May 16, 2013
Board of Management speech:
Henry Brickenkamp, Board of Management Spokesman
Dirk Engel, Finance Director

- Check against delivery -

Ladies and Gentlemen,
Dear Shareholders,

On behalf of the entire Board of Management, which also includes our Finance Director Dirk Engel and our Technical Director Dr Christof Soest, I would like to extend a warm welcome to you to this year's Shareholders' Meeting. We are delighted that so many of you have been able to join us here for this event; for some of you, your involvement in our company goes back quite a number of years.

Could I also welcome the viewers watching this Shareholders' Meeting over the Internet, whether live or at a later date. As well as broadcasting a large portion of this Shareholders' Meeting, this year we are again offering our shareholders the opportunity to grant powers of proxy and issue voting instructions over the Internet or to cast a postal vote. I am pleased to say that the take-up rate for this form of participation is growing by the year. At the same time, however, for that reason among others, attendances at this event have been steadily falling for a number of years; we have responded by moving this Shareholders' Meeting again to this smaller room.

Attendance rates for institutional investors, too, are down this year – not just at technotrans AG. This trend is probably attributable to a ruling by the Cologne Higher Regional Court which has led to misunderstandings concerning what restrictions could be involved in registering to vote at a Shareholders' Meeting. We regret this, and hope that further judicial clarification will dispel this reluctance for future meetings.

As in previous years, I will not be presenting today's report by the Board of Management to the Shareholders' Meeting on my own. I will be giving this review of the 2012 financial year together with my colleague Dirk Engel, our Finance Director.

The 2012 financial year

When we met here a year ago, we had to report to you on an extremely subdued start to the financial year. The reluctance to invest among printers in the run-up to the world-leading exhibition drupa was clearly in evidence. This drupa gap was exacerbated in technotrans' case by the insolvency of manroland in November 2011 and Kodak's filing for creditor protection at the start of 2012. In order to bring our capacities in line with the temporarily lower volume of business, we once again had recourse to the instrument of short-time at our biggest location – Sassenberg – for the first five months of the past financial year.

The impact of the business environment was clear to see: the year-on-year fall in revenue at the six-month mark was 13.2 percent, and all of 21.7 percent specifically in the Technology segment. This led to a negative result of € -1.1 million. We already gave you a report last year on the drupa, which had just closed, so I would now like to focus on the impact that the show had on the remainder of the year.

As expected, the business volume recovered over the ensuing months but it was no longer possible to fill the entire gap left by the first half. The orders placed at printing press manufacturers during the drupa helped to lift revenue in the latter six months, but the overall drupa effect was below-par compared with what we have come to expect in the past after this show. Nevertheless we succeeded in once again achieving positive results for the Technology segment in the second half at this "normalised" level of business – the first time we had done so since the crisis first hit in 2008.

The laser market

Last year again, the situation in the printing industry confirmed our decision to continue with our concerted drive to search for and exploit areas of application for our expertise outside the printing industry. We view this as the key to the company's future growth and can already boast some progress in this domain.

Following our decision to enter the market for laser cooling systems in 2011 through the acquisition of Termotek AG, we announced a partnership with KLH Kältetechnik in March 2012. By then, everyone who is familiar with our approach to acquisitions probably already suspected that this might lead to another takeover.

Last year KLH brought in revenue of around € 15 million and it has over 100 people. The company builds cooling systems for lasers, but is also active in other markets such as the machine tool industry and medical technology. The partnership served to confirm our expectations that a merger would unlock synergy potential in a variety of areas spanning sales, service, purchasing, production and product development. With effect from January 1, 2013 technotrans consequently acquired a majority interest in KLH Kältetechnik, based in Bad Doberan, and in its Asian subsidiaries in Taicang, China, and in Singapore. The combination of the various performance categories, ranging from Termotek at the lower end of the spectrum, through technotrans in the middle segment, to the highest performance category made by KLH, now makes technotrans a full-liner; in other words it is able to supply customers with industrial cooling technology for all tasks.

The partnership with KLH already had very practical ramifications even before the official takeover. In November of last year, we closed down our production operations in Beijing and transferred them to Taicang, where we combined them with KLH's operations. technotrans has had its own production location in China since 1997, making first and foremost dampening solution circulators for the local market. The merger with KLH optimises our capacity utilisation, gives us greater flexibility to respond to short-term fluctuations in capacity utilisation, and reduces structural costs. All in all, we believe it will bring a further boost to our competitiveness. Employees from the Sassenberg production supported the transfer and helped with the start in Taicang. So far, everything has progressed very smoothly and according to plan. This has been confirmed by Heidelberger, which has audited the new production location and approved it as a new supplier for its Chinese production operations.

Our internal projects in the non-print area, too, took on much firmer contours in 2012. Here are a few examples: at the start of 2012 technotrans was appointed serial supplier for cooling lubricant preparation, the toolsmart, to Sauer GmbH, part of the Gildemeister Group. We then received a development contract from Windmöller & Hölscher, a leading manufacturer of machinery for flexible packaging. We gave our self-developed spray lubrication process for forming technology its first public showing at the Euroblech. In that area, too, we can now already refer to several installations that have clearly demonstrated the system's advantages compared with conventional solutions. Last but not least, we already have a foot in the door of the exciting area of e-mobility thanks to a development contract from Siemens involving the cooling of energy storage devices for a new tram concept. You will find more information about all these projects in our Annual Report, which I am sure will make for very interesting reading.

All these projects show that we are well on the way to making technotrans more independent of the cyclical patterns of the printing industry and of its structural problems, which have become apparent in recent years.

Our Finance Director Dirk Engel will now explain how the events of the past financial year specifically translated into hard facts and figures, then I will say a few more words on technotrans' future prospects.

Dirk Engel

Ladies and Gentlemen, Dear Shareholders: you will have received this year's Annual Report at the entrance to the room. After having produced a two-part publication last year, the financial section and the "New Ways" magazine, we have now returned to a single-volume report. The first part of the Annual Report can nevertheless be read as building on the magazine principle of last year, because it picks up on many of the ideas that we wanted to put across to you last year. We know that some of you weren't too happy to see so many English terms used in the German version, not just on the cover but also in the illustrations. However we have to regard the label of being an international group as more than simply a question of our self-view; we do need to put out the message, too – after all, most of our customers are at least more than ten times our own size. And, if I may comment on this from the viewpoint of Finance Director, I do not consider it justifiable to spend extra money on German-only versions. We should also add that we are delighted that the 2011 Annual Report was among the recipients of an international Red Dot Award for good design.

The 2012 financial year

In the remarks that follow I would again like to focus just on the main aspects of the 2012 financial year and the first quarter of 2013. We can discuss any details of interest to you over and above that in the questions and answers part of the debate.

Revenue and earnings for 2012

As usual I would like to start with the revenue and earnings for the 2012 financial year.

Mr Brickenkamp already started by mentioning the difficult market environment before the drupa and the insolvency of two important customers; both developments weighed on the 2012 financial year especially in revenue terms. The technotrans Group posted revenue of only € 90.7 million, equivalent to a fall of 6.8 percent compared with the previous year. Although we achieved our goal of annual revenue of between € 90 and 95 million in 2012, we were right at the bottom edge of this range.

The printing industry's return to normality after the drupa was slightly disappointing when you look at the impact that this show has had on the market on previous occasions. However the fact that printing press manufacturers' order books nevertheless looked very healthy after the show meant that the second half of the year was substantially better than the first for technotrans. Nevertheless, the general economic environment, which remains highly exposed to the euro crisis, again undermined confidence towards the end of the year. Yet all in all the second half saw us make up much of the ground that had been lost in the first half.

Despite the fall in revenue, on the whole we achieved a healthy improvement in technotrans' profit performance. Thus gross profit for 2012 as a whole climbed to € 37.1 million, up 2.8 percent. To some degree this was thanks to the ongoing improvement measures of recent years. The higher share of Services revenue also contributed to the improvement. The gross margin was 34.9 percent, up 3.3 percentage points on the previous year.

The general distribution costs and administrative expenses were kept virtually constant despite the costs of exhibiting at drupa. The show does, after all, only take place once every four years. This item also includes the costs of our M&A activities.

In 2011 the net effect of other operating income and expenses was more marked at € 1.9 million, whereas it only came to € 0.2 million last year. In the previous year € 1.2 million was released by the reversal of provisions, whereas the amount for 2012 was only € 0.2 million. Working in the opposite direction, exchange rate movements produced a notable loss of € 0.6 million due to more major exchange rate fluctuations over the year. However this largely comprised unrealised losses from rate/price valuation.

Overall the operating result for the year, EBIT, improved by 11.9 percent to € 5.4 million, representing an EBIT margin of 5.9 percent. In terms of our goal of an EBIT margin of between 5 and 6 percent, we consequently came in actually at the top end of our range in the 2012 financial year.

We further reduced financial liabilities again in 2012, as a result of which the interest expense for borrowed capital fell. On the other hand the tax burden increased to € 1.6 million, mainly due to tax expense unrelated to the accounting period, with the result that the effective tax rate for the 2012 financial year was 33.8 percent.

The net profit for 2012 is € 3.1 million, equivalent to a rate of return of 3.4 percent. That amounts to earnings of 48 cents per share outstanding.

The Board of Management and Supervisory Board have resolved to propose to today's Shareholders' Meeting the distribution of a dividend of 12 cents per share. That amounts to one-quarter of the consolidated earnings. After a break of four years we thus resume our policy of enabling shareholders to participate in the company's success. In future, we moreover intend to return to the practice of distributing up to 50 percent of the consolidated net profit, provided the money is not specifically required for major investments or acquisitions.

The segments

Investor restraint before the drupa, the insolvency of two important customers and the weak economic environment in the final quarter of 2012 all left their mark on the Technology segment. Revenue amounted to € 53.7 million compared with € 61.7 in the previous year, a downturn of 12.9 percent. The orders placed by printing press manufacturers in the wake of the drupa meant the volume of business returned to normal in the second half of the year.

Business in the Services segment continued to grow in 2012, again helping to stabilise the overall position. The classic service areas such as installation, maintenance and parts put in a stable performance. As before, we note the absence of major projects where technotrans also takes charge of the installation side. On the other hand we are seeing the ageing installed base have a positive effect on business. Our activities outside the printing industry, too, have contributed towards this area's growth. Our subsidiary gds AG enjoyed growth in service business and in sales of its software. The acquisition of a majority interest in Sprachenwelt GmbH last September moreover creates extra potential for future growth in the field of translation services.

All in all, we succeeded in maintaining the third quarter's healthy level of revenue into the fourth quarter, too, though the economic environment was not helpful.

These factors have of course also had an impact on earnings. Despite the temporary introduction of short-time, the Technology segment's earnings were negative to the tune of € 1.1 million mid-way through the year. This was turned around into a positive result in the second half, but not sufficiently so to cancel out the first half's loss. EBIT thus came in at € -0.8 million overall. On the other hand the Services segment again improved its earnings by 7.7 percent in 2012 from an already good prior-year position, to € 6.1 million. The EBIT margin was 16.6 percent, compared with 16.0 percent in the previous year. Our subsidiary gds AG also contributed to that performance.

Despite the fall in revenue, operating profitability overall improved by 11.9 percent to € 5.4 million, equivalent to an EBIT margin of 5.9 percent for the full year. This figure was therefore at the top end of our target range.

Financial position and net worth

technotrans' year-end balance sheet was healthy. The balance sheet total declined slightly by 3.7 percent to € 64.7 million over the year. The equity ratio at the balance sheet date was all of 63.2 percent.

