise of 1.3 percent for the EU in 2019.

The decline in the United States was not as pronounced despite the continuing high number of infection cases. The IMF expects a contraction of 3.4 percent, after a rise of 2.2 percent in the previous year. China's economy proved crisis-resistant with GDP growing 2.3 percent.

CHANGE IN GROSS DOMESTIC PRODUCT (GDP IN %)

	2020	2019
World	-3.5	2.8
USA	-3.4	2.2
Eurozone	-7.2	1.3
Germany	-5.4	0.6
China	2.3	6.0
Emerging countries	-2.4	3.6

Source: International Monetary Fund. World Economic Outlook. January 2021

The German economy was also affected especially badly in 2020. The IMF forecasts a reversal of 5.4 percent there. The German Council of Economic Experts (the "Five Wise Economists") reaches a similar conclusion. It estimates the past year's downturn at minus 5.1 percent. The Federal Statistical Office's calculations are similar, at minus 5.0 percent.

The coronavirus pandemic also had a major impact on Germany's mechanical and plant engineering sector, which is export-oriented. Government support measures such as the work support scheme prevented a worse outcome. As a result, the industry managed to at least make up for previous revenue losses in the improved third quarter. As such, the industry federation recently corrected the estimated fall in production in 2020 by three percentage points to minus 14 percent.

The burden of the coronavirus pandemic on manufacturing industry was also reflected in the ifo Business Climate Index. Even at the start of 2020, before the outbreak of the pandemic, the reading of minus 3.0 points reflected subdued sentiment. The readings fell as low as minus 41.9 points in April as the pandemic hit home, but then steadily improved to as high as plus 8.9 points at the end of the year. However, an economic survey in January 2021 indicated a renewed worsening of business sentiment at the start of the year in light of less optimistic expectations. Capacity utilisation climbed 1.6 percentage points to 81.8 percent but is below the long-term average of 83.5 percent.

Business performance 2020 at a glance

- Consolidated revenue of € 190.5 million down 8.4 percent on previous year. Fourth quarter of 2020 much better than expected.
- Operating result (EBIT) of € 6.8 million above the recent forecast targets, though 18.7 percent below previous year. EBIT margin reaches 3.6 percent (previous year: 4.0 percent). The lower result is attributable to the difficult market situation during the coronavirus, restructuring measures and non-recurring effects.
- After elimination of non-recurring effects – non-recurring structural costs of € 3.2 million and non-recurring income (€ 0.6 million) after the termination of an administrative offence procedure (BaFin) – the adjusted EBIT came to € 9.4 million and the EBIT margin of 4.9 percent was actually above the prior-year level (previous year: 4.7 percent).
- Free cash flow again yielded a stable positive result of € 3.9 million (€ 7.6 million).
- Annual revenue in the Technology segment declined 7.2 percent to € 137.7 million with a slightly negative result for the segment. Revenue for the Services segment of € 52.8 million 11.4 percent down on the prior-year level, with a positive result for the segment of € 7.0 million.
- gwk Gesellschaft Wärme Kältetechnik mbH, which was severely impacted by the ERP system rollout in 2019, made positive progress in the year under review despite the coronavirus and posted clear growth in revenue and earnings.
- The new building for Reisner Cooling Solutions GmbH in Holzwickede progressed as planned and will come on stream in February 2021. This will give the technotrans group a further location that serves as a benchmark for energy efficiency.

Key events for the technotrans group in the 2020 financial year

The 2020 financial year for the entire technotrans group was very much shaped by two factors. First, the worldwide spread of the COVID-19 pandemic led to the biggest health crisis and deepest recession of recent history. technotrans was equally unable to steer clear of this unexpected development, with its business operations taking a massive hit.

The original plan for the year envisaged revenue in the order of € 204 to € 214 million and an operating result (EBIT) of between € 6.0 and € 10.7 million. Whereas the group saw revenue come in well below the original target, its EBIT figure was within the expected corridor both in absolute terms and as expressed in the EBIT margin.

The business performance following the outbreak of the COVID-19 pandemic prompted the Board of Management to retract the annual forecast for 2020 on April 30, 2020. On the basis of the business performance over the first nine months, a new forecast for the 2020 financial year was published on November 10, 2020. This time, the Board of Management voiced its expectation that consolidated revenue would reach around € 185 million with an EBIT margin of approximately 2.5 to 3.0 percent. The consolidated revenue and consolidated result mean the technotrans group has on the whole achieved these targets, and in certain areas exceeded them. Given the circumstances, the Board of Management of technotrans SE is overall satisfied with the business performance in 2020.

Another major feature of the year under review was the kick-off of the strategic process for the technotrans group, with the goal of creating an integrated group to reinforce the global brand "technotrans". Despite the coronavirus, the strategic reorganisation was fleshed out by the Board of Management and made public at the end of the 2020 financial year under the name "Future Ready 2025". Initial moves under the transformation process, such as structural and personnel adjustments to align the group with changing market conditions, were implemented according to plan; these had non-recurring effects that weighed on earnings.

There was only a moderate year-on-year change in the net assets and financial position of the technotrans group as a result of the scheduled investing and financing activities. The economic circumstances of the group remained stable in 2020. The equity ratio of 53.6 percent (previous year: 51.4 percent) was again above the target level of 50 percent. In absolute terms equity rose by € 4.3 million, from € 75.1 million to € 79.4 million.

Investment spending on property plant and equipment and intangible assets came to € 8.2 million and was therefore in line with the budget for 2020.

Despite increased investing activity, the free cash flow was again positive in the financial year thanks to the financial resources released from current assets; at € 3.9 million it was below the prior-year figure (previous year: € 7.6 million). The technotrans group consequently achieved its original target of again generating a positive free cash flow in the 2020 financial year.

Results of operations, net assets and financial position

REVENUE AND PROFITABILITY PERFORMANCE

Consolidated revenue came to € 190.5 million overall in 2020 and was therefore 8.4 percent down on the previous year (€ 207.9 million). The downturn of € 17.4 million is mainly attributable to the slump in business triggered by the COVID-19 pandemic.

A continuing reluctance to purchase capital goods and the coronavirus-related adjustments to personnel capacity led to a global reduction in production output in the markets that are relevant for technotrans.

As the year progressed, the weak business performance affected both revenue and order intake especially in the second and third quarters. At the end of the financial year the book-to-bill ratio resumed a course of growth with a figure of > 1.

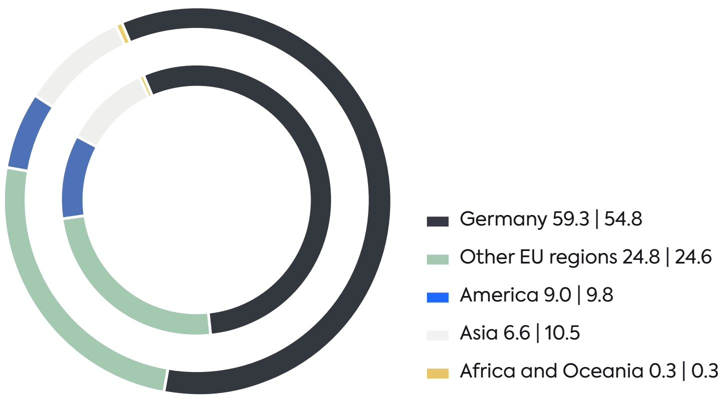
64.6 percent of consolidated revenue was generated outside the printing industry in 2020; this was higher than in the previous year (61.5 percent). Overall, the fall in revenue in those market segments was only 3.7 percent year on year. In the laser and machine tool industry (20.5 percent) and the growth markets (15.9 percent), the revenue share was maintained at or only slightly below the previous year's level. Meanwhile the group achieved revenue growth in the plastics processing industry, which increased its share of consolidated revenue to 24.7 percent. Given the cyclically weaker performance of business and the problems that needed to be overcome with the introduction of new ERP software at the group company gwk in 2019, this is a good result in the circumstances.

Business with customers from the printing industry again brought in a high level of revenue of around € 67 million in the period under review (35.4 percent). However the downturn of 15.9 percent year on year was much sharper than expected, reflecting both how the COVID-19 pandemic hampered business and also the flat to slightly negative market development, among other reasons due to the ongoing consolidation of end customer markets in the offset printing area. Despite the difficult market environment, revenue with a number of machinery manufacturers again increased in 2020.

Business for Technical Documentation, which is part of the Services segment, was also unable to match the successful previous year. Revenue reached € 6.7 million and was therefore 9.0 percent below the previous year.

Because of its customer structure, technotrans still generates a high direct proportion of deliveries and revenue in Germany. In the 2020 financial year the revenue share achieved with German customers climbed noticeably to 59.3 percent (previous year: 54.8 percent). The 24.8 percent share for the remainder of Europe was comparable to the previous year's level (24.6 percent). The revenue share for the Americas declined from 9.8 to 9.0 percent also because of exchange rate movements. Conversely the share achieved in Asia was well below the prior-year figure of 10.5 percent at 6.6 percent. The Africa and Oceania regions, which accounted for a 0.3 percent revenue share, were at a similar level to the previous year. However, the delivery share to the various regions does not represent the final destinations of technotrans products. It should be assumed that the non-European share is much higher.

Revenue by region 2020/2019* (in %)



*Distribution according to invoice

technotrans conducts both standard and project business. In standard business, technotrans works with industrial customers (OEMs) predominantly on the basis of release orders that are fundamentally agreed for periods of several years. They normally cover the equipping of certain machine models with technotrans systems. The period between the release order and delivery is typically no more than four to six weeks. Information on order intake and order backlogs is not particularly meaningful here.

In project business, the specialist companies of the technotrans group develop and build individual customer solutions. The lead times for project orders are usually much higher than those for standard business. The level of project business is becoming increasingly important for the group. Growing market penetration in the focal markets Plastics, Energy Management and Healthcare & Analytics coupled with an adjusted product mix are cementing this development.

Gross profit for the group declined by 12.8 percent to € 53.4 million as against € 61.3 million in the previous year. The cost of sales, which comprises the cost of materials and personnel costs as well as other allocable costs, declined by only 6.5 percent in the year under review. This trend is a direct reflection of the capacity adjustment measures needed at very short notice due to COVID-19, and also of the consequences of the structural changes initiated within the technotrans group. The gross margin correspondingly went down to 28.1 percent (previous year: 29.5 percent). Compared with the decline in revenue, the cost of materials fell by only 9.7 percent year on year. The cost of purchased materials ratio (cost of materials relative to consolidated revenue) correspondingly improved to 39.6 percent from the prior-year level of 40.2 percent.

The technotrans group achieved consolidated revenue of € 190.5 million in the 2020 financial year. The year-on-year drop of 8.4 percent is due to the continuing restrictions from the pandemic. technotrans nevertheless remained profitable in 2020 and realised a **consolidated operating result (EBIT)** of € 6.8 million (previous year: € 8.3 million), keeping it within the original forecast range of € 6.0 to € 10.7 million. This represents a decrease of 18.7 percent compared with the previous year. The EBIT margin remained below the previous year (4.0 percent) at 3.6 percent, but exceeded expectations. The operating result includes non-recurring costs of € 3.2 million for structural and personnel adjustments as part of the strategic reorientation, and also non-recurring income from a terminated fine procedure (BaFin) of € 0.6 million. After stripping out these effects, adjusted EBIT came to € 9.4 million and the adjusted EBIT margin of 4.9 percent actually showed a year-on-year rise (previous year: 4.7 percent). The annual target last adjusted in November 2020, which envisaged EBIT in the range of € 4.6 to € 5.6 million and an EBIT margin of between 2.5 and 3.0 percent, was exceeded thanks to very good business progress in the fourth quarter.

The introduction of short-time at the German locations and other cost optimisation measures across the group yielded savings of € 4.7 million in the period under review.

The scheduled reduction of 65 employees as part of the "Future Ready 2025" strategic reorientation meant the employee total declined during the year under review from 1,474 (corresponding to 1,276 FTE) to 1,409 (corresponding to 1,231 FTE) at the end of 2020. However the personnel expenses ratio did not decline because of the marked fall in revenue, and despite the additional measures to adjust capacity. It reached a new record high of 39.8 percent in the 2020 financial year (previous year: 37.4 percent).

Margin development of technotrans group

	2020		2019		Change
	€ million	in %	€ million	in %	in %
Gross profit	53.4	28.1	61.3	29.5	-12.8
EBITDA	13.8	7.3	16.0	7.7	-13.5
EBIT	6.8	3.6	8.3	4.0	-18.7
EBT	6.1	3.2	8.2	3.9	-25.4
Net profit	5.0	2.6	6.1	2.9	-18.6

Distribution costs and administrative expenses exhibited an overall year-on-year fall of 10.7 percent, representing a decrease of € 4.8 million. While distribution costs were much lower than in 2019 at € 21.2 million (previous year: € 25.6 million), administrative expenses fell by 2.1 percent to € 18.4 million (previous year: € 18.8 million).

Development costs remained almost constant at € 7.3 million (previous year: € 7.6 million). The research and development spending ratio thus reached 3.9 percent (previous year: 3.6 percent). To step up the future pace of innovation and development, in 2020 technotrans also restructured the Research & Development area and therefore strategically reorganised it. Under the motto “Shaping the future through development” the main areas for the development project again spanned several energy-efficient thermal management systems and the development of a new pump technology for various application areas.

The balance of **other operating income and expenses** rose from € -0.5 million in the previous year to € 0.5 million. The change results mainly from the reversal through profit or loss of the provision created in the 2019 Consolidated Financial Statements for a pending fine procedure (BaFin) in the amount of € 0.6 million. There was an opposite effect in 2020 from the net exchange rate losses amounting to € 0.3 million due to high exchange rate fluctuations (previous year: balanced exchange rate effects). As in the previous year, no hedging instruments were used to reduce the impact of exchange rate fluctuations on the operating result.

After deduction of the expense items, the group achieved an overall **operating profit before depreciation and amortisation (EBITDA)** of € 13.8 million in the 2020 financial year (previous year: € 16.0 million). This produces an EBITDA margin of 7.3 percent, just down on the previous year’s figure of 7.7 percent.

Depreciation and amortisation of € 7.1 million was below the prior-year figure of € 7.7 million. € 4.5 million of this total applied to the Technology segment and € 2.6 million to the Services segment. € 2.0 million in depreciation for right-of-use assets from operating leases was reported in the year under review. The previous year’s figure included write-downs in the amount of € 0.6 million on land and buildings arising from the change of use for office and production space previously rented by Termotek (old property) in Baden-Baden. In the 2020 financial year an agreement was reached with the landlord to terminate the tenancy agreement which originally ran until summer 2023. The remaining depreciation and amortisation reflects the general investing activities of the group, which predominantly comprise replacement investment. € 1.0 million of this figure (previous year: € 1.0 million) is attributable to amortisation relating to purchase price allocation for previous acquisitions.

The **financial result** for the past financial year deteriorated by € 0.5 million compared with the previous year. The net interest came to € -0.6 million (previous year: € -0.1 million). In the previous year, there was elevated interest income from a final remeasurement of a conditional purchase price obligation (put/call options) for Ovidius GmbH. While interest income therefore declined by € 0.5 million in 2020, interest expenses remained constant at € 0.7 million in the year under review despite new borrowings.

Earnings before taxes fell by € 2.1 million to € 6.1 million (previous year: € 8.2 million). The **tax expense** for the past financial year declined to € 1.2 million (previous year: € 2.1 million). This produces an effective tax rate of 19.0 percent (previous year: 25.8 percent). A detailed presentation of tax expense is given in the Notes to the Consolidated Financial Statements under “28) Income tax expense”.

The technotrans group achieved a **consolidated result after tax (net profit)** of € 5.0 million (previous year: € 6.1 million) in the 2020 financial year. This represents a return of 2.6 percent (previous year: 2.9 percent). Earnings per share outstanding were roughly 18 percent down on the previous year at € 0.72 (previous year: € 0.88).

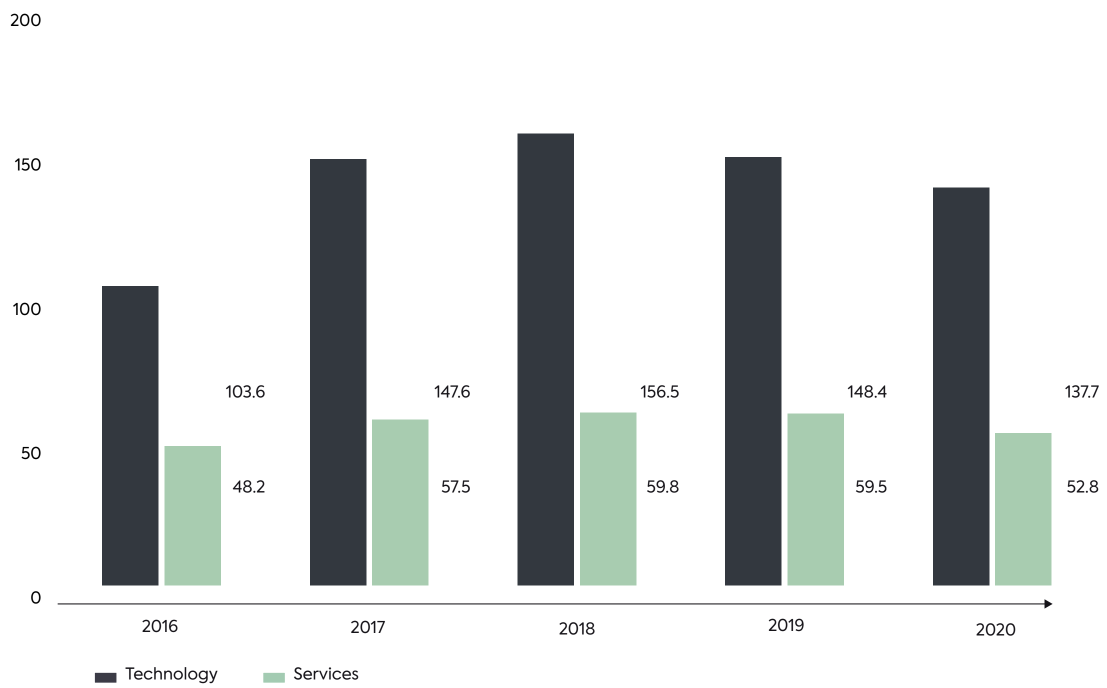
SEGMENT REPORT

Revenue for the **Technology** segment was down 7.2 percent in the 2020 financial year at € 137.7 million (previous year: € 148.4 million). Conversely the share of consolidated revenue rose from 71.4 to 72.3 percent. After a good start to the year, the revenue and earnings performance in the Technology segment was badly hit by the coronavirus pandemic from the second quarter. With the exception of business for new machinery in the plastics processing industry, all other subsidiary markets retreated noticeably in the 2020 financial year.

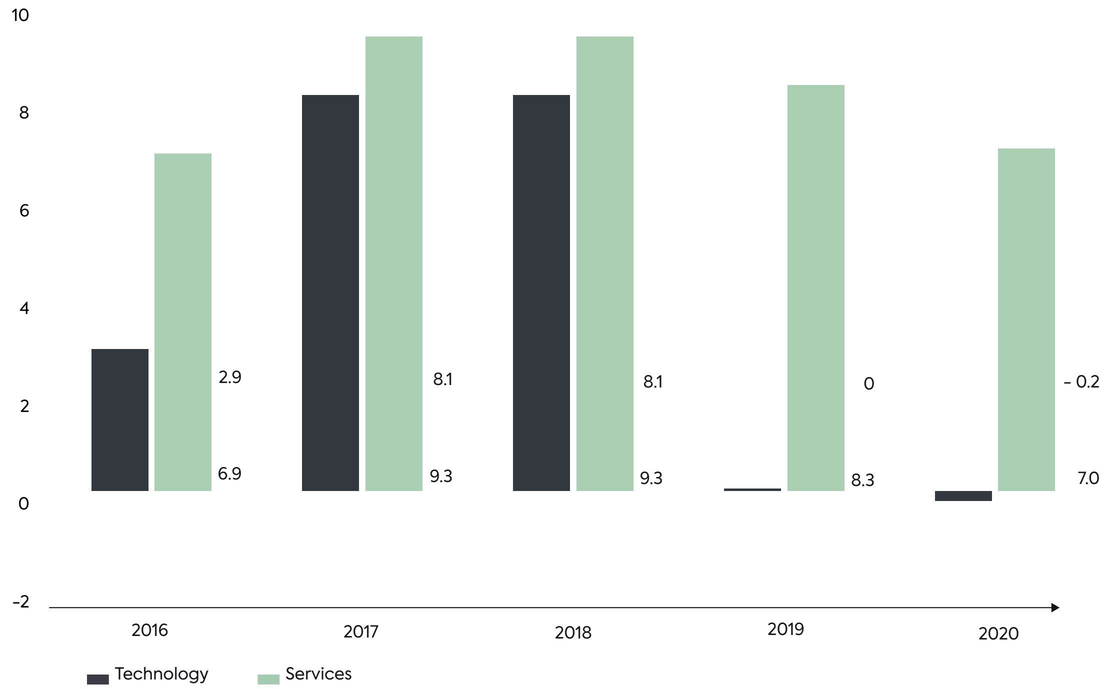
technotrans realised a substantial share of Technology segment revenue from German customers. The revenue share achieved domestically rose to 62.1 percent (previous year: 56.9 percent). The 24.4 percent revenue share in the remainder of Europe remained at the previous year's level (previous year: 24.2 percent). The figure for Asia was just under 6.7 percent (previous year: 11.9 percent). The revenue share for the Americas remained broadly stable at 6.6 percent (previous year: 6.8 percent). Other regions brought in 0.2 percent (previous year: 0.2 percent).

Despite the € 10.7 million fall in revenue, overall the result for the segment was almost balanced (€ -0.2 million), as in the previous year. The EBIT margin correspondingly declined from 0.0 percent to -0.1 percent. The fall is mainly attributable to the coronavirus-related weak revenue volume as well as extraordinary structurally related costs for capacity adjustments, along with pro rata non-recurring income allocable to the Technology segment from the termination of a fine procedure (BaFin). The balance of these items came to € -2.0 million. After elimination of these non-recurring effects, EBIT for the segment reached € +1.8 million with an EBIT margin of 1.3 percent, which was therefore higher than the adjusted result for the previous year (0.8 percent). The expectations of the Board of Management of achieving a positive operating result for the segment in the 2020 financial year after disregarding the planned structural costs were therefore achieved, despite the coronavirus-related slack business development. The business performance in the Technology segment is consequently satisfactory overall.

Revenue by segments (€ million)



EBIT by segments (€ million)



1,033 employees belonged to the Technology segment at the end of the year (previous year: 1,070). As in previous years, a figure for the general administrative areas has been included in this segment pro rata, based on revenue share. The shedding of 37 employees or 3.5 percent is mainly attributable to the structural measures taken by the Board of Management to adjust capacity at the production locations.

In the **Services** segment, revenue came to € 52.8 million and was therefore a clear 11.4 percent down on the previous year's level of € 59.5 million. Its share of consolidated turnover has dipped to 27.7 percent (previous year: 28.6 percent). The coronavirus-related lockdown in many technotrans sales markets, in combination with major restrictions on travel and visits for our service engineers, weighed on service business for the technotrans group in the year under review. Meanwhile the Technical Documentation area was affected by a reluctance to invest during the pandemic. Revenue for Technical Documentation was therefore unable to match the good prior-year level of € 7.4 million and revenue declined by 9.0 percent to € 6.7 million. While the share of parts business went down by 18.6 percent to € 24.3 million (previous year: € 29.9 million), other service business of € 21.7 million almost matched the prior-year level of € 22.2 million.

Within the segment, the revenue contributions in the other relevant markets were in retreat, with the exception of the other growth markets. In regional terms the revenue share achieved in Germany increased to 52.2 percent (previous year: 49.6 percent). On the other hand there were lower revenue contributions both in Asia, which contributed 6.4 percent of revenue (previous year: 7.2 percent) and in the Americas, on 15.2 percent (previous year: 17.2 percent). The share for the remainder of Europe of 25.7 percent was up slightly on the previous year's level (25.5 percent). The other regions accounted for an unchanged 0.5 percent.

The operating result (EBIT) for the Services segment came to € 7.0 million, compared with € 8.3 million in the previous year. The rate of return for the segment (EBIT margin) declined only slightly from 13.9 percent in the previous year to 13.3 percent in the 2020 financial year. The Services segment thus demonstrates its enduring robustness in terms of earnings margins. After adjustment for the non-recurring effects allocable pro rata to the segment in the amount of € 0.6 million, the rate of return for the segment stayed flat at 14.4 percent (previous year: 14.4 percent). The original target for 2020 of an at least constant rate of return for the segment was therefore also achieved. The Board of Management considers that the Services segment achieved a satisfactory performance overall, despite the considerable restrictions due to the COVID-19 pandemic.

376 employees belonged to the Services segment at the end of the year (previous year: 404). The shedding of 28 employees is mainly the result of organisational and structural changes at selected technotrans locations in Germany and internationally, and also at gds GmbH. As in previous years, a figure for the general administrative areas has been included in this segment pro rata, based on revenue share.

NET ASSETS

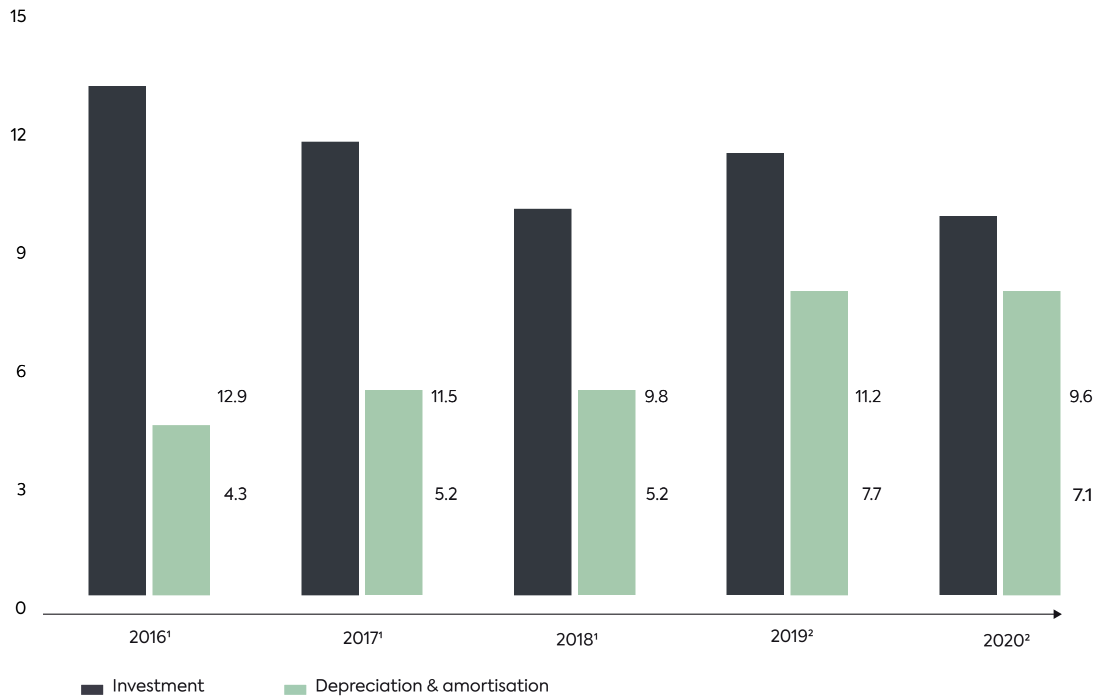
The **balance sheet total** at December 31, 2020 was up a slight 1.4 percent on the previous year at € 148.1 million (previous year: € 146.0 million).

Asset and capital structure (€ million)

Assets	2020	2019
Cash and cash equivalents	25.7	20.9
Receivables	21.1	24.0
Inventories	26.7	28.3
Other short-term assets	2.8	3.0
Long-term assets	71.8	69.8
	148.1	**146.0**

Equity and liabilities	2020	2019
Short-term debts	34.8	33.1
Long-term debts	33.9	37.8
Equity	79.4	75.1
	148.1	**146.0**

Investment and depreciation (€ million)



¹ of which addition from company acquisition (2018: € 1.4 million , 2017: € 7.2 million , 2016: € 11.3 million)

² of which addition from IFRS 16 leases (2020: € 1.4 million, 2019: € 1.8 million)

Assets

The rise in **non-current assets** from € 69.8 million to € 71.8 million is the result of the increased investments in property, plant and equipment in connection with the new building of Reisner Cooling Solutions GmbH in Holzwickede. The carrying amount for intangible assets showed a moderate decline to € 7.0 million (previous year: € 7.5 million). The impairment test carried out revealed no need for amortisation of goodwill, which is recognised at an unchanged € 23.5 million. Further explanations can be found in the Notes to the Consolidated Financial Statements, “3) Goodwill”.

Of the **investment spending** of € 9.6 million (previous year: € 11.2 million), € 8.0 million was for the Technology segment and € 1.6 million for the Services segment. The total also includes € 1.4 million from the addition of assets arising from leases (right-of-use assets in accordance with IFRS 16).

Working capital (inventories and trade receivables) declined by 8.6 percent to € 47.8 million at the balance sheet date (previous year: € 52.3 million). Other current assets amounted to € 2.8 million (previous year: € 3.0 million).

Cash and cash equivalents at the balance sheet date rose to € 25.7 million (previous year: € 20.9 million). The increase compared with the previous year is mainly attributable to the disbursement of € 5.0 million in short-term financing in the first half of 2020 to stave off potential coronavirus-related effects. Disregarding this inflow, the liquidity situation of the group remained stable in the 2020 financial year.

Equity and liabilities

Equity as reported at December 31, 2020 rose by € 4.3 million to € 79.4 million (previous year: € 75.1 million) as a result of a number of factors including the net result for the year. In the year under review, no dividend was distributed in line with the resolution of the Annual General Meeting. The equity ratio went up from 51.4 percent to 53.6 percent from reporting date to reporting date and continues to demonstrate how equity represents a substantively high proportion of the balance sheet total. This was therefore also above the target level of higher than 50 percent. The return on equity, which shows net income as a proportion of equity, reached 6.2 percent (previous year: 8.1 percent).

At the end of the 2020 financial year, **non-current liabilities** came to € 33.9 million and were therefore € 3.9 million below the previous year (€ 37.8 million). The fall is mainly attributable to a reduction in non-current financial liabilities of € 2.8 million to € 31.0 million (previous year: € 33.8 million). The raising of fresh financial resources to finance investments in fixed assets and short-term working capital within the technotrans group made use of the advantageous interest rate environment. Details of the structure of financial liabilities are provided in the Notes to the Consolidated Financial Statements, under the Notes to the Balance Sheet “12) Financial liabilities”. They are protected in part by mortgages.

There was only a moderate increase in **current liabilities** from € 33.1 million to € 34.8 million. Whereas current financial liabilities climbed to € 13.0 million following the raising of € 5.0 million in new loans (previous year: € 6.7 million), the remaining current liabilities all declined. Prepayments received fell by around € 1.0 million to € 3.2 million. These come mainly from project business at the group companies gwk, Reisner and technotrans.

The **employee benefits** contained within liabilities remained constant at € 6.0 million at the end of 2020. Of this amount, obligations of € 0.7 million (previous year: € 0.8 million) were reported under non-current liabilities. The short-term provisions amounting to € 3.5 million (previous year: € 3.9 million) consist of payments to be made under warranty in the amount of € 2.2 million (previous year: € 1.8 million) and **other provisions** of € 1.3 million (previous year: € 2.1 million).

Net working capital, calculated from current assets (inventories and trade receivables) less current liabilities (trade payables and advances received), declined slightly (-5.0 percent) to € 40.0 million (previous year: € 42.1 million). The net working capital ratio climbed from 20.2 percent to 21.0 percent.

The group’s **net debt**, calculated as the difference between current plus non-current interest-bearing borrowings and cash and cash equivalents, fell to € 21.5 million at the balance sheet date (previous year: € 24.2 million). Despite the 4.8 percent rise in financial liabilities (including lease liabilities) compared with the previous year, net debt remained below the prior-year figure thanks to a healthy liquidity situation. The ratio of net debt to equity (gearing) was 27.1 percent (previous year: 32.3 percent). Leverage ratio (net debt to EBITDA) was 1.6x (previous year: 1.5x), staying at a very solid level.

FINANCIAL POSITION

With its comfortable liquidity base, in conjunction with financing commitments by the banks, technotrans is able to invest flexibly at any time. For financing, technotrans calls on long-standing, partnership-based relationships with German banks. Stabilising factors in long-term financing include a broadly spread credit volume as well as a balanced repayment structure. Financial and liquidity management work pursues three goals: to safeguard adequate liquidity reserves, to limit risks and to optimise earnings and costs.

technotrans has chosen not to have its creditworthiness assessed by rating agencies because the presentation of such ratings has not previously been relevant for lenders. The assessments made by technotrans’ principal banks all confirm technotrans SE to be “investment grade”.

Again in 2020, technotrans covered its entire capital requirements from operating cash flow and by raising short and medium-term loans. Bank borrowings at the balance sheet date totalled € 44.0 million (previous year: € 40.5 million). Available but unused borrowing facilities amounting to € 9.8 million (previous year: € 16.0 million) are also in place.

The weaker development in earnings after tax in the 2020 financial year also impacted the operating cash flow. The operating cash flow before working capital changes (cash inflow) declined by € 2.5 million to € 13.3 million (previous year: € 15.8 million).

Cash flow (€ million)

	2020	2019
Cash flow from operating activities	13.3	15.8
Net cash flow from operating activities	12.2	16.8
Cash flow from investing activities	-8.3	-9.2
Free cash flow	3.9	7.6
Cash and cash equivalents at end of period	25.7	20.9

Conversely, the cash flow from operating activities in 2020 (net cash from operating activities) of € 12.2 million was below the prior-year figure of € 16.8 million. Within short-term tied operating assets, intensive/improved working capital management yielded a cash inflow as a result of reduced inventories (€ -1.6 million) and trade receivables (€ -2.9 million). On the other hand the changes within liabilities (including advances received) and provisions led to a cash outflow of the same magnitude as the assets, producing an overall balanced picture from working capital changes. Cash outflows for tax payments and interest paid again remained below the prior-year level at € 1.4 million (previous year: € 2.8 million).

