

## **Annual General Meeting**

**May 18, 2018**

**Board of Management speech:**

**Henry Brickenkamp. Board of Management member**

- Check against delivery -

Ladies and Gentlemen,

May I welcome you most cordially to this year's Annual General Meeting of technotrans AG. This the tenth such occasion on which I address you. And it will be my last. If you'll allow me to get a little personal, on the one hand I feel a degree of sorrow at that. On the other hand I am looking forward to the challenges that a new phase in my career offers.

But let's first take a look back. When I joined technotrans AG 13 years ago, the company looked very different. A technology supplier that had specialised strongly in the printing industry. When the economic crisis hit in 2008, that caused us difficulties and made us realise one thing: we need to change fundamentally if we are to be equipped for the future.

We therefore subsequently adjusted our business model: less dependence on the cyclical printing industry, and more pioneering spirit. We headed off for new shores, where we were able to use our technological approach and knowledge, our experience of all aspects of cooling, temperature control and separating, to access new markets and therefore also open up new horizons for technotrans.

The days have long gone when we focused exclusively on our former core business area, the printing industry. It still brings in 42 percent of our revenue and we also enjoy a market share of well above 50 percent.

technotrans is established as a leading supplier in what is still an important field, and the market segment has in fact once more been experiencing moderate growth since 2014.

With the takeover of gwk Gesellschaft Wärme Kältetechnik in 2016, we have now moved into the market of the plastics processing industry. Last year, revenue was up twelve percent; that reflects the high level of demand, but also our combined efforts and the synergies tapped within the group.

Our third area of activity is the laser and machine tool industry, which both Termotek GmbH and KLH Kältetechnik address. We surpassed our own expectations in this field in 2017 and achieved organic growth of 33 percent. We are a system partner for solution providers in areas such as metal forming, medical technology, semiconductor technology and 3D printing.

The fourth area is what we refer to as our growth markets. Of those, electric mobility has come on the strongest. We have succeeded in positioning ourselves in that area as a leading supplier of cooling systems for charging stations and lithium-ion batteries. The current political debate on atmospheric pollution from combustion engines has injected added momentum. Revenue in this area climbed by 30 percent. We firmly believe we have positioned ourselves successfully in a highly promising growth area.

Another key factor behind our success is our service. The service that technotrans provides does not end upon delivery. Maintenance, repair, the compiling of technical documentation. We bind in our customers through our extensive portfolio, in a move that also sets us apart from our often smaller competitors.

As you can see there is plenty of movement, technotrans is a living organism. Don't get me wrong, we have remained true to ourselves. technotrans today is still your technotrans. But we have kicked off a transformation, the fruits of which we have been harvesting for some years now and will continue to do so. It is no coincidence that 2017 was the most

successful year in the history of the company. The idea we had back then has clearly proved to be the right one, and we are in the process of using it as a springboard to further growth. For 2020, we have set ourselves the goal of pushing revenue up to EUR 300 million.

We have already made a number of key moves to help us achieve that. We aim to make various others today. I am convinced the technotrans of today is a healthy business that is equipped for the forthcoming challenges – and above all for sustained growth. Finally, I should like to emphasise that I believe technotrans AG to be in excellent hands with my successor Dirk Engel, who I have worked alongside in a spirit of trust – and harmony – for these past 13 years. He will be continuing along the chosen path, and I know he will do so successfully. The same applies to Hendrik Niestert, who completes the Board of Management team.

We have already charted the course and would like to reach further fundamental decisions with you today in order to make us future-proof for the challenges that lie ahead of us.

That makes it an appropriate point to hand over to my successor Dirk Engel. Dirk, I know you will be able to build on your eleven years of outstanding achievements in the new role. I hope you may have been able to pick up one or two things from me along the way.

I'd like to wish you, along with all technotrans employees and not least you, Dear Shareholders, all the best for the future. Stay loyal to technotrans – it's worth it!

**Dirk Engel, Chief Executive Officer**

- Check against delivery -

Thank you very much, Henry. You will be a hard act to follow. And yes, I think I have picked up a few things from you. I'll certainly have to look hard to find something I can improve on.

Ladies and Gentlemen,

Allow me too to welcome you most cordially to the Annual General Meeting of Shareholders of technotrans AG here in the Münsterland Hall. Welcome to your company. This is my first opportunity to address you in my new capacity as Chief Executive Officer. Can I ask for your confidence, your patience and not least your support. You are all part of technotrans AG. The success that we are enjoying has been achieved together. That applies to you, Dear Shareholders, but also to the 1,350 technotrans employees at 19 locations around the world.

The past few months have brought big changes to the line-up. Our esteemed colleague Dr Soest has already left and Henry Brickenkamp will follow shortly – two key architects of technotrans' repositioning. My new Board of Management colleague Hendirk Niestert will be introducing himself to you in person for the first time today. He will have an instrumental role in shaping the future of technotrans, building on his many years of experience within the technotrans Group.

We will keep technotrans progressing along the chosen path. But we will need to pull out the stops even further to equip ourselves for the challenges that lie ahead. To remain on the ball. To maintain our successful course, as emphasised by the title of this year's Annual Report. Going Strong.

Ladies and Gentlemen,

In my new capacity as Chief Executive Officer I will continue to look after the finances of technotrans AG. I again have positive news for you in that regard.

2017 was the most successful financial year in the history of the company, as my predecessor has already mentioned. That is an achievement we can be rightly proud of. It is an achievement that must motivate us to keep technotrans progressing. And last but not least, it is an achievement that is backed up by the figures. I will proceed to give you an overview of the key results for the past year.

We took revenue over the threshold of EUR 200 million for the first time. To be precise, we achieved 35.1 percent growth to a total of EUR 205.1 million.

The takeover of gwK Gesellschaft Wärme Kältetechnik mbH, based in Meinerzhagen, in 2016 played a quite significant role in that performance. But – and I really want to stress this – even purely organically we generated remarkable growth that is fully in line with our ambitious expectations. Growth on that basis reached an impressive twelve percent.

The development in the operating result at EBIT level, which we regard as so important, was even better. We actually exceeded our own forecast. This performance indicator ultimately went up 79.2 percent to EUR 17.4 million. We increased the associated margin from 6.4 to 8.5 percent.

Another figure is bound to be of particular interest to you as shareholders. Below the line, net income for 2017 came to EUR 12.3 million – that is 69 percent up on the previous year. I will tell you about our proposal on the distribution of profit later on.

I would therefore first like to take a closer look at the business performance in our two segments. The Technology segment now accounts for 72 percent of total revenue. That means it has grown by four percentage points. Revenue overall climbed by 42.4 percent to EUR 147.6 million. Once again, gwK made a significant contribution of EUR 30.5 million. Organic growth is

mainly attributable to the activities in the non-print area. These include the laser and machine tool industry, but also the so-called growth markets. Naturally this positive development had an impact on the earnings figures. Profit before interest and taxes went up EUR 2.9 million to EUR 8.1 million. The corresponding margin almost doubled to 5.5 percent.

In the Services segment, too, everything pointed to growth. Revenue here was up 19.4 percent at EUR 57.5 million. After adjustment for the gwk takeover, the figure was still seven percent. Within this area, follow-on business in the technology markets and Technical Documentation were the major growth drivers. EBIT went up 35.5 percent to EUR 9.3 million, and the corresponding margin gained two whole points to reach 16.2 percent.

The financial position of the technotrans Group is equally very sound. We increased our cash flow from operating activities by a substantial EUR 8.0 million to EUR 22.2 million in the 2017 financial year. Free cash flow also improved significantly but was only mildly positive in view of the increased cash outflow for investing activities. Over and above that, the group still enjoys adequate liquidity reserves from cash and open lines of credit. For 2018, the Board of Management expects a healthy operating cash flow thanks to steady income and earnings. Capital spending on property plant and equipment and intangible assets is set to total around EUR 11.5 million – excluding acquisitions. Of this, around EUR 9.0 million will be spent on the new building for the production location at Termotek GmbH in Baden-Baden. For financing this investment, we aim to use the currently positive market window to raise long-term credit in the single-digit millions.

But enough on the past financial year. We all did a great job in 2017 and I would like to thank all technotrans employees for their unstinting efforts. My thanks are also due to you, Dear Shareholders, for your loyalty and support. In the same breath I would like to assure you that we will not waver in our efforts to take the company forward.

That very expectation that we have of ourselves is also evident in the figures we have set ourselves for 2018. For revenue, we are targeting a corridor of EUR 212 to 220 million. We are aiming for an operating result of between EUR 18 and 20 million at the end of the year, equivalent to a margin of between 8.5 and 9 percent. In the medium-term perspective up until 2020, we have set ourselves a revenue target of EUR 300 million.

These ambitions, but also the challenges that lie ahead, are meant to be reflected in the central theme of our Annual Report, which this year we have entitled “Going Strong”. We cannot afford to rest on our laurels. We have to keep our eye on the ball and keep technotrans developing steadily. In specific, that means we will be increasing the synergies with our subsidiaries. In particular, we are expressing our growing internationalisation through the modifying conversion into a Societas Europaea. We will return to that topic later on.

In the growth markets, we want to make the leap from declarations of intent to meaningful revenues. The acquisition of complementary business areas, technologies or products is among the tools available to us. We only use such tools with care and permanently monitor the market. You have seen how successfully we applied that principle with gwk. Of the EUR 300 million I have mentioned, EUR 50 to 60 million are to be generated through external growth. Finally, we want to steadily improve the return on sales.