On the assets side, non-current assets were down from € 28.6 million to € 22.4 million. Along with depreciation and amortisation, this was attributable first and foremost to the sale of our property in Gersthofen, near Augsburg. The current assets climbed by 9.5 percent from € 38.6 million to € 42.3 million. The biggest contributor to this growth was cash and cash equivalents, which grew by 46.2 percent to € 18.7 million. Inventories fell by 3.8 percent to € 13.5 million and trade receivables by 13.4 percent to € 8.7 million.

Within equity and liabilities, equity improved by 9.6 percent to € 40.9 million, mainly thanks to the positive result for the financial year. Liabilities were reduced from € 29.9 million to € 23.8 million; current liabilities in particular were cut by almost one-quarter to € 15.2 million.

At the December 31, 2012 closing date the technotrans Group's borrowings now amounted to only € 9.3 million. The average interest rate for this debt was around 3.8 percent.

At the turn of the year, technotrans therefore enjoyed a very sound financial basis with € 18.7 million in cash and cash equivalents, a net cash position of € 8.5 million and borrowing facilities agreed but not used amounting to € 17.2 million. The takeover of KLH at the start of 2013 only marginally changed this sound position. The additional loans available for acquisition purposes amounting to € 4.0 million were taken out in January 2013.

Cash flow

A glance at the cash flow statement also serves to confirm this soundness. Put simply, this shows the origin of the money that prompted the rise in cash and cash equivalents at the end of the year.

From a starting position of net income of € 3.1 million, the cash flow from operating activities before changes in working capital came to € 6.4 million. The changes in working capital then released a further € 2.8 million in cash. Overall, the cash from operating activities thus climbed to € 11.0 million. This amount is sufficient to cover investment spending, including the acquisition of a majority interest in Sprachenwelt GmbH, and to pay the conditional purchase price component for Termotek. The sale of our property in Gersthofen likewise had a positive effect of around € 4.3 million, with the result that cash from investing activities atypically produced a positive result of € 2.2 million.

The free cash flow, in other words the cash from operating activities less the cash for investing activities, ultimately came to € 13.2 million for the 2012 financial year, thus reaching the highest level in the history of the company.

This money was used to repay short-term borrowings of € 10.5 million, while new long-term loans of € 3.3 million were raised. Cash and cash equivalents as at the end of the year thus showed a rise of 46.2 percent to € 18.7 million. Not least thanks to this financial stability, we are comfortable with the decision to resume distributing a dividend this year after a four-year break.

Now that we have looked at the figures for the 2012 financial year in quite some detail, I would like to consider briefly the business performance in the first quarter of 2013. The corresponding Quarterly Report was published last Tuesday.

First quarter of 2013

The Interim Financial Statements for the first time now also include KLH, acquired with effect from January 1, 2013. This acquisition is undoubtedly a major growth driver in the current financial year.

Revenue for the first three months of the year was thus up 29 percent on the prior-year period, at € 26.3 million. Around 30 percent of overall revenue was generated in sectors outside the printing industry – an important milestone as we seek to strategically reposition our company.

The gross profit for the first quarter improved by 8.8 percent to € 7.9 million. On the other hand the gross margin fell as expected to 30.2 percent as a result of the Technology segment's higher share of revenue. Over the next few quarters we will work on realising the synergy potential identified during the partnership with KLH, for instance in purchasing and production, with a view to permanently improving the profit performance and increasing our margins.

Despite the increased scope of consolidation, the general distribution and administrative expenses have not changed significantly. Depreciation and amortisation has edged up to € 0.9 million. The purchase price allocation for KLH results in an additional approx. € 0.2 million per quarter in tax-deductible depreciation and amortisation.

Earnings before interest and taxes for the first quarter of 2013 climbed almost 23 percent to € 1.1 million, compared with € 0.9 million in the prior-year period. The net income for the first three months is € 0.7 million, representing an increase of 32.1 percent. Earnings per share outstanding therefore came to € 0.10.

The Technology segment contributed € 16.9 million towards total revenue for the first quarter of € 26.3 million. This € 5.4 million or 46.5 percent rise compared with the prior-year period is again largely due to the acquisition. Business with customers from the printing industry moreover contributed to the positive development, with a single-digit growth rate.