The cash outflow from investing activities at the end of the financial year came to € 8.3 million (previous year: € 9.2 million). € 5.1 million of this sum comprised cash payments relating to the new buildings in Baden-Baden and Holzwickede. Further maintenance investments amounting to € 3.7 million (previous year: € 3.2 million) were spread across the other group companies.

The solid cash flow from operating activities resulted in a positive free cash flow of € 3.9 million despite the continuing high level of investing activity. The declared aim of generating a positive free cash flow was achieved in full.

The net cash used for financing activities showed an overall cash inflow of € 1.2 million in the 2020 financial year (previous year: € 2.4 million cash outflow). The raising of short-term and long-term loans produced a liquidity inflow of € 10.5 million. A total of € 6.7 million (previous year: € 11.4 million) was used for the scheduled repayment of borrowings (loan redemptions). € 2.6 million was used for the repayment of lease liabilities (IFRS 16) (previous year: € 2.4 million). No distribution (dividend payment) was made to technotrans shareholders in the 2020 financial year (previous year: € 6.1 million).

Within its overall financing, the technotrans group had a suitable level of liquidity at its disposal at the end of 2020. Cash and cash equivalents came to € 25.7 million and were therefore up on the prior-year figure of € 20.9 million. From a capital management perspective the group's liquidity can be considered comfortable. technotrans therefore remains in a position to meet its payment obligations from business operations at any time also in the 2021 financial year.

Economic development of technotrans SE

The annual financial statements of technotrans SE are prepared according to the German Commercial Code (HGB) and published in the Federal Official Gazette, unlike the Consolidated Financial Statements, which follow the International Financial Reporting Standards (IFRS as adopted in the EU). The Management Report of technotrans SE and the group Management Report are combined in accordance with the requirements of Section 315 (5) HGB in conjunction with Section 298 (2) HGB. The development of technotrans SE as outlined below is based on its annual financial statements.

BUSINESS MODEL OF TECHNOTRANS SE AND ECONOMIC ENVIRONMENT

technotrans SE is a listed technology and services enterprise with worldwide operations, with its head office in Sassenberg, in the Münsterland region. Its core skills focus on application-specific solutions in the area of thermal management. This comprises energy optimisation and management of the temperatures encountered in sophisticated technological applications. In addition technotrans SE develops, manufactures and sells equipment and systems for industrial applications in the areas of filtering/separating and spraying/pumping liquids. It uses its own employees and subsidiaries for its sales operations. It directly and indirectly holds 18 operating companies and also encompasses the central functions of the group. The economic environment for technotrans SE is essentially the same as for the technotrans group. The management approach for the group parent follows the same principles as for the group.

RESULTS OF OPERATIONS

The business development of technotrans SE was severely limited by the effects of the COVID-19 pandemic especially from the second quarter of the 2020 financial year. Revenue declined by 7.8 percent to € 74.2 million (previous year: € 80.5 million). As such it missed the original annual forecast of a steady revenue performance on a par with the previous year (plus/minus three percent), primarily because of the printing industry's palpable reluctance to invest. At around 16.8 percent, the intragroup share of overall revenue remained almost unchanged from 2019 (16.4 percent).

€ '000	2020	2019
Revenue	**74,205**	**80,470**
Inventory change	-1,118	-315
Other own work capitalised	625	0
Total output	**73,712**	**80,155**
Other operating income	2,239	1,601
Cost of material	30,771	34,642
Personal expenses	29,061	29,702
Depreciation and amortisation	1,452	1,399
Other operating expenses	11,496	12,025
Net finance costs	3,129	4,366
Result on ordinary activities	**6,300**	**8,354**
Taxes	1,412	2,174
Annual net profit	**4,888**	**6,180**
Profit carried forward	6,841	3,661
Transfer to retained earnings	2,400	3,000
Net profit	**9,328**	**6,841**

Direct business with customers in the printing industry again brought in the highest share of revenue in 2020, at € 43.2 million. However revenue was 17.0 percent down on the prior-year figure. Despite the difficult market environment caused by the coronavirus, there was welcome growth of € 2.6 million in direct revenue in markets outside the printing industry. Compared with the previous year, the laser and machine tool industry brought higher overall revenue contributions from new machinery business. Business involving new end customer projects in the growth markets electric mobility and scanner technology was also successfully expanded. Revenue rose by around € 2.1 million (+28.6 percent) to € 9.4 million.

The revenue share of the Technology segment of € 50.1 million was markedly down on the previous year (€ 55.0 million). The Services segment was likewise unable to match the prior-year revenue of € 25.5 million due to the impact of the COVID-19 pandemic, and declined by € 1.4 million (-5.5 percent) to € 24.1 million.

The **cost of purchased materials** for technotrans SE of € 30.8 million was 11.2 percent down on the prior-year figure (previous year: € 34.6 million). This meant the cost of purchased materials ratio in relation to aggregate operating performance declined from 43.2 percent to 41.7 percent.

Personnel expenses fell by € 0.6 million overall (-2.2 percent) in the 2020 financial year to € 29.1 million (previous year: € 29.7 million), prompting a rise in the personnel expenses ratio from 37.1 percent to 39.4 percent of the aggregate operating performance because of the lower revenue level. Personnel expenses include both extraordinary costs in connection with personnel cutbacks (€ 1.5 million) and the positive earnings impact from implementing short-time (€ 1.8 million) over the period April to December 2020. The average number of employees declined from 507 in the previous year to 493 in the year under review.

Other operating income of € 2.2 million showed a rise of € 0.6 million on the previous year (€ 1.6 million). Income unrelated to the accounting period accounted for € 1.4 million of this amount (previous year: € 0.5 million). It comprises mainly income from the reversal of provisions: a provision for personnel and also a provision created in the 2019 annual financial statements for a pending fine procedure (BaFin). Foreign exchange gains came to around € 0.2 million (previous year: € 0.1 million).

Other operating expenses of € 11.5 million showed a fall of € 0.5 million compared with the previous year (€ 12.0 million). Sales commissions amounted to € 0.7 million (previous year: € 0.9 million). These flowed almost in entirety to own subsidiaries. IT costs were broadly unchanged from the previous year at € 1.4 million. € 1.0 million was spent on shipping in the financial year (previous year: € 1.3 million). Expenditure on warranties declined to € 0.4 million (previous year: € 0.5 million).

Depreciation and amortisation on property, plant and equipment as well as on intangible assets totalled € 1.5 million for the financial year (previous year: € 1.4 million).

technotrans SE posted an overall **financial result** of € 3.1 million (previous year: € 4.4 million). This includes income from investments amounting to € 3.1 million (previous year: € 4.4 million), which comprises € 1.2 million in distributions by subsidiaries as well as € 1.9 million in profit transfers from Termotek GmbH and gds GmbH on the basis of the existing profit and loss transfer agreements (PLTAs) (previous year: € 3.1 million). The interest result improved from € -0.1 million in the previous year to a balanced position.

RECONCILIATION OF NET INCOME FOR THE YEAR WITH EARNINGS BEFORE THE FINANCIAL RESULT AND INCOME TAXES (EBIT)

€ '000	2020	2019
Net profit for the period (Income Statement)	**4,888**	**6,180**
Income from investments (-)	1,212	1,338
Income from profit transfer agreements (-)	1,939	3,114
Interest and similar income (-)	409	248
Income from loans held as financial assets (-)	52	83
Interest and similar expenses (+)	482	417
Income tax expense (+)	1,341	2,103
Earnings before interest and taxes (EBIT)	**3,099**	**3,917**

Earnings before the financial result and income taxes (EBIT) came to € 3.1 million (previous year: € 3.9 million) and were therefore within the expected range (€ 2.0 to € 4.0 million). This represents an EBIT margin of 4.2 percent (previous year: 4.9 percent). For the 2020 financial year, the Board of Management had set an EBIT margin of 3 to 5 percent as the earnings target for technotrans SE, which was thus achieved. The earnings performance in the year under review was significantly shaped by the measures planned and implemented in 2020 to adjust personnel capacity (non-recurring structural costs amounting to € 2.1 million) as well as by the positive effects of the introduction of short-time (€ 1.8 million), along with the reversal of provisions in connection with the ending of an administrative offence procedure involving the Federal Banking Supervisory Authority (BaFin) in the amount of € 0.6 million.

Current **income tax** for the 2020 financial year totalled € 1.3 million (previous year: € 2.1 million).

Net income for the year of € 4.9 million is reported for the 2020 financial year (previous year: € 6.2 million).

NET ASSETS AND FINANCIAL POSITION

The **balance sheet total** of technotrans SE grew by € 4.9 million, from € 110.4 million at December 31, 2019 to € 115.3 million (+4.4 percent).

Assets

€ '000	31/12/2020	31/12/2019
Fixed assets	**53,065**	**52,766**
Inventories	9,858	11,747
Receivables and other assets	35,721	33,512
Cash and cash equivalents	16,034	11,429
Current assets	**61,613**	**56,688**
Deferred items	**578**	**551**
Deferred tax assets	**0**	**351**
Total assets	**115,256**	**110,356**

Equity and liabilities

€ '000	31/12/2020	31/12/2019
Issued capital	6,908	6,908
Capital reserve	19,096	19,096
Retained earnings	41,106	38,706
Accumulated profit	9,328	6,841
Equity	**76,438**	**71,551**
Provisions	**5,312**	**6,160**
Liabilities	**33,276**	**32,635**
Deferred items	**30**	**10**
Deferred tax liabilities	**200**	**0**
Total equity and liabilities	**115,256**	**110,356**

Fixed assets at the balance sheet date rose from € 52.8 million to € 53.1 million. The intangible assets increased by € 1.1 million to € 1.9 million in the year under review. The rise is attributable to the first-time recognition and reporting of self-constructed intangible fixed assets (development costs) in order to improve presentation of the financial position and results of operations. Conversely, property, plant and equipment showed a further slight year-on-year decrease of € 0.5 million to € 8.0 million from depreciation and amortisation. Within investment assets, a capital reduction (€ 0.3 million) at the affiliated company technotrans graphics ltd., United Kingdom, compared with the previous year produced a change; the shares in affiliated companies came to € 43.1 million overall.

Inventories of € 9.9 million (previous year: € 11.7 million) were down € 1.9 million on the previous year's level.

Receivables and other assets climbed by € 2.2 million, from € 33.5 million to € 35.7 million. Of this amount, receivables from affiliated companies account for € 27.9 million (previous year: € 25.9 million). technotrans SE extended new loans amounting to € 6.9 million to the subsidiaries gwk Gesellschaft Wärme Kältetechnik mbH, technotrans Grundstücksverwaltungs GmbH, gds GmbH, klh Kältetechnik GmbH, Reisner Cooling Solutions GmbH and Termotek GmbH.

Cash rose from € 11.4 million to € 16.0 million at the balance sheet date.

Equity grew to € 76.4 million on the basis of the increased accumulated profit (previous year: € 71.6 million). In agreement with Section 58 (2) of the German Stock Corporation Act (AktG), a total amount of € 2.4 million was allocated to retained earnings from the net income for 2020. The equity ratio was 66.3 percent (previous year: 64.8 percent).

Liabilities and **provisions** of € 38.6 million overall at the balance sheet date were almost at the previous year's level (previous year: € 38.8 million). The balance of current and non-current bank borrowings shifted only minimally in the year under review (€ +0.6 million). Newly raised short-term loans in the amount of € 5.0 million as part of the drive to maintain adequate liquidity reserves to guard against potential coronavirus-related effects were mostly offset by the scheduled repayment of borrowings amounting to € 4.4 million.

The **cash flow from operating activities** (net cash) for the 2020 financial year reached € 4.8 million (previous year: € 6.2 million). The change in net working capital produced an overall cash inflow of € 2.9 million. Of this sum, reducing inventories accounted for € 1.9 million and receivables and other assets for € 1.0 million.

With regard to the **cash flow from investing activities**, cash payments for investments in fixed assets amounted to € -2.1 million in the period under review (previous year: € -0.8 million). Intangible assets accounted for € 1.5 million of this sum. Cash receipts from the scaling-back of loans of subsidiaries as well as from interest payments received and dividend distributions came to € 5.4 million (previous year: € 6.1 million). Cash payments for loans extended to affiliated companies came to € -3.9 million in the financial year (previous year: € -5.9 million). Overall, the cash inflows and outflows produced a slightly negative cash flow from investing activities of € -0.4 million (previous year: € -0.5 million).

The **cash flow from financing activities** in the period under review revealed a cash inflow of € 0.2 million (previous year: cash inflow of € 0.5 million). This is made up of new short-term loans raised in the amount of € 5.0 million (previous year: € 13.5 million) in connection with the adjustment of the intra-group financing structure, cash outflows from the scheduled repayment of loans in the amount of € 4.4 million (previous year: € 6.5 million) as well as interest payments (€ 0.4 million, previous year: € 0.4 million). No dividend was distributed to the shareholders of technotrans SE in the year under review due to the coronavirus, based on the resolution of the Annual General Meeting on May 20, 2020 (previous year: € 6.1 million).

EMPLOYEES

At December 31, 2020 technotrans SE had a total of 475 employees; this was 35 fewer than at the end of 2019. The number of employees receiving vocational training was 45 (previous year: 54).

Of this total, 374 belonged to the Technology segment (previous year: 399). There were 101 employees in the Services segment (previous year: 111).

OPPORTUNITIES AND RISKS

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

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

The opportunities and risks for the group are presented in the Combined Management Report (chapter: Opportunities and Risks Profile).

OUTLOOK

In view of technotrans SE's ties with the group companies as well as its importance within the group, the Board of Management refers to its comments in the Report on Expected Developments, which in particular reflect our expectations for the parent company.

Overall statement by the Board of Management on the 2020 financial year

The COVID-19 virus was the dominant issue worldwide in the 2020 financial year.

The COVID-19 virus was the dominant issue worldwide in the 2020 financial year. Having emerged at the start of the year as an infectious disease limited to one continent, it developed into a worldwide pandemic of an unprecedented scale that caused the global economy to hold its breath. The action required to hold it in check, often involving drastic measures, significantly impeded global economic activity and led to a sharp decline in economic output. Public life, too, temporarily ground to a halt. However with the easing of restrictions after the first wave of infections, production picked up again discernibly. technotrans actively faced up to the challenges of the COVID-19 pandemic and handled them to the best of its ability, with the result that business operations and supplies to customers were assured at all times throughout the year.

In the Combined Management Report for the 2019 financial year, the Board of Management had reported that it expected revenue to grow to between € 204 and € 214 million and an operating result (EBIT) of € 6.0 to € 10.6 million for the year under review of 2020. The coronavirus meant these revenue and earnings targets could not be achieved.

The first quarter of the 2020 financial year still progressed according to plan thanks to a high backlog of orders placed in the previous year for long-term capital goods. However from the second quarter, all relevant markets of technotrans SE experienced a coronavirus-related reluctance to invest; this impacted the year as a whole in the form of a noticeable decline in revenue and orders. In addition, the legal requirement to restrict travel and contact was the main factor that weighed on service business in particular. Nevertheless, technotrans succeeded in bringing the 2020 financial year to a profitable close thanks to the structural measures already kicked off before the pandemic, in conjunction with the instrument of short-time.

Whereas the business situation in the printing industry stabilised somewhat in the second half, revenue from the laser and machine tool industry and from some of the growth markets remained slack. Conversely business from the plastics processing industry progressed well, as expected. Over the year as a whole, this market segment even bettered the prior-year revenue figure. Towards the end of the year the book-to-bill ratio for the main technotrans group plants reached 1.02 and can therefore be taken as an indication of a return a course of growth. However it remains to be seen how the hard lockdown imposed in Germany in mid-December will affect the economy as a whole, and especially the 2021 financial year.

In our Nine-Month Report for 2020 we reviewed our expectations for 2020 as a whole and envisaged revenue in the order of € 185 million, with an EBIT margin of between 2.5 and 3.0 percent. Thanks to a noticeable uptick in business in the fourth quarter of 2020, the adjusted annual targets for both revenue and earnings were exceeded.

Revenue for the 2020 financial year overall declined by 8.4 percent to € 190.5 million and the operating result fell by 18.7 percent to € 6.8 million. Despite the outlay for the structural measures that were already kicked off prior to the pandemic, in preparation for the group's strategic reorientation, it proved possible to achieve an operating result and an associated EBIT margin of 3.6 percent, which lay within the original target range of 3 to 5 percent.

Even if the development of the technotrans group did not meet every expectation in the 2020 financial year due to the coronavirus pandemic, the Board of Management is on the whole satisfied with the group's business performance. The economic circumstances of the group, in particular the group equity ratio, free cash flow and gearing ratio, remain solid. Throughout the entire financial year no government support loans were used. This means the group was and is at all times able to pursue possible strategic options from a position of strength.

Overall, expectations of the future business performance of the technotrans group are positive. These are based mainly on the solid growth prospects that were presented by the Board of Management in mid-December and outlined in the strategy paper "Future Ready 2025". Both the future policy of concentrating on selected focal markets and the new one-brand strategy were presented under the "power to transform" claim.

The Board of Management also confirms the medium and long-term target figures for 2025. These include consolidated revenue of € 265 to € 285 million (organic, without acquisitions) and a margin range of 9.0 to 12.0 percent for the consolidated operating result (EBIT margin). The target for ROCE is a double-digit percentage of > 15 percent.

technotrans has always striven for balanced growth in revenue and earnings. The company aims to continue enabling its shareholders to participate in this suitably. With that in mind, the Board of Management and Supervisory Board of technotrans SE will propose to the Annual General Meeting in May 2021 that a dividend of € 0.36 (previous year: € 0.00) per no par value share be distributed for the 2020 financial year. This amount represents the upper end of our target distribution rate of 50 percent.

Remuneration report

The Remuneration Report contains the basic features of the remuneration system and also explains the itemised remuneration by individual member of the Board of Management and Supervisory Board of technotrans SE, as well as particulars of fringe benefits provided by the company for each individual member.

Remuneration System of the Board of Management

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

For purposes of retirement provision, the company moreover makes contributions to a provident fund and a group accident insurance policy. In addition, company cars are available to the members of the Board of Management, who are reimbursed travel and other allowable expenses. The policies for the D&O insurance cover taken out by the company for the Board of Management members envisage an excess amounting to one and a half times the fixed annual income.

There is also a cap on termination indemnities amounting to a maximum of one year's salary. The overall remuneration of each Board of Management member is approved by the Supervisory Board. No share-based payment components were envisaged for the 2020 financial year.

In light of the company's introduction of a new Board of Management remuneration system from January 1, 2021, at its meeting on February 2, 2021 the Supervisory Board decided to offer the Board of Management members a one-off payment in lieu of all management bonus entitlements that have already arisen or could arise in the future in respect of the 2020 financial year. The level of the compensatory payment corresponds to the first 50 percent of the management bonus to which the Board of Management members were already entitled based on target attainment, as well as the second 50 percent of the management bonus for which corresponding target attainment in the two subsequent years was assumed. In return, however, the Board of Management members must undertake to invest half of the total net amount received in shares in the company, and to hold these for at least two years. The relevant amounts are recorded in the following remuneration table for the 2020 financial year as sustainability-oriented management bonus. All Board of Management members serving in 2020 subsequently concluded this agreement.

The level of target attainment for measurement of the variable remuneration component in the 2020 financial year was 63 percent according to the target agreement (previous year: 42 percent). Only in the event of exceptional occurrences is the Supervisory Board authorised to adjust the remuneration parameters in the course of a given year.

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

		Fixed basic remuneration	Variable remuneration component bonus[1]	Benefits in the event of normal termination of activity[3]	Fringe benefits	Total remuneration	Sustainability oriented bonus[4]
€ '000							
Michael Finger Spokesman of the Board/ Member of the Board	2020	157	27	30	17	231	27
since May 1, 2020	2019	0	0	0	0	0	0
Dirk Engel Member of the Board	2020	256	60	30	20	366	60
since August 1, 2006	2019	246	0	30	21	297	32
Peter Hirsch Member of the Board	2020	200	41	30	17	288	41
since July 1, 2018	2019	135	50[2]	30	29	244	7
Hendirk Niestert Member of the Board	2020	150	32	30	17	229	32
since February 1, 2018	2019	140	0	30	17	187	14
Henry Brickenkamp Member of the Board	2020	0	0	0	0	0	0
until June 30, 2018	2019	0	0	0	0	0	18

[1] The variable remuneration component consists of a pro rata entitlement for the year under review and of the sustainability-oriented bonus
[2] Special bonus of € 50 thousand for the termotek construction project in Baden-Baden
[3] Company remuneration for defined contribution plans
[4] Remuneration entitlement 2020 to be invested by the respective Member of the Board of Management in shares of the company (holding period at least two years)

Remuneration of the Supervisory Board

The Annual General Meeting passed the remuneration rules for the Supervisory Board of technotrans SE on May 20, 2020, taking effect from June 1, 2020. These are laid down in Article 17 of the Articles of Incorporation of technotrans SE.

Bearing in mind that the demands on the supervisory and advisory activities of the Supervisory Board have steadily risen over time – and again recently as a result of ARUG II – and in consideration of the extensive strategic tasks that the Supervisory Board members are expected to take on, the overall structure of Supervisory Board remuneration was adjusted to a level that reflects the market conditions and the scope of responsibilities. In addition, the adjustments to Supervisory Board remuneration are intended to reflect and follow the suggestions and recommendations of the German Corporate Governance Code (DCGK) more closely. One consequence of the new ARUG II and DCGK rules that will also apply to technotrans SE from the 2021 Annual General Meeting is that in future the Annual General Meeting must pass a resolution on the remuneration of the Supervisory Board at regular intervals, pursuant to Section 113 AktG, new version. Such a resolution pursuant to Section 113 (3) AktG, new version, shall only take place once the new rules apply to technotrans SE, and is currently envisaged for the Annual General Meeting in 2021.

The new Supervisory Board remuneration takes the form of purely fixed remuneration. The previous short-term variable remuneration components are dispensed with altogether. In essence, the remuneration comprises a variety of fixed components depending on the scope of duties of each Supervisory Board member.

The members of the Supervisory Board receive a fixed remuneration of € 30,000 for each full financial year; the Chair receives double the fixed amount of remuneration, and the Deputy Chair one and a half times the fixed amount. In addition, membership of the committees formed by the Supervisory Board is remunerated at € 5,000 annually, or at € 7,500 for membership of the Audit Committee. The members of the Supervisory Board also receive an attendance fee of € 1,500 for each Supervisory Board meeting in which they take part, and an attendance fee of € 500 for each committee meeting (the Chair of a committee receives double the amount).

Furthermore, section 17 (4) of the Articles of Incorporation contains a flexibility clause under which the Annual General Meeting may in future resolve a long-term variable remuneration component for the Supervisory Board. However, this is not yet envisaged in the version currently applicable. Expenses incurred in the course of exercising the mandate and the value-added tax due on the remuneration are reimbursed.

The new provision in the Articles of Incorporation on Supervisory Board remuneration applies for the period from June 1, 2020; this means that the remuneration due for the period from January 1, 2020 to May 31, 2020 was still determined and payable according to the previous provisions in the Articles of Incorporation. The variable remuneration component is based on the consolidated net income declared in the 2020 Consolidated Financial Statements. No share-based payment components are envisaged.

In addition to the above total remuneration for the Supervisory Board, the employee representatives on the Supervisory Board receive remuneration in their capacity as employees, on the basis of their contracts of employment.

The company has taken out a group liability insurance policy for governing body members (Board of Management and Supervisory Board) and certain group employees. The policy for the 2020 financial year contains an excess for the members of the Board of Management and Supervisory Board. For the Board of Management, the excess is one and a half times the fixed annual income and for Supervisory Board members, the variable remuneration component in the year in which a claim is established. Because of the changed recommendations of the DCGK as amended on December 16, 2019 the policy for the 2021 financial year no longer contains an excess for the members of the Supervisory Board.

The remuneration for the individual members of the Supervisory Board was as follows for the 2020 financial year:

	2020							2019		
				Supervisory Board activity		Committee activity				
€ '000	Total remune-ration	of which fixed [1]	of which variable [2]	Fixed remune-ration	Meeting fee	Fixed remune-ration	Meeting fee	Total remune-ration	of which fixed	of which variable
Heinz Harling (Chairman)	88	80	8	43	3	20	14	53	30	23
Andrea Bauer (since May 20, 2020)	44	44	-	18	3	15	8	-	-	-
Dr Norbert Bröcker (Deputy Chairman)	55	49	6	32	3	8	6	37	20	17
Dr Wolfgang Höper	42	38	4	22	3	11	2	32	20	12
Dieter Schäfer (until May 20, 2020)	10	6	4	4	0	2	0	27	15	12
Andre Peckruhn (since May 10, 2019)	29	25	4	22	3	0	0	13	6	7
Thorbjørn Ringkamp (since May 10, 2019)	29	25	4	22	3	0	0	13	6	7
Reinhard Aufderheide (until May 10, 2019)	0	-	-	-	-	-	-	9	4	5
Thomas Poppenberg (until May 10, 2019)	0	-	-	-	-	-	-	9	4	5
Total remuneration	**296**	**267**	**29**	**163**	**18**	**56**	**30**	**193**	**105**	**88**

[1] consists of fixed remuneration + Meeting fee of Supervisory Board activities and Committee acitivities

[2] Basis: Articles of Incorporation until May 31, 2020

The members of the Supervisory Board in addition received a total of € 9,302 in the 2020 financial year in reimbursement of their expenses.

Takeover relevant disclosures

The following disclosures satisfy the requirements pursuant to Section 289a (1) HGB and Section 315a (1) HGB.

1

The issued capital (share capital) at December 31, 2020 remains unchanged and comprises 6,907,665 fully paid no par value shares each representing a nominal amount of € 1.00 of the share capital. The shares of technotrans SE are registered shares. Exclusively ordinary shares have been issued. The rights and obligations they carry are in line with the relevant statutory requirements, taking account of the requirements under the Articles of Incorporation of technotrans SE. The Board of Management has not been notified of any voting trust agreements between shareholders.

2

At December 31, 2020 Gerlin N.V., Midlin N.V. and Luxempart S.A. have shareholdings in the share capital of technotrans SE that exceed 10 percent in total. Pursuant to the voting rights notifications published on December 2, 2020 Gerlin N.V., Midlin N.V. and Luxempart S.A. concluded an "acting in concert agreement" with effect from December 1, 2020. According to the voting rights notification published on December 21, 2020 the shareholding of these shareholders in the share capital of technotrans SE amounts to 24.57 percent in total. No other direct or indirect interests in the capital amounting to more than ten percent of the voting rights are known.

3

All shares carry identical rights. No shares are equipped with special rights, in particular none imparting authority to control.

4

Employees participating in the capital exercise their voting rights directly.

5

The statutory requirements pursuant to Articles 39, 40 of the SE Regulation on the appointment and dismissal of the members of the Board of Management are applied. Over and above these, the provisions of the Articles of Incorporation are to be observed. Over and above the requirement of Article 46 of the SE Regulation the Supervisory Board appoints the members of the Board of Management, as specified in the Articles of Incorporation and Section 84 AktG, for a maximum of five years.
To amend this point in the Articles of Incorporation, pursuant to Section 179 AktG in conjunction with Section 21 (2) of the Articles of Incorporation the Annual General Meeting must pass a resolution by a simple majority.

6

The Board of Management is, with the consent of the Supervisory Board, authorised to increase the share capital on one or more occasions by up to a total of € 3,450,000 until May 17, 2023, through the issue of new shares against contributions in cash or in kind. No use was made of this authorisation in 2020. The subscription right of the shareholders may be excluded insofar as the requirements of Section 186 (3) fourth sentence AktG are met or insofar as the purpose is the acquisition of companies or participating interests in companies or other assets, if the acquisition or participating interest is in the properly understood interests of the company. Other than that, the subscription right may only be excluded for the purpose of compensating for fractional amounts. In addition the Board of Management of the company is authorised until May 17, 2023 to acquire treasury shares up to 10 percent overall of the share capital existing at the time of the resolution, or at the time of this authorisation being exercised, if the latter figure is lower. If acquired by stock exchange dealings, the purchase price per share shall not exceed or undercut by more than 10 percent the average XETRA closing price (or, insofar as the XETRA closing price serves as the basis for this authorisation, the closing price determined by a successor system taking the place of the XETRA system) on the Frankfurt Stock Exchange on the five trading days preceding the acquisition. If acquired on the basis of a public offer to buy, the acquisition price per share (excluding incidental acquisition costs) shall not exceed or undercut by more than 10 percent the average XETRA closing price on the Frankfurt Stock Exchange on the eighth to fourth trading day (in each case inclusive) before disclosure of the offer to buy.

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

The Board of Management is furthermore authorised to dispose of the acquired shares via the stock market or to third parties, by cash sale. In these cases the selling price shall not undercut the average XETRA closing price on the Frankfurt Stock Exchange on the five trading days prior to sale by more than 5 percent.

The Board of Management is, with the consent of the Supervisory Board, moreover authorised to dispose of the acquired treasury shares in a manner other than by sale on the stock market or by offering them to all shareholders if they are offered to and transferred to third parties in exchange for contributions in kind, especially for the acquisition of businesses or of participating interests in businesses or of other assets. The price at which the acquired treasury shares are surrendered to a third party shall not significantly undercut the average XETRA closing price on the Frankfurt Stock Exchange on the last five trading days before the concluding of the agreement on the acquisition of the contribution in kind in question. The acquired treasury shares may also be used in fulfilment of obligations in respect of conversion options granted as a result of the issuing of convertible bonds.

The subscription right of the shareholders is excluded for the use of treasury shares in the last three cases.

The Board of Management is in addition authorised, in accordance with the resolution of the Annual General Meeting of May 18, 2018 and with the consent of the Supervisory Board, to issue bonds with a term of a maximum of twenty years on one or more occasions up until May 17, 2023 of an aggregate nominal amount of up to € 100 million and to grant the bearers of bonds conversion options on 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 conditional on a change of control following a takeover bid.

8

No compensation has been agreed with the members of the Board of Management or with employees in the event of a takeover bid.

Combined non-financial statement of technotrans SE and the technotrans group in accordance with section 289b et seq., 315b et seq. HGB

The “Future Ready 2025” group strategy focuses on sustained growth led by long-term profit. technotrans combines long-term corporate success with economic, social, societal and ecological responsibility. The Board of Management believes a sustainable, responsible stance is a fundamental requirement for acquiring new customers, unlocking additional markets, always having access to sufficient financial resources and positioning the company as an attractive employer.

Through this separate non-financial report, technotrans meets its obligation to disclose non-financial information for the 2020 financial year in accordance with the regulations of Sections 289b–e HGB on the Non-Financial Statement, and of Sections 315b–c HGB on the Non-Financial group Statement and Non-Financial group Report. Pursuant to Section 315b (1) sentence 1 HGB, this report applies to both technotrans SE and the technotrans group. Its purpose is to inform all stakeholders about the current status of sustainability and relevant aspects specifically for technotrans SE and the technotrans group.

By way of a guide, in preparing the Non-Financial Statement we made reference to recognised frameworks such as the German Sustainability Code (DNK) and the guidelines of the UN Global Compact, as well as the EFFAS (European Federation of Financial Analyst Societies) performance indicators. The Non-Financial Statement for the 2020 financial year was reviewed by the Supervisory Board of technotrans SE.

BUSINESS MODEL

The technotrans group is a technology and services group with worldwide operations, with its head in Sassenberg, in the Münsterland region. The company’s core skill focuses on application-specific solutions in the area of thermal management. The group parent is technotrans SE. For a detailed description of the business model, please refer to the section “Basic profile of the group” in the Combined Management Report of this Annual Report.

SUSTAINABILITY MANAGEMENT

As a globally active group, technotrans is exposed to underlying conditions that are continually changing. These also include sustainable corporate governance requirements on the part of our stakeholders. We respond by maintaining a transparent, constructive dialogue and by handling opportunities and risks responsibly. This enables us to assure the long-term success of our entrepreneurial activities.

An effective compliance and risk management system tailored to the group and an internal control system (ICS) not only comply with the legal requirements, but also help secure our entrepreneurial targets and therefore our long-term viability and competitiveness.

For us, it is a matter of course that all entrepreneurial decisions throughout the group conform to the applicable laws, internal rules and voluntary commitments. Among other things we support the Global Compact initiative of the United Nations (UN Global Compact). This is a strategic initiative that seeks to promote socially responsible practices (corporate social responsibility) and sustainability in organisations and enterprises. Its centrepiece is ten principles spanning human rights, labour standards, environmental protection and anti-corruption measures. The initiative pursues the overriding goal of consistently shaping the social and ecological aspects of globalisation in accordance with these principles.

We also want to see our employees actively embrace sustainability in their day-to-day actions. We have therefore reflected the principles of the UN Global Compact in the content of our globally valid Code of Conduct. This document also constitutes the corporate compliance guideline of the technotrans group. It defines standards on how our employees should deal with each other and on how to behave towards our stakeholders such as customers, suppliers, government agencies and business partners. It also contains important regulations on the issues of occupational safety, data protection, IT security, anti-corruption, competition law, money laundering regulations and environmental protection. As such, it constitutes an important tool for implementing our sustainability strategy.

Every new employee receives a written copy of it together with their employment contract. From 2021, employees will also be given training on the technotrans Code of Conduct and current compliance regulations via the e-learning platform "technotrans Campus".

The current version of the technotrans Code of Conduct can be accessed on our website under the following link: www.technotrans.com/company/corporate-governance/compliance

To ensure compliance with statutory requirements and voluntarily adopted principles, the technotrans group implements an effective compliance management system to DIN ISO 19600. The Board of Management holds overall responsible for it. The managing directors/general managers of the national and international group companies have likewise committed to uphold it. They are supported in their efforts by local compliance officers. The aim is to guarantee management and control of group regulations as well as compliance with statutory requirements and voluntary commitments at all locations. The compliance officers coordinate, train and monitor group-wide application of the compliance regulations and arrange updates as necessary, e.g. by revising specific organisational guidelines.