And we are consistently sticking to our path in order to achieve those goals. Ultimately that is demonstrated by the healthy figures for the first quarter of 2018 that we published just a few days ago. In short, we have got off to a good start to the new year. We have again increased both revenue and profit. Revenue was up 2.5 percent at EUR 54.1 million, and operating profit reached EUR 4.5 million. The corresponding margin improved by 0.2 percentage points to 8.4 percent. That makes us well placed to achieve our targets for 2018.

The healthy start to the current financial year is also attributable to the positive entry into the plastics processing industry. Growth in laser business equally continues, there is growing demand in the semiconductor industry for our products and termotek actually posted record revenue in the first quarter. By erecting the new building in Baden-Baden, as announced, we will lay the foundations for further growth in termotek and therefore for the group. The printing industry, too, is currently a source of great satisfaction for us. Most notably the packaging printing area, but also digital printing.

The topic of electric mobility is especially close to my heart, as an area of activity with a conspicuously bright future. This week, we presented our cooling solutions for batteries and quick charging systems to a trade audience at the Battery Show in Hanover. The resoundingly positive response brought home to us how our pioneering product comes at the right time, in the right place. New projects for bus and rail technology are already undergoing development and we look forward to being in step with the times in that area.

What is more, our healthy order situation and high capacity utilisation give us cause for confidence about the prospects for the coming months. We have set ourselves the goal of again growing faster than the market. We will increasingly focus on maintaining and improving the profitability of the individual group companies.

An array of projects are in the pipeline at the moment. Continuously improving and developing our own skills is an essential task for us – but I strongly believe we also need to maintain our sense of proportion. The challenges are simultaneously growing. We will grow along with them.

The economic environment initially remains positive in 2018. The German government expects economic growth for the current year to reach 2.3 percent. It should then stay up at 2.1 percent in 2019. The International Monetary Fund forecasts global economic growth of 3.9 percent this and next year. On the other hand the Institute for the World Economy warned that the situation in Germany will deteriorate at the start of the next decade. Nor should we overlook political risks, even if the situation in Korea currently



appears to be easing. As an internationally active company we are keeping a close eye on the tensions involving Russia and Iran, the continuing conflict in Syria and the US administration's protectionist actions.

Beyond the political and economic environment, we at technotrans have to address some very specific microeconomic challenges: bottlenecks in capacities and supplies are hindering production operations at our plants. The same applies to the shortage of skilled labour, the consequences of which we are not immune to. We have stepped up our efforts to attract both apprentices and expert employees to technotrans. What we can offer them in return is a variety of opportunities to develop within our organisation. technotrans is well placed and able to respond appropriately and flexibly to a wide range of challenges.

Ladies and Gentlemen, I have already talked at length about what we have achieved in the past and what our plans are for the future. The strategic repositioning that we kicked off and implemented ten years ago is bearing fruit. We are in the process of adding another chapter to our success story.

This success story has also gone down well with the capital markets. Since the start of 2015, our shares' trading price has experienced a vigorous upward trend that gathered further pace last year. A price performance of 93 percent is a truly remarkable feat. At first glance you might think only a speculative stock might be capable of that, not a soundly managed enterprise such as technotrans AG. Market capitalisation almost doubled last year, at times exceeding EUR 300 million. We want you as shareholders to enjoy the benefits of that. We therefore propose a dividend of 0.88 cents per share and today ask for your approval of this profit distribution proposal.

On that matter you, Dear Shareholders, will have the final word in the resolutions being put to you later on. The same applies to the anticipatory resolution on a capital increase, which I would like to outline for you briefly.

We are asking for your authorisation to increase the share capital by up to a total of EUR 3.45 million. That arrangement is to last until May 17, 2023. It replaces the old resolution, which would have expired next year.

I should stress that there are currently no firm plans to make use of the anticipatory resolution in the short term. We handle your capital prudently and will continue to do so. But we believe it is strategically useful to have the option of raising equity swiftly and flexibly on attractive terms. Such action could be appropriate if we wanted to finance a takeover, for example. This instrument would only be used if other options such as credit financing are insufficient or unavailable. But it is important for us to have this option of equity financing. We ask for your consent to it.

Another quite fundamental matter on today's agenda is the change in the company's legal form. This envisages converting technotrans AG into technotrans SE. Through this move, we are expressing our self-image as an internationally oriented company. A further advantage is that the Societas Europaea can overcome barriers and difficulties presented by different legal systems. At the same time we are able to shape our organisational framework such that it facilitates international expansion for us.

The modifying conversion will have no effect whatsoever on the stock market listing, the corporate structure or employee codetermination. The Board of Management and Supervisory Board will equally retain their present form.

I therefore take this opportunity to hand over to my Board of Management colleague Hendirk Niestert, who will tell you about our plans and visions for the future.

Thank you for your attention, and I look forward to a continuing partnership with you!

Hendirk, over to you!

**Hendirk Niestert, Board of Management member**

- Check against delivery -

Thank you, Dirk.

Ladies and Gentlemen,

This is a debut for me, too, because it is my first opportunity to address you. Not that I am new to technotrans – I have already been working at our company for eleven years. I was latterly Worldwide Service Director and am now in charge of the Sales, Service and Technology areas on the Board of Management.

I look forward to working with you, to helping write another chapter of the technotrans success story and to bringing about a lasting increase in the value of the company. Since I joined the company in 2007, technotrans has come a long way. This development is nowhere near at its end, it should be viewed as an ongoing process. I would like to help determine the next steps. I am also grateful for the trust and support that I have enjoyed throughout my entire time here at the company – and for the prospects that I have been offered over the past eleven years.

Prospects. That brings me to the topic that Dirk Engel mentioned as the lead-in to my address. What do we want to achieve? How do we want to achieve it? What is our vision for the future, for the further development of technotrans?

Our maxim is clear: we want to establish technotrans technology and our expertise in existing and new markets all over the world. When we say markets, we mean in both geographical and technological terms.

Liquid technology is and remains our core skill. Cooling, temperature control, filtration, measuring and metering are the fields of application. Our ambition is clear: we want to be market leader in each niche area! In many cases, we already have that status. Where that is the case, we want to build on our position. Wherever we are not yet number one, we aim to achieve that position.

The days are long gone when technotrans technology was only found in printing; it is now also encountered in machine tool engineering, laser and semiconductor technology and in plastics processing. We also benefit from our opportunities-led sales approach, which identifies openings and trends early on so that technotrans can exploit them. The best example is the new markets such as electric mobility, where we are successfully transferring our existing technological approach to a new application context. For that, we need a creative sales arm, innovative products, efficient processes and integrated working.

That may all sound a little abstract. Which is why I would like to provide a few examples to give you a firm impression of what we are doing and where we are heading.

In laser technology and machine tool engineering, for example, additive manufacturing processes are on the advance. These combine machining with lasers – a kind of 3D printing using metal. This technology renders it substantially easier to manufacture components that were previously laborious to make. technotrans has developed the right solutions for this growing area.

In plastics processing, on the one hand the issue of energy efficiency is a given. On the other hand combining different processing methods in the production of sturdy lightweight materials is gaining importance. Through the Fupro partner project at TU Dresden, we are supporting research into the production of complex, multi-piece lightweight materials that might for example ultimately find use in automotive engineering. Given the dynamic development of electric mobility, we firmly believe the material mix in cars will shift towards lightweight materials.

Another highly promising area is the next generation of semiconductors. Here, we face the technological challenge of accommodating even more computing power in an even tighter space – for example for autonomous driving, one of the really big issues for the future. The EUV process is a photolithography process that plays a pivotal role in the manufacture of the

wafers required for this. We supply our technology to a manufacturer of production machinery for these semiconductors.

Which brings us to the next topic, one that has already been mentioned several times today. In electric mobility, we focus on charging stations and battery cooling for buses and rail vehicles. In Geneva, bus line 23 between airport and different suburbs is currently being equipped with electric busses with quick charging stations. That is a very complex affair, because not all buses can be charged up simultaneously in the depot at night – that would simply overload the power supply. The solution involves batteries at the charging stations which are in turn used to charge up the batteries in the buses. It all needs to proceed very quickly, which is why the batteries need to be cooled during the process. Here again, technotrans supplies the right solutions.

To increase acceptance of electric cars, the charging processes need to become shorter. That has prompted the development of quick-charging stations. technotrans supplies leading OEMs with solutions for cooling the power electronics and charging leads.

Meanwhile digital printing is coming on in leaps and bounds, and it is another area in which we offer tailormade solutions for our customers. A key driver of this development is the trend from mass production to custom article. Here's one example: in the USA, grocery stores are experimenting with packaging. This is printed with motifs from the specific supermarket's catchment area, to increase loyalty between customers and their stores. We are keeping our customers loyal by providing them with the technology to do the same.

At the same time we want to pool our efforts and optimise coordination within the group. Where is there potential for efficiency improvements? Where are there technological overlaps? Where can processes be standardised?

We therefore plan to introduce SAP at all production locations by 2020 to pave the way for even more effective, globally integrated collaboration.

We also believe sustainability is an important issue. For example, we are developing devices that can run on natural refrigerants and therefore achieve a much smaller carbon footprint.

Ladies and Gentlemen,

As you can see, there is plenty of movement at technotrans. We are developing the company progressively and systematically. There are many new projects and technological innovations in the pipeline, and I am convinced they will bring us a great deal of pleasure. The same applies to the partnership with you, Dear Shareholders, which I look forward to with great optimism.

Thank you for your attention!