The Services segment generated revenue of € 9.4 million, an increase of 6.2 percent. The segment's revenue is now back up at 35.7 percent of the grand total, a level that was customary before 2008/2009.

First-quarter earnings for the Technology segment were again slightly negative at € 0.5 million, equivalent to a margin of -3.0 percent compared with -5.1 percent in the prior-year period. On the one hand this reflects the slightly lower-than-expected revenue, along with the additional depreciation and amortisation arising in connection with the KLH acquisition. On the other hand the Services segment's earnings again put in a very healthy performance. EBIT reached € 1.6 million and therefore a margin of 16.9 percent. As previously mentioned, this took EBIT for the first quarter of 2013 to € 1.1 million.

In tandem with the business cycle, we expect to see a gradual revival in business over the coming quarters. The rising volume should have a beneficial impact on profitability. At present we continue to invest considerable engineering capacity in projects that do not immediately generate revenue. The extra revenue that we are targeting will play a major role in bringing our company growth and will in future help to improve the cost ratios.

The balance sheet at March 31, 2013 likewise reveals the impact of the takeover of KLH. The balance sheet total has risen by 23.6 percent to € 80.0 million since the start of the year. On top of the changes resulting from consolidation, the acquisition brought with it goodwill and prompted an increase in intangible assets. The equity ratio has nevertheless remained above 50 percent, at 53.7 percent. We equally still report a net cash position of € 1.5 million.

Based on net income for the period of € 0.7 million, the cash flow statement reveals a cash flow before changes in working capital of € 2.2 million. The changes in working capital are equally driven mainly by the first-time consolidation and therefore only notionally undermined cash flow. After interest and taxes, there remains a net cash flow from operating activities of € 1 thousand, in other words the position was balanced.

€ 4.5 million was paid out for investing activities, including a net outflow of € 3.3 million as the purchase price for KLH as well as a conditional purchase price component of € 0.8 million for the acquisition of Termotek. The result was that the free cash for the first quarter remained negative by € 4.5 million. Loans previously agreed were taken out for the acquisition, while at the same time scheduled capital repayments of borrowings were made. Overall, cash and cash equivalents at the end of the quarter were up 27.8 percent compared with the previous year, at € 19.2 million.

The group's current financial position can again be described as "very sound". As well as fulfilling the requirements for distributing a dividend to our shareholders, it offers ample leeway for financing current business and also for possible further acquisitions for the strategic expansion of the technotrans Group.

It is on that note that I would like to end my report on the numbers for the past financial year and the first quarter of 2013. In view of the wide-ranging occurrences in this period, my report has been rather more lengthy than would have been necessary in normal circumstances. But I think you will agree that nobody will have a problem with dwelling a little longer on figures that are healthy.

Thank you for your attention, and I look forward to being able to explain various aspects of the figures in greater depth during the debate.

Henry Brickenkamp

Ladies and Gentlemen, after this detailed survey of our business performance over the past 15 months I would now like to steer your attention to the future of the technotrans Group.

Those of you who attended the Shareholders' Meeting last year will recall that we showed you this chart on the screen. It also appeared in the Annual Report. I would like to pick up on this chart again today to give you an insight into some of the projects that will help technotrans progress in reality in the way we have envisaged here.

First, we have assumed that our basic business with manufacturers of offset printing presses and their end customers – printers worldwide – will remain stable. Such stability, or normality, appears to be materialising for the 2013 financial year. Higher demand from emerging markets and from the growth driver of packaging printing is seemingly compensating for the decline in demand for presses in established markets.

On the other hand digital printing and flexographic printing are unmistakably growth markets. We have substantially deepened our contacts with the manufacturers of these presses in recent months. We have acquired a major new customer in Hewlett Packard. HP builds presses in a performance category that is directly competing with the segment of small offset presses. Cooling systems which we have developed for these high-performance digital printing presses have already been installed in the 5,000, 7,000 and 10,000 models of the Indigo series. HP has now decided to equip the showroom in Singapore with technotrans equipment. We take this as a clear sign that it evidently believes we meet its expectations in every respect. We are now also involved in projects with other manufacturers of digital printing presses where we are in the development phase or conducting field tests. We will be disclosing further details as soon as we have firm results.

With regard to the prospects in the laser industry, let me just say that this market has been growing quite steadily for many years. Our position in conjunction with Termotek and KLH makes us ideally placed to share in that development. For instance we are planning to develop a platform concept for cooling that will enable the group to cover every performance range. That will make it possible to address a variety of markets while maintaining the volume so that the purchasing and production processes can be optimised. Almost every technotrans subsidiary now has one or two specialists for sales to the laser market, enabling us to tap the potential in a very focused way. And the customer Trumpf, which is supplied by KLH, gives us access to the top technology of the future. In fact Trumpf is now the second-largest customer of the technotrans Group.

We already have our foot in the door of the machine tool industry through the toolsmart – a combined unit that prepares and regulates the temperature of cooling lubricant – that we supply to the Gildemeister Group. We are working intensively on tapping further potential with that customer. Temperature control solutions involving energy-efficient components are an especially promising related area. These are technologies that we have already been supplying to the printing industry in a similar form for many years.

Last year our subsidiary gds AG added translation services to its portfolio through the acquisition of Sprachenwelt. Here, too, you can see a clear trend towards further growth.

Last but not least, we have a large number of projects in the pipeline that we refer to collectively as "new markets". These include for example spray lubrication for forming technology and temperature control for energy storage devices that can be used in cutting-edge trams, but also in other public transport vehicles. The development contract from Siemens has already prompted other companies that are involved in this area to contact technotrans in order to explore other possible joint projects with us. Among these prospective new partners is the French battery manufacturer Saft, a highly renowned, innovative company in that industry.

The projects I have mentioned will start to bring in revenue this financial year, albeit in modest amounts. But they have already led to much greater diversity in our list of reference customers. All in all, we expect the current projects for example will already contribute € 20 million to revenue by 2015. So that this project pipeline remains well filled, we will continue to step up our sales activities in an effort to access further potential for the future. We want this organic growth to take our revenue back up to € 150 million in two to three years, as you can see here on the chart.

We have initially set ourselves the goal for the current financial year of taking revenue back above the 100 million euro threshold and expect to generate around € 110 million in all – give or take five percent. Profitability is to show a further improvement on last year and we are targeting an EBIT margin of between six and seven percent. There is another milestone that we will reach this year, too: the share of revenue from outside the printing industry will reach around 30 percent. So as you can see, we are progressing according to plan with our strategic repositioning.

Thank you to employees

Ladies and Gentlemen, technotrans today is a different company to the technotrans of five or ten years ago. And the company of five or ten years hence will be different to what it is today. To handle these dynamic changes, you need not only a strategy and a goal, but above all a team that will accompany you down that path. technotrans has that team. technotrans has minds that are capable of balancing knowledge, experience and new requirements. technotrans has minds that can get customers excited. technotrans has hands that build clever solutions that meet the requirements of customers. And technotrans meets its customers where they are – at the right moment, and with the right response. Our people's curiosity, enthusiasm and desire to take the company forward drives technotrans' changes and brings success to the group – and on behalf of the Board of Management I would sincerely like to thank all those concerned for their commitment.

Ladies and Gentlemen, fortunately the changes at technotrans are now also reflected in the share price. A rise of 63 percent in the 2012 financial year and on top of that more than 30 percent since the start of this year make for a good performance. Over the next few months, too, we will continue to make positive headlines and communicate intensively with the capital market so that our company's prospects are fittingly reflected in the share price. The analysts' share price targets currently range up to 16 euros for a period of 12 months. If that level is reached, we will certainly be in a very good mood when we meet here in a year's time. We expect to be able to report on further successes then. But for now, thank you for your confidence and your support as we move forward.

I would now like to ask you for your questions and to enter into discussion with us. Please now feel free to have your say, and thank you for your attention.