One important component of the group-wide compliance management system is a whistleblower system that is designed not just to help pre-empt breaches of international law and internal corporate guidelines at an early stage, but also to guarantee protection for the whistleblower so that the latter need not fear any negative civil-law, criminal-law or internal consequences/reprisals as a result of their actions.

Within their respective responsibilities for compliance and supervision, the Board of Management and Supervisory Board are informed regularly of current compliance topics through an annual compliance report, and also directly if necessary. In addition, the above governing bodies regularly check the status of compliance activities proactively.

A further major component of our sustainability strategy is the group-wide risk management system based on DIN ISO 31000. This helps technotrans' management to identify and respond to potential opportunities and risks early on. It involves regular, prompt reporting to the Board of Management, among other things. For further information on this topic, please refer to the "Risk management and internal control system" section in the Combined Management Report of this Annual Report.

technotrans has acquired various companies in recent years. The newly added employees were promptly informed about the group strategy and the applicable compliance regulations, and sensitised to these. The same applies to updates. In this connection, most recently the Board of Management gave all employees information about the new "Future Ready 2025" strategy in December 2020.

A consistently thorough awareness of sustainability and ongoing efforts to improve our expertise in that regard shape the day-to-day work of all employees. In addition, sustainability aspects are built into the targets for our specialist and management employees.

STAKEHOLDER-DIALOGUE

The requirements of our stakeholders are highly relevant in that regard. In order to identify their individual needs and always meet them, we maintain a regular dialogue with key stakeholders. We use a variety of information sources and dialogue formats to that end. We draw a distinction between internal communications within the group and external communications that are aimed at the outside world. The latter comprise communications with customers, press relations (PR) and investor relations (IR) activities.

The technotrans website is a central information medium. When updating the website at the turn of 2020/2021, we specifically recognised the status of sustainability by creating a dedicated section on the topic. All information published by the technotrans group on this topic is presented there in one place.

Internal communications with employees are handled mainly through performance reviews, the group-wide intranet, emails, discussions as well as physical and virtual employee and works meetings. Our employees receive regular briefings and training on relevant matters, including across multiple locations. We invite and expressly welcome suggestions and ideas from employees to stimulate dialogue.

The dialogue with existing and potential customers focuses on how technotrans can deliver added value as the expert system partner to the customer. The aim is to establish a long-term partnership. Initial contact is often established (physically or virtually) at trade shows, followed up by personal talks.

The Investor Relations area maintains open-handed communications with private and institutional shareholders, investors and analysts. A contact person is always available there to comment on financial reports and answer supplementary questions, including on sustainability matters. In addition, the dialogue with institutional investors, shareholders and analysts is conducted in the form of conferences and roadshows. In the 2020 financial year, the coronavirus pandemic meant these mostly took place without physical contact. The same was true of this year's regular Annual General Meeting, the event that provides our main opportunity for dialogue especially with our private shareholders.

technotrans pursues a transparent information policy that is open to scrutiny. Its hallmark is a relationship of trust with all stakeholders that is based on mutual respect. Findings from these dialogues regularly shape our business activities, the development of new products and services and our sustainability management work.

MATERIALITY

Relevant sustainability-related topics include those that are important for the business success of the technotrans group and where technotrans can contribute to a sustainable development. Other topics that technotrans addresses are those where its activities have a material impact on sustainability aspects such as resources and the environment.

In the following, we outline the material non-financial aspects for the technotrans group and technotrans SE for the purposes of this report. We also address aspects that do not fully meet the statutory principle of materiality. Because these issues, too, are regularly raised by and discussed with our stakeholders, here again we regard materiality as a given.

Quantitative reporting takes the EFFAS performance indicators as its basis for the first time. Taking account of the principle of materiality, we currently report on 9 out of 16 EFFAS performance indicators. The overview of key figures is supplemented with our own key figures – not envisaged by EFFAS – which we nevertheless rate as material in the case of the technotrans group. The set of relevant key figures is regularly reviewed and will be gradually refined. A table showing the key figures determined can be found at the end of this report.

Applying the principle of materiality, we report selected key figures such as energy consumption only for the domestic production locations Sassenberg, Bad Doberan, Baden-Baden, Holzwickede and Meinerzhagen.

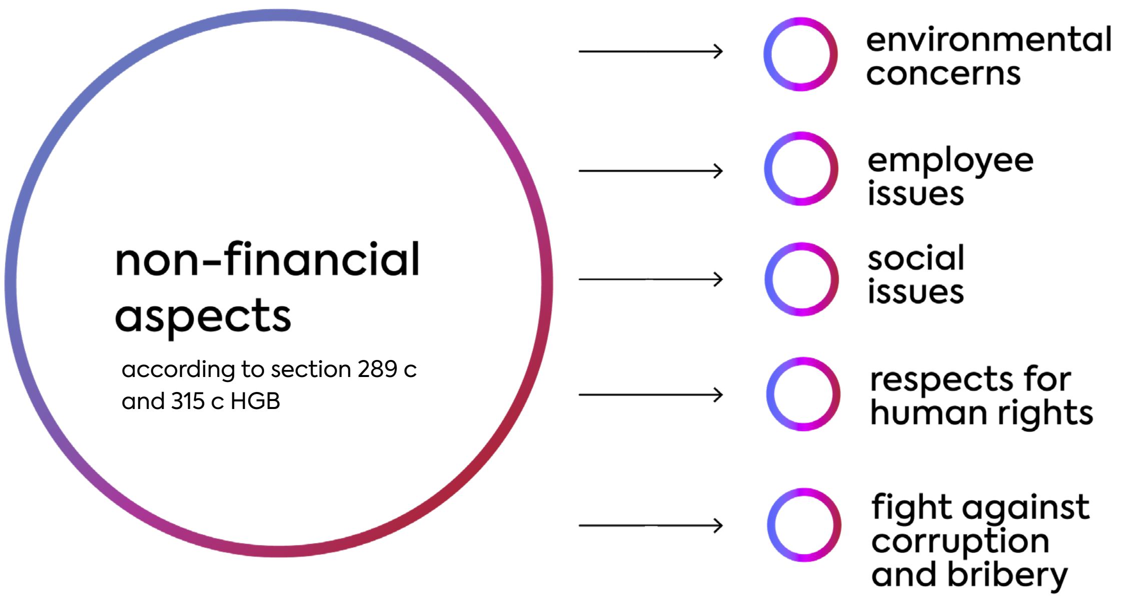
NON-FINANCIAL ASPECTS

a) Environmental matters

Growth in economic output worldwide will lead to increasing demand for resources. Based on its long-standing experience and extensive expertise in sustainable business practices, technotrans pursues the goal of developing innovative, resource-light solutions for and with its customers.

Environmental aspects influence product development work to a considerable degree. This work includes meeting statutory requirements such as the EU Ecodesign Directive. This has been transposed into German law in the German Act on Energy-Related products (EVPG). These regulations seek to reduce the environmental impacts of energy-related products. Environmental priorities are becoming increasingly important among customers and suppliers, too. Our solutions help our clients to manage energy and resources, and also to reduce their individual carbon footprint effectively.

Sustainable environmental, energy and resource management is a very important aspect of our entrepreneurial activity and competitiveness. It chimes with our strategic goals of steadily improving the group's efficiency and is also firmly embedded in our compliance culture.



We also proactively present our own activities on the topic of sustainability. For example, at the Sassenberg location we are a TÜV-certified specialist in accordance with the German Water Resources Act. We extensively use refillable systems and collective packaging, and we seek to avoid and gradually reduce waste as part of our waste management concept.

Future Ready 2025: Reducing waste packaging is a high priority for technotrans. The "Future Ready 2025" strategy correspondingly defined the target of using only packaging material that can be recycled by type by 2025.

Resource-light product development

technotrans develops technologies and methods that make industrial processes more efficient and environmentally friendly. Our customers benefit from this in the form of lower energy consumption or use of materials, for example. The effectiveness of these concepts is reflected in the many projects realised in the financial year.

Customer-related development work is done mainly at the domestic production locations. Since the 2020 financial year, all group-wide development activities have been calibrated and coordinated centrally under uniform direction, to avoid parallel developments.

The product development process is governed group-internally by local and cross-location procedural instructions. For the development of new solutions, the technical units often collaborate closely with the customer. With its positioning as development partner, technotrans ensures that all customer requirements are optimally satisfied. From coming up with an idea to bringing it to fruition, the product development process is standardised. This internal development process comprises defined stages known as quality gates. It ensures for example that any given project always achieves a satisfactory level of cost effectiveness. The project manager's permission, based on a checklist, is required to pass through a gate. For very high-importance projects (costs, risk, strategy), the consent of the Board of Management is also necessary.

Feasibility studies and technology monitoring, internal qualification and field tests are also systematically used during the development phase to assess whether the predefined targets have been achieved.

The intention here is to avoid wrong developments from the outset. The residual risk of miscalculating market potential or customer acceptance, for example, is limited by maintaining a constant, close dialogue with our customers and referring back to our own market observations.

technotrans develops products for its customers based on the latest findings. To maintain and build on this expertise, the group companies also work with universities and research establishments in the Research & Development area and support students with project, bachelor and masters theses.

In the 2020 financial year technotrans worked on a total of 55 projects in product development, of which 34 were completed. The remaining projects are at various stages of implementation. Again in the 2020 financial year, a large number of development projects sought to reduce environmental impacts by saving energy, for example. Research & development spending is fundamentally shown in the Consolidated Income Statement. However research & development expenditure may additionally be reflected in the cost of sales. That is the case if product development takes place in connection with a revenue-generating customer project.

For further details, see sections 4 ("Intangible assets") and 24 ("Development costs") in the Notes to the Consolidated Financial Statements.

Resource-saving products

technotrans develops solutions that deliver added value for its customers through their high quality, efficiency and performance. The following examples document how technotrans solutions contribute towards increased efficiency of resources:

Electric mobility – Electric mobility as a drive concept that reduces CO_2 emissions from passenger and freight transport has gathered further momentum. technotrans possesses long-standing expertise in the field of electric mobility and is able to exploit this to the benefit of both humankind and the environment. As a pioneer in this market, technotrans offers its customers technically mature, custom solutions for cooling and temperature control of batteries, inverters and charging cables. Thanks to their constant, precision-control thermal management, technotrans systems for example get more out of the high-performance batteries used in electric vehicles. Another use case is the fail-safe operation of stationary engine storage devices. The product range comprises cooling and temperature control systems for lithium-ion batteries for road and rail vehicles as well as for stationary energy storage devices. In addition, technotrans develops and manufactures cooling solutions for HPC charging stations (quick-charging stations), e-bus charging areas and rail inverters. We are supporting the electrification of local public transport through the use of our systems in e-buses, trams and local trains.

technotrans recorded notable business successes in the 2020 financial year and is now well positioned in the rail vehicle area in the EU. One significant beacon project is the world's first passenger train powered by hydrogen fuel cell. It has technotrans technology on board. technotrans enjoys exclusive supplier status throughout the project's entire duration from 2020 to 2023.

technotrans also advanced its position in electrically powered road transport in the 2020 financial year. technotrans is supporting the e-truck project of the technology group ZF as development partner. The system developed by technotrans cools the battery, electric motor and power electronics. This solution exhibits high energy efficiency and at the same time extends the vehicle's range.

Data centres/digitalisation – technotrans is also developing technologies in the area of server cooling to increase resource efficiency. In the 2020 financial year, the company presented its first integrated system for cooling data centres for example. The cooling action is achieved using an intelligent combination of liquid-based central cooling and free cooling (the use of low ambient temperatures). The efficiency of the technotrans solution, and therefore its energy efficiency, is far superior to that of conventional, mainly air-cooled systems. Around 30 percent of the energy that a data centre needs is for cooling.

Food production – the period under review saw technotrans bring its first spray lubrication system for the food industry onto the market, under the name of "spray.xact food". Applying products (such as release agents for baking processes) with minimal mist and without the use of compressed air cuts the level of resources used by around 30 percent and protects the health of the people working on the production line better. The system is based on the established technotrans spraying technology used in stamping and forming technology, but has now been thoroughly reconfigured to the specific requirements encountered in food production. technotrans technology therefore offers this industry an extra way to have a positive environmental impact. The system is already in use at several customers.

Environmentally friendly refrigerants – Liquid-based cooling systems require the use of refrigerants especially in low flow temperatures. technotrans is continually coming up with ways of reducing global warming potential (GWP). In addition, the F-Gas Regulation of the EU, introduced on January 1, 2015, is to significantly reduce the use of partially fluorinated hydrocarbons (HFC) between 2015 and 2030. Over this period GWP is to be reduced to 21 percent of the CO_2 equivalent. technotrans is striving to beat the EU targets and is designing new cooling systems that will allow the use of refrigerants with the lowest possible GWP. technotrans also offers its customers a conversion service to switch from existing systems to lower-GWP refrigerants. Compared with the previous year, even though the purchasing volume was higher the CO_2-equivalent amount of refrigerants sourced was reduced by 7 percent. The average GWP value for the group fell by 27 percent to 929, well below the reference limit of 1,180. Since 2017, the average GWP figure has therefore come down by about 40 percent. This steady reduction means technotrans consistently undercuts the strict reference figures in the EU regulations. In 2021 the next stage of the quota system will take effect under the EU Directive. As matters stand technotrans will likewise meet those reduced reference figures.

Resource-light production

In terms of its own production operations, technotrans is constantly seeking to use finite resources such as energy and other input materials as efficiently as possible. The aim is to avoid any wastage. This approach is especially relevant at our production locations that exhibit higher vertical integration and therefore use more materials (e.g. in the form of painted sheet metal/ welded structures). It is our declared aim to reduce consumption of materials and minimise waste. If possible, the latter is sorted by type and sent for recycling. Employees are given training on the resource-light use of working equipment and input materials. They are also encouraged to contribute their own ideas on how to preserve resources. They were very active in putting forward such ideas in the 2020 financial year.

Environmentally hazardous substances are only used in products if they are unavoidable. The quantities are consistently recorded and reviewed on a regular basis. We also strictly adhere to the latest statutory requirements. These are monitored by suitably qualified personnel. We always promptly update the work instructions that are based on these.

The technotrans group in the first instance manufactures equipment that conforms to the REACH regulation, the RoHS II Directive and CE identification requirements. We also implement customer requirements that in some cases call for conformity to the RoHS II Directive including for products that are not actually covered by the statutory requirements.

We in addition obtain contractual undertakings from our suppliers not to use any environmentally hazardous substances as defined by the REACH regulation. Furthermore, we expect them to comply strictly with the RoHS II Directive. We request all major suppliers of the production locations to confirm compliance with REACH and RoHS-II once a year. We record the REACH and RoHS II conformity of each input material in our ERP systems. We can therefore document from an end product's bill of materials whether a device meets the directive's requirements and to what extent it achieves EC conformity. These processes are gradually being implemented at all production locations.

The efficient use of energy and the eco-friendly handling of resources are high priorities for us. We are therefore always looking for scope to improve the energy efficiency of our operating processes and conduct the statutorily required energy audits pursuant to DIN EN 16247-1 on a four-year cycle. The next audit will take place in 2023.

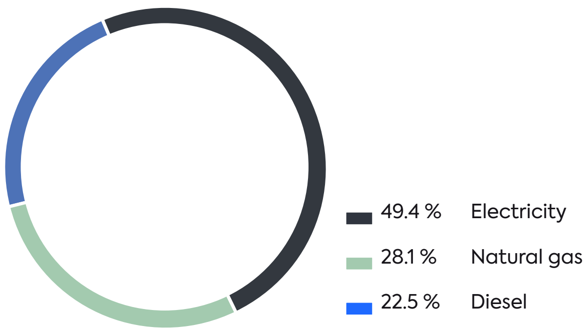
We determined the energy consumption figures ourselves in the 2020 financial year. For reasons of materiality, we focused on the domestic production locations Sassenberg, Bad Doberan, Baden-Baden, Holzwickede and Meinerzhagen and on the main energy sources electricity, natural gas and diesel. Overall, the locations used 13.5 GWh in the 2020 financial year. Consumption is roughly 6 percent down on the previous year. The energy mix is unchanged from the previous year: natural gas remains the major energy source on around 44 percent, followed by electricity and diesel.

In terms of carbon emissions, too, the picture remains unchanged from the previous year. Based on assumed carbon emissions of 0.592 kg/kWh, electricity accounts for the lion's share on around 49 percent, followed by natural gas on 28 percent (assumption: 0.226 kg/kWh) and diesel on 23 percent (assumption: 0.300 kg/kWh). Of the domestic companies, gwk accounts for 47 percent of energy consumption – this reflects the higher level of vertical integration at that location.

Future Ready 2025: We are striving to reduce the amounts of non-renewable energy sources consumed as well as the carbon footprint as follows:

- Electricity: Increasing the share from renewable resources to 100 percent.
- Fuel consumption of company car fleet: Reducing fuel consumption group-wide by approx. 5 percent p.a. on average.

CO_2 emissions by energy source (in %)



Specifically in a reflection of its higher level of vertical integration, our group company gwk in addition has its own energy management system that is regularly accredited to DIN 50001 and refined by a dedicated energy management team. An energy monitoring system was installed on the most energy-intensive production machinery in the period under review to monitor energy consumption during operation. The performance indicators thus obtained are used to identify ways of cutting consumption. The factory building itself is also included.

The overall aim is to gradually improve energy efficiency at the locations over time.

For technotrans, energy efficiency is also a key decision-making criterion when building new locations. The location of our group company Termotek GmbH in Baden-Baden was thus constructed in line with state-of-the-art energy considerations. The new production building, which meets the strict "KfW Efficiency House 55 standard", has been in operation since August 2019.

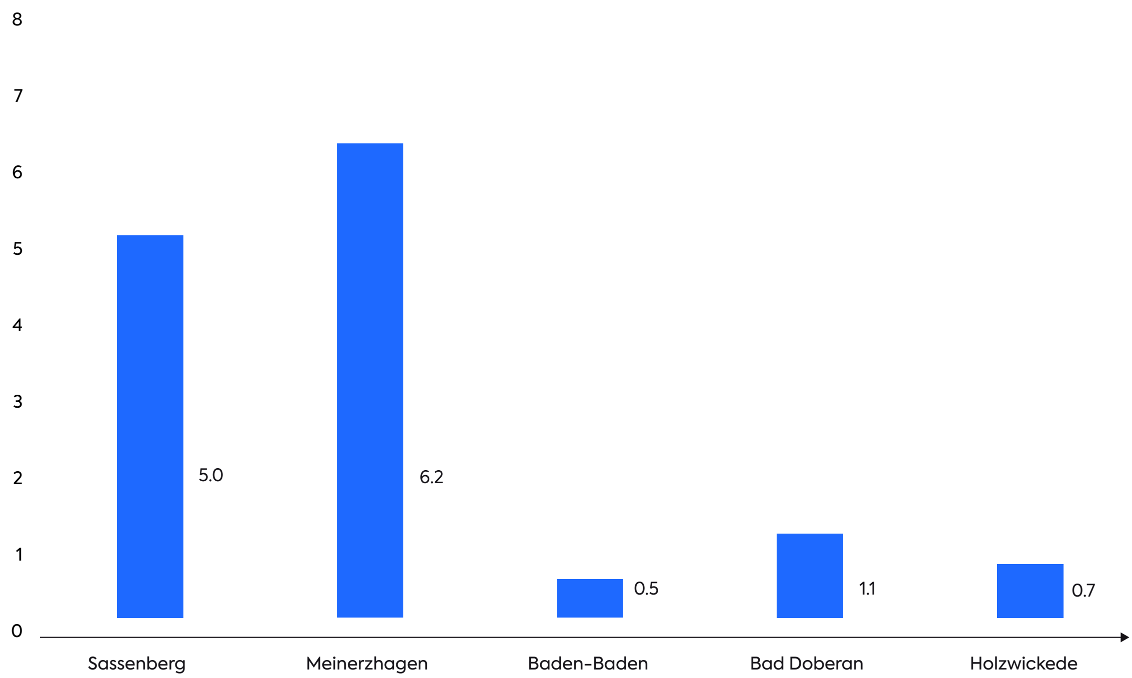
The new building at the location of Reisner Cooling Solutions GmbH in Holzwickede, which is also designed in accordance with this standard, will soon join it. With its completion planned for the start of the coming 2021 financial year, two out of the five German production locations will then meet this strict energy efficiency standard.

The significance of using the available resources as efficiently as possible and of efforts to shrink the carbon footprint will continue to grow – including where business decisions are involved. In both ecological and economic terms, optimum energy management is a mainstay of our corporate success. The new "Future Ready 2025" strategy lays down the specific timetable for unlocking group synergies and operational excellence across the group network. As well as saving costs, we expect this to yield sustainability benefits in particular.

b) Employee matters, training and qualification

Committed employees with outstanding skills and abilities are the bedrock of our success. Changes to structures or processes create the risk that employees and their expertise could be lost if they are unable to identify with such measures and therefore feel prompted to look elsewhere. To limit personnel turnover, as well as selecting personnel with care we believe it is very important to specifically promote our employees and provide them with appropriate further training. We attach high importance especially to improving personal and specialist skills, and to maintaining the professional capabilities of our specialists and managers over the long term. Only by offering our employees the right continuing training options and practising a positive corporate culture can we be sure we will continue to evolve as an organisation and be regarded as an attractive employer by our employees.

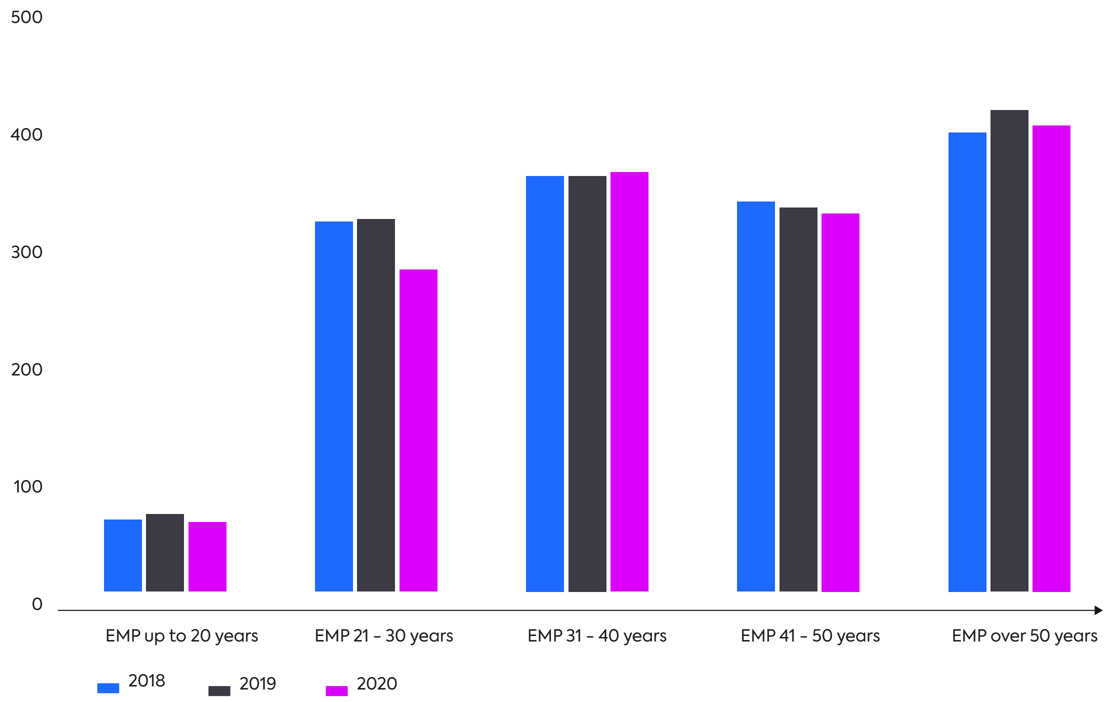
Energy consumption of the production sites (GWh) in the 2020 financial year



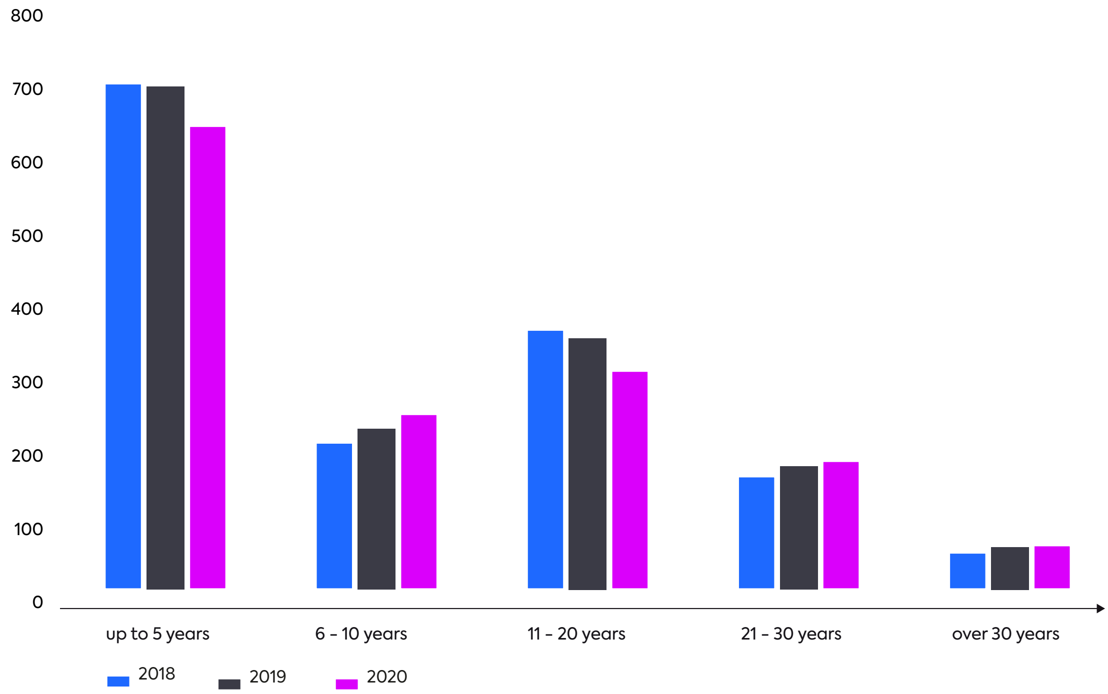
Employee structure of the technotrans group

The employee structure of the technotrans group by age, length of service, qualifications and region has developed as follows:

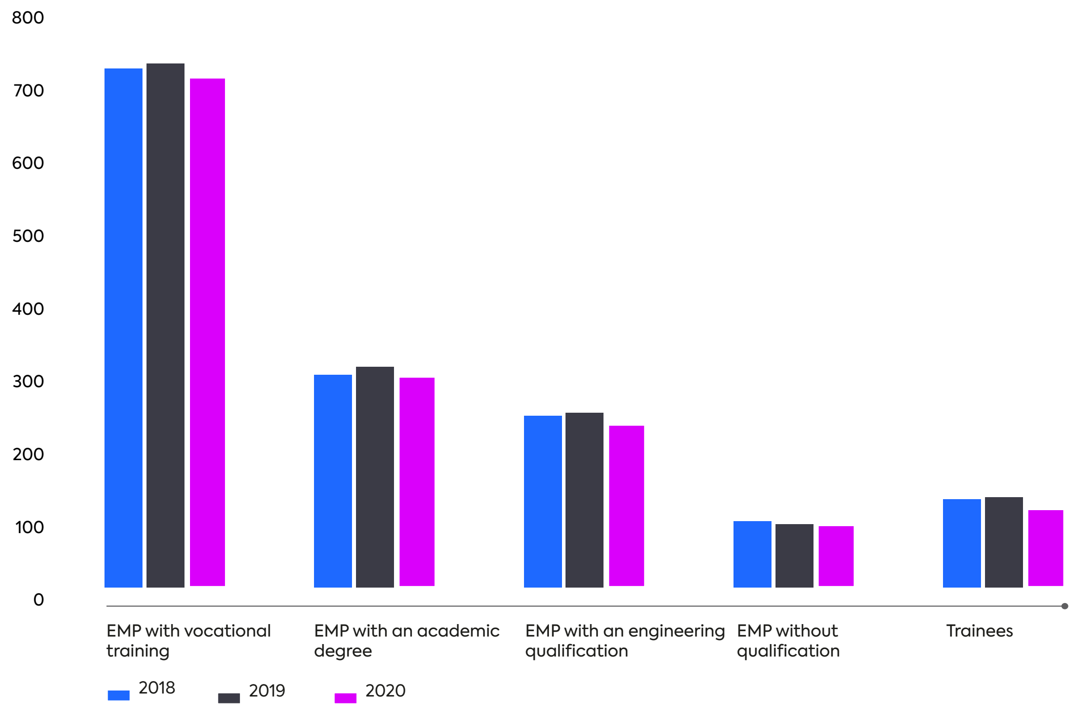
Age structure of the employees as of December 31



Length of service of employees as of December 31



Employees by qualification as of December 31



Future Ready 2025: The strategic significance of personnel development work is reflected in the "Future Ready 2025" strategy. This plan specifies a five percent annual increase in personnel development spending.

For many years we have treated vocational training as a high priority and therefore make a particular effort across the entire group to provide training for juniors. We view this on the one hand as a social responsibility that we are glad to honour. On the other hand we see training juniors as an investment in the future of our business. Apprentices and those on a dual course of study make an important contribution to the further development of our technology-oriented company, both as individuals and as specialists.

Demographic change in society and the shortage of skilled workers are major challenges in this regard. We tackle potential negative consequences for the technotrans group, for instance in the form of unfilled positions, by maintaining an appropriate proportion of apprentices.

We offer our employees and juniors bright prospects. Where possible, we recruit specialists and management employees from our own ranks and from the local region.

At December 31, 2020 the number of apprentices in the group was 109 (previous year: 124). Of these, 45 were in apprenticeships at technotrans SE (previous year: 54). The proportion of apprentices at the German group companies was therefore around nine percent. The figure for technotrans SE is comparable. The range of vocational qualifications in the technotrans group currently spans 26 different training courses, including five dual courses of study. In offering these we proactively meet the diverse specialist requirements of our markets.

We prepare our apprentices optimally for their future tasks: our production companies have their own training workshops, with for example a specially equipped electrics training room for apprentices, and apprentices attend in-house instruction and training courses in various departments. Our instructors, too, receive regular training.

In the 2020 financial year, 42 apprentices successfully completed their training at our domestic companies. We offered all apprentices a permanent position. 32 of them took up the offer. The remainder opted to pursue a course of studies. The retention rate is therefore 76 percent.

Cooperation within the technotrans group is becoming steadily more important. In a reflection of that, we encourage our apprentices to work on assignments for our group companies at more than one location. Unfortunately, the coronavirus pandemic meant the scope for such assignments was very limited in the 2020 financial year. Based on our positive experiences we aim to step up the use of this arrangement again as soon as the circumstances allow.

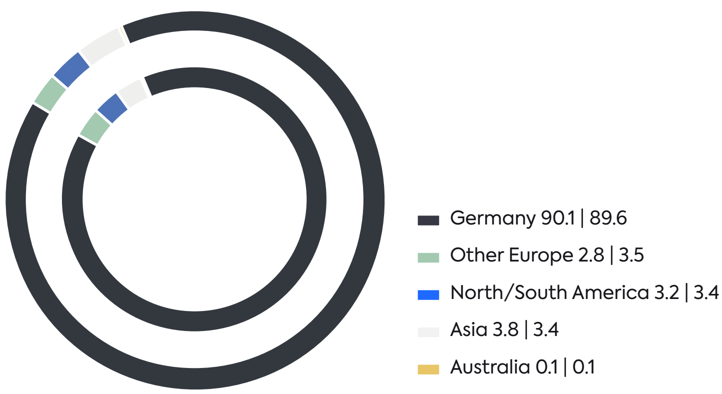
To promote personnel development and responsively keep our employees' qualifications in line with the gradually shifting requirements, we again held a large number of training courses as well as vital advancement measures in the 2020 financial year, notwithstanding the pandemic. Because of the coronavirus we also made use of digital communications media. Like our promotion of vocational training, we see this as an investment in the future, which is why we call on both internal experts from the departments and external trainers. Our aim is always to maintain up-to-date specialist knowledge spanning a wide range of topics right across the group.

Employees discuss qualification needs with their managers in annual performance reviews. Human Resources is brought in if more comprehensive measures are called for. The aim of these meetings is to customise continuing training to the needs of each employee.

In addition, joint leadership circles involving Human Resources and each head of department are arranged each year. Their purpose is to identify what personnel development measures are required. Based on the budget, it is decided what measures will be implemented in the current year in what order of priority. The measures taken are then assessed at the next evaluation.

technotrans SE has set up the "technotrans Campus" to deliver all personnel development activities in the form of a structured online training catalogue. Our positive experience has inspired us to gradually roll out the concept across other group companies over the coming years.

Distribution of employees in the group by region 2020/2019 (in %)



Employee structure of technotrans SE

	2020		2019		2018	
	number	in%	number	in%	number	in%
Employees at year end	484		517		511	
Employees by segment						
Technology	379	78.31	405	78.34	402	78.67
Services	105	21.69	112	21.66	109	21.33
Age structure						
Employees up to 20 years	26	5.37	29	5.61	28	5.48
Employees 21 to 30 years	113	23.35	120	23.21	117	22.90
Employees 31 to 40 years	88	18.18	93	17.99	89	17.42
Employees 41 to 50 years	112	23.14	123	23.79	127	24.85
Employees over 50 years	145	29.96	152	29.40	150	29.35
Period of employment						
up to 5 years	191	39.46	203	39.26	211	41.29
6 to 10 years	68	14.05	69	13.35	50	9.78
11 to 20 years	116	23.97	143	27.66	161	31.51
21 to 30 years	94	19.42	88	17.02	78	15.26
over 30 years	15	3.10	14	2.71	11	2.15
Employees by qualifications						
Employees with vocational training	248	51.24	264	51.06	262	51.27
Employees with an academic degree	82	16.94	86	16.63	81	15.85
Employees with an engineering qualification	88	18.18	92	17.79	94	18.40
Employees without qualification	21	4.34	21	4.06	24	4.70
Trainees	45	9.30	54	10.44	50	9.78
Number of male employees	383		411		404	
Number of female/diverse employees	101		106		107	
Share of female/diverse employees		20.87		20.50		20.94

Health management

Keeping our employees in good health and encouraging them to live healthily are a major priority for us. Our active health management is about ensuring employees remain able to perform effectively so that we can maintain a smooth production process.

In the year of the coronavirus pandemic, protecting employees against infections was the overriding concern. Comprehensive hygiene measures were taken and organisational arrangements put in place across the group to avoid any health risks. These included arrangements for working from home, which at the peak of the pandemic were used by 35 percent of the group workforce.

The occupational health service conducted regular health reviews as part of the check-ups required by law. technotrans also offered its employees free flu vaccinations, employer-financed supplementary dental insurance and leasing of bikes for employees. Employees also receive special deals at selected local gyms and can take part in company runs. These schemes mean technotrans both promotes health and encourages social interaction between employees.

Remuneration and employee rights

Employees are paid for their work at market rates, with the amount comprising fixed and variable components. In recent years we have introduced a standardised remuneration system at the main location in Sassenberg and at other German locations. Under this system, employees are assigned to grades depending on their position; each grade corresponds to a specific, market-oriented remuneration band. Remuneration is also affected by the degree to which the targets agreed at the start of the year have been achieved.

Managers receive a (management) bonus that is agreed individually in their contracts and is determined half by the attainment of company targets, and half by their personal performance. At the domestic companies, annual percentage pay increases for all employees are negotiated between the Board of Management, the executive management (in the case of subsidiaries) and the respective Works Council. The past and expected business performance of the technotrans group serves as the basis. There was no collective pay increase in the 2020 financial year. In light of the serious impact of the coronavirus pandemic on the economic environment, the group used the instrument of short-time in Germany in the 2020 financial year.

We also offer our employees various fringe benefits. These reflect the prevailing local and statutory considerations and scope. The extent of the benefits therefore varies from one location to another.

technotrans products are shining examples of high quality and operator safety. We also aim to make the workplace as safe as possible for our own employees. It is consequently a matter of course that we observe all applicable statutory regulations regarding industrial, operational, occupational and fire safety as well as environmental protection. Our occupational safety specialists advise our management employees on hazard assessments at each location with the aim of guaranteeing that workplaces are at all times safe, healthy and state-of-the-art. Also, managers are responsible for ensuring that employees comply with the relevant provisions. Every employee receives instruction on the guidelines in the form of training that is repeated regularly.

Premises and manufacturing processes at our production locations are by their very nature diverse. In a reflection of that, we have implemented individual safety concepts. These are intended to ensure the applicable statutory requirements are always met. The arrangements include quarterly meetings of the industrial safety committee with the occupational safety officer, the medical officer, a Works Council delegation, the safety officers and a representative of the company management.

To share insights, we for example hold scheduled and/or impromptu site inspections or meetings with first responders and with fire and safety officers. The aim here is to spot and address potential hazards early on. The gratifyingly low accident rate for the group demonstrates just how effective these concepts are.

The members of the group Works Council meet regularly to discuss employee matters at the domestic group companies. They for example draw up cross-site, standard agreements for the group.

The SE Works Council currently comprises nine members from the (domestic) group Works Council and three members from the European branches. This committee draws up employee-related agreements at European level.

A professional, non-discriminatory dialogue between the employee representatives and management is part and parcel of the technotrans corporate culture. Openness and trust are hallmarks of cooperation. The declared aim is always to strike an equitable balance between employee and employer interests.

Equal opportunities and diversity

At technotrans we attach high importance to the personality and qualifications of our employees. It is inherent to the corporate culture of our group that we do not tolerate discrimination of any kind against persons based in particular on age, nationality, skin colour, gender, religion, social background or disability. We adopt a zero-tolerance stance towards misconduct at the workplace on such matters. Human resources decisions such as appointments, promotions, remuneration, dismissals etc. are reached in accordance with these principles. We value the differences and diverse qualities in our employees. Open, fair and respectful treatment of one another is a hallmark of our corporate culture. These principles are enshrined in our worldwide Code of Conduct and are practised in our daily dealings. For example, we give fellow humans who have been displaced from their home country the chance to get to know everyday working life in Germany.

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

For technotrans as a company that is active in dynamic markets thanks to its international locations, innovation and creativity are crucial to success. At our Sassenberg head office alone, we employ people of twelve different nationalities. Across the group there are 39 nationalities – a diversity that we believe presents us with an opportunity to be seized. With an optimally diversified composition to our team, we aim to specifically increase the company's innovativeness. Our approach is backed up by specific positive findings in our company: the ability to consider matters from culturally diverse vantage points is a vital starting point for developing individual, flexible solutions for our customers.

One important priority for activities in the area of diversity is to achieve an appropriate proportion of female managers in the first and second management tiers. The proportion at the end of the year under review was 12.4 percent.

Future Ready 2025: The proportion of women in the overall workforce was 20.2 percent across the group at December 31, 2020, virtually unchanged from the previous year. In the "Future Ready 2025" strategy we have specified the figure of 20 percent as the lower threshold that should be reached at group level at every balance sheet date.

technotrans considers itself to be a family-friendly employer. We provide our employees with various options for balancing the demands of working and private life. These include flexible working hours models, such as

flexitime and a variety of part-time models. We therefore make it easier for our employees to resume their career during and after a period of parental leave. Around 33 percent of all women across the group take up the opportunity to work part-time.

technotrans has helped to provide childcare at the Sassenberg location by establishing a partnership with a municipal kindergarten.

Only with satisfied, motivated employees will we be able to secure the long-term business success of the group. Open, amicable and fair communication between management and workforce as well as between employees is firmly embedded in our corporate culture. Our entire human resources work is geared towards promoting this culture and further increasing the attractiveness of the technotrans group as an employer. Our ultimate goal here is to ensure that the company always has a sufficient number of specialists.

If an employee hands in their notice, we hold an exit interview, for instance. This measure is designed to help us identify the reasons for employee turnover. The fluctuation rate for the group was again pleasingly low in the 2020 financial year. At December 31, 2020 there were 1,409 (previous year: 1,474) employees in the technotrans group. This represents a decrease of 4.4 percent compared with the previous year. The total for technotrans SE at the balance sheet date was 484 (previous year: 517) employees. The fall compared with the previous year is 6.4 percent and reflects the structural adjustments made at the Sassenberg location.

c) Social matters

technotrans attaches considerable importance to data protection and data security. The spread of digitalisation and connectivity goes hand in hand with tougher statutory requirements. Compliance with data protection requirements is a cornerstone of interaction with our employees and business partners. It goes without saying that our IT systems are fully compliant in that respect. The General Data Protection Regulation (GDPR) is also implemented, for example. We collect, save and process personal data exclusively for its intended purpose and in keeping with the applicable laws.

As a medium-sized company with an international network, we also display a social conscience. Since 2011, we have been actively supporting the charity Friedensdorf International (Aktion Friedensdorf e.V.). This charity supports children from war-torn and crisis zones with medical and psychological help, education, projects and relief supplies. As such, it gives the children it helps new prospects and we believe it performs meaningful, constructive work that brings long-term benefit.

At a local level our locations get involved in an array of projects and initiatives. This emphasises our strong ties with the regions in which we want to conduct business operations over the long term. The priorities of our social engagement vary from location to location, and comprise both strategic partnerships and individual employee projects. Our social commitment activities are handled regionally in consultation with group HQ.

technotrans makes a consistent effort to attract new employees from the regions in which we have a local presence. In cooperation with federations and regional schools and colleges, we organise regular events to promote juniors in technical disciplines or give them guidance in their career choices. We promote interest in MINT subjects (mathematics, information technology, natural sciences and technology) through a large number of initiatives and projects. We have developed some of them, such as the Girls' Day, into regular events at the group. In addition, we offer approved student internships to young people as an opportunity to get to know the world of work. We regularly arrange these vocational orientation residencies in the school holidays. The same approach is taken to vocational fact-finding days, where school students can get to know the broad spectrum of vocational qualifications available within the technotrans group. However the restrictions due to the coronavirus meant we were unable to hold activities on the same scale as in previous years in 2020. We would like to resume them with a high level of intensity as soon as this is possible.

d) Respect for human rights

Equal opportunities, equal rights, fairness as well as mutual acceptance and tolerance are the hallmarks of the technotrans group's corporate culture. We appreciate diversity and differences both within our organisation and among our business partners. technotrans pursues the goal of seeing all employees operate in conformity with internationally recognised human rights as well as with the principal labour and social standards.

In pursuit of that goal, we uphold the protection of human rights, advocate compliance with labour standards and emphatically reject child and forced labour. With our commitment to the Global Compact initiative of the United Nations and the enshrining of these principles in the technotrans Code of Conduct, they acquire binding character for all technotrans employees worldwide. The local management of each entity is responsible for implementing national standards. Compliance with these is regularly examined. All group-wide principles with regard to labour standards and human rights were upheld in the 2020 financial year.

Nor do we tolerate human rights abuses by our service providers and suppliers. New suppliers of technotrans SE are put through a standardised clearance process and are only entered in our system as a supplier if they achieve a positive rating. Important assessment criteria include acceptance and observance of the technotrans compliance code for suppliers, compliance with the applicable working conditions and social standards (child and forced labour, discrimination) and compliance with environmental protection requirements. The subsidiaries have implemented comparable clearance processes. Uniform criteria consequently serve as the basis for all purchasing processes throughout the group.

In view of the high number of suppliers and sub-suppliers, we have only limited scope to supervise or scrutinise the early stage of the supply chain and the process steps associated with it. Because no contractual relationship exists between technotrans and suppliers further upstream, we only indirectly have any legal basis for intervening. We therefore require our direct suppliers to make their upstream suppliers aware of our requirements and oblige them to comply with our compliance code. Our goal remains to create transparency and conformity along the entire supply chain.

Compliance with adequate environmental standards and implementation of occupational safety measures at our suppliers are regularly determined and documented in the form of on-site supplier audits.

e) Combating of corruption and bribery

Relationships with all business partners are based on quality, reliability, competitive prices and observance of ecological and social standards. Compliance with these standards by all employees is the basis of technotrans' excellent reputation in procurement and sales markets. It is pivotal to our ability to consistently acquire new customers.

To protect the technotrans group against potential losses, we maintain transparency and implement internal control mechanisms. Compliance with our anti-corruption guideline – valid company-wide and forming part of the standard technotrans compliance management system – plays a special role in this. Every employee is obliged to notify their manager directly of any form of actual or attempted bribery. In cases of doubt, the Legal & Compliance department or the group Board of Management should be contacted.

Unusual contractual provisions and special blanket agreements must fundamentally be cleared by the Legal & Compliance department and documented. Internal training courses are held to provide instruction on how to recognise and meet these and other compliance requirements, which are tested on a random basis. This is our way of preventively tackling the issue of corruption. In addition, a group-wide signatory policy that foresees exclusively joint authorisation prevents illegal dealings.

No cases of corruption came to our attention in the 2020 financial year. Compliance with the anti-corruption principles based on the statutory requirements is monitored worldwide throughout the group.

In addition, a whistleblower system was developed in the period under review and is to be rolled out from the 2021 financial year.

Immediately after joining, on their first day at work, all new employees across the group are familiarised in-depth with the regulations that need to be observed. This upholds integrity and compliance with the law throughout the group at all times and without restriction.

Strategic sustainability goals 2025:

ESG criteria	We preserve and promote	Our targets/KPIs
1. Electricity	Use of renewable resources	share 2025: 100 % „green power“
2. Fleet consumption	Reducing consumption of fuel	5% p.a. reduction
3. Diversity	Continuously uphold a share of female/diverse employees group-wide	min. 20%
4. Personnel development	Increase in expenses	5% p.a. increase
5. Packaging waste reduction	Use only packaging material that can be recycled by type	share 2025: 100%

Overview of selected sustainability key figures:

	Criteria	Key figure	"EFFAS Indicator"	Unit	2020
Environment	**Resource efficiency**				
	Energy consumption - production	Total quantity *)	E01-01	GWh	13.5
	Energy consumption - production CO_2 equivalent	Total quantity *)	E02-01	th. t CO_2 Eq.	4.7
	Global warming potential	Average GWP of refrigerants *)			929
	Product life cycle			years	>15 years
	Recycling				
	Recyclability of own products			%	> 95%
Human	**Employee structure**				
	Age structure and distribution	By age group	S03-01		
		up to 20 years		FTE	2
		21-30 years		FTE	238
		31-40 years		FTE	340
		41-50 years		FTE	314
		over 50 years		FTE	369
	Female/diverse employees in the group	Proportion of the workforce (heads)		%	20.2
		Proportion in the workforce (FTE)	S10-01	%	18.4
	„Female managers in the group (first and second management level)“	Proportion within management		%	12.4
	Trainees in the group			number	109
	Fluctuation	Proportion of the workforce		%	5.0
	Employee health				
	Sickness rate	Share of total working hours		%	5.8
	Employee qualification				
	Employees in the group who have received the technotrans code of conduct	Proporation in the workforce		%	100
	Qualification and training	Expenditure per FTE	S02-02	€	217
Process	**Supply chain**				
	Proportion of suppliers assessed for compliance with ESG criteria		S06-01	%	100
	Proportion of suppliers audited for compliance with ESG criteria		S06-02	%	100
Social	Payments to political parties	Share of consolidated revenue	G01-01	%	0
	Penalties for non-compliance with competition law		V 01-01	€	0

*) Production sites in Germany (Sassenberg, Meinzerhagen, Baden-Baden, Bad Doberan, Holzwickede)

Corporate Governance Declaration in accordance with section 289f HGB and section 315d HGB

The Corporate Governance Declaration in accordance with Section 289f HGB and Section 315d HGB contains the Declaration of Compliance with the German Corporate Governance Code (DCGK), relevant disclosures on corporate governance practices, information on the management and control of the company, 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) 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 HGB.

The Corporate Governance Declaration in accordance with Section 289f HGB and Section 315d HGB is posted on the company's website at www.technotrans.com/company/corporate-governance/corporate-governance-declaration

The recommendations and suggestions contained in the DCGK have been firmly embedded in our corporate governance for many years.

The Board of Management and Supervisory Board of technotrans SE submitted the Declaration of Compliance pursuant to Section 161 AktG for the 2020 financial year on September 30, 2020. It was published directly on the website and is available to shareholders at the following address: www.technotrans.com/company/corporate-governance/declaration-of-compliance

Risk management and internal control system (section 289 (4) of German Commercial Code (HGB), section 315 (4) of German Commercial Code (HGB))

The purpose of entrepreneurial activity is to increase corporate value by specifically exploiting identified opportunities. The taking of risks is an intrinsic part of that. The opportunity and risk management system we use serves to optimise the balance between risks and opportunities in the interests of sustained business success. To achieve this balance, we employ suitable tools, which we continuously refine.

As part of a systematic and efficient risk management system, principles of risk policy are defined. Current developments are regularly logged, analysed and evaluated. Where necessary, effective countermeasures are taken. The risk management system helps to safeguard the technotrans group permanently as a going concern by early identification of all risks that could materially impair the net assets, financial position and results of operations of the group. The Internal Control System (ICS) for financial reporting assures proper presentation in accounting and is therefore an integral component of the risk management system.

The risk management system is summarised in the following.

THE GROUP-WIDE RISK MANAGEMENT SYSTEM OBSERVES THE FOLLOWING RISK PRINCIPLES, AMONG OTHERS:

- The overriding risk principle in the technotrans group is to protect the company as a going concern. Actions or decisions may not endanger the company as a going concern and must be in harmony with the company's risk strategy and risk policy.
- Any risks to the company as a going concern must be reported to the Board of Management without delay.
- Unavoidable risks are consciously accepted to a certain extent in return for economic success. However risks to income must always be balanced out by the prospect of appropriate opportunities of a return.
- Risks are fundamentally to be avoided. Where economically advisable, risks are to be insured against. They are to be monitored continuously and communicated to the Board of Management as part of the regular risk reporting, as well as to the Supervisory Board if their scale is especially high. Appropriate measures are to be taken to minimise residual risks.

Risk management at technotrans promotes the awareness of opportunities and risks among technotrans employees and guards against potential risks. The processes and rules of communication that apply for all corporate divisions have been defined by the Board of Management and laid down as binding in a group-wide organisational guideline. Risks are recorded non-centrally and regularly reported to the Legal & Compliance department in a standardised form.

The operational managers are responsible for compliance with the applicable regulations and for managing risks in their respective areas. The Legal & Compliance department conducts regular audits to monitor the proper implementation of this guideline.

The risk management system including the ICS is moreover continuously updated. Its serves as the basis for the systematic identification, analysis, evaluation, management, documentation and communication of the various risk types and profiles. The same applies to our compliance management system. technotrans does not tolerate any contravention of applicable law. The internal set of rules as well as the compliance organisation set up within the group are regularly examined and evolve to reflect recent court decisions.

ORGANISATION OF THE RISK MANAGEMENT SYSTEM

A responsible approach to business risks and opportunities is part and parcel of sound corporate management, and also promotes the risk culture. The Board of Management reports to the Audit Committee, and if necessary to the full Supervisory Board, on existing risks and how they develop. Organisationally, risk management is integrated into the task area of “Legal & Compliance” and ensures that reports are submitted to the Board of Management regularly and promptly with the support of group Controlling. This organisational structure makes it possible to identify risks quantitatively at an early stage with the help of key performance indicators, and pick up on trends. This approach ensures that the group Board of Management is always informed of negative shifts and can immediately take appropriate measures.

The reach and setup of the internal control system of technotrans SE for financial reporting lie within the scope of judgement and responsibility of the Board of Management. The objective of the ICS in respect of the financial reporting process is to carry out appropriate controls so that it can guarantee with reasonable assurance that the (Consolidated) Financial Statements are legally compliant, notwithstanding the risks identified. The ICS contains the principles, processes and measures involved in assuring proper accounting. The ICS is structured such that the annual financial statements are prepared according to the relevant requirements of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The Consolidated Financial Statements are prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union and the commercial law requirements additionally to be observed in accordance with Section 315e (1) HGB.

The group financial reporting processes are managed by the relevant employees in group Accounting. The organisation of the ICS for financial reporting features a uniform, centrally defined reporting system which is based on the prevailing statutory requirements and is in harmony with the group principles. The subsidiaries report periodically according to IFRS, for group reporting purposes.

Newly established or acquired companies are integrated into this reporting process without delay.

There are as yet no uniform ERP and bookkeeping systems across the entire group, but these are planned. The reporting and consolidation processes for all group companies are performed using a uniform IT system that is made available centrally by technotrans SE.

To guarantee uniform reporting, there exist corresponding corporate guidelines. These include for example financial reporting and consolidation manuals, as well as guidelines on the separation of functions and on the dual control principle, for example. Compliance with these rules is checked regularly.

There are regular internal checks on the group companies’ financial reporting, as well as non-central compliance audits. These also take the form of IT-based random examinations and plausibility checks.

At the end of the financial year the local financial statements are audited internally before they are released for the Consolidated Financial Statements.

All measures taken and the continuous development and adjustment of the ICS help to guarantee the reliability of financial reporting. Nevertheless appropriate, functioning systems cannot provide any absolute guarantee that all risks will be identified and controlled.

Group-wide, technotrans has a standardised organisation for risk management. The risk early-warning system meets the requirements of the German Corporate Control and Transparency Act (KonTraG). group-wide risk communication is handled using a standardised format, in consultation with the competent corporate unit “Legal & Compliance” at technotrans SE as well as between the non-central units of the subsidiaries. Depending on the risk characteristic that is determined based on a list of criteria, reporting takes place bi-annually, quarterly or immediately. The reports comprise a substantive and economic assessment of the risks as well as suggestions of effective countermeasures.

The risks are analysed and assessed based on their anticipated probability, the potential loss (gross view) and the proposed countermeasures (net view). Residual risks are evaluated again and additional measures are earmarked for them. For example, to avoid defaults every customer is issued with a general or individual credit limit (which possibly takes into account the amount of trade credit insurance cover). The payment history is also closely monitored. Receivables are regularly analysed to assess what measures are needed in order to close overdue items.

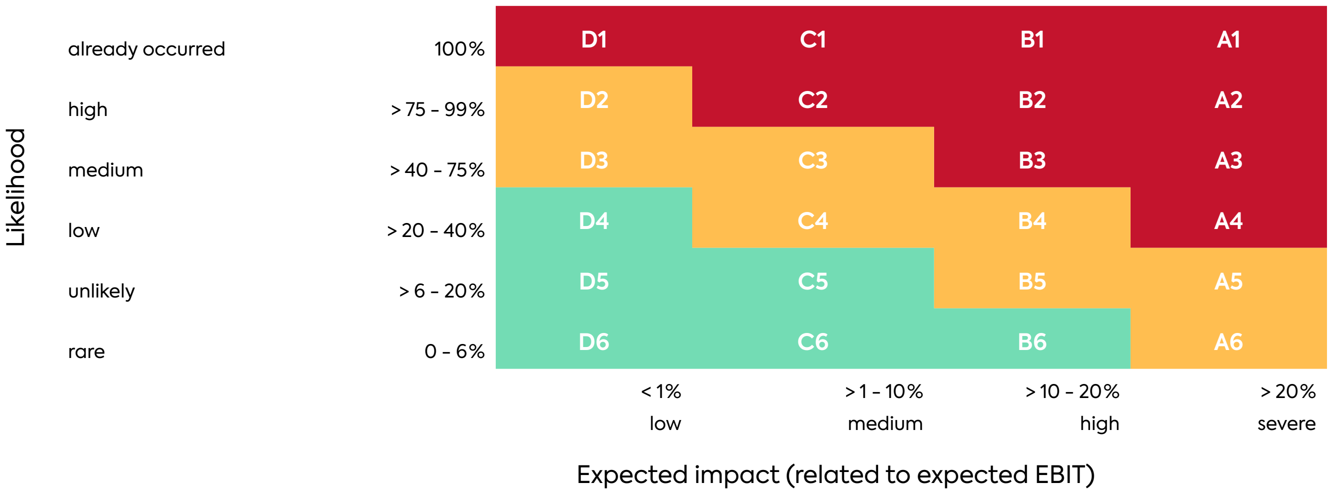
In the case of customers for standard business, in the event of default for example the next stage is to announce and then impose the suspension of supplies until the customer is back below the credit limit. Customer creditworthiness is regularly monitored based on external sources. Credit limits are adjusted to reflect changes. This is also fundamentally practised after supplies have repeatedly been suspended.

The risks are discussed in detail in individual discussions or as part of a regular dialogue between the Board of Management and top-level management and evaluated on the basis of their probability and the potential scale of the loss. Those circumstances and events that cause a percentage deviation in the expected EBIT value in the annual planning for the year in question or subsequent year are defined as risks and awarded a priority rating using a risk matrix.

The risks are classified qualitatively as “low”, “medium” and “high”. Taking account of the potential scale of a loss and the probability of risks materialising, the quantified individual risks are aggregated into risk potentials of similar types. These are then placed in relation to the planned net income for the period (plan EBIT) to obtain the assessment basis for the risk category (“low” – green, “medium” – amber and “high” – red).

technotrans defines its risk categories for 2021 based on a risk matrix that reflects the company’s risk strategy.

Risk matrix



The risk category is correspondingly classified as

- “low” if the risk potential of the individual risk is in the green zone of the matrix,
- “medium” if the risk potential of the individual risk is in the amber zone,
- “high” or a threat to the company as a going concern if the risk potential of the individual risk is in the red zones of the risk matrix.

Opportunities and risks profile

As a technology company, technotrans operates in a dynamic market environment in which new opportunities and risks continually arise. technotrans conducts opportunity and risk management to support the management in achieving the corporate targets. technotrans' long-term success depends on identifying and seizing opportunities at an early stage. Meanwhile the company is exposed to risks that could hinder the attainment of its short and medium-term targets.

technotrans takes risks to mean internal and external events, resulting from uncertainty about future developments, which could adversely affect the attainment of corporate targets. technotrans interprets possible successes over and above the defined targets, which thus promote the development of the business, as opportunities. Risks and opportunities are inseparably linked. Opportunities can balance out risks of an equal magnitude.

The structures and processes of the risk management system as explained in the Risks Report are therefore automatically also an aspect of opportunities management. Opportunities are identified not merely by the management or the risk managers, but also by each individual employee. For supplementary information on the opportunities profile of technotrans, please refer to the Report on Expected Developments.

To establish the overall risk, technotrans aggregates individual risks that belong together substantively. Based on the recommendations of DRS 20, technotrans categorises its risks according to the following five risk groups that could permanently have adverse effects on the net assets, financial position or results of operations of the technotrans group.

It should be noted in this regard that the Board of Management assessed the probability of all the risks stated below occurring simultaneously as low.

Unless otherwise indicated, the risks apply to both reporting segments.

GENERAL AND INDUSTRY-SPECIFIC RISKS

The success of the technotrans group depends to quite some degree on the macroeconomic developments in its direct and indirect sales markets. They include especially the target markets Plastics, Energy Management, Healthcare & Analytics, Print as well as the Laser & Machine Tool Industry. In assessing macroeconomic development, among other tools technotrans uses forecasts by widely recognised institutions and economic research institutes.

technotrans equally is not immune to a slowdown in global economic growth and must expect a direct impact on its revenue and earnings. The regional and market-segment composition of technotrans' revenue is adequately diversified, producing a better balance of activities between economically weak and economically growing markets and industries. Experience has shown that it is rare for all regions and market segments to be affected in equal measure by a deteriorating economic development. Management of the risk from the business cycle essentially involves controlling capacities and costs. Flexible production structures allow technotrans to adjust rapidly to changes in the order situation.

In the 2020 financial year technotrans identified the COVID-19 pandemic as a significant economic risk. At the time of publication of this Annual Report, most of the world's population has not yet been vaccinated against the coronavirus. There consequently remains a substantial pandemic-related risk for the 2021 financial year with regard to the ongoing business operations and future development of the technotrans group's business activities. It is monitoring all relevant markets very closely in order to respond promptly and swiftly wherever this risk manifests itself clearly. The revenue performance, liquidity and controlling of costs remain particular areas of focus. At the same time the coronavirus pandemic also creates opportunities for the technotrans group. technotrans is working for example on temperature control technology for the manufacture of trays for rapid coronavirus tests, on container solutions for vaccine cooling and on space fans with an H14 HEPA filter for use in a wide range of venues. Especially the surge in interest in air hygiene offers fresh growth potential for technotrans.

To ensure that business operations continue in an orderly manner, the measures taken in the 2020 financial year to protect the health of employees and maintain production are still being pursued with the same intensity. Potentially protracted travel restrictions and continuing restrictions on physical gatherings with business partners will remain a challenge for Sales and Service in the 2021 financial year. In addition, it is expected that structural change in the automotive sector and the economic burdens created by the coronavirus pandemic will continue to restrict investing activity in those sales markets. Finally, it remains to be seen how the flow of goods and services from and to the United Kingdom will be affected now that Brexit has happened.

For 2021, all leading forecasting institutes expect the world economy to remain under pressure from the COVID-19 pandemic, but to varying degrees depending on region. The economic expectations for 2021 have already been downgraded as a result of the intensified lockdown measures in many regions in the first quarter of 2021. The situation remains tense.

As a systems supplier, technotrans realises a substantial portion of its revenue from the leading printing press manufacturers worldwide. As a result of the industry's process of consolidation in recent years and the generally flat market volume for print products, technotrans is subject to a degree of dependence on machinery manufacturers (OEMs). Economic difficulties for one of these customers or its exit from the market would potentially have a considerable impact on the financial position and results of operations of the company in the short term. However, the Board of Management does not expect this to have much of a lasting impact because consolidation would probably not exercise any influence on overall sales of printing presses. In the 2020 financial year the coronavirus pandemic adversely impacted markets for commercial printing presses. To some extent technotrans managed to compensate for this effect with increased revenue for other printing methods. This outcome reflects the positive effect of the strategy of systematically expanding the range of products and services for the printing industry into the markets for digital and flexo printing.

In the other relevant markets, technotrans responds to the risks of weaker economic growth and growing pressure of competition with innovative new technological developments and evolutionary versions as well as increased sales activities to strengthen its market presence.

High revenue shares in individual industries bring both opportunities and risks. In order to reduce risks from dependence on individual market segments and products, technotrans attaches much importance to its diversified presence, to expanding its leading technological and innovative position, and to focusing on new customers and growth markets.

In view of the continuing coronavirus pandemic at the time the report was written, the Board of Management assesses the net risks in this risk category as high.

CORPORATE STRATEGY RISKS

There are a number of risks involved in taking over companies that could impact our net assets, financial position and results of operations. If the expected economic or industry-specific developments, the targets for newly acquired businesses or expectations of newly developed products should prove to be inaccurate, the revenue and therefore also earnings target could be missed. Attaining the defined margin targets depends to a very high degree on the actual revenue performance and on keeping costs strictly under control. Unplanned expenses, for example for restructuring measures required or if unforeseeable quality problems arise, can lead to major shortfalls in this connection.

The medium-term group strategy pursues three goals: to increase group-wide profitability, to generate revenue growth through a stronger focus on four selected target markets, and to present a uniform group-wide identity by creating a shared technotrans umbrella brand. The strategy defines investment focuses that are designed to support growth in the target markets within the next five years.

In order to reinforce its market positions both nationally and internationally, technotrans concentrates on "thermal management" as the group-wide core skill and specifically addresses niche markets where the group companies can succeed as systems partners to industrial clients. It continuously monitors the relevant markets and seeks out opportunities for strategic acquisitions that complement organic growth. technotrans looks to make targeted acquisitions that will strengthen its position as technology leader, unlock market potential, improve the services it provides for customers and broaden the portfolio of products and services.

It remains vitally important to integrate past acquisitions into the group promptly under the technotrans umbrella brand in order to realise the desired synergies as swiftly as possible. The Board of Management has enshrined this goal in its "Future Ready 2025" strategy.

Immediately after companies have been acquired, they are integrated into technotrans group reporting. They are equally included in the group-wide risk management system.

On the basis of acquisitions previously conducted in recent years, the Group has accounted for assets amounting to € 23.5 million (previous year: € 23.5 million). Pursuant to IAS 36 these must be tested for impairment at least once a year. If impairment is established, the goodwill for the asset in question is to be written down. In the year under review, as in the previous year, no write-downs were recognised.

To maintain competitiveness, meet market requirements and attract new customers, technotrans is investing in the further development and optimisation of its own technologies, products and processes. These affect all sales markets. Based on the current product and market strategy, new system solutions are created especially in close consultation with customers at the product and applications development stage (product/market strategy).

In new markets involving new customers, there is the possibility that activities to launch new products will not succeed. On the other hand the individual risk is comparatively low because of the steadily growing number of customers. Nevertheless, it is impossible to rule out miscalculations with regard to the strategic direction of the group and its market potential, along with a lack of customer acceptance of newly developed products; these could have negative effects on the competitive position and revenue of the technotrans group.

We tackle these risks by maintaining intensive contact with customers, which gives us a feel for the market, and through our own market observations.

By knowing what our customers require, we are able to develop and offer needs-based system solutions. This approach thus enables us to systematically strengthen our market position. Furthermore, it is of the utmost importance to us to uphold high quality standards.

In drawing up our plans for the 2021 financial year we have based our estimates on realistic planning assumptions and can if necessary take prompt corrective action to exclude or minimise corporate strategy risks.

In summary, at the time of compiling this report the Board of Management assesses all corporate strategy risks as low.

FINANCIAL RISKS

Financial risks include above all the liquidity, interest and exchange risk, as well as the bad debt risk.

The individual group companies fundamentally finance themselves from their operating profit. If required technotrans SE provides group funds to support them. To keep all group companies in a position to act at all times, technotrans SE as the parent company holds extensive liquidity reserves.

To cushion potential negative liquidity effects on the group from the coronavirus pandemic, technotrans SE raised short-term financing of € 5 million in the 2020 financial year to bolster the already comfortable cushion of cash and cash equivalents. No government coronavirus development loans were raised.

In connection with the construction project at the Holzwickede location, technotrans moreover entered into new non-current financial liabilities with various banks.

The financing structure remains diversified across several core banks. This maintains the policy of avoiding dependence on individual lenders. It effectively minimises the financing risks that could arise should lending banks pull out.

In a 2020 financial year dominated by COVID-19, technotrans always remained in a position to generate cash and cash equivalents from its business operations. The economic circumstances of the technotrans group remained very sound and orderly in the 2020 financial year.

No interest rate risks exist. Fixed-interest agreements were concluded for the overwhelming portion of financing. Where financing is at a variable interest rate, the interest rate risk was neutralised with interest rate hedges.

At the reporting date of December 31, 2020 the unsecured share of financing within bank borrowings amounted to € 30.2 million. A major negative variance in the results of operations, financial position and net assets from the plan for the 2021 financial year could necessitate drawing on the available borrowing facilities to a greater extent than planned. Based on the plans for the 2021 financial year, the Board of Management rates this risk as low.

In view of the company's structure and the growth in its international activities, exchange rate movements influence the business activities of the technotrans group. Because production and sales activities for the overwhelming portion of business operations are billed in euros, the exchange rate risks from individual transactions are limited. Movements in exchange rates also affect the competitiveness of our customers. This can indirectly impact our business performance.

There are exchange rate risks within financial reporting from the translation of revenue, income and expenses as well as intragroup receivables and liabilities for the international group companies into euros as the group currency. Exchange rate movements may therefore correspondingly increase or reduce the consolidated result. In the 2020 financial year, the group reported a negative foreign currency result in the Consolidated Income Statement in particular from the weakening of the US dollar.

The COVID-19 pandemic is affecting virtually all industries worldwide and the businesses that are active within them. There is correspondingly a higher bad-debt and insolvency risk on the debtor side. Systems for continuously monitoring creditworthiness, demanding collateral and implementing trade credit insurance are effective ways of minimising the risk for technotrans.

There are systematic checks to reduce further financial risks from potential cases of compliance and fraud. Targeted, ongoing employee communications, effective IT security standards and observance of the General Data Protection Regulation (GDPR) are especially relevant in this connection.

The financial risk has increased as a result of the COVID-19 pandemic. The Board of Management assesses the financial risks for the group overall as moderate.

ECONOMIC PERFORMANCE RISKS

There exist risks in the procurement market especially in the form of supply bottlenecks and dependence on individual suppliers. In addition, production standstills represent a material risk.

technotrans is dependent on suppliers and service providers being able to supply goods and services of the required scope and quality at all times. Supplier management is therefore closely dovetailed with the risk management system. technotrans cooperates closely with selected component suppliers. technotrans addresses expected shortages of raw materials and the associated price risks through long-term framework contracts, for example. Economies of scale in the group's procurement of the principal categories of materials are exploited by creating a strategic group procurement structure. On the materials and procurement side we expect to see rising prices overall for raw materials and their transport in 2021. Depending on the market situation, it is not always possible for the group companies to pass on the resulting cost burdens to customers swiftly and in full. However this risk as a whole is of limited scope and is therefore rated as low.

Production stoppages as well as disruptions to transport and logistics fundamentally constitute a relevant risk that technotrans addresses by implementing flexible processes and high technical standards. Global disruptions to the supply chain, as experienced for example in the first half of 2020 during the COVID-19 pandemic, are an exception. At the supplier end, production outages may create supply bottlenecks due to local outbreaks of the infection, restricted production from the introduction of short-time and limited transport capacity. The challenge here is that we can make an – at best – rudimentary assessment of the consequences and scope for action with regard to our suppliers' sub-suppliers. In such cases the risk can be reduced by adjusting the inventory levels and increasing vertical integration, as exemplified by gwk. Such an approach can increase flexibility within the group and limit the risk of external bottlenecks. In view of growing diversification within the group, the effects of such risks on the group are limited. The risks are correspondingly classified as low.

There is furthermore the risk that customer expectations regarding delivery dates or product and performance quality will not be met (sales risk). A large number of processes and mechanisms, from supplier management and customer project handling to quality management, are effective at minimising these risks.

A secure, efficient IT infrastructure is the basis of the modern working environment. The growing integration of a large number of IT systems and the need for permanent availability place high demands on the information technology used. Software-based mapping of business processes means technotrans' business data is exposed to a general IT risk. This includes above all the dangers of system failures, data losses as well as virus and hacker attacks, which could lead to an interruption in business activities.

technotrans addresses possible risks from the failure of computer systems and networks, unauthorised accessing of data and data misuse through a central, technically and organisationally shared service function as well as by continuously investing in state-of-the-art hardware and software. To limit future IT risks, technotrans uses preventive measures for system security (use of virus scanners, firewall systems and access controls). The Board of Management currently estimates the IT risks as low.

The gradual implementation of a uniform SAP ERP system in all group companies is an essential prerequisite for realising the synergy potential within the group. Unplanned complications in the changeover from local ERP systems to the central SAP system could affect the production processes and therefore the net assets, financial position and results of operations of the individual company concerned or even of the whole group. Where ERP still remains to be implemented, to limit the risk the measures are always carried out in sequence and never in parallel. The difficulties encountered with the roll-out of the ERP system at the group company gwk in 2019 were fully overcome with the successful completion of the project in 2020. IT risks, which fall within this risk category, have therefore been downgraded from moderate to low for 2021.

The group's success is critically influenced by having qualified and motivated employees and managers. technotrans therefore invests both in retaining its employees and in improving job appeal, to rise to the challenge of impending digitalisation and demographic change. There exist possible risks mainly in the areas of personnel recruitment and personnel development. Changes to structures or processes harbour the risk of losing employees and their expertise if they are unable to identify with the measures taken and are therefore prompted to move (fluctuation). We tackle this risk through focused training and advancement measures, by spreading individual expertise among teams and by offering commensurate pay. Employees appreciate the positive corporate culture, with the result that all measures combined make technotrans an attractive employer.

The Board of Management classifies the economic performance risks overall as low.

LEGAL RISKS

The international business activities of technotrans SE and its group companies mean the companies are exposed to a variety of legal risks. National and international drafting of contracts is an especially relevant area.

The nature of the individual companies' business operations means there exist risks especially regarding guarantee and product liability claims from customer complaints. These risks are by and large covered by insurance policies as an element of the risk management system. To cover the risks, provisions for payments to be made under warranty amounting to € 2.2 million (previous year: € 1.8 million) were accounted for in 2020.

In response to significant individual risks of group companies from litigation and associated litigation risks, a provision is formed as soon as litigation is pending and the amount in question can be estimated reasonably. There is currently no litigation the outcome of which we believe could significantly impact the results of operations or net worth.

In March 2020 the fine procedure instigated by the Federal Banking Supervisory Authority (BaFin) at the end of 2019 was concluded with a significantly smaller fine than expected. The reversal of the provision created in the 2019 annual financial statements released a non-recurring, positive profit contribution in the amount of € 0.6 million. No comparable circumstances are expected for the 2021 financial year.

Risks may also arise from changing regulations and laws, and from the associated changes in standards – for example regarding the use of commodities or constituents – especially in Germany and the EU. The erecting of trade barriers and growing competition restrictions can have a negative effect. While effective contract and quality management plus a compliance management system can minimise these risks, they cannot guarantee to neutralise them altogether. In response to these risks, technotrans has taken out insurance policies on them. In addition, provisions are created on a case-by-case basis.

The Board of Management assesses all legal risks as low.

Overall statement of the Board of Management on the risk situation

The Board of Management believes the risk management system in place is suitable for identifying, analysing and quantifying the existing risks in order to manage them adequately.

There is currently no evidence of risks that pose an existential threat either by themselves or in combination with other factors. The group is well positioned. With a manageable risk profile, the fundamentals are in place for technotrans to achieve the goals of the medium-term corporate strategy and therefore successfully achieve a course of profitable growth.

There is no evidence of risks which pose an existential threat to the technotrans group. That applies both retroactively and to planned future activities.

The risk-bearing capacity of the group is determined by aggregating all categories for all business units and functions to obtain a risk inventory, which is compared with the risk coverage potential. The risk-bearing capacity as a whole, and indeed the overall risk position, has not changed significantly compared with the previous year and therefore continues to be assured.

In the Board of Management's view, the group is well positioned to build on its market position and achieve global growth likewise in terms of its risk strategy and risk-bearing capacity.

Future parameters

In its World Economic Outlook in January 2021 the IMF emphasises the continuing high level of uncertainty of projections. The reason is the unclear further course of the coronavirus pandemic. Highly infectious new mutations of the virus are stopping infection rates from coming down in the regions affected. At the same time, the first vaccinations provide reason to hope that the pandemic can be combated effectively as the year progresses. The IMF expects a regionally mixed development. The elementary criteria are the population's acceptance of the decreed measures, and the availability of vaccines.

CHANGE IN GROSS DOMESTIC PRODUCT (GDP IN %)

	2021e	2022e
World	5.5	4.2
USA	5.1	2.5
Eurozone	4.2	3.6
Germany	3.5	3.1
China	8.1	5.6
Emerging countries	6.3	5.0

Source: International Monetary Fund, World Economic Outlook, January 2021 (forecast)

In light of these developments the IMF has made differentiated adjustments to its forecast published last October. It has upgraded its assessment for 2021 for the global economy (GDP) by 0.3 percentage points and now anticipates 5.5 percent growth. It expects an even stronger recovery in the USA, for which it has adjusted the growth rate by 2.0 percentage points to 5.1 percent.

The outlook for Germany is restrained. The IMF has downgraded its assumption for the country by 0.7 percentage points and expects growth of 3.5 percent for 2021. A similar approach on the part of the German government has been observed. As a result of the lockdown at the start of the year, in January 2021 it actually adjusted expected GDP growth downward by 1.4 percentage points and now expects growth of only 3.0 percent for the year as a whole.

The IMF's expectations for the euro zone are also subdued. It has adjusted its forecast by 1.0 percentage points and expects growth of 4.2 percentage points. The continuing higher infection rates in southern Europe, especially Italy and Spain, are the drivers of this change.

The IMF expects China's robust growth to continue almost unchanged at 8.1 percent for 2021 (previously: 8.2 percent).

Overall, the IMF therefore expects a recovery in national economies worldwide in the current year. Positive growth rates, if rather moderate compared to the coming year, are also expected for 2022.

The Board of Management shares the expectations of the IMF regarding the overall economic development and stresses that forecasting uncertainty leaves the risk that the above growth rates will not be achieved.

Expected development of the markets of relevance for technotrans

The global COVID-19 pandemic will also have a significant effect on the year 2021 and impact the markets that are relevant to technotrans. Against this backdrop, the German Institute for Economic Research (DIW) scaled back its growth forecast for gross domestic product this year from 5.2 to 3.5 percent.

Although figures released by the Federal Ministry for Economic Affairs and Energy showed a renewed rise in manufacturing industry's industrial output at the end of last year, fourth-quarter output for the sector was latterly still below (97 percent) the level of the corresponding quarter in the previous year. In view of developments during the pandemic and the tougher continuing lockdown, the general outlook for industrial activity remains subdued but there is a positive trend in order intake. The development in industry correspondingly suggests that this time the impact of the coronavirus will be not as severe as last spring.

The technotrans group's diversified portfolio of markets and customers calls for a differentiated view of the economic impact because the factors affecting each individual market are different.

Print

As market leader for adapted system solutions in the printing industry, from today's view technotrans expects the market development to remain flat. Whereas the business climate in the German printing and media industry improved somewhat at the end of last year, it showed a renewed downturn in January 2021 due to the spread of the coronavirus. The business confidence index calculated by the German Printing and Media Industries Federation showed a marked seasonally adjusted drop of 7.8 percent compared with the previous month, from 96.3 to 88.8 points. The gap compared with the previous year has therefore widened to -9.7 percent. The index is nevertheless still above the low of April 2020 early on in the pandemic. The index consequently continues to show high fluctuations at the start of the new year, above all reflecting the uncertain outcome of the coronavirus for business. In view of the emergence of more coronavirus mutations and only slow progress with vaccinations, which is dictating the pace at which restrictions can be eased, currently around 52 percent of businesses in the printing industry do not expect their business situation to change.

The market environment of the printing industry therefore remains challenging. The trend towards digitalisation is steadily gathering pace and causing print runs of traditional print media to shrink. On the other hand there has been a healthy development in film and paper or cardboard packaging printing. Online retailing has benefited especially from the coronavirus pandemic, and therefore also the packaging industry. It uses both flexographic and offset printing presses.

Nevertheless, the positive development in packaging printing is not sufficient to bring the market back into positive territory and the Board of Management assumes that the overall development for print will essentially be flat.

Plastics

The market of the plastics processing industry, a relevant one for technotrans, reached a volume of approx. € 2 billion in 2020 and will maintain its moderate growth over the coming years. The main drivers of worldwide growth are the world's rising population and higher overall standards of living. Prosperity is reflected in many of the markets in which plastics are used, above all in packaging for food and everyday necessities, but also in the wide range of containers used for storage and transport. In the infrastructure and construction sectors, plastics also find use in the water, power and gas supply, insulation, window profiles and many other areas. Increasing mobility is another important area of use – from cars to goods traffic to aviation.

A further area in which plastics have become indispensable is medicine. Appliances, diagnostics, labs and the safe administration of pharmaceuticals to the standards currently required are no longer conceivable without safe, hygienic disposable plastic articles. The sports and leisure equipment we have come to know and love is now dependent on plastics. All these applications are prompting growing worldwide demand in their markets and in the use of the plastics and rubbers required, accelerating the spread of polymer materials.

In the age of the coronavirus, plastics once again demonstrate how important they are in our lives. Protective gear, acrylic glass protective screens and PCR blocks for rapid tests are all plastics engineering products whose manufacturing requires precision temperature control technology.

This generally positive market trend also supports the new "Future Ready 2025" growth strategy, in which the plastics processing industry plays a major role. The growth expected in this area in the 2021 financial year will be a key driver of technotrans' positive business performance.

Energy Management

technotrans' newly defined market segment Energy Management, alongside Plastics, is another driver of the technotrans growth strategy. It mainly comprises electric mobility for rail transport and roads, charging stations and data centres.

The future of our transport system lies in electric mobility. Rapid-transit and underground trains, long-distance trains, trams and other vehicles increasingly run on battery power. It is the declared aim of the rail sector to close the present gap and achieve 100 percent electric mobility so that diesel power becomes entirely redundant in the future. Achieving this goal includes pushing ahead with the electrification of routes, because Germany's rail network is currently only 60 percent electrified. Then, for routes that cannot be electrified, alternative-drive vehicles that can travel electrically without overhead lines will be used. Passenger transport will be based around battery-powered trains and especially fuel cell trains, which are seen to offer great potential. These two drive concepts target different areas of use. But what they have in common is that to store energy, they always need a battery with thermal management system, this latter feature ideally supplied by technotrans. For freight transport, too, there are alternatives that are comparable to diesel drive in the shape of last-mile and dual-mode locomotives. In them all, growing refurbishment business for existing railcars and locomotives is becoming an increasingly important growth driver in this sector. One factor supporting this development is that many countries are promoting the electrification of rail traffic in order to meet future mandatory CO_2 targets and cut emissions in urban areas.

The electrification of local public transport on roads also continues. Many cities and municipalities are increasingly electrifying their vehicle fleet and switching to battery-powered or hydrogen-based drive concepts. There is moreover further growth potential in transport logistics. New goods distribution concepts based on battery-powered and therefore zero-emission mini vehicles are emerging especially in inner-city areas.

technotrans has created the basis for sustained growth in these segments with its thermal management systems for battery cooling. Development partnerships with customers and suppliers highlight its innovative status in this segment. The relevant market for technotrans was worth around € 400 million in 2020 and will continue to achieve healthy growth, so a positive revenue performance in this area is to be expected.

Meanwhile the Board of Management takes a differentiated view of the market for charging infrastructure, for which technotrans supplies systems for cooling the charging cables at high-power charging stations (HPC). HPC charging stations with an output of more than 150 kW are still being installed but their spread is progressively slowing due to a lack of compatible passenger cars, which lack mass appeal; this area is therefore not expected to provide much impetus for business development.

Data centres are another energy management building block. They play a key role in the continuing digitalisation process for society and businesses. People are gaining a growing awareness of the need for climate protection and sustainability – specifically regarding data centres and in a general economic context. The main concern for data centres is the need to reduce their high energy consumption. Cooling is an especially relevant factor in sustainability, because up to one-third of the energy costs are incurred simply for dissipating heat from servers and data centres. Efficient cooling can substantially increase the power usage effectiveness (PUE) of data centres. As such, cooling not only has a beneficial environmental effect; it also brings substantial financial advantages for operators.

In line with the global trend towards digitalisation, the Board of Management expects the area of thermal management for data centres to yield business growth, even if it represents only a small share of the technotrans portfolio.

Laser- & Machine Tool Industry

The capital goods market was hit hard right at the start of the coronavirus pandemic. The investment embargo imposed by many companies, coupled by structural change in the automotive industry and the related shift away from the combustion engine, particularly affected the laser and machine tool industry. The German Association of Machine Tool Manufacturers (VDW) reports that the order intake for 2020 was roughly 30 percent down on the previous year. The Board of Management estimates that this market will continue to contract in 2021. As well as the reduced number of device installations, in particular the declining complexity of systems and the international drop in prices will mean lower revenue in this area.

One ray of hope for laser applications remains EAV lithography, which is useful in manufacturing the latest-generation microchips. This comparatively small subsidiary market is currently growing independently of current economic developments. However it is questionable whether it can make up for the contraction in the overall area of the laser and machine tool industry.

Healthcare & Analytics

The market for medical technology is a global growth market with a high pace of innovations. According to a study by Luther and Clairfield International, the worldwide market for medical technology reached a volume of some € 490 billion in 2020. Strong consumer influence, digital innovations and new market participants are accelerating developments in this market. technotrans identified this opportunity early on and supported medical technology and systems with innovative products for thermal management. The highest-revenue segments of medical technology up until 2022 will be cardiology, diagnostic imaging and orthopaedics with all mobility aspects and surgical elements. These make up about 50 percent of the market. Alongside laser-based treatment methods and cooling of the brain and blood, imaging procedures are the main area in which technotrans sees high potential. Within the “Future Ready 2025” strategic reorientation, they constitute part of a relevant, growing market worth some € 600 million. Overall, the Board of Management therefore expects a positive market development for the Healthcare & Analytics area, in which technotrans will participate with its products for process cooling and integrated thermal management.

Prospective development of the technotrans group in the 2021 financial year

The COVID 19 pandemic will continue to affect us into the 2021 financial year. Although the latest vaccines licensed have raised hopes of turning the tide in the pandemic in the course of this year, new waves and new variants of the virus are reasons for concern over the outlook. Further global economic development depends substantially on the course of the pandemic, the intensity and effectiveness of efforts to contain it, potential restrictions to logistics chains, and shifts in patterns of private consumption.

Amid all this extraordinary uncertainty, the International Monetary Fund (IMF) gave a forecast of 5.5 percent growth for the global economy in 2021 and 4.2 percent in 2022. There is also high uncertainty surrounding significant political developments, such as trade relations between the USA and China, and further consequences of the United Kingdom's exit from the EU.

In addition, major customer industries of the technotrans group are suffering both from the consequences of COVID-19 and from structural problems, such as the printing industry and areas of machine tool engineering (low capacity utilisation). The market environment is therefore expected to encounter adverse conditions in the 2021 financial year. Positives could include the opportunities afforded by the major state stimulus programmes that have been started. These include most notably the expansion of the rail network, including the electrification of the transport business, electric mobility and the worldwide expansion of health systems.

On December 17, 2020 the Board of Management presented its new strategy adapted to the prevailing situation, entitled "Future Ready 2025". The aim of the strategy is to make technotrans strong and stable over the long term and to build on its position as technology leader.

As part of a comprehensive process of transformation, we will steadily achieve closer integration between the companies of the technotrans group and replace their separate corporate identities with that of a single, large enterprise under a strong, shared technotrans umbrella brand.

The merger of gwk with Reisner and technotrans SE with KLH creates a clearly defined technology and product portfolio, Supported and flanked by the new brand concept, technotrans offers a unique range of products and services for thermal management.

The strategic reorientation comprises two phases. In the first phase over the years 2021 and 2022, the focus is on stability and profitability. The change process already kicked off in 2020 will be systematically pursued in order to unlock the group-wide synergy effects through more centralised control of functional areas. The focus of the second phase, from 2023, will then be on profitable growth and innovation. Here, technotrans will concentrate especially on key markets Plastics, Print, Energy Management and Healthcare & Analytics and expand them further.

Successful implementation of the "Future Ready 2025" strategy revolves around the following action points: focusing, consolidation, operational excellence, synergies, performance management and sustainability. The focus in the second transformation phase also includes the integration of new technologies and the further expansion of international business.

Against this backdrop, the Board of Management anticipates achieving consolidated revenue in the range of € 195 to € 205 million and an operating result (EBIT) of between € 8.8 and € 11.3 million for the 2021 financial year. This represents an EBIT margin of between 4.5 percent and 5.5 percent. Our ROCE forecast for 2021 is that we will achieve a double-digit percentage, though below our long-term target level of > 15 percent.

The revenue and earnings forecast for 2021 does not include acquisitions. The outlook is based on the consolidated plans of the individual companies. The level of target attainment depends substantially on the success of the strategic repositioning and the developments in the relevant markets.

Based on the above strategy, our medium-term target for 2025 is organic revenue growth to a level of € 265 to € 285 million, resulting in an operating profit margin of 9 to 12 percent. Targeted M&A transactions are a possible means of increasing growth further. Criteria for potential acquisitions include diversification, profitability, strategic fit and internationality.

The focus of organic growth is on our principal markets.

The **Plastics** target market offers us a wide range of application areas. With our energy-efficient products such as temperature control units, chillers, cooling systems, cooling containers and water treatment systems, we have a unique range of products to offer this market segment. The merger of Reisner and gwk will increase technological differentiation in the market and provide scope to develop sales work. We will further improve our market position by stepping up sales activities especially for low-temperature applications and in the rubber industry, by combining stand-alone solutions into system solutions and by expanding our energy-saving concepts.

In the newly defined **Energy Management** target market (e-mobility for rail and road, high-power charging stations and data centres) we have further strengthened our market position in Europe through our successful sales activities in the area of battery thermal management for rail vehicles. Production orders running for several years will stabilise business development longer-term. Development partnerships have paved the way for complex thermal management applications (cooling of the electric motor, battery and power electronics) in the e-truck market. The Board of Management also sees potential for acquiring further projects for stationary cooling systems for inverter stations.

In the **Healthcare & Analytics** target market, we reached a key milestone at the end of last year with the successful production start of the new blood cooling system to support heart surgery, with series production ramping up in 2021. We will use this reference project to steadily expand our activities in the field of medical technology. The same applies to cooling for MRI machines and scanner applications, which exhibit growth potential going forward.

While making use of group-wide synergy potential, on the procurement side we expect rising prices for commodities, input materials and energy due to the effects of the COVID-19 pandemic.

The restructuring measures introduced in 2020 are already having an initial positive impact on profitability. For 2021, no significant workforce expansion is planned despite the scheduled rise in revenue. The forecast for the year does not incorporate any effects from exchange rate movements. With regard to the remaining items of the Income Statement, we expect the customary scale of changes.

		Actual 2020	Forecast 2021
group			
Revenue	€ million	190.5	195 - 205
EBIT	€ million	6.8	8.8 - 11.3
EBIT margin	%	3.6	4.5 - 5.5
Investment	€ million	8.2	6
Equity ratio	%	53.6	>50%
Free cash flow	€ million	3.9	positive FCF
ROCE	%	7.8	9 - 12

Based on the anticipated income, we forecast a positive free cash flow for the 2021 financial year. Planned investment spending on property plant and equipment and intangible assets is set to total around € 6 million (excluding acquisitions). Of this sum, replacement investment at the German production locations will come to around € 4 million. The repayment of debt and the dividend payout are to be financed from current cash flow and freely available liquidity. Together with the surplus cash generated, these constantly assure the financing of current business. The group equity ratio is to remain above 50 percent.

The strategically defined focus on technotrans' target markets, combined with the attractive product portfolio, will have a positive impact on the **Technology segment**. The Board of Management expects that diversification will compensate for fluctuations in individual subsidiary markets and that slight organic growth can be achieved. The revenue forecast for 2021 for the Technology segment lies within the range of € 145 to € 152 million. As matters stand this will yield a positive operating result for the segment in 2021.

From the new 2021 financial year, business involving initial installations and commissioning (around € 5 million p.a.) will be categorised as new machinery business in the Technology segment. It previously came under the Services segment.

The **Services segment** continues to be hampered by the effects of COVID-19. Travel restrictions and lockdowns are impeding direct customer contact. In addition, customer consolidation continues in some submarkets (e.g. printing industry). New business combined with the self-developed digital service app that enables dialogue with the customer independently of contact can compensate for this. The Board of Management expects further positive effects from the merging of individual service areas and from central management of the customer hotline. For the Technical Documentation area, represented by gds GmbH, we expect to see a year-on-year increase in revenue from higher market shares for the XML editorial systems, translation services and content delivery systems as well as from more cross-selling by technotrans. Overall, the Board of Management anticipates a stable rate of return for the segment compared with the previous year, with a revenue corridor of € 50 to € 53 million.

Prospective development of technotrans SE in the 2021 financial year

Given the prevailing economic environment, the Board of Management expects technotrans SE (separate financial statements) to achieve slight revenue growth in the 2021 financial year.

As matters stand revenue is forecast to be between € 74 and € 79 million and the operating result (EBIT) in the range of € 1.5 to € 3.2 million. The EBIT margin is expected to be in the range of 2 to 4 percent. The forecast for ROCE for technotrans SE in the 2021 financial year is in the high single-digit percentage range (previous year: 9.7 percent).

We have suitably taken account of both the varying market developments expected and the transformation measures that result from the "Future Ready 2025" strategy in this forecast. No additional effects of the COVID-19 pandemic on the business performance were reflected in the forecast for the year 2021.

Overall statement of the Board of Management on the future business performance in 2021

The technotrans group has faced up to the particular challenges of the COVID-19 pandemic and brought the difficult financial year of 2020 to a successful conclusion. technotrans has therefore again demonstrated the capacity and potential that exists within the group of companies.

Overall, the Board of Management has positive expectations of the future business performance of the technotrans group. These are based mainly on the solid growth prospects that were presented by the Board of Management in mid-December and outlined in the strategy paper "Future Ready 2025". Under the "power to transform" claim, the future policy of concentrating on selected focal markets has been set out and the new umbrella brand strategy presented.

In 2021 the emphasis of the transformation process will be on stability and profitability. The merger of group companies will be prepared, group-wide synergy effects from the harmonising of functional areas will be unlocked and the foundations will be laid for sustained growth in the chosen focal markets.

Based on the current economic forecasts, the Board of Management is overall cautiously optimistic about the new financial year

DISCLAIMER

The combined management report contains forward-looking statements. Actual results may differ materially from those anticipated if any of these or other uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect.

Sassenberg, March 5, 2021

technotrans SE

The Board of Management

Michael Finger | Dirk Engel | Peter Hirsch

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

	Note	31/12/2020	31/12/2019
		€ '000	€ '000
Non-current assets			
Property, plant and equipment	(1)	36,781	33,268
Right-of-use assets	(2)	3,210	3,846
Goodwill	(3)	23,513	23,513
Intangible assets	(4)	7,016	7,493
Other financial assets	(5)	151	185
Deferred taxes	(28)	1,142	1,484
		71,813	**69,789**
Current assets			
Inventories	(6)	26,702	28,257
Trade receivables	(7)	21,082	24,039
Income tax receivable	(8)	103	349
Other financial assets	(9)	546	733
Other assets	(9)	2,122	1,926
Cash and cash equivalents	(10)	25,749	20,910
		76,304	**76,214**
Total assets		**148,117**	**146,003**

Equity and liabilities

	Note	31/12/2020	31/12/2019	
		€ '000	€ '000	
Equity	(11)			
Issued capital		6,908	6,908	
Capital reserve		19,097	19,097	
Retained earnings		55,461	49,374	*
Other reserves		-6,999	-6,394	
Net profit for the period		4,956	6,088	*
Total equity attributable to technotrans SE shareholders		**79,423**	**75,073**	
Non-controlling interests in equity		-5	-6	*
		79,418	**75,067**	
Non-current liabilities				
Borrowings	(12)	31,043	33,760	
Employee benefits	(16)	686	809	
Other financial liabilities	(13)	1,680	2,607	
Deferred taxes	(28)	448	657	
		33,857	37,833	
Current liabilities				
Borrowings	(12)	12,960	6,696	
Trade payables	(14)	4,606	5,952	
Prepayments received	(15)	3,210	4,242	
Employee benefits	(16)	5,309	5,154	
Provisions	(17)	3,490	3,891	
Income tax payable	(18)	274	745	
Other financial liabilities	(19)	2,715	2,991	
Other liabilities	(19)	2,278	3,432	
		34,842	**33,103**	
Total equity and liabilities		**148,117**	**146,003**	

*Adjustment of the previous year to show the non-controlling interests. See Note "II. Group a) Consolidated Companies".

Consolidated Income Statement

	Note	2020	2019
		€ '000	€ '000
Revenue	(20)	190,454	**207,927**
of which Technology		137,716	148,424
of which Services		52,738	59,503
Cost of Sales	(21)	-137,012	-146,612
Gross profit		53,442	**61,315**
Distribution costs	(22)	-21,226	-25,606
Administrative expenses	(23)	-18,375	-18,760
Development costs	(24)	-7,347	-7,575
Net impairment losses on financial and contract assets	(7)	-165	-510
Other operating income	(25)	1,511	1,911
Other operating expenses	(26)	-1,060	-2,437
Earnings before interest and taxes (EBIT)		6,780	**8,338**
Financial income		86	630
Financial charges		-746	-763
Net finance costs	(27)	-660	**-133**
Profit before tax		6,120	**8,205**
Income tax expense	(28)	-1,163	-2,116
Net profit for the period		4,957	**6,089**
of which:			
Profit attributable to technotrans SE shareholders		4,956	6,088 *
Profit attributable to non-controlling interests		1	1 *
Earnings per share (€)	(29)		
basic / diluted		0.72	0.88

*Adjustment of the previous year to show the non-controlling interests. See Note "II. Group a) Consolidated Companies".

Consolidated Statement of Other Comprehensive Income

	Note	2020	2019
		€ '000	€ '000
Net profit for the period		4,957	6,089
Other results			
Items that were not be reclassified to Income Statement			
Revaluation of the net debt from defined benefit obligations	(16)	-1	-34
Deferred taxes		0	9
		-1	-25
Items that were or must be reclassified to Income Statement			
Exchange differences from the translation of foreign group companies		-25	86
Change in the amount recognised within equity (net investments in a foreign operation)	(11)	-579	-32
Change in the market values of cash flow hedges		14	-42
Amount reclassified to the Income Statement		-15	23
Deferred taxes		0	-3
Change in the amount recognised within equity (cash flow hedges)	(34)	-1	-22
		-605	32
Other profit after tax		-606	7
Overall result for the financial year		4,351	6,096
of which:			
Profit attributable to technotrans SE shareholders		4,350	6,095 *
Profit attributable to non-controlling interests		1	1 *

*Adjustment of the previous year to show the non-controlling interests. See Note "II. Group a) Consolidated Companies".

Consolidated Cash Flow Statement

	Note	2020	2019
		€ '000	€ '000
Cash flow from operating activities	(30)		
Net profit for the period		4,957	6,089
Adjustments for:			
Depreciation and amortisation		7,069	7,670
Income tax expenses	(28)	1,163	2,115
Gain (-) / loss (+) on the disposal of property, plant and equipment	(25), (26)	-49	-142
Foreign exchange losses (+) / gains (-)		-320	-46
Net finance costs	(27)	660	133
Other non-cash changes from leases	(2)	-202	0
Cash flow from operating activities before working capital changes		**13,278**	**15,819**
Change in:			
Inventories	(6)	1,555	38
Receivables and other current assets		2,983	3,402
Liabilities and prepayments		-3,856	1,178
Provisions and employee benefits	(16), (17)	-370	-863
Cash from operating activities		**13,590**	**19,574**
Interest received		34	15
Interest paid		-659	-630
Income taxes paid/income tax rebates		-738	-2,158
Net cash from operating activities		**12,227**	**16,801**
Cash flow from investing activities	(31)		
Cash payments for investments in property, plant and equipment and in intangible assets		-8,412	-9,363
Proceeds from the sale of property, plant and equipment		100	210
Net cash used for investing activities		**-8,312**	**-9,153**

	Note	2020	2019
		€ '000	€ '000
Cash flow from financing activities	(32)		
Cash receipts from the raising of short-term and long-term loans		10,500	17,500
Cash payments from the repayment of loans		-6,696	-11,431
Distribution to investors		0	-6,079
Cash payments from the repayment of lease liabilities		-2,620	-2,356
Net cash used in financing activities		1,184	**-2,366**
Change in cash and cash equivalents		5,099	5,282
Cash and cash equivalents at start of period		20,910	15,566
Net effect of currency translation in cash and cash equivalents		-260	62
Cash and cash equivalents at end of period	(10), (33)	**25,749**	**20,910**

Consolidated Statement of Changes in Equity

(Notes 11)	Issued capital	Capital reserve	Retained earnings
	€ '000	€ '000	€ '000
01/01/2019	**6,908**	**19,097**	**55,672** *
Change in accounting policy	**0**	**0**	**-194**
Adjusted balance as of 01/01/2019	**6,908**	**19,097**	**55,478**
Net profit for the period	0	0	6,088 *
Other result	0	0	-25
Overall result for the financial year	**0**	**0**	**6,063**
Distribution of profit	0	0	-6,079
Transactions with owners	**0**	**0**	**-6,079**
Total transactions with owners of the company	**0**	**0**	**-6,079**
31/12/2019 / 01/01/2020	**6,908**	**19,097**	**55,462**
Net profit for the period	0	0	4,956
Other result	0	0	-1
Overall result for the financial year	**0**	**0**	**4,955**
31/12/2020	**6,908**	**19,097**	**60,417**

*Adjustment of the previous year to show the non-controlling interests. See Note "II. Group a) Consolidated Companies".

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
–3,748	**–2,645**	**–33**	**75,251**	**–7** *	**75,244**
0	0	0	–194	0	–194
–3,748	**–2,645**	**–33**	**75,057**	**–7**	**75,050**
0	0	0	6,088	1 *	6,089
86	–32	–22	7	0	7
86	**–32**	**–22**	**6,095**	**1**	**6,096**
0	0	0	–6,079	0	–6,079
0	**0**	**0**	**–6,079**	**0**	**–6,079**
0	**0**	**0**	**–6,079**	**0**	**–6,079**
–3,662	**–2,677**	**–55**	**75,073**	**–6**	**75,067**
0	0	0	4,956	1	4,957
–25	–579	–1	–606	0	–606
–25	**–579**	**–1**	**4,350**	**1**	**4,351**
–3,687	**–3,256**	**–56**	**79,423**	**–5**	**79,418**

I. Application of IFRS - Basic explanations

technotrans SE is a listed corporation with its registered office in Sassenberg (Robert-Linnemann-Str. 17, 48336 Sassenberg), Germany. The company is entered in the register of the Local Court of Münster under the number HRB 17351. These Consolidated Financial Statements of technotrans SE and its subsidiaries ("group") at December 31, 2020 were approved for forwarding to the Supervisory Board by resolution of the Board of Management on March 5, 2021. The supervisory board has the task of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with section 315e of the German Commercial Code (HGB) ("Consolidated financial statements according to International Accounting Standards") in compliance with the 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 on the accounting methods can be found in Note "II. Group c) Recognition and measurement principles". Changes in significant accounting policies are presented in the section "Recognition and measurement principles".

