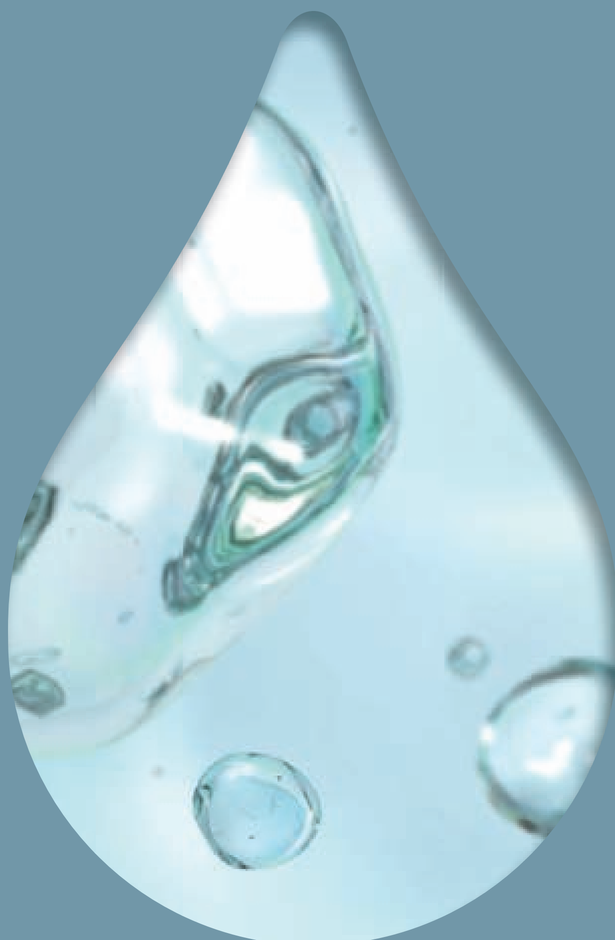
ANNUAL REPORT 2010



technotrans

WE ARE IN OUR ELEMENT.

Annual Report 2010

Water is in a constant state of change. Water always finds new paths. And water is powerful. Because it permanently renews itself. We are truly in our element here.

technotrans can look back on a sound basis of 40 years of experience and innovation. Because of that, we know that it is important to set the course in good time when markets are in a state of flux. That new ideas need space to unfold. And that we are heading in the right direction: by broadening our areas of business and developing innovative, diverse and unique applications – we are as creative as water.

KEY DATA
(IFRS)

		2010	2009	2008	2007	2006
Earnings						
Revenue	€ '000	**85,887**	82,210	141,677	153,170	151,272
Technology	€ '000	**51,388**	48,808	103,840	116,925	117,038
Gross profit	€ '000	**34,499**	33,402	37,837	36,245	34,234
Bruttoergebnis	T€	**25,457**	16,657	35,745	50,346	50,445
EBITDA [1]	€ '000	**6,585**	-4,284	12,177	18,183	18,794
Earnings before interest and tax (EBIT)	€ '000	**3,036**	-11,929	-38	13,886	15,666
Net profit for the period	€ '000	**1,517**	-10,347	-2,852	9,067	9,988
as % of revenue	%	**1.8**	-12.6	-2.0	5.9	6.6
Net profit per share (IFRS)	€	**0.24**	-1.65	-0.45	1.33	1.48
Dividend per share	€	**0**	0	0	0.70	0.70
Balance sheet						
Issued capital	€ '000	**6,908**	6,908	6,908	6,908	6,762
Equity	€ '000	**33,884**	31,287	41,816	56,872	53,937
Equity ratio	%	**50.0**	45.2	47.7	58.1	60.0
Return on equity	%	**4.7**	-29.6	-5.8	16.4	19.8
Balance sheet total	€ '000	**67,779**	69,242	87,612	97,890	89,876
Net debt [2]	€ '000	**5,895**	12,374	18,705	7,270	-1,742
Working capital [3]	€ '000	**17,126**	7,847	26,177	28,467	35,523
ROCE [4]	%	**5.7**	-21.3	-0.1	19.8	24.7
Employees						
Numer of employees (average)		**620**	676	823	814	724
Personal expenses	€ '000	**30,843**	31,975	41,628	40,741	39,913
as % of revenue	%	**35.9**	38.9	29.4	26.6	26.4
Revenue per employee	€ '000	**139**	122	172	188	209
Cashflow						
Cashflow [5]	€ '000	**7,418**	3,640	6,747	10,625	12,297
Free Cashflow [6]	€ '000	**6,287**	2,435	363	-618	8,201
Shares						
Number of shares at end of period		**6,340,035**	6,311,415	6,271,797	6,765,004	6,761,783
Share price (max)	€	**7.25**	6.10	17.09	24.52	24.90
Share price (min)	€	**4.40**	2.97	3.54	13.80	17.01

[1] EBITDA = EBIT + depreciation on intangible and tangible assets
[2] Net debt = financial liabilities + non-current provisions – cash and cash equivalents
[3] Working capital = current assets – current liabilities
[4] ROCE = EBIT/Capital employed
[5] Cashflow = cash from operating activities acc. to cash flow statement
[6] Free Cashflow = cash from operating activities + cash used for investments acc. to cash flow statement

THE COMPANY

TECHNOTRANS IS A TECHNOLOGY AND SERVICE COMPANY THAT CONCENTRATES SUCCESSFULLY ON APPLICATIONS DERIVED FROM ITS CORE SKILL OF LIQUID TECHNOLOGY. WITH 19 LOCATIONS AND AROUND 650 EMPLOYEES, THE TECHNOTRANS GROUP ENJOYS A PRESENCE IN ALL MAJOR MARKETS WORLDWIDE. OVER MANY YEARS, TECHNOTRANS HAS CONCERTEDLY BEEN EXPLORING NEW SEGMENTS AND AREAS OF APPLICATION FOR ITS CORE SKILLS OF TEMPERATURE CONTROL, MEASURING AND METERING TECHNOLOGY, PROCESS CONTROL, FILTRATION AND SEPARATION, AND CLEANING TECHNOLOGIES. ITS STRATEGY FOCUSES ON SUSTAINED, PROFIT-DRIVEN DEVELOPMENT.

technotrans' business is divided into two segments: Technology and Services. In the Technology segment, which generates around two-thirds of total revenue, the company places the emphasis on developing and selling applications for offset printing. As a leading systems supplier of equipment to the printing industry, the product range comprises a wide range of systems and equipment for controlling and monitoring printing processes that involve liquid technology. In close cooperation with its customers, the company is steadily broadening its range of products and thus tapping fresh market potential. Major printing press manufacturers worldwide are our key customers. They frequently equip their printing presses ex works with technotrans equipment. In addition, various products aimed directly at end users have been developed in recent years; these further automate procedures in printing shops worldwide or pave the way for the more efficient use of resources.

Along with the takeover of a majority interest in Termotek AG at the start of 2011, technotrans has in addition gained a foothold in an interesting growth market in the area of laser applications. That aside, we are pursuing a number of other highly promising projects in order to apply our core skills in other areas.

The Technology segment is complemented by the Services segment. technotrans' activities are rounded off by an extensive range of services. These include providing customer support for the installation, maintenance and operation of systems. Activities in the field of Technical Documentation are another key area of activity for the company, with its practical software solutions and services used by a diverse portfolio of customers from many different sectors.

CONTENTS

INFORMATION FOR SHAREHOLDERS

THE COMPANY

GROUP MANAGEMENT REPORT

FINANCIAL STATEMENTS

FURTHER INFORMATION

WHERE DOES THE WATER GO AT LOW TIDE?

Louis, age 6

The water doesn’t vanish, it just goes somewhere else. Because of the moon. It orbits the earth and, as it does so, its gravity attracts the water. Like everything in nature, it is controlled by natural principles.

Here at technotrans, we make sure everything remains properly under control, too. For example when transferring liquids by pump. Like the tide coming in and going out, delivering the right quantity of liquid to the right place takes place almost automatically. Whether it’s a question of pumping all the dampening solution between the tanks and the printing press or circulating the coolant used in laser technology and the tool industry, we control all these processes for the benefit of our customers.

HOW OFTEN CAN YOU RE-CYCLE WATER BEFORE IT'S USED UP?

Till, age 5

All water flows in a perpetual cycle between earth and sky, seas and rivers, ice and rain… and undergoes many changes. Nature automatically recycles dirty water by passing it through countless natural filter layers.

We at technotrans also ensure that the processing liquids within a production line are properly treated and repeatedly reconditioned to make them clean again. As well as protecting the environment, that helps our customers – e.g. printers – to save money. And the best part of it is that cleaned processing liquids minimise the risk of machinery failing. Nothing breaks down. Everything behaves naturally.

DEAR SHAREHOLDERS, DEAR BUSINESS ASSOCIATES,

The past financial year was dominated by two issues from technotrans' viewpoint: the completion of essential consolidation measures, and the entry into new markets. The changes that these developments have brought our company and the preparations that have been made over the past few months to build a successful future are our focus of interest in this Annual Report.

As a leading systems supplier for the printing industry, technotrans can look back on a highly successful past. The product range, based on its core skills, has steadily been widened and in many areas technotrans is already the market leader, often way ahead of its nearest competitors. Printing press manufacturers all over the world frequently equip their presses ex works with technotrans systems and equipment.

But these close ties with the printing industry have also revealed their downside in recent years. The impact of the global economic crisis assumed occasionally dramatic proportions in that branch of the investment goods industry, and technotrans, too, consequently suffered falls in revenue of as much as 50 percent. The 2008 and 2009 financial years were therefore dominated by efforts to adjust to this downturn in revenue. Along with a tentative recovery in the economic environment in the 2010 financial year, we have now been able to harvest the first fruits of these measures and were able once more to report a positive operating result in each individual quarter. But this served as a timely reminder to take stock of what we are doing.

This upturn cannot hide the fact that the printing industry will have to overcome an array of structural challenges over the next few years. There is still considerable overcapacity for printed products in industrial countries worldwide. The investment surge that led to an initial recovery in revenue for printing press manufacturers was driven almost exclusively by emerging markets in Asia and South America. However, there is clearly greater demand there for sturdy, low-cost presses than for advanced, technologically sophisticated versions where the content per press supplied by technotrans can be considerably higher.

The long-term growth prospects for the printing industry are further restricted by the continuing shift in media, the consequences of which are particularly evident from the low investment volume in the newspaper sector. Along with other experts within our industry, we have therefore arrived at the conclusion that the printing industry will not regain its size prior to the crisis. The market for newspaper presses will probably remain at the current low level, while the market for sheet-fed offset presses will probably recover to 75 to 80 percent of its original level.

We are convinced that technotrans will continue to play a significant role as a supplier to that industry for years, or even decades, to come. However, we also know that the company needs to access fresh markets if it is to enjoy lasting growth prospects in the long term. Back in 2009 we therefore set ourselves the target that the company is to earn 30 percent of its revenue in markets outside the printing industry in three to five years' time.

We therefore used part of the capacity left fallow by the crisis to reposition the company. We reorganised our product areas in 2009 and created business units. Each of the four business units is in charge of specific core skills and two of the business units are explicitly charged with the task of tapping revenue potential outside the printing industry. Our company has since been running a large number of projects in order to achieve this target – through internally developed products, through joining forces with partner companies or through acquisitions.

The acquisition of Termotek AG that we finalised at the start of 2011 sends out a clear message about the direction in which we want to take the company. We are developing high-growth niche markets in which we can play a major role thanks to our company's size, the available resources and its structures. We are targeting markets in which we perceive scope for sustainable growth, based on our existing expertise. And we are working systematically on this strategy but are consciously avoiding proclaiming our visions through bold declarations. Because we want to be judged by the results we actually achieve, and not merely by the claims we make.

The 2010 financial year thus marks a kind of turning point: first, technotrans is back on an even keel after the sharp downturn in revenue, and has paved the way for improved profitability for its established operations. And second, we have made it our goal to accelerate growth over the next few years, irrespective of how the printing industry fares. The initial results of these activities suitably confirm to us that we are pursuing the right strategy for restoring our former levels of revenue and profit one day, thus giving the company long-term prospects for growth.

Last year again demanded a huge effort on the part of all our employees. We had to work short-time for two-thirds of the year, then immediately cope with a rising volume of orders. And over all twelve months, our employees nevertheless had to invest a huge amount of energy, creativity and passion in the projects we are pursuing outside the printing industry. We are proud of this team, which has distinguished itself both by the solidarity it has shown towards the company and by its determination to take its future into its own hands, and we expressly thank everyone for their efforts over the past year.

We would like to share the fruits of these efforts with all the parties involved. With our business partners, who we supply with technologically appropriate products at the right price; with our employees, who have earned their pay increases in the truest possible sense; and with our shareholders, because growth should of course also translate into rising share prices and increased profitability.

As you can see, we have an abundance of plans and would be delighted to see you accompany us into this exciting future.

On behalf of the Board of Management

Henry Brickenkamp

WHY DO YOU GET THIRSTY?

Zoë, age 4

When you run around a lot, you get hot. You then become thirsty. Because your body uses water to cool down by getting rid of the heat that's inside you. You then need to drink to make up for the water you've lost. Nature is very clever: water cools you down more effectively than air.

We use the same principle to keep digital printers cool. They used to overheat frequently and had to be left for a long time to cool down – making money evaporate into hot air. That doesn't happen with technotrans, because digital printers can keep running thanks to our cooling system. Enabling our customers to earn even more money. How cool is that?

TECHNOLOGY DIVISION

THE TECHNOTRANS GROUP FOCUSES SUCCESSFULLY ON APPLICATIONS INVOLVING LIQUID TECHNOLOGY. ITS ACTIVITIES PLACE THE EMPHASIS ON EQUIPMENT AND SYSTEMS FOR HEATING AND COOLING, MEASURING AND METERING, FILTERING AND SEPARATING, TRANSPORTING LIQUIDS OR APPLYING LIQUIDS TO SURFACES. HIGHLY QUALIFIED ENGINEERS DEVELOP SOLUTIONS FOR SPECIAL TASKS SO THAT OUR CUSTOMERS BENEFIT IN THE FORM OF PARTICULARLY EFFICIENT, HIGH-QUALITY AND ENVIRONMENTALLY FRIENDLY PRODUCTION OPERATIONS. WE HAVE BEEN A VERY SUCCESSFUL SYSTEMS SUPPLIER TO THE PRINTING INDUSTRY FOR A NUMBER OF DECADES AND HAVE MARKET SHARES WELL IN EXCESS OF 50% IN CERTAIN PRODUCT AREAS. WE ALSO HAVE PLENTY MORE PLANNED FOR THE FUTURE.

Printing presses are sophisticated pieces of machinery. If these high-tech systems are to produce perfect print products, all the parts must fit together to within a hundredth of a millimetre and all processes must be perfectly coordinated. technotrans' equipment and systems play an important part in achieving those goals.

All down to the contents

Take dampening solution circulators, for example. In offset printing two liquids interact: the oil-based ink and the water-based dampening solution. These two liquids repel each other on the printing plate because of their physical properties, leaving behind a sharp printed image. As well as water, the dampening solution contains very precisely metered amounts of various additives, with the result that the concentration needs to be continually monitored and adjusted as necessary. The temperature of the dampening solution, too, has a major impact on the print quality. Thanks to technotrans technology, it is supplied to the printing press both in the perfect composition and at precisely the right temperature.

Over the years, dampening solution circulators have been steadily improved and their technology refined. The alcohol concentration in the water, for example, is now increasingly measured by ultrasonic sensors that analyse the gas above the liquid; this avoids the risk of contamination in the liquid that would cause an immersed sensor to deliver incorrect readings.

Dampening solution circulator and much more, too

Systems have moreover become more complex. Many dampening solution circulators are now combined with ink roller temperature control units. The latter ensure that the ink distributor rollers of the press always exhibit a stable temperature level. The combination of these two technologies results in compact equipment and systems that share the refrigeration technology, for instance, and therefore operate particularly efficiently. We predict that a module for filtering the return flow from the machine will likewise become a regular feature of the dampening solution circulator in the foreseeable future. So despite its name, it will by then be capable of much more, too.

The main customers of this type of product are the world's major printing press manufacturers. The printing industry is still dominated by German engineering products: over 60% of all printing presses worldwide are adorned with the words "Made in Germany". With most manufacturers, technotrans has agreed blanket agreements that specify which printing presses are fitted with what equipment. So before any particular press is shipped to the end customer, for instance a printer or a publisher, the corresponding equipment is called from technotrans and supplied just in time, for dispatch to its destination directly together with the printing press. It is estimated that 85% of deliveries are destined for the export market, in particular Asian emerging markets and South America at present. That is another reason why it is important for technotrans to have a presence in all markets worldwide. As well as assisting printing press manufacturers in situ, our Service and Sales personnel ensure that the end customers – some 500,000 printers worldwide – are familiar with technotrans and are able to make the most of its products.

Successful development partnerships

With their special expertise, technotrans' development engineers are highly regarded partners to printing press manufacturers. Whether for refining existing technologies or identifying entirely new solutions, they are often involved from the very outset whenever new projects are launched, and assume responsibility for special sub-areas that are not covered by the printing press manufacturers' core skills. Many of these developments are traditionally scheduled for unveiling at the printing industry's biggest exhibition, the drupa, which takes place only once every four years. That show – the next one is taking place in the early part of 2012 – is where innovations are then first presented to trade visitors.

That special character

technotrans has steadily broadened its product range over the years. It now includes an automatic ink supply, for example. Instead of the ink being scooped manually from a can into the press's ink duct, the ink.line meters the required amount of ink from a cartridge. As well as reducing the workload, it also saves ink because afterwards the cartridge can be set aside for the next print job that will require that colour.

As a result of its work involving ink supply systems, e.g. also for very large printing presses on which the ink must be circulated from central stores to the right point, technotrans now possesses outstanding expertise in handling highly viscous substances. It is therefore only natural that its product range should now include varnish supply systems, too.

Many of the product have a special character that is exclusively the result of thinking further than the task in itself demands. Take spray dampening systems: they not only meter the dampening solution onto the rotary press's plate cylinder very precisely and reliably, but also protect themselves against contamination. The key to this is the venturi cap, which supplies a constant stream of air to prevent paper dust and ink residue from settling on the valves. Endurance tests have shown that this type of spray dampening system can operate for a whole year without requiring any maintenance work.

Cutting costs and protecting the environment

Various technotrans products demonstrate that there is no inherent contradiction between these two objectives. Filtration units remove contamination and ensure that the dampening solution can remain in circulation for longer. That saves on disposal costs and consequently reduces pollution, while extending the intervals between changes that invariably mean a costly shutdown of the press.

Then there are heat recovery systems: they capture waste heat in the printing shop and make use of it elsewhere, e.g. for heating offices.

Finally, there are our cleaning systems that require very little washing agent and automate manual processes.

Systems supplier with a penchant for perfection

As a systems supplier to the printing industry, technotrans can pool demand from the various different printing press manufacturers; the resulting volume means it not only develops and offers technical standards, but also achieves very economical manufacturing operations. Both sides benefit from this. The slump in investment propensity following the global financial and economic crisis also had a profound impact on technotrans. The recovery that followed has been sadly lacking in vigour and has moreover been inconsistent across the sheet-fed and web offset segments. We have therefore decided to halt active sales for the time being of products that are unable to make a positive contribution to earnings in the current market environment.

The printing industry, a growth market

Yes, you didn’t misread that. Because we are talking about digital printing. Although strictly speaking a digital printer more closely resembles a large-scale photocopier than a genuine printing press, thanks to ongoing technical development digital printers are now perfectly capable of competing with offset printing for small print runs, depending on what exactly the customer wants.

The boundaries between the individual technologies are blurred, but one fundamental difference is that digital printing presses use toner or operate according to the ink jet principle rather than use traditional printing ink. Their advantage is undoubtedly the fact that a different printed image can be produced after every sheet because a new image is “painted” on the laser imaging unit after every revolution.

technotrans has many years of experience in the field of digital printing, in areas ranging from temperature control of the laser imaging unit to the assemblies inside the printer that maintain a constant climate. We are continually working on new solutions in order to tap into this growth market and will keep adding to our portfolio of skills in this field.

Quo vadis, printing industry?

In the crisis years of 2008 – 2009, sales of printing presses worldwide fell by around 50 %. The printing industry was thus far worse affected than many other areas of the investment goods industry. Nor is its recovery as vigorous as other industries. The changing way in which media are used by the internet, iPad and similar and the long operating life of a printing press are undoubtedly part of the problem. But does that mean the printing industry is finished? We believe not.

It is clear that there was overcapacity for print production in industrial nations, and that it was gradually eliminated throughout the crisis. On the other hand there is huge catch-up demand in emerging countries, initially even for the most basic of printing presses and then eventually for ultra-efficient high-tech presses. Rising prosperity fuels demand for brochures and catalogues, high-quality packaging, and in fact all packaging, e.g. for food. We therefore expect that both the investment backlog of recent years and the target markets in Asia and South America offer sufficient potential to maintain momentum in the printing industry over the next few years and to deliver growth likewise for technotrans.

But we also concur with other experts from our industry that the market volume will not recover to the pre-crisis level for the foreseeable future. The sheet-fed offset segment will recover from 60 % to maybe 75 to 80 %, and the web offset segment possibly achieve only slight growth. But even that market still offers interesting prospects for both original equipment and retrofit business. technotrans will not pass up those opportunities over the next few years.

In order to give the company long-term growth prospects as well, we are turning our attention to other markets. Read the next chapter to find out more.

technotrans industrial system solutions

We have adopted this banner for all activities that involve applications outside the printing industry.

For many years it has been our principle to concentrate solely on niche markets with our technologies. These niche markets should always be of a size that enables us to achieve world market shares in excess of 50 percent. As a systems supplier, technotrans furthermore very successfully maintains a kind of symbiotic relationship with discerning industrial customers and is at home doing business in the B2B sphere.

In the firm belief that a company needs long-term growth options, some time ago we began to identify other areas where our core skills could be applied, all the while strictly meeting the above principles, as part of our drive to generate 30 % of revenue outside the printing industry in future.

Creative forces at work

The restructuring of our technology areas into business units that reflect our core skills and the mission to find areas of application outside the printing industry have released an enormous amount of energy among a workforce that was living under the cloud of short-time and bleak prospects for the industry. They visited exhibitions and held talks with suppliers, