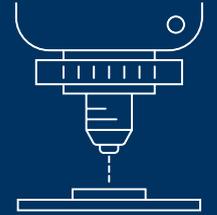
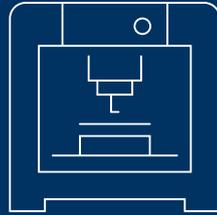


# 2019



Annual Report



Member of  
the technotrans group

 **technotrans**

# KEY DATA OF THE TECHNOTRANS GROUP (IFRS)

**1,460**  
Employee average

**146.0<sup>m</sup> €**  
Total assets

**51.4 %**  
Equity ratio

**1.5 x**  
Net debt/  
EBITDA

**-9.2<sup>m</sup> €**  
Cash flow from  
investing activities

**20.7 %**  
Net Working Capital/  
Revenue

**207.9<sup>m</sup> €**  
Revenue  
**148.4<sup>m</sup> €** Technology  
**59.5<sup>m</sup> €** Services

**29.5 %**  
Gross margin

**16.0<sup>m</sup> €**  
EBITDA  
margin 7.7%

**6.1<sup>m</sup> €**  
Net profit  
margin 2.9%

**7.6<sup>m</sup> €**  
Free cash flow

**8.3<sup>m</sup> €**  
EBIT  
margin 4.0%  
**0.05<sup>m</sup> €** Technology  
EBIT margin 0.0%  
**8.3<sup>m</sup> €** Services  
EBIT margin 13.9%

**0.88 €**  
Earnings per share

**0.44 €**  
Dividend proposal

Input

Output



**Annual Report  
2019**

06

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

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

Rounding differences may occur.

We want to lead  
technotrans into a  
successful future.

---

WE WOULD LIKE TO THANK ALL  
OUR EMPLOYEES FOR THEIR  
COMMITMENT IN THE 2019  
FINANCIAL YEAR AND ALL OUR  
SHAREHOLDERS FOR THEIR  
CONFIDENCE IN OUR WORK.

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## DEAR SHAREHOLDERS,

Today, 50 years on from the company's establishment, you have before you the Annual Report of technotrans SE for the 2019 financial year. The technotrans ethos of stability and continuity as a dependable system partner for fluid management, with its core skills of cooling and temperature control, filtering and separating, and pumping and spraying liquids, now stretches back half a century. With nearly half a million installed systems worldwide, our customers have for many years been able to rely on technotrans' quality and development expertise.

The original nucleus of the company in Westphalia has evolved into an international group with 18 sales and service locations. That entire process has experienced all manner of phases. The financial crisis of 2008/2009 marks the beginning of the latest phase and therefore the starting point for the Group's acquisition-led diversification. Today, a total of 1,460 employees at seven plants build fluid systems for a wide range of sectors and industrial application areas.

After a decade of solid, steady growth we are again seeing a time of major challenges. Economic momentum is slowing and fuelling growing uncertainty in global markets. Meanwhile the current Covid-19 epidemic is teaching us a hard lesson in how susceptible worldwide supply chains can be in this day and age, and that nobody can fully estimate the economic impact.

technotrans already began to notice these developments in the past financial year. Cyclically related downturns in revenue in some of our core markets and above all the more protracted productivity restrictions at our Group company gwk Gesellschaft Wärme Kältetechnik mbH due to the changeover of the ERP system prompted a clear downturn in revenue and earnings. Because this was not foreseeable at the start of the year, we needed to adjust our original, positive expectations for the 2019 financial year twice in response to the new realities, latterly forecasting consolidated revenue of € 205 million with EBIT in the range of € 7.6 to € 8.4 million.

We ultimately achieved the adjusted targets in posting consolidated revenue of € 207.9 million and a consolidated operating result (EBIT) of € 8.3 million. We, the Board of Management, are nevertheless not satisfied with this business performance for the technotrans Group in the 2019 financial year.

Whereas we succeeded in stabilising revenue at the prior-year level in the increasingly difficult and price-sensitive **laser and machine tool industry** by increasing our market shares, we were unable to match this achievement in the **printing industry**. The muted economic situation and ongoing consolidation among end customers led to a slight dip in revenue. In the **plastics processing industry**, there was a more marked drop in revenue. Over the year, the structurally related declines in the market for auto-related injection moulding technology were largely balanced out by the focus on other technologies and application areas as well as the positive revenue contribution of the reinvigorated Reisner Cooling Solutions. However this positive trend was not enough to compensate for the economic impact on gwk of the ERP rollout that did not progress according to plan. The consequences were a clear fall in revenue and a first ever – and we believe unique – negative profit contribution from this business area. Merely the **growth markets** shrugged off the economic troubles, with double-digit growth rates for earnings reaffirming the management's strategic decision to continue expanding this market segment. Alongside this, service business performed satisfactorily. In some areas, including Technical Documentation, business expansion was achieved. We have collated detailed information on the developments of the past financial year and on future market expectations in the Management Report.

Looking back over the past ten years, we can declare that the strategic policy of making targeted acquisitions to diversify the product portfolio has served technotrans well. A business previously dependent on just a single core industry has developed into a stable, broad-based group that remains profitable even amid difficult conditions. We need to build on that!

Under the slogan of **"Shaping the future through development!"** we, the Board of Management, have launched a Group-wide process of strategic reorientation. Over the next five years our goal is to create an integrated group of companies and to reinforce technotrans as a global brand.

As well as adopting a clear industry emphasis for sales, expanding the skills profiles of each location and unlocking extra synergies, we will give particular priority to building on our Group-wide development and innovative capability. This will be the basis of technotrans' future positive development as a technology company.

The year 2020 therefore marks a new phase in the history of technotrans. The company will need to hold its ground in a challenging environment. We expect the growth markets to show a continuing positive trend. Conversely we do not anticipate any economic impetus from the remaining markets and are likely to see a muted to slightly downward business development. Accordingly, we forecast consolidated revenue in the range of € 204 to € 214 million and an operating result (EBIT) of between € 6.0 and € 10.7 million. These figures already include the costs of the structural measures that we will need to carry out for our strategic reorientation if we are to achieve our medium-term revenue and earnings targets. However any effects associated with the coronavirus are not yet built into the figures.

As mentioned earlier, technotrans has exemplified stability and continuity for decades – not simply in the relationship with our customers and suppliers, but especially in the way we interact with our shareholders and employees.

This continuity is exemplified by our dividend policy of enabling all shareholders to participate appropriately in the corporate performance. We will therefore propose the distribution of a dividend of € € 0.44 per share to the Annual General Meeting on May 20, 2020. Based on the year-end share price, we will therefore achieve a dividend yield of 2.4 percent.

This performance is substantially down to the efforts of our employees. We would like to thank them sincerely for their expert, dedicated work in the past year.

If the capability and potential of the technotrans Group are anything to go by, we can be optimistic about the future. We are convinced that 2020 will see technotrans gain in strength as a result of its ongoing strategic reorientation and create sustained value in the face of economic adversity. It is in that spirit that we will also tackle the next 50 years.

Thank you for your confidence and for accompanying us on this journey!

The Board of Management



Dirk Engel



Peter Hirsch



Hendrik Niestert

# SUCCESS STORY

## 2020

50th anniversary of the company  
October 1, 2020

## 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

## 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



## 2019

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

## 2017

Foundation of technotrans Grundstücksverwaltungs 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 competence to a full-range supplier in the laser sector

## 2011

Acquisition of Termotek AG

Entry into the market for laser/medical technology, machine tool technology and e-mobility with mobile solutions

## 2007

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

Foundation of the subsidiary in Shanghai



## 2012

Establishment of the stamping and forming technology division

Acquisition of a majority interest in Sprachenwelt GmbH by gds AG

Merger of Chinese production operations in Taicang

## 2009

gds becomes an independent division within the technotrans Group

## 2006

Foundation of the subsidiary in Brasil

Opening of a sales and service office in Madrid (Spain)

# SUCCESS STORY

## 2001

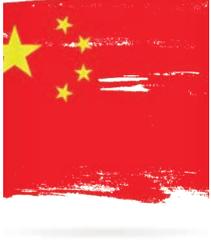
Foundation of  
technotrans Japan  
K.K. Kobe

## 1999

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

## 1997

Transformation into a  
stock corporation



## 2000

Acquisition of  
Ryco Graphics  
Manufacturing Inc.,  
Chicago, USA

Merger with  
technotrans america  
inc.

## 1998

Initial public offering

## 1995

technotrans america  
inc., Atlanta/Georgia,  
USA is founded

**1993**

technotrans france sarl is founded

**1990**

Management-Buy-out

technotrans graphics ltd., Colchester, UK is founded

technotrans among the top 3 worldwide for dampening solution circulators

**1977**

Production of the first dampening solution equipment



**1992**

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

**1987**

Launch of the first ink roller temperature control systems

**1970**

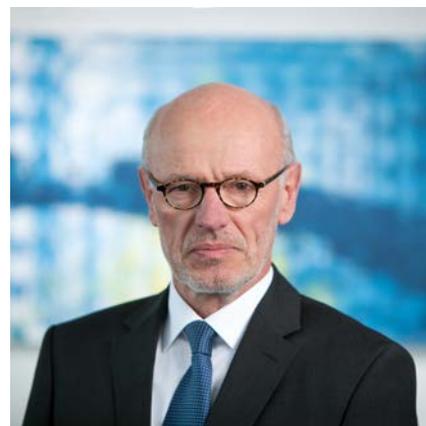
Foundation of the company October 1, 1970

The Supervisory Board would like to thank the Board of Management and all employees of the Group for their dedicated commitment.

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EXPRESS THANKS ARE ALSO DUE TO YOU, OUR SHAREHOLDERS, FOR YOUR INVOLVEMENT IN TECHNOTRANS SE, WHICH IN SOME CASES EXTENDS BACK OVER A LENGTHY PERIOD.

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## DEAR SHAREHOLDERS,

The Supervisory Board of technotrans SE performed the duties incumbent upon it under the law and in accordance with the Articles of Association and the Rules of Procedure in full and with great care in the 2019 financial year. We regularly advised the Board of Management on the running of the company, continuously oversaw its activities, and were involved directly and promptly 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 Association as well as its duties in accordance with the German Corporate Governance Code as amended on February 7, 2017 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 Chairman was moreover in regular contact with the Board of Management.

One particular priority of our activities this year was the revenue and earnings performance of the subsidiary gwk Gesellschaft Wärme Kältetechnik mbH and the resulting impact on the earnings performance of the technotrans Group.

The Supervisory Board met for four regular meetings in the presence of the Board of Management in 2019, which took place on March 11, May 9, September 17 and December 6, 2019. In addition, the Supervisory Board held discussions at a constituent meeting after the Annual General Meeting on May 10, 2019 and in two extraordinary meetings, on July 11, 2019 and November 4, 2019, as well as in telephone conferences and by e-mail.

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 meeting of the Audit Committee on March 1, 2019, which the committee member Mr Harling as well as the Board of Management member Mr Niestert did not attend.

### Key themes of the Supervisory Board meetings in 2019

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 procedural problems following the change in ERP software at gwk and the associated economic effects were a particular priority topic at 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 and corporate governance.

The main topic of the **first ordinary meeting on March 11, 2019** was the annual financial statements of technotrans SE for 2018 and the Consolidated Financial Statements of technotrans for 2018. The Supervisory Board discussed the submissions and, following intensive exchanges with the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, and at the recommendation of the Audit Committee, approved the annual financial statements and Consolidated Financial Statements for the 2018 financial year. The Supervisory Board also approved the dividend proposal by the Board of Management and the proposed agenda for the 2019 Annual General Meeting with the resolution proposals set forth therein. These concerned such matters as the appointment of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Osnabrück, as auditors of the annual financial statements and Consolidated Financial Statements for the 2019 financial year, and the new election of the Supervisory Board. Upon the proposal of the Nominating Committee the Supervisory Board resolved to propose Dipl.-Ing Heinz Harling, Dr Norbert Bröcker, Dr Wolfgang Höper and Dieter Schäfer for re-election; they were then duly elected by the Annual General Meeting. Upon the proposal of the employees Andre Peckruhn and Thorbjørn Ringkamp were appointed to the Supervisory Board as employee representatives. Other agenda items at that Supervisory Board meeting were the non-financial Group report and status reports on ongoing M&A projects. The Supervisory Board in addition addressed the strategic direction of the gds Group within the technotrans Group.

On the day before the Annual General Meeting, on **May 9, 2019**, 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 2019. The Board of Management reported on the background to the below-budget business performance especially of gwk Gesellschaft Wärme Kältetechnik mbH and explained the adjusted forecast communicated in the ad hoc information on May 7, 2019. In addition, it provided information on the preparations for the Annual General Meeting taking place the next day.

At the constituent meeting held after the Annual General Meeting on **May 10, 2019** Dipl.-Ing Heinz Harling was elected again as Chairman and Dr Norbert Bröcker as Deputy Chairman of the Supervisory Board. The members and chairmen of the Audit Committee, Personnel Committee and Nominating Committee were also elected.

On **July 11, 2019** an extraordinary meeting was held. Its focus was the decline in revenue and earnings in connection with the introduction of new ERP software at the subsidiary gwk Gesellschaft Wärme Kältetechnik mbH. Also at that meeting, the Supervisory Board gave its consent to the acquisition of the remaining shares in Ovidius GmbH by gds GmbH and the subsequent merger, as well as to the extending of technotrans SE's financial framework.

The **third ordinary Supervisory Board meeting** took place on **September 17, 2019** in Baden-Baden at the Termotek GmbH location. In addition to the Group's business performance up until August 31, 2019 the priority topics at this meeting were the presentation of the completed new building of Termotek GmbH by the new Managing Director, Jan Kröger, the business performance of gwk Gesellschaft Wärme Kältetechnik mbH, the technical developments in individual product lines of the technotrans Group, as well as the corporate strategy, in particular the status of M&A activities and consent to the acquisition of a plot at the ECO PORT Industry Park, Holzwickede, for Reisner Cooling Solutions GmbH, plus corporate governance of the Group. A new Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) was passed at this meeting.

The Supervisory Board met for a further extraordinary meeting on **November 4, 2019**. At it, the Board of Management explained the nine-month business performance figures communicated in the ad hoc information dated October 22, 2019 and the associated adjustment to the annual forecast for the 2019 financial year. Against this backdrop, the Supervisory Board requested the Board of Management to take additional corrective actions to improve the result.

The **final ordinary meeting** of the Supervisory Board on **December 6, 2019** looked at the forecast for 2019 and the budgeting for the 2020 financial year including revenue, cost, profit, investment and human resources planning, rough planning for the next few years as well as the concluding of new target agreements for the Board of Management for the 2020 financial year. The Board of Management confirmed the guidance for the full year of 2019. After full discussions and consultations, the Supervisory Board approved the annual plans submitted by the Board of Management for the 2020 financial year. The Supervisory Board also considered the relocation of Reisner Cooling Solutions GmbH and approved the concept for a new company building at the Holzwickede location.

#### **The work of the committees in 2019**

To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees. It currently has an Audit Committee (members: Dieter Schäfer [Chairman], Heinz Harling and Dr Wolfgang Höper), a Committee for Board of Management Affairs (Personnel Committee; members: Heinz Harling [Chairman], Dr Norbert Bröcker and Dr Wolfgang Höper) and a Nominating Committee (members: Heinz Harling [Chairman], Dr Norbert Bröcker, Dr Wolfgang Höper and Dieter Schäfer). The Chairman of the Supervisory Board and the Chairman 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 five meetings, on **May 10, 2019, June 6, 2019, October 11, 2019, November 13, 2019 and December 6, 2019**. It devoted those meetings in particular to human resources decisions and contractual matters, including a further appointment of Peter Hirsch until December 31, 2022 and a possible expansion of the Board of Management. All members attended all meetings of the committee.

The members of the Nominating Committee met on March 1, 2019. Its consultations focused on preparations for the Supervisory Board elections at the 2019 Annual General Meeting. The Supervisory Board supported the proposal of the Nominating Committee on the re-election of the previous shareholder representatives to the Supervisory Board of technotrans SE.

The Audit Committee met twice in 2019, on **March 1, 2019** and on **December 5, 2019**, in each case in the presence of representatives of the auditors as well as Board of Management members, and addressed matters concerning the annual financial statements for the 2018 financial year, the presentation of the accounts, IFRS accounting, controlling as well as risk management. Other aspects included fiscal matters, the 2018 compliance report, the statement of independence required of the auditors, the recommendation of the Audit Committee to award the audit mandate and the decision on the audit priority for the auditors for 2019, as well as the audit of the annual financial statements.

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 with a critical eye 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 Chairman of the Supervisory Board, is partner in the law firm Hoffmann Liebs, Düsseldorf. The firm provided legal advice for technotrans SE on a variety of topics in the past financial year. The Supervisory Board of technotrans SE approved the individual activities of Hoffmann Liebs as well as the consultancy fees arising, in each case in the context of its Supervisory Board meetings. To avoid any conflicts of interest, Dr Norbert 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.

#### **Approval of the annual financial statements and approval of the Consolidated Financial Statements at December 31, 2019**

The annual financial statements of technotrans SE and the Combined Management Report for technotrans SE and the Group for the 2019 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 2019 financial year, the 2019 Consolidated Financial Statements and the Combined Management Report for 2019 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 2019 financial year as well as the Board of Management's proposal on the appropriation of profit for the 2019 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 2, 2020 and by the Supervisory Board at its meeting on March 9, 2020. 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 Chairman 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 9, 2020 signed off the 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 2019 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 9, 2020**, 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.

The Supervisory Board would like to thank the Board of Management and all employees of the Group for their commendable dedication. Together they showed great dedication in shaping the company's development in the 2019 financial year. Furthermore, the Supervisory Board's huge thanks are due to the employee representatives for their constructive cooperation with the company's executive bodies. 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 9, 2020 pursuant to Section 171 (2) of the German Stock Corporation Act (AktG).

On behalf of the Supervisory Board

A handwritten signature in blue ink, appearing to read 'Heinz Harling', is positioned above the printed name and title.

Heinz Harling  
Chairman of the Supervisory Board

# CORPORATE GOVERNANCE REPORT

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THE JOINT REPORT OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD OF TECHNOTRANS SE ON CORPORATE GOVERNANCE, INCLUDING DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (DCGK) AS APPROVED ON SEPTEMBER 17, 2019, HAS BEEN PUBLISHED JOINTLY WITH THE CORPORATE GOVERNANCE DECLARATION PURSUANT TO ARTICLE 3.10 OF DCGK AS AMENDED ON FEBRUARY 7, 2017.

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Corporate governance means a responsible form of management and control of companies in a manner that strives for sustainable value creation. This includes purposeful, effective collaboration between the Board of Management and Supervisory Board, regard for the interests of shareholders and stakeholders, 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 in the long term, and to create value sustainably. Corporate governance at technotrans SE takes the DCGK as its benchmark. The Board of Management and Supervisory Board have submitted the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG).

We believe sound corporate governance is an essential component of sustained corporate success. Responsible, value-led corporate governance and transparent corporate information are significant elements that extend to every area of the company. The DCGK serves as our guideline for the implementation of generally accepted standards of sound, sustainable corporate governance.

## CORPORATE GOVERNANCE DECLARATION

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

It is published on the technotrans website at <https://www.technotrans.com/en/investor-relations/corporate-governance/corporate-governance-declaration.html>.

## DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The current Declaration of Compliance (as at: September 17, 2019), which refers to the German Corporate Governance Code as amended on February 7, 2017, can be accessed on technotrans' website at <https://www.technotrans.com/en/investor-relations/corporate-governance/declaration-of-compliance.html>. It has the following wording:

"Since the Declaration of Compliance last submitted in September 2018 technotrans SE has complied with the recommendations of the German Corporate Governance Code (DCGK) as amended on February 7, 2017 (announced in the Federal Gazette on April 24, 2017) with the exception of the following departures, and will moreover comply with the recommendations of DCGK in the future, with the following declared exceptions:

### **Article 4.2.5 (Disclosure of Board of Management remuneration)**

The German Corporate Governance Code recommends that the benefits granted plus fringe benefits, the maximum and minimum attainable remuneration for variable remuneration components as well as the fixed remuneration, short-term and long-term variable remuneration received, together with the benefit expenses for occupational pensions and other maintenance benefits, be presented in the Remuneration Report for every Board of Management member, and that template specimen tables be used for this information.

technotrans SE discloses the remuneration of each individual Board of Management member in agreement with the applicable statutory requirements, broken down into non-performance-related and performance-related pay. The Board of Management and Supervisory Board do not believe that changing the form of presentation for Board of Management remuneration will improve quality and

ease of understanding. For that reason, no further sub-classification is practised, nor are the specimen tables used.

#### **Article 5.1.2 (Composition of the Board of Management)**

The German Corporate Governance Code recommends that the Supervisory Board also heed diversity in the composition of the Board of Management, with the company taking the recommendation to mean that women are to be adequately represented.

The Supervisory Board considers that having a particular gender is not an attribute that would particularly qualify a female or male candidate for a particular position, and therefore disregards this criterion when selecting the most suitable candidate for a position. When deciding on the appointment of new members of the Board of Management, in future the emphasis will be on the qualifications of the candidates and not on their gender. The Supervisory Board also takes this as its basis in specifying the targets for the proportion of women on the Board of Management in accordance with Section 111 (5) of the German Stock Corporation Act (AktG).

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

The German Corporate Governance Code contains the recommendation that the Supervisory Board should state specific objectives for its composition and draw up a skills profile for the overall board. With regard to its composition, within the context of the specific situation of the company it should take suitable account of the international operations of the company, potential conflicts of interest, the number of independent Supervisory Board members, a possible age limit for Supervisory Board members, and diversity. In its current version the Code also contains the recommendation, within the context of its objective, to specify a cap on how long a person may serve on the Supervisory Board alongside the above criteria. In addition, proposals by the Supervisory Board to the Annual General Meeting should take account of these goals while also seeking to reflect the skills profile.

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

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

the business, with the corporate bodies of the company and with a shareholder holding a material stake in the company.

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

The Supervisory Board will, however, largely observe the criteria stated in the recommendation of the Code when proposing persons to the Annual General Meeting for election.

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

With regard to the "diversity" criterion, which the company also takes to include the appropriate representation of women, the Supervisory Board will however not primarily consider gender and – regardless of their gender – will continue to focus on the knowledge and specialist qualifications of the candidates. The Supervisory Board also takes this as its basis in specifying the targets for the proportion of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Act (AktG). In light of the circumstances presented above, the Supervisory Board also declines to stipulate a limit on how long a person may serve on the Supervisory Board. Here, too, the interests of the company are best served by basing membership of the Supervisory Board solely on the knowledge and specialist qualifications of its members.

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

### Article 5.4.6 (Remuneration of the Supervisory Board members)

In the event that performance-related remuneration is promised, the German Corporate Governance Code envisages that this be tied to sustainable corporate performance.

In accordance with the Articles of Association the members of the Supervisory Board receive a variable remuneration component that does not expressly reflect sustainable corporate performance.

## German Corporate Governance Code

(Version as of February 7, 2017)



#### Exceptions:

##### 4.2.5. Disclosure of Board of Management remuneration

- > disclosure of remuneration in agreement with the applicable statutory requirement
- > no further sub-classification; no usage of specimen tables

##### 5.1.2. Composition of the Board of Management

- > emphasis on qualification and not on gender

##### 5.4.1. Objective for the composition of the Supervisory Board

- > emphasis on skill profile and of the composition of the overall board as well as the individual members and not on other specific criteria such as gender or duration of affiliation

##### 5.4.6. Remuneration of the Supervisory Board members

- > variable remuneration component that does not expressly reflect sustainable corporate performance

## technotrans SE Board of Management and Supervisory Board

### Information on corporate governance practices

In addition to the recommendations, the DCGK makes further suggestions on corporate governance practices. The presentation and explanation of departures from these suggestions is not required by law.

The recommendations and suggestions of the DCGK on corporate governance practices as well as the statutory requirements form an integral part of the day-to-day working practices of the Board of Management and Supervisory Board of technotrans SE. Both committees examine compliance with the standards at regular intervals, to ensure that these aspects are always observed in the interests of the shareholders, the employees and not least the company itself.

Sustainably economic, ecological and social activity in keeping with applicable law is an indispensable element of entrepreneurial culture for technotrans. It also includes trust, respect and integrity in the way we deal with each other. The specific principles and basic rules governing our actions as well as our behaviour towards business partners and the public are summarised in the technotrans Code of Conduct. This document can be accessed on technotrans' website at <https://www.technotrans.com/en/investor-relations/corporate-governance/compliance.html>.

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

The Code of Conduct is binding for all employees of the technotrans Group. It defines fundamental, globally valid standards of conduct. It is the task of superiors to support the employees in meeting the standards of behaviour. A single breach of the law even by one employee could cause massive harm to the reputation of our company and result in considerable damage to the technotrans Group, including in the form of financial losses.

technotrans does not tolerate any breaches of the law whatsoever. Breaches of the law, international standards and internal regulations may result in disciplinary measures including termination of employment, as well as in criminal or civil prosecution.

It is almost always possible to avoid infringements by seeking timely advice from the superior, the specialist department responsible or the Compliance Officer. Any suspected or actual breach of the law or corporate guidelines must be reported.

Responsibility for the Group function Legal & Compliance lies at Board of Management level. This suitably reflects the particular importance of compliance at technotrans. The Board of Management regularly presents reports on compliance-related matters to the Supervisory Board and especially the Audit Committee.

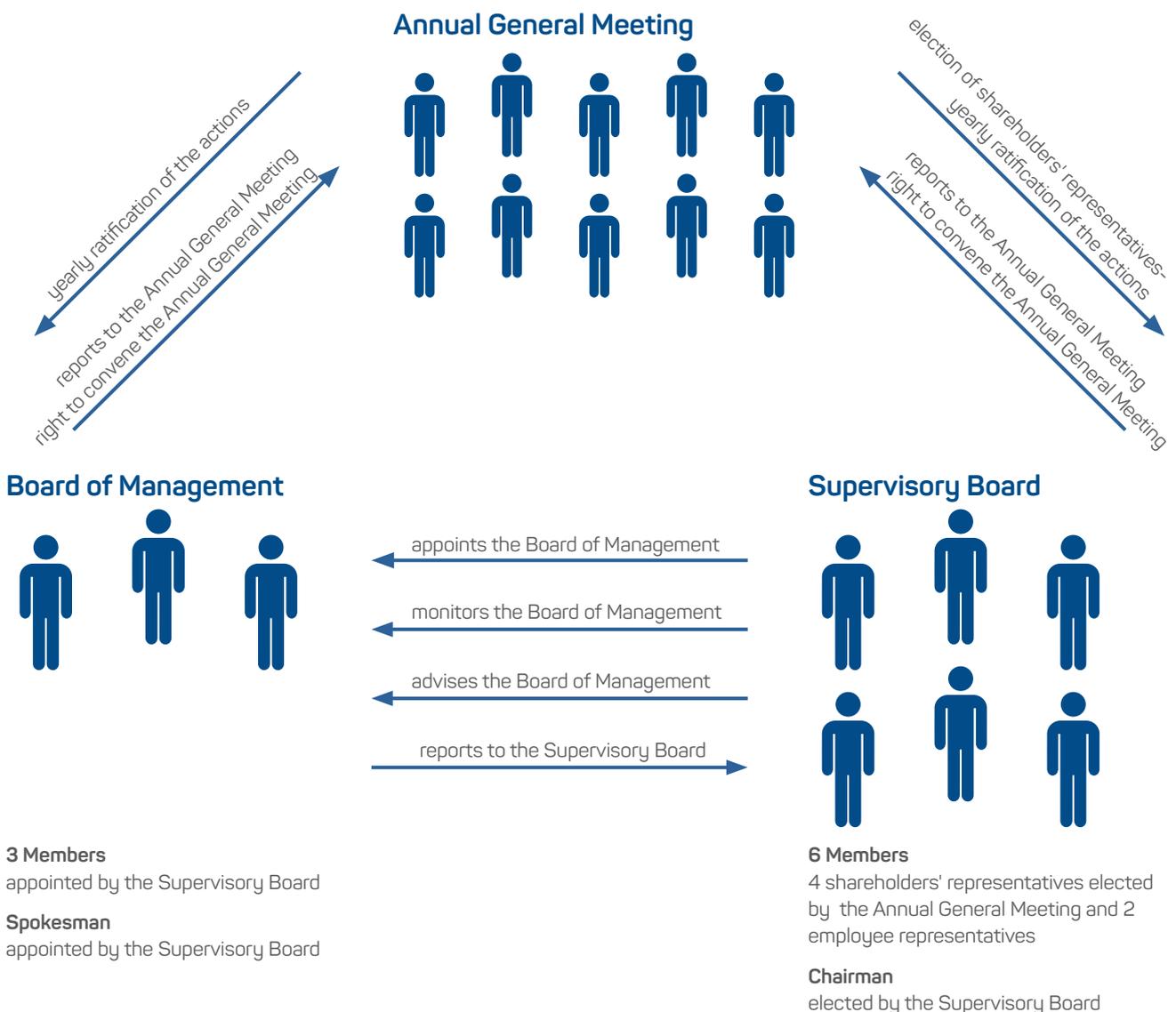
The Chief Compliance Officer is responsible for the management of the compliance programme. He reports directly to the member of the Board of Management who is responsible for Legal & Compliance.

The principles that apply within the company are implemented with the help of existing programmes and management systems. For further details, please refer to the chapter “Basic profile of the Group” and to the “Combined non-financial declaration of technotrans SE and the technotrans Group”.

**Management and control**

technotrans has a two-tier management system. The distribution of tasks between the Board of Management and Supervisory Board is based on the Council Regulation on the Statute for a European company, the German SE Implementation Act (SEAG), the German Stock Corporation Act, the Articles of Association of technotrans SE as well as the rules of procedure for the Board of Management and Supervisory Board.

**THE CORPORATE BODIES OF TECHNOTRANS SE**



The **Board of Management** is in charge of operations. At the end of the 2019 financial year it comprised three members and is appointed, advised and overseen by the Supervisory Board in accordance with the statutory requirements and the Articles of Association.

Notwithstanding their individual portfolios, the members of the Board of Management are jointly responsible for management. The management of the subsidiaries and the heads of the functions and product areas each report to one member of the Board of Management. 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.

The composition of the **Supervisory Board** of technotrans SE is specified by law and by the joint agreement between employees and company, and is laid down in the Articles of Association of technotrans SE. Four out of the six members of the Supervisory Board are elected by the shareholders. Two members are elected representatives of the employees.

The Supervisory Board has set targets for its composition and established rules of procedure for itself and its committees.

Disclosures on the members of the Board of Management and Supervisory Board are given in the "Corporate bodies" section.

The shareholders of technotrans SE exercise their rights through the **Annual General Meeting**. The Annual General Meeting normally takes place in the month of May. The Annual General Meeting is chaired by the Supervisory Board Chairman. The decision-making powers of the Annual General Meeting are regulated by law. It decides on such matters as the appropriation of profits, discharge of the Board of Management and Supervisory Board, election of Supervisory Board members, capital measures, amendments to the Articles of Association as well as election of the auditors of the individual and Consolidated Financial Statements.

### **Modus operandi of the Board of Management and Supervisory Board as well as composition and modus operandi of their committees**

By law, the members of the Board of Management are jointly authorised to manage the company. A detailed list of responsibilities and divisions is provided in the "Corporate bodies" section. All members are closely involved in operating activities. The Supervisory Board appoints the members of the Board of Management, in accordance with the statutory requirements and the Articles of Association. It also specifies rules of procedure for the Board of Management. As well as the Articles of Association, this contains a list of transactions requiring consent, along with a schedule of responsibilities. The Board of Management members normally attend the meetings of the Supervisory Board, submit reports on the individual agenda items, present draft resolutions and answer the questions of the Supervisory Board members.

The rules of procedure of the Supervisory Board include for example regulations on the preparation of every Supervisory Board meeting in the form of an agenda as well as a detailed document. The members of the Supervisory Board receive these no later than one week before the meeting in question. The Supervisory Board Chairman reports to the shareholders at the Annual General Meeting on the activities of the Supervisory Board and its committees. In addition, the Supervisory Board Chairman meets the Board of Management on a regular basis to discuss topical matters. Furthermore, the Board of Management regularly informs the Supervisory Board Chairman of current developments.

To enable it to fulfil its duties more efficiently, the Supervisory Board has formed three committees.

The Nominating Committee proposes suitable candidates for Supervisory Board elections to the Annual General Meeting. Its members are the shareholder representatives on the Supervisory Board. These are currently Dr Norbert Bröcker, Heinz Harling, Dr Wolfgang Höper and Dieter Schäfer.

The Audit Committee concerns itself with matters relating to the annual financial statements, the presentation of the accounts, controlling, risk management, fiscal matters, compliance, assuring the independence required of the auditors, issuing the audit mandate to the auditors, identifying the priority areas for the audit, and agreeing the fee. The interim reports to be published are discussed in advance by the members of this committee. It meets in the presence of the auditors and Board of Management members. The Chairman of the Audit Committee is Dieter Schäfer. The other members are Heinz Harling and Dr Wolfgang Höper.

The Personnel Committee discusses Board of Management matters. It comprises Dr Norbert Bröcker, Heinz Harling and Dr Wolfgang Höper.

The Supervisory Board examines the efficiency of its work at least once a year with the aid of a structured questionnaire.

### **Goals for the composition of the Supervisory Board and Board of Management pursuant to Section 111 (5) of the German Stock Corporation Act (AktG)**

The Supervisory Board is open to women serving on the Supervisory Board and the Board of Management. That said, the Supervisory Board wishes to emphasise that both when making proposals to the Annual General Meeting for the election of Supervisory Board members and when making appointments to the Board of Management, it will continue to look primarily at the personal specialist qualifications of the candidates. From the perspective of the Supervisory Board, this will ensure that it finds the most suitable candidates for the Board of Management and Supervisory Board to maintain the successful development of technotrans SE.

In September 2015, based on the composition of the two corporate bodies at that time the Supervisory Board set the target for the proportion of women on the Supervisory Board and Board of Management as zero percent. The first implementation periods for these targets ended on June 30, 2017. The proportion of women on the Supervisory Board and Board of Management did not change in the implementation period. For the period following June 30, 2017 and valid up until June 30, 2022 the Supervisory Board again set the target for the proportion of women on the Supervisory Board and Board of Management as zero percent.

The Supervisory Board does not rule out proposing a woman for election to the Supervisory Board or appointing a woman to the Board of Management during the currently applicable implementation period if the occasion for a new member should arise and a woman should be the best choice.

### **Goals for the filling of management functions pursuant to Section 76 (4) of the German Stock Corporation Act (AktG)**

When filling management functions in the company, the Board of Management takes account of the criterion of diversity and in particular seeks to give appropriate consideration to women. The Board of Management sets corresponding targets for the proportion of women in both management tiers below Board of Management level. In September 2015, the Board of Management set a target of around 6 percent for the proportion of women in the first management tier of technotrans SE below the Board of Management, and a target of around 17 percent for the proportion of women in the second management tier. These targets were likewise to be achieved by or maintained until June 30, 2017.

In the implementation period, the proportion of women in the first management tier was increased from 6 to 11 percent and therefore by more than the targets set. In the second management tier, however, the proportion of women remained below the target of 17 percent during the implementation period, at 9 percent.

The Board of Management is receptive to involving and promoting women in senior positions. In light of the comparatively small number of senior positions at technotrans SE, the Board of Management does not consider gender to be an appropriate criterion for the selection of management employees. When choosing candidates to fill management posts, the Board of Management therefore considers primarily the personal and specialist qualifications of the candidates. Past experience has shown that this approach likewise results in women being suitably represented in the first and second management tiers below the Board of Management.

For the period after June 30, 2017 up until June 30, 2022 the targets of 11 percent and 9 percent now apply to the first and second management tiers below the Board of Management. The retention of the current status quo of 11 percent and 9 percent respectively is attributable to

the fact that, in light of the comparatively small circle of first and second-tier managers at technotrans SE, even one vacancy at the cutoff date can mean the targets are significantly undershot. Conversely, the appointment of a suitable female candidate at short notice or unexpectedly may lead directly to the target levels being overfulfilled. In that respect, the targets are not especially suitable for implementing actual changes in the composition of management tiers at technotrans SE. The Board of Management continues to pursue the goal of fundamentally increasing the proportion of women in the first and second management tiers.

technotrans SE will report on the implementation of the targets in accordance with the statutory provisions.

### **Transparent corporate communications**

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

technotrans highly values the internet as an information medium. The technotrans website therefore provides an extensive range of up-to-date information that can be accessed at any time, structured by subject area covering the entire Group.

A wide range of financial information is made available in the "Investor Relations" area, for example. This information includes all available annual and interim reports, compulsory notifications and information about the shares. The "Financial Calendar" gives appropriate advance notice of important dates for shareholders, such as the date of the Annual General Meeting, the publication dates of the financial reports, and participation in investor events. The timings of the publications take account of the requirements of the stock exchange rules of the Frankfurt Stock Exchange for securities listed in the Prime Standard.

When understood and lived out in this way, we believe that corporate governance strengthens trust in the company both among shareholders and capital market representatives, and also among employees, customers and suppliers.

All information is posted on the website in German and English.

## DIVERSITY CONCEPT FOR THE COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD (SECTION 289F (1) NO. 6 OF GERMAN COMMERCIAL CODE [HGB])

### I. Diversity concept for the composition of the Board of Management

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

- › WITH REGARD TO THE CRITERION OF DIVERSITY IN THE COMPOSITION OF THE BOARD OF MANAGEMENT, THE SUPERVISORY BOARD SEEKS A VARIETY OF PROFESSIONAL AND INTERNATIONAL EXPERIENCE AS WELL AS SUITABLE PARTICIPATION OF ALL GENDERS. HOWEVER THE DIVERSITY CONCEPT IS NOT THE OVERRIDING CRITERION APPLIED IN THE SELECTION OF BOARD OF MANAGEMENT MEMBERS; RATHER, THE PERSONAL AND SPECIALIST QUALIFICATIONS OF THE INDIVIDUAL CANDIDATES REMAIN THE PRIMARY CONSIDERATIONS. TO THAT EXTENT THE DIVERSITY CONCEPT SERVES AS A SUPPLEMENTARY GUIDELINE IN THE SELECTION OF SUITABLE BOARD OF MANAGEMENT CANDIDATES.
- › AT LEAST ONE MEMBER OF THE BOARD OF MANAGEMENT SHOULD HAVE PARTICULAR INTERNATIONAL EXPERIENCE.
- › BREADTH OF EXPERIENCE AND A DIVERSIFIED AGE STRUCTURE SHOULD BE CONSIDERED WHEN SELECTING CANDIDATES. THE AGE OF THE BOARD OF MANAGEMENT SHOULD NOT BE ALLOWED TO BECOME TOO HIGH.
- › THE MEMBERS OF THE BOARD OF MANAGEMENT ARE TO CONTRIBUTE A VARIETY OF PROFESSIONAL EXPERIENCE AND EXPERTISE. THIS IS TO COMPRISE BOTH PROFESSIONAL TRAINING AND PERSONAL AND SPECIALIST EXPERIENCE AT VARIOUS COMPANIES AND IN VARIOUS POSITIONS OVER THEIR CAREER.
- › REFERENCE IS MADE TO THE REMARKS ON THE SPECIFIED TARGETS WITH REGARD TO DIVERSITY OF COMPOSITION BY GENDER.

The goal is to achieve a highly suitable and promising composition of the Board of Management as a whole by implementing the guidelines outlined.

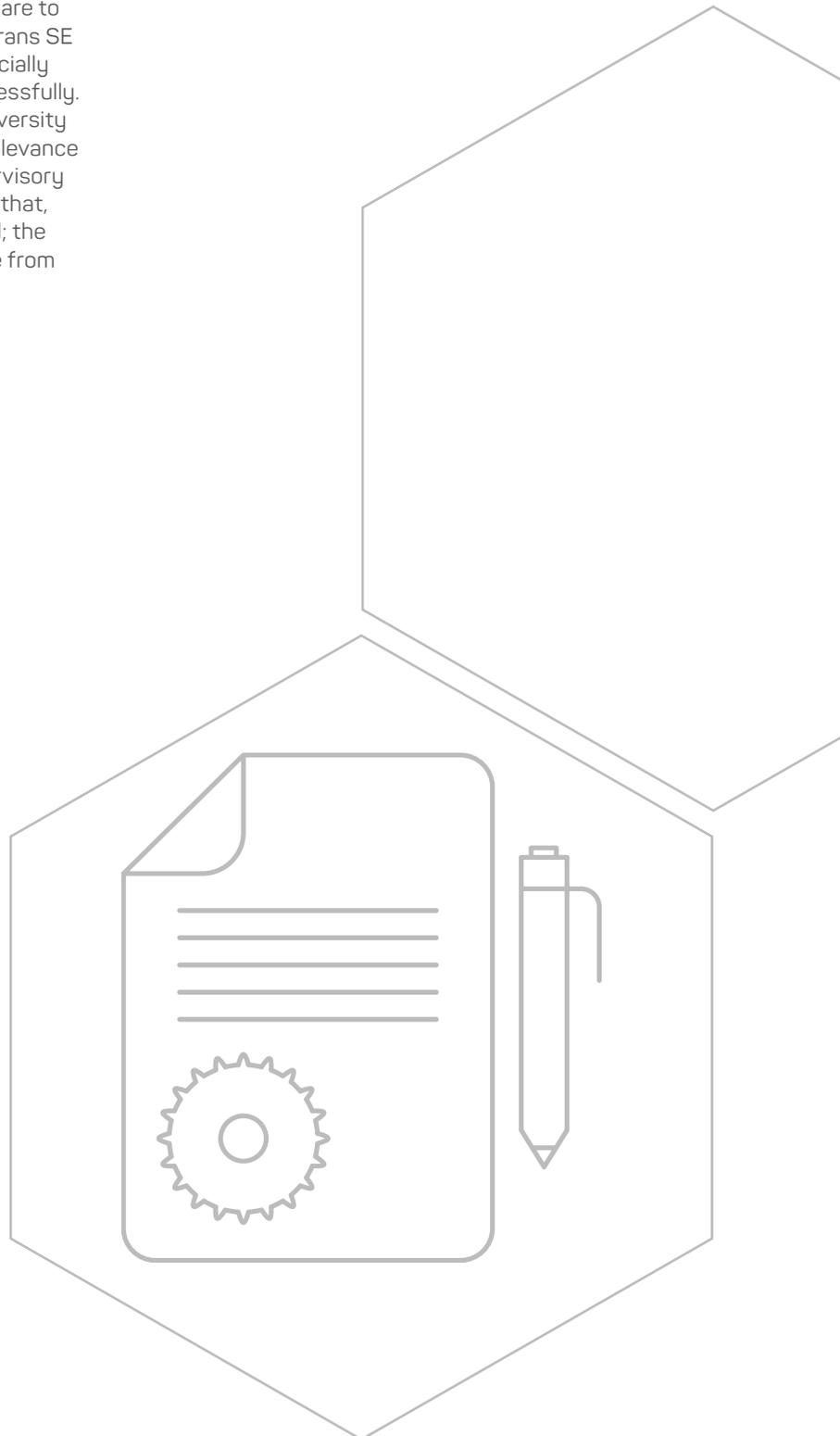
The Supervisory Board considers the company management to be comprehensively well equipped in this regard.

### II. Diversity concept for the composition of the Supervisory Board

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

- › FOR DIVERSITY IN THE COMPOSITION OF THE SUPERVISORY BOARD, THE SUPERVISORY BOARD SEEKS A VARIETY OF PROFESSIONAL AND INTERNATIONAL EXPERIENCE AS WELL AS SUITABLE PARTICIPATION OF ALL GENDERS. HOWEVER FOR ITS OBJECTIVE AND THE CANDIDATES PROPOSED TO THE ANNUAL GENERAL MEETING THE OVERRIDING CRITERION APPLIED IS NOT THE DIVERSITY CONCEPT; RATHER, THE KNOWLEDGE, SPECIALIST QUALIFICATIONS AND PERSONALITY OF THE INDIVIDUAL CANDIDATES REMAIN THE AREA OF FOCUS.
- › AT LEAST ONE-THIRD OF THE SHAREHOLDERS' REPRESENTATIVES ARE TO HAVE SEVERAL YEARS' INTERNATIONAL EXPERIENCE, E.G. IN ADVISING OR WORKING FOR INTERNATIONAL BUSINESSES.
- › IN ITS COMPOSITION THE SUPERVISORY BOARD IS TO OFFER BOTH INDUSTRY EXPERIENCE AND DIVERSITY OF SPECIALIST EXPERTISE. IT IS EXPRESSLY DESIRED THAT SUPERVISORY BOARD MEMBERS SHOULD HAVE DIVERSE PROFESSIONAL BACKGROUNDS.
- › AT THE TIME OF THEIR ELECTION THE MEMBERS OF THE SUPERVISORY BOARD ARE NOT YET TO HAVE REACHED THE AGE OF 67. EXCEPTIONS MAY BE PERMITTED IN JUSTIFIED INDIVIDUAL CASES.
- › REFERENCE IS MADE TO THE REMARKS ON THE SPECIFIED TARGETS WITH REGARD TO DIVERSITY OF COMPOSITION BY GENDER.

The goal pursued with the diversity concept and the general targets concept for the Supervisory Board are to establish a balanced Supervisory Board at technotrans SE that possesses wide-ranging expertise and is especially well equipped to perform its supervisory task successfully. Its members addressed the targets principle and diversity concept in depth and will continue to attach high relevance to this topic in the future. All members of the Supervisory Board were newly elected in 2019. In the course of that, two new employee representatives were appointed; the representatives of the shareholders did not change from the previous year in 2019.



The technotrans ethos of stability and continuity as a dependable partner for fluid management now stretches back for half a century.

With nearly half a million systems installed worldwide, our customers have been relying on the quality and development know-how of technotrans for many years.

The Westphalian company nucleus has grown into a diversified, international group with 18 sales and service locations. Today, a total of 1,460 employees produce fluid systems for numerous sectors and industrial applications in seven plants.

The year 2020 marks the beginning of a new phase in the history of technotrans. Under the motto "Shaping the future through development!" the Board of Management has initiated a group-wide strategy process. The declared goal is to create an integrated group within the next five years and to further strengthen the global brand technotrans. Thus, technotrans is ready for the next 50 years.

## BOARD OF MANAGEMENT



- › *Dipl.-Kfm. Dirk Engel*
- › *Spokesman of the Board of Management*

- › Since 2004 Head of Corporate Accounting, since August 8, 2006 Chief Financial Officer, since March 12, 2018 Spokesman of the Board of Management
- › Responsible for **Finance and Administration** (Finance/Controlling, Human Resources, IT, Legal & Compliance and Investor Relations)



- › *Dipl.-Ing. Peter Hirsch*
- › *Member of the Board of Management*

- › Since 2013 Business Development Manager, since 2014 Managing Director of Termotek GmbH, since July 1, 2018 member of the Board of Management
- › Responsible for **Technology and Operations** (Research & Development, Electrical Engineering, Business Units, Production, Purchasing and Logistics)



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

- › Since 2007 Head of Service, since February 1, 2018 member of the Board of Management
- › Responsible for **Markets** (Sales, Service, Quality Management and Marketing)

## SUPERVISORY BOARD



› 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 committee



› Dipl.-Ing. Heinz Harling

- › Chairman of the supervisory board
- › Member of the supervisory board of elexis AG, Wenden
- › Lecturer at Hamm-Lippstadt University of Applied Sciences, Hamm-Lippstadt
- › Chairman of the nominating and personnel committee
- › Member of the audit committee



› 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, personnel and audit committee



› Andre Peckruhn

- › Employees' representative
- › Operational purchaser at technotrans SE, Sassenberg



› Thorbjørn Ringkamp

- › Employees' representative
- › Team leader sales at gds GmbH, Sassenberg



› Dipl.-Kfm. Dieter Schäfer

- › 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

Following sharp declines at the end of the previous year, the main indices made a healthy start to 2019 and achieved high value increases in the first quarter. Prospects of a compromise in the trade conflict between the USA and China and of interest rate cuts by the central bank in the USA – the Federal Reserve – provided broad-based support. Contrary to expectations, the trade dispute remained unresolved. Disillusionment and unease spread among market operators. The positive development correspondingly started to falter and came to an end in April. The trade conflict even threatened to worsen over the following months. Its initial impact especially on export-oriented industry became apparent. Leading forecasting institutes cut their growth expectations. Worries of a recession coupled with further uncertain developments

such as the incalculable outcome of Brexit and renewed conflict in the Middle East and in Hong Kong led to growing unease in the markets. A volatile sideways shift until mid-October was the result. Base rate cuts by the major central banks and a clearer Brexit timetable following the Conservative Party's victory in the British parliamentary elections ultimately led to a year-end rally by key indices.

The MDAX and DAX rose by 31 and 25 percent respectively. The SDAX and DAXsector Technology also put in a similar development, rising 32 and 27 percent respectively.

### TECHNOTRANS SHARE PRICE PERFORMANCE IN 2019 (XETRA)



technotrans shares started the new year in good form. On January 25, 2019 the shares were trading at € 30.00 and held that level throughout the first quarter, amid volatility. Following the ad hoc information on May 7, 2019 on the adjusted forecast, the shares came under pressure and in the months that followed slipped back to a low of € 19.18 on August 5, 2019. This was also substantially due to a further ad hoc information on July 25, 2019 which reported first-half figures that were below expectations. After publication of the final first-half figures, the shares regained ground over the following months. Another ad hoc information published on October 22, 2019 put an end to this consolidation. The below-par business performance in the first nine months as outlined, coupled with an adjustment to the annual forecast, led directly to substantial price reversals. The shares thus touched a new year-low of € 15.52 on October 24, 2019 (XETRA closing price). After

a correction to a level above the threshold of € 18.00 the shares remained range-bound in a volatile market until the end of the year, finally closing at € 18.70 on December 30, 2019. This represents a trading price reversal of 23.7 percent in the 2019 financial year.

Market capitalisation correspondingly fell to € 129.2 million (previous year: € 169.2 million).

XETRA trading accounted for the majority of trades, or 67 percent (previous year 85 percent). The daily XETRA trading volume fell to 10,749 units (previous year: 14,287 units). In the Deutsche Börse index ranking, technotrans shares ranked in 202nd place at the end of the year in terms of free-float market capitalisation (previous year: 180 th) and 190 th (previous year 179 th) for order book turnover.

## KEY FIGURES OF THE SHARE

		2019	2018	2017	2016	2015
Trading price (XETRA closing price)						
High	in €	30.00	47.90	50.75	24.77	19.90
Low	in €	15.52	24.00	22.17	15.75	9.21
End of financial year	in €	18.70	24.50	44.30	22.90	19.30
Number of shares at the end of the period						
	units	6,907,665	6,907,665	6,907,665	6,907,665	6,530,588
Market capitalisation	€'000	129,173	169,238	306,010	158,186	126,040
Net profit per share (basic, IFRS)	in €	0.88	1.79	1.76	1.09	0.96
Dividend per share						
(Proposal to the Annual General Meeting)	in €	0.44	0.88	0.88	0.55	0.48

### Investor Relations work

A transparent and open dialogue with existing shareholders and potential investors is the focus of our investor relations work.

As such, all members of the Board of Management and the Investor Relations area were comprehensively available to answer questions, and explain the current business development and medium-term strategy.

We conducted an intensive dialogue with a wide audience at both national and international conferences and roadshows, in talks at our locations, at shows and not least at our Annual General Meeting.

In addition, we held our first Capital Markets Day for institutional investors and analysts. This gave us the opportunity to present the growth potential of the technotrans Group to a pleasingly large number of participants. Our new, modern production plant of our Group company termotek, in operation a short time beforehand in Baden-Baden, provided the setting for this event.

Our Annual General Meeting on May 10, 2019 yet again proved to be a highly suitable forum for an in-depth dialogue with our private shareholders. In addition, a large number of private shareholders took up the offer of talks with our reorganised Investor Relations area.

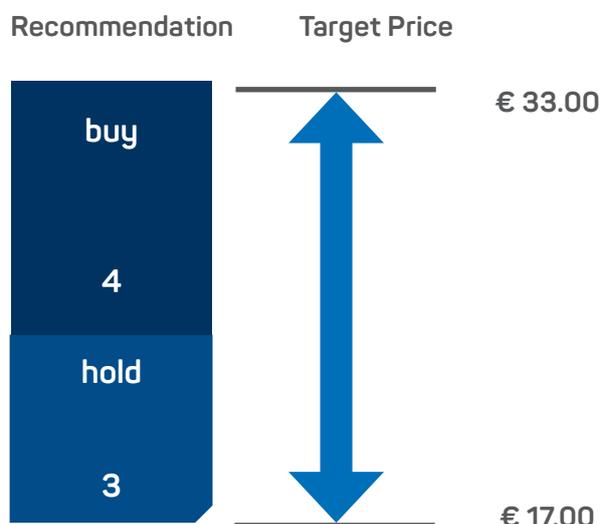
In addition to regular financial reporting, we provided direct information on a below-par business development in a total of three ad hoc information releases. We adjusted the annual forecast in two of those releases.

We registered a pleasingly high level of investor interest throughout the entire financial year.

### Analyst assessments

The business development of the technotrans Group was evaluated by the following financial analysts: Bankhaus Lampe, Berenberg, Commerzbank, FMR Frankfurt Main Research, M.M. Warburg, Hauck & Aufhäuser, as well as HSBC Trinkaus und Burkhardt.

The upside targets at the end of the financial year ranged between € 17.00 and € 33.00. In four cases their assessment was "buy" and in three cases "hold".



## Investor Relations information

Comprehensive information about the company and technotrans shares is available on our website [www.technotrans.com](http://www.technotrans.com) under "Investor Relations". This includes information on the trading price, current financial reports and presentations, the financial calendar, current analyst assessments and comprehensive information on the Annual General Meeting.

## Composition of shareholders

The composition of shareholders remains unchanged, with a high free float as well as institutional investors taking a long-term view from Germany and other European countries.

The free float on December 31, 2019 represented around 68 percent of the share capital.

## SHAREHOLDINGS AT THE END OF THE PERIOD IN %



- › Freefloat: 68.3 %
- › Objectif Small Cap (F): 5.3 %
- › Midlin NV/Teslin Capital Management (NL): 3.4 %
- › Gerlin NV/Teslin Capital Management (NL): 6.7 %
- › Loys Investment S.A. (LUX): 3.1 %
- › Allianz Vie S.A. (F): 5.1 %
- › Universal-Investment GmbH (DE): 3.0 %
- › Luxempart Pipe SARL (LUX): 5.1 %

## The Board of Management and Supervisory Board propose a dividend of € 0.44

The Board of Management and Supervisory Board will propose to the Annual General Meeting on May 20, 2020 that a dividend of € 0.44 per share be distributed for the past financial year of 2019. The lower dividend compared with the previous year reflects the business performance in the period under review.

The dividend yield based on the closing price on December 30, 2019 (XETRA; € 18.70) is 2.4 percent.

Our profit distribution policy envisages the distribution of up to 50 percent of consolidated net profit. The distribution rate based on the dividend proposal of € 0.44 is 50 percent.

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

Such a distribution is subject to the annual financial statements of technotrans SE showing an accumulated profit. This was the case for the 2019 financial year.

## DIVIDEND

Financial year		2019	2018	2017	2016	2015
Dividend per share	in €	0.44 <sup>1</sup>	0.88	0.88	0.55	0.48
Payout ratio	in %	50	49	50	50	50
Amount distributed <sup>3</sup>	€'000	3,039	6,079	6,079	3,799	3,138
Dividend yield <sup>2</sup>	in %	2.4	3.8	2.1	1.5	2.8

<sup>1</sup>Proposal to the Annual General Meeting

<sup>2</sup>Dividend payment/technotrans trading price on day of Annual General Meeting; for FY 2019: dividend payment/ technotrans trading price at year end

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



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# GROUP STRUCTURE

## ORGANISATIONAL AND LEGAL CORPORATE STRUCTURE

The technotrans Group is an internationally active technology and service company that concentrates on customer-specific applications in the field of fluid technology. technotrans supplies customers worldwide with every facet of its core skills cooling/temperature control, filtering/separating and pumping/spraying of fluids – whether engineering, production or services.

The Group parent is technotrans SE, with registered office in Sassenberg (Westphalia). In addition, 18 subsidiaries are included in the consolidated financial statements. technotrans SE has a dual management structure comprising Board of Management and Supervisory Board. The company is listed on the stock exchange and its reporting reflects the transparency requirements of the Prime Standard.

The three-member Board of Management 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.

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 1,474 employees as at December 31, 2019 at 18 locations as well as a large number of partnerships, the technotrans Group has a presence in all important markets worldwide.

## TECHNOTRANS WORLDWIDE PRESENCE PRODUCTIONS SITES (P), SALES AND SERVICE UNITS

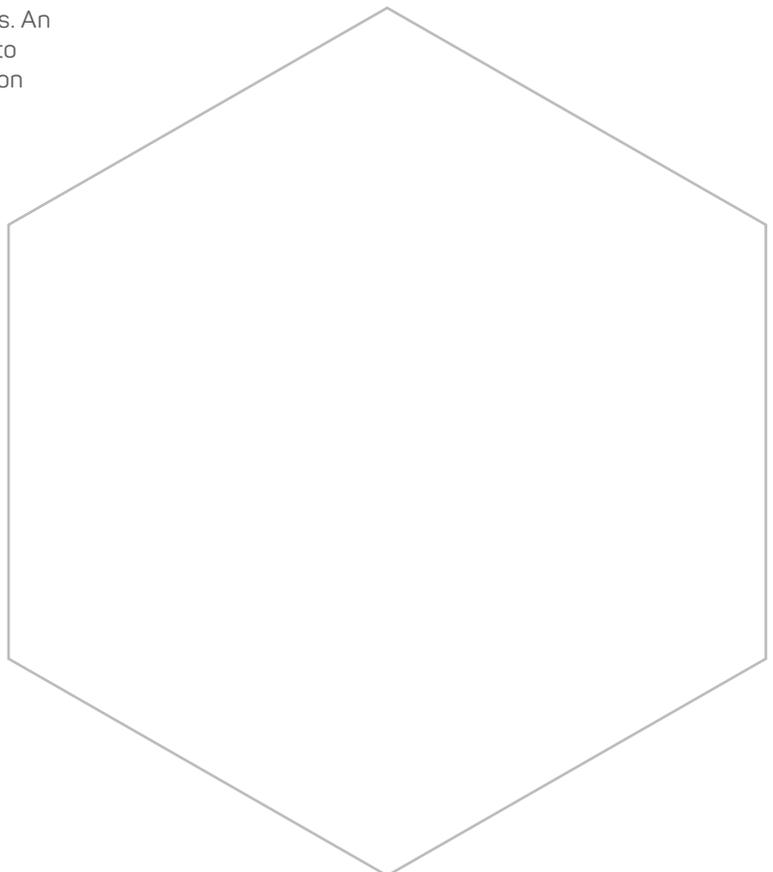




The Group operates production plants as well as sales and service companies. The production plants specialise in the development and manufacture of customer-specific product lines. The sales and service companies are responsible for direct sales and service of the products in their designated regions. Major international key accounts are supported by key account managers at the relevant production plants.

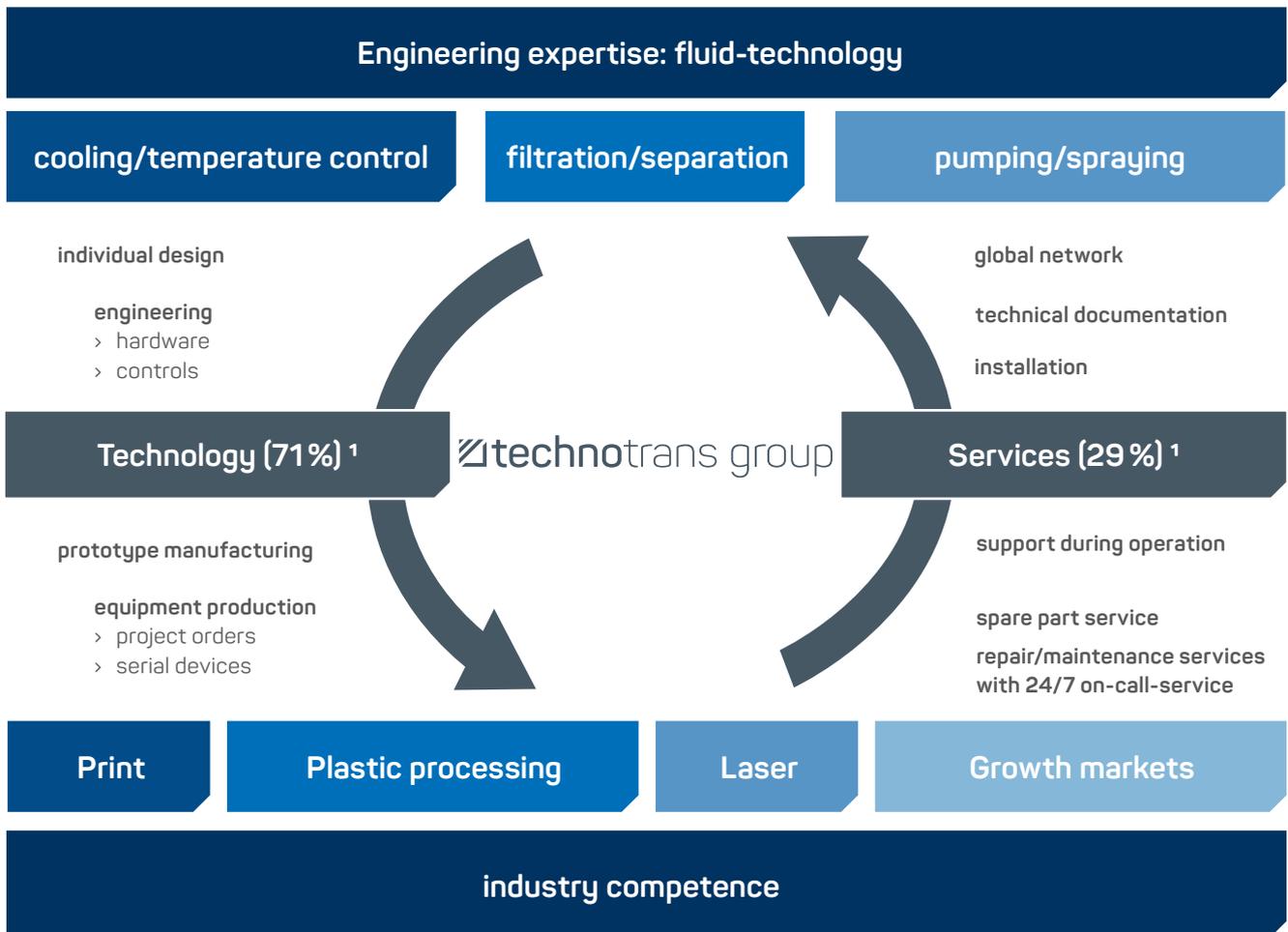
technotrans SE does not have any financial holdings. An overview of shareholdings is provided in the Notes to the Consolidated Financial Statements, in the section "Consolidated companies".

The consolidated companies changed compared with the previous year with the merger of Ovidius GmbH, Berlin with gds GmbH, Sassenberg, with effect from September 11, 2019. The merger was implemented with the goal of pooling the advantages of both companies. A uniform presence is moreover intended to give a further boost to awareness of the brand "gds" among customers and partners.



# BUSINESS MODEL

## 360° COMPETENCE FOR OUR CUSTOMERS



<sup>1</sup> Share of Group revenue

## SEGMENTS

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

The **Technology segment** generates 71 percent of consolidated revenue. In this business area technotrans develops and manufactures equipment and systems based on its skill of "fluid technology". technotrans pools its specific knowledge in three technology business units (BU): cooling and temperature control ("temperature control" BU), filtering and separating ("fluid conditioning" BU), and pumping and spraying ("ink & fluid technology" BU). They are the result of intensive research and development and of many years of experience. The focus is on equipment and systems that technotrans conceptualises as a leading systems supplier so that, over and above performing the function required of them in each application, they meet the specific requirements of customers with outstanding quality and efficiency.

The Group is steadily broadening its portfolio in close collaboration with existing and potential customers,

including many renowned industrial enterprises, with a view to opening up new application areas and sales markets in order to safeguard its long-term growth.

The **Services segment** accounts for 29 percent of consolidated revenue. It handles the extensive range of additional services that technotrans offers its customers. These include the worldwide supply of parts, installation and repair services, as well as support with the commissioning and maintenance of systems.

The comprehensive services in the "Technical Documentation" area also come under this segment. The subsidiary gds GmbH produces reliable, standard-conforming technical documentation for all systems of the technotrans Group and also on behalf of external customers, in all major languages. Completing the range, there are software solutions with which customers can generate and manage technical documentation themselves easily and reliably.

## MARKETS AND CUSTOMERS

technotrans focuses its worldwide 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. The “Technical Documentation” area that is part of the Services segment completes the range.

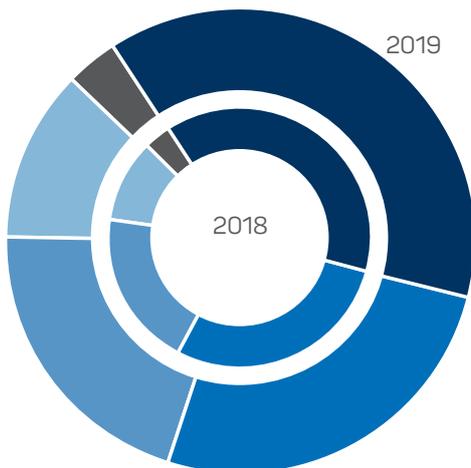
technotrans has already been a leading supplier and reliable partner to the **printing industry** for very many years. The estimated worldwide annual production volume of printed products is in excess of € 400 billion. Sheet-fed offset, digital and flexographic printing methods account for two-thirds of the print volume. While the sheet-fed method still accounts for the biggest share of worldwide print volume at around 40 percent, digital printing (18 percent) and flexographic printing (14 percent) have steadily increased their shares in recent years. As a 360° provider, technotrans offers customer-specific solutions for all printing methods supplemented with comprehensive services and supplies all leading printing press manufacturers worldwide.

The market share in this area is correspondingly well above 50 percent. The extensive installed base and the cyclical nature of the propensity to invest mean that – on top of service business in the narrower sense – modernisation and retrofit business directly with end customers likewise generates a significant proportion of revenue. technotrans generates around 38 percent of consolidated revenue in the printing industry.

With a share of around 26 percent of consolidated revenue, the **plastics processing industry** is the second-biggest market segment. Here, technotrans has emerged as a high-performance full-line supplier with the extensive portfolio of its Group companies gwk Gesellschaft Wärme Kältetechnik mbH and Reisner Cooling Solutions GmbH. There is a comprehensive range of individual temperature control and cooling solutions available for machinery manufacturers and end customers from very diverse areas. These include machine cooling systems and tool temperature control for both injection moulding and extrusion, along with equipment for water treatment and tool cleaning. Turnkey, fully integrated and energy efficient large-scale cooling systems for the generation of process cold complete the product range.

Optimum technology 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 a number of years, technotrans has been serving this market with high-quality system solutions in the field of cooling/ temperature control, filtering/separating and spraying of liquids through its production companies technotrans SE, Termotek GmbH and KLH Kältetechnik GmbH. It has a presence in virtually all performance categories – in this area, too, technotrans can therefore present itself to its customers as a “full range provider”. The share of consolidated revenue in the past financial year was around 20 percent.

## REVENUE BY MARKETS 2019/2018



- › printing industry: 38 % / 38 %
- › plastics processing industry: 26 % / 29 %
- › laser and machine tool industry: 20 % / 20 %
- › growth markets: 12 % / 10 %
- › technical documentation: 4 % / 3 %

The activities of the technotrans Group in the dynamic markets of e-mobility, EUV technology ("extreme ultra violet", process for manufacturing compact integrated circuits for the semiconductor industry) as well as medical and scanner technology are bracketed together in the **growth markets** area. The technologies covered by this area exhibit very dynamic growth and comparatively low cyclical dependency.

The biggest subsidiary market is e-mobility. technotrans develops custom system solutions for it, 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.

Stationary solutions are encountered for example in high-power-charging stations (HPC) and in energy conversion stations, or "inverters".

Medical and scanner technology is another business area within the growth markets. For this area, technotrans designs custom cooling solutions for its customers as an integrated component or as an external system. The growth markets accounted for an 12 percent share of consolidated revenue in the 2019 financial year.

As well as designing and building highly specific equipment, technotrans supplies key accounts (OEM) and end customers worldwide with all complementary **services**

from a single source. The Technical Documentation market segment that forms part of this area brought in four percent of consolidated revenue in the past financial year.

technotrans' chosen level of manufacturing penetration enables it to respond flexibly and cost-effectively to the requirements of customers.

Investment willingness in the end customer markets has a major impact on the Group's business performance. That willingness 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 the specific diversification of business activities across various industries with divergent dynamics has gradually reduced this correlation.

With the exception of the printing industry, in the other market segments where technotrans is active the market is served by a large number of suppliers. The competitive environment for technotrans is correspondingly highly fragmented. A major success factor for technotrans stems from its positioning as a systems supplier of complex, customer-specific solutions with its own global service network. This enables technotrans to set itself apart from out-and-out component suppliers in particular. The market entry barriers for potential competitors are therefore for the most part high. technotrans strives for leading market positions in its chosen niche markets.

## Research & Development

		2019	2018	2017	2016	2015
R&D spending <sup>1</sup>	€'000	7,575	7,946	7,528	5,534	4,293
Innovation ratio <sup>2</sup>	in %	5.1	5.1	5.1	5.3	5.3
Capitalisation ratio <sup>3</sup>	in %	12.8	9.6	4.6	0.0	4.1
Capitalised development <sup>4</sup>	€'000	1,977	1,234	836	832	1,195

<sup>1</sup>R&D spending pursuant to Consolidated Income Statement

<sup>2</sup>R&D spending refers to the revenue for the Technology segment

<sup>3</sup>Capitalised development costs refer to R&D spending

<sup>4</sup>Residual carrying amounts

The research and development area is the basis for the Group's future success. Spending on such activities showed a moderate decline of four percent compared with the previous year, to € 7.6 million (previous year: € 7.9 million). The R&D ratio (development spending in relation to consolidated revenue) remained unchanged from the previous year at 3.6 percent.

As in previous years, technotrans fundamentally recognises development spending in the Income Statement. If the appropriate requirements are satisfied, development expenditure is recognised as an intangible asset pursuant to IAS 38 and reported as an intangible asset on the balance sheet. The development expenditure recognised in 2019 as an intangible asset of € 1.1 million (previous year: € 0.8 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 expenditure recognised as an intangible asset to R&D spending, is reported as 12.8 percent for 2019 (previous year: 9.6 percent).

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

With its research and development activities, in the past financial year technotrans concentrated on projects and processes for improving energy efficiency and saving resources in customer products. Another important focus was the development of a modular cooling system that can be used throughout the Group ("group chiller"). Meanwhile technotrans continued to build on its existing skills in the technology-oriented areas, and especially in e-mobility, in order to permanently bolster its market position and innovative capability.

technotrans develops solutions that are based on customer demand. Another feature 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.

## Purchasing, Production and Quality

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

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

technotrans has implemented a continuous improvement process at all production locations. The programmes already started to boost productivity and efficiency are being stepped up; in future, the aim is to realise Group synergies even more comprehensively and promptly. Reducing interfaces in the production processes across locations, new manufacturing concepts and optimised internal logistics concepts are just some of the priority topics. Lean concepts and internal supply chain management reflect the approach and objective. The on-schedule commissioning of the new Termotek GmbH location in August 2019 is a major milestone. The production area was designed entirely according to lean principles; in terms of energy efficiency, too, the building erected to the "KfW 55 standard" acts as a new benchmark in the technotrans Group. The introduction of the lean concept at the remaining locations is already in progress.

High quality in addition to very pronounced efficiency is a significant feature of technotrans' plant. So that we can supply customers with reliable equipment promptly, often after only a short time in development, we have implemented a comprehensive, Group-wide quality management system. This 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, for a positive effect on efficiency and auditing work. Already-high product quality was improved further in the 2019 financial year. This is again evidenced by a lower rate of warranty cases compared with the previous year.

## GOALS AND STRATEGIES

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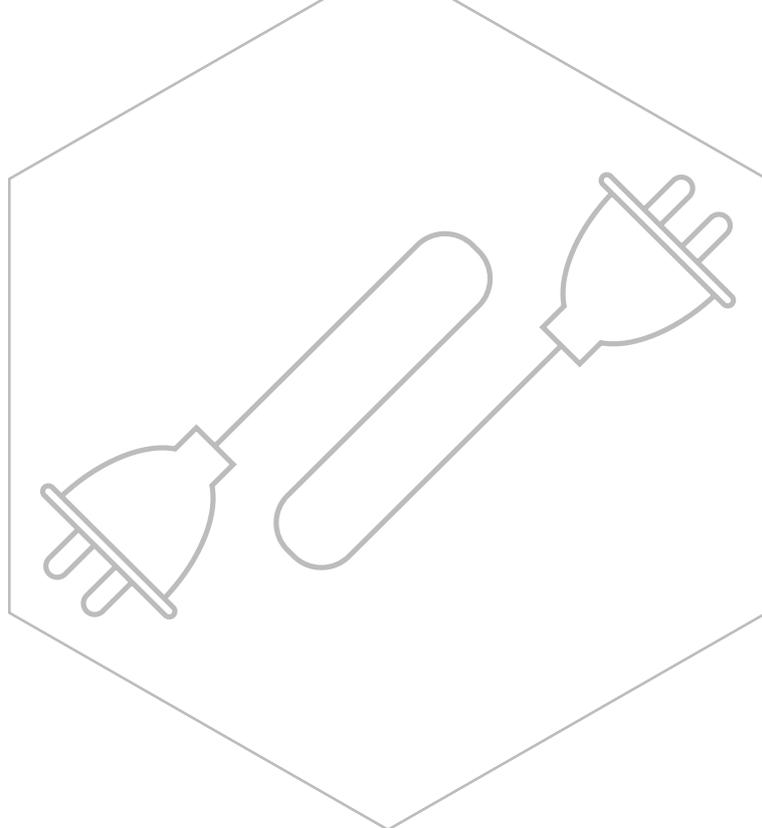
THE OVERRIDING GOAL OF THE TECHNOTRANS GROUP IS TO INCREASE THE VALUE OF THE COMPANY IN THE LONG TERM. TECHNOTRANS HAS DEVELOPED INTO A SUSTAINABLY PROFITABLE ENTERPRISE IN RECENT YEARS THANKS TO ITS SUCCESSFUL MARKET DEVELOPMENT AND PORTFOLIO DIVERSIFICATION. ITS FORMER DEPENDENCE ON THE PRINTING INDUSTRY AS THE ONLY INDUSTRY SERVED HAS BEEN SUBSTANTIALLY REDUCED IN THE PAST TEN YEARS.

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The corporate strategy is geared towards steadily expanding the current market position as a specialist for liquid technology (fluid and thermal management). To achieve that goal, technotrans concentrates on its core skills while focusing investment on measures that enable it to constantly expand its product range and its customer base and gain a foothold in new application areas. The organic growth this generates is also supported through partnerships in the areas where its core skills are called for.

Targeted acquisitions that drive growth are a further option for developing the Group. To that end, technotrans regularly examines opportunities to acquire profitable mid-cap industrial enterprises. The targets it focuses on are enterprises that are active in future-oriented industrial niche markets where a market share in the region of 50 percent or more can be achieved, taking into account the scale of its own business and the available resources. This is the key to being in a position to offer customers high-quality, cutting-edge technology at competitive prices by capitalising on economies of scale. technotrans is well-placed to realise such goals thanks to its clear focus on system partnerships with major industrial clients (OEM) which operate worldwide and expect their suppliers to have a similar organisation.

Our growth potential comes from accessing new industries and applications, expanding our international customer base and exploiting cross-selling effects in the various areas of business. Developing new products through technological innovation and providing customer-specific solutions that are based on standard platforms are also part of our strategy.



### **Increase customer benefit**

Our product portfolio and processes are continually being revised and adapted to changing customer requirements. As a systems supplier, technotrans has held leading positions in its product areas for many years. Based on our close cooperation with machinery manufacturers (OEM) and our clear expertise in fluid management, going forward we will consolidate and build on our role as technology partner.

Implementation of the growth strategy is substantially supported by our international sales and service locations that are steadily unlocking new sales markets for us, as well as ensuring a high customer satisfaction worldwide.

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 of promptly seizing the opportunities that this offers so that they can retain or extend their market position and access new markets.

### **Broadening the business base**

By addressing diversified markets, the Group 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 also continue to extend its business base in future. This entails both the further penetration of established markets and entry into new industries and application fields, preferably making use of technotrans' core skills.

To achieve the declared growth targets, for some years technotrans has been successfully establishing and expanding new areas of application in selected submarkets of mechanical and plant engineering. These include the market segments e-mobility and medical technology, for instance.

### Promoting internationalisation

Today, markets today are global – including for SMEs. That obliges the companies in the technotrans Group to step up the development of their international activities.

technotrans' growth strategy includes organically accessing new markets, but also 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.

### 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. To increase efficiency further, the projects designed to develop the Group are

being intensified, and processes and structures further harmonised. The technotrans Group's strategies include the systematic expansion of shared infrastructures and cross-disciplinary functions, for instance in procurement or the international sales and service network.

Profitable growth is the focus of its strategic development. The Board of Management pursues the goal of growing faster than the market. In the medium term it aims to increase consolidated revenue to around € 300 million. In pursuit of that goal, it is targeting overproportional rises in revenue especially in the growth markets. The growth-oriented measures also include acquiring strategic business areas, innovative technologies or products. Over and above the declared revenue target, the Board of Management is seeking a steady improvement in return on sales (EBIT margin) to around 10 percent p.a.

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

**Revenue**  
€ 250 m  
+  
€ 50 m

#### > Organic growth

- > 5 – 6% p.a.
- > increase market share by raising revenue with existing and new customers and developing new products

#### > M & A

- > step into new markets and new applications
- > develop technological expertise by strategic supplements
- > optimize the international footprint

**EBIT margin**  
≈ 10% p.a.

#### > Efficiency program

- > establish single- and multi-purpose sites (manufacturing footprint)
- > increase utilisation, flexibility and quality
- > enhance operational excellence
- > consolidate production volumes
- > realise additional synergy potentials
- > reduce complexity and share of fixed costs

## Principles and goals of financial and liquidity management

On the basis of its healthy liquidity base in combination with corresponding financing commitments by its 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 capital procurement and investment opportunities. The overriding goal of technotrans' financial policy is to assure a balance between growth, return on equity and financing security.

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

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 incurring interest at variable rates.

technotrans covers capital requirements from operating cash flow and by raising medium and long-term financing. If required, the company also manages the Group's need for financing via the available short-term credit facilities of technotrans SE, Termotek GmbH, KLH Kältetechnik GmbH, gwk Gesellschaft Wärme Kältetechnik mbH and Reisner Cooling Solutions GmbH. Bank borrowings amounted to € 40.5 million (previous year: € 34.4 million) at the balance sheet date. The growth is essentially attributable to two factors: first, the loans drawn in connection with the new building in Baden-Baden, which was completed in August 2019. And second, in the fourth quarter the attractive interest rate environment prompted us to optimise the maturities of our bank borrowings.

For financing with borrowed capital, technotrans uses its long-established association with several domestic financial institutions with good credit standing. Stabilising factors in long-term financing include a broadly spread credit volume as well as a balanced repayment structure for alternative financial instruments.

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 2019 reporting date.

In addition to bilateral credit financing, technotrans SE also has capital-market-based instruments available for financing through equity and borrowed capital.

Off-balance-sheet forms of financing used by technotrans include above all tenancy and operating leases, above all 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 51.4 percent at December 31, 2019 (previous year: 55.3 percent) and total borrowing arrangements amounting to € 56.5 million (previous year: € 47.6 million), technotrans has a viable and sustainable financing structure. At the balance sheet date, cash and cash equivalents came to € 20.9 million (previous year: € 15.6 million). Available but unused borrowing facilities amounted to € 16.0 million.

New financing was raised in the course of 2019 to finance various investment projects and increase the maturity of bank borrowings. At December 31, 2019 the maturities of the Group's existing debt financing averaged 4.3 years (previous year: 4.0 years). Short-term credit lines were used only temporarily in the past financial year. At the end of the financial year the average weighted interest rate for borrowing was approx. 1.5 percent (previous year: 1.6 percent). Wherever economically advisable, technotrans supplements financing with operating lease agreements. Other off-balance-sheet financial instruments are of only minor significance. In 2019 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 2020, enabling it to meet its foreseeable payment obligations at all times. Based on a sound equity base and a healthy liquidity base, in conjunction with financing commitments by the banks, technotrans is able to invest flexibly at any time.

## CONTROL SYSTEM

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THE BOARD OF MANAGEMENT OF TECHNOTRANS SE USES FIRST AND FOREMOST 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.

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The technotrans Group's internal control system has the purpose of overseeing implementation of the corporate strategy. The control system basically comprises regular strategic discussions within the Board of Management and in-year planning discussions – including investment and personnel planning aspects – with the 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 in each case determined, planned and continuously monitored for the Group, the reportable segments Technology and Services, as well as for the individual Group companies including the parent.

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 € 224 to € 232 million and an operating result (EBIT) of between € 17.5 and € 19.0 million for the 2019 financial year. Above all as a result of a weak business performance by the Group company gwk driven by investment restraint in the

auto-related plastics processing industry in the first quarter of 2019, these targets were lowered on May 7, 2019. The adjusted forecast envisaged consolidated revenue of between € 218 and € 226 million, and an operating result (EBIT) in the range of € 12.0 to € 16.0 million. A protracted period of restricted performance by gwk especially following the introduction of a new ERP system in May 2019 as well as muted economic conditions rendered a further adjustment necessary on October 22, 2019. The forecast valid up until the end of the financial year foresaw consolidated revenue of € 205 million with an operating result (EBIT) of between € 7.6 and € 8.4 million.

In realising consolidated revenue of € 207.9 million, the technotrans Group slightly exceeded the most recent forecast for the 2019 financial year. EBIT of € 8.3 million was within the forecast bandwidth.

The Board of Management is not satisfied with the business performance of the technotrans Group in the 2019 financial year. Accordingly, a package of measures to improve profitability has been launched. However, this could not compensate for the effects of the increasingly subdued economy over the course of the year and the adverse effects on our Group company gwk following the introduction of a new ERP system.

### 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 2019 were summarised in a non-financial Group declaration in accordance with the CSR Directive Implementation Act.

The declaration in accordance with Section 315b-c of the German Commercial Code forms a separate section of this Combined Management Report (see chapter: Combined Non-Financial Declaration of technotrans SE and the technotrans Group). It is also posted on the company's website at: <https://www.technotrans.com/en/investor-relations/corporate-governance/csr.html>.

## DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

The trade dispute between the USA and China, uncertainty surrounding the outcome of Brexit and slipping growth rates in China substantially undermined the global economy in 2019. Only towards the end of the year did the economic environment brighten somewhat with the Phase 1 agreement in the trade conflict between the USA and China and the emergence of a clearer Brexit timetable.

The International Monetary Fund (IMF) accordingly anticipates a growth rate of only 2.9 percent for 2019. The IMF had previously downgraded its forecast of 3.5 percent from the start of the year.

Growth rates also slowed extensively across the individual regions. Growth in the European economy is expected to come in at just 1.2 percent for 2019, after 1.9 percent in the previous year. In the USA, growth is still estimated to reach 2.3 percent but here too momentum has declined after a rise of 2.9 percent in the previous year. A comparable trend is in evidence in China, with growth of 6.1 percent compared with a prior-year 6.6 percent.

### CHANGE OF GROSS DOMESTIC PRODUCT

(IN %)

	2019	2018
World	2.9	3.6
USA	2.3	2.9
Eurozone	1.2	1.9
Germany	0.5	1.5
China	6.1	6.6
Emerging countries	3.7	4.5

Source: International Monetary Fund. World Economic Outlook.  
January 2020

The German economy was especially affected. The IMF calculates growth there at merely 0.5 percent. The Federal Statistical Office's calculations point to a similar level, indicating price-adjusted gross domestic product of 0.6 percent for 2019.

As in the previous year, growth in the year under review was supported especially by consumer spending and construction. The capital goods area (machinery and vehicles) held back growth, with a rise of just 0.4 percent.

2019 was an economically gloomy year for the mechanical and plant engineering sector in Germany. Global trade conflicts, Brexit and structural change in the automotive industry depressed business. The difficult situation is also reflected in the statistics of the German Engineering Federation (VDMA). It calculated an average fall in order intake of 9 percent for 2019. Compared with the prior-year figure of plus 5 percent, this represents a change of -14 percentage points. The December figure brought a glimmer of hope with a figure of -7 percent.

The VDMA calculated a 2 percent decline in output in the period under review. It expects to see a contraction of a similar magnitude for the coming year.

The ifo index for manufacturing industry headed only in one direction until September 2019: from 11.5 points at the start of the year, the business climate deteriorated to -6.4 points, then ended the year on -5.0 in December. Capacity utilisation at year-end was 82.6 percent – a clear indication of an increasingly difficult economic environment.

## BUSINESS PERFORMANCE

The key events for the technotrans Group in the 2019 financial year included:

- › Consolidated revenue of € 207.9 million down 3.9 percent on previous year. Fourth quarter of 2019 better than expected.
- › Operating result (EBIT) of € 8.3 million within the forecast targets, though 52 percent below previous year. EBIT margin reaches 4.0 percent.
- › After elimination of two non-recurring effects – write-down of land and buildings (€ 0.6 million) and accounting provision (€ 0.8 million) resulting from a pending administrative offence procedure for a possible administrative fine from the Federal Banking Supervisory Authority (BaFin) – the EBIT margin is 4.7 percent.
- › Free cash improved to € 7.6 million, was negative in previous year.
- › Annual revenue in Technology segment declines 5 percent with a balanced result for the segment. Revenue for Services segment at prior-year level with a result for the segment of € 8.3 million.
- › Global economy gradually loses momentum over the year. Declining propensity to invest in the markets of the plastics processing industry, printing industry as well as laser and machine tool industry weighs on business performance.
- › Introduction of a new ERP system additionally restricted the Group company gwk, which saw an overall double-digit percentage decline in revenue and a negative profit contribution.
- › Reisner Cooling Solutions, acquired in 2018, developing positively and realising planned increase in revenue and earnings.
- › E-mobility gains further traction: market penetration especially for mobile cooling solutions increases yet again – very positive customer response.
- › Medical technology: highly promising outlook following clinical tests with our technical equipment.
- › Production starts on schedule in August 2019 at new termotek building in Baden-Baden and redefines benchmark for lean production and energy efficiency.

The 2019 financial year presented the technotrans Group with several challenges. After a very successful previous year, declining propensity to invest in the markets that are relevant for technotrans brought a clear downturn in revenue and earnings. Furthermore, non-recurring factors meant that it missed the original targets for 2019.

The Board of Management of technotrans SE is not satisfied as a whole with the business performance in 2019.

The original plan for the year envisaged revenue in the order of € 224 to € 232 million and an operating result (EBIT) of between € 17.5 and € 19.0 million.

The reluctance to invest that has been continuing since the end of 2018, especially in the auto-related plastics processing industry, impacted the business performance particularly of gwk Gesellschaft Wärme Kältetechnik mbH (gwk) over the entire year. The gwk sales force successfully compensated for the decline in demand for cooling and temperature control systems for injection-moulding plant with new business for extrusion technology, which is used for example in the construction sector. Later on in the year, gwk also encountered substantial problems with order fulfilment following the introduction of ERP software; this led to significant productivity losses and revenue shifts. The result was increased costs for sourcing materials and for the processing of delayed deliveries. The process-related restrictions from the implementation of the ERP system were fully overcome in the fourth quarter of the 2019 financial year.

Meanwhile Reisner Cooling Solutions GmbH (Reisner), the newest addition to the Group, put in a positive performance in 2019. Compared to the previous year it realised a growth in revenue and earnings.

In the two other main areas, the economic environment likewise had an increasingly negative impact on the business performance as the year progressed: business with customers in the printing industry was down year on year, and the laser and machine tool industry also encountered growing challenges.

This business performance prompted the Board of Management to adjust the full-year revenue and earnings forecast for 2019 twice, on May 7, 2019 and October 22, 2019. Based on the business development of the first nine months, the forecast was then reduced to consolidated revenue of € 205 million and a consolidated operating result (EBIT) in the range of € 7.6 to € 8.4 million.

In realising consolidated revenue of € 207.9 million and EBIT of € 8.3 million, the technotrans Group overall met its ultimate forecast for the 2019 financial year.

The consolidated operating result was hit by two further non-recurring effects in the fourth quarter: first, write-downs in the amount of € 0.6 million were made on land and buildings. These are attributable to changes of use for the previously rented office and production space of termotek following the construction of the new building. Second, there was a non-recurring expense of € 0.8 million in the form of an accounting provision for a possible administrative fine from the Federal Banking Supervisory Authority (BaFin).

The net assets and financial position of the technotrans Group changed year on year as a result of the scheduled investing and financing activities. In addition, the way leases affect the balance sheet structure changed following the first-time adoption of IFRS 16. The equity ratio of 51.4 percent (previous year: 55.3 percent) was again above the target to keep this indicator consistently higher than 50 percent. Disregarding the IFRS 16 effects, the equity ratio would have been 53.1 percent. In absolute terms, equity of € 75.1 million changed only minimally compared with the prior-year figure of € 75.2 million.

Despite increased investing activity in the financial year, the free cash flow developed positively again to finish well up on the previous year at € 7.6 million (previous year: € -3.8 million).

## RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

### REVENUE AND PROFITABILITY PERFORMANCE

Consolidated revenue came to € 207.9 million overall in 2019 and was therefore € 8.4 million down on the previous year. This represents a fall of 3.9 percent. Around 62 percent of consolidated revenue was earned outside the printing industry, as in the previous year.

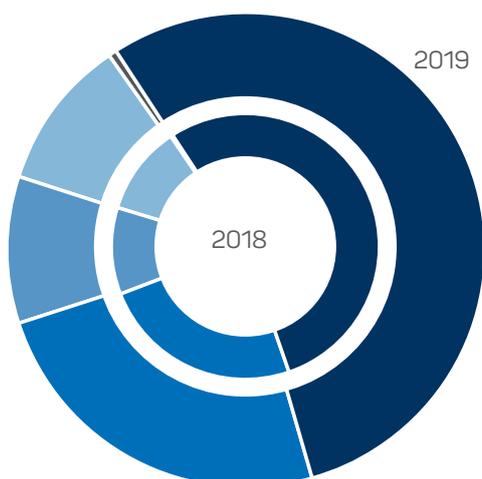
The downward direction of revenue is mainly due to weaker economic development, structural changes in the automotive industry and the notably restricted output of the Group company gwk following the introduction of a new ERP system. The slowdown in business was detected in virtually all markets of relevance for technotrans. The growth markets, which are less exposed to cyclical patterns, were again an exception.

Taking account of all the effects outlined, the plastics processing sector was the most strongly affected with a contraction of -12.4 percent, followed by business with customers in the printing industry on -4.1 percent. Revenue in the laser and machine tool sector was kept on a par with the previous year thanks to increased market shares. Conversely, the growth markets again posted double-digit revenue growth. The Technical Documentation area likewise made a positive contribution with revenue growth of around 3.9 percent.

Business with customers from the printing industry again brought in a high level of revenue of around € 80 million in the period under review. Despite the difficult market environment, business relationships with a number of customers were stepped up. The overall downturn compared with the previous year reflects business cycle effects and – as we expected – the flat to slightly downward market trend from the consolidation of end customer markets for offset printing.

Because of its customer structure, technotrans still generates a high direct proportion of deliveries and revenue in Germany. In the 2019 financial year the revenue share achieved with German customers climbed to 54.8 percent (previous year: 54.1 percent). The 24.6 percent share for the remainder of Europe was comparable to the previous year's level (24.5 percent). The revenue share in the Americas declined from 10.4 to 9.8 percent, in particular because of exchange rate movements. The share achieved in Asia, too, was below the prior-year figure of 10.8 percent at 10.5 percent. The Africa and Oceania regions, which accounted for a 0.3 percent revenue share, were at a similar level to the prior-year 0.2 percent. However, the delivery share to the various regions does not represent the final destination of technotrans products. It should be assumed that the non-European share is much higher.

### REVENUE BY REGION 2019/2018



- › Germany: 54.8 % / 54.1 %
- › Other regions: 24.6 % / 24.5 %
- › America: 9.8 % / 10.4 %
- › Asia: 10.5 % / 10.8 %
- › Africa and Oceania: 0.3 % / 0.2 %

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 therefore not particularly meaningful.

In project business, the specialist companies of the technotrans Group develop and build individual customer solutions. The project business share rose in the 2019 financial year. This was driven by various factors such as the further increase in market penetration for specialist business in e-mobility, a change in the product mix at gwk and revenue growth at Reisner.

**Gross profit** for the Group declined by 12 percent to € 61.3 million as against € 69.6 million in the previous year. The gross margin correspondingly went down to 29.5 percent (previous year: 32.2 percent). The fall stems mainly from the high cost of sales compared with the previous year, and especially cost of materials and personnel costs. It correlates directly to the consequences of the internal productivity losses and the increased use of resources for switching various product lines to a new, more environment-friendly technology. Compared with the decline in revenue, the cost of materials fell by only 2.7 percent year on year. This is because of the higher expenditure for raw materials

and consumables used. Purchase prices are also higher, given the change in the product mix. The cost of purchased materials ratio (cost of materials relative to consolidated revenue) correspondingly rose to 40.2 percent from the prior-year level of 39.7 percent.

The operating result (**EBIT**) fell to € 8.3 million and is therefore around 52 percent down on the previous year. The original EBIT target in the range of € 17.5 to € 19.0 million was therefore clearly missed. The Board of Management adjusted its forecast for the year twice. The target as last adjusted in October 2019 of EBIT between € 7.6 million and € 8.4 million was met. The EBIT margin of 4.0 percent was well down on the previous year (8.0 percent) and consequently fell well short of original expectations.

The decline in revenue, in conjunction with increased personnel expenses (€ 77.7 million, previous year: € 74.6 million) following an average three-percent pay increase in the year under review, was the reason for the disproportionately high fall in the consolidated earnings (EBIT). Increased capacity requirements at the growth-oriented companies, the scheduled recruitment of employees as part of Reisner's business expansion and the creation of engineering capacity for the growth markets meant the average number of employees climbed by 4.1 percent to 1,460 persons in the year under review (previous year: 1,402 employees). There was a substantial rise in the personnel expenses ratio to 37.4 percent (previous year: 34.5 percent).

## MARGIN DEVELOPMENT OF TECHNOTRANS GROUP

	2019		2018		Change
	€ million	in %	€ million	in %	in %
Gross profit	61.3	29.5	69.6	32.2	-12.0
EBITDA	16.0	7.7	22.6	10.4	-29.2
EBIT	8.3	4.0	17.4	8.0	-51.9
EBT	8.2	3.9	17.3	8.0	-52.6
Annual net profit	6.1	2.9	12.4	5.7	-50.8

Distribution costs and administrative expenses fell year on year. While distribution costs remained virtually constant at € 25.6 million, administrative expenses fell by 2.7 percent to € 18.8 million (previous year: € 19.3 million).

Development costs for the period under review of € 7.6 million were down on the previous year (€ 7.9 million). technotrans conducts extensive research and development activities at its production companies. Projects again centred on the growth markets as well as the development of a "Group chiller" platform strategy as a Group-wide modular basis for auxiliary cooling systems.

The balance of other operating income and expenses declined from € 1.2 million in the previous year to € -0.5 million. The change is substantially attributable to increased other operating expenses. There was a non-recurring

expense in the form of a € 0.8 million provision for a possible administrative fine from the Federal Banking Supervisory Authority (BaFin). Positive and negative exchange rate effects virtually cancelled each other out in the period under review. 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 € 16.0 million in the 2019 financial year (previous year: € 22.6 million). This produces an EBITDA margin of 7.7 percent, well down on the previous year's figure of 10.4 percent.

Depreciation and amortisation of € 7.7 million was above the prior-year figure of € 5.2 million. € 5.2 million of this total applied to the Technology segment and € 2.5 million to the Services segment. With IFRS 16, there was a change in the way leases are accounted for from January 1, 2019. € 2.9 million in depreciation for right-of-use assets from operating leases was reported in the year under review. This amount included write-downs in the amount of € 0.6 million on land and buildings resulting from the completion of the new building and production plant of Termotek GmbH in Baden-Baden and from the associated change of use to the previously rented office and production space. The remaining depreciation and amortisation reflects the general investing activities of the Group, which predominantly comprises 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 rise in interest expense from € 0.5 million to € 0.8 million was mainly attributable to new borrowings and, when netted against the interest income of € 0.6 million (previous year: € 0.5 million), produced a moderately lower financial result of € -0.1 million (previous year € 0.0 million). The interest income stems from the final remeasurement of a conditional purchase price obligation (put/call options) for Ovidius GmbH in the year under review.

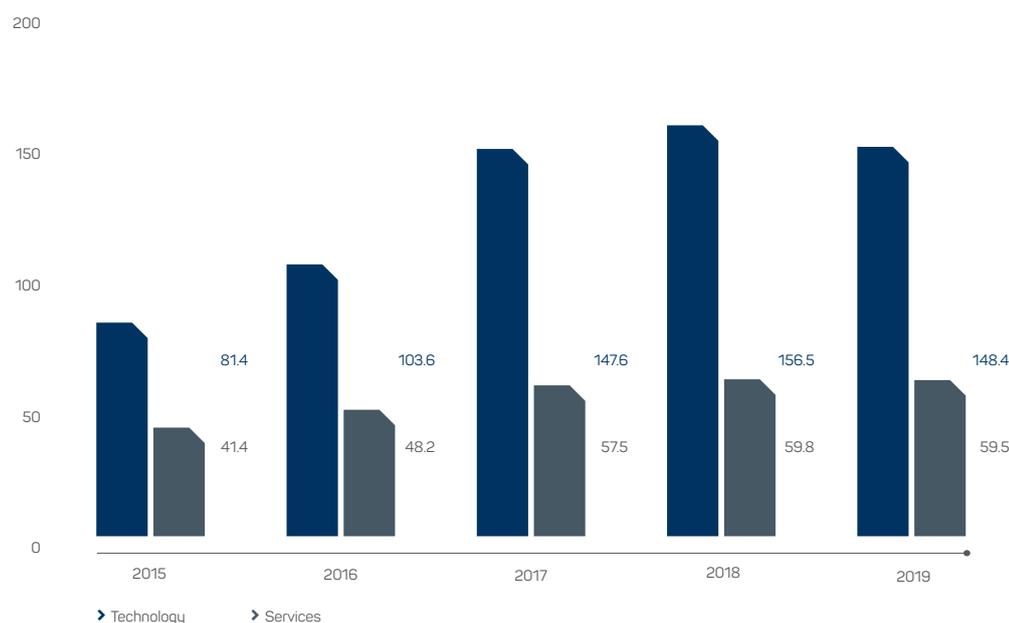
Earnings before taxes fell by € 9.1 million to € 8.2 million (previous year: € 17.3 million). The tax expense for the past financial year declined to € 2.1 million (previous year € 4.9 million). This produces an effective tax rate of 25.8 percent (previous year: 28.5 percent). A detailed presentation 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 € 6.1 million in the 2019 financial year (previous year: € 12.4 million). This represents a return of 2.9 percent (previous year: 5.7 percent). Earnings per share, for shares outstanding, therefore declined to € 0.88 (previous year: € 1.79).

Revenue for the Technology segment fell by 5.1 percent in the 2019 financial year to € 148.4 million (previous year: € 156.5 million). As a share of consolidated revenue, it slipped back by a moderate one percentage point to 71 percent. The € 8.1 million decline in revenue is attributable to slowing economic development and the strain on gwk following the introduction of the new ERP system. A continuing positive development in the growth markets that are less exposed to cyclical patterns, comprising e-mobility plus semiconductor, medical and scanner technology, only partly compensated for this strain. technotrans realises a substantial share of Technology segment revenue from German customers. The revenue share achieved domestically rose moderately to 56.9 percent (previous year: 55.9 percent). The revenue share for the remainder of Europe also edged up further from 23.9 percent to now 24.2 percent. The figure for Asia was almost unchanged from the previous year at 11.9 percent (previous year: 12.0 percent). There was a further decline in the revenue share for the Americas to 6.8 percent (previous year: 8.2 percent). Other regions brought in 0.2 percent (previous year: 0.1 percent).

The decline in revenue, coupled with expenditure that could not simultaneously be adjusted by the same scale, meant the Technology segment achieved merely a balanced operating result (EBIT) (previous year: € 8.1 million; EBIT margin: 5.2 percent). After adjustment for the non-recurring effects the result for the segment came to € 1.2 million and the rate of return for the segment to 0.8 percent.

## REVENUE BY SEGMENTS (IN € MILLION)



The business performance in the Technology segment is therefore overall unsatisfactory.

1,070 employees belonged to the Technology segment at the end of the year (previous year: 1,057). As in previous years, a figure for the general administrative areas has been included in this segment pro rata, based on revenue share. The increase of 13 employees or 1.2 percent is attributable to a moderate continuing buildup of capacity at the production locations (including at Reisner) and for the growth markets.

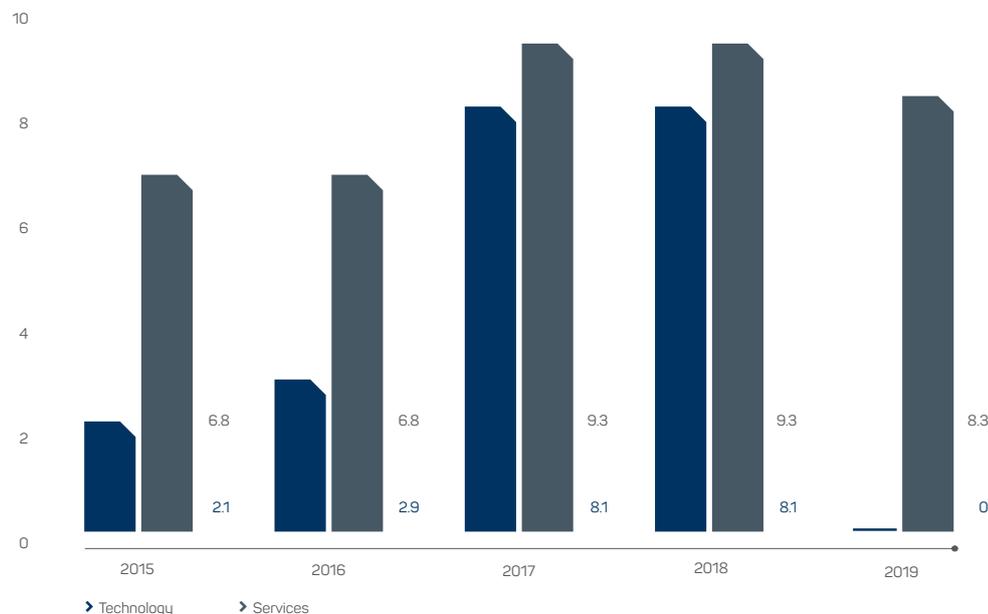
In the Services segment, the revenue volume realised of € 59.5 million was in line with the previous year (€ 59.8 million). Its share of consolidated turnover has edged up to 29 percent (previous year: 28 percent). While the share of parts business dipped by 2.1 percent to € 29.9 million (previous year: € 30.5 million), service business otherwise held steady at the prior-year level of € 22.2 million. Revenue

for Technical Documentation increased again by 3.9 percent to € 7.4 million (previous year: € 7.1 million).

Within the segment, there was a shift in the revenue contributions of the relevant markets. Declines in the plastics processing industry and print area were made good by gains in the laser and machine tool industry as well as the growth markets.

In regional terms the revenue share achieved in Germany increased slightly to 49.6 percent (previous year: 49.4 percent). The Americas also contributed a higher share of 17.2 percent (previous year: 16.2 percent). The share for the remainder of Europe of 25.5 percent was slightly down on the previous year's level (26.1 percent). A comparable trend is in evidence in Asia, where the share fell to 7.2 percent from 7.8 percent in the previous year. The other regions accounted for an unchanged 0.5 percent.

## EBIT BY SEGMENTS (IN € MILLION )



The operating result (EBIT) for the Services segment came to € 8.3 million, compared with € 9.3 million in the previous year. With a rate of return for the segment (EBIT margin) of 13.9 percent (previous year: 15.5 percent) the segment confirmed its stable profitability. After adjustment for the non-recurring effects in the amount of € 0.3 million, the rate of return for the segment came to 14.4 percent.

The Board of Management considers that the Services segment achieved a satisfactory performance overall, despite the adverse effects from gwk.

404 employees belonged to the Services segment at the end of the year (previous year: 396). 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, 2019 was up 7.3 percent on the previous year at € 146.0 million (previous year: € 136.0 million).

## NET WORTH AND CAPITAL STRUCTURE (IN € MILLION)

Assets	2019	2018
Cash and cash equivalents	20.9	15.6
Receivables	24.0	27.1
Inventories	28.3	28.3
Other short-term assets	3.0	3.6
Long-term assets	69.8	61.4
	<b>146.0</b>	<b>136.0</b>

Equity and liabilities	2019	2018
Short-term debts	33.1	32.1
Long-term debts	37.8	28.7
Equity	75.1	75.2
	<b>146.0</b>	<b>136.0</b>

## ASSETS

The rise in non-current assets from € 61.4 million to € 69.8 million is partly the result of the increased investments in property, plant and equipment in connection with the new building of Termotek GmbH in Baden-Baden. The adoption of the new recognition method for leases in accordance with IFRS 16 also contributed € 3.8 million to the increase. The carrying amount for intangible assets showed a moderate decline to € 7.5 million (previous year: € 7.7 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 € 11.2 million, € 8.7 million was for the Technology segment and € 2.5 million for the Services segment.

## INVESTMENT AND DEPRECIATION (IN € MILLION)

	Investment	Depreciation & amortisation
2014	1.4	3.0
2015	1.7	3.2
2016*	12.9	4.3
2017*	11.5	5.2
2018*	9.8	5.2
2019	<b>11.2</b>	<b>7.7</b>

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

Working capital (inventories and trade receivables) declined by 5.6 percent to € 52.3 million at the balance sheet date (previous year: € 55.4 million).

Other current assets amounted to € 3.0 million (previous year: € 3.6 million). Cash and cash equivalents at the balance sheet date rose to € 20.9 million (previous year: € 15.6 million). The year-on-year rise was driven mainly by a payout of loan funds with long-term availability in the fourth quarter.

## EQUITY AND LIABILITIES

The equity and liabilities recognised at December 31, 2019 came to € 75.1 million, on a par with the prior-year level (€ 75.2 million). The equity ratio of 51.4 percent continues to demonstrate how equity represents a substantively high proportion of the balance sheet total. This was therefore above the target level of higher than 50 percent. The return on equity, which shows net income as a proportion of equity, reached 8.1 percent (previous year: 16.5 percent).

At the end of the 2019 financial year, non-current liabilities came to € 37.8 million and were therefore € 9.1 million up on the previous year (€ 28.7 million). The rise stems partly from a targeted increase in non-current financial liabilities of € 7.8 million to € 33.8 million (previous year € 26.0 million). The financial resources were used to finance investments in fixed assets and to refinance short-term working capital within the technotrans Group, making 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.

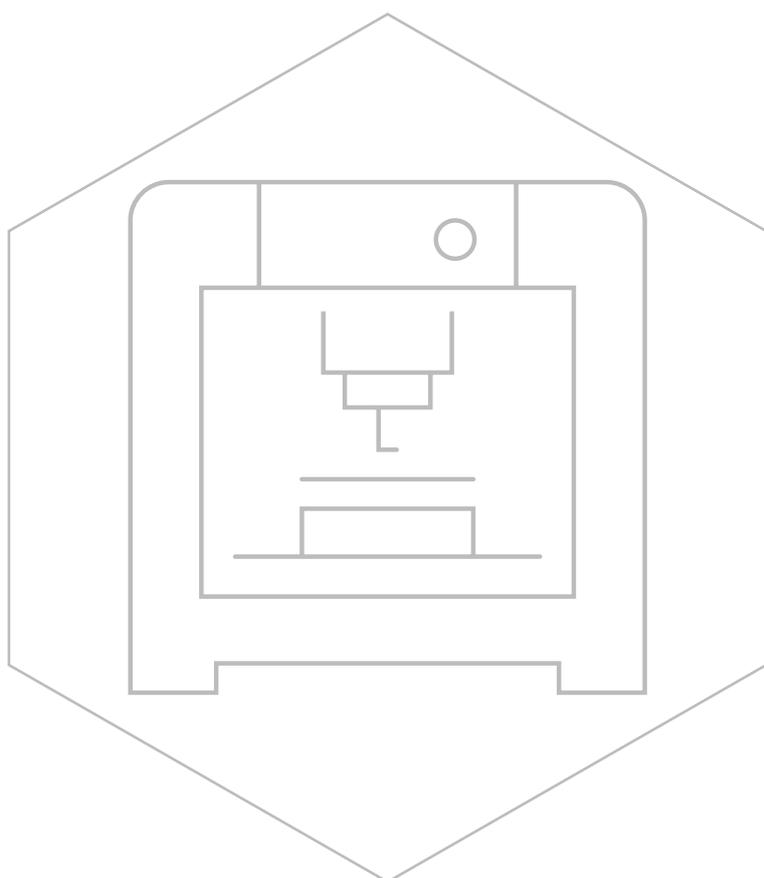
The development in non-current financial liabilities is also attributable to the € 2.6 million change in the way leases are recognised in accordance with IFRS 16.

There was a moderate increase in current liabilities from € 32.1 million to € 33.1 million. This movement was driven mainly by the modified recognition method for leases in accordance with IFRS 16. This change contributed a rise of € 2.1 million. In addition, the structure within current liabilities shifted: current borrowings were refinanced as non-current at favourable interest rates (€ -1.7 million). Prepayments received rose by around € 1.1 million to € 4.2 million. These come mainly from project business at the Group companies gwk, Reisner and technotrans.

The **employee benefits** contained within liabilities declined by € 1.2 million at the end of 2019 to € 6.0 million (previous year: € 7.2 million). Of this amount, obligations of € 0.8 million (previous year: € 0.9 million) were reported under non-current liabilities. They essentially comprise those Board of Management remuneration components that focus on sustainable corporate performance and employee-related retirement benefit obligations. The short-term **provisions** amounting to € 3.9 million (previous year: € 3.5 million) consist of payments to be made under warranty (€ 1.8 million) and other provisions (€ 2.1 million).

The **net working capital**, calculated from current assets less current liabilities, showed a slight increase to € 43.1 million (previous year: € 42.6 million). The net working capital ratio climbed from 19.7 percent to 20.7 percent.

The Group's **net debt**, calculated as the difference at the reporting date between current plus non-current interest-bearing borrowings and cash and cash equivalents, rose to € 24.2 million at the balance sheet date (previous year: € 19.4 million). The year-on-year rise is attributable especially to the net raising of long-term loans in the amount of € 6.1 million and to leases recognised for the first time in accordance with IFRS 16 in the amount of € 4.7 million. The ratio of net debt to equity (gearing) is 32.3 percent (previous year: 25.8 percent). Gearing (net debt to EBITDA) is 1.5x (previous year: 0.9x) and remains at a very solid level.



## FINANCIAL POSITION

The weaker development in earnings after tax in the 2019 financial year also impacted the operating cash flow. The cash flow from operating activities before working capital changes (cash inflow) declined by € 6.6 million to € 15.8 million (previous year: € 22.5 million).

## CASH FLOW (IN € MILLION)

	2019	2018
Cash flow from operating activities	15.8	22.5
Net cash flow from operating activities	16.8	6.3
Cash flow from investing activities	-9.2	-10.1
Free Cash flow	7.6	-3.8
Cash and cash equivalents at end of period	20.9	15.6

Conversely, the net cash from operating activities of € 16.8 million for 2019 was well above the prior-year figure of € 6.3 million. The changes in working capital amounting to around € 3.8 million made a substantial positive contribution. The lower tied-up capital was determined especially by lower trade receivables and higher trade payables. Cash outflows for tax payments and interest paid remained well below the prior-year level at € 2.8 million (previous year: € 8.5 million).

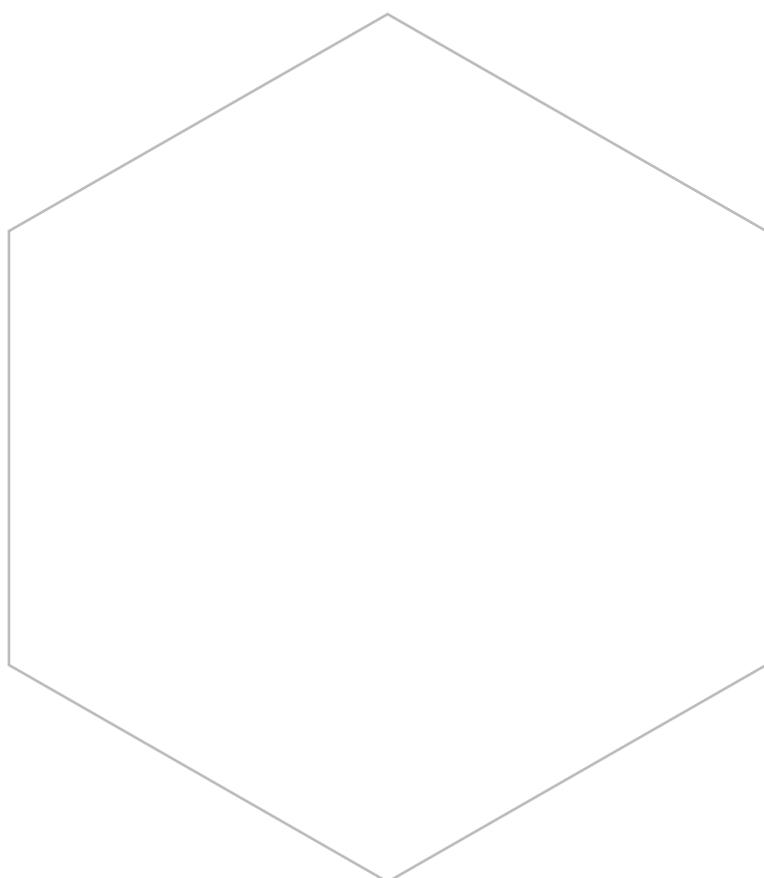
Cash payments for investments in fixed assets amounted to € 9.4 million in the 2019 financial year (previous year: € 10.1 million). € 6.2 million of this sum comprised cash payments relating to the new building in Baden-Baden. Further maintenance investments amounting to € 3.2 million were spread across the other Group companies.

The solid cash flow from operating activities resulted in a positive free cash flow of € 7.6 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 outflow of € 2.4 million in the 2019 financial year (previous year: € 4.5 million cash inflow). The raising of short-term and long-term loans produced a liquidity inflow of € 17.5 million. A total of € 11.4 million (previous year: € 3.8 million) was used for the scheduled repayment of borrowings (loan redemptions including refinancing). The dividend distribution to technotrans shareholders came to € 6.1 million (previous year: € 6.1 million).

These Consolidated Financial Statements for the first time show the cash outflow from the repayment of lease liabilities in accordance with IFRS 16 in the amount of € 2.4 million under the cash flow from financing activities.

Cash and cash equivalents at the end of the year came to € 20.9 million and were therefore up on the prior-year figure of € 15.6 million. The Group in addition had available but unused borrowing facilities amounting to € 16.0 million at December 31, 2019 (previous year: € 13.2 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 in 2020.



## 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 development of technotrans SE as outlined below is based on its annual financial statements.

SE develops, manufactures and sells equipment and systems for industrial applications. It directly and indirectly holds 19 operating companies and also encompasses the central functions of the group. The economic environment for technotrans SE is essentially the same as that for the technotrans Group. The management approach for the group parent follows the same principles as for the group.

### BUSINESS PERFORMANCE AND ECONOMIC ENVIRONMENT

technotrans SE is the parent company of the technotrans Group. It is a listed technology company with core activities in the fields of cooling/temperature control, filtering/separating, and spraying/pumping of liquids. technotrans

### FINANCIAL PERFORMANCE

(€ '000)	2019	2018
Revenue	80,470	80,414
Inventory change	- 315	359
Other operating income	1,601	1,623
Cost of material	34,642	35,571
Personal expenses	29,702	28,180
Depreciation and amortisation	1,399	1,494
Other operating expenses	12,025	11,232
Net finance costs	4,366	8,396
<b>Result on ordinary activities</b>	<b>8,354</b>	<b>14,315</b>
Taxes	2,174	3,190
<b>Annual net profit</b>	<b>6,180</b>	<b>11,125</b>
Profit carried forward	3,661	3,616
Transfer to retained earnings	3,000	5,000
<b>Net profit</b>	<b>6,841</b>	<b>9,739</b>

Revenue of € 80.5 million in the year under review was unchanged from the level of the previous year (€ 80.4 million). Due to the unexpectedly strong decline in demand from the printing industry, it fell short of the original forecast for the year (revenue growth in the order of one to three percent). At around 16 percent, the intragroup share of overall revenue remained unchanged from 2018. Direct business with customers in the printing industry again brought in the highest share of revenue in 2019, at around € 52.0 million. However revenue was 4.5 percent down on the prior-year figure. Despite the difficult market environment, revenue with two machinery manufacturers was increased significantly. Compared with the previous year, a growing reticence to invest that also spread to the area of the laser and machine tool industry led to an overall downturn in revenue from new machinery business. However vigorous revenue growth in new end customer projects in e-mobility and scanner technology largely compensated for this.

The revenue share of the Technology segment of € 55.0 million were slightly below the previous year's level (€ 55.4 million). In the Services segment, revenue was up € 0.5 million (+2.0 percent) year on year to € 25.5 million.

Earnings before the financial result and income taxes (EBIT) came to € 3.9 million (previous year: € 5.9 million) and was therefore below the expected range (€ 4.5 to 5.5 million). This represents an EBIT margin of 4.9 percent (previous year: 7.3 percent). For the 2019 financial year, the Board of Management had forecast an EBIT margin of 5.5 to 6.5 percent as the earnings target for technotrans SE. There was a significant and unplanned impact on the earnings performance in the year under review from the measurement of a pending procedure by the Federal Financial Supervisory Authority (BaFin) for an administrative offence in the amount of € 0.8 million.

## RECONCILIATION OF NET INCOME TO EARNINGS BEFORE INTEREST AND TAXES (EBIT)

(€ '000)	2019	2018
Net profit for the period (Income Statement)	6,180	11,125
Income from investments (-)	1,338	2,897
Income from profit transfer agreement (-)	3,114	5,602
Interest and similar income (-)	248	236
Income from loans held as financial assets (-)	83	76
Interest and similar expenses (+)	417	415
Income tax expense (+)	2,103	3,123
Earnings before interest and taxes (EBIT)	3,917	5,852

The cost of purchased materials for technotrans SE of € 34.6 million was 2.6 percent down on the prior-year figure (previous year: € 35.6 million). This meant the cost of purchased materials ratio in relation to aggregate operating performance fell slightly from 44.0 percent to 43.2 percent.

Personnel expenses increased by € 1.5 million overall in the 2018 financial year to € 29.7 million (previous year: € 28.2 million), prompting a rise in the personnel expenses ratio from 34.9 percent to 37.1 percent of the aggregate operating performance, because of the constant revenue level. The increase of 5.4 percent overall includes an average pay increase of three percent for 2019.

Other operating income came to € 1.6 million, as in the previous year. Income unrelated to the accounting period accounted for € 0.5 million of this amount (previous year: € 0.6 million). In essence it consisted of income from the reversal of provisions for personnel and from refunds on contributions. Foreign exchange gains came to around € 0.1 million (previous year: € 0.2 million).

Other operating expenses of € 12.0 million showed a rise of € 0.8 million on the previous year (€ 11.2 million). Sales commissions amounted to € 0.9 million (previous year: € 0.8 million). These flowed almost in entirety to own subsidiaries. IT expenses remained unchanged from 2018 at € 1.5 million. For shipping, € 1.3 million (previous year: € 1.2 million) was spent. Expenditure on warranties came to € 0.5 million (previous year: € 0.4 million). Other operating expenses also included an amount of € 0.8 million for a pending procedure by the Federal Financial Supervisory Authority (BaFin) for an administrative offence.

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

technotrans SE posted an overall financial result of € 4.4 million (previous year: € 8.4 million). This includes income from investments amounting to € 4.4 million (previous year: € 8.5 million), which comprises € 1.3 million in distributions by subsidiaries as well as € 3.1 million (previous year: € 5.6 million) in profit transfers from Termotek GmbH and gds GmbH on the basis of the existing profit and loss transfer agreements (PLTAs). The interest result of € -0.1 million was on the prior-year level.

Current income tax for the 2019 financial year totalled € 2.1 million (previous year: € 3.1 million).

Net income for the year of € 6.2 million is reported for the 2019 financial year (previous year: € 11.1 million).

## NET WORTH AND FINANCIAL POSITION

### ASSETS

(€ '000)	31/12/2019	31/12/2018
Fixed assets	52,766	53,353
Inventories	11,747	11,979
Receivables and other assets	33,512	31,558
Cash and cash equivalents	11,429	5,220
Current assets	56,688	48,757
Deferred items	551	473
Deferred tax assets	351	115
<b>Total assets</b>	<b>110,356</b>	<b>102,698</b>

### EQUITY AND LIABILITIES

(€ '000)	31/12/2019	31/12/2018
Issued capital	6,908	6,908
Capital reserve	19,096	19,096
Retained earnings	38,706	35,706
Accumulated profit	6,841	9,740
Equity	71,551	71,450
Provisions	6,160	6,388
Liabilities	32,635	24,858
Deferred items	10	2
<b>Total equity and liabilities</b>	<b>110,356</b>	<b>102,698</b>

The balance sheet total of technotrans SE grew by € 7.7 million (+7.5 percent) compared with December 31, 2018, from € 102.7 million to € 110.4 million.

Fixed assets at the balance sheet date fell from € 53.4 million to € 52.8 million. The intangible assets increased by 2.6 percent to € 0.8 million in the year under review. Conversely, property, plant and equipment due to planned depreciation showed a further year-on-year decrease of € 0.6 million to € 8.5 million. There was no change in investment assets compared with the previous year, with shares in affiliated companies totalling € 43.5 million.

Inventories of € 11.7 million (previous year: € 12.0 million) were down € 0.3 million on the previous year's level.

Receivables and other assets climbed by € 1.9 million, from € 31.6 million to € 33.5 million. Of this amount, receivables from affiliated companies account for € 25.9 million (previous year: € 21.8 million). technotrans SE extended new loans amounting to € 5.1 million to the subsidiaries gwk Gesellschaft Wärme Kältetechnik mbH, technotrans Grundstücksverwaltungs GmbH, klh Kältetechnik GmbH and Reisner Cooling Solutions GmbH.

Cash rose from € 5.2 million to € 11.4 million at the balance sheet date.

Equity remained at the prior-year level of € 71.5 million due to the lower accumulated profit. In agreement with Section 58 (2) of the German Stock Corporation Act (AktG), a total amount of € 3.0 million was allocated to retained earnings from the net income for 2019. The equity ratio was 64.8 percent (previous year: 69.6 percent).

Liabilities and provisions at the balance sheet date amounted to € 38.8 million (previous year: € 31.2 million). The change results mainly from bank borrowings (€ +7.0 million). These rose in connection with newly raised long-term loans for refinancing within the technotrans Group.

The cash flow from operating activities (net cash) for the 2019 financial year reached € 6.2 million (previous year: € -0.8 million). The change in net working capital resulted in a cash inflow totalling € 3.6 million. Of this, around € 2.2 million is attributable to the reduction in trade receivables.

Cash payments for investments in fixed assets amounted to € -0.8 million in the period under review (previous year: € -2.0 million). Cash receipts from the scaling-back of loans of subsidiaries as well as from interest payments received and dividend distributions came to € 6.1 million (previous year: € 10.6 million). Cash payments for loans extended to affiliated companies came to € -5.9 million in the financial year (previous year: € -2.9 million). Overall, the cash inflows and outflows produced a slightly negative **cash flow from investing activities** of € -0.5 million (previous year: € -5.7 million).

The **cash flow from financing activities** reveals a cash inflow of € 0.5 million in the period under review (previous year: cash outflow of € -5.5 million). This is made up of the raising of new loans in the amount of € 13.5 million (previous year: € 4.0 million) in connection with the adjustment of the intra-group financing structure, cash outflows from the scheduled repayment of loans in the amount of € 6.5 million (previous year: € 3.0 million), interest payments (€ 0.4 million, previous year: € 0.4 million) as well as the distribution of the dividend to the shareholders of technotrans SE in the amount of € 6.1 million (previous year: € 6.1 million).

## EMPLOYEES

At December 31, 2019 technotrans SE (pursuant to Section 267 of the German Commercial Code [HGB]) had a total of 510 employees; this was 7 more than at the end of 2018. Of this total, 399 belonged to the Technology segment (previous year: 395). There were 111 employees in the Services segment (previous year: 108).

## OPPORTUNITIES AND RISKS

The business performance of technotrans SE is essentially subject to the same opportunities and risks as 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 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.

## 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 OF THE BOARD OF MANAGEMENT ON THE FINANCIAL YEAR 2019

Triggered by protectionist political currents, structural changes in key industries and geopolitical upheaval, the past financial year was characterised by a challenging environment that made planning difficult. The conditions had a dampening effect especially on the German mechanical engineering sector. This demonstrated the value of technotrans' comprehensively diversified portfolio: the Group demonstrated in the 2019 financial year that it can generate returns even in a difficult economic climate.

We had to absorb cyclically-led falls in revenue in the plastics processing markets and the printing industry. We succeeded in maintaining the revenue level in the laser and machine tool sector thanks to increased market shares. The growth markets and the Services segment, to which Technical Documentation also belongs, moreover had a compensatory effect.

Overall, economic development slowed more abruptly than had been expected.

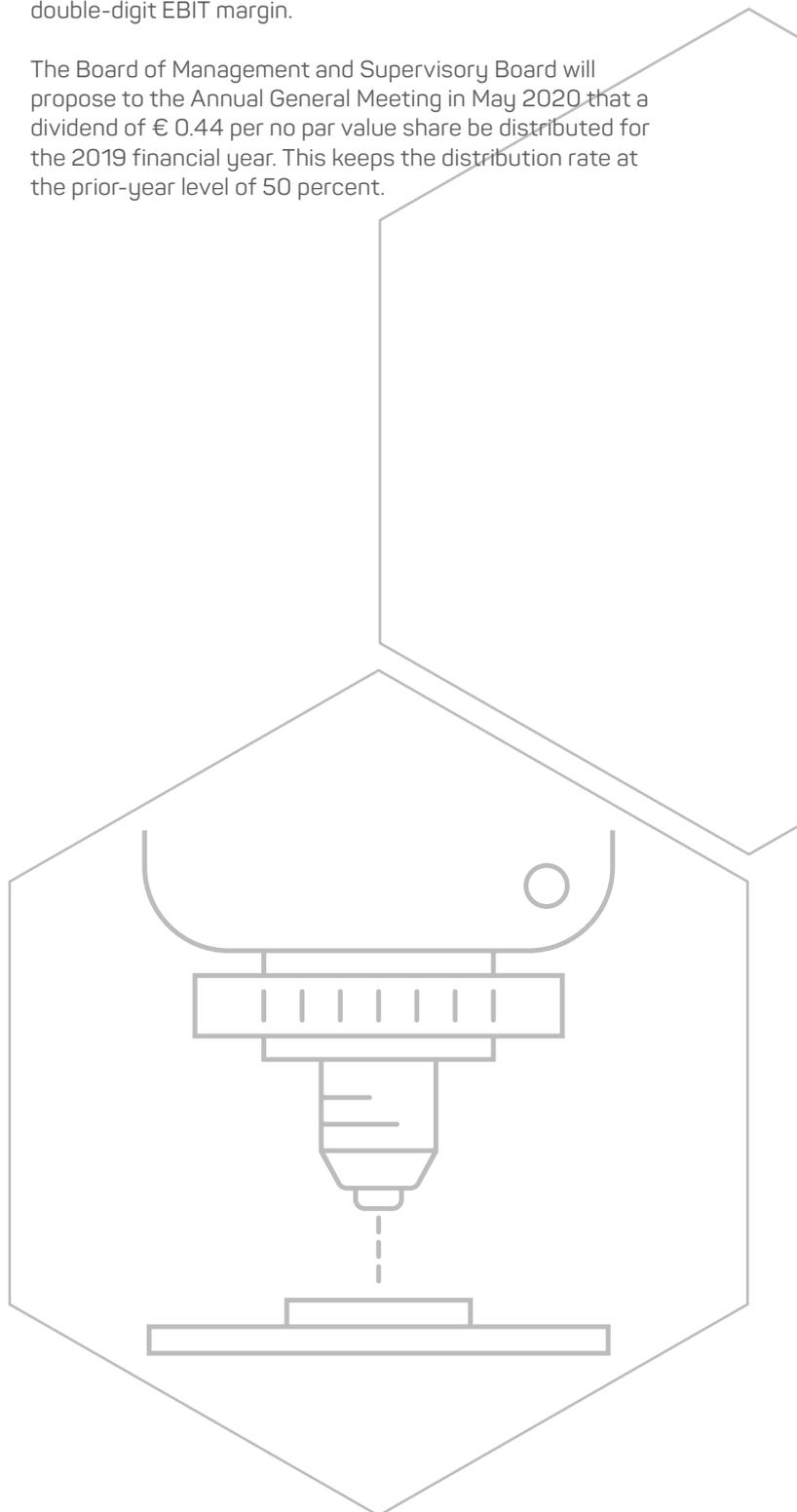
With the goal of placing the Group on an even stronger footing in a volatile environment, the Board of Management stepped up the essential further integration of the Group companies acquired in recent years. This was the background to the important, intensively prepared step of rolling out the Group-wide ERP system at our second-largest Group company gwk. Contrary to expectations, however, its implementation did not progress smoothly and even after the end of the 2019 financial year continues to hamper productivity, which therefore also impacts the revenue and results of operations of this significant Group company. Key lessons have been learned from the difficulties with the ERP introduction at gwk, so that such failures are avoided in future rollouts.

The combination of ambitious business development plans in the prevailing economic environment and the impact of the ERP introduction had a clearly negative effect on the results of operations of the entire technotrans Group. In addition, two non-recurring effects weighed heavily on the consolidated operating result.

The view of the Board of Management is that the revenue and profitability performance of the technotrans Group in the year under review is not satisfactory.

Despite the difficult environment, the economic circumstances of the technotrans Group remain orderly. The Group equity ratio, free cash flow and gearing ratio are solid and in line with the targets. This means the Group is in a position to pursue possible strategic options at any time from a position of strength. The Board of Management confirms the medium and long-term targets. These envisage consolidated revenue in the order of € 250 million (organically) or € 300 million (including acquisitions), with a double-digit EBIT margin.

The Board of Management and Supervisory Board will propose to the Annual General Meeting in May 2020 that a dividend of € 0.44 per no par value share be distributed for the 2019 financial year. This keeps the distribution rate at the prior-year level of 50 percent.



## REMUNERATION REPORT

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

### REMUNERATION SYSTEM FOR THE BOARD OF MANAGEMENT

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

entitlement to a bonus from previous years no longer applies. No further claims result from premature termination of employment on the Board of Management, i.e. before the regular end of the current appointment period.

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

In addition, a cap has been set for severance payments: these amount to a maximum of one year's salary. The total remuneration of the members of the Board of Management is determined by the Supervisory Board. No share-based compensation components were planned for the 2019 financial year. At its meeting on September 17, 2019, the Supervisory Board decided to grant Board of Management member Peter Hirsch a special bonus of € 50 thousand. With this special bonus, the Supervisory Board wishes to acknowledge Mr. Hirsch's special commitment to completing the new Termotek GmbH building in Baden-Baden on schedule and within budget. The payment was made at the end of September 2019.

The degree to which the targets for calculating the variable remuneration component in the 2019 financial year were achieved was 42 percent in accordance with the target agreement (previous year: 92 percent). The Supervisory Board is only authorised to adjust the parameters of the remuneration during the year in the event of extraordinary events.

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

		Fixed basic remuneration	Management bonus, year under review <sup>1</sup>	Benefits in the event of normal termination of activity <sup>3</sup>	Fringe benefits	Total remuneration	Sustainability oriented bonus <sup>4</sup>	
		(€'000)						
<b>Dirk Engel</b>	2019	246	0	30	21	<b>297</b>	32	
Spokesman of the Board	2018	201	186	30	20	<b>437</b>	125	
<b>Peter Hirsch</b>	2019	135	50 <sup>2</sup>	30	29	<b>244</b>	7	
Member of the Board since July 1, 2018	2018	65	18	5	8	<b>96</b>	18	
<b>Hendirk Niestert</b>	2019	140	0	30	17	<b>187</b>	14	
Member of the Board since February 1, 2018	2018	119	34	30	13	<b>196</b>	34	
Henry Brickenkamp	2019	-	-	-	-	-	18	
Member of the Board until June 30, 2018	2018	110	180	15	9	<b>314</b>	105	
Dr Christoph Soest	2019	-	-	-	-	-	-	
Member of the Board until December 31, 2017	2018	-	107	-	-	<b>107</b>	47	

<sup>1</sup>The variable remuneration component consists of a pro rata entitlement for the year under review and for the sustainability-oriented bonus.

<sup>2</sup>Special bonus of € 50 thousand for the termotek construction project in Baden-Baden

<sup>3</sup>Company remuneration for defined contribution plans

<sup>4</sup>Aspiration linked to the achievement of future performance targets

Following the conclusion of a court settlement before the Münster Regional Court on May 29, 2019, the employment contract between technotrans SE and Dr Andreas Schmid was terminated at April 30, 2018. In the settlement, the

company undertook to pay Dr Schmid an amount of € 165 thousand on the termination of his employment contract. The payment obligation was fulfilled as of June 30, 2019.

## REMUNERATION OF THE SUPERVISORY BOARD

In accordance with section 17 of the SE Articles of Association adopted by the 2018 Annual General Meeting, the members of the Supervisory Board receive compensation consisting of a fixed and a variable component in addition to reimbursement of their expenses. The amount of the variable remuneration is based on the consolidated net income for the year reported in the consolidated financial statements. In accordance with the Articles of Association, this variable remuneration component is not expressly geared to the sustainable development of the company. For both the fixed and variable remuneration components, higher amounts are provided for the Chairman of the Supervisory Board and his deputy than for the other members. In addition, in

accordance with the Articles of Association, membership of the committees formed by the Supervisory Board is remunerated. The members of the Supervisory Board do not receive any stock options for their Supervisory Board activities. The company has taken out D&O insurance for the members of the Supervisory Board. An excess in the amount of the variable portion of the remuneration in the year of the damage assessment is provided for.

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

The members of the Supervisory Board receive the following remuneration for the 2019 reporting year in accordance with the Articles of Association:

	2019			2018		
	Total remuneration	of which fixed	of which variable	Total remuneration	of which fixed	of which variable
(€ '000)						
Heinz Harling (Chairman)	53	30	23	78	30	48
Dr Norbert Bröcker (Deputy Chairman)	37	20	17	56	20	36
Dr Wolfgang Höper	32	20	12	44	20	24
Dieter Schäfer	27	15	12	39	15	24
Reinhard Aufderheide (until May 10, 2019)	9	4	5	34	10	24
Thomas Poppenberg (until Mai 10, 2019)	9	4	5	34	10	24
Andre Peckruhn (since Mai 10, 2019)	13	6	7	-	-	-
Thorbjörn Ringkamp (since Mai 10, 2019)	13	6	7	-	-	-
<b>Total remuneration</b>	<b>193</b>	<b>105</b>	<b>88</b>	<b>285</b>	<b>105</b>	<b>180</b>

## TAKEOVER-RELEVANT INFORMATION

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

1. As of December 31, 2019, the subscribed capital (share capital) consisted unchanged of 6,907,665 no-par value, fully paid-up shares with a notional value of € 1 per share. The shares of technotrans SE are registered shares. Only ordinary shares have been issued; the rights and obligations associated with them comply with the relevant statutory provisions. They are subject only in the cases regulated by law and not to restrictions on voting rights and transfer in accordance with the Articles of Association. Voting-linking agreements between shareholders were not notified to the Board of Management.
2. As of December 31, 2019, the Dutch company Teslin Capital Management BV holds an interest in the subscribed capital of technotrans SE. According to an announcement published on December 24, 2018, this interest amounts to 10.08 percent of the company's voting rights. Beyond this, no direct or indirect interests in the capital exceeding ten percent of the voting rights are known.
3. All shares grant identical rights. There are no shares with special rights, in particular none that confer powers of control.
4. Employees who participate in the capital exercise their voting rights directly.
5. The statutory provisions pursuant to articles 39 and 40 of the Council Regulation on the Statute for a European company on the appointment and dismissal of members of the Board of Management shall apply. Furthermore, the provisions of the Articles of Association must be observed. In addition to the provisions of Art. 46 of the Council Regulation on the Statute for a European company, the Supervisory Board appoints the members of the Board of Management for a maximum of five years as stipulated in the Articles of Association and Section 84 AktG of the German Stock Corporation Act (AktG). Pursuant to Section 179 of the German Stock Corporation Act (AktG) in conjunction with Section 21 (2) of the Articles of Association, a simple majority of votes is generally required at the Annual General Meeting to amend the Articles of Association regarding this issue.
6. The Board of Management is authorised, with the consent of the Supervisory Board, to increase the share capital once or several times by up to a total of € 3,450,000 by issuing new shares against contributions in cash or in kind until May 17, 2023. No use was made of this authorisation in 2019. The subscription right of shareholders may be excluded insofar as the requirements of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) are met or insofar as the acquisition of companies or interests in companies or other assets is concerned, if the acquisition or interest is in the well-understood interest of the company; otherwise the subscription right may only be excluded insofar as fractional amounts are to be compensated.  
In addition, the Board of Management is authorised until May 17, 2023 to acquire treasury shares of the company up to a total of 10 percent of the capital stock existing

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

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

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

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

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

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

# COMBINED NON-FINANCIAL STATEMENT OF TECHNOTRANS SE AND THE TECHNOTRANS GROUP IN ACCORDANCE WITH THE CSR DIRECTIVE IMPLEMENTATION ACT

The Group strategy focuses on sustained growth led by long-term profit. Ever since the company's founding in 1970, we have combined long-term corporate success with economic, social and ecological responsibility. Sustainability is a significant strategic component for technotrans. Sustainable business and the responsible use of limited resources are consistent with our strategic goals of acquiring new customers, unlocking additional markets, always having access to adequate financial resources and positioning ourselves as an attractive employer.

In the following, we report on relevant sustainability aspects for technotrans in accordance with the current statutory requirements on the CSR reporting obligation. We use this opportunity to inform our stakeholders of the current status and relevance of sustainability specifically for technotrans SE and the technotrans Group.

Through this separate non-financial report, we meet our obligation to disclose non-financial information for the 2019 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

## BUSINESS MODEL

The technotrans Group achieved revenue of € 207.9 million in the 2019 financial year. With 1,474 employees as of December 31, 2019 the technotrans Group (technotrans) is represented at 18 locations worldwide. The Group parent is technotrans SE, with registered office in Sassenberg. In the 2019 financial year it generated revenue of € 80.5 million with 517 employees (figures as of December 31, 2019).

technotrans offers its customers state-of-the-art solutions. The core skills of the Group are the areas of "cooling/temperature control", "filtering/separating" and "pumping/spraying". As a systems supplier, technotrans develops predominantly individual systems that are tailored exactly to the requirements of the customer. The company mainly pursues research and development activities in close collaboration with its customers.

Reporting covers two segments. The Technology segment generates around 71 percent of consolidated revenue. The Services segment brings in around 29 percent. As a full-service provider, technotrans supplies its customers with a full portfolio of complementary services, all from a single source. These include system installations, support during commissioning and operation, a worldwide parts supply, repair services with round-the-clock availability, as well as compilation of technical documentation in all major languages.

Historically, technotrans has its roots in the printing industry. This remains a significant market for the company. To reduce its dependence on one single market, over the past ten years technotrans has comprehensively diversified its range of products and services. The worldwide activities

Statement and Non-Financial Group Report. Pursuant to Section 315b (1) sentence 2 HGB, this report applies to both technotrans SE and the technotrans Group. To that extent it corresponds to the jointly submitted management reports in the Combined Management Report.

The Combined Non-Financial Statement was reviewed by the Supervisory Board of technotrans SE.

By way of a guide, in preparing the Non-Financial Statement we also made reference to recognised frameworks such as the German Sustainability Code and the guidelines of the UN Global Compact, to which we are committed. The Non-Financial Statement for the 2019 financial year has been prepared solely on the basis of the statutory requirements.

of the Group now focus on four subsidiary markets of the mechanical and plant engineering sector: the printing industry, the plastics processing industry, the laser and machine tool industry, as well as separately identified growth markets (medical and scanner technology, e-mobility and EUV technology).

The sales and service companies are responsible for direct sales of the technical equipment and for the full range of complementary services. International key accounts are supported by key account managers at the relevant production plants.

The business performance is determined substantially by the regular investment activity in the end customer markets in which technotrans is active. By their very nature, these markets depend very much on their current and anticipated economic development. In addition, the constantly changing statutory and customer requirements concerning the technology influence the business performance.

technotrans operates seven production locations, of which two are located outside Germany (USA and China). The plants make a full range of products with varying levels of manufacturing penetration. technotrans consequently represents a complex value chain. As a technology company aspiring to be the quality leader and a supplier of custom solutions, we are conscious of these challenges.

On the procurement side, we work predominantly with suppliers from 13 countries. When choosing its suppliers, technotrans looks at criteria such as quality, price

and availability, but also at aspects such as safety, environmental protection, short transport routes and especially compliance with our standards regarding rules and regulations. A binding technotrans compliance code lays down all the Group's expectations of our suppliers. In addition, our suppliers must confirm to us that their products and goods always carry all the necessary export and foreign trade licences, and that sustainable and resource-light production methods are used.

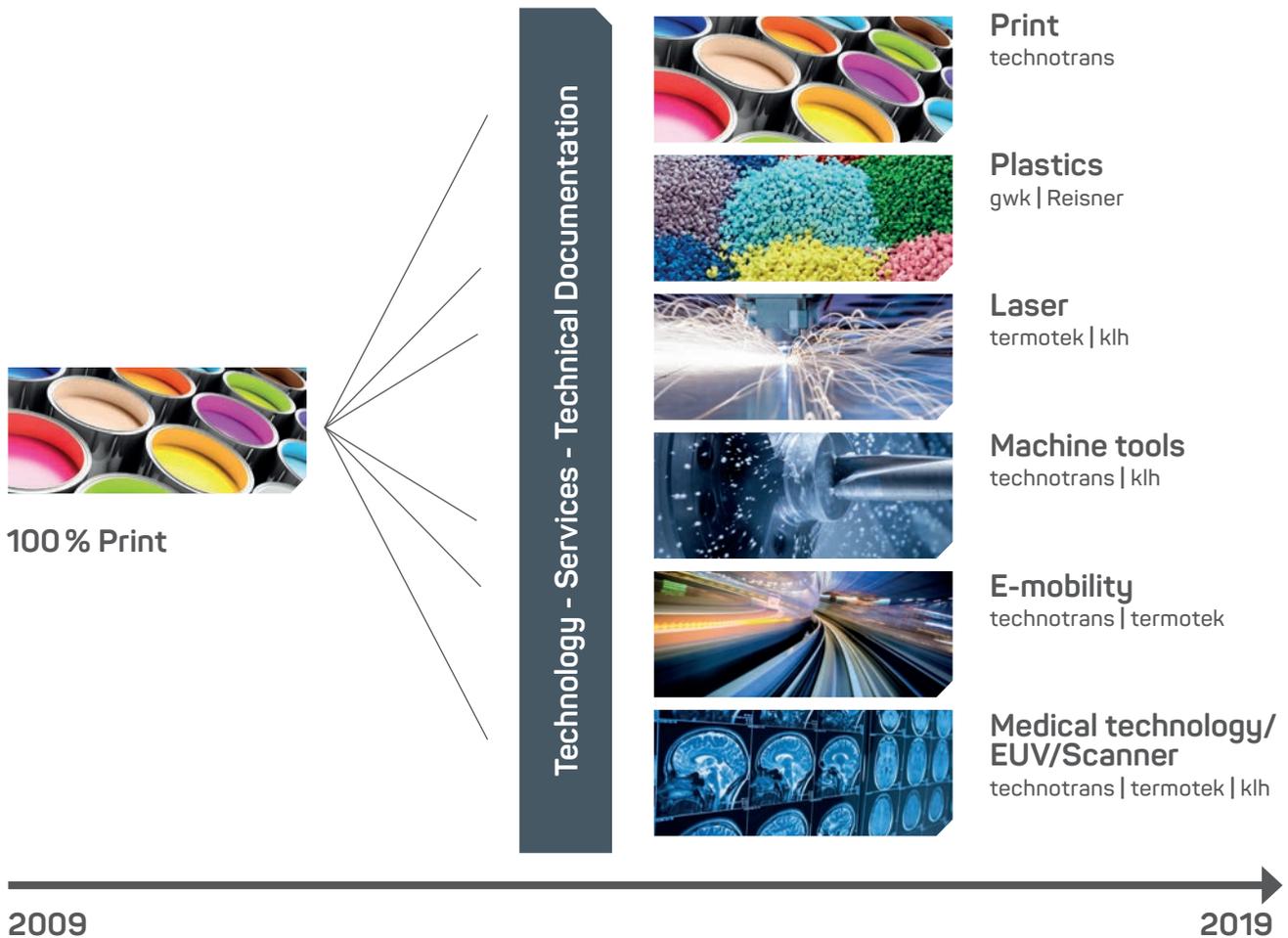
We source the bulk of our purchased materials locally, i.e. from suppliers located in the same country as our production company. This enables us to avoid lengthy

transport routes, saving resources. Sales, too, are generally handled locally. The bulk (around 60 percent) of revenue is generated in the country in which the product in question is made.

In addition, our international service units directly provide a full range of services locally. These are carried out by our own employees. Our customers see this as bringing significant added value.

## DIVERSIFICATION OF THE PORTFOLIO

**Core competencies: cooling/temperature control - filtration/separation - pumping/spraying**



## SUSTAINABILITY MANAGEMENT

As a globally active group, we are exposed to underlying conditions that are continually shifting. These also include comprehensive sustainability requirements from our stakeholders. We respond by maintaining a transparent, constructive dialogue and by handling opportunities and risks responsibly. This enables us to assure the permanent 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 corporate decisions worldwide conform to the applicable laws, internal rules and voluntary commitments.

This also reflects the particular importance we attach to sustainability. Among other things we support the Global Compact initiative of the United Nations (UN Global Compact), as previously mentioned. 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 universally acknowledged 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 incorporated the principles of the UN Global Compact into our technotrans Code of Conduct, which is binding for all Group companies and branches worldwide. This document constitutes our corporate compliance guideline. 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 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 implementing our sustainability strategy. The code is binding for all technotrans Group employees worldwide; every new employee is presented with a written copy together with their employment contract. From 2021, employees will also be given training on the technotrans Code of Conduct and current compliance regulations via an e-learning platform.

The current version of the technotrans Code of Conduct can be accessed on our website under the following link: <https://www.technotrans.com/en/investor-relations/corporate-governance/compliance.html>.

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 holds overall responsibility for it. The managing directors/general managers of the national and international Group companies have likewise made an express commitment to uphold it. They are supported by local compliance officers. This guarantees uniform management and control of Group regulations, compliance with statutory requirements and voluntary commitments at all locations.

The compliance officers coordinate, train and monitor worldwide application of the compliance regulations and arrange updates as necessary, e.g. by revising specific organisational guidelines. 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. These committees also regularly check the status of compliance activities.

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 of this Combined Management Report.

Over recent years technotrans has acquired companies of various sizes and with distinctive structures. We believe it is very important to integrate all employees of the newly acquired companies into the Group strategy and compliance structure swiftly and comprehensively. Following an acquisition, all key processes are therefore gradually analysed in order to establish the standards and guidelines applicable Group-wide at the acquired businesses. In view of strong non-organic growth in the recent past, the integration of the new companies is not yet fully complete in every area.

The day-to-day work of our employees is shaped by always demonstrating comprehensive awareness of sustainability and steadily improving our expertise in that regard. We also reflect the significance of sustainability aspects by building them into the targets for our specialist and management employees.

## MATERIALITY

On the one hand we believe relevant issues in the sphere of sustainability, and especially the environment, include those where they have high significance for our business success and where technotrans can contribute to a sustainable development. On the other hand they extend to areas in which the activities of the technotrans Group have a major impact on sustainability aspects such as resources and the environment.

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 our key stakeholders. We use a variety of information sources and dialogue formats to that end. We draw a distinction between internal communications that take place within the Group and external communications that are aimed at a wider audience, such as customer communications, public relations (PR) and investor relations (IR).

Communications with employees are handled mainly by performance reviews, the intranet, emails, discussions as well as works meetings. Our employees receive regular briefings and training on relevant matters, including across multiple locations. A new employee magazine launched in the 2019 financial year provides information on such topics as interesting customer projects, innovative technical solutions and legal requirements. We invite and expressly welcome suggestions and ideas from the employees.

The dialogue with existing and potential customers focuses on how a technotrans solution can bring added value for the customer. The aim is to establish a long-term partnership. Initial contact is often established at trade shows, followed up by personal talks.

The Investor Relations area maintains open-handed communications with private and institutional investors, analysts and shareholders. A contact person is always available there to comment on financial reports and answer supplementary questions. In addition, the dialogue with institutional investors and analysts is conducted in the form of conferences and roadshows at major financial locations. In the 2019 financial year, technotrans also held an inaugural Capital Markets Day for analysts and institutional investors. Furthermore, we maintain an intensive dialogue with our private shareholders, especially at each Annual General Meeting.

The goal of this information policy that is candid and open to scrutiny is a relationship of trust with all stakeholders 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.

The non-financial aspects presented below are of high significance for the business performance and success of technotrans SE and the technotrans Group. Moreover, in our assessment the impact of our entrepreneurial activity on the non-financial aspects described below is significant. In addition, we address aspects that do not fully meet the statutory principle of materiality. Because these are likewise regular topics of discussions with our stakeholders, we consider it appropriate and important to report on them, too.



> non-financial aspects according to the CSR Directive Implementation Act (CSR-RUG)

## NON-FINANCIAL ASPECTS

### a) Environmental matters

Growth in economic output worldwide will lead to increasing demand for resources. We therefore need innovations and technologies that reduce consumption of materials and commodities, and therefore protect the environment. Based on its long-standing experience and extensive expertise in sustainable business practices, technotrans pursues the goal of developing resource-light solutions hand in hand with its customers in order to reduce its carbon footprint.



Environmental aspects influence product development to a considerable degree. In specific, they do so not merely through statutory requirements that we are obliged to observe, but also through voluntary measures. They include the implementation of the EU Ecodesign Directive, for example. This has been transposed into German law in the German Act on Energy-Related products (EVPG). The goal pursued here is of reducing environmental impacts of energy-related products. There are also growing demands among customers for energy efficiency in the equipment used. The environmental priorities of our customers and suppliers are therefore becoming increasingly important. Through our solutions, we help our customers to manage energy and resources, and also to reduce their carbon footprint. 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.

Sustainable environmental, energy and resource management is a very important aspect of our entrepreneurial activity and competitiveness. It chimes with our goal to steadily improve the Group's operational efficiency and is also firmly embedded in our compliance culture.

### Product development

In the main, products are developed at the domestic production locations. The product development process is governed internally by procedural instructions. We work in close partnership with our customers to develop new solutions. That ensures we satisfy customer requirements optimally and position ourselves as a trustworthy development partner. From coming up with an idea to bringing it to fruition, the product development process is standardised. By way of an internal due diligence process, it passes through defined stages known as quality gates. This ensures for example that the project's cost effectiveness is always maintained at an adequate level. The project manager's permission is required to pass through a gate. For especially high-importance gates, the permission of the Board of Management is needed.

Feasibility studies, internal tests and field tests are also systematically used during the development phase to assess whether the predefined targets have been achieved. Adjustments can then be made early on if required.

This approach means we largely avoid wrong developments. Nevertheless, there is always the possibility that efforts to launch new products will not succeed. On the other hand the individual risk is lower because of the growing number of customers. We limit the risk of miscalculating market potential or customer acceptance, for example, by maintaining a constant, close dialogue with our customers.

The development departments of our Group companies also practise in-depth knowledge sharing. This makes sure similar projects are developed from the outset across locations.

We also work with universities and research establishments on research and development matters, and support students with project, bachelor and masters theses.

In the 2019 financial year we worked on a total of 58 projects in product development, of which 21 were completed. The remaining projects are at various stages. In some cases realisation is uncertain. A large number of our development projects in the year under review achieve a positive environmental impact, for instance by saving energy or shrinking our carbon footprint. Research & development spending is fundamentally shown in the Consolidated Income Statement. Research and 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. Research and development spending for the past three years is as follows:

	2019	2018	2017
	€'000	€'000	€'000
R&D spending <sup>1</sup>	7,575	7,946	7,528
Innovation ratio (%) <sup>2</sup>	5.1	5.1	5.1

<sup>1</sup>R&D spending pursuant to Consolidated Income Statement

<sup>2</sup>R&D spending refers to the revenue for the Technology segment

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

Our range of services comprises technologies and processes through which our customers make their processes more efficient and environmentally friendly. That includes cutting consumption of energy and materials. The effectiveness of this concept is reflected in the many projects realised in the financial year.

#### Resource-saving products

The development of alternative drive concepts is making further progress. E-mobility in its various manifestations has emerged as a key technology for reducing carbon emissions. technotrans positioned itself in this future market early on and offers its customers tailor-made solutions for cooling and temperature control. technotrans systems increase the performance and extend the operating life of high-performance batteries in electric vehicles and static energy storage devices through constant, precision-control temperature management.

The product range comprises cooling and temperature control systems for lithium-ion batteries for road and rail vehicles as well as for stationary batteries. In addition, technotrans develops and manufactures cooling solutions for HPC (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.

In 2019, technotrans unveiled the latest generation of its sustainable cooling systems for e-mobility in local public transport at Busworld Europe in Brussels. The systems used in e-buses doubly benefit the environment. First, precise temperature control of the lithium-ion battery extends its operating life by up to six times. Second, automatic adjustment of the cooling output to the ambient temperature means the cooling system is extremely energy-efficient to run. technotrans designs and builds the systems in response to customer requirements. It draws on its wealth of expertise for rail technology and special-purpose vehicles, for example.

Thanks to a newly developed refrigeration concept, we have substantially increased the energy efficiency of our alpha.c and beta.c lines. The result is energy savings for the customer sometimes in excess of 20 percent.

With the latest generation of the protemp series – based on enersave technology – the Group company gwk is able to supply a highly efficient equipment series with centrifugal rotary pumps. The compact temperature control systems are used in the plastics processing industry, for example. The centrifugal pumps that feature in this series achieve a much higher minimum efficiency index (MEI) than is required under the Ecodesign Directive. The devices fitted with centrifugal pumps use up to 65 percent less energy than systems with the previously customary peripheral impeller pumps. These gwk systems achieve a positive environmental impact and are also eligible for grants.

At EMO 2019, technotrans presented a new, energy-efficient version of the omega.eco process chiller, which is used in such areas as the laser and machine tool industry. The chiller adapts to the prevailing operating load and to variations in the ambient conditions using highly developed, precise control technology. Depending on the cooling performance required in the machining process, the compressor and fan are governed automatically, for instance. The plant's efficiency is in turn improved and offers high potential for energy efficiency. This technology also makes temperature control more precise and responsive. The result is thermal management with high process reliability in operation.

At Blechexpo we exhibited an advanced version of our large-scale spray lubrication system as well as our extended product portfolio for small, straightforward applications. The lubricant application solution for stamping and forming technology that operates without compressed air is notable for its high energy efficiency and sharply reduced oil consumption. The systems, with widths ranging from 100 to 4,600 millimetres, make a precise, low-mist application of the liquid on the material for reduced oil consumption, a healthier workplace and less cleaning-up work afterwards compared to conventional solutions.

The purpose of the F-Gas Regulation of the EU, which took effect on January 1, 2015, is to significantly reduce the use of partially fluorinated hydrocarbons (HFC) between 2015 and 2030. The legislation is driven by the negative role of such refrigerants in aggravating global warming. Their greenhouse gas potential is to be reduced in phases by 79 percent by 2030, down to 21 percent of the CO<sub>2</sub> equivalent from 2013. The negative effect of HFC on global warming is also referred to as "global warming potential" (GWP). For us, actively supporting the EU's climate targets is a matter of course. Our contribution involves switching a large number of cooling and temperature control systems throughout the Group to environmentally friendly refrigerants. The

new, partly natural refrigerant exhibit a GWP around 65 percent lower, for example. A significant amount of our future research activities will moreover be devoted to achieving a further reduction in GWP through the use of alternative refrigerants. By December 31, 2019, we had already achieved more than a 40 percent reduction in the CO<sub>2</sub> equivalent since the regulation took effect in 2015 and have therefore already undercut the regulation's current demanding requirements. For 2020, there is every sign that we will likewise go beyond the required threshold for the year for new purchases of refrigerants.

The period under review also brought further progress with the development of a platform for a Group-wide modular cooling system ("Group chiller"). It is notable for its high energy efficiency and can be adapted to individual customer requirements. The optimised use of material and lean production methods keep the resources required in manufacturing to a minimum.

As well as these specific examples, we are continuously developing other solutions and methods that help our customers to achieve their energy efficiency and sustainability targets.

#### Own production operations

In terms of our own production operations, we are constantly seeking to use finite resources such as energy and input materials as efficiently as possible. We fundamentally avoid wasting resources. The same applies to the use of environmentally hazardous substances. This approach is especially relevant at our production locations with higher vertical integration and which therefore use more materials (e.g. in the form of metals). It is our declared aim to keep consumption of materials down and to minimise waste. The latter is sorted by type and sent for recycling. A firm element of our concept involves informing and training our employees on how they can save resources in their day-to-day work and through their own initiative.

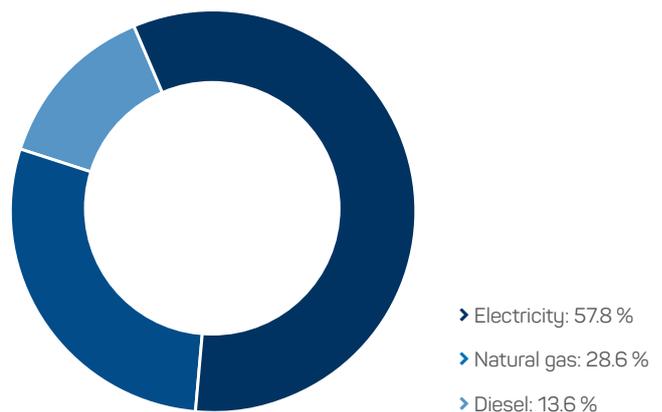
Actual consumption of resources and the use of environmentally hazardous substances in our products are regularly recorded and reviewed. We also strictly adhere to the latest statutory requirements. We always promptly update the work instructions that are based on these.

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.

Equally, we adopt a responsible approach where our suppliers are concerned. They are under an obligation not to use any environmentally hazardous substances as defined by the REACH regulation, and to provide us with binding confirmation of their compliance. We also expect our suppliers to comply strictly with the RoHS II Directive. In addition, all major suppliers of the production locations are requested to submit a declaration on REACH and the RoHS Directive 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. It was the turn of gwk in the 2019 financial year, where a new ERP system based on the Group standard was introduced. The process has not yet been completed at all 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. Because of our company's size, we are obliged to conduct an energy audit to DIN EN 1627-1 every four years. Such an audit took place in the 2019 financial year. This audit established that natural gas is our main energy source, on around 46.0 percent, followed by electricity on 35.5 percent, diesel on 16.5 percent and "other" on 2 percent.

The importance of the energy sources changes when expressed in terms of carbon emissions. The breakdown is as follows: based on assumed carbon emissions of 0.592 kg/kWh, electricity accounts for 58 percent, followed by natural gas on 29 percent (assumption: 0.226 kg/kWh) and diesel on 13 percent (assumption: 0.300 kg/kWh).

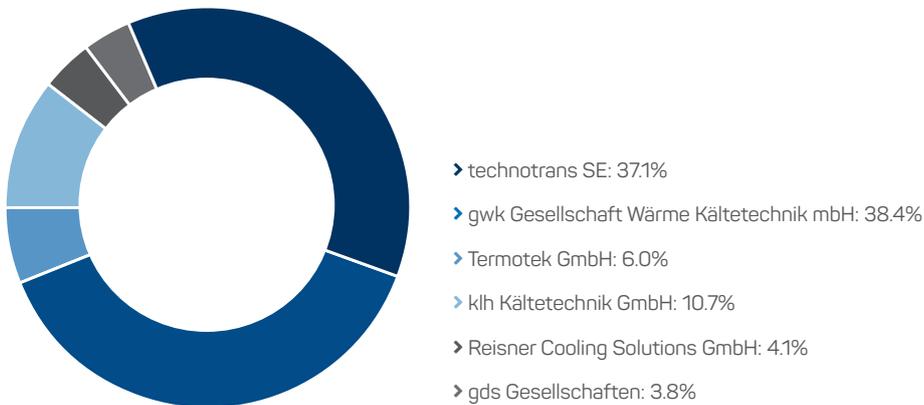


› Energy audit 2019: proportionate CO<sub>2</sub> emissions by energy source

Of the four domestic companies, gwk accounts for 38 percent of energy consumption – this reflects the comparatively high vertical integration of its production operations. technotrans SE follows on 37 percent. This share stems especially from the diesel consumption by the fleet of company cars.

We seek to reduce our consumption of resources still further. Our timetable of measures reflects for example the findings of the Energy Audit.

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.



› *Energy audit 2019: pro rata energy consumption of technotrans group companies in Germany*

The performance indicators thus obtained are used to identify ways of cutting consumption. The factory building itself is also included. gwk's energy management team has used the findings to replace all gas-fired radiator heating units in a production hall with infrared heaters. This is expected to produce a significant saving in heating energy and therefore in gas consumption.

Our Group company Termotek GmbH substantially improved its energy efficiency in the period under review: its production and office building with an all-new concept opened according to schedule in August 2019. This building redefines the benchmark for energy efficiency and sustainability in meeting the strict KfW 55 standard. A combination of water-to-water heat pump with heat exchanger, ground collectors and cisterns is the key to a primary energy saving of 45 percent. Compared to a building that merely meets the requirements of the German

Energy Saving Regulation (EnEV), the new termotek building more than halves carbon consumption. The calculated potential saving per year is about 424 tonnes of CO<sub>2</sub>, equivalent to the volume of emissions from approximately 170 four-person households. The entire building has central measurement and control technology. This allows various energy-relevant factors such as demand for electricity, heat and cooling to be evaluated. It creates a basis on which to steadily optimise energy consumption. The production process designed according to lean principles features an optimised flow of materials.

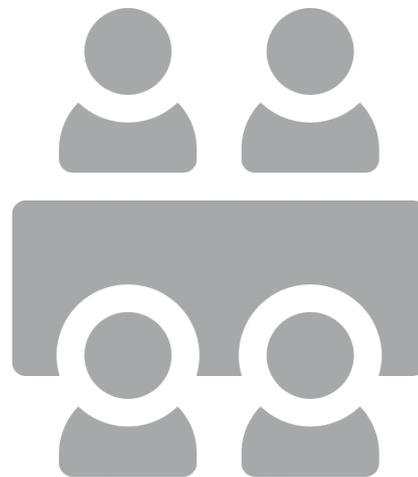
Alongside energy considerations, the needs of the workforce were also comprehensively built into the plans: open-plan multifunctional offices, communication areas and attractive communal rooms promote active communication and create an agreeable working environment.

How to use the available energy with maximum efficiency and shrink your carbon footprint is an increasingly important economic factor for industry. Businesses are increasingly focusing on climate-neutral production.

In both ecological and economic terms, optimum energy management is a mainstay of our corporate success. Environmental protection, sustainability and how resources are used in our product development are therefore an integral aspect of our compliance policy. We therefore ensure that the applicable globally valid standards and guidelines are implemented and observed throughout the Group. We aim to unlock further synergies within the Group through even closer cooperation between and greater specialisation by our Group companies. As well as saving costs, we expect this also to benefit sustainability.

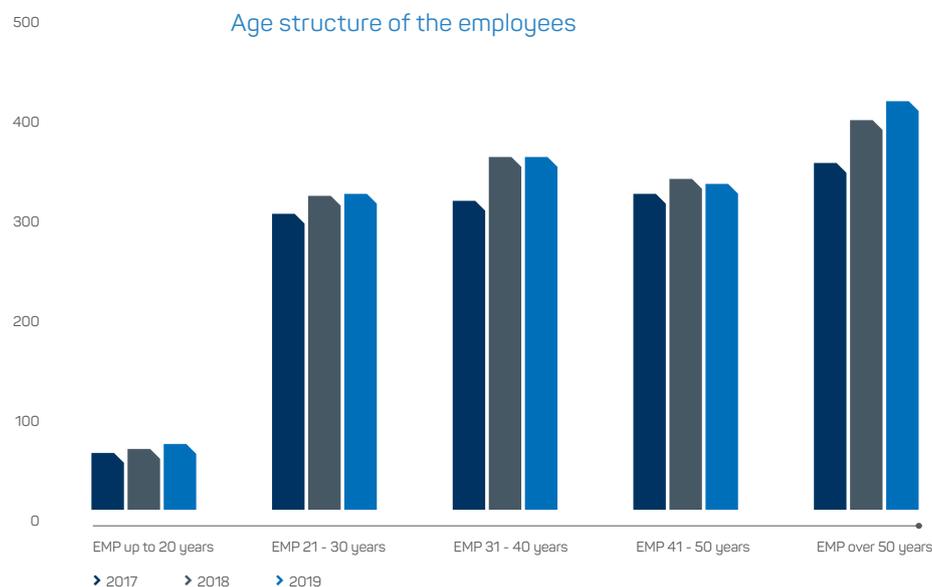
**b) Employee interests, training and qualification**

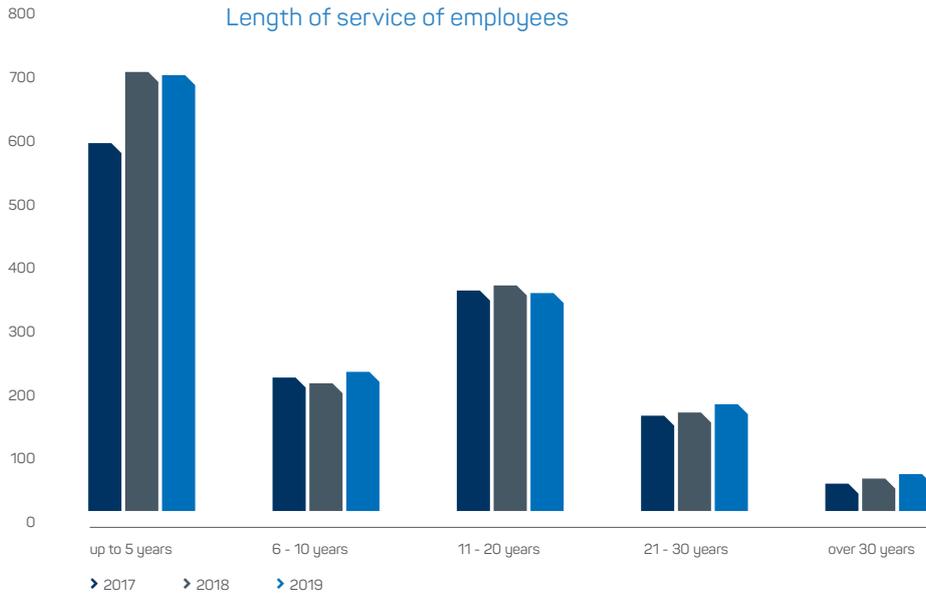
Committed employees with outstanding skills and abilities are the bedrock of our success. Changes to structures or processes create the risk that employees and their expertise could be lost if they are unable to identify with such measures and feel prompted to look elsewhere. To limit personnel turnover, in addition to 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 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.



**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:



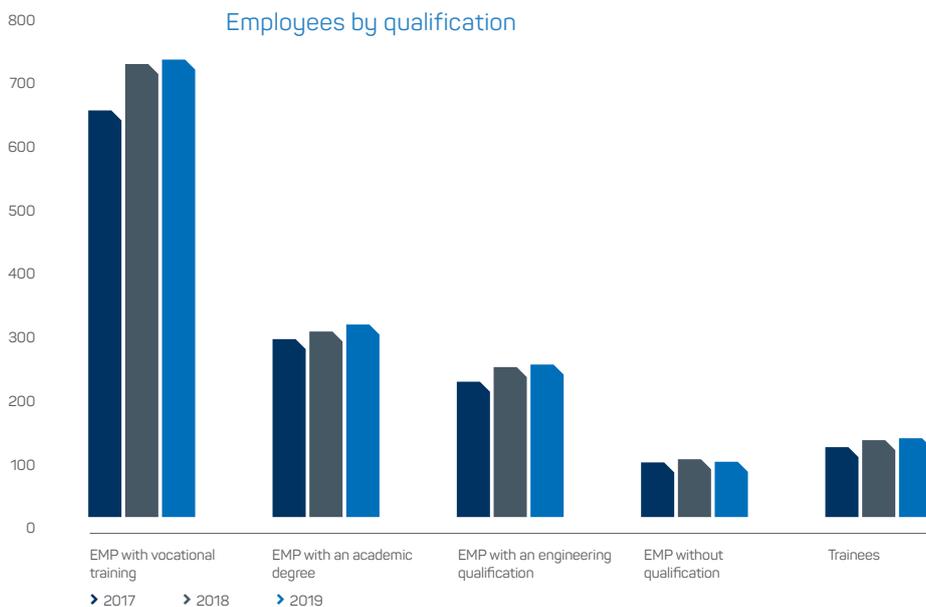


For many years we have treated vocational training as a high priority and therefore make a particular effort across the entire Group to provide training for juniors. We view this on the one hand as a social responsibility that we are glad to honour. On the other hand we see training young people as an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

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 specialist and management employees from our own ranks and from the local region.

The number of apprentices in the Group came to 124 at December 31, 2019 (previous year: 120). There were 54 apprentices at technotrans SE (previous year: 51). The proportion of apprentices at the German Group companies was therefore above nine percent despite the rise in the domestic employee total, and consequently above the industry average of about seven percent. The range of vocational qualifications in the technotrans Group currently spans 19 vocations. This reflects the wide-ranging 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 electricians training room for apprentices, and apprentices attend in-house instruction and training courses in various departments. Our instructors, too, receive regular training.

In the 2019 financial year, 31 apprentices successfully completed their training at our domestic companies. We were able to offer 27 of them permanent employment. This represents a retention rate of 87 percent.

	2019		2018	
	number	in %	number	in %
Employees at year end	1,474	100	1,453	100
Employees by region				
Germany	1,320	89.6	1,302	89.6
Other Europe	52	3.5	50	3.5
North and South America	49	3.3	49	3.4
Asia	52	3.5	50	3.4
Australia	1	0.1	2	0.1

Cooperation within the technotrans Group is becoming steadily more important. In a reflection of that, we are encouraging our apprentices to work on assignments for our Group companies at more than one location. Based on our positive findings, we will be stepping up these exchange stays.

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 2019. Like promoting 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 knowledge of a comprehensive range of products right across the Group. To that end, we for example inducted and intensively trained a large number of service engineers internationally in the 2019 financial year.

The employees discuss qualification measures with their managers at a performance review. 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.

Every year we arrange leadership circles, or meetings between Human Resources and each head of department, to identify what personnel development measures are required. This needs assessment is the priority. Based on the budget, it is decided what measures will be implemented in the current year. The next year, the measures taken are discussed for evaluation.

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

To facilitate further academic education for our employees, we have been discussing a partnership with the Münster-Steinfurt University of Applied Sciences. To aim is to develop a complementary further education module based around lectures and/or courses, at the end of which a certificate is awarded.

## EMPLOYEE STRUCTURE OF TECHNOTRANS SE, SASSENBERG

	2019		2018	
	number	in %	number	in %
Employees at year end	517	100	511	100
Employees by segment				
Technology	405	78.3	402	78.7
Services	112	21.7	109	21.3
Age structure				
Employees up to 20 years	29	5.6	28	5.5
Employees 21 to 30 years	120	23.2	117	22.9
Employees 31 to 40 years	93	18.0	89	17.4
Employees 41 to 50 years	123	23.8	127	24.9
Employees over 50 years	152	29.4	150	29.3
Period of employment				
up to 5 years	203	39.3	211	41.3
6 to 10 years	69	13.4	50	9.8
11 to 20 years	143	27.6	161	31.5
21 to 30 years	88	17.0	78	15.3
over 30 years	14	2.7	11	2.1
Employees by qualifications				
Employees with vocational training	264	51.1	261	51.1
Employees with an academic degree	86	16.6	81	15.8
Employees with an engineering qualification	92	17.8	94	18.4
Employees without qualification	21	4.1	24	4.7
Trainees	54	10.4	51	10.0

### 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 within a smooth production process. Alongside the regular health review that is part of the occupational health service check-ups required by law, employees can attend free back training courses several times a year, lease company bikes and obtain gym membership at special rates. We also support involvement in company runs to promote team spirit as well as health. To round off workplace health management, there is employer-financed supplementary dental insurance for our 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 (management) bonuses that are agreed individually in their contracts and are determined half by the attainment of company targets, and half by their personal performance. At the domestic companies, annual percentage pay increases for the employees are negotiated between the Board of Management, the executive management (in the case of subsidiaries) and the respective Works Council. The performance of the technotrans Group in the previous year serves as the basis. The average pay increase in the 2019 financial year was around three percent. No pay increase is envisaged for 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. The benefits include retirement benefit contributions, for example, or employer-financed

supplementary dental insurance. In the sphere of retirement benefits, we at technotrans SE also applied the Occupational Pensions Enhancement Act to old contracts with effect from January 1, 2019. We plan to step up our commitment by offering consultations on this issue, for example, to fill any potential gap in our employees' retirement benefits.

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 conduct hazard assessments at each location to make sure workplaces are safe and state-of-the-art at all times. 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. In addition, every employee receives the corporate organisational guidelines "Health and safety" and "Environment, hazardous goods and energy" in printed and/or digital form for their attention.

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 that include training our own safety officers – who together form the "Team technosafe" – to promote occupational health and safety at our Sassenberg location.

The purpose of all these concepts is to ensure the statutory requirements are always met. They include regular industrial safety committee meetings with the occupational safety officer and the medical officer.

Where necessary, other measures are also taken, if need be at short notice. To share insights, we for example hold voluntary site inspections or meetings with first responders and firefighters. 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.

Following a pattern established successfully in the 2018 financial year, the members of the Group Works Council meet regularly to discuss employee matters at the domestic Group companies. They for example draw up cross-location, 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 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 refugees 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 eleven different nationalities; fourteen percent of the around 500 employees at that location have a migrant background. We view this structure as 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.

To build up further specific expertise in this area, in the 2018 financial year we launched a partnership with the Hamm-Lippstadt University of Applied Sciences as part of the "Benefits of Cultural Diversity" research project sponsored by the state of North Rhine-Westphalia. The research project, which will run for four years, revolves around investigating the influence of cultural diversity on optimising working results and generating fresh business potential. The aim is to define specific recommended actions to achieve targeted, interculturally adapted employee advancement by HR consultants and managers. We hope the venture will provide a positive, lasting impetus for promoting diversity at technotrans that will in turn further enhance our competitiveness. The main activity of the project team in the 2019 financial year involved an in-depth review of the situation. Using interviews and observations, the project members first identified the status quo. Based on the findings obtained, the first version of a continuous data acquisition tool was created. In parallel, psychological assessment models were developed. The practical viability of these tools is due to be tested in the first two quarters of 2020.

One important priority for activities in the area of diversity is to achieve an appropriate proportion of female managers. The proportion at the end of the year under review was 13.6 percent.

The proportion of women in the overall workforce was 20.1 percent across the Group at December 31, 2019, virtually unchanged from the previous year.

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 32 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 2019 financial year.

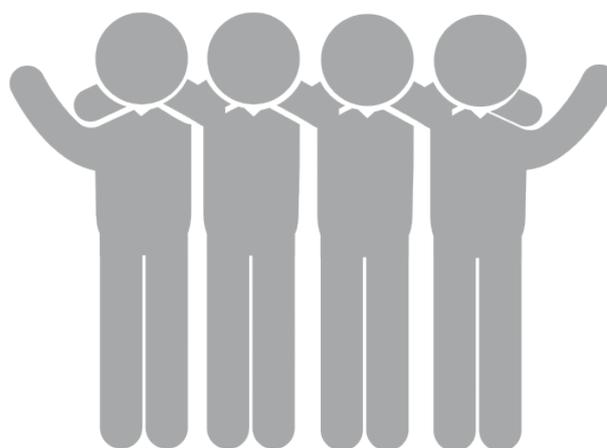
At December 31, 2019 the technotrans Group had 1,474 (previous year: 1,453) employees. This represents an increase of 1.4 percent on the previous year. The total for technotrans SE at the balance sheet date was 517 (previous year: 511) employees. The rise year on year was 1.2 percent.

### 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. For example, we have also implemented the General Data Protection Regulation (GDPR) which took effect in the 2018 financial year. 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 do business 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. 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. We will continue in that vein.

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 in the technotrans Group.

## 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.



The principles that apply to the entire Group with regard to labour standards and human rights were upheld in the 2019 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. The rating is substantially determined by acceptance and observance of our compliance code for suppliers, as well as compliance with the applicable working conditions and social standards (child and forced labour, discrimination) and with the prescribed environmental protection requirements. The subsidiaries have implemented equivalent clearance processes. The aim is to

introduce suitable, uniform criteria along with the growing convergence of purchasing processes across the Group.

In view of the high number of suppliers and sub-suppliers, we have only limited scope to supervise or transparently scrutinise the early stage of the supply chain and the associated process steps. Because no contractual relationship exists between technotrans and those suppliers that are upstream of our suppliers, 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 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 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 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 agreed with 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 2019 financial year. Compliance with the anti-corruption principles based on the statutory requirements is monitored worldwide throughout the Group.

The employees of newly acquired Group companies are directly sensitised to the compliance regulations as part of their integration into the technotrans Group. This upholds integrity and compliance with the law throughout the Group at all times and without restriction. Immediately after joining, new employees are likewise familiarised in-depth with the regulations that need to be observed.



## CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE STATEMENT

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

It is published on the technotrans website at <https://www.technotrans.com/en/investor-relations/corporate-governance/corporate-governance-declaration.html>.

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

On September 17, 2019, the Board of Management and Supervisory Board of technotrans SE issued the Declaration of Compliance for the 2019 financial year required under Section 161 of the German Stock Corporation Act (AktG).

It has been permanently available to shareholders on the company's website at <https://www.technotrans.com/en/investor-relations/corporate-governance/declaration-of-compliance.html>.

## 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 and seek to refine them.

As part of a systematic and efficient risk management system, principles of risk policy are defined up and current developments regularly logged, analysed, evaluated and – if necessary – appropriate countermeasures taken. The risk management system helps to safeguard the Group permanently as a going concern by identifying as early as possible all risks that could materially impair the net assets, financial position and results of operations of the Group. The internal control system (ICS), which constitutes an integral part of the risk management system, is described in summary form below.

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

- **The overriding risk principle at technotrans is to protect the company as a going concern. No action or decision may endanger the company as a going concern.**
- **Any risks to the company as a going concern must be communicated to the Board of Management without delay.**
- **Necessary risks are consciously accepted to a certain extent in return for economic success. Risks to income must carry the prospect of appropriate opportunities of a return.**
- **Risks are fundamentally to be avoided or, insofar as economically advisable, insured against, continually monitored and brought to the attention of the Board of Management, and also the Supervisory Board if necessary, in the context of regular risk reporting. In the event of residual risks, countermeasures must be taken.**

The risk management system is designed to promote the awareness of opportunities and risks among technotrans employees, and to guard against potential risks. The necessary processes and rules of communication within individual corporate divisions have been defined by the Board of Management and set down in a Group-wide organisational guideline. Risks are recorded non-centrally and reported in a standardised form to the Legal & Compliance area.

The manager in charge (risk manager) of each area of operations is responsible for compliance with the standards and directives on how to handle risks. Compliance is

monitored by the Legal & Compliance area as part of regular audits.

The risk management system including the ICS is moreover continuously updated and thus constitutes the basis for the systematic identification, analysis, evaluation, management, documentation and communication of the various risk types and profiles. The same applies to our compliance management system. technotrans does not tolerate any contravention of applicable law and to that end regularly examines the internal set of rules as well as its own compliance organisation, and seeks to improve them.

### 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 or directly 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 supports Group Controlling in ensuring that reports are submitted on a regular basis to the Board of Management. This organisational structure also makes it possible to identify tendencies and risks early on with the aid of key performance indicators, and thus ensures that the Group Board of Management can immediately implement suitable measures if there is a negative shift.

The reach and setup of the internal control system (ICS) of technotrans SE for financial reporting lie within the scope of judgement and responsibility of the Board of Management. The objective of the ICS for the financial reporting process is to guarantee with reasonable assurance, through the implementation of controls, that the (Consolidated) Financial Statements conform to the regulations, despite the risks identified. The ICS contains the principles, processes and measures involved in assuring proper accounting. It is continually being developed. The ICS is structured such that the annual financial statements according to the relevant requirements of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) as well as 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) of the German Commercial Code.

The Group financial reporting processes are managed by the relevant employees in Group Accounting. The organisation of the ICS for financial reporting features a uniform, centrally defined reporting structure which, based on the local statutory requirements, is in harmony with the Group principles. The subsidiaries report periodically according to IFRS, for Group reporting purposes. Newly established or acquired companies are integrated into this reporting process as swiftly as possible.

There are no uniform ERP and bookkeeping systems covering the entire Group. The reporting and consolidation processes for all Group companies are performed using a uniform IT system that is made available centrally by technotrans SE.

To guarantee uniform reporting, there exist corresponding corporate guidelines. These also include financial reporting and consolidation manuals, compliance with which is regularly examined. The guidelines contain regulations on the separation of functions and on the dual control principle, for example.

At intermittent intervals internal checks on the subsidiaries' financial reporting and compliance audits are carried out in situ. IT-based random examinations and plausibility checks are also performed for this purpose.

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 ongoing refinement and adjustment of the ICS help to assure the reliability of financial reporting. Nevertheless, suitable, functioning systems cannot provide any absolute guarantee that risks will be identified and controlled.

Group-wide, technotrans has a standardised organisation for risk management. The risk early-warning system meets the requirements of the German Corporate Control and Transparency Act (KonTraG). Group-wide risk communication is handled using a standardised format, in consultation with the responsible corporate unit "Legal & Compliance" at technotrans SE and between the non-central units of the subsidiaries. Depending on the characteristics of the defined list of criteria, reporting takes place bi-annually, quarterly or immediately. The reports comprise the substantive and economic assessment of the risks as well as corresponding 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 in addition 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 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 addressed, discussed and then evaluated on the basis of their probability and potential consequences in individual discussions or as part of a regular dialogue between the Board of Management and top-level management. Those events that cause a percentage deviation in the expected EBIT value in the annual planning for the respective subsequent year are defined as risks.

The risks are classified qualitatively as "low", "medium" and "high". Taking account of the potential impact of a loss and the probability of risks materialising, individual quantifiable 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", "medium" and "high").

## TECHNOTRANS USES THIS AS THE BASIS FOR CLASSIFYING ITS RISKS FOR 2020

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

## OPPORTUNITY AND RISK PROFILE

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

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

The structures and processes of the risk management system as explained in the Risks Report are therefore automatically also an aspect of opportunities management. Opportunities are identified not merely by the management or the risk managers, but also by each individual employee.

To establish the overall risk, technotrans bundles individual risks that belong together substantively. Based on the recommendations of DRS 20, technotrans categorises its risks according to five risk groups 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 all segments.

### GENERAL AND INDUSTRY-SPECIFIC RISKS

The success of the technotrans Group depends to quite some degree on the macroeconomic developments of its sales markets. These are specifically the printing industry, the plastics processing industry, the laser and machine tool industry, along with the sales markets of technotrans' customers. In assessing macroeconomic development, among other tools technotrans uses forecasts by widely recognised institutions and economic research institutes.

technotrans too is not immune to a slowdown in global economic growth and must expect a direct impact on revenue and earnings. The regional and market-segment composition of technotrans' revenue is increasingly diversified, producing a better equalisation of activities between economically weak and economically growing markets and industries. That is because 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.

As a systems supplier, technotrans realises a comparatively high proportion of its revenue from the leading printing press manufacturers worldwide. As a result of the industry's process of consolidation in recent years and the generally flat market volume for print products, there is growing interdependence between technotrans and 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 hardly expect any lasting effects because consolidation would probably not exercise any influence on overall sales of printing presses. In addition, technotrans is successfully expanding its range of products and services in the niche markets of digital and flexographic printing.

In the remaining relevant markets, technotrans addresses the risks from weaker economic growth and increasing pressure of competition through innovative technological developments and a stronger 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 considerable importance to its broad presence, to expanding its leading technological and innovative position, and to focusing on new customers and growth markets.

The Board of Management assesses the net risks in this risk category at the time the report was written as low, except for the global economic development. The latter is assessed as medium.

### 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 or 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. Attainment of the margin targets depends to a very high degree on the planned revenue performance and on keeping costs strictly under control. Unplanned expenses e.g. for restructuring measures, or unforeseeable additional quality problems, could also cause major shortfalls.

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

In order to gain access to further sales markets, technotrans focuses on the Group's core skills and specifically addresses niche markets where the Group companies can succeed as systems partners to major

industrial clients. The relevant markets are continuously monitored. Opportunities for strategic acquisitions that complement organic growth are identified. By making targeted acquisitions, technotrans endeavours to strengthen its position as technology leader, unlock market potential, improve the services it provides for customers and expand the product portfolio.

How quickly the acquisitions can be integrated into the Group in order to realise the expected Group-wide synergies will also be crucially important. Building on experience of previous successful acquisitions, the Board of Management addresses this risk with increased personal commitment and by conducting regular checks on the measures implemented. Newly acquired companies are integrated into technotrans Group reporting, including into the standardised risk management system, immediately after their acquisition has been completed.

On the basis of acquisitions 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 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 and meet market requirements as well as attract new customers, technotrans is investing in the further development and optimisation of its own technologies, products and processes. These affect all sales markets. New products 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 fundamentally always the possibility that efforts to launch new products will not succeed. On the other hand the individual risk is comparatively low because of the growing number of customers. Nevertheless, it is impossible to exclude miscalculations with regard to the strategic direction of the Group and its market potential, along with a lack of customer acceptance of newly developed products; these could have negative effects on the competitive position and the sales of the Group. We tackle these risks by maintaining intensive contact with customers and thus creating market proximity.

By knowing what our customers require, we are able to develop and offer needs-based products. The result is that we are steadily increasing our competitive position and raising our profile. Furthermore, it is of the utmost importance to us to uphold high quality standards.

In drawing up our plans for the 2020 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, the Board of Management assesses all corporate strategy risks at the time of compiling this report as low.**

## FINANCIAL RISKS

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

The individual subsidiaries fundamentally finance themselves from their operating profit. Depending on the liquidity situation, technotrans SE also helps with the financing and provides funding if required. To remain in a position to act at all times, the Group parent maintains adequate liquidity reserves.

technotrans acquired new financial liabilities in the 2019 financial year in connection with the construction project at the Baden-Baden location and to optimise its maturities structures. A diversified financing structure, spread across several principal banks, prevents dependence on individual lenders with the result that as matters stand default risks from banks are limited. In addition, business operations generate adequate cash and cash equivalents for continuing growth under its own momentum.

Nor would a change in the interest rate have any major impact on the results of operations, because ongoing financing involves a mix of fixed-rate and variable-rate financing, and interest rate risks are largely hedged. At the reporting date of December 31, 2019 the unsecured share of financing within the bank liabilities amounted to € 30.1 million. A significant deterioration in the results of operations, financial position and net assets from the plan figures for the 2020 financial year could render it necessary to draw on the available but unused borrowing facilities. Based on the plans for the 2020 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 fluctuations 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. However exchange rate movements may fundamentally increase or restrict the competitiveness of our customers.

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 subsidiaries into euros as the Group currency. Exchange rate movements may therefore correspondingly increase or reduce the consolidated result. In the 2019 financial year, the Group reported a balanced foreign currency result in the Consolidated Income Statement.

Notwithstanding the economic situation, there is always the risk that a customer will no longer be able to meet its payment obligations. In view of the diversified portfolio, continuously adjusted trade credit insurances and our experience of recent years, we rate the overall bad debt risk on the debtor side, especially of a major debt default, as low. Effective systems of monitoring creditworthiness of existing and new customers and possibly demanding collateral ensure that business proceeds in an orderly

manner. This is complemented by corresponding trade credit insurance cover to reduce the credit risk.

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.

**Overall, the Board of Management rates all financial risks for the Group as low.**

## 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. Risk management is therefore a fixed component of supplier management. technotrans cooperates closely with selected system suppliers. Expected shortages of raw materials and the associated price risks are addressed 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 Group procurement structure. On the materials and procurement side we expect to see a moderate rise in raw material prices for some components in 2020. Depending on the prevailing market situation, it is not always possible for Group companies to pass on the resulting cost burdens to customers promptly and comprehensively. We rate the risk from this 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. This does not include global disruptions to supply chains, such as the coronavirus epidemic. The consequences and measures to be taken cannot be assessed with regard to our suppliers' sub-suppliers. In all other cases, a higher vertical integration, as it is the case with gwk for example, increases flexibility within the Group by providing a safeguard against external supply bottlenecks if necessary. In view of growing diversification within the Group, the risks from effects on the Group are therefore of minor importance.

There is furthermore the risk that customer expectations about punctuality of delivery or 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 intended to anticipate and eliminate such risks.

A secure and effective IT infrastructure is the basis of the modern working environment. The growing integration of a large number of IT systems and the need for permanent availability place high demands on the information

technology used. 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 shared service centre function (in technical and organisational terms) as well as through ongoing investment measures in 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 of realising the synergy potential within the Group. In the event of unscheduled complications, the changeover could have a huge impact on production processes and therefore the net assets, financial performance and results of operations of the company in question. ERP implementations are therefore never simultaneously and only in one unit at a time implemented to limit the risk. Based on experience at the Group company gwk in the 2019 financial year, the Board of Management for the first time has identified standardisation of the ERP system as a separate risk in this category and rated it as medium.

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.

**On the basis of the experience with introducing the new ERP system at the Group company gwk in the past financial year, the Board of Management for the first time classifies the IT risk – an aspect of the economic performance risks – as medium. The Board of Management assesses all other sub-areas as low. (previous year: without exception 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 business operations of the individual companies harbour risks especially from 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 guarantee obligations amounting to € 1.8 million (previous year: € 1.7 million) were accounted for in 2019. In addition, the other provisions do include an amount of € 0.8 million of a potential fine in connection with a pending procedure with the Federal Financial Supervisory Authority (BaFin) resulting from a formal error in notifications pursuant to Sections 114 and 115 of the German Securities Trading Act (WpHG).

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.

Risks may also arise from changing international 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 exclude them altogether. technotrans has adequate insurance cover in place to guard against the risk, and in individual instances also accounts for provisions.

**The Board of Management assesses all legal risks as low.**

## OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON THE RISK SITUATION

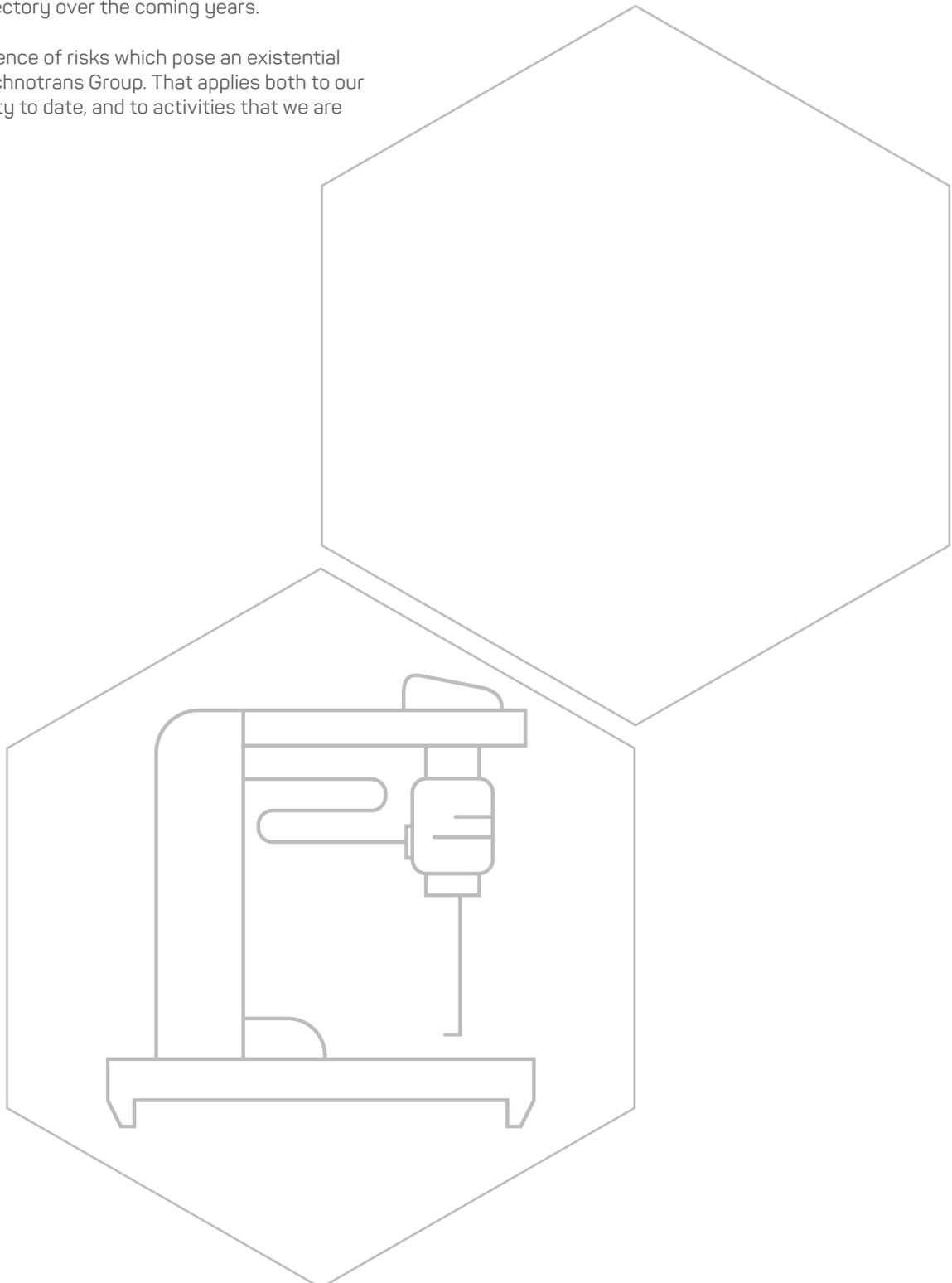
We believe the risk management system in place is suitable for identifying, analysing and quantifying the existing risks in order to manage them adequately.

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, everything is in place for technotrans to successfully continue its long-term corporate strategy and growth trajectory over the coming years.

There is no evidence of risks which pose an existential threat to the technotrans Group. That applies both to our economic activity to date, and to activities that we are

planning or have already kicked off. The overall risk situation of the Group results from the aggregation of all categories for all business units and functions. Overall, it has not changed significantly compared with the previous year, and remains medium and manageable.

In the Board of Management's view, the Group is well positioned to build on its market position and achieve global growth.



## FUTURE GENERAL CONDITIONS

The International Monetary Fund (IMF) takes the view that economic uncertainty has decreased. After 2.9 percent growth in 2019, in its Economic Outlook in January 2020 it forecasts growth rates of 3.2 and 3.4 percent annually for the current and next year. The forecast for 2020 takes into account the effects of the coronavirus epidemic on the global economy.

The IMF likewise anticipates a moderate acceleration in the economy for the euro zone: the IMF quotes annual growth rates of 1.3 and 1.4 percent for the euro zone for 2020 and 2021. For Germany, the upturn compared with 2019

is actually slightly higher at 1.1 and 1.4 percent. Growth in Germany had reached 0.5 percent in 2019, compared with 1.2 percent in the euro zone. The outlook for the USA is more restrained. On the back of estimated growth of 2.3 percent for 2019, the IMF expects declining growth rates of 2.0 and 1.7 percent in the coming years.

### GROWTH FORECAST OF GROSS DOMESTIC PRODUCT (IN %)

	2020	2021
World	3.2	3.4
USA	2.0	1.7
Eurozone	1.3	1.4
Germany	1.1	1.4
China	5.6	5.8
Emerging countries	4.4	4.6

Source: International Monetary Fund, World Economic Outlook, January 2020 (forecast) and update of February 22, 2020

Nor does the IMF believe that China will be able to repeat the growth of recent years. Taking into account the adverse effects of the coronavirus epidemic, the IMF expects growth rates of 5.6 and 5.8 percent for 2020 and 2021. The IMF had estimated a growth rate of 6.1 percent for 2019.

Overall, the IMF forecasts indicate growing confidence for Germany, a sideways shift globally and downturns in important national economies such as the USA and China.

However the previous economic uncertainty fundamentally persists, albeit lessened, and presents risks to the growth forecasts. It especially affects export trade and therefore also the mechanical engineering sector in Germany. The trade conflict between the USA and China has eased somewhat with the Phase 1 agreement; further developments remain to be seen. The same is true of Brexit: the United Kingdom's exit from the EU on January 31, 2020 signalled the start of negotiations over future economic relations. An agreement is sought by the end of 2020.

The German government, too, expects export trade to find the going difficult in the course of 2020. It attributes the forecast of a 1.1 percent price-adjusted rise in gross domestic product (GDP) mainly to the robust domestic economy.

In light of the coronavirus epidemic in China, the IMF has downgraded the growth forecasts for the world economy and China. We assume that the economic consequences will also hamper growth for German export-oriented industrial firms.

We believe this increases the risk that the growth rates expected by the forecasting institutes will not be achieved.

## EXPECTED DEVELOPMENT OF THE MARKETS OF RELEVANCE FOR TECHNOTRANS

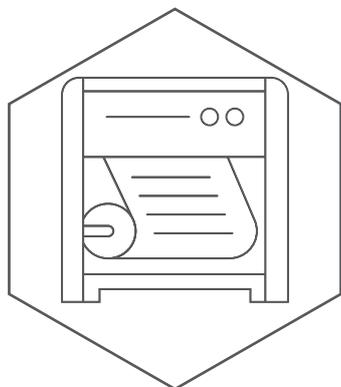
The worldwide economic environment as well as the technological and structural developments of the relevant markets will again substantially determine the business performance of the technotrans Group in 2020.

technotrans is active in various mechanical and plant engineering markets. A differentiated view of the economic effects should be taken depending on the factors at work in each individual market.

The machine tool engineering sector and the plastics processing industry are highly dependent on the export-oriented automotive industry. In the printing industry, on the other hand, developments reflect the worldwide variation in demand in the offset, digital and packaging printing areas, as well as growing consolidation among end customers (such as printers). Laser technology is used in a wide range of applications and industries such as the automotive industry, medical technology and the semiconductor industry, and is therefore subject to a wide range of factors.

The Board of Management expects the following development in the markets served by technotrans:

### PRINTING INDUSTRY



The German Printing and Media Industries Federation reports a further marked downturn in business sentiment in the German printing and media industry in January 2020. Market participants are more cautious in their assessment of the current business situation and expectations especially for the coming six months before drupa 2020, the printing

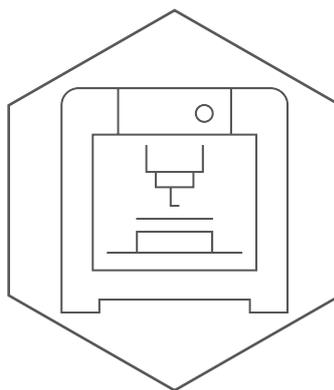
industry's leading international show, than at the end of 2019. The order intake for printing presses declined by 6 percent in 2019 overall, and the tendency remains downward.

The market environment of the printing industry remains challenging. Digitalisation means print runs for traditional print media are shrinking. Capacity utilisation of printers focusing on offset is on the decline. Meanwhile surplus capacity and technical progress are increasing the pressure of competition. Market consolidation in the print area in industrial countries thus continues. The change in consumer patterns of behaviour is having a positive impact. Demand for packaging is increasing. Both flexographic and offset printing presses are used for this. There is also a steady trend towards customised print products on a one-off basis or with small print runs, an area to which digital printing presses are especially suited.

As the leading provider of adapted system solutions in the offset, digital and flexographic markets, as matters stand technotrans therefore expects the market development to remain flat or decline slightly.

Under the slogan of "embrace the future", the drupa in June 2020 will set a clear tone for the coming years with technotrans among those who stand to benefit.

### PLASTICS PROCESSING INDUSTRY

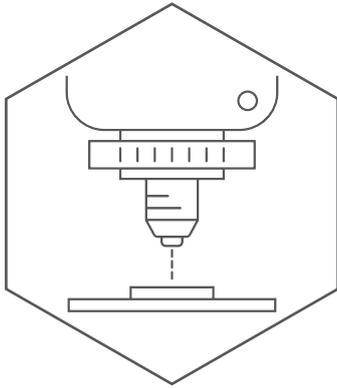


The customer base for plastics processing machinery is wide-ranging. It spans the automotive, construction, electrical engineering and packaging sectors, as well as the consumer goods industry. Within the technotrans Group, these markets are served especially by the companies gwk and Reisner. The diversified

range of both companies includes systems for injection-moulding and extrusion equipment, as well as custom-built large-scale cooling plant for process refrigeration. With a revenue volume of around € 100 billion (2018), over 3,400 businesses and some 400,000 employees, the plastics industry is one of Germany's major economic sectors. 2019 was a difficult year for the plastics industry. The structural change in the automotive industry had a huge impact especially on the injection moulding sector. The KI Development Index ("KI Entwicklungsbereich") hit a ten-year low in 2019. The worldwide order intake of German manufacturers calculated by the German Engineering Federation (VDMA) declined by 15 percent in the twelve-month period. The extrusion technology area proved quite stable, among other reasons thanks to the continuing positive economic development of the construction industry. Overall, the expectations of market participants showed only a slight improvement at the start of 2020.

The Board of Management anticipates a differentiated development. The auto-related plastics-processing injection moulding industry will continue to leave skid marks due to structural change. In other subsidiary areas of the plastics market, especially extrusion technology and the process refrigeration area, the Board of Management expects a positive development. It moreover assesses the negative turn in the image of plastic as a factor of uncertainty that is very difficult to predict.

## LASER- AND MACHINE TOOL INDUSTRY

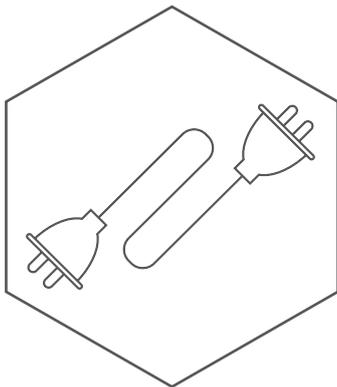


The consequences of the trade conflict between the USA and China as well as the automotive crisis had a major impact on the markets for laser and machine tools in 2019. According to the VDMA the order intake for machine tools, where lasers are also used, fell by 23 percent over the course of the year. The German Association of Machine

Tool Manufacturers (VDW) correspondingly reports a 22 percent decline in incoming orders for 2019, with 82 percent capacity utilisation. For 2020, the VDW forecasts an 18 percent drop in output. One ray of hope for laser applications is currently EAV lithography, which is useful in manufacturing miniaturised semiconductors. This comparatively small subsidiary market continues to grow almost independently of economic developments.

Even if the outlook for individual niches such as EUV technology is positive and these can be expected to deliver further growth, based on the economic environment outlined for the laser and machine tool industry the Board of Management expects an overall moderate to slight downturn in 2020.

## GROWTH MARKETS



Within technotrans' growth markets, **e-mobility** is one of the drivers. A large number of new projects, political initiatives and growing ecological awareness among the population are promoting the spread of e-mobility. This trend is being supported by the German government's decision to launch a "Future of Mobility"

platform encompassing such matters as higher grants for electric cars, the expansion of the charging infrastructure and the development of alternative drives based on hydrogen. Meanwhile the EU is driving structural change in the automotive industry by imposing tougher limits for carbon emissions. While the electrification of the passenger car is making progress, the range of affordable electric vehicles on the market remains limited. That is especially the case for vehicles with fast-charging capability.

The market for high-power charging stations (HPC stations) is correspondingly unbalanced. The providers of these fast-charging points initially set up and expanded the network very rapidly, each of them striving to secure central positions on long-distance routes. The pace of expansion has now slowed in the absence of compatible, mass-market cars. Yet the latter are essential for operating future charging areas economically and maintaining the spread of this technology.

Meanwhile the electrification of local public transport on road and rail continues, and truck-based transport logistics and goods distribution as well as a large number of autonomous off-road special vehicles – or automated guided vehicles (AGV) – offer abundant scope for spreading battery-powered mobility solutions.

technotrans positioned itself early on as a leading technology partner for mobile cooling solutions for batteries and inverters, and also for stationary systems for cooling the charging infrastructure, especially HPC cables, central cooling and inverter systems.

In the e-mobility area, the Board of Management therefore expects that technotrans will share in this increasingly dynamic market. However specifically in the case of HPC fast-charging points, we believe the next significant growth steps will only come once there is a higher number of compatible cars in circulation.

The second driver in our growth markets is the **medical technology** area. It is characterised by the steady development of new technologies and diverse, highly promising application areas.

In 2018, according to the Federal Association for Medical Technology (BVMed) 200,000 employees in the medical technology market generated revenue of € 30.3 billion. With an export ratio of 65 percent, 3.3 percent growth was achieved. The BVMed's worldwide growth forecast for 2019 was 5.8 percent.

technotrans regularly develops technologically innovative cooling solutions to meet the individual requirements of a growing number of customers. Because of the complex approval processes, taking a project as far as the go-ahead for series production is a relatively time-consuming affair. However the creation of such barriers to market entry often gives rise to long-term revenue potential.

For that reason, the Board of Management expects the market for specialised applications in medical technology to continue growing.

## EXPECTED DEVELOPMENT OF THE TECHNOTRANS GROUP IN THE 2020 FINANCIAL YEAR

The political and economic environment remains tense internationally. A wide range of risks clearly weighs on the economic climate. Added to this is the difficult situation in the automotive industry, which represents a major burden for a large number of markets. Nor can the economic impact of the coronavirus be estimated yet.

Based on the forecasts of the IMF and ifo Institute along with the assessments of the VDMA industry federation, the Board of Management expects a challenging year with numerous sources of uncertainty. It nevertheless stands by the fundamental growth targets of the technotrans Group. Despite the weaker growth outlook, the market environment offers the individual companies of the technotrans Group scope to extend their market position based on their comprehensive innovative and technological strength.

Under the slogan of “Shaping the future through development!” the Board of Management has launched a strategic process to reinforce the global brand “technotrans” by creating an integrated technotrans Group.

This repositioning involves sharpening and defining the skills profile of each location in terms of technology, product and production. The aim is to increase the pace of innovation and development within the Group, and permanently improve competitiveness. At the market end, the industry focus in sales will be stepped up across the Group. By continuing to unlock synergies and fine-tune the organisation, the Group’s flexibility, agility and profitability will be maintained long-term. The repositioning therefore builds on the existing raft of measures introduced in 2019 to boost efficiency and profitability.

This complementary structural adjustment of the Group to reflect shifting market conditions will entail further costs over the year as a whole. The Board of Management therefore expects Group-wide non-recurring expenses of up to € 3 million, as an additional drag on the earnings margin in the 2020 financial year that is already priced into the guidance.

In light of this, the Board of Management anticipates achieving consolidated revenue in the range of € 204 to 214 million and an operating result (EBIT) of between € 6.0 and 10.7 million for the 2020 financial year. This represents an EBIT margin of between 3 and 5 percent.

Based on the measures and future projects described above, a double-digit EBIT margin remains the medium-term goal. The Board of Management already expects a significant improvement in the EBIT margin in the following year.

The revenue and earnings forecast for 2020 does not include acquisitions. The outlook is based on the plans of the individual companies. The level of target attainment depends substantially on the success of repositioning and developments in our markets.

drupa will be taking place in June 2020. It normally brings a bounce in business in the months that follow it. Whether that will again be the case this year because of the market situation remains to be seen. Overall, we expect a slight downturn in the print area.

In the **plastics area** the reinvigoration of the Group company gwk following the introduction of the new ERP system is crucially important. All the system-related problems relating to its introduction have been resolved. With an eye to a shifting product mix, we will make the production processes even more flexible in order to return to the successful performance of 2018. The Board of Management identifies particular potential for development in the area of extrusion technology and for large refrigeration and container plants.

We aim to build on our good market position for **laser and machine tool technology** despite the economic challenges. Based on individual solutions and the platform strategy for the “Group chiller”, we will position ourselves even more clearly than the competition.

In the **growth markets**, the Board of Management believes close cooperation with customers offers further ample potential for the development of technological solutions for new areas of application and consequently for generating steadily rising revenue contributions.

In the area of **e-mobility**, technotrans’ high profile as a supplier of battery cooling systems continues to bring in highly promising project business, both for small runs and for larger series.

In **medical technology**, technotrans is nearing an important milestone in a key project to support cardiac surgery. Initial clinical tests yielded very positive results and official approval will shortly be received. We correspondingly expect to start series production later on this year. We are also well positioned to enter new markets. That may occur through organic growth or involve acquisitions of businesses.

While making use of Group-wide synergy potential, on the procurement side we expect moderate rises for commodities, input materials and energy. Whether and to what extent the general price development will be impacted by any protracted effects of the coronavirus remains to be seen.

With an eye to profitability, we aim to reduce the personnel expenses ratio again significantly after its recent rise. To achieve that, we will critically assess staffing in all areas of the Group and adjust levels as necessary. No further recruitment of personnel or collective pay increases are planned for the 2020 financial year.

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.

The economic challenges affect especially the **Technology segment**. In view of the diversified portfolio across the Group, the Board of Management expects to be able to absorb individual economic setbacks. Provided these are not too sharp and the growth markets continue to develop positively, it anticipates that slight organic growth will also be possible. Setting aside the structural costs, this will produce a positive operating result for the segment for 2020.

The **Services segment** makes a significant contribution to the Group's economic stability with its combination of lower cyclical dependency and comparatively high revenue share. Now that it has taken on the service and installation activities of gwk, which were previously handled by external service providers, the Board of Management expects the segment to continue its positive development. For the Technical Documentation area, represented by the gds Group, we expect revenue growth at least on the scale of 2019. It will be aided by the expected market penetration of the newly developed application for a content delivery system, among other factors. All in all, we expect the Services segment to achieve at least a constant return.

Based on the anticipated income, we forecast a positive cash flow for the 2020 financial year. Planned investment spending on property plant and equipment and intangible assets is set to total around € 8 million (excluding acquisitions). Around € 5 million of this will be spent on the new building at the Group company Reisner's expanded production location. The expenditure will be needed because the current building no longer meets the requirements of the growing company and the tenancy agreement finally expires in 2021. The investment budget for replacement investment at the German production locations is around € 3 million.

The repayment of debt and the dividend payout are to be financed from current cash flow and freely available liquidity. There are in addition unused borrowing facilities available. Together with the surplus cash generated, these constantly assure the financing of current business.

The Group equity ratio is to be maintained at a level of above 50 percent.

## EXPECTED DEVELOPMENT OF TECHNOTRANS SE IN FISCAL 2020

Given the prevailing environment, the Board of Management expects revenue for technotrans SE (separate financial statements) to remain at the prior-year level in the 2020 financial year, plus/minus 3 percent. For this forecast, we have suitably taken account of the economic uncertainty that affects especially business with the printing industry. The operating result will moreover be diminished by non-recurring expenses from the repositioning measures at the Sassenberg location. From the present perspective we expect an operating result (EBIT) in the range of € 2.0 to € 4.0 million. This represents an EBIT margin of between 3 and 5 percent.

## OVERALL STATEMENT OF THE BOARD OF MANAGEMENT ON FUTURE BUSINESS DEVELOPMENT 2020

technotrans has demonstrated that it is able to generate earnings based on its technological expertise and diversified portfolio, even under difficult conditions. At the same time, it has become apparent that there are still untapped synergies within the Group.

The Board of Management has set itself the goal of making the Group even more "weatherproof" by leveraging these synergies. With a view to the next five years, it therefore has launched a strategy process called "Shaping the future through development!". By creating the respective lean structures, especially in the financial years 2020/2021, the basis will be laid for increasing the efficiency and the synergy potential of the entire Group in order to achieve the medium-term sales and earnings goals.

The objective is to make the best possible use of the technological competencies in the relevant markets and to

adapt the value-adding chain accordingly. Sound economic conditions, a well-balanced product portfolio for promising growth markets, a strengthened market position in the various areas and a stable service business form the basis for a successful future.

If the market environment develops positively, the expected additional expenses of the strategy process can be more than compensated.

In view of the current forecasts, the Board of Management is therefore cautiously about the new financial year. Regarding the performance capability and the potentials of technotrans Group the Board of Management looks positively into the future.

### DISCLAIMER

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

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## CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED BALANCE SHEET

ASSETS	Note	31/12/2019	31/12/2018
		€ '000	€ '000
<b>Non-current assets</b>			
Property, plant and equipment	(1)	33,268	28,583
Right-of-use assets	(2)	3,846	0
Goodwill	(3)	23,513	23,513
Intangible assets	(4)	7,493	7,693
Other financial assets	(5)	185	162
Deferred tax	(28)	1,484	1,466
		<b>69,789</b>	<b>61,417</b>
<b>Current assets</b>			
Inventories	(6)	28,257	28,296
Trade receivables	(7)	24,039	27,111
Income tax receivable	(8)	349	629
Other financial assets	(9)	733	758
Other assets	(9)	1,926	2,255
Cash and cash equivalents	(10)	20,910	15,566
		<b>76,214</b>	<b>74,615</b>
<b>Total assets</b>		<b>146,003</b>	<b>136,032</b>

EQUITY AND LIABILITIES			
	Note	31/12/2019	31/12/2018
		€ '000	€ '000
Equity	(11)		
Issued capital		6,908	6,908
Capital reserve		19,097	19,097
Retained earnings		49,367	43,282
Other reserves		- 6,394	- 6,426
Net profit for the period		6,089	12,383
<b>Total equity attributable to technotrans SE shareholders</b>		<b>75,067</b>	<b>75,244</b>
<b>Non-current liabilities</b>			
Borrowings	(12)	33,760	25,956
Employee benefits	(16)	809	927
Provisions	(17)	0	15
Other financial liabilities	(13)	2,607	614
Deferred taxes	(28)	657	1,220
		<b>37,833</b>	<b>28,732</b>
<b>Current liabilities</b>			
Borrowings	(12)	6,696	8,431
Trade payables	(14)	5,952	6,712
Prepayments received	(15)	4,242	3,115
Employee benefits	(16)	5,154	6,253
Provisions	(17)	3,891	3,498
Income tax payable	(18)	745	700
Other financial liabilities	(19)	2,991	800
Other liabilities	(19)	3,432	2,547
		<b>33,103</b>	<b>32,056</b>
<b>Total equity and liabilities</b>		<b>146,003</b>	<b>136,032</b>

## CONSOLIDATED INCOME STATEMENT

	Note	2019	2018
		€ '000	€ '000
Revenue	(20)	207,927	216,286
of which Technology		148,424	156,476
of which Services		59,503	59,810
Cost of Sales	(21)	- 146,612	- 146,646
Gross profit		61,315	69,640
Distribution costs	(22)	- 25,606	- 25,736
Administrative expenses	(23)	- 18,760	- 19,275
Development costs	(24)	- 7,575	- 7,946
Net impairment losses on financial and contract assets	(7)	- 510	- 530
Other operating income	(25)	1,911	2,379
Other operating expenses	(26)	- 2,437	- 1,181
Earnings before interest and taxes (EBIT)		8,338	17,351
Financial income		630	499
Financial charges		- 763	- 543
Net finance costs	(27)	- 133	- 44
Profit before tax		8,205	17,307
Income tax expense	(28)	- 2,116	- 4,924
Net profit for the period		6,089	12,383
of which:			
Profit attributable to technotrans SE shareholders		6,089	12,383
Earnings per share (€)	(29)		
basic / diluted		0.88	1.79

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2019	2018
		€ '000	€ '000
Net profit for the period	(11)	6,089	12,383
Other results			
Items that were not be reclassified to Income Statement			
Revaluation of the net debt from defined benefit obligations	(16)	- 34	- 1
Deferred tax		9	- 3
		- 25	- 4
Items that were or must be reclassified to Income Statement			
Exchange differences from the translation of foreign group companies		86	265
Change in the amount recognised within equity (net investments in a foreign operation)	(11)	- 32	- 240
Change in the market values of cash flow hedges		- 42	- 29
Amount reclassified to the Income Statement		23	24
Deferred taxes		- 3	- 6
Change in the amount recognised within equity (cash flow hedges)	(34)	- 22	- 11
		32	14
Other profit after tax		7	10
Overall result for the financial year		6,096	12,393
of which:			
Profit attributable to technotrans SE shareholders		6,096	12,393

## CONSOLIDATED CASH FLOW STATEMENT

	Note	2019	2018
		€'000	€'000
Cash flow from operating activities	(30)		
Net profit for the period		6,089	12,383
Adjustments for:			
Depreciation and amortisation		7,670	5,248
Income tax expenses	(28)	2,115	4,924
Gain (-)/loss (+) on the disposal of property, plant and equipment	(25), (26)	- 142	- 106
Foreign exchange losses (+)/gains (-)		- 46	- 33
Net finance costs	(27)	133	44
Cash flow from operating activities before working capital changes		15,819	22,460
Change in:			
Inventories	(6)	38	- 950
Receivables and other current assets		3,402	- 3,993
Liabilities and prepayments		1,178	- 2,301
Provisions and employee benefits	(16), (17)	- 863	- 404
Cash from operating activities		19,574	14,812
Interest received		15	26
Interest paid		- 630	- 510
Income taxes paid/income tax rebates		- 2,153	- 8,016
Net cash from operating activities		16,801	6,312
Cash flow from investing activities	(31)		
Cash payments for investments in property, plant and equipment and in intangible assets		- 9,363	- 8,381
Cash payments for the acquisition of consolidated companies		0	- 2,065
Proceeds from the sale of property, plant and equipment		210	381
Net cash used for investing activities		- 9,153	- 10,065

	Note	2019	2018
		€'000	€'000
<b>Cash flow from financing activities</b>	<b>(32)</b>		
Cash receipts from the raising of short-term and long-term loans		17,500	15,200
Cash payments from the repayment of loans		- 11,431	- 3,837
Distribution to investors		- 6,079	- 6,079
Cash payments from the repayment of lease liabilities		- 2,356	0
Payment for the acquisition of non-controlling interests		0	- 820
<b>Net cash used in financing activities</b>		<b>- 2,366</b>	<b>4,464</b>
Net increase/decrease in cash and cash equivalents		5,282	711
Cash and cash equivalents at start of period		15,566	14,798
Net effect of currency translation in cash and cash equivalents		62	57
<b>Cash and cash equivalents at end of period</b>	<b>(10), (33)</b>	<b>20,910</b>	<b>15,566</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOTES 11)

	Issued capital	Capital reserve	Retained earnings
	€'000	€'000	€'000
<b>01/01/2018</b>	<b>6,908</b>	<b>19,097</b>	<b>49,988</b>
Net profit for the period	0	0	12,383
Other result	0	0	- 4
Overall result for the financial year	0	0	12,379
Distribution of profit	0	0	- 6,079
Transactions with owners	0	0	- 6,079
Changes in ownership interests			
Acquisition of non-controlling interests without a change in control	0	0	- 623
Total changes in ownership interests	0	0	- 623
Total transactions with owners of the company	0	0	- 6,702
<b>31/12/2018 / 01/01/2019</b>	<b>6,908</b>	<b>19,097</b>	<b>55,665</b>
Change in accounting policy	0	0	- 194
Adjusted balance as of 01/01/2019	6,908	19,097	55,471
Net profit for the period	0	0	6,089
Other result	0	0	- 25
Overall result for the financial year	0	0	6,064
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
<b>31/12/2019</b>	<b>6,908</b>	<b>19,097</b>	<b>55,456</b>

	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
	-4,013	-2,405	-22	69,553	197	69,750
	0	0	0	12,383	0	12,383
	265	-240	-11	10	0	10
	265	-240	-11	12,393	0	12,393
	0	0	0	-6,079	0	-6,079
	0	0	0	-6,079	0	-6,079
	0	0	0	-623	-197	-820
	0	0	0	-623	-197	-820
	0	0	0	-6,702	-197	-6,899
	-3,748	-2,645	-33	75,244	0	75,244
	0	0	0	-194	0	-194
	-3,748	-2,645	-33	75,050	0	75,050
	0	0	0	6,089	0	6,089
	86	-32	-22	7	0	7
	86	-32	-22	6,096	0	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	75,067	0	75,067

## I. APPLICATION OF IFRS - BASIC EXPLANATIONS

technotrans SE is a listed company based in Sassenberg, Germany. The company is registered under number HRB 17351 in the register of the Local Court Münster. These Consolidated Financial Statements of technotrans SE and its subsidiaries ("Group") at December 31, 2019 were released for submission to the Supervisory Board by resolution of the Board of Management on March 2, 2020. 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 in Accordance with International Accounting Standards") in compliance with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB). All mandatory regulations adopted by the European Union were observed.

Details on the accounting policies are provided in section "II. Group c) Recognition and measurement principles". These are the first consolidated financial statements in which IFRS 16 Leases has been applied. Changes in significant accounting policies are also presented in the section "Recognition and measurement principles".

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

## II. GROUP

### A) CONSOLIDATED COMPANIES

The consolidated financial statements include technotrans SE and its 18 subsidiaries over which it exercises control. As a rule, a controlling influence results from holding the majority of voting rights. technotrans SE directly or indirectly holds the majority of voting rights in 18 subsidiaries. The Group does not hold a majority of voting rights in SHT Immobilienbesitz GmbH & Co. Vermietungs KG, which exclusively holds and manages the company premises in Bad Doberan, which are rented 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. Vermietungs KG is a subsidiary and is therefore to be consolidated. Subsidiaries that are of minor importance for the Group due to their dormant or only minor business

activities and for providing a true and fair view of the net assets, financial position and results of operations 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. Two of the companies not included in the previous year were finally liquidated in the financial year.

During the financial year gds GmbH, Sassenberg, acquired the remaining 44 percent of the shares in Ovidius GmbH, Berlin. Ovidius GmbH was merged with gds GmbH with effect from September 9, 2019.

### COMPANIES

		Domicile	Interest in %
technotrans SE	DE	Sassenberg	parent company
gwk Gesellschaft Wärme Kältetechnik mbH	DE	Meinerzhagen	100 <sup>2)</sup>
Termotek GmbH	DE	Baden-Baden	100 <sup>2)</sup>
KLH Kältetechnik GmbH	DE	Bad Doberan	100 <sup>2)</sup>
Reisner Cooling Solutions GmbH	DE	Holzwickede	100
SHT Immobilienbesitz GmbH & Co. Vermietungs KG	DE	Mainz	94 <sup>1)</sup>
technotrans Grundstücksverwaltungs GmbH	DE	Sassenberg	100
gds GmbH	DE	Sassenberg	100 <sup>2)</sup>
gds Sprachenwelt GmbH	DE	Hünfeld	100 <sup>3)</sup>
technotrans graphics ltd.	GB	Colchester	100
technotrans france s.a.r.l. (Saint-Maximin und Madrid)	FR	Saint-Maximin	100
technotrans italia s.r.l.	IT	Legnano	100
technotrans scandinavia AB	SE	Åkersberga	100
technotrans america inc.	USA	Mt. Prospect	100
technotrans américa latina ltda.	BR	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 <sup>4)</sup>
technotrans japan K.K.	JP	Kobe	100
gwk Heating & Cooling Technology (Nanchang) Co. Ltd	CN	Nanchang	100 <sup>5)</sup>

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

<sup>2)</sup> 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.

<sup>3)</sup> Indirect interest held through gds GmbH

<sup>4)</sup> Indirect interest held through technotrans technologies pte. Ltd.

<sup>5)</sup> Indirect interest held through gwk Gesellschaft Wärme Kältetechnik mbH; company is currently in liquidation and was not included in consolidation for reasons of minor significance

## B) CONSOLIDATION METHODS

The consolidated financial statements are based on the annual financial statements and interim financial statements (HB II based on IFRS) of the companies included in the Group prepared in accordance with uniform accounting policies as of December 31, 2019.

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 time of acquisition. 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 were measured at cost (partial goodwill method). Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Goodwill is recognised as an asset and is subject to an annual impairment test. The costs associated with the business combination are expensed as incurred.

All receivables and payables, sales, expenses and income between Group companies as well as intercompany profits from deliveries within the Group are eliminated in the course of consolidation. Where necessary, deferred taxes are recognised on consolidation transactions affecting profit or loss.

## C) RECOGNITION AND MEASUREMENT PRINCIPLES

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

### Estimates and judgements made for financial reporting purposes

The preparation of the consolidated financial statements in accordance with IFRS requires the Board of Management to make estimates and assumptions that affect the reported amounts and related disclosures in the notes. Significant judgments beyond the scope of estimates relate to the definition of cash-generating units, the consolidation of companies without a majority of voting rights in the Group, the valuation method for non-controlling interests, the time 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 net assets, financial position and results of operations of the Group. The estimates and premise-sensitive accounting principles are characterized by uncertainty and may change over time. The actual results may differ from these estimates. Group Controlling is responsible for the regular monitoring of all material fair

value measurements, including fair value measurements at level 3. Changes are reported to the Chief Financial Officer. Regular reviews of significant unobservable input factors and valuation adjustments are performed.

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

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

### 1) Accounting of acquisitions

As a result of acquisitions, goodwill is recognised in the Group's balance sheet. When an acquisition is consolidated for the first time, all identifiable assets, liabilities and contingent liabilities are recognised at fair value on the acquisition date. Assets such as land, buildings and office equipment are usually measured on the basis of independent expert opinions, 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 forecasting uncertainty. Goodwill exists from company acquisitions. Goodwill is tested for impairment annually or whenever indications for impairment are identified. With regard to "Significant accounting judgments to be exercised in 2019", 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 must assess whether there is any indication that the carrying amount of a property, plant and equipment item, 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 and future cash flows. Changes in these assumptions or circumstances could result in additional impairment losses or reversals of impairment losses in the future. With regard to "Significant accounting judgments to be exercised in 2019", 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 their utilization are estimated. The amount of the actual utilisation may differ from the estimates. The assumptions and estimates are in each case based on the current state of knowledge and the data currently available. With regard to "Significant accounting judgments to be exercised in 2019", see Note 16 "Employee benefits" and Note 17 "Provisions".

### 4) Income tax expense

As the Group operates and generates income in numerous countries, it is subject to a wide variety of tax laws in a number of tax jurisdictions. Although management assumes that it has made a reasonable estimate of tax uncertainties, there can be no assurance that the actual outcome of such tax uncertainties will be consistent with the original estimate. Any differences could have an impact on tax liabilities and deferred taxes. At each balance sheet date, the Board of Management assesses whether the realizability of future tax benefits is sufficiently probable for the recognition of deferred tax assets. Among other things, this requires the Board of Management to assess the tax benefits resulting from the tax planning strategies available and future taxable income. The reported deferred tax assets could be reduced if the estimates of planned taxable income are lowered or if changes in current tax legislation limit the realizability of future tax benefits. With regard to "Significant accounting judgments to be exercised in 2019", see Note 28 "Income taxes".

### 5) Revenue recognition

IFRS 15 provides a comprehensive framework for determining whether, in what amount and at what time revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining whether control is transferred on a point in time or over a period of time requires discretionary decisions. The Group recognises revenue when a customer gains control of the goods or, in the case of services, when the service is rendered. In the Group's estimation, revenues are generally recognised at the point in time.

Where contracts contain two performance obligations, the transaction price is allocated to the products or the product and service on the basis of the relative individual selling prices. If a discount is granted, it is allocated to both commitments on the basis of their relative individual sales prices. Management estimates the individual sales prices at the beginning of the contract. With regard to "Significant accounting judgments to be exercised in 2019", see Note 20 "Revenue".

### 6) Valuation of financial assets

The Group uses an allowance matrix to measure the expected credit losses on trade receivables. The Group uses past default rates and forward looking information to determine expected loss rates. The assumptions used to determine the loss ratios are based on the Group's estimates. With regard to "Significant accounting judgments to be exercised in 2019", see Note 34 "Financial instruments".

### 7) Term of lease agreements

The term of lease agreements 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 extension or termination options are only included in the term of the contract if an extension is sufficiently certain. With regard to "Significant accounting judgments to be exercised in 2019", see Note 2 "Leases".

### Accounting and valuation methods

The application of specific IFRS can be found in the notes to the individual items of the financial statements. The following accounting and valuation methods were applied:

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

With the exception of land, property, plant and equipment is depreciated on a straight-line basis over its useful life. The useful life and depreciation method are reviewed annually. Parts of an item of property, plant and equipment with a significant purchase value in relation to its total value are depreciated separately. When assets are sold or decommissioned, their acquisition or production costs and the corresponding accumulated depreciation of the assets are removed 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. If necessary, property, plant and equipment are written down to the "recoverable amount". If the reasons for the write-downs subsequently cease to apply, these write-downs are reversed up to a maximum of the net carrying amount that would have resulted if no such write-downs had been made.

### Leases

Assets and liabilities from leases are recorded as **right-of-use assets** and **lease liabilities** at the beginning of a lease. At the inception of the lease, the Group assesses whether the lease constitutes or contains a lease. If the agreement conveys the right to control the use of an identified asset for a specified period of time for consideration, the agreement establishes or contains a lease. In order to assess whether an agreement confers the right to control the use of an identified asset, the technotrans Group uses the definition of a lease pursuant to IFRS 16. This method applies to contracts entered into on or after January 1, 2019.

At the inception or upon reassessment of a lease that contains a lease component, the Group allocates the consideration receivable under the lease based on the relative unit prices. This means that lease and non-lease components are separated.

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 which depend on an index or a price, initially valued at the index or price at the inception date
- › expected payments from the utilisation of residual value guarantees
- › the exercise price of a purchase option, the exercise of which is reasonably certain for the Group
- › lease payments for an extension option if the Group is sufficiently certain that it will exercise this option
- › penalties for the early termination of a lease, provided that the lease term reflects the fact that the Group will exercise the relevant termination option.

Lease payments are discounted at the implicit interest rate underlying the lease if this can be determined. Since this is not generally the case in the Group, the lessee's marginal borrowing rate is used for discounting. 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 security to acquire an asset with a similar value in a similar economic environment.

To determine a marginal debt interest 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 future lease payments change due to a change in an index or rate, if the estimate of residual value guarantees to be paid changes, or if the Group changes its estimate in relation to the exercise of purchase, extension or termination options. If the lease liability is revalued, the carrying amount of the right of use is adjusted accordingly.

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 cost. These are made up as follows:

- › the amount of the initial measurement of the lease liability
- › lease payments made at or before the commencement date, less any incentives received from the lessor
- › initial direct costs incurred
- › estimation of the cost of dismantling and removing a leased asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are amortised on a straight-line basis over the term of the underlying lease agreement. The term for lease agreements for vehicles is usually 3 to 4 years, and for property 1 to 10 years. Due to extension options, some property lease agreements also exist beyond a term of 10 years. Depreciation begins at the beginning of the lease. If a revaluation results in an impairment of the carrying amount of a right-of-use asset in accordance with IAS 36, the adjustment is recognised in the income statement.

The Group has lease agreements with contractual terms not exceeding 12 months or leases for items of minor value. As a matter of principle, neither right-of-use assets nor lease liabilities are recorded for these lease agreements. The lease payments associated with these leases are recognised on a straight-line basis over the term of the lease.

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

**Intangible assets** acquired, namely concessions, industrial property rights and similar assets, are carried at cost. They are reduced by scheduled depreciation according to the straight-line method in line with their useful lives. Trademarks, licenses and customer bases acquired in business combinations are recognised at fair value at the time of acquisition. Intangible assets identified from previous acquisitions have a finite useful life and are subsequently carried at cost less accumulated amortization. The residual value, useful life and depreciation method are reviewed annually.

Internally generated intangible assets are recognised at cost. Development expenses that aim at a significant further development of a product are capitalized if the product is technically and economically feasible, the development is marketable, the expenses can be reliably measured and the Group has sufficient resources to complete the development project. In accordance with IAS 38.65 et seq., 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 to its completion. The capitalization requirements of IAS 38.21, 38.22 and 38.57 are observed. Scheduled amortization of capitalized development costs begins as soon as the asset can be used. This date usually coincides with the start of commercial use.

#### Useful life of intangible assets

Patents, licenses	3 to 10 years
Capitalized 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. The comments on property, plant and equipment apply analogously with regard to any necessary impairment losses on the "recoverable amount" of intangible assets.

The **taxes** of the period consist of current and deferred taxes. Taxes are recognised in the income statement unless they relate to items recognised directly in equity or other comprehensive income. In these cases, the corresponding taxes are also recognised in equity or other comprehensive income. In accordance with IAS 12, **deferred taxes** are recognised in accordance with the balance sheet approach for temporary differences between the carrying amounts in the commercial balance sheet and the tax balance sheet (liability method) as well as for tax loss carryforwards and for tax credits. 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 future to allow them to be utilised. Deferred taxes are measured using the local tax rates that have been enacted or substantively enacted by the balance sheet date.

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

As a matter of principle, **inventories** are measured at cost using the average cost method or, if lower, at net realisable value. In accordance with IAS 2, production costs include direct material and production costs as well as fixed and variable production overheads attributable to production by way of overhead calculation.

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 write-down no longer exist, the impairment loss is reversed.

**Trade receivables** and other current receivables are generally carried at amortised cost using the effective interest method. Impairment losses, which are recognised in the form of individual and group portfolio allowances, take adequate account of the default risk. For further information on the accounting treatment of trade receivables in the Group and a description of the Group's impairment principles, please refer to Note 34 "Financial instruments". Objective defaults result in the derecognition of the receivables concerned. Non-current non-interest-bearing receivables are discounted.

**Cash and cash equivalents** are reported at nominal value and are converted into euros at the exchange rate on the balance sheet date. They comprise cash and demand deposits as well as financial assets that are readily convertible to cash

**Issued capital** (no-par-value shares) is reported 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 shares issued and the fair values upon 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). With the exception of the obligation from put/call options from corporate transactions, financial liabilities are not measured at fair value through profit or loss. They are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. Put/call options are measured at fair value. The put/call options are subsequently remeasured at fair value, with changes in fair value recognised in profit or loss.

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

Provisions for warranties are recognised at the time of sale of the goods concerned. The amount is based on the historical development of warranties as well as an analysis of all possible future warranty cases weighted by their probability of occurrence.

Provisions for legal disputes are shown in the amount of the expected claim, including procedural costs.

**Employee benefits** are measured at the amounts expected to be payable 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 pension commitments. **Provisions for pensions** and provisions for similar obligations are measured using the projected unit credit method. Gains and losses resulting from changes in expectations with regard to life expectancy, future expected pension and salary increases and the discount rate compared with actual developments during the period are recognised directly in other comprehensive income in the statement of comprehensive income.

**Termination benefits** are due when an employment relationship is terminated by the Group or when an employee voluntarily resigns from the employment relationship in return for a severance payment. The Group recognises such services when the Group can no longer withdraw the offer for such services.

**Financial instruments** in the Group consist primarily of trade receivables and other financial assets and liabilities. Financial assets and liabilities are initially recognised on the 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 in other comprehensive income (FVOCI)
- › measured at fair value with changes in value in profit or loss (FVTPL)

Financial assets and liabilities are classified on the basis of the company'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 if the financial assets are held in the ordinary course of business, with the objective of collecting the contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding at specified dates.

A debt instrument is designated as FVOCI if the debt instrument is held as part of a business model whose objective is to collect the contractual cash flows as well as to sell financial assets and where the cash flows represent solely interest and principal payments. Changes in the carrying amount are reported 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 at fair value through profit or loss (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, is a derivative or is designated as such upon initial recognition.

The Group classifies as financial liabilities at fair value through profit or loss (FVTPL) the contingent consideration from the acquisitions made. 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 consistent with the objectives and strategy of the Group's risk management. 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 Group currently only uses interest rate swaps to hedge future interest cash flows. If they meet the requirements of a cash flow hedge, the corresponding effective changes in the market price are recognised directly in equity. The amounts recorded in equity were recognised in the income statement in the period in which the completed transaction affected the result for the period.

**Financial income and expenses** are recognised on an accrual basis using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in accordance with IAS 23. No financing costs were capitalised in the 2019 financial year.

**Currency translation:** The translation of all financial statements of the foreign group companies prepared in foreign currencies is performed in accordance with the functional currency concept (IAS 21). The functional currency of the companies included in the consolidated financial statements is the respective local currency.

Transactions that a Group company concludes in a currency other than its functional currency are translated into the functional currency for the first time at the spot rate applicable on the day of the transaction and recognised in the balance sheet. At each subsequent balance sheet date, monetary items (cash and cash equivalents, receivables and liabilities) that are 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 following rates were used for currency translation:

	Mean rates for the financial year		Mean rates at balance sheet date	
	2019	2018	31/12/2019	31/12/2018
USD	1.1195	1.1810	1.1234	1.1450
JPY	122.0058	130.3959	121.9400	128.8500
GBP	0.8778	0.8847	0.8508	0.8945
SEK	10.5891	10.2583	10.4468	10.2548
CNY	7.7355	7.8081	7.8205	7.8751
BRL	4.4134	4.3085	4.5157	4.4440
INR	78.8361	80.7332	80.1870	79.7298

The assets and liabilities of foreign subsidiaries are translated at the middle rate on the balance sheet date (closing rate) and included in the consolidated financial statements. Expenses and income are translated at the exchange rate on the day of the transaction - approximated to the average exchange rate for the year; the resulting differences are recognised directly in equity. Currency differences that arise compared with the previous year's translation are also recognised directly in equity.

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

## D) CHANGES IN RECOGNITION AND MEASUREMENT PRINCIPLES

The consolidated financial statements of technotrans SE at December 31, 2019 take account of all standards and interpretations adopted by the European Union and whose application is mandatory for the 2019 financial year.

As of January 1, 2019, the Group applied IFRS 16 Leases for the first time. The other changes to the standards listed below had no or no significant impact on the consolidated financial statements.

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

The following standards were to be applied for the first time as of January 1, 2019:

### IFRS 16 - Leases

The standard IFRS 16 Leases was applied for the first time as of January 1, 2019, using the modified retrospective method. Therefore, comparative information has not been adjusted and continues to be classified as operating leases under IAS 17. The cumulative effect of the first-time adoption of IFRS 16 was recognised as an adjustment to the opening balance sheet values of retained earnings as at January 1, 2019.

In the technotrans Group, the first-time application essentially concerns leases previously classified as operating leases. There are no material effects on the Group's finance leases.

### Effects on the accounting of the lessee

IFRS 16 changes the accounting treatment of leases that were previously classified as operating leases in accordance with IAS 17. According to the standard, all assets and liabilities from leases must be shown in the balance sheet. This does not apply to short-term leases and leases for assets with a low value.

As part of the first-time adoption of IFRS 16, the Group is recognising right-of-use assets and lease liabilities from leases in the consolidated balance sheet. The right-of-use assets for leases were measured retrospectively as if IFRS 16 had always been applied (IFRS 16.C8 (b)). The liabilities are measured at the present value of the remaining lease payments, discounted at the lessee's marginal interest rate on borrowings as of January 1, 2019. Right-of-use assets and lease liabilities are measured at the present value of future lease payments discounted at the marginal interest rate. The weighted average marginal borrowing rate applied to lease liabilities as of January 1, 2019, was 1.88 percent.

In adopting IFRS 16 for the first time, the technotrans Group has made use of the following simplifications:

- › IFRS 16.C10b: Waiver of impairment test and, before first-time application, assessment in accordance with IAS 37 as to whether leases are onerous contracts.
- › Selected lease agreements with a remaining term of less than 12 months as of January 1, 2019, are accounted as short-term leases.
- › Initial direct costs shall not be taken into account in the valuation of right-of-use assets at the date of first application.
- › For contracts with extension or termination options, the term is determined retrospectively.

The technotrans Group has decided not to reassess whether an agreement constitutes or contains a lease at the time of first-time application for lease agreements that were concluded before the date of transition, but to retain the assessment previously made under IAS 17 and IFRIC 4.

At January 1, 2019 the technotrans Group recognised right-of-use assets and lease liabilities, and reported the difference under retained earnings. Without the application of IFRS 16, there would be an insignificant effect on profit and loss in the income statement as at December 31, 2019. The effects at the time of first-time application are summarised below:

	01/01/2019
	€'000
Right-of-use assets	4,882
Deferred tax assets	74
Lease liabilities	5,150
Retained earnings	-194

The off-balance-sheet lease liabilities as of December 31,

2018 are reconciled with the balance sheet lease liabilities as of January 1, 2019 as follows:

	€'000
Lease liabilities not affecting the balance sheet as at 31/12/2018	5,229
Liabilities from finance leases as at 31/12/2018	-37
Short-term leases not recognised as a liability	-75
Low-value leases not recognised as a liability	-18
Lease liability before discounting and adjustment	5,099
Effects from discounting	-152
Adjustments as a result of a different treatment of extension and termination options	203
Lease liability recognised as at 01/01/2019	5,150

### Effects on the lessor's accounting

IFRS 16 does not significantly change the accounting treatment of leases by a lessor. The Group is not a significant lessor. There were no significant changes in these leases.

### IFRIC 23 - Uncertainty regarding the income tax treatment

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

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

### Amendments to IFRS 9 - Prepayment regulation with negative compensation

The amendments concern a limited adjustment of the assessment criteria relevant for the classification of financial assets. Financial assets with a negative prepayment feature with negative compensation may, under certain conditions, be recognised at amortised cost or at fair value in other comprehensive income instead of at fair value through profit or loss.

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

### Amendments to IAS 28 - Non-current Investments in Associates and Joint Ventures

The amendments include a clarification that IFRS 9 applies to long-term investments in associates or joint ventures that are not accounted for using the equity method.

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

### Amendments to IAS 19 - Plan amendment, curtailment or settlement

The amendment to the standard requires that if a defined benefit plan is modified, curtailed or settled, the current service cost and net interest for the remainder of the financial year be recalculated using the current actuarial assumptions used to make the necessary revaluation of the net liability. In addition, the amendments contain additions to clarify how a plan amendment, curtailment or settlement affects the requirements for asset ceiling.

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

### Improvements to IFRS (2015 - 2017)

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

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

## NEW ACCOUNTING STANDARDS

A number of new standards and interpretations are to be applied in the first reporting period of a financial year commencing on or after January 1, 2020, with early application possible; however, the technotrans Group did not apply the new or revised standards early in preparing these consolidated financial statements. Unless otherwise stated, the effects on the consolidated financial statements are currently under review.

### A) EU ENDORSEMENT HAS ALREADY TAKEN PLACE

#### Amendments to IAS 1 and IAS 8 - Definition of material

The amendments create a uniform and more precise definition of materiality of financial statement information in IFRS and supplement it with accompanying examples. In this context, an amendment to IAS 1 and IAS 8 is being made.

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

#### Framework - modification of the references to the Framework

The revised framework includes revised definitions of assets and liabilities and new guidance on valuation and derecognition, presentation and disclosures.

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

### B) EU ENDORSEMENT IS STILL PENDING

In addition, 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.

#### IFRS 17 - Insurance contracts

IFRS 17 replaces IFRS 4 and thus for the first time provides uniform requirements for the recognition, measurement, presentation and disclosure in the notes to 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 and a contractual service margin that leads to a profit recognition in accordance with the service rendered.

Subject to endorsement by the EU, the amendments are to be applied for the first time as of January 1, 2021. The technotrans Group currently assumes that there will be no impact on the consolidated financial statements.

#### Amendments to IFRS 3 - Definition of a business operation

With the amendment, the IASB clarifies that a business operation 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 generate output. Furthermore, with regard to services (output), the focus is now on the provision of goods and services to customers; the reference to cost reductions has been dropped. The new regulations also include an optional "concentration test", which is intended to facilitate the identification of a business operation.

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

#### Amendment to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

The amendments relate in particular to certain simplifications with regard to hedge accounting rules and are mandatory for all hedging relationships affected by the reform of the reference interest rate.

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



### III. NOTES TO THE CONSOLIDATED BALANCE SHEET

#### Consolidated Statement of Changes in Fixed Assets

2018

		Cost								
		at January 1, 2018	Additions upon first-time application of IFRS 16	Adjusted balance at January 1, 2018	Foreign currency translation differences	Additions from corporate acquisition	Addi- tions	Disposals	Transfers	at December 31, 2018
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Property, plant and equipment</b>	(1)									
Property*		29,127	0	29,127	-11	0	81	0	0	29,197
Technical equipment and machinery		7,091	0	7,091	12	88	174	-58	13	7,320
Other equipment, operating and office equipment		12,053	0	12,053	10	82	1,569	-771	0	12,943
Construction in progress		541	0	541	0	0	4,820	-177	-13	5,171
		<b>48,812</b>	<b>0</b>	<b>48,812</b>	<b>11</b>	<b>170</b>	<b>6,644</b>	<b>-1,006</b>	<b>0</b>	<b>54,631</b>
<b>Intangible Assets</b>	(4)									
Goodwill	(3)	23,144	0	23,144	0	369	0	0	0	23,513
Concessions, industrial and similar rights		19,859	0	19,859	14	888	856	-47	0	21,570
Development expenditure recognised as an intangible asset		8,915	0	8,915	11	0	839	0	0	9,765
Prepayments		0	0	0	0	0	42	0	0	42
		<b>51,918</b>	<b>0</b>	<b>51,918</b>	<b>25</b>	<b>1,257</b>	<b>1,737</b>	<b>-47</b>	<b>0</b>	<b>54,890</b>

2019

		Cost								
		at January 1, 2019	Additions upon first-time application of IFRS 16	Adjusted balance at January 1, 2019	Foreign currency translation differences	Additions from corporate acquisition	Addi- tions	Disposals	Transfers	at December 31, 2019
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Property, plant and equipment</b>	(1)									
Property*		29,197	0	29,197	2	0	4,902	0	5,644	39,745
Technical equipment and machinery		7,320	0	7,320	7	0	624	-489	1,196	8,658
Other equipment, operating and office equipment		12,943	0	12,943	36	0	2,080	-1,405	-1,660	11,994
Construction in progress		5,171	0	5,171	0	0	106	0	-5,180	97
		<b>54,631</b>	<b>0</b>	<b>54,631</b>	<b>45</b>	<b>0</b>	<b>7,712</b>	<b>-1,894</b>	<b>0</b>	<b>60,494</b>
<b>Right-of-use assets</b>	(2)									
Land and buildings		0	2,739	2,739	30	0	642	-17	0	3,394
Technical equipment and machinery		0	393	393	0	0	0	0	0	393
Other equipment, operating and office equipment		0	1,750	1,750	1	0	1,171	-57	0	2,866
		<b>0</b>	<b>4,882</b>	<b>4,882</b>	<b>31</b>	<b>0</b>	<b>1,814</b>	<b>-74</b>	<b>0</b>	<b>6,653</b>
<b>Intangible Assets</b>	(4)									
Goodwill	(3)	23,513	0	23,513	0	0	0	0	0	23,513
Concessions, industrial and similar rights		21,570	0	21,570	7	0	542	-241	42	21,920
Development expenditure recognised as an intangible asset		9,765	0	9,765	5	0	1,108	-7	0	10,871
Prepayments		42	0	42	0	0	1	-1	-42	0
		<b>54,890</b>	<b>0</b>	<b>54,890</b>	<b>12</b>	<b>0</b>	<b>1,651</b>	<b>-249</b>	<b>0</b>	<b>56,304</b>

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

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

Accumulated depreciation							Residual
at January 1, 2019	Foreign currency translation differences	Depreciation for the year	Disposals	Transfers	at December 31, 2019	at December 31, 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	

## 1) PROPERTY, PLANT AND EQUIPMENT

technotrans Grundstücksverwaltungs GmbH completed the construction of the new production plant of Termotek GmbH in Baden-Baden in the year under review. Business operations commenced at the new plant in August 2019.

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 2019 financial year. No unscheduled depreciation or write-ups were made in the year under review. The property in the amount of € 8,041 thousand (2018: € 8,618 thousand) serves as collateral for long-term loans (see Note 12 "Financial liabilities").

## 2) LEASES

The Group has leases on various properties, vehicles, IT equipment and technical plant and machinery. The term for lease agreements for vehicles is usually 3 to 4 years, and for property 1 to 10 years. Due to extension options, some property lease agreements also exist beyond a term of 10 years. A number of property and investment contracts contain renewal options. These contractual conditions are used to maintain maximum operational flexibility within the Group.

As lease agreements are negotiated individually, they cover a wide range of different terms and conditions.

The development of the right-of-use assets is shown in the consolidated statement of changes in fixed assets.

Impairment losses of € 626 thousand were recognised on land and buildings in the financial year. The new construction and completion of Termotek GmbH's production plant in Baden Baden resulted in a change of use of the rented office and production space. Due to the new construction, the rented office and production space is no longer used. As a result of the present change in use, an impairment test was carried out for the right-of-use asset of the rented office and production space. The recoverable amount relevant for determining the impairment loss corresponds to the value in use. The right-of-use asset was fully written off. The impairment loss is allocated to the respective functional areas in the income statement in accordance with their previous use. Of this amount, € 595 thousand is attributable to the Technology segment and € 31 thousand to the Service segment.

The lease liabilities are reported under other financial liabilities.

### Lease liabilities

	31/12/2019
	€'000
up to 1 year	2,083
more than 1 year and up to 5 years	2,594
more than 5 years	9
<b>Total</b>	<b>4,686</b>

### Amounts recognised in the income statement:

	31/12/2019
	€'000
Interest expenses on lease liabilities	92
Expenses relating to short-term leases	274
Expenses relating to leases of low-value assets	122
Expense relating to variable lease payments not included in lease liabilities	93
<b>Total</b>	<b>581</b>

The cash flow statement includes payments of € 2,356 thousand from the repayment of lease liabilities.

### 3) GOODWILL

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

	31/12/2019	31/12/2018
	€ '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
	<b>15,581</b>	<b>15,581</b>
Segment Services: services	7,171	7,171
Segment Services: translation services	585	585
Segment Services: software solutions for technical documentation	176	176
	<b>7,932</b>	<b>7,932</b>
	<b>23,513</b>	<b>23,513</b>

The allocation of the purchase prices to the acquired assets and liabilities in accordance with the standard IFRS 3 "Business Combinations" for the company Reisner Cooling Solutions GmbH, newly founded in 2018, and Hahn Enersave GmbH, acquired in 2018, has been finally completed. There were no changes in the allocation of purchase prices in the fiscal year.

In the 2019 financial year, all six cash generating units or groups of cash generating units were subjected to an impairment test in accordance with IAS 36.10. This involves comparing the carrying amount of a cash-generating unit with the recoverable amount. The recoverable amount is the higher of fair value less the proceeds of disposal and value in use. The fair value measurement was classified as fair value level 3 based on the input factors of the measurement technique used.

The recoverable amount at technotrans corresponds to the value in use. This value in use was based on significant assumptions. The cash flow forecasts for goodwill were

based on the 2020 budget and revenue trends for the financial years 2021 to 2024 of the respective cash-generating unit. No separate revenue planning was carried out for the cash-generating units concerned for subsequent financial years; instead, further average and constant revenue growth rates were assumed for the cash-generating units (long-term market trend in 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 industry. The impairment tests are carried out annually in November.

The growth rates for the planning period used for the impairment test in 2018 and 2019, the average EBIT margins, the cost of capital rates used to discount the forecast cash flows and the constant growth rates applied after the planning period are shown in the following table:

	revenue growth		average EBIT margin		pre tax capital cost rate		terminal growth rate	
	2019	2018	2019	2018	2019	2018	2019	2018
Parameters used for the impairment test	%	%	%	%	%	%	%	%
Segment Technology: laser cooling	5.8	5.2	9.3	10.7	14.1	12.3	1.5	1.5
Segment Technology: plastic processing industry	7.4	3.7	2.1	6.2	10.4	10.5	1.0	1.0
Segment Technology: cooling technology	4.3	4.8	2.9	3.6	7.9	11.5	1.1	1.1
Segment Services: services	2.9	1.7	12.3	14.4	9.5	11.8	0.7	0.8
Segment Services: translation services	3.7	4.2	18.3	16.8	10.4	11.5	1.5	1.5
Segment Services: software solutions for technical documentation	6.2	18.1	13.9	13.1	10.4	11.5	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 the assumptions considered would not have resulted in an impairment loss on the carrying amounts of the cash-generating unit.

#### 4) INTANGIBLE ASSETS

Scheduled depreciation and amortisation of € 1,028 thousand (2018: € 1,033 thousand) relates to the intangible assets recognised as part of the purchase price allocation, all with a definite useful life.

In accordance with IAS 38, intangible assets resulting from development are capitalized if it is probable that the use of the asset will result in a future economic benefit and the costs of the asset can be reliably determined. In the 2019 financial year, the Group capitalised intangible assets arising from development in the amount of € 1,108 thousand (2018: € 840 thousand).

The capitalisation related primarily to projects and processes for increasing energy efficiency and the development of a uniform Group-wide platform for a thermal management product that can be used in various industries. As in the previous year, developments for software solutions were capitalised at the subsidiary of gds GmbH.

Because the recognition criteria of IAS 38 were not met, € 7,575 thousand (2018: € 7,946 thousand) of the development costs were recognised as expenses.

There are no concessions, industrial property rights and similar assets or capitalized development costs with unlimited useful lives. The useful life underlying the scheduled amortization of software and capitalized development costs is three to five years.

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

#### 5) OTHER NON-CURRENT FINANCIAL ASSETS

	31/12/2019	31/12/2018
	€'000	€'000
Rent deposits	175	134
Other	10	28
	<b>185</b>	<b>162</b>

#### 6) INVENTORIES

Of the total inventories, € 3,650 thousand (2018: € 2,800 thousand) are recognised at fair value less production costs still to be incurred and selling expenses. In the 2019 financial year, write-downs on inventories amounting to € 2,180 thousand (2018: € 1,375 thousand) was recognised as an expense. In the same period, reversals of impairment losses resulted in an amount of € 977 thousand (2018: € 853 thousand) to income, as higher net realisable values were achieved than assumed in the previous year.

	31/12/2019	31/12/2018
	€'000	€'000
Raw materials and supplies	18,537	18,088
Work in progress	6,248	6,035
Finished goods and merchandise	3,472	4,173
	<b>28,257</b>	<b>28,296</b>

## 7) TRADE RECEIVABLES

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

Receivables from contracts with customers are included exclusively in trade receivables. At the balance sheet date, receivables from contracts with customers amounted to € 23,953 thousand (2018: € 27,019 thousand).

In the year under review, additions to impairment losses on receivables amounting to € 510 thousand (2018: € 530 thousand), are recognised in the income statement. In order to measure receivables at fair value, impairment losses are recognized. These impairments are recognised individually in the amount of € 1,106 thousand (2018: € 1,223 thousand) and collectively € 198 thousand (2018: € 268 thousand) are assessed and measured on the basis of the expected default risk. Impairment losses are recognized in particular if the debtor is experiencing significant financial difficulties. The carrying amounts of trade receivables are generally adjusted using an allowance account. Receivables are not derecognised until the debtor has opened insolvency proceedings or the receivable has become irrecoverable. For information on the determination of the valuation allowance, please refer to Note 34 "Financial instruments".

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

	31/12/2019	31/12/2018
	€ '000	€ '000
Opening level	1,491	1,529
Allocated	510	530
Derecognition of receivables	- 639	- 189
Cash receipts for receivables written off	- 62	- 388
Closing level	4	9
	<b>1,304</b>	<b>1,491</b>

## 8) INCOME TAX RECEIVABLES

The claims are mainly current income tax refund claims.

## 9) OTHER CURRENT ASSETS

	31/12/2019	31/12/2018
	€ '000	€ '000
<b>Other financial assets</b>		
Receivables from suppliers	222	338
Deposits	35	54
Other	476	366
	<b>733</b>	<b>758</b>
<b>Other assets</b>		
Prepaid expenses	846	831
Creditable input tax	583	643
Other	497	781
	<b>1,926</b>	<b>2,255</b>
	<b>2,659</b>	<b>3,013</b>

## 10) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and cash on hand. The fair value of cash and cash equivalents corresponds to the carrying amount. There were no marketable securities 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. As of December 31, 2019, the Group's equity amounted to € 75,067 thousand (2018: € 75,244 thousand).

### Issued capital

The issued capital (share capital) of technotrans SE at December 31, 2019 comprises 6,907,665 issued and outstanding no-par-value registered shares. The shares issued are fully paid up. The notional interest in the share capital is € 1 per share. All shares grant identical rights. No special rights or preferences are granted to individual shareholders. This also applies to the dividend subscription right.

### Authorized capital

The Board of Management is authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until May 17, 2023 by up to a total of € 3,450,000 by issuing new shares against contributions in kind or cash. Shareholders' subscription rights may be excluded to the extent that the requirements of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) are met or to the extent that the acquisition of companies or equity interests in companies is involved if the acquisition or equity interest is in the well-understood interests of the Company; otherwise, subscription rights may be excluded to the extent that fractional amounts have to be compensated. No use was made of this authorisation in 2019.

### Conditional capital

At the Annual General Meeting on 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 on one or more occasions up to May 17, 2023 for a total nominal amount of up to € 100 million and to grant the bearers of bonds conversion and/or option rights to a total of up to € 3,450,000 no-par-value registered shares of the company.

To the extent permitted by law, the bonds may also be issued in other legal currencies. The total nominal amount of the bonds may not exceed € 100 million or the respective equivalent in another legal currency.

The shareholders are generally entitled to a subscription right to the Bonds. The Bonds may also be underwritten by a bank or a banking syndicate with the obligation to offer them to the shareholders for subscription. In addition, however, the Board of Management is authorised, with the approval 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 approval of the Supervisory Board, to determine the further details of the issue and terms of the Bonds and their terms and conditions itself, in particular the interest rate, issue price, term and denomination, dilution protection provisions, conversion or option period and to determine the conversion and option price.

This authorisation was not utilised in the 2019 financial year.

### Capital reserve

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

Revenue reserves contain the earnings of the companies included in the consolidated financial statements, insofar as they have not been distributed. Of this amount, € 691 thousand (2018: € 691 thousand) relates to the legal reserve of technotrans SE pursuant to Section 150 (2) of German Stock Corporation Act.

According to § 268 (8) of the German Commercial Code (HGB), an amount of € 351 thousand (2018: € 115 thousand) due to the capitalisation of deferred taxes and an amount of € 18 thousand (2018: € 21 thousand) will not be distributed due to the difference in the valuation of the pension provision in accordance with § 253 (6) of the German Commercial Code (HGB).

The first-time application of IFRS 16 under the modified retrospective method resulted in a one-off effect of € -194 thousand, which is recognised in retained earnings.

## Other reserves

	31/12/2019	31/12/2018
	€ '000	€ '000
Exchange differences	-3,662	-3,748
Reserve for net investments in a foreign operation	-2,677	-2,645
Hedging reserve	-55	-33
	<b>-6,394</b>	<b>-6,426</b>

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 income, after deduction of deferred taxes (see Note 34 "Financial instruments"). In the 2019 financial year, a loss of € 19 thousand (2018: Loss of € 5 thousand) was recognised directly in equity. In return, deferred taxes of € -3 thousand (2018: € -6 thousand) were recognised directly in equity.

technotrans SE has granted its subsidiaries loans that are to be regarded as net investments in foreign operations. In accordance with IAS 21.32 and IAS 12.61A, the cumulative translation differences accumulated up to the balance sheet date and any taxes thereon are recognized directly in equity. Exchange rate differences are only recognised in the income statement when the company is liquidated or partially liquidated.

In the 2019 financial year, translation losses from the above loans amounting to € 32 thousand (2018: € 240 thousand loss) was 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 set off against equity in the financial year under review, as in the previous year.

Currency differences include the differences arising from the translation of the subsidiaries' equity to be consolidated at the historical rate and at the rate on the balance sheet date. This item also includes the differences resulting from the translation of assets and liabilities of foreign subsidiaries at the closing rate and the translation of income and expenses at the average rate.

## Treasury stock

At the Annual General Meeting on May 18, 2018, the shareholders authorised the Board of Management to buy back 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 Company's share capital at the time of the resolution or - if this value is lower - at the time the authorisation is exercised.

In accordance with IAS 32.33, the repurchased shares are deducted from equity at cost (including incidental acquisition costs). The buyback is in line with the strategic objectives of the company. No transactions with treasury shares were carried out in the 2019 financial year.

## Capital Management

As of December 31, 2019, the equity ratio was 51.4 percent (2018: 55.3 percent). The most important financial objectives of technotrans SE include safeguarding its 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 aim is to have liquidity reserves amounting to at least 5 percent of annual sales at all times. The achievement of these targets is to be ensured by the use of various measures to reduce capital costs and optimise the capital structure as well as by effective risk management.

Methodologically, capital management at technotrans is based on financial market-oriented indicators such as return on sales (long-term target margin for the consolidated operating result (EBIT): 10 percent), the equity ratio (target: > 50 percent) and debt ratios. technotrans is not subject to capital requirements under its articles of incorporation. A sound capital structure provides technotrans with the stability that serves as the basis for a business model that is geared towards sustainability, and thus enables it to maintain long-term customer and supplier relations and to meet the demands of its employees and shareholders.

An unsecured loan is subject to the obligation to comply with financial covenants. The financial ratios, equity ratio, gearing and EBITDA margin, are calculated for the consolidated financial statements and were complied with in the 2019 financial year.

## 12) FINANCIAL LIABILITIES

	31/12/2019	31/12/2018
	€ '000	€ '000
Short-term borrowings	6,696	8,431
Long-term borrowings	33,760	25,956
	<b>40,456</b>	<b>34,387</b>

The increase in financial liabilities mainly results from new borrowings in connection with the construction of the new Termotek GmbH production plant in Baden-Baden and the adjustment of the Group's internal financing structure. There were no hedged liabilities on the balance sheet date. Interest rate hedges exist only for financial liabilities.

## RESIDUAL MATURITIES OF FINANCIAL LIABILITIES

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	35	0	0	35	3.05%
		<b>6,696</b>	<b>24,023</b>	<b>9,737</b>	<b>40,456</b>	

2018	Collateral	up to 1 year	1 to 5 years	over 5 years	Total	Interest p.a.
		€ '000	€ '000	€ '000	€ '000	
€ fixed rate credit	None	1,534	7,375	5,050	13,959	1.00% - 2.05%
	Land charge	1,808	5,202	3,298	10,308	1.45% - 4.50%
	Chattel mortgage	147	163	8	318	1.71% - 3.10%
Variable € credit	None	1,001	1,857	1,350	4,208	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	157	1,618	0	1,775	6-month EURIBOR + 1.25% 3-month EURIBOR interest rate swap (fixed rate: 3.40%)
	Money market loan	3,700	0	0	3,700	0.96% - 1.20%
Lease purchase	Chattel mortgage	84	35	0	119	3.05% - 3.08%
		<b>8,431</b>	<b>16,250</b>	<b>9,706</b>	<b>34,387</b>	

The secured bank loans are secured with land and buildings with a carrying amount of € 8,041 thousand (2018: € 8,618 thousand) and property, plant and equipment with a carrying amount of € 170 thousand (2018: € 604 thousand) is secured.

For loans amounting to € 30,133 thousand (2018: € 21,867 thousand), no collateral was provided.

### 13) OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities mainly include non-current lease liabilities of € 2,603 thousand recognised as a result of the application of IFRS 16. The put/call options (€ 614 thousand) reported in the previous year were exercised prematurely by gds GmbH in the financial year under review (see Note 34 "Financial instruments").

### 14) TRADE PAYABLES

	31/12/2019	31/12/2018
	€ '000	€ '000
Accounts payable trade	4,557	5,418
Outstanding purchase invoices	1,395	1,294
	<b>5,952</b>	<b>6,712</b>

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

### 15) PREPAYMENTS RECEIVED

Prepayments received mainly originate from project business. They finance the finished products included in inventories for which sales have not yet been realised. € 2,147 thousand of the prepayments received relate to the project business of gwk Gesellschaft Wärme Kältetechnik mbH, € 652 thousand to Reisner Cooling Solutions GmbH and € 625 thousand to technotrans SE.

### 16) EMPLOYEE BENEFITS

	Obligations to personnel	Provisions for pensions	Total
	€ '000	€ '000	€ '000
<b>Opening level at January 1, 2019</b>	<b>6,941</b>	<b>239</b>	<b>7,180</b>
Exchange rate movements	11	0	11
Used	4,591	11	4,602
Reversed	237	0	237
Compounding	32	8	40
Allocated	3,305	47	3,352
Reclassification	13	206	219
<b>Closing level at December 31, 2019</b>	<b>5,474</b>	<b>489</b>	<b>5,963</b>
Long-term employee benefits	331	478	809
Short-term employee benefits	5,143	11	5,154

Obligations to personnel mainly comprise gratuities, employee bonuses and management bonuses as well as time accounts. These obligations are primarily uncertain as to their maturity.

A partial retirement contract was concluded with one employee. The obligation arising from this partial retirement arrangement was calculated actuarially. The calculation is based on an interest rate of 0.0 percent (2018: 1.5 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 paid into a money market fund (Deka Investments) and pledged in favour of the employee. In accordance with IAS 19.7 "plan assets", the assets represent plan assets and are netted with the corresponding provision. Income from plan assets is netted with the corresponding expenses. As in the previous year, no income was generated in the 2019 financial year. As of December 31, 2019, cash and cash equivalents amounting to € 114 thousand (2018: € 46 thousand) was created.

The Group has defined benefit plans for post-employment benefits in Germany and France. Both plans are salary based and promise life-long pension payments to the beneficiaries. The amount of the benefits depends on the length of service and salary of the beneficiaries.

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 beneficiaries have already left the company. Pensions are paid for all employees. The defined benefit obligation (DBO) was determined by an actuarial report using the 2018 G mortality tables of Prof. Dr Klaus Heubeck. The interest costs on the DBO in 2019 amount to € 4 thousand (2018: € 4 thousand). The actuarial loss amounts to € 34 thousand (2018: € 1 thousand loss). The actuarial loss was recognized in other comprehensive income. In 2019, pension payments amounting to € 11 thousand (2018: € 11 thousand) was paid.

Employees of technotrans france s.a.r.l./France are likewise entitled to post-employment benefits. The plans are not funded. Pensions are paid directly to the beneficiaries when they are due. All pension beneficiaries are actively involved in the company. The calculation of the "defined benefit obligation" (DBO) is based on an actuarial report. The underlying mortality rates are based on standard mortality tables and experience in the country. The interest costs on the DBO in 2019 amount to € 3 thousand (2018: € 3 thousand). The actuarial loss amounts to € 0 thousand (2018: € 14 thousand loss). The actuarial loss is recognized in other comprehensive income. As in the previous year, no pension payments were made in 2019.

The defined benefit pension commitments developed as follows in the fiscal year:

Present value of obligation	2019	2018
	€ '000	€ '000
<b>Opening level at 01/01</b>	<b>445</b>	<b>421</b>
Current service cost	13	12
Interest expenses	8	7
Pension paid	- 11	- 11
<b>Total amount recognised in the Income Statement</b>	<b>10</b>	<b>8</b>
Revaluations		
Loss from change in financial assumptions	30	16
Experience	4	0
<b>Total amount recognised in other comprehensive income</b>	<b>34</b>	<b>16</b>
<b>Closing level at 31/12</b>	<b>489</b>	<b>445</b>

The calculations are based on the following actuarial assumptions:

	Actuarial assumptions			
	Germany		France	
	2019	2018	2019	2018
	%	%	%	%
Discount rate	0.4	1.6	1.2	1.6
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 defined benefit obligations to changes in key assumptions are as follows:

		Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
		2019	2018	2019	2018
		€'000	€'000	€'000	€'000
Discount rate	1.0%	-63	-58	53	70
Salary growth rate	1.0%	-32	-32	-32	-32
Pension growth rate	1.0%	35	30	-30	-26

Compared to the previous year, employee benefits are reported separately, as the Group assumes that the presentation of the actual financial position and results of operations has improved.

## 17) PROVISIONS

	Payments to be made	Other provisions	Total
	under warranty		
	€'000	€'000	€'000
Opening level at January 1, 2019	1,681	1,832	3,513
Exchange rate movements	3	2	5
Used	769	1,267	2,036
Reversed	65	126	191
Allocated	950	1,869	2,819
Reclassification	0	-219	-219
<b>Closing level at December 31, 2019</b>	<b>1,800</b>	<b>2,091</b>	<b>3,891</b>
<b>Short-term provisions</b>	<b>1,800</b>	<b>2,091</b>	<b>3,891</b>

Provisions for warranty obligations are formed for current legal, contractual and de facto 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 context of its general business activities, technotrans is involved in legal disputes both in and out of court whose outcome cannot be predicted with certainty. Legal disputes can arise, for example, in connection with product liability cases and warranties. Provisions are formed for risks resulting from this, which are not already covered by insurance, if the claim is probable and the

probable amount of the necessary provision can be reliably estimated. At the balance sheet date 2019, provisions for litigation amounting to € 80 thousand (2018: € 0 thousand) were formed.

Other provisions include a provision of € 810 thousand for a possible fine imposed on the company by the Federal Financial Supervisory Authority (BaFin).

Miscellaneous other provisions include year-end closing costs, commissions and other obligations. The uncertainty factor here is principally the amount in question.

## 18) INCOME TAX PAYABLE

Income tax payables in the year under review mainly relate to technotrans SE and its subsidiaries.

## 19) OTHER CURRENT LIABILITIES

	31/12/2019	31/12/2018
	€'000	€'000
<b>Other financial liabilities</b>		
Lease liabilities	2,083	0
Debtors with credit balances	744	588
Current liabilities from derivative financial instruments	57	38
Other financial liabilities	107	174
	<b>2,991</b>	<b>800</b>
<b>Other liabilities</b>		
Sales tax	1,480	939
Operating taxes	967	819
Liabilities in respect of social insurance	134	180
Other liabilities	851	609
	<b>3,432</b>	<b>2,547</b>
	<b>6,423</b>	<b>3,347</b>

As part of the application of IFRS 16, the lease liabilities that have a current character are reported under other financial liabilities.

## IV. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 20) REVENUE

The Group generates revenues primarily from the sale of products and the provision of services for its customers (see Note V. "Notes to the segment report"). Revenue recognition in the Group is generally based on the point in time.

#### Breakdown of revenue from contracts with customers

The sales revenues - broken down by business segments - are presented in the segment report. € 178,307 thousand (2018: € 187,099 thousand) resulted from the sale of goods including the sale of spare parts, € 29,620 thousand (2018: € 29,187 thousand) from the provision of services. Geographically, sales revenues are broken down as follows:

	2019	2018
	€ '000	€ '000
<b>Technology</b>		
Germany	84,431	87,461
Rest of Europe	35,947	37,423
America	10,034	12,777
Asia	17,633	18,731
Africa/Oceania	379	84
	<b>148,424</b>	<b>156,476</b>
<b>Service</b>		
Germany	29,494	29,529
Rest of Europe	15,170	15,637
America	10,257	9,669
Asia	4,293	4,696
Africa/Oceania	289	279
	<b>59,503</b>	<b>59,810</b>

The following table shows the sales revenues according to the various sales markets:

	2019	2018
	€ '000	€ '000
<b>Technology</b>		
Printing industry	46,211	48,587
Plastic processing industry	42,503	49,245
Laser and machine tool industry	38,232	39,048
Growth market	21,478	19,596
	<b>148,424</b>	<b>156,476</b>
<b>Service</b>		
Printing industry	33,443	34,509
Plastic processing industry	11,573	12,498
Laser and machine tool industry	4,197	3,332
Growth market	2,886	2,347
Technical documentation	7,404	7,124
	<b>59,503</b>	<b>59,810</b>

#### Contract balances

The following table provides information on contractual assets and contractual liabilities from contracts with customers:

	2019	2018
	€ '000	€ '000
Contract assets	976	615
Contract liabilities	5,575	4,111

The contractual assets mainly relate to the Group's claims for consideration for services completed but not yet invoiced as of the reporting date. The contract assets are reported in the balance sheet under trade receivables.

The contractual liabilities are mainly shown in the balance sheet under advance payments received and other liabilities. Of the contractual liabilities of € 4,111 thousand reported at the beginning of the period, € 3,940 thousand was recognised as revenue in the 2019 financial year. It is expected that the contractual obligations will be largely 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 recognizes 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

The cost of sales comprises the cost of products sold and the cost of merchandise sold. In accordance with IAS 2, in addition to directly attributable costs such as material and personnel costs, they also include overheads including pro rata depreciation of property, plant and equipment, right-of-use assets and intangible assets used in production. The amount of inventories recognised as an expense in the period under review essentially corresponds to the cost of materials (raw materials, consumables and changes in inventories of finished goods and work in progress). The costs of the service field force and expenses within the scope of warranty obligations are also reported under cost of sales. The other cost of sales mainly includes other building costs.

	2019	2018
	€ '000	€ '000
Cost of materials	83,590	85,888
Cost of labour	44,873	42,362
Subcontractors, personnel leasing	7,070	7,505
Depreciation and amortisation	3,926	2,312
Travel expenses	2,288	2,192
Warranty and goodwill	1,337	1,654
Operating requirements	991	1,223
Energy expenses	833	820
Maintenance	786	1,027
Tenancy and leasing costs	265	1,245
Other	653	418
	<b>146,612</b>	<b>146,646</b>

## 22) DISTRIBUTION COSTS

In addition to the costs of the sales department and internal service, selling expenses include advertising and logistics costs. Furthermore, the amortization of intangible assets (customer relationships and brands) recognized in the course of purchase price allocation is reported under selling expenses. This item also includes sales-related commission expenses.

	2019	2018
	€ '000	€ '000
Cost of labour	16,194	15,593
Logistics costs	3,849	4,359
Depreciation and amortisation	1,904	1,357
Promotional and exhibition costs	1,089	851
Travel expenses	773	714
Sales commissions	540	664
Tenancy and leasing costs	41	863
Other	1,216	1,335
	<b>25,606</b>	<b>25,736</b>

## 23) ADMINISTRATIVE EXPENSES

Administrative expenses include personnel and other costs for management and administrative functions, unless these have been charged to other cost centres as internal services.

	2019	2018
	€ '000	€ '000
Cost of labour	10,239	10,336
IT costs	1,914	2,124
Depreciation and amortisation	1,661	1,071
Consultancy, audits	1,155	1,396
Insurances	839	903
Travel expenses	385	331
Tenancy and leasing costs	380	574
Investor relation	358	366
Contributions	280	320
Telephone and postage	271	348
Other	1,278	1,506
	<b>18,760</b>	<b>19,275</b>

	2019	2018
	€ '000	€ '000
Fees for		
Auditing of the financial statements	248	262
Tax consultancy services	34	0
Other services	0	43
	<b>282</b>	<b>305</b>

PricewaterhouseCoopers GmbH WPG has audited the annual and consolidated financial statements of technotrans SE. In connection with advice on tax issues, we were advised by PricewaterhouseCoopers GmbH WPG.

In the 2019 financial year, the fees for the auditor in accordance with section 319 (1) sentences 1, 2 of the German Commercial Code (HGB), which are recognised as expenses, amounted to a total of € 282 thousand (2018: € 305 thousand). The figures for the 2019 financial year include fees and expenses paid to the auditor of the consolidated financial statements, PricewaterhouseCoopers GmbH WPG, for the statutory audit of the annual and consolidated financial statements of technotrans SE and for tax consulting services provided for technotrans SE and for subsidiaries.

## 24) DEVELOPMENT COSTS

No research costs were incurred. Development costs are charged to current expenses until the criteria of IAS 38.57 are cumulatively met. Development costs are capitalised from this date (see Note 4 "Intangible assets").

## 25) OTHER OPERATING INCOME

	2019	2018
	€ '000	€ '000
Income unrelated to the accounting period		
Book profits on the disposal of assets	174	136
Reversal of provisions	43	10
Other income unrelated to the accounting period	191	239
	<b>408</b>	<b>385</b>
Other operating income		
Foreign currency gains	264	471
Income from tenancy agreements	207	200
Personnel-related revenue	182	182
Insurance payments	153	123
Other	697	1,018
	<b>1,503</b>	<b>1,994</b>
	<b>1,911</b>	<b>2,379</b>

As part of a reclassification, the previous year's figures of € 810 thousand for revenue from personnel were adjusted retrospectively.

## 26) OTHER OPERATING EXPENSES

	2019	2018
	€ '000	€ '000
Expenses unrelated to the accounting period		
Book losses on the disposal of assets	32	30
Other expenses unrelated to the accounting period	180	33
	<b>212</b>	<b>63</b>
Other operating expenses		
Foreign currency losses	283	314
Other operating taxes	300	267
Other	1,642	537
	<b>2,225</b>	<b>1,118</b>
	<b>2,437</b>	<b>1,181</b>

Miscellaneous other operating expenses include possible expenses of € 810 thousand for the fine imposed on the Federal Financial Supervisory Authority (BaFin) (see Note 17 "Provisions").

## 27) NET FINANCE COSTS

	2019	2018
	€'000	€'000
Financial income	630	499
Financial charges	- 763	- 543
<b>Net finance costs</b>	<b>- 133</b>	<b>- 44</b>

Interest income in the amount of € 16 thousand (2018: € 26 thousand) relates to the interest on bank balances. Furthermore, € 614 thousand (2018: € 473 thousand) result from the revaluation of put/call options (see Note 13 "Other non-current financial liabilities").

Interest expenses mainly include interest on the Group's financial liabilities.

In addition, interest expenses from accrued interest on lease liabilities amounting to € 92 thousand (see Note 2 "Leases") and from accrued interest on employee benefits amounting to € 40 thousand (2018: € 32 thousand) is included in this item.

No borrowing costs were capitalized in the reporting period.

## 28) INCOME TAXES EXPENSE

	2019	2018
	€'000	€'000
<b>Actual income tax expense</b>		
Tax expense for the period	- 2,573	- 5,273
Tax income unrelating to the accounting period	- 43	294
	<b>- 2,616</b>	<b>- 4,979</b>
<b>Deferred tax</b>		
Occurrence or reversal of temporary differences	268	180
Reduction of the tax rate	72	- 10
Recognition or utilization of deferred tax assets of previously unrecognised tax loss carryforward	- 148	- 243
Recognition of non-recorded or impairment on deferred taxes on temporary differences	308	128
	<b>500</b>	<b>55</b>
	<b>- 2,116</b>	<b>- 4,924</b>

Tax expenses include corporation and trade income taxes of the German companies and comparable income taxes of the foreign companies. Other operating taxes are included in other operating expenses.

Deferred taxes are based on temporary differences between the tax balance sheets of the companies and the values stated in the consolidated balance sheet in accordance with the balance sheet liability method.

The deferred tax assets recognised also include tax reduction claims to the extent that the utilisation of existing loss carryforwards is expected in subsequent years. Deferred taxes are calculated on the basis of the tax rates applicable in the individual countries at the time of realisation or which will apply shortly.

The calculation of the domestic applicable tax rate for the reporting year of 30.26 percent (2018: 30.24 percent) is based on a corporation tax rate of 15.00 percent, a solidarity surcharge of 5.50 percent and an effective trade tax rate of 14.43 percent (2018: 14.42 percent).

The tax rates applied to foreign companies in the financial year under review range between 17.0 percent and 34.8 percent.

The following deferred tax assets and liabilities are attributable to recognition and measurement differences in the individual balance sheet items and future usable loss carryforwards:

2019	Net balance at 1 January €'000	Effects from the first-time application of IFRS 16 €'000	Recognised in profit or loss €'000	Recognised in OCI €'000	Balance at 31 December		
					Net €'000	Deferred tax assets €'000	Deferred tax liabilities €'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

2018	Net balance at 1 January €'000	Effects from the first-time application of IFRS 16 €'000	Recognised in profit or loss €'000	Recognised in OCI €'000	Balance at 31 December		
					Net €'000	Deferred tax assets €'000	Deferred tax liabilities €'000
Non-current assets	-1,695	0	260	0	-1,435	413	1,848
Inventories	415	0	217	0	632	666	34
Receivables	294	0	-248	0	46	210	164
Provisions	158	0	127	-3	282	388	106
Liabilities	19	0	-51	-6	-38	10	48
Loss carryforwards	1,009	0	-250	0	759	759	0
Tax assets (liabilities) before offsetting	200	0	55	-9	246	2,446	2,200
Offsetting						980	980
Net tax assets (liabilities)					246	1,466	1,220

Deferred tax liabilities from non-current assets include deferred taxes of € 1,178 thousand (2018: € 1,451 thousand) on intangible assets capitalised in the context of business combinations.

gwK Gesellschaft Wärme Kältetechnik mbH suffered a tax loss of € 1,843 thousand in the financial year, which can only be partially carried back to 2018. On the basis of the earnings expectations, the Board of Management assumes

that future taxable income will be available in order to be able to use the losses. Deferred tax assets of € 418 thousand were recognised on these losses.

In 2019, there are total tax loss carryforwards of € 9,287 thousand (2018: € 10,448 thousand). Deferred taxes amounting to € 799 thousand (2018: € 759 thousand) were recognised as an asset on an amount of € 2,858 thousand (2018: € 2,971 thousand) in agreement with IAS

12.34. The remaining loss carryforwards amounting to € 6,429 thousand (2018: € 7,477 thousand) and on deductible temporary differences amounting to € 161 thousand (2018: € 5 thousand), no deferred tax assets were capitalised. The unrecognised tax loss carryforwards are not expected to be utilised in the USA within 20 years (€ 1,663 thousand;

2018: € 1,785 thousand) and otherwise usable for an unlimited period of time.

The following table shows the reconciliation of the expected tax expense with the actual income tax expense.

	2019	2018
	€ '000	€ '000
<b>Applicable tax rate</b>	<b>30.26 %</b>	<b>30.24 %</b>
Consolidated earnings before taxes on income	8,205	17,307
Theoretical tax expense/income	-2,483	-5,234
Differences compared with local tax rates	134	-21
Impairment (-) or reversal of impairment (+) on deferred tax assets on tax loss carryforwards and temporary differences	160	80
Expense or income from the non-recognition of deferred tax assets on tax losses occurring in the financial year and temporary differences	-11	-116
Tax effect from the use of deferred taxes on temporary differences and from tax loss carryforwards following impairment	210	205
Tax effect of non-deductibility of business expenses and tax-exempt income	-155	-122
Changes to deferred tax resulting from tax rate changes	72	-10
Other taxes not relating to the period	-43	294
<b>Actual and deferred income tax expense</b>	<b>-2,116</b>	<b>-4,924</b>

Deferred taxes, which were reported in other comprehensive income, fell in the year under review from the change in cash flow hedges in the amount of € -3 thousand (2018: € -6 thousand) and in the amount of € 9 thousand (2018: € -3 thousand) from the change in pension obligations. In addition, deferred taxes of € 74 thousand were recognised in retained earnings in connection with the first-time application of IFRS 16. As in the previous year, no deferred taxes were incurred in the 2019 financial year from

exchange rate effects from net investments in a foreign operation. Of the total amount of deferred taxes recognised in other comprehensive income (€ 647 thousand; 2018: € 576 thousand), € 550 thousand (2018: € 550 thousand) relate to exchange rate effects from net investments in a foreign operation, € 74 thousand (2018: € 0 thousand) to the first-time application of IFRS 16, € 22 thousand (2018: € 13 thousand) on pension obligations and € 1 thousand (2018: € 4 thousand) on cash flow hedges.

## 29) EARNINGS PER SHARE

	2019	2018
Net profit for the period	6,089	12,383
of which:		
Profit attributable to technotrans SE shareholders	6,089	12,383
Average number of ordinary shares outstanding in the year	6,907,665	6,907,665
Basic/diluted earnings per share	0.88	1.79

In the 2019 financial year there were again no subscription rights issued which would have had a diluting effect on earnings per share in accordance with IAS 33.

## V. NOTES TO THE SEGMENT REPORT

		Technology	Services	Consolidated/ not allocated	Group
		€ '000	€ '000	€ '000	€ '000
External revenue	<b>2019</b>	<b>148,424</b>	<b>59,503</b>	<b>0</b>	<b>207,927</b>
	2018	156,476	59,810	0	216,286
Inter-segment revenue	<b>2019</b>	<b>0</b>	<b>833</b>	<b>- 833</b>	<b>0</b>
	2018	0	1,572	-1,572	0
Segment result	<b>2019</b>	<b>50</b>	<b>8,361</b>	<b>- 73</b>	<b>8,338</b>
	2018	8,081	9,338	-68	17,351
Depreciation and amortisation	<b>2019</b>	<b>5,228</b>	<b>2,442</b>	<b>0</b>	<b>7,670</b>
	2018	4,100	1,148	0	5,248

Segment information is presented on the basis of internally reported business segments. Segmentation into the Technology and Services divisions is based on the internal reporting structure of the technotrans Group.

The Technology segment generates revenue from the sale of equipment and systems in the field of liquid technology in the application areas of cooling and temperature control ("temperature control" business unit), filtration and separation ("fluid conditioning" business unit) and spraying and pumping ("ink technology" business unit). The Services segment generates revenue from after-sales service, installation, commissioning, maintenance and spare parts supply, as well as the compilation of technical documentation and the manufacture and sale of documentation creation software. The revenues generated by gds Sprachenwelt GmbH with translation services are also allocated to the Services segment.

Revenue in the 2019 and 2018 financial years was generated in the following areas:

	2019	2018
	€ '000	€ '000
<b>Technology</b>		
Business Unit „temperature control“	131,522	138,943
Business Unit „fluid conditioning“	8,872	9,489
Business Unit „ink technology“	8,030	8,044
	<b>148,424</b>	<b>156,476</b>
<b>Service</b>		
Spare parts	29,883	30,516
Product related services	22,197	22,192
Technical documentation (incl. translation services)	7,423	7,102
	<b>59,503</b>	<b>59,810</b>

The sales revenues of € 207,927 thousand (2018: € 216,286 thousand) are divided between € 113,925 thousand (2018: € 116,990 thousand) generated in Germany and € 94,002 thousand (2018: € 99,296 thousand) generated abroad. Of this amount, € 17,001 thousand (2018: € 18,600 thousand) is attributable to the USA and on China € 8,236 thousand (2018: € 6,776 thousand). Sales are allocated on the basis of the location of the customers generating sales.

The non-current assets of € 69,789 thousand (2018: € 61,417 thousand) can be broken down by region as follows: Domestic € 66,391 thousand (2018: € 59,532 thousand) and abroad € 3,398 thousand (2018: € 1,885 thousand).

The delivery prices for sales are generally agreed between the segments in the same way as between third parties and mainly relate to the provision of technical documentation and translation services within the Group. Intersegment sales include intercompany margins amounting to € 73 thousand (2018: € 68 thousand) are included. The previous year's disclosure was adjusted retrospectively.

The segment information includes both directly allocable and reasonably allocable variables. A reconciliation from segment to Group data is not necessary, as the information in the segment reporting corresponds to the information in the consolidated income statement and the consolidated cash flow statement. The segment result corresponds to the result from operating activities (EBIT) in the income statement. The cumulative earnings of both segments amounting to € 8,338 thousand (2018: € 17,351 thousand) reduced by the financial result of € -133 thousand (2018: € -44 thousand) results in earnings before income taxes of € 8,205 thousand (2018: € 17,307 thousand).

Revenue from a customer of the Group segments Technology and Services accounts for € 21 million of total Group revenue.

## VI. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is structured according to cash flows from operating, investing and financing activities.

### 30) CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities (net cash) amounted to € 16,801 thousand in the financial year under review (2018: € 6,312 thousand). This includes cash from operating activities amounting to € 19,574 thousand (2018: € 14,812 thousand) as well as interest received and paid and taxes on income amounting to € -2,773 thousand (2018: € -8,500 thousand). The change in net working capital will result in an overall positive (2018: negative) cash flow contribution in 2019.

### 31) CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities is composed of payments for investments in property, plant and equipment amounting to € 7,712 thousand (2018: € 6,644 thousand) and for investments in intangible assets amounting to € 1,651 thousand (2018: € 1,737 thousand).

### 32) CASH FLOW FROM FINANCING ACTIVITIES

In the year under review, new loans amounting to € 17,500 thousand (2018: € 15,200 thousand) and repayments amounting to € 11,431 thousand (2018: € 3,837 thousand) were paid on current and non-current loan liabilities. There were payments of € 2,356 thousand for the repayment of lease liabilities. Furthermore, distributions to shareholders amounting to € 6,079 thousand (2018: € 6,079 thousand) were made.

### 33) CASH AND CASH EQUIVALENTS AT END OF PERIOD

Cash and cash equivalents consist of cash and demand deposits. They correspond to the cash and cash equivalents reported in the balance sheet.

## VII. OTHER NOTES

### 34) FINANCIAL INSTRUMENTS

Since the introduction of IFRS 9 on January 1, 2019, financial instruments (financial assets and liabilities) have been allocated to the classification categories "measured at amortised cost", "measured at fair value with changes in value in profit or loss" (FVTPL) and "measured at fair value with changes in value in other comprehensive income" (FVOCI).

#### Classifications and fair values

The following table shows the categories to which the financial instruments have been allocated and 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 that are 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 directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3:** Valuation factors for assets and liabilities that are not based on observable market data

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

	Note	31/12/2019		31/12/2018		Fair value hierarchy
		Carrying amount	Fair value	Carrying amount	Fair value	
		€ '000	€ '000	€ '000	€ '000	
<b>Derivatives in hedging requirements</b>						
Market value of interest rate swaps	(19)	- 57	- 57	- 38	- 38	Level 2
<b>Financial liabilities measured at fair value (FVTPL)</b>						
Put/call options	(13)	0	0	- 614	- 614	Level 3
<b>Assets measured at amortised costs</b>						
Rent deposits	(5),(9)	210	210	188	188	Level 2
<b>Financial assets and liabilities not measured at fair value</b>						
Borrowings	(12)	- 40,456	- 40,554	- 34,387	- 34,662	Level 2
Other non-current liabilities	(13)	- 4	- 4	0	0	Level 2
		<b>- 40,460</b>	<b>- 40,558</b>	<b>- 34,387</b>	<b>- 34,662</b>	
		<b>- 40,307</b>	<b>- 40,405</b>	<b>- 34,851</b>	<b>- 35,126</b>	
Gains (+) or losses (-) not entered			- 98		- 275	

The carrying amounts of financial instruments (for example cash and cash equivalents, trade receivables and payables, and other receivables and liabilities) generally correspond to their fair values. For receivables with a remaining term of up to one year, their nominal value less the valuation allowances recognized represents 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 derived from the discounted cash flows from repayment and interest payments. In order to determine the fair values, current reference interest rates from banks were requested and used as of the balance sheet date. Depending on the term, the reference interest rates were between 0.94 and 2.8 percent. An appropriate risk premium was added.

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

As part of the acquisition of the shares in Ovidius GmbH in the 2016 financial year, put/call options were agreed with the remaining minority shareholders. The fair value of these put/call options was € 614 thousand as at December 31, 2018. The fair value was determined on the basis of the multiplier method, taking into account the planned financial ratios of the acquired companies. With the early exercise of the options and the purchase of the remaining shares in Ovidius GmbH by gds GmbH in the 2019 financial year, the fair value of these put/call options in the amount of € 614 thousand was revalued. The revaluation is recognised in the income statement under financial results.

### Reconciliation of level 3 fair values

The following table shows the reconciliation of the opening balance to the closing balance for fair values of level 3.

	Put/call options
	€'000
<b>January 1, 2018</b>	<b>1,065</b>
Loss or income recognised as financial charges	
Change in fair value	– 473
Interest costs	22
<b>December 31, 2018/January 1, 2019</b>	<b>614</b>
Loss or income recognised as financial charges	
Change in fair value	– 614
<b>December 31, 2019</b>	<b>0</b>

## Net gains or losses on financial instruments by measurement category

	From interest	From subsequent measurement			2019	2018
		At fair value	Currency translation	Impairment		
	€'000	€'000	€'000	€'000	€'000	€'000
Derivatives in hedging requirements	0	23	0	0	23	24
Financial liabilities measured at fair value (FVTPL)	0	614	0	0	614	451
Assets measured at amortised costs	16	0	-21	-510	-515	-480
Financial liabilities not measured at fair value	-724	0	0	0	-724	-511
	<b>-708</b>	<b>637</b>	<b>-21</b>	<b>-510</b>	<b>-602</b>	<b>-516</b>

### 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 damage to the other party by not meeting its obligations. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risk is expressed in interest rate risks and exchange rate risks. Liquidity risk refers to the risk of difficulties in meeting financial liabilities at present, e.g. the risk of not being able to extend loans or not being able to obtain new loans to repay loans due.

#### Default risk

Impairment losses on other financial assets are reported in the financial result (see Note 27 "Net financial costs").

At technotrans, significant risks relate to the default risk on trade receivables and contractual assets and theoretically also to the insolvency risk of the banks at which technotrans holds credit balances.

The banks are selected on the basis of many years of positive experience and on the basis of the banks' ratings. Based on the external ratings of banks and financial institutions, the Group assumes that its cash and cash equivalents have a low default risk.

Credit risks exist in the amount of the carrying amounts shown, amounting to € 45,867 thousand (2018: € 43,597 thousand). The trade receivables and contract assets are partly credit insured; as of the balance sheet date, the insured volume was € 10,860 thousand (2018: € 11,804 thousand).

The bad debt risk involves a certain concentration of risk, as a significant portion of the receivables portfolio is attributable to OEMs in the various industries. No significant losses of receivables occurred in the fiscal year.

With regard to new customers, the risk of bad debts is limited by obtaining credit information and by IT-supported compliance with credit limits. In addition to observing credit limits, retention of title is regularly agreed until final payment of the delivery or service. technotrans normally does not require customers to provide collateral.

The Group recognizes impairment losses for expected credit losses on financial assets. In determining the expected loss, the Group takes into account reasonable and reliable information that is relevant and available without unreasonable expense.

The Group assesses at each balance sheet date whether financial assets at amortised cost are impaired in credit quality. Indicators of this are significant financial difficulties of the debtor, breach of contract, insolvency of the debtor or other restructuring proceedings. Impairment losses on financial assets are deducted from the gross carrying amount. The assessment of the timing and amount of the write-down 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 ratios used here are calculated using the "roll rate" method, which is based on the probability that a receivable will progress through successive stages in the payment delay.

The following table contains information on the estimated default risk and expected credit losses for trade receivables and contract assets as of December 31, 2019.

	Loss rate	Gross carrying amount	Loss allowance
	%	€'000	€'000
<b>Not individually impaired receivables:</b>			
not overdue	0.2	18,010	- 33
overdue by up to 30 days	0.8	4,751	- 37
overdue by between 31 and 60 days	4.8	375	- 18
overdue by between 61 and 90 days	18.3	193	- 35
overdue by more than 90 days	18.4	404	- 75
		<b>23,733</b>	<b>- 198</b>
<b>Individually impaired receivables:</b>			
		1,610	- 1,106
		<b>25,343</b>	<b>- 1,304</b>

In order to measure expected credit losses, trade receivables and contract assets were combined on the basis of common credit risk characteristics and days past due. Contract assets relate to work in progress 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 based on 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 the

ability of customers to settle their receivables. The scaling factor is based on forecasts of gross domestic product and the industry outlook and amounts to 2 percent (2018: 2 percent).

Impairment losses on 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 liquidity requirements. Care is taken to ensure that sufficient liquid funds are available at all times to settle liabilities. The Group has an unsecured bank loan, which is subject to compliance with financial covenants. Any future breach of these ratios may result in the loan having to be repaid earlier than indicated in the table below.

The future cash flows from the interest rate swaps may differ from the amounts shown in the following table because interest rates or the relevant terms and conditions are subject to change.

With the exception of 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 exclusively held at banks with excellent credit ratings. In addition, there are unused credit lines of up to € 16.0 million (2018: € 13.2 million).

The following table shows the contractual maturities of financial liabilities including any interest payments:

	Carrying amount	Contractual/ expected payment	Due within				
			6 months	6-12 months	1-2 years	2-5 years	over 5 years
			€ '000	€ '000	€ '000	€ '000	€ '000
<b>At December 31, 2019:</b>							
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
	<b>52,006</b>	<b>54,173</b>	<b>11,471</b>	<b>4,728</b>	<b>9,900</b>	<b>16,040</b>	<b>12,034</b>
<b>At December 31, 2018:</b>							
Borrowings	34,387	36,322	6,039	3,000	5,590	11,795	9,898
Other non-current financial liabilities	614	614	n/a	n/a	n/a	n/a	614
Trade payables	6,712	6,712	6,708	4	n/a	n/a	n/a
Other current financial liabilities	762	762	762	n/a	n/a	n/a	n/a
Interest rate swaps	38	87	22	14	12	25	14
	<b>42,513</b>	<b>44,497</b>	<b>13,531</b>	<b>3,018</b>	<b>5,602</b>	<b>11,820</b>	<b>10,526</b>

## Market risks

technotrans pursues the objective of only being exposed to **interest rate risks** to a limited extent. Therefore, financial liabilities amounting to € 35,631 thousand (2018: € 28,404 thousand) at a fixed interest rate. Long-term loans with variable interest rates are hedged by means of interest rate swaps; this requirement does not apply to short-term loans. Variable-interest loans amounting to € 1,611 thousand (2018: € 2,340 thousand) of the total amount of these loans (€ 4,825 thousand; 2018: € 5,983 thousand) are converted into fixed-interest loans with the aid of interest rate swaps. The Group does not recognise fixed-interest 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 on the balance sheet date would therefore not affect profit or loss.

The carrying amounts of 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, 2019, trade receivables and cash and cash equivalents are primarily denominated in euros; significant amounts are denominated in US dollars, Chinese renminbi and British pounds. The foreign currency holdings referred to are held principally by technotrans SE and the respective national companies of the group.

		31/12/2019			31/12/2018		
		USD	CNY	GBP	USD	CNY	GBP
Trade receivables	in Thousand	<b>2,579</b>	<b>6,069</b>	<b>159</b>	<b>2,777</b>	<b>4,058</b>	<b>309</b>
	€'000	2,296	776	187	2,425	515	345
Cash and cash equivalents	in Thousand	<b>2,645</b>	<b>3,703</b>	<b>528</b>	<b>1,195</b>	<b>5,385</b>	<b>457</b>
	€'000	2,355	473	621	1,044	684	510

Financial liabilities are mainly denominated in euros.

Net investments in a foreign operation are exclusively in Brazilian real. Changes in exchange rates would have an impact on equity.

Further foreign currency risks within the technotrans Group are limited by the fact that production takes place predominantly in the euro zone and the invoicing currency is normally 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 hedging transactions as of December 31, 2019.

## Sensitivity analysis

A possible strengthening or weakening of the most important foreign currency exchange rates by 10 percent against the euro in the Group as of the balance sheet date would have had the following effects on equity and profit after tax, assuming that all other variables, in particular interest rates, remain unchanged.

	€'000	Effect on equity		Effect on profit after tax	
		Increase	Reduction	Increase	Reduction
		+10%	-10%	+10%	-10%
<b>At December 31, 2019</b>					
USD		- 620	620	- 121	121
GBP		- 58	58	- 11	11
BRL		441	- 441	6	6
<b>At December 31, 2018</b>					
USD		- 586	586	- 98	98
GBP		- 58	58	- 14	14
BRL		438	- 438	5	- 5

In the presentation, a change in both the closing rate and the average rate was included in the consideration of the reporting period, in each case 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 exist only in the case of interest rate swaps. A reduction in 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-rate € loans (see Note 12 "Financial liabilities"); including these derivative financial instruments, financial assets and financial liabilities are not exposed to any material interest rate risk.

The fair values result from the valuation of the outstanding items without taking into account any contrary developments in the value of 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	4,000	3,857	143	2.63	3-month EURIBOR	Jan. 2020	-1
Payer-Swap	1,100	982	118	3.40	3-month EURIBOR	Aug. 2020	-1
Payer-Swap	1,350	0	1,350	1.91	6-month EURIBOR	Oct. 2025	-55

The hedged item and the hedging instrument are identical in terms of nominal value or principal amount, maturities, interest payment dates, interest rate adjustment dates, maturity dates and currencies. In cases where a hedge exists to hedge a forecast 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, at almost 100 percent. Otherwise, the requirements of IFRS 9.6.4.1 are fulfilled.

The interest rate swaps are recognised as cash flow hedges at market price; valuation gains and -losses from changes in market prices are recognised directly in equity in the hedging reserve. The fair value of the hedging instruments at the balance sheet date is € 57 thousand (2018: € 38 thousand) is recognised under "Other current liabilities" (Note 19). The underlying loan transactions are measured at amortised cost using the effective interest method.

Deferred taxes of € -3 thousand on negative market prices were offset against the hedging reserve in the financial year under review with no effect on profit or loss, so that the negative amount remaining in the hedging reserve amounted to € 55 thousand on the balance sheet date.

	€'000
Opening level at 01/01/2018	-22
Amount reclassified to the Income Statement	24
Change of the market values of cash flow hedges	-29
Deferred tax on these not affecting income	-6
Level at 31/12 2018 / 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
Closing level at 31/12/2019	-55

## Reconciliation of the changes in liabilities to cash flows from financing activities

	Liabilities		
	Financial liabilities	Lease liabilities	Put/Call options
	€'000	€'000	€'000
<b>01/01/2018</b>	<b>23,024</b>	<b>0</b>	<b>1,065</b>
Cash flow from financing activities			
Cash receipts from the raising of loans	15,200	0	0
Cash payments from the repayment of loans	-3,837	0	0
<b>Net cash used in financing activities</b>	<b>11,363</b>	<b>0</b>	<b>0</b>
Other changes			
Interest expences	510	0	22
Interest paid	-510	0	0
Change in fair value	0	0	-473
<b>Total other changes related to liabilities</b>	<b>0</b>	<b>0</b>	<b>-451</b>
<b>31/12/2018 / 01/01/2019</b>	<b>34,387</b>	<b>0</b>	<b>614</b>
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
<b>Net cash used in financing activities</b>	<b>6,069</b>	<b>-2,356</b>	<b>0</b>
Other changes			
Interest expences	630	92	0
Interest paid	-630	0	0
Change in fair value	0	0	-614
Additions lease liabilities	0	1,800	0
<b>Total other changes related to liabilities</b>	<b>0</b>	<b>1,892</b>	<b>-614</b>
<b>31/12/2019</b>	<b>40,456</b>	<b>4,686</b>	<b>0</b>

### 35) FUTURE PAYMENT OBLIGATIONS

	31/12/2019			Total €'000	31/12/2018
	up to 1 year	1 to 5 years	over 5 years		Total
	€'000	€'000	€'000		€'000
Tenancy and operating lease agreements	253	290	0	543	5,229
Maintenance agreements	1,008	701	0	1,709	1,269
Other	119	100	1	220	121
	<b>1,380</b>	<b>1,091</b>	<b>1</b>	<b>2,472</b>	<b>6,619</b>

Future payment obligations are valued at nominal value; amounts in foreign currencies were converted at the exchange rate on the balance sheet date.

The maintenance contracts mainly concern the ERP IT system.

The future obligations for rental and lease agreements mainly relate to rental obligations that were not recognised as lease liabilities under IFRS 16. Expenses from rental and lease agreements (minimum lease payments) amounted to € 692 thousand in the year under review (2018: € 2,749 thousand).

### 36) PERSONNEL EXPENSES

	2019	2018
	€'000	€'000
Wages and salaries	64,000	61,643
Social insurance	12,358	11,653
Expenses for retirement benefits and maintenance payments	1,321	1,268
	<b>77,679</b>	<b>74,564</b>

The item wages and salaries also includes termination benefits of € 273 thousand (2018: € 133 thousand).

Social security contributions include expenses for defined contribution plans (employer's contributions to the statutory pension scheme) amounting to € 6,149 thousand (2018: € 5,784 thousand).

As part of a reclassification, the previous year's figures for wages and salaries were retrospectively adjusted by € 810 thousand.

### 37) ANNUAL AVERAGE NUMBER OF EMPLOYEES

	2019	2018
Average number of employees	1,460	1,402
of which in Germany	1,305	1,244
of which abroad	155	158
Technicians/skilled workers	962	921
Academic background	298	288
Trainees	109	105
Other	91	88

## 38) RELATED PARTIES

Related parties include the members of the Board of Management and Supervisory Board of technotrans SE and their close family members.

Since fiscal 2011, the compensation system for the Board of Management has been in line with the latest standards and the statutory requirements of the German Act on the Appropriateness of Management Board Compensation (VorstAG). With regard to the remuneration components, reference is made to the report on the "Remuneration system for the Board of Management" in the Group management report.

In the year under review, consulting services were provided by the law firm Hoffmann Liebs Partnerschaft von Rechtsanwälten mbB, Düsseldorf, in which Dr Norbert Bröcker is a partner, in the amount of € 58 thousand (2018: € 226 thousand) was drawn down. All services have been concluded at standard market conditions.

### Remuneration of members of the Board of Management and Supervisory Board

	2019	2018
	€ '000	€ '000
<b>Board of Management</b>		
Regular payments (short-term)		
- of which fixed	678	686
- of which variable	50	525
Termination benefits	165	0
	<b>893</b>	<b>1,211</b>
<b>Supervisory Board</b>		
Regular payments (short-term)		
- of which fixed	105	105
- of which variable	87	180
	<b>192</b>	<b>285</b>

In addition to the remuneration paid in the financial year, the members of the Board of Management are entitled to bonuses of € 71 thousand (2018: € 329 thousand), which is linked to the achievement of future targets in terms of sustainability.

The current remuneration of the Management Board (fixed) includes payments by the company for defined contribution plans amounting to € 90 thousand (2018: € 80 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 members of the Board of Management and the Supervisory Board

	Shares	
	31/12/2019	31/12/2018
<b>Board of Management</b>		
Dirk Engel	22,500	20,000
Peter Hirsch	2,000	1,021
Hendrik Niestert	1,756	1,381
Henry Brickenkamp <sup>1)</sup>		46,537
<b>Supervisory Board</b>		
Dr Norbert Bröcker	250	250
Heinz Harling	64,854	64,854
Dr Wolfgang Höper	0	0
Dieter Schäfer	0	0
Andre Peckruhn <sup>2)</sup>	76	
Thorbjørn Ringkamp <sup>2)</sup>	385	
Reinhard Aufderheide <sup>3)</sup>	380	380
Thomas Poppenberg <sup>3)</sup>	656	656
<b>Family members</b>		
Marian Harling	500	500
Katja Hirsch	71	71

<sup>1)</sup> Member of the Board of Management until June 30, 2018

<sup>2)</sup> Member of the Supervisory Board since May 10, 2019

<sup>3)</sup> Member of the Supervisory Board until May 10, 2019

## 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) in September 2019 and made it permanently available to shareholders and other interested parties on the Company's website ([www.technotrans.de](http://www.technotrans.de)).

#### 40) SUBSEQUENT EVENTS

The date of the release of the annual financial statements by the Management Board in accordance with IAS 10.17 is the March 2, 2020. These consolidated financial statements are subject to approval by the Supervisory Board (Section 171 (2) of the German Stock Corporation Act).

In January 2020, technotrans Grundstücksverwaltungs GmbH acquired a company plot of land in Holzwickede at a purchase price of € 868 thousand. The new production plant of Reisner Cooling Solutions GmbH will be built on this site. The production of Reisner Cooling Solutions GmbH is currently located in a rented building which does not have the necessary capacity. The rental agreement is limited in time.

After the end of the 2019 financial year, there were no further events of particular significance with an impact on the earnings, financial and asset situation.

## 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 € 6,840,657.95 as reported in the individual financial statements be distributed as follows:

	€
Distribution of a dividend of € 0.44 per no par value share on share capital of € 6,907,665.00 bearing dividend entitlements	3,039,372.60
Profit carried forward	3,801,285.35
<b>Accumulated profit</b>	<b>6,840,657.95</b>

The dividend shall be payable on May 25, 2020.

Sassenberg, March 2, 2020

technotrans SE

The Board of Management



Dirk Engel



Peter Hirsch



Hendirk Niestert

## RESPONSIBILITY STATEMENT BY THE MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the combined management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Sassenberg, March 2, 2020

technotrans SE

The Board of Management

Three handwritten signatures in blue ink are displayed horizontally. From left to right, they correspond to Dirk Engel, Peter Hirsch, and Hendirk Niestert.

Dirk Engel

Peter Hirsch

Hendirk Niestert

# INDEPENDENT AUDITOR'S REPORT

To technotrans SE, Sassenberg

## Report on the audit of the consolidated financial statements and of the Group management report.

### 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, 2019, 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, 2019, 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, 2019. In accordance with German legal requirements, we have not audited the content of the declaration on corporate governance pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB).

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, 2019 and of its financial performance for the fiscal year from January 1 to December 31, 2019
- ▶ 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, 2019. 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:

#### 1) 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:

### 1) Recoverability of the carrying amount of goodwill

1) In the consolidated financial statements of the Company, goodwill totalling EUR 23.5 million (16.1 percent of total assets and 31.3 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 group statement on corporate governance pursuant to Section 289f HGB and Section 315d HGB.

Other information also includes the remaining parts of the Annual Report - without further cross-references to external information - with the exception of the audited financial statements 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 judgment and maintain professional skepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements and of the 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 respective 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 Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on May 10, 2019. We were engaged by the Supervisory Board on July 10, 2019. 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 2, 2020

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft  
Original German version signed by:



gez. Dr Achim Lienau  
Wirtschaftsprüfer



gez. Elisabeth Greve  
Wirtschaftsprüferin

## FINANCIAL CALENDAR

<b>Publication</b>	<b>Date</b>
Annual Report 2019	March 10, 2020
Quarterly Communication 1-3/2020	May 12, 2020
Annual Shareholder Meeting	May 20, 2020
Interim Report 1-6/2020	August 11, 2020
Quarterly Communication 1-9/2020	November 10, 2020

<b>Event</b>	
German Equity Forum, Frankfurt	November 16 – 18, 2020

Current information on events can be found on our website at the following address: <https://www.technotrans.com/en/investor-relations/finanzkalender.html>.

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## KEY DATA OF THE TECHNOTRANS GROUP (IFRS)

	Δ previous year	2019	2018	2017	2016	2015
<b>Revenue (€ '000)</b>	-3.9%	<b>207,927</b>	<b>216,286</b>	<b>205,095</b>	<b>151,792</b>	<b>122,838</b>
Technology (€ '000)	-5.1%	148,424	156,476	147,570	103,623	81,457
Services (€ '000)	-0.5%	59,503	59,810	57,525	48,169	41,381
<b>EBITDA (€ '000)</b>	-29.2%	<b>16,008</b>	<b>22,599</b>	<b>22,654</b>	<b>14,045</b>	<b>12,187</b>
EBITDA margin (%)		7.7	10.4	11.0	9.3	9.9
<b>EBIT (€ '000)</b>	-51.9%	<b>8,338</b>	<b>17,351</b>	<b>17,438</b>	<b>9,731</b>	<b>8,952</b>
EBIT margin (%)		4.0	8.0	8.5	6.4	7.3
<b>Net profit for the period<sup>1</sup> (€ '000)</b>	-50.8%	<b>6,089</b>	<b>12,383</b>	<b>12,191</b>	<b>7,192</b>	<b>6,262</b>
as percent of revenue		2.9	5.7	5.9	4.7	5.1
<b>Net profit per share (€)</b>	-50.8%	<b>0.88</b>	<b>1.79</b>	<b>1.76</b>	<b>1.09</b>	<b>0.96</b>
<b>Dividend (€)<sup>*</sup></b>		<b>0.44<sup>*</sup></b>	<b>0.88</b>	<b>0.88</b>	<b>0.55</b>	<b>0.48</b>
<b>Balance sheet (€ '000)</b>	7.3%	<b>146,003</b>	<b>136,032</b>	<b>125,307</b>	<b>121,445</b>	<b>76,043</b>
<b>Equity (€ '000)</b>	-0.2%	<b>75,067</b>	<b>75,244</b>	<b>69,750</b>	<b>61,880</b>	<b>51,725</b>
Equity ratio (%)		51.4	55.3	55.7	51.0	68.0
Return on equity (%) <sup>2</sup>		8.1	16.5	17.5	11.6	12.3
<b>Net debt<sup>3,4</sup> (€ '000)</b>		<b>24,232</b>	<b>19,435</b>	<b>9,291</b>	<b>5,267</b>	<b>-11,575</b>
<b>Net Working Capital Ratio %<sup>5</sup></b>		<b>20.7</b>	<b>19.7</b>	<b>17.2</b>	<b>24.8</b>	<b>28.1</b>
<b>Free cash flow<sup>6</sup> (€ '000)</b>		<b>7,648</b>	<b>-3,753</b>	<b>150</b>	<b>-12,649</b>	<b>8,542</b>
<b>Employees (average)</b>	4.1%	<b>1,460</b>	<b>1,402</b>	<b>1,293</b>	<b>990</b>	<b>810</b>
<b>Employee (FTE) (average)</b>	3.6%	<b>1,280</b>	<b>1,236</b>	<b>1,132</b>	<b>856</b>	<b>697</b>
<b>Personnel expenses (€ '000)</b>	4.2%	<b>77,679</b>	<b>74,564</b>	<b>69,847</b>	<b>52,370</b>	<b>41,743</b>
as percent of revenue		37.4	34.5	34.1	34.5	34.0
<b>Revenue per employee (FTE) (€ '000)</b>	-7.2%	<b>162</b>	<b>175</b>	<b>181</b>	<b>177</b>	<b>176</b>
<b>Number of shares at end of period</b>		<b>6,907,665</b>	<b>6,907,665</b>	<b>6,907,665</b>	<b>6,907,665</b>	<b>6,530,588</b>
share price max (€) <sup>7</sup>		30.00	47.90	50.75	24.77	19.90
share price min (€) <sup>7</sup>		15.52	24.00	22.17	15.75	9.21

<sup>1</sup>Net profit for the period

= Profit attributable to technotrans SE shareholders

<sup>2</sup>Return on Equity

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

<sup>3</sup>Net debt

= financial liabilities – cash and cash equivalents

<sup>4</sup>Net debt per December 31, 2019

= including leasing liabilities according to IFRS 16. Previous year figures not adjusted

<sup>5</sup>Net Working Capital Ratio

= Net Working Capital/Revenue

<sup>6</sup>Free Cashflow

= Net cash from operating activities

+ cash used for investments according to cash flow statement

<sup>7</sup>Xetra closing price

\*Proposal to the Shareholder Meeting





## KREATION UND UMSETZUNG

technotrans SE, Sassenberg

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