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

II. Group

a) Consolidated companies

The consolidated financial statements include technotrans SE and its 18 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 voting rights in 17 subsidiaries. The group does not hold a majority of the voting rights in SHT Immobilienbesitz GmbH & Co. Vermietungs KG, which exclusively holds and manages the company property in Bad Doberan, which is 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. As a result, the Board of Management concludes that SHT Immobilienbesitz GmbH & Co. KG is a subsidiary and must therefore be consolidated. For reasons of materiality, the non-controlling interests were not previously reported in the consolidated financial statements. For improved clarity and comprehensibility, non-controlling interests are now reported in the consolidated financial statements. The previous year's figures were adjusted for this purpose. Subsidiaries that are of minor importance for the group and for the presentation of a true and fair view of the net assets, financial position and results of operations due to their dormant or only minor business activities are generally not included in the consolidated financial statements. One subsidiary, which is already in liquidation, was not included in the consolidated financial statements due to its minor significance.

Companies	Country	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	3)
technotrans graphics ltd.	GB	Colchester	100	
technotrans france s.a.r.l.	FR	Saint-Maximin	100	
technotrans italia s.r.l.	IT	Legnano	100	
technotrans scandinavia AB	SE	Åkersberga	100	
technotrans america inc.	USA	Mt. Prospect	100	
technotrans américa latina ltda.	BR	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	4)
technotrans japan K.K.	JP	Kobe	100	
gwk Heating & Cooling Technology (Nanchang) Co. Ltd	CN	Nanchang	100	5)

1) Limited partnership interest held by KLH Kältetechnik GmbH; consolidation according to IFRS 10

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) Indirect interest held through gds GmbH

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

5) 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 (Commercial Balance Sheet II based on IFRS) of the companies included in the group, prepared in accordance with uniform accounting and valuation principles as of December 31, 2020.

The capital consolidation of the subsidiaries is carried out in accordance with IFRS 3 using the purchase method. The acquisition costs of the business combination correspond in each case 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 recognising them at their fair values at the time of acquisition. The positive differences remaining after purchase price allocation are recognised as goodwill. Non-controlling interests are valued at acquisition cost (partial goodwill method). Changes in the group‘s ownership 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 is subject to an annual impairment test. The costs associated with the business combination are expensed as incurred.

All receivables and liabilities, sales, expenses and income between group companies as well as intercompany results within the group from deliveries are eliminated in the consolidation. Deferred taxes are recognised, if necessary, on consolidation transactions recognised in profit or loss.

c) Recognition and measurement principles

The consolidated financial statements are prepared on a historical cost basis except for certain financial instruments that are carried at fair value.

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 related disclosures in the notes. Significant judgements outside of estimation relate to the delimitation of cash-generating units, the inclusion of companies without a majority of voting rights in the group, the timing of revenue recognition and the term of leases.

All estimates and assumptions are made to the best of our knowledge and belief in order to provide a true and fair view of the Group‘s net assets, financial position and results of operations. The estimates and premise-sensitive accounting policies are characterised by uncertainty and may change over time. Actual results may differ from these estimates. The responsibility for regularly monitoring all significant fair value measurements, including Level 3 fair values, lies with group Controlling. Changes are reported to the Chief Financial Officer. Regular reviews of significant unobservable inputs and valuation adjustments are performed.

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

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

1) Accounting of acquisition

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 at the acquisition date. Assets such as land, buildings and office equipment are generally valued 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 from company acquisitions. Goodwill is tested for impairment annually or more frequently if there are indications of impairment. With regard to ”Significant accounting judgements to be exercised in 2020“, see Note 3 ”Goodwill“ and Note 4 ”Intangible assets“.

2) Assessment of the value of assets

At each balance sheet date, the Board of Management shall assess whether there is any indication that the carrying amount of an item of property, plant and equipment, a right-of-use asset or an intangible asset may be impaired. In this case, the ”recoverable amount“ of the asset concerned is estimated. The ”recoverable amount“ is 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 as well as 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 ”Significant accounting judgements to be exercised in 2020“, see Note 1 ”Property, plant and equipment“, Note 2 ”Leases“, Note 3 ”Goodwill“ and Note 4 ”Intangible assets“.

3) Recognition and measurement of provisions

For the recognition and measurement of other provisions, the amount and probability of utilisation are estimated. The amount of the actual utilisation may differ from the estimates. The assumptions and estimates are based in each case on the current state of knowledge and the data currently available. With regard to ”Significant accounting judgements in 2020“, see Note 16 ”Employee benefits“ and Note 17 ”Provisions“.

4) Income tax expense

As the group operates and earns income in numerous countries, it is subject to a wide variety of tax laws in a number of tax jurisdictions. Although management believes it has made a reasonable estimate of tax contingencies, no assurance can be given that the actual outcome of such tax contingencies will be the same as 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 the realisability of future tax benefits is sufficiently probable for the recognition of deferred tax assets. This requires the Board of Management to assess, among other things, the tax benefits arising from available tax planning strategies and future taxable income. The recognised deferred tax assets could decrease if estimates of projected taxable income are lowered or if changes in current tax legislation limit the realisability of future tax benefits. With regard to ”Significant accounting judgements to be exercised in 2020“, see Note 28 ”Income tax expense“.

5) Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, in what amount and at what time revenue is recognised. According to IFRS 15, revenue is recognised when a customer obtains control of goods or services. The determination of whether the customer obtains control at a point in time or over time requires judgement. The group recognises revenue when a customer obtains control over the goods or, in the case of services, when the service is rendered. According to the group‘s assessment, revenue is generally recognised on a at a point in time basis.

If contracts include two or more performance obligations, the transaction price is allocated to the products or the product and service based on the relative stand-alone selling prices. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

Management determines the individual sales prices at the inception of the contract. With regard to ”Significant accounting judgements to be exercised in 2020“, see Note 20 ”Revenue“.

6) Valuation of financial assets

The group uses an allowance matrix to measure the expected credit losses of trade receivables and contract assets. 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 ”Significant accounting judgements to be exercised in 2020“, see Note 34 ”Financial instruments“.

7) Term of lease agreements

The term of leases is included in the measurement of assets and liabilities from leases. In determining the term of leases, all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options are taken into account. Changes in the term of the contract resulting from the exercise of renewal or termination options shall only be included in the contract term if renewal is reasonably certain. With regard to ”Significant accounting judgements to be exercised in 2020“, see Note 2 ”Leases“.

Accounting and valuation methods

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

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

With the exception of land, property, plant and equipment is depreciated on a straight-line basis over its useful life. Useful life and depreciation method are reviewed annually. Parts of an item of property, plant and equipment with a significant acquisition value in relation to its total value are depreciated separately. Upon sale or decommissioning, the carrying amounts of the assets are derecognised from the balance sheet; any resulting gains or losses are recognised in profit or loss.

Useful life of property, plant and equipment

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

If there are indications of impairment, property, plant and equipment are tested for impairment in accordance with IAS 36. Where necessary, property, plant and equipment are written down to the "recoverable amount". If the reasons subsequently cease to apply, these value adjustments are reversed up to a maximum of the net book value that would have resulted if no such value adjustments had been made.

Leases

Assets and liabilities from leases are recognised as **Right-of-use assets** and **Lease liabilities** at the inception of the lease. At the inception of the lease, the group assesses whether the contract creates or contains a lease. If the contract gives the right to control the use of an identified asset for a specified period of time in exchange for consideration, the contract creates or contains a lease. In order to assess whether a contract conveys the right to control the use of an identified asset, the technotrans group applies the definition of a lease in accordance with IFRS 16.

At the inception or reassessment of a contract that includes a lease component, the group allocates the consideration agreed in the contract on a relative unit basis. There is thus a separation of lease and non-lease components.

The lease is recognised at present value. The lease liability includes the present value of the following lease payments:

- fixed lease payments, including substantial fixed payments, less any lease incentives to be received
- variable lease payments that depend on an index or a price, initially valued at the index or the price at the commencement date
- expected payments from the utilisation of residual value guarantees
- the exercise price of a purchase option, of which the exercise is sufficiently certain for the group
- lease payments for a renewal option if the group is reasonably certain to exercise it
- penalty payments for the early termination of a lease, provided that the term takes into account that the group will exercise the corresponding termination option

Lease payments are discounted at the implicit interest rate underlying the lease, if determinable. As this is usually not the case in the group, discounting is carried out at the lessee's marginal borrowing rate. This is the interest rate that the lessee would have to borrow under similar economic conditions for a loan with a similar term and comparable collateral in order to acquire an asset with a similar value in a comparable economic environment.

To determine a marginal borrowing rate, the group uses a risk-free interest rate as a starting point and adjusts it to the credit risk. Other adjustments relate to the term of the lease, the economic environment and the currency of the lease.

The lease liability is remeasured if there is a change in the future lease payments due to a change in an index or a rate, a change in the estimate of residual value guarantees to be paid or a change in the group's estimate of the exercise of purchase, renewal or termination options. If there is a revaluation of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Lease payments are divided into principal and interest payments. The interest component of the lease payment is recognised in profit or loss, resulting in interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at acquisition cost. These are composed as follows:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received from the lessor
- initial direct costs incurred
- estimate of the costs incurred to dismantle and remove an underlying asset, restore the site on which it is located, or restore the underlying asset to the condition required under the lease agreement

The right-of-use assets are amortised on a straight-line basis over the term of the underlying lease. The term for lease contracts for vehicles is usually 3 to 4 years, that for real estate 1 to 10 years. Depreciation begins at the inception of the lease. If the carrying amount of a right-of-use asset is impaired in the course of a revaluation in accordance with IAS 36, the adjustment is recognised in the income statement.

The group has leases with contractual terms of 12 months or less or leases of low-value assets. Neither right-of-use assets nor lease liabilities are recognised for these leases. Lease payments associated with these leases are recognised on a straight-line basis over the lease term.

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

Intangible assets acquired for consideration, namely concessions, industrial property rights and similar assets, are recognised at cost. They are reduced by scheduled depreciation in accordance with the straight-line method over the course of use. Trademarks, licences and customer bases acquired in business combinations are recognised at fair value at the acquisition date. Intangible assets identified from previous acquisitions have finite useful lives and are subsequently carried at cost less accumulated amortisation. The residual value, useful life and depreciation method are reviewed annually.

Internally generated intangible assets are recognised at cost. Development expenses that are aimed at a significant further development of a product are capitalised 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., they include not only the directly attributable direct costs but also the overheads that can be directly allocated to the creation, production and preparation of the asset, insofar as they are incurred from the beginning of the development phase until its completion. The capitalisation requirements of IAS 38.21, 38.22 and 38.57 are observed. Scheduled amortisation of capitalised development costs begins as soon as the asset can be used. This date usually coincides with the start of commercial use.

Useful life of intangible assets

Patents, licences	3 to 10 years
Capitalised development costs	5 years
Customer base, order backlog, brand	2 to 10 years

All purchased and internally generated intangible assets have a finite useful life. With regard to any necessary value adjustments to the "recoverable amount" of the intangible assets, the comments on property, plant and equipment apply analogously.

Taxes for the period consist of current and deferred taxes. Tax is recognised in the income statement unless it relates 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 on temporary differences between 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 sufficient taxable income will be available in the future to utilise them. Deferred taxes are measured using the local tax rates that have been enacted or announced at the balance sheet date.

Deferred tax assets and liabilities are also recognised on temporary differences arising in the course of business combinations, with the exception of temporary differences on goodwill, if these are not taken into account 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.

In principle, **inventories** are measured at acquisition or production cost using the average cost method or, if lower, at net realisable value. In accordance with IAS 2, production costs include not only direct material and production costs, but also fixed and variable production overheads that can be allocated by way of overhead costing and are incurred during production.

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

Trade receivables and other current receivables are generally recognised at amortised 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 group's accounting for trade receivables and a description of the group's impairment policy, see Note 34 "Financial instruments". Objective defaults lead to a derecognition of the receivable in question. Non-current non-interest-bearing receivables are discounted.

Cash and cash equivalents are shown in the balance sheet at nominal value and are converted into euros at the exchange rate on the balance sheet date. They include 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 recognised at nominal value.

If the group acquires **treasury shares**, these are deducted from equity. The purchase and sale, issue or redemption of treasury shares are not recognised in profit or loss, but as additions to or disposals from equity. Differences between the acquisition costs of the issued shares and the fair values on sale or issue are offset against the capital reserves.

Liabilities are generally recognised at amortised cost. Liabilities in foreign currencies are translated in accordance with IAS 21.21 and 23 (a). Financial liabilities are initially measured at fair value including transaction costs and subsequently at amortised cost using the effective interest method.

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

Provisions for warranties are made at the time of sale of the goods concerned. 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 expected claim and the costs of the proceedings.

Employee benefits are measured at the amounts expected to be paid to settle the liabilities. They are recognised as current liabilities if the benefits are expected to be settled in full within 12 months of the end of the period in which the employees render the related service.

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

Termination benefits are due when employment is terminated by the group or when an employee voluntarily leaves employment in return for a termination payment. The group recognises such services when the group can no longer withdraw the offer for such services.

Financial instruments in the group consist mainly of trade receivables and other financial assets and liabilities. Financial assets and liabilities are recognised for the first time on trade date when the entity becomes a party to the contract under the contractual provisions of the instrument. On initial recognition, a financial asset is classified and measured as follows:

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

The classification of financial assets and liabilities is based on the entity‘s business model for managing financial assets and liabilities and the characteristics of the contractual cash flows.

Financial assets are not reclassified after initial recognition unless the group changes its business model for managing financial assets. For classification, see Note 34 ”Financial instruments“.

The group measures its financial assets at amortised cost when the financial assets are held in the ordinary course of business with the objective of collecting the contractual cash flows and the contractual terms of the financial asset give rise to cash flows at specified times that are solely payments of principal and interest on the principal outstanding.

A debt instrument is designated as FVOCI if the debt instrument is held within a business model whose objective is to collect the contractual cash flows and sell financial assets and where the cash flows are solely payments of interest and principal. Changes in the carrying amount are recognised in other comprehensive income. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Financial liabilities are classified and measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, is a derivative or is designated as such on initial recognition.

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 for the period.

For the accounting of **derivative financial instruments**, the group ensures that the hedging relationships are in line with the group‘s risk management objectives and strategy. The group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions resulting from changes in interest rates. The technotrans group currently only uses interest rate swaps to hedge future interest payment flows. If they meet the requirements of a cash flow hedge, the corresponding effective changes in market price are recognised directly in equity. The amount recognised in equity is reclassified to profit or loss in the period in which the hedged expected future cash flows affect profit or loss.

Government grants are recognised at fair value when there is reasonable assurance that the grant will be received and the group will comply with all attached conditions. The grants are treated as income and are generally offset in the periods in which the expenses they are intended to compensate are incurred. Government grants for assets are offset against the acquisition and production costs of the subsidised asset and thus represent a reduction in acquisition costs. The grants are recognised pro rata in the income statement in the form of lower depreciation.

Financial income and expenses are recognised on an accrual basis in accordance with 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 borrowing costs were capitalised in the 2020 financial year.

Currency translation: The translation of all financial statements of foreign group companies prepared in foreign currencies is carried out accordingly to 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 initially translated into the functional currency and accounted for using the spot exchange rate prevailing on the date of the transaction. At each subsequent balance sheet date, monetary items (cash and cash equivalents, receivables and liabilities) denominated in a currency other than the functional currency are translated at the closing rate; the resulting exchange rate differences are recognised in profit or loss. Non-monetary items are translated at the historical rate.

The assets and liabilities of foreign subsidiaries are translated at the mean exchange rate on the balance sheet date (closing rate) and included in the consolidated financial statements. Expenses and income are translated at the daily exchange rate - approximated to the average exchange rate for the year; the resulting differences are recognised directly in equity. Currency differences that arise compared to the previous year's translation are also recognised directly in equity.

Exchange rate differences from the net investment in a foreign business operation (group company) are recognised directly in equity; they are only recognised in profit or loss upon disposal of the net investment.

The following exchange rates were used for currency translation:

	Average exchange rates for the financial year		Mean exchange rates at balance sheet date	
	2020	2019	31/12/2020	31/12/2019
USD	1.1422	1.1195	1.2271	1.1234
JPY	121.8458	122.0058	126.4900	121.9400
GBP	0.8897	0.8778	0.8990	0.8508
SEK	10.4848	10.5891	10.0343	10.4468
CNY	7.8747	7.7355	8.0225	7.8205
BRL	5.8943	4.4134	6.3735	4.5157
INR	84.6392	78.8361	89.6005	80.1870

d) Changes in recognition and measurement principles

The consolidated financial statements of technotrans SE as of December 31, 2020 take into account all standards and interpretations adopted by the European Union whose application is mandatory for the 2020 financial year.

The following standards were to be applied for the first time as of January 1, 2020:

Framework – Amendment of references to the framework concept in the IFRS standards

The revised framework includes revised definitions of assets and liabilities and new guidance on measurement and derecognition, presentation and disclosures.

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

Amendments to IAS 1 and IAS 8 – Definition of material

The amendments create a uniform and more precisely defined concept of the materiality of financial statement information in the IFRS and supplement it with accompanying examples. In this context, an amendment to IAS 1 and IAS 8 takes place.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

The amendments relate in particular to certain relief with regard to hedge accounting rules and are mandatory for all hedging relationships affected by the reform of the reference interest rate.

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

Amendments to IFRS 3 – Definition of a business

With the amendment, the IASB clarifies that a business comprises a group of activities and assets that involve at least one input and one substantial process that together contribute significantly to the ability to produce output. Furthermore, with regard to output, the focus is now on the provision of goods and services to customers; the reference to cost reductions is omitted. The new rules also include an optional "concentration test" to facilitate the identification of a business.

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

Amendments to IFRS 16 – COVID-19 Related rental concessions

The amendment gives the entity an option to treat lease concessions to the lessee due to the Corona pandemic as not being a contract modification. The option relieves the lessee of the obligation to assess whether a contract modification within the meaning of IFRS 16 exists for each lease concession, to recognise it and to review accordingly. The changes apply to rental concessions that reduce rent payments due on or before June 30, 2021.

The group has decided to exercise this option. Further information on the effects is presented in Note 2 "Leases".

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, 2021, with early application being possible; in the technotrans group, however, the new or amended standards were not applied early in the preparation of these consolidated financial statements. Unless otherwise stated, the impact on the consolidated financial statements is currently being assessed.

a) EU endorsement has already taken place

Amendments to IFRS 4: Extension of the temporary exceptions to the non-application of IFRS 9

The amendments postpone the specified expiry of the temporary exemption from the application of IFRS 9 in IFRS 4 to financial years beginning on or after January 1, 2023.

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

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest rate benchmark reform – Phase 2

The second phase of the standard change deals with issues relating to financial reporting at the time an existing reference interest rate is replaced by an alternative interest rate.

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

b) EU endorsement is still pending

Furthermore, standards and interpretations have been issued by the IASB 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 examined.

Amendments to IFRS 3: References to the framework concept

The amendments update IFRS 3 so that the standard now refers to the 2018 framework rather than the 1989 framework. In addition, two additions were included. An acquirer shall apply those requirements (rather than the Framework) to transactions and similar events within the scope of IAS 37 or IFRIC 21 when identifying liabilities assumed in a business combination. In addition, it was added that contingent assets acquired in a business combination are not to be recognised.

The amendments are to be applied for the first time - subject to adoption into EU law - as of January 1, 2022. The technotrans group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 16: Proceeds before intended use

The amendments make it impermissible to deduct from the cost of an item of property, plant and equipment the income arising from the disposal of goods produced while an item of property, plant and equipment is being brought to the location and condition in the manner intended by the management. Instead, an entity recognises the income from such disposals and the costs of producing those goods in operating profit. Costs for test runs to verify that the item of property, plant and equipment is functioning properly continue to be an example of directly attributable costs.

The amendments are to be applied for the first time - subject to adoption into EU law - as of January 1, 2022. The technotrans group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 37: Onerous contracts - costs of fulfilling a contract

The amendments specify that the costs of performance of the contract are composed of the costs directly related to the contract. This may be either an incremental cost to perform that contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to the performance of contracts (e.g. an allocation of depreciation for an item of property, plant and equipment used in the performance of the contract).

The amendments are to be applied for the first time - subject to adoption into EU law - as of January 1, 2022. The technotrans group currently assumes that there will be no significant impact on the consolidated financial statements.

Amendments to IAS 1: Classification of liabilities as current or non-current including the deferral of the mandatory date of first-time application published in July 2020

The amendments to IAS 1 are intended to clarify the criteria for classifying liabilities as current or non-current. In future, only rights that exist at the end of the reporting period are to be decisive for the classification of a debt. In addition, supplementary guidelines for the interpretation of the criterion "right to defer settlement of the debt for at least twelve months" as well as explanations on the characteristic "settlement" were included.

The amendments are to be applied for the first time - subject to adoption into EU law - as of January 1, 2023. The technotrans group currently assumes that there will be no significant impact on the consolidated financial statements.

IFRS 17 - Insurance contracts

IFRS 17 replaces IFRS 4 and thus for the first time provides uniform requirements for the recognition, measurement, presentation and disclosures in the notes for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. According to the valuation model of IFRS 17, groups of insurance contracts are valued based on the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks as well as a contractual service margin that leads to a profit recognition according to the service provision.

In June 2020, the IASB adopted amendments to IFRS 17 to postpone the mandatory date of first-time application and thus postponed the date of first-time mandatory application to January 1, 2023. Furthermore, amendments have been made to address concerns and implementation challenges identified in relation to IFRS 17 following its publication.

The technotrans group currently assumes that there will be no impact on the consolidated financial statements.

Improvements to IFRS (2018 - 2020)

As part of the annual improvement project, amendments were made to four standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41).

The amendments are to be applied for the first time - subject to adoption into EU law - as of January 1, 2022. The technotrans group currently assumes that there will be no significant impact on the consolidated financial statements.

III. Notes to the Consolidated Balance Sheet

Consolidated Statement of Changes in Fixed Assets

2019		Cost							
		at 01/01/2019	Additions upon first-time application of IFRS 16	Adjusted balance at 01/01/2019	Foreign currency translation differences	Additions	Disposals	Transfers	at 31/12/2019
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Property, plant and equipment	(1)								
Property*		29,197	0	29,197	2	4,902	0	5,644	39,745
Technical equipment and machinery		7,320	0	7,320	7	624	-489	1,196	8,658
Other equipment, factory and office equipment		12,943	0	12,943	36	2,080	-1,405	-1,660	11,994
Construction in progress		5,171	0	5,171	0	106	0	-5,180	97
		54,631	**0**	**54,631**	**45**	**7,712**	**-1,894**	**0**	**60,494**
Right-of-use assets	(2)								
Land and buildings		0	2,739	2,739	30	642	-17	0	3,394
Technical equipment and machinery		0	393	393	0	0	0	0	393
Other equipment, factory and office equipment		0	1,750	1,750	1	1,171	-57	0	2,866
		0	**4,882**	**4,882**	**31**	**1,814**	**-74**	**0**	**6,653**
Intangible Assets	(4)								
Goodwill	(3)	23,513	0	23,513	0	0	0	0	23,513
Concessions, industrial and similar rights		21,570	0	21,570	7	542	-241	42	21,920
Development expenditure recognised as an intangible asset		9,765	0	9,765	5	1,108	-7	0	10,871
Prepayments		42	0	42	0	1	-1	-42	0
		54,890	**0**	**54,890**	**12**	**1,651**	**-249**	**0**	**56,304**

2020		Cost							
		at 01/01/2020	Additions upon first-time application of IFRS 16	Adjusted balance at 01/01/2020	Foreign currency translation differences	Additions	Disposals	Transfers	at 31/12/2020
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Property, plant and equipment	(1)								
Property*		39,745	0	39,745	-42	1,161	-63	44	40,845
Technical equipment and machinery		8,658	0	8,658	-31	365	-412	11	8,591
Other equipment, factory and office equipment		11,994	0	11,994	-105	1,340	-453	8	12,784
Construction in progress		97	0	97	0	3,805	0	-63	3,839
		60,494	**0**	**60,494**	**-178**	**6,671**	**-928**	**0**	**66,059**
Right-of-use assets	(2)								
Land and buildings		3,394	0	3,394	-88	172	-30	0	3,448
Technical equipment and machinery		393	0	393	0	13	-12	0	394
Other equipment, factory and office equipment		2,866	0	2,866	-8	1,262	-301	0	3,819
		6,653	**0**	**6,653**	**-96**	**1,447**	**-343**	**0**	**7,661**
Intangible Assets	(4)								
Goodwill	(3)	23,513	0	23,513	0	0	0	0	23,513
Concessions, industrial and similar rights		21,920	0	21,920	-29	315	-2	0	22,204
Development expenditure recognised as an intangible asset		10,871	0	10,871	-22	1,135	0	0	11,984
Prepayments		0	0	0	0	35	0	0	35
		56,304	**0**	**56,304**	**-51**	**1,485**	**-2**	**0**	**57,736**

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

		Accumulated depreciation				Residual
at 01/01/2019	Foreign currency translation differences	Depreciation for the year	Disposals	Transfers	at 31/12/2019	at 31/12/2019
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
11,985	2	1,052	0	-198	12,841	26,904
5,158	6	655	-472	-922	4,425	4,233
8,905	33	1,287	-1,385	1,120	9,960	2,034
0	0	0	0	0	0	97
26,048	**41**	**2,994**	**-1,857**	**0**	**27,226**	**33,268**
0	0	1,656	-12	0	1,644	1,750
0	0	87	0	0	87	306
0	1	1,111	-36	0	1,076	1,790
0	**1**	**2,854**	**-48**	**0**	**2,807**	**3,846**
0	0	0	0	0	0	23,513
15,153	7	1,463	-219	0	16,404	5,516
8,531	4	359	0	0	8,894	1,977
0	0	0	0	0	0	0
23,684	**11**	**1,822**	**-219**	**0**	**25,298**	**31,006**

		Accumulated depreciation				Residual
at 01/01/2020	Foreign currency translation differences	Depreciation for the year	Disposals	Transfers	at 31/12/2020	at 31/12/2020
€ '000	€ '000	€ '000	€'000	€ '000	€ '000	€ '000
12,841	-35	1,157	-63	-5	13,895	26,950
4,425	-30	616	-363	10	4,658	3,933
9,960	-95	1,313	-453	0	10,725	2,059
0	0	0	0	0	0	3,839
27,226	**-160**	**3,086**	**-879**	**5**	**29,278**	**36,781**
1,644	-43	784	-27	0	2,358	1,090
87	0	77	-12	0	152	242
1,076	-4	1,165	-296	0	1,941	1,878
2,807	**-47**	**2,026**	**-335**	**0**	**4,451**	**3,210**
0	0	0	0	0	0	23,513
16,404	-28	1,522	0	0	17,898	4,306
8,894	-20	435	0	0	9,309	2,675
0	0	0	0	0	0	35
25,298	**-48**	**1,957**	**0**	**0**	**27,207**	**30,529**

1) Property, plant and equipment

In the year under review, technotrans Grundstücksverwaltungs GmbH started work on the construction of the new production plant of Reisner Cooling Solutions GmbH in Holzwickede. Business operations started at the new plant in February 2021.

The additions to technical equipment and machinery as well as other equipment, factory and office equipment mainly relate to replacement purchases.

As in previous years, no self-constructed property, plant and equipment was capitalised in the 2020 financial year. No unscheduled write-downs or write-ups were made in the year under review. The real estate in the amount of € 11,168 thousand (2019: € 8,041 thousand) serves as collateral for long-term loans (see Note 12 "Financial liabilities").

In the financial year, the group received a grant in accordance with IAS 20 in the form of a repayment bonus of € 257 thousand as part of an investment measure under the KfW Energy Efficiency Programme. This grant reduced the production costs of the operational property in Baden-Baden.

2) Leases

The group has leases on various properties, vehicles, IT equipment and technical equipment and machinery. The term for lease contracts for vehicles is usually 3 to 4 years, that for real estate 1 to 10 years. A number of property and equipment contracts contain renewal options. These contractual conditions are used to maintain maximum operational flexibility within the group.

Since lease contracts are individually negotiated, they cover a wide range of different terms and conditions.

The development of the right-of-use assets can be seen in the Consolidated Statement of Changes in Fixed Assets.

The new construction and completion of the production plant of Termotek GmbH in Baden-Baden resulted in a change of use of the rented office and production space in the past financial year. Due to the new building, the rented office and production space at the old location was no longer used. As a result, the contract for the rented property was terminated prematurely in the 2020 financial year.

The payments from the redemption of lease liabilities of € 2,620 thousand recognised in the cash flow statement include a special payment of € 327 thousand for the early termination of the contract. The early release of the lease liability resulted in income of € 183 thousand (see Note 25 "Other operating income").

The lease liabilities are reported under other financial liabilities.

Lease liabilities

	31/12/2020	31/12/2019
	€ '000	€ '000
up to 1 year	1,611	2,083
more than 1 year and up to 5 years	1,673	2,594
more than 5 years	1	9
	3,285	**4,686**

Amounts recognised in the income statement

	2020	2019
	€ '000	€ '000
Interest expenses on lease liabilities	77	92
Expenses relating to short-term leases	328	274
Expenses relating to leases of low-value assets	57	122
Expense relating to variable lease payments not included in lease liabilities	153	93
	615	**581**

The group has received COVID-19 related lease concessions for which it has taken advantage of the relief in assessing lease modifications under IFRS 16. No assessment has been made if a lease concession in the context of COVID-19 is an adjustment to a lease under IFRS 16. Instead, rental concessions are accounted for as variable lease payments. In the financial year, rental concessions resulted in income of € 19 thousand recognised in the income statement.

3) Goodwill

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

	31/12/2020	31/12/2019
	€ '000	€ '000
Segment Technology: laser cooling	6,858	6,858
Segment Technology: plastic processing industry	5,757	5,757
Segment Technology: cooling technology	2,966	2,966
	15,581	15,581
Segment Services: services	7,171	7,171
Segment Services: translation services	585	585
Segment Services: software solutions for technical documentation	176	176
	7,932	7,932
	23,513	**23,513**

The allocation of the purchase prices to the acquired assets and liabilities is in accordance with IFRS 3. There were no changes in the allocation of purchase prices in the financial year.

Goodwill with an indefinite useful life is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

The outbreak of the COVID-19 pandemic was a triggering event for the group in accordance with IAS 36.12 because demand in the group's most important sales markets fell and operations had to be temporarily suspended at individual customer locations as a result of general lockdown measures. The additional impairment test carried out as of June 30, 2020 did not result in any impairment requirement.

As scheduled in November, all six cash-generating units or groups of cash-generating units were subjected to an impairment test in accordance with IAS 36.10 in the 2020 financial year. The carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount is the higher of fair value less proceeds from disposal and value in use. The fair value measurement was classified as Level 3 fair value based on the inputs to the valuation technique used.

The recoverable amount at technotrans corresponds to the value in use. This value in use was based on significant assumptions. The starting point for the cash flow forecasts for goodwill was the 2021 budget and sales trends for the financial years 2022 to 2025 of the respective cash-generating unit. For the subsequent financial years, no separate revenue planning was carried out 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 (material, 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 the relevant customers and the industry. The impairment reviews take place annually in November.

The growth rates for the planning period used for the impairment test in 2019 and 2020, the average EBIT margins, the cost of capital rates used to discount the forecast cash flows and the assumed constant growth rates after the planning period are shown in the following table:

	revenue growth		average EBIT margin		pre tax capital cost rate		terminal growth rate	
	2020	2019	2020	2019	2020	2019	2020	2019
Parameters used for the impairment test	%	%	%	%	%	%	%	%
Segment Technology: laser cooling	5.9	5.8	7.4	9.3	12.4	14.1	1.5	1.5
Segment Technology: plastic processing industry	7.0	7.4	3.6	2.1	11.1	10.4	1.0	1.0
Segment Technology: cooling technology	9.4	4.3	3.7	2.9	10.0	7.9	1.0	1.1
Segment Services: services	3.5	2.9	13.1	12.3	10.1	9.5	0.8	0.7
Segment Services: translation services	7.5	3.7	20.2	18.3	10.3	10.4	1.5	1.5
Segment Services: software solutions for technical documentation	9.2	6.2	3.9	13.9	10.2	10.4	1.5	1.5

The values in use determined on the basis of these assumptions exceed the carrying amounts of the cash-generating units. A possible change in assumptions that was considered would not have resulted in an impairment of the carrying amounts of the cash-generating unit.

4) Intangible assets

Scheduled depreciation and amortisation of € 993 thousand (2019: € 1,028 thousand) relates to the intangible assets recognised as part of the purchase price allocation, all with definite useful lives.

Intangible assets arising from development are capitalised in accordance with IAS 38 if it is probable that a future economic benefit is associated with the use of the asset and the cost of the asset can be reliably determined. In the 2020 financial year, intangible assets of € 1,135 thousand (2019: € 1,108 thousand) were capitalised.

As in the previous year, the capitalisations related primarily to projects and processes to increase energy efficiency as well as the development of a uniform group-wide platform for a thermal management product that can be used in various industries. The latter, the group-wide development of the ECOtec.chiller, was largely completed in the financial year and marketing began. The group-wide coordinated platform is intended to leverage synergies in line with the group strategy.

Due to non-compliance with the recognition requirements of IAS 38, € 7,347 thousand (2019: € 7,575 thousand) of the development costs were recognised as expenses.

There are no concessions, industrial property rights and similar assets or capitalised development costs with an indefinite useful life. The useful life underlying the scheduled amortisation of software and capitalised development costs is three to five years.

The scheduled amortisation of capitalised development costs is allocated to the cost of sales in the income statement according to the cost of sales method. Scheduled amortisation of concessions, industrial property rights and similar assets is allocated to cost of sales, selling expenses, general administrative expenses and development expenses by means of cost centre accounting.

5) Other non-current financial assets

	31/12/2020	31/12/2019
	€ '000	€ '000
Rent deposits	141	175
Other	10	10
	151	185

6) Inventories

	31/12/2020	31/12/2019
	€ '000	€ '000
Raw materials and supplies	17,583	18,537
Work in progress	6,119	6,248
Finished goods and merchandise	3,000	3,472
	26,702	**28,257**

Of the total inventories, € 3,886 thousand (2019: € 3,650 thousand) are recognised at fair value less production costs and selling expenses still to be incurred. In the 2020 financial year, impairment losses on inventories amounting to € 2,153 thousand (2019: € 2,180 thousand) were recognised as an expense. In the same period, reversals of impairment losses in the amount of € 1,080 thousand (2019: € 977 thousand) resulted in income, as higher net realisable values were achieved than assumed in the previous year.

7) Trade receivables

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

Receivables from contracts with customers are exclusively included in trade receivables. As of reporting date, receivables from contracts with customers amount to € 20,982 thousand (2019: € 23,953 thousand).

In the reporting year, additions to impairments on receivables in the amount of € 165 thousand (2019: € 510 thousand) were made, which are recognised in the income statement. Impairment losses are recognised to measure the receivables at fair value. These impairments are recognised individually € 1,075 thousand (2019: € 1,106 thousand) and collectively € 215 thousand (2019: € 198 thousand) and are measured on the basis of the expected default risk. Impairments are made in particular if the debtor has significant financial difficulties. The valuations of trade receivables are generally corrected using an allowance account. Receivables are only derecognised when the debtor has opened insolvency proceedings or the receivable has become irrecoverable. For the calculation of the value adjustment, see Note 34 "Financial instruments".

The following table provides an overview of the impairments on the receivables portfolio:

	31/12/2020	31/12/2019
	€ '000	€ '000
Opening level	1,304	1,491
Allocated	165	510
Derecognition of receivables	-71	-639
Cash receipts for receivables written off	-93	-62
Exchange differences	-15	4
Closing level	**1,290**	**1,304**

8) Income tax receivables

The claims are mainly current income tax refund claims.

9) Other current assets

	31/12/2020	31/12/2019
	€ '000	€ '000
Other financial assets		
Receivables from suppliers	247	222
Deposits	38	35
Other	261	476
	546	733
Other assets		
Prepaid expenses	909	846
Creditable input tax	536	583
Other	677	497
	2,122	1,926
	2,668	**2,659**

10) Cash and cash equivalents

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

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

11) Equity

The development of equity is shown in the Consolidated Statement of Changes in Equity. The group's equity amounted to € 79,418 thousand as of December 31, 2020 (2019: € 75,067 thousand).

Issued capital

The issued capital (share capital) of technotrans SE as of December 31, 2020 consists of 6,907,665 no-par-value registered shares issued and in circulation. The issued shares are fully paid up. The arithmetical share in the share capital is € 1 per no-par share. All shares grant identical rights. No special rights or preferences are granted to individual shareholders. This also applies to the dividend subscription right.

Authorised capital

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 € 3,450,000.00 by issuing new shares against contributions in kind or in cash until May 17, 2023. The shareholders' subscription right may be excluded if the requirements of section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) are met or if it concerns the acquisition of companies or participations in companies if the acquisition or participation is in the well-understood interest of the Company; otherwise, the subscription right may be excluded if fractional amounts are to be compensated. No use was made of this authorisation in 2020.

Conditional capital

At the Annual General Meeting of May 18, 2018, the Board of Management was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered bonds with a maximum term of 20 years in a total nominal amount of up to € 100 million on one or more occasions until May 17, 2023 and to grant the bondholders conversion and/or option rights to a total of up to € 3,450,000.00 in no-par-value registered shares of the Company.

To the extent permitted by law, the bonds may also be issued in other legal currencies. The aggregate principal amount of the bonds shall not exceed € 100 million or the respective equivalent in any other lawful currency.

The shareholders are generally entitled to a subscription right to the bonds. The bonds may also be underwritten by a bank or syndicate of banks with the obligation to offer them to the shareholders for subscription. In addition, however, the Board of Management is authorised, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right to the bonds within the limits specified in detail and specifically by the authorisation.

The Board of Management is authorised, with the consent of the Supervisory Board, to determine the further details of the issue and features 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, the conversion or option period and to determine the conversion and option price.

This authorisation was not used in the 2020 financial year.

Capital reserve

The premium from the past share issues in the context of the issue of subscription shares of the conditional capital and the issue of ordinary shares of the authorised capital (capital increase against contribution in kind) was allocated to the capital reserve. The costs of the share issues were deducted.

The capital reserve under IFRS corresponds to the capital reserve of the parent company under the German Commercial Code (HGB). As a result of the changeover in 2009 required by the German Accounting Law Modernisation Act (BilMoG), when own shares are sold after the changeover, amounts must also be transferred to the capital reserve under the German Commercial Code (HGB) (devaluations from the period prior to the changeover) which would not be transferred to the capital reserve under a pure IFRS approach. In order to achieve the same level of capital reserves between German Commercial Code (HGB) and IFRS, amounts in the corresponding amount are therefore withdrawn from retained earnings and added to the capital reserves.

Retained earnings

Retained earnings include the results of the companies included in the consolidated financial statements to the extent that they have not been distributed. Of this amount, € 691 thousand (2019: € 691 thousand) relates to the legal reserve of technotrans SE pursuant to Section 150 (2) of German Stock Corporation Act.

Pursuant to section 268 (8) of the German Commercial Code (HGB), an amount of € 815 thousand cannot be distributed of other revenue reserves of the parent company due to the capitalisation of internally generated intangible assets and an amount of € 154 thousand (2019: € 351 thousand) cannot be distributed due to the capitalisation of deferred taxes. In addition, an amount of € 16 thousand (2019: € 18 thousand) are blocked for distribution due to the difference in accordance with section 253 (6) of the German Commercial Code (HGB) from the valuation of pension provisions.

The first-time application of IFRS 16 under the modified retrospective method in the previous year resulted in a one-off effect of € -194 thousand, which was recognised in retained earnings.

Other reserves

	31/12/2020	31/12/2019
	€ '000	€ '000
Exchange differences	-3,687	-3,662
Reserve for net investments in a foreign operation	-3,256	-2,677
Hedging reserve	-56	-55
	-6,999	**-6,394**

In accordance with IFRS 9, the negative market value of the interest rate swaps used was offset in the hedging reserve with no effect on profit or loss after deduction of deferred taxes (see Note 34 "Financial instruments"). In the 2020 financial year, a loss of € 1 thousand (2019: € 19 thousand loss) was recognised directly in equity. In return, deferred taxes of € 0 thousand (2019: € -3 thousand) were recognised directly in equity.

technotrans SE has granted its subsidiaries loans that are to be regarded as net investments in foreign business operations. In accordance with IAS 21.32 and IAS 12.61A, the accumulated translation differences up to the balance sheet date and any taxes on them are recognised directly in equity. Currency differences are not recognised in profit or loss until the liquidation or partial liquidation of the company.

In the 2020 financial year, translation losses from the aforementioned loans amounting to € 579 thousand (2019: € 32 thousand loss) offset directly in equity. As a liquidation or partial liquidation is not planned in the foreseeable future, no deferred taxes on these exchange rate losses were recognised directly in equity in the financial year, as in the previous year.

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

Treasury stock

At the Annual General Meeting on May 18, 2018, the shareholders authorised the Board of Management to repurchase own shares in accordance with section 71 (1) no. 8 of the German Stock Corporation Act (AktG) until May 17, 2023. This authorisation extends to the repurchase of own shares up to a total of 10 percent of the share capital of the Company at the time of the resolution or - if this value is lower - at the time of the exercise of the authorisation.

In accordance with IAS 32.33, the repurchased shares are deducted from equity at their acquisition cost (including incidental acquisition costs). The buyback is based on the strategic goals of the company. No transactions with own shares were carried out in the 2020 financial year.

Capital management

As of December 31, 2020, the equity ratio was 53.6 percent (2019: 51.4 percent). The most important financial objectives of technotrans SE include ensuring solvency at all times and achieving a sustained increase in the value of the group.

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 sales available at all times. The objectives shall be achieved through the use of various measures to reduce the cost of capital and optimise the capital structure as well as through effective risk management.

In methodological terms, capital management at technotrans is based on financial market-oriented ratios such as the return on sales (long-term margin target for the consolidated operating result (EBIT): 10 percent), the equity ratio (target: > 50 percent) and debt ratios. technotrans is not subject to any capital requirements under the articles of incorporation. A sound capital structure gives technotrans the stability that serves as the basis for its business model, which is geared to sustainability and thus satisfies customer and supplier relationships as well as the demands of employees and shareholders in the long term.

12) Financial liabilities

	31/12/2020	31/12/2019
	€ '000	€ '000
Short-term borrowings	12,960	6,696
Long-term borrowings	31,043	33,760
	44,003	**40,456**

The increase in financial liabilities is mainly the result of new borrowings in connection with the construction of the new production plant of Reisner Cooling Solutions GmbH in Holzwickede and with the corona-related adjustment of the financing structure. There were no hedged liabilities as of the balance sheet date. Interest rate hedges only exist for financial liabilities.

Residual maturities of financial liabilities

2020	Collateral	up to 1 year	1 to 5 years	over 5 years	Total	Interest p.a.
		€ '000	€ '000	€ '000	€ '000	
€ fixed rate credit	None	9,377	16,382	1,757	27,516	0.92% – 2.05%
	Land charge	1,624	6,234	4,396	12,254	1.45% – 4.50%
	Chattel mortgage	30	67	0	97	1.71% – 2.35%
Variable € credit	None	429	2,207	0	2,636	3-month EURIBOR +1.59% 6-month EURIBOR interest rate swap (fixed rate: 1.91%)
	Land charge	1,500	0	0	1,500	6-month EURIBOR +1.25%
		12,960	**24,890**	**6,153**	**44,003**	

2019	Collateral	up to 1 year	1 to 5 years	over 5 years	Total	Interest p.a.
		€ '000	€ '000	€ '000	€'000	
€ fixed rate credit	None	4,153	16,738	6,035	26,926	0.92% – 2.05%
	Land charge	1,746	4,402	2,352	8,500	1.45% – 4.50%
	Chattel mortgage	73	97	0	170	1.71% – 2.35%
Variable € credit	None	571	1,286	1,350	3,207	3-month EURIBOR +1.59% 6-month EURIBOR interest rate swap (fixed rate: 1.91%) 3-month EURIBOR interest rate swap (fixed rate: 2.63%)
	Land charge	118	1,500	0	1,618	6-month EURIBOR +1.25% 3-month EURIBOR interest rate swap (fixed rate: 3.40%)
Lease purchase	Chattel mortgage	35	0	0	35	3.05%
		6,696	**24,023**	**9,737**	**40,456**	

The secured bank loans are secured with land and buildings with a carrying amount of € 11,168 thousand (2019: € 8,041 thousand) and property, plant and equipment with a carrying amount of € 28 thousand (2019: € 170 thousand) collateralised.

For loans amounting to € 30,152 thousand (2019: € 30,133 thousand), no collateral was provided.

13) Other non-current financial liabilities

Other non-current financial liabilities mainly include the non-current lease liabilities recognised from the application of IFRS 16 in the amount of € 1,674 (2019: € 2,603 thousand).

14) Trade payables

	31/12/2020	31/12/2019
	€ '000	€ '000
Accounts payable trade	3,197	4,557
Outstanding purchase invoices	1,409	1,395
	4,606	**5,952**

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

15) Prepayments received

The prepayments received are mainly from the project business. They finance the finished goods contained in the inventories for which sales could not yet be realised. € 1,541 thousand (2019: € 2,147 thousand) of the prepayments received are attributable to the project business of gwk Gesellschaft Wärme Kältetechnik mbH, € 692 thousand (2019: € 652 thousand) to Reisner Cooling Solutions GmbH and € 592 thousand (2019: € 625 thousand) to technotrans SE.

16) Employee benefits

	Obligations to personnel	Provisions for pensions	Total
	€ '000	€ '000	€ '000
Opening level at 01/01/2020	**5,474**	**489**	**5,963**
Exchange rate movements	-5	0	-5
Used	2,717	21	2,738
Reversed	285	0	285
Compounding	-45	4	-41
Allocated	3,086	15	3,101
Closing level at 31/12/2020	**5,508**	**487**	**5,995**
Long-term employee benefits	210	476	686
Short-term employee benefits	5,298	11	5,309

Obligations to personnel mainly include staff gratuities, employee bonuses and managment bonuses as well as time accounts. These obligations are primarily uncertain in terms of their maturity.

A partial retirement employment contract was concluded with two employees. The obligation from these partial retirement employment contracts was determined actuarially. The calculation is based on an interest rate of 0.0 percent (2019: 0.0 percent). Partial retirement obligations are secured against possible insolvency in accordance with section 8a of the German Partial Retirement Act (Altersteilzeitgesetz). As a hedge, cash was deposited in a money market fund (Deka Investments) and pledged in favour of the employee. The assets represent "plan assets" in accordance with IAS 19.7 and are netted with the corresponding provision. Income from plan assets is netted against the corresponding expenses. In the 2020 financial year, as in the previous year, no income was generated. As of December 31, 2020, cash and cash equivalents of € 185 thousand (2019: € 114 thousand) were invested.

The group has defined benefit post-employment plans in Germany and France. Both plans are salary-dependent and promise lifetime pension payments to the beneficiaries. The amount of the benefits depends on the length of employment and the salary of the beneficiary.

In Germany, a direct pension commitment has been made to the employees of the former BVS Beratung Verkauf Service Grafische Technik GmbH. The three remaining pension beneficiaries have already left the company. Pensions are 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 by Prof. Dr Klaus Heubeck. The interest costs on the DBO in 2020 amount to € 1 thousand (2019: € 4 thousand). The actuarial gain amounts to € 9 thousand (2019: € 34 thousand loss). The actuarial gain was recognised in other comprehensive income. In 2020, pension payments amounting to € 11 thousand (2019: € 11 thousand) were made.

Employees of technotrans france s.a.r.l./France are also entitled to post-employment benefits. The plans are not fund-financed. Pensions are paid out immediately to the beneficiaries when they fall due. Of the 17 pension beneficiaries, 16 employees are actively working for the company. One employee left the company in 2020. The calculation of the defined benefit obligation (DBO) is based on an actuarial report. The mortality probabilities used are based on standard mortality tables and empirical values of the country. The interest costs on the DBO in 2020 amount to € 3 thousand (2019: € 3 thousand). The actuarial loss amounts to € 10 thousand (2019: € 0 thousand loss). The actuarial loss is recognised in other comprehensive income. In 2020, pension payments in the amount of € 10 thousand (2019: € 0 thousand) were made.

The defined benefit pension commitments developed as follows in the financial year:

Present value of obligation	2020	2019
	€ '000	€ '000
Opening level at 01/01	489	445
Current service cost	14	13
Interest expenses	4	8
Pension paid	-21	-11
Total amount recognised in the Income Statement	-3	10
Revaluations		
Loss from change in financial assumptions	6	30
Experience	-5	4
Total amount recognised in other comprehensive income	**1**	**34**
Closing level at 31/12	**487**	**489**

The calculations are based on the following actuarial assumptions:

	Actuarial assumptions			
	Germany		France	
	2020	2019	2020	2019
	%	%	%	%
Discount rate	0.6	0.4	1.2	1.2
Salary growth rate	n/a	n/a	2.5	2.5
Fluctuation	n/a	n/a	3.9	3.9
Pension growth rate	2.0	2.0	n/a	n/a

The sensitivities of the defined benefit obligations with regard to changes in the key assumptions are as follows:

		Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
		2020	2019	2020	2019
		€ '000	€ '000	€ '000	€ '000
Discount rate	1.0%	-69	-63	52	53
Salary growth rate	1.0%	40	32	-34	-32
Pension growth rate	1.0%	22	35	-34	-30

17) Provisions

	Payments to be made under warranty	Other provisions	Total
	€ '000	€ '000	€ '000
Opening level at 01/01/2020	**1,800**	**2,091**	**3,891**
Exchange rate movements	-10	-2	-12
Used	908	1,188	2,096
Reversed	30	702	732
Allocated	1,306	1,133	2,439
Closing level at 31/12/2020	**2,158**	**1,332**	**3,490**
Short-term provisions	**2,158**	**1,332**	**3,490**

Provisions for warranty obligations are recognised for current legal, contractual and constructive warranty obligations to third parties. The provisions were measured on the basis of past experience, taking into account the circumstances on the balance sheet date.

In the course of its general business activities, technotrans is involved in legal disputes both in and out of court, of which the outcome cannot be predicted with certainty. Legal disputes can arise, for example, in connection with product liability cases and warranties. Provisions are made for risks resulting from this that are not already covered by insurance, provided that the claim is probable and the probable amount of the necessary provision can be reliably estimated. As of the balance sheet date 2020, provisions for litigation in the amount of € 9 thousand (2019: € 80 thousand) were formed. In the previous year, a provision for a possible fine from the Federal Financial Supervisory Authority (BaFin) in the amount of € 810 thousand was recognised. The proceedings were terminated in the financial year.

Miscellaneous other provisions include year-end closing costs, commissions and other obligations. The uncertainty factor here is also mainly the amount.

18) Income tax payable

The income tax payable in the year under review essentially relate to technotrans SE and its tax group subsidiaries.

19) Other current liabilities

	31/12/2020	31/12/2019
	€ '000	€ '000
Other financial liabilities		
Lease liabilities	1,611	2,083
Debtors with credit balances	982	744
Current liabilities from derivative financial instruments	56	57
Other financial liabilities	66	107
	2,715	2,991
Other liabilities		
Sales tax	877	1,480
Operating taxes	755	967
Liabilities in respect of social insurance	120	134
Other liabilities	526	851
	2,278	3,432
	4,993	**6,423**

Within the scope of the application of IFRS 16, the recognised lease liabilities that are short-term in nature are reported under other financial liabilities.

IV. Notes to the Consolidated Income Statement

20) Revenue

The group generates revenue primarily from the sale of products and the provision of services to its customers (see Note V. "Notes to the segment report"). Revenue recognition in the group is generally based at a point in time.

Due to the COVID-19 pandemic, there were delays in revenue recognition during the financial year, which mainly related to service interventions. Due to travel restrictions, among other things, service interventions could not be carried out at the planned time. However, there were no significant contract defaults.

Breakdown of revenue from contracts with customers
The sales revenues – subdivided according to business areas – are presented in the notes of the segment report. € 162,002 thousand (2019: € 178,307 thousand) result from the sale of goods including the sale of spare parts, € 28,452 thousand (2019: € 29,620 thousand) from the rendering of services. Geographically, sales revenues are broken down as follows:

	2020	2019
	€ '000	€ '000
Technology		
Germany	85,552	84,431
Rest of Europe	33,633	35,947
America	9,075	10,034
Asia	9,166	17,633
Africa/Oceania	290	379
	137,716	**148,424**
Services		
Germany	27,519	29,494
Rest of Europe	13,571	15,170
America	8,030	10,257
Asia	3,369	4,293
Africa/Oceania	249	289
	52,738	**59,503**

The following chart shows the revenues according to the different sales markets. Due to the strategic realignment "Future Ready 2025", the allocation of customers to markets was revised. To ensure consistent presentation, the previous year's figures were adjusted accordingly.

From the 2021 financial year onwards, the sales of Energy Management (electromobility for rail and road transport as well as data centres) and Healthcare & Analytics (laboratory and medical technology incl. pharmaceuticals, chemicals and biology), which are currently combined in the growth markets, will be presented separately due to the amount and significance of these sales (see "Goals and strategies" in the combined management report).

	2020	2019*
	€ '000	€ '000
Technology		
Printing industry	39,594	46,465
Laser and machine tool industry	34,521	36,814
Plastic processing industry	37,526	34,472
Growth markets	26,075	30,673
	137,716	**148,424**
Services		
Printing industry	27,820	33,663
Laser and machine tool industry	4,595	5,100
Plastic processing industry	9,441	9,602
Growth markets	4,143	3,735
Technical documentation	6,739	7,403
	52,738	**59,503**

*Adjustment of previous year's figures, due to reclassifications of customers

Contract balances

The following table provides information on contract assets and contract liabilities from contracts with customers:

	2020	2019
	€ '000	€ '000
Contract assets	524	976
Contract liabilities	4,497	5,575

Contract assets mainly relate to the group's claims for consideration for satisfied performance obligations but not yet invoiced as of the reporting date. Contract assets are reported in the balance sheet under trade receivables.

Contract liabilities are mainly reported in the balance sheet under prepayments received and other liabilities. Of the contract liabilities of € 5,575 thousand reported at the beginning of the period, € 5,340 thousand were recognised as revenue in the 2020 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

Sales are measured on the basis of the consideration specified in a contract with a customer. The group recognises revenue when it transfers control of the product or service to a customer. Invoices are issued in accordance with the contractual agreements. There are no significant financing components, as short-term, standard market payment terms are generally agreed.

21) Cost of sales

Cost of sales includes the cost of goods sold and the cost of merchandise sold. In accordance with IAS 2, they include not only directly attributable costs such as material and personnel costs, but also overhead costs including pro rata depreciation on property, plant and equipment, right-of-use assets and intangible assets used for production. The amount of inventories recognised as an expense in the reporting period essentially corresponds to the cost of materials (raw materials, consumables and change in inventories of finished goods and work in progress). The costs of the service field force and the expenses within the scope of warranty obligations are also reported in the cost of sales. Other cost of sales mainly includes other building costs.

	2020	2019
	€ '000	€ '000
Cost of materials	75,468	83,590
Cost of labour	45,679	44,873
Subcontractors, personnel leasing	5,383	7,070
Depreciation and amortisation	3,677	3,926
Travel expenses	1,737	2,288
Warranty and goodwill	1,522	1,337
Operating requirements	957	991
Maintenance	853	786
Energy expenses	798	833
Tenancy and leasing costs	338	265
Other	600	653
	137,012	**146,612**

22) Distribution costs

In addition to the costs of the sales department and the internal service department, the distribution costs include the costs of advertising and logistics. Furthermore, the amortisation of intangible assets (customer relationships and brands) recognised as part of the purchase price allocation is reported under distribution costs. This item also includes sales-related commission expenses.

The decrease in personnel costs results from a reallocation of cost centres at gwk. The costs of € 1,656 thousand previously shown under distribution costs are now shown under cost of sales.

Advertising and trade fair costs include other structural costs in the amount of € 137 thousand (see Note V. ”Notes on the segment report“).

	2020	2019
	€ '000	€ '000
Cost of labour	13,531	16,194
Logistics costs	3,344	3,849
Depreciation and amortisation	1,829	1,904
Promotional and exhibition costs	690	1,089
Sales commissions	574	540
Travel expenses	306	773
Other	952	1,257
	21,226	**25,606**

23) Administrative expenses

Administrative expenses include personnel and material costs of the management and administrative units, unless these have not been charged to other cost centres as internal services.

The consulting costs include structural costs of € 657 thousand (see Note V. ”Notes on the segment report“).

	2020	2019
	€ '000	€ '000
Cost of labour	10,403	10,239
IT costs	1,664	1,914
Consultancy, audits	1,595	1,155
Depreciation and amortisation	1,455	1,661
Insurances	778	839
Energy and building costs	698	670
Tenancy and leasing costs	525	380
Contributions	337	280
Investor relation	309	358
Travel expenses	136	385
Other	475	879
	18,375	**18,760**

	2020	2019
	€ '000	€ '000
Fees for		
Auditing of the financial statements	271	248
Tax consultancy services	49	34
	320	**282**

PricewaterhouseCoopers GmbH WPG audited the annual financial statements and consolidated financial statements of technotrans SE. In connection with advice on tax issues, we were advised by PricewaterhouseCoopers GmbH WPG.

In the 2020 financial year, the auditor's fee recognised as an expense within the meaning of section 319 (1) sentences 1 and 2 of the German Commercial Code (HGB) totalled € 320 thousand (2019: € 282 thousand). The disclosures for the 2020 financial year include fees and expenses paid to the auditor of the consolidated financial statements, PricewaterhouseCoopers GmbH WPG, for the statutory audit of the separate financial statements and consolidated financial statements of technotrans SE, as well as for tax consultancy services rendered for technotrans SE and for subsidiaries.

24) Development costs

Research costs were not incurred. Development costs are charged to current expense until the criteria of IAS 38.57 are cumulatively met. From this point on, the development costs are capitalised (see Note 4 ”Intangible assets“).

25) Other operating income

	2020	2019
	€ '000	€ '000
Income unrelated to the accounting period		
Reversal of provisions	43	43
Book profits on the disposal of assets	51	174
Other income unrelated to the accounting period	216	191
	310	408
Other operating income		
Foreign currency gains	263	264
Income from tenancy agreements	178	207
Personnel-related revenue	122	182
Insurance payments	57	153
Other	581	697
	1,201	1,503
	1,511	**1,911**

Miscellaneous other operating income includes income of € 183 thousand from the premature termination of a buil-ding lease agreement (see Note 2 ”Leases“). In addition, this item includes grants according to IAS 20, which were granted in the context of the COVID-19 pandemic in the amount of € 48 thousand.

26) Other operating expenses

	2020	2019
	€ '000	€ '000
Expenses unrelated to the accounting period		
Book losses on the disposal of assets	3	32
Other expenses unrelated to the accounting period	55	180
	58	212
Other operating expenses		
Foreign currency losses	567	283
Other operating taxes	265	300
Other	170	1,642
	1,002	2,225
	1,060	**2,437**

In the previous year, the possible expenses for a fine against the Federal Financial Supervisory Authority (BaFin) in the amount of € 810 thousand were reported under miscellaneous other operating expenses (see Note 17 ”Provisions“). Income of € 592 thousand was generated from the proceedings terminated in the 2020 financial year, which is also reported in this item.

27) Net finance costs

	2020	2019
	€ '000	€ '000
Financial income	86	630
Financial charges	-746	-763
Net finance costs	**-660**	**-133**

The interest income results in the amount of € 34 thousand (2019: € 16 thousand) from interest on bank balances and in the amount of € 51 thousand (2019: € 0 thousand) from the valuation of employee benefits. In the previous year, the final revaluation of the put/call options (€ 614 thousand) was also reported in this item.

Interest expenses mainly include interest on the group's financial liabilities.

In addition, interest expenses from compounding of lease liabilities in the amount of € 77 thousand (2019: € 92 thousand), (see Note 2 "Leases") and from accrued interest on employee benefits in the amount of € 10 thousand (2019: € 40 thousand) are included in this position.

No borrowing costs were capitalised in the reporting period.

28) Income tax expense

	2020	2019
	€ '000	€ '000
Actual income tax expense		
Tax expense for the period	-1,094	-2,573
Tax income unrelating to the accounting period	-8	-43
	-1,102	-2,616
Deferred tax		
Occurrence or reversal of temporary differences	-339	268
Reduction of the tax rate	6	72
Recognition or utilization of deferred tax assets of previously unrecognised tax loss carryforward	263	-148
Recognition of non-recorded or impairment on deferred taxes on temporary differences	9	308
	-61	500
	-1,163	**-2,116**

The tax expenses include the 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 result from temporary differences between the tax balance sheets of the companies and the values in the consolidated balance sheet according to the balance sheet liability method.

The recognised deferred tax assets also include tax reduction claims insofar as 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 realisation.

The calculation of the domestic applicable tax rate for the reporting year of 30.29 percent (2019: 30.26 percent) is based on a corporate income tax rate of 15.00 percent, a solidarity surcharge of 5.50 percent and an effective trade tax rate of 14.46 percent (2019: 14.43 percent).

The tax rates applied to the foreign companies in the financial year ranged from 17.0 percent to 34.6 percent.

The following recognised deferred tax assets and liabilities are attributable to recognition and measurement differences in the individual balance sheet items and to loss carryforwards that can be used in the future:

					Balance at 31/12		
2020	Net balance at 01/01	Exchange differences	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current assets	-2,113	16	217	0	-1,880	698	2,578
Inventories	636	-21	-160	0	455	521	66
Receivables	-33	-6	85	0	46	122	76
Provisions	322	-10	37	0	349	349	0
Liabilities	1,215	-20	-323	0	872	936	64
Loss carryforwards	799	-30	83	0	852	852	0
Tax assets (liabilities) before offsetting	**826**	**-71**	**-61**	**0**	**694**	**3,478**	**2,784**
Offsetting						2,336	2,336
Net tax assets (liabilities)					**694**	**1,142**	**448**

					Balance at 31/12		
2019	Net balance at 01/01	Effects from the first-time application of IFRS 16	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current assets	-1,435	-1,333	655	0	-2,113	676	2,788
Inventories	632	0	4	0	636	698	62
Receivables	46	0	-79	0	-33	167	200
Provisions	282	0	31	9	322	428	106
Liabilities	-38	1,407	-151	-3	1,215	1,333	118
Loss carryforwards	759	0	40	0	799	799	0
Tax assets (liabilities) before offsetting	**246**	**74**	**500**	**6**	**826**	**4,101**	**3,274**
Offsetting						2,617	2,617
Net tax assets (liabilities)					**826**	**1,484**	**657**

Deferred tax liabilities from non-current assets include deferred taxes of € 909 thousand (2019: € 1,178 thousand) on intangible assets capitalised within the scope of the business combinations.

Reisner Cooling Solutions GmbH suffered a tax loss of € 188 thousand in the financial year. Based on the expected results, the Board of Management assumes that future taxable results will be available to utilise the losses. Deferred tax assets amounting to € 60 thousand were formed on these loss carryforwards.

In total, there are tax loss carryforwards of € 7,559 thousand in 2020 (2019: € 9,287 thousand). To tax loss carryforwards amounting to € 3,120 thousand (2019: € 2,858 thousand) deferred taxes were capitalised in accordance with IAS 12.34 in the amount of € 852 thousand (2019: € 799 thousand). The remaining loss carryforwards amounting to € 4,439 thousand (2019: € 6,429 thousand) and on deductible temporary differences in the amount of € 285 thousand (2019: € 161 thousand), no or only a proportionate amount of deferred tax assets were capitalised. The unrecognised loss carryforwards can be used indefinitely.

The following table shows the reconciliation of the expected tax expense to the actual income tax expense.

	2020	2019
	€ '000	€ '000
Applicable tax rate	**30.29%**	**30.26%**
Consolidated earnings before taxes on income	**6,120**	**8,205**
Theoretical tax expense/income	-1,853	-2,483
Differences compared with local tax rates	137	134
Impairment (-) or reversal of impairment (+) on deferred tax assets on tax loss carryforwards and temporary differences	272	160
Expense or income from the non-recognition of deferred tax assets on tax losses ocurring in the financial year and temporary differences	-6	-11
Tax effect from the use of deferred taxes on temporary differences and from tax loss carryforwards following impairment	174	210
Tax effect of non-deductibility of business expenses and tax-exempt income	115	-155
Changes to deferred tax resulting from tax rate changes	6	72
Other taxes not relating to the period	-8	-43
Actual and deferred income tax expense	**-1,163**	**-2,116**

Deferred taxes, which were reported in other comprehensive income, were incurred in the reporting year from the change in cash flow hedges in the amount of € 0 thousand (2019: € -3 thousand) and in the amount of € 0 thousand (2019: € 9 thousand) from the change in the pension obligation. As in the previous year, no deferred taxes were incurred in the financial year 2020 from exchange rate effects from net investments in a foreign business operation. Of the total deferred taxes recognised in other comprehensive income (€ 573 thousand; 2019: € 573 thousand), € 550 thousand (2019: € 550 thousand) relate to exchange rate effects from net investments in a foreign business operation, € 22 thousand (2019: € 22 thousand) to pension obligations and € 1 thousand (2019: € 1 thousand) to cash flow hedges.

29) Earnings per share

		2020	2019
Net profit for the period	**€ '000**	**4,957**	**6,089**
of which:			
Profit attributable to technotrans SE shareholders		4,956	6,088 *
Profit attributable to non-controlling interests		1	1
Average number of ordinary shares outstanding in the year		6,907,665	6,907,665
Basic/diluted earnings per share	**in €**	**0.72**	**0.88**

*Adjustment of the previous year to show the non-controlling interests. See Note "II. Group a) Consolidated Companies"

In the 2020 financial year, there were again no subscription rights issued that would have had a dilutive 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	**2020**	**137,716**	**52,738**	**0**	**190,454**
	2019	148,424	59,503	0	207,927
Inter-segment revenue	**2020**	**0**	**781**	**-781**	**0**
	2019	0	833	-833	0
Segment result	**2020**	**-189**	**7,012**	**-43**	**6,780**
	2019	50	8,361	-73	8,338
Depreciation and amortisation	**2020**	**4,474**	**2,595**	**0**	**7,069**
	2019	5,228	2,442	0	7,670

Segment information is presented based on the internally reported business segments. The segmentation into the Technology and Services divisions is in line with the internal reporting structure of the technotrans group.

The Technology segment generates revenue through the sale of equipment and systems in the area of thermal management. If revenues are generated in connection with customised developments, these are also allocated to this segment. The Services segment generates revenue with after-sales service, installation, commissioning, maintenance, repair and spare parts supply as well as the creation of technical documentation and the production and distribution of documentation creation software. The revenues generated by gds Sprachenwelt GmbH with translation services are also allocated to the Services segment.

As part of the implementation of the group's Strategy "Future Ready 2025", revenue from the initial installation of plants will be reported together with the plant revenue in the Technology segment from the 2021 financial year. In the 2020 financial year, revenue with initial installation of € 5,402 thousand was generated.

Due to the discontinuation of the business unit structure in the financial year and for a better understanding of the upcoming reallocation of revenue from the 2021 financial year onwards, the following presentation has been adjusted. Revenue for the 2020 and 2019 financial years was generated in the following areas:

	2020	2019
	€ '000	€ '000
Technology		
Sale of products and equipment	137,004	147,907
Development cost refunds	712	517
	137,716	148,424
Services		
Spare parts	24,286	29,883
Initial installation	5,402	6,020
After-Sales-Services	16,288	16,177
Technical documentation (incl. translation services)	6,762	7,423
	52,738	**59,503**

The revenue of € 190,454 thousand (2019: € 207,927 thousand) are divided into € 113,071 thousand (2019: € 113,925 thousand) generated domestically and € 77,383 thousand (2019: € 94,002 thousand) were generated abroad. Of this amount, € 14,007 thousand is attributable to the USA (2019: € 17,001 thousand) and to China € 5,953 thousand (2019: € 8,236 thousand). The breakdown of sales is based on the location of the customers who generate the sales.

The non-current assets of € 71,813 thousand (2019: € 69,789 thousand) can be broken down by region as follows: Domestic € 69,047 thousand (2019: € 66,391 thousand) and abroad € 2,766 thousand (2019: € 3,398 thousand).

The delivery prices for sales are generally agreed between the segments as between third parties and mainly relate to the provision of technical documentation and translation services within the group. Inter-segment revenue includes intercompany margins of € 43 thousand (2019: € 73 thousand).

Segment information includes both directly allocable and reasonably allocable variables. A reconciliation of segment data to group data is not necessary, as the information in the segment reporting is consistent with the information in the consolidated income statement and the consolidated cash flow statement. The segment result less intercompany margins on inter-segment sales corresponds to the result from operating activities (EBIT) in the income statement. The cumulative result of both segments of € 6,823 thousand (2019: € 8,411 thousand) less intercompany margins in the amount of € 43 thousand (2019: € 73 thousand) reduced by the financial result recognised in the income statement in the amount of € -660 thousand (2019: € -133 thousand) results in earnings before income taxes of € 6,120 thousand (2019: € 8,205 thousand).

Restructuring expenses incurred in the financial year are distributed among the segments as follows:

	Technology	Services	2020
	€ '000	€ '000	€ '000
Termination benefits	1,837	758	2,595
Legal and consulting fees	346	311	657
Other costs	132	5	137
Total restructuring costs	**2,315**	**1,074**	**3,389**

Adjusted EBITDA excludes one-off effects of significant income and expense items, such as restructuring costs and other costs, if they result from a single, non-recurring event.

Adjusted EBITDA is reconciled to operating profit (EBIT) as follows:

	2020	2019
	€ '000	€ '000
EBITDA before restructuring costs	**17,238**	**16,008**
Depreciation and amortisation	7,069	7,670
EBIT before restructuring costs	**10,169**	**8,338**
Restructuring costs	3,389	0
EBIT	**6,780**	**8,338**

VI. Notes to the Cash Flow Statement

The cash flow statement is structured according to cash flows from operating activities, investing activities and financing activities.

30) Cash flow from operating activities

The cash flow from operating activities (net cash) amounted to € 12,227 thousand in the financial year under review (2019: € 16,801 thousand). This includes cash from operating activities in the amount of € 13,590 thousand (2019: € 19,574 thousand) as well as interest received and paid and income taxes in the amount of € -1,363 thousand (2019: € -2,773 thousand). The change in net working capital will result in an overall positive cash flow contribution in 2020 (2019: positive).

The cash flow from operating activities includes other non-cash changes from leases in the amount of € -202 thousand. These changes result from the early termination of the contract for the formerly rented office and production space of Termotek GmbH (€ 183 thousand) as well as the rental concessions related to COVID-19 (€ 19 thousand), (see Note 2 "Leases").

31) Cash flow from investing activities

The cash flow from investing activities consists of payments for investments in property, plant and equipment amounting to € 6,927 thousand (2019: € 7,712 thousand) and for investments in intangible assets amounting to € 1,485 thousand (2019: € 1,651 thousand).

32) Cash flow from financing activities

In the reporting year, new loans were taken out in the amount of € 10,500 thousand (2019: € 17,500 thousand) and repayments of € 6,696 thousand (2019: € 11,431 thousand) were made on current and non-current loan liabilities. Payments of € 2,620 thousand were made (2019: € 2,356 thousand) for the repayment of lease liabilities. No distributions were made to shareholders in the 2020 financial year (2019: € 6,079 thousand).

33) Cash and cash equivalents at the end of the period

The composition of cash and cash equivalents consists of cash and demand deposits. They correspond to the cash and cash equivalents shown in the balance sheet.

VII. Other notes

34) Financial instruments

Since the effectiveness of IFRS 9 on January 1, 2019, the financial instruments (financial assets and liabilities) are allocated to the classification categories "measured at amortised cost", "measured at fair value through profit or loss" (FVTPL) and "measured at fair value through other comprehensive income" (FVOCI).

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 include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable 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, either directly (i.e. as a price) or indirectly (i.e. derived from the price)

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.

		31/12/2020		31/12/2019		
	Note	Carrying amount	Fair value	Carrying amount	Fair value	Fair value hierarchy
		€ '000	€ '000	€ '000	€ '000	
Derivatives in hedging requirements						
Market value of interest rate swaps	(19)	-56	-56	-57	-57	Level 2
Assets measured at amortised costs						
Rent deposits	(5), (9)	179	179	210	210	Level 2
Financial assets and liabilities not measured at fair value						
Borrowings	(12)	-44,003	-44,367	-40,456	-40,554	Level 2
Other non-current liabilities	(13)	-6	-5	-4	-4	Level 2
		-44,009	**-44,372**	**-40,460**	**-40,558**	
		-43,886	**-44,249**	**-40,307**	**-40,405**	
Gains (+) or losses (-) not entered			-363		-98	

The carrying amounts of financial instruments (e.g. cash and cash equivalents, trade receivables and payables, and other receivables and liabilities) generally correspond to their fair values. For receivables with a residual term of up to one year, their nominal value less any value adjustments made is the most reliable estimate of fair value. 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 calculated from the discounted cash flows from redemption and interest payments. Current reference interest rates were requested from banks and used to determine the fair values as of the balance sheet date. Depending on the term, the reference interest rates ranged from 0.62 to 2.2 percent. An appropriate risk premium was added.

The fair values of the interest rate swaps are calculated using observable yield expectations from major German banks based on the expected present value of future cash flows.

Net gains or losses on financial instruments by measurement category

	From interest	From subsequent measurement			2020	2019
		At fair value	Currency translation	Impairment		
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Derivatives in hedging requirements	0	14	0	0	14	23
Financial liabilities measured at fair value (FVTPL)	0	0	0	0	0	614
Assets measured at amortised costs	35	0	-195	-165	-325	-515
Financial liabilities not measured at fair value	-659	0	0	0	-659	-724
	-624	**14**	**-195**	**-165**	**-970**	**-602**

Type and extent of risks arising from financial instruments

The group is exposed to the following risks from the use of financial instruments:

- Default risk
- Liquidity risk
- Market risk

Default risk is the risk that one party to a financial instrument will cause a loss to the other party 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 because of changes in market prices. The market risk is concretised in interest rate risks and exchange rate risks. Liquidity risk is the risk that the group may not be able to meet its financial obligations as contractually agreed, e.g. the risk of not being able to extend loans or obtain new loans to repay maturing loans.

Default risk

Impairment of other financial assets is reported in the financial result (see Note 27 "Net finance costs").

At technotrans, significant risks relate to the default risk on trade receivables and contract assets, and theoretically also to the insolvency risk of the banks with which technotrans holds credit balances.

Banks are selected on the basis of many years of positive experience as well as on the basis of the banks' ratings. The group considers its cash and cash equivalents to be at low risk of default based on the external ratings of banks and financial institutions.

The credit risks exist in the amount of the reported carrying amounts of € 47,528 thousand (2019: € 45,867 thousand). The trade receivables and contract assets are partially credit-insured; as of the reporting date, there was an insured volume of € 7,965 thousand (2019: € 10,860 thousand).

The bad debt risk involves a certain concentration of risk, as a significant proportion of the receivables portfolio is attributable to OEMs in the various industries. With the outbreak of the COVID 19 pandemic, the group's receivables management was strengthened. No significant losses on receivables occurred in the financial year.

With regard to new customers, the risk of bad debts is limited by obtaining credit information and by the IT-supported observance of credit limits. In addition to observing credit limits, retention of title is regularly agreed until final payment for the delivery or service. Usually, technotrans does not require customers to provide collateral.

The group recognises allowances for expected credit losses on financial assets. In determining the expected loss, the group considers reasonable and robust information that is relevant and available without undue cost or effort. In the assessment, possible risks resulting from the COVID 19 pandemic were also taken into account in the 2020 financial year.

The group assesses at each reporting date whether financial assets at amortised cost are credit impaired. Indicators for this are significant financial difficulties of the debtor, breach of contract, insolvency of the debtor or other reorganisation procedures. Impairment losses on financial assets are deducted from the gross carrying amount. The assessment of the timing and amount of depreciation is made individually for each financial asset.

In addition to the individually determined allowances, the group uses an allowance matrix to measure the expected credit losses of trade receivables and contract assets. The loss rates used here are calculated according to the "roll rate" method, which is based on the probability that a claim will progress through successive stages in the payment delay.

The following table provides information on the estimated default risk and expected credit losses for trade receivables and contract assets as of December 31, 2020.

	31/12/2020			31/12/2019		
	Loss rate	Gross carrying amount	Loss allowance	Loss rate	Gross carrying amount	Loss allowance
	%	€ '000	€ '000	%	€ '000	€ '000
Not individually impaired receivables:						
not overdue	0.2	16,452	-33	0.2	18,010	-33
overdue by up to 30 days	0.6	3,015	-19	0.8	4,751	-37
overdue by between 31 and 60 days	4.2	576	-24	4.8	375	-18
overdue by between 61 and 90 days	14.4	159	-23	18.3	193	-35
overdue by more than 90 days	20.9	555	-116	18.4	404	-75
		20,757	**-215**		**23,733**	**-198**
Individually impaired receivables:		1,615	-1,075		1,610	-1,106
		22,372	**-1,290**		**25,343**	**-1,304**

Trade receivables and contract assets have been aggregated based on common credit risk characteristics and days past due to measure expected credit losses. Contract assets relate to work in progress that has not yet been invoiced and have essentially the same risk characteristics as trade receivables for the same types of contracts. 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 consistently low actual credit losses in the group, the loss rates are calculated on the basis of the credit losses of the last two years. This rate is multiplied by a scaling factor to reflect current and forward-looking information on macroeconomic factors that affect customers' ability to pay claims. The scaling factor is based on GDP forecasts and the industry outlook and is 3 percent (2019: 2 percent).

Impairment losses from trade receivables are shown in the income statement under net impairment losses on financial and contract assets.

Liquidity risk

technotrans SE uses 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 liabilities. The group is not subject to any financial covenants.

The future cash flows from the interest rate swap may differ from the amounts shown in the following table as interest rates or the relevant terms are subject to change.

Except for these financial liabilities, it is not expected that a cash flow included in the maturity analysis could occur significantly earlier or at a significantly different amount.

The available liquid funds are held exclusively with credit institutions that have a very good credit rating. In addition, there are unused credit lines of up to € 9.8 million as of the balance sheet date (2019: € 16.0 million).

The following table shows the contractual maturities of the financial liabilities, including any interest payments:

			Due within				
	Carrying amount	Contractual/ expected payment	6 months	6-12 months	1-2 years	2-5 years	over 5 years
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
At 31/12/2020:							
Borrowings	44,003	45,760	8,467	4,988	6,646	19,299	6,360
Lease liabilities	3,285	3,348	888	766	1,033	660	1
Other non-current financial liabilities	6	6	2	1	3	0	0
Trade payables	4,606	4,606	4,606	0	0	0	0
Other current financial liabilities	1,048	1,048	1,048	n/a	n/a	n/a	n/a
Interest rate swaps	56	62	8	7	12	35	0
	53,004	**54,830**	**15,019**	**5,762**	**7,694**	**19,994**	**6,361**
At 31/12/2019:							
Borrowings	40,456	42,481	3,530	3,696	8,372	14,868	12,015
Lease liabilities	4,686	4,811	1,134	1,021	1,512	1,135	9
Other non-current financial liabilities	4	4	0	0	4	0	0
Trade payables	5,952	5,952	5,948	4	0	0	0
Other current financial liabilities	851	851	851	n/a	n/a	n/a	n/a
Interest rate swaps	57	74	8	7	12	37	10
	52,006	**54,173**	**11,471**	**4,728**	**9,900**	**16,040**	**12,034**

Market risks

technotrans pursues the objective of being exposed to **interest rate risks** only to a limited extent. Therefore, financial liabilities in the amount of € 39,867 thousand (2019: € 35,631 thousand) are taken out at a fixed interest rate. Long-term, variable-interest loans are hedged through the use of interest rate swaps; this requirement does not exist for short-term loans. Variable interest-bearing loans in the amount of € 1,350 thousand (2019: € 1,611 thousand) of the total amount of these loans (€ 4,136 thousand; 2019: € 4,825 thousand) are converted into fixed-interest loans with the help of interest rate swaps. The group does not recognise fixed rate financial assets and liabilities at fair value through profit or loss. Derivatives (interest rate swaps) are not designated as fair value hedging instruments. A change in the interest rate at the reporting date would therefore 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 **foreign exchange risks** in the course of its operating activities. As of December 31, 2020, trade receivables and cash and cash equivalents are mainly denominated in euros; significant partial amounts are denominated in US dollars, Chinese renminbi and British pounds. The aforementioned foreign currency holdings are essentially held by technotrans SE and the respective national companies of the group.

		31/12/2020			31/12/2019		
		USD	CNY	GBP	USD	CNY	GBP
Trade receivables	**in Thousand**	**3,123**	**4,101**	**150**	**2,579**	**6,069**	**159**
	€ '000	2,545	511	167	2,296	776	187
Cash and cash equivalents	**in Thousand**	**2,547**	**4,395**	**704**	**2,645**	**3,703**	**528**
	€ '000	2,076	548	783	2,355	473	621

Financial liabilities are mainly denominated in euros.

Net investments in a foreign operation are solely in Brazilian real. Exchange rate changes would have an impact on equity.

Further foreign currency risks are limited within the technotrans group by the fact that production is essentially carried out in the euro zone and the invoicing currency is generally the same as the production currency. In the event of significant deviations, this currency risk is hedged by derivative financial instruments. There were no currency hedges as of December 31, 2020.

Sensitivity analysis

A possible strengthening or 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 profit after tax as of the balance sheet date, assuming that all other variables, in particular interest rates, remain unchanged:

	Effect on equity		Effect on profit after tax	
€ '000	Increase + 10 %	Reduction – 10 %	Increase + 10 %	Reduction – 10 %
As of 31/12/2020				
USD	-566	566	-86	86
GBP	-32	32	-11	11
BRL	396	-396	3	-3
As of 31/12/2019				
USD	-620	620	-121	121
GBP	-58	58	-11	11
BRL	441	-441	6	-6

In the presentation, a change in both the closing rate and the average rate was included in the consideration of the reporting period, each with a change of 10 percent compared to the exchange rates used in the respective consolidated financial statements.

Market risks due to interest rate fluctuations only exist for the interest rate swap. 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 were in place to hedge the interest rate risk of the variable-interest € loans (see Note 12 "Financial liabilities"); including these derivative financial instruments, the financial assets and financial liabilities are not exposed to any significant interest rate risk.

The fair values result from the valuation of the outstanding positions without taking into account opposing value developments from the underlying transactions. The fair values are determined (Level 2 in accordance with IFRS 13.82) by major German banks on the basis of discounted cash flows.

Interest rate swap

	Nominal amount	Repaid	Balance	Fixed rate	Variable Interest	Maturity	Fair Value
	€ '000	€ '000	€ '000	% p.a.			€ '000
Payer-Swap	1,350	0	1,350	1.91	6-month EURIBOR	Oct 2025	-56

The hedging item and hedging instrument match in terms of nominal value or principal amount, maturities, interest payment dates, interest rate adjustment dates, maturity dates and currencies. In cases where a hedging transaction exists to hedge a future transaction, hedge accounting was only applied if the occurrence of this transaction was considered highly probable. The efficiency of the hedging transaction within the meaning of IFRS 9.6.4.1 (c) (iii) is high, amounting to almost 100 percent. Otherwise, the requirements of IFRS 9.6.4.1 are met.

The interest rate swaps are accounted for as cash flow hedges at market price; valuation gains and losses from changes in market price are recognised directly in equity in the hedging reserve. The fair value of the hedging instruments on the balance sheet date is € 56 thousand (2019: € 57 thousand) are recorded under "Other current liabilities" (Note 19). The underlying loan transactions are measured at amortised cost using the effective interest method.

The deferred taxes attributable to the change in market prices are offset against the hedging reserve without affecting profit or loss. The hedging reserve thus developed as follows:

	€ '000
Opening level as of 01/01/2019	**-33**
Amount reclassified to the Income Statement	23
Change of the market values of cash flow hedges	-42
Deferred tax on these not affecting income	-3
Level as of 31/12/2019 / 01/01/2020	**-55**
Amount reclassified to the Income Statement	14
Change of the market values of cash flow hedges	-15
Deferred tax on these not affecting income	0
Closing level as of 31/12/2020	**-56**

Reconciliation of the movement in debt to cash flows from financing activities

	Liabilities		
	Financial liabilities	Lease liabilities	Put/Call options
	€ '000	€ '000	€ '000
01/01/2019	**34,387**	**0**	**614**
Lease liability upon first-time application of IFRS 16	0	5,150	0
Cash flow from financing activities			
Cash receipts from the raising of loans	17,500	0	0
Cash payments from the repayment of loans	-11,431	0	0
Cash payments from the repayment of lease liabilities	0	-2,356	0
Net cash used in financing activities	**6,069**	**-2,356**	**0**
Other changes			
Interest expences	630	92	0
Interest paid	-630	0	0
Change in fair value	0	0	-614
Additions to lease liabilities	0	1,800	0
Total other changes related to liabilities	**0**	**1,892**	**-614**
31/12/2019 / 01/01/2020	**40,456**	**4,686**	**0**
Cash flow from financing activities			
Cash receipts from the raising of loans	10,500	0	0
Cash payments from the repayment of loans	-6,696	0	0
Cash payments from the repayment of lease liabilities	0	-2,620	0
Net cash used in financing activities	**3,804**	**-2,620**	**0**
Other changes			
Interest expences	659	77	0
Interest paid	-659	0	0
Repayment bonus	-257	0	0
Other reductions of lease liabilities	0	-202	0
Additions to lease liabilities	0	1,344	0
Total other changes related to liabilities	**-257**	**1,219**	**0**
31/12/2020	**44,003**	**3,285**	**0**

35) Future payment obligations

	31/12/2020				31/12/2019
	up to 1 year	1 to 5 years	over 5 years	Total	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Tenancy and operating lease agreements	246	183	0	429	543
Maintenance agreements	1,070	190	5	1,265	1,709
Framework contracts	3,464	700	0	4,164	2,884
Investments committment for property, plant and equipment	871	0	0	871	0
Lease contracts (IFRS 16)	75	189	0	264	0
Other	82	26	0	108	220
	5,808	1,288	5	7,101	5,356

Future payment obligations are valued at nominal value; foreign currency amounts were converted at the exchange rate on the reporting date.

The maintenance contracts mainly concern the ERP IT-system.

Framework agreements exist with suppliers for the purchase of agreed quantities of goods.

The future obligations for rental and lease agreements mainly relate to rental obligations that were not recognised as a lease liability in accordance with IFRS 16. Expenses from rental and lease relationships (minimum lease payments) amount to € 924 thousand in the reporting year (2019: € 692 thousand).

36) Personnel expenses

	2020	2019
	€ '000	€ '000
Wages and salaries	62,793	64,000
Social insurance	11,753	12,358
Expenses for retirement benefits and maintenance payments	1,333	1,321
	75,879	77,679

The wages and salaries also includes termination benefits in the amount of € 2,595 thousand (2019: € 273 thousand), (see Note V. "Notes to the segment report").

Social security contributions include expenses for defined contribution plans (employer contributions to statutory pension insurance) in the amount of € 6,243 thousand (2019: € 6,149 thousand).

In the financial year, the group received reimbursements in accordance with IAS 20 for social security expenses to be borne by the employer and other staff allowances. The grants amounting to € 727 thousand are recognised as a deduction from personnel expenses. There are no unfulfilled conditions and other contingencies related to these grants.

37) Annual average number of employees

	2020	2019
Average number of employees	1,437	1,460
of which in Germany	1,291	1,305
of which abroad	146	155
Technicians/skilled workers	955	962
Academic background	294	298
Trainees	101	109
Other	87	91

38) Related parties

Related parties include the members of the Board of Management and Supervisory Board of technotrans SE and their close family members.

The remuneration system of the Board of Management complies with the legal requirements of the German Act on the Appropriateness of Management Board Compensation, (VorstAG). Regarding the remuneration components, please refer to the report on the "Remuneration System of the Board of Management" in the group Management Report.

In the reporting year, consulting services were provided by the law firm Hoffmann Liebs Partnerschaft von Rechtsanwälten mbB, Düsseldorf, where Dr Norbert Bröcker is a partner, in the amount of € 118 thousand (2019: € 58 thousand). All services have been concluded at arm's length conditions.

Remuneration of members of the Board of Management and the Supervisory Board

	2020	2019
	€ '000	€ '000
Board of Management		
Regular payments (short-term)		
- fixed payments	954	678
- variable payments	319	50
Termination benefits	0	165
	1,273	893
Supervisory Board		
Regular payments (short-term)		
- fixed payments	267	105
- variable payments	29	87
	296	192

The remuneration paid in the 2020 financial year includes remuneration in the amount of € 160 thousand that was granted under the aspect of sustainability. In the previous year, there was an entitlement to a bonus in the amount of € 71 thousand, which was linked to the achievement of future targets.

The current remuneration of the Board of Management (fixed) includes payments by the company for defined contribution plans in the amount of € 120 thousand (2019: € 90 thousand).

The members of the Board of Management have not received any pension commitments, no loans have 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	
	31/12/2020	31/12/2019
Board of Management		
Michael Finger[1]	3,000	0
Dirk Engel	22,500	22,500
Peter Hirsch	2,000	2,000
Hendirk Niestert	1,756	1,756
Supervisory Board		
Heinz Harling	64,854	64,854
Dr Norbert Bröcker	250	250
Andrea Bauer[2]	0	0
Dr Wolfgang Höper	0	0
Dieter Schäfer[3]	0	0
Andre Peckruhn	76	76
Thorbjørn Ringkamp	385	385
Family members		
Marian Harling	500	500
Katja Hirsch	71	71

[1] Member of the Board of Management since May 2020
[2] Member of the Supervisory Board since May 20, 2020
[3] Member of the Supervisory Board until May 20, 2020

39) Corporate Governance

The Board of Management and Supervisory Board issued the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on September 30, 2020 and made it permanently available to shareholders and interested parties on the company's website (www.technotrans.de).

40) Subsequent events

The date of approval of the annual financial statements by the Board of Directors in accordance with IAS 10.17 is March 5, 2021. These consolidated financial statements are subject to approval by the Supervisory Board (section 171 (2) of the German Stock Corporation Act (AktG)).

With effect from January 1, 2021, KLH Kältetechnik GmbH acquired the business operations of KLH Metall GmbH as part of an asset deal. With the acquisition, the previously outsourced area of sheet metal processing is to be integrated into the production process of KLH Kältetechnik GmbH. In the course of the transfer of operations, employment relationships of 15 employees were taken over in accordance with section 613a of the German Civil Code (BGB). The purchase price for the assets taken over minus the debts amounts to around € 1 thousand.

Notification of voting rights pursuant to section 40 of the German Securities Trading Act (WPHG): On January 25, 2021, the 25 percent threshold of Luxempart S.A., Gerlin N.V. and Midlin N.V., acting as parties to an Acting in Concert Agreement, was exceeded.

On February 3, 2021 technotrans SE published preliminary revenue and earnings figures for the 2020 financial year in an ad hoc announcement.

In February 2021, the new production plant of Reisner Cooling Solutions GmbH in Holzwickede was completed and occupied.

After the end of the 2020 financial year, no further events of particular significance with an impact on the earnings, financial and asset situation 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 € 9,328,252.54 as reported in the individual financial statements be distributed as follows:

	€
Distribution of a dividend of € 0.36 per no par value share on share capital of € 6,907,665.00 bearing dividend entitlements	2,486,759.40
Profit carried forward	6,841,493.14
Accumulated profit	9,328,252.54

The dividend shall be payable on May 12, 2021.

Sassenberg, March 5, 2021

technotrans SE

The Board of Management

Michael Finger Dirk Engel Peter Hirsch

Responsibility Statement by the Board of 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 5, 2021

technotrans SE

The Board of Management

Michael Finger | Dirk Engel | Peter Hirsch

Independent Auditor’s report

The following copy of the auditor‘s report also includes a „Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB“ (”Separate report on ESEF conformity“). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR‘S REPORT

To technotrans SE, Sassenberg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of technotrans SE, Sassenberg, and its subsidiaries (the group) - comprising the consolidated balance sheet at December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from January 1 to December 31, 2020, and the 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, which is combined with the management report of the company, for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of the part of the group management report mentioned in the section ”Other information“ of our 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 accordance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as of December 31, 2020 and of its financial performance for the fiscal year from January 1 to December 31, 2020
- the accompanying group management report as a whole provides an appropriate view of the group‘s position. In all material respects, this group 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 audit opinion on the group management report does not extend to the content of the part of the group management report mentioned in the section ”Other information“.

In accordance with 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 group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Auditor Regulation (No. 537/2014; referred to subsequently as ”EU Audit Regulation“) 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group 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, 2020. 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 audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

Recoverability of the carrying amount of goodwill

Our presentation of this key audit matter has been structured as follows:

1) Matter and issue

2) Audit approach and findings

3) Reference to further information

Hereinafter we present the key audit matter:

Recoverability of the carrying amount of goodwill

1) In the consolidated financial statements of the Company, goodwill totalling EUR 23.5 million (15.9 percent of total assets and 29.6 percent of equity) is reported under the balance sheet item "Goodwill". Goodwill is subject to an impairment test by the company once a year or as and when required in order to determine a possible need for amortization. The impairment test is performed at the level of the cash-generating units or groups of cash-generating units to which the respective goodwill is allocated. As part of the impairment test, the carrying amount of the respective cash-generating units or groups of cash-generating units including goodwill is compared with the corresponding recoverable amount. The recoverable amount is determined based on the value in use. The basis of measurement is the present value of future cash flows from the cash-generating units or groups of cash-generating units. The present values are determined using discounted cash flow models. The group's approved medium-term plan forms the starting point, which is extrapolated on the basis of assumptions regarding long-term growth rates. This also takes into account expectations about future market developments and assumptions about the development of macroeconomic factors. Discounting is based on the weighted average cost of capital of the cash-generating units or groups of cash-generating units. As a result of the impairment test, no need for impairment was identified.

   The result of this valuation depends to a large extent on the assessment of the legal representatives with regard to the future cash inflows of the cash-generating units or groups of cash-generating units, the discount rate used, the growth rate and other assumptions and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular importance within the scope of our audit.

2) As part of our audit, we have, among other things, reviewed the methodological procedure for carrying out the impairment test. After comparing the future cash inflows used in the calculation with the group's approved medium-term planning, we assessed the appropriateness of the calculation, in particular by comparing it with general and sector-specific market expectations. In addition, we have also assessed the proper recognition of the costs of corporate functions. With the knowledge that even relatively small changes in the cost of capital used or the growth rate can have a significant impact on the amount of the enterprise value determined in this way, we have intensively studied the parameters used to determine the discount rate applied and have reproduced the calculation scheme. In order to account for the existing forecast uncertainties, we have reproduced the sensitivity analyses prepared by the company. We have determined that the carrying amounts of the cash-generating units or groups of cash-generating units including the allocated goodwill are sufficiently covered by the discounted future cash surpluses, taking into account the information available.

   The valuation parameters and assumptions applied by the legal representatives are generally in line with our expectations and are also within the ranges that we consider to be acceptable.

3) The Information provided by the Company on the impairment test is contained in Section III, Note 3 of the Notes to the Consolidated Financial Statements.

Other Information

Management is responsible for the other information. The other information comprises the following not audited parts of the group management report:

- The group statement on corporate governance pursuant to Section 289f HGB and Section 315d HGB in section "Corporate Governance Declaration in accordance with section 289f HGB and section 315d HGB" of the management report
- The Non-financial statement pursuant to Section 289f HGB and Section 315d HGB in section "Combined non-financial statement of technotrans SE and the technotrans group in accordance with section 289b et seq., 315b et seq. HGB" of the management report

Other information also includes the remaining parts of the Annual Report - without further cross-references to external information - with the exception of the audited consolidated financial statements, the group management report and our audit opinion.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit 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 group 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) 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 group 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, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group 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 group 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 group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the group 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 group 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 audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 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 group management report.

We exercise professional judgement 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 group 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 audit 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 controls.
- 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 group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' 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 group management report or, if such disclosures are inadequate, to modify our re-spective audit 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) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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

Assurance Report in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file technotrans SE_KA_KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette (Bundesanzeiger).

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on May 20, 2020. We were engaged by the Supervisory Board on November 20, 2020. We have been the group auditor of technotrans SE, Sassenberg, without interruption since the financial year 2019.

We declare that the audit 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 Dr Achim Lienau.

Osnabrück, March 5, 2021

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Original German version signed by:

gez. Dr Achim Lienau	gez. ppa. Christoph Hölscher
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

Publication	Date
Annual Report 2020	March 9, 2021
Quarterly Communication 1-3/2021	May 4, 2021
Annual Shareholder Meeting	May 7, 2021
Interim Report 1-6/2020 2021	August 10, 2021
Quarterly Communication 1-9/2021	November 9, 2021

Event	
German Equity Forum	November 22 – 24, 2021

Current information on events can be found on our website at https://www.technotrans.com/investor-relations/financial-calendar

Contact

Frank Dernesch
Manager Investor Relations & Corporate Finance

Phone: +49 (0)2583-301-1868
Fax: +49 (0)2583-301-1054
Email: frank.dernesch@technotrans.de

General Inquiries

technotrans SE
Robert-Linnemann-Straße 17
48336 Sassenberg

Phone: +49 (0)2583-301-1000
Fax: +49 (0)2583-301-1054
Email: info@technotrans.de

Key figures of the technotrans group (IFRS)

	Δ previous year	2020	2019	2018	2017	2016
Revenue (€ '000)	-8.4%	**190,454**	**207,927**	**216,286**	**205,095**	**151,792**
Technology (€ '000)	-7.2%	137,716	148,424	156,476	147,570	103,623
Services (€ '000)	-11.4%	52,738	59,503	59,810	57,525	48,169
EBITDA (€ '000)	-13.5%	**13,849**	**16,008**	**22,599**	**22,654**	**14,045**
EBITDA margin (%)		7.3	7.7	10.4	11.0	9.3
EBIT (€ '000)	-18.7%	**6,780**	**8,338**	**17,351**	**17,438**	**9,731**
EBIT margin (%)		3.6	4.0	8.0	8.5	6.4
Net profit for the period[1] (€ '000)	-18.6%	**4,956**	**6,088****	**12,383**	**12,191**	**7,192**
as percent of revenue		2.6	2.9	5.7	5.9	4.7
ROCE (%)		**7.8**	**9.6**	**21.2**	**24.5**	**16.8**
Net profit per share (€)	-18.6%	0.72	0.88	1.79	1.76	1.09
Dividend (€)*		0.36 *	0.00	0.88	0.88	0.55
Balance sheet (€ '000)	1.4%	148,117	146,003	136,032	125,307	121,445
Equity (€ '000)	5.8%	**79,418**	**75,067**	**75,244**	**69,750**	**61,880**
Equity ratio (%)		53.6	51.4	55.3	55.7	51.0
Return on equity (%)[2]		6.2	8.1	16.5	17.5	11.6
Net debt[3] (€ '000)		**21,539**	**24,232**	**19,435**	**9,291**	**5,267**
Net Working Capital Ratio %[4]		**21.0**	**20.2**	**21.1**	**19.0**	**20.9**
Free cash flow[5] (€ '000)		**3,915**	**7,648**	**-3,753**	**150**	**-12,649**
Employees (Balance sheet date)	-4.4%	1,409	1,474	1,453	1,329	1,252
Employee (FTE) (average)	-1.3%	1,263	1,280	1,236	1,132	856
Personnel expenses (€ '000)	-2.3%	75,879	77,679	74,564	69,847	52,370
as percent of revenue		39.8	37.4	34.5	34.1	34.5
Revenue per employee (FTE) (€ '000)	-7.2%	151	162	175	181	177
Number of shares at end of period		6,907,665	6,907,665	6,907,665	6,907,665	6,907,665
share price max (€)[6]		28.65	30.00	47.90	50.75	24.77
share price min (€)[6]		10.14	15.52	24.00	22.17	15.75

[1]Net profit for the period = Profit attributable to technotrans SE shareholders
[2]Return on Equity = Net profit of the period/Equity to technotrans SE shareholders
[3]Net debt = financial liabilities (from 2019 incl. lease liabilities according to IFRS 16) - cash and cash equivalents
[4]Net Working Capital Ratio = Net Working Capital/Revenue
[5]Free cash flow = Net cash from operating activities + cash used for investments according to cash flow statement

[6]Xetra closing price

* Proposal to the Annual General Meeting

** Adjustment of the previous year to show the non-controlling interests. See Note "II. Group a) Consolidated Companies".

Notes

technotrans

technotrans SE
Robert-Linnemann-Straße 17 · 48336 Sassenberg · Germany
T +49 (0)2583 301-1000 · F +49 (0)2583 301-1030
info@technotrans.de · **www.technotrans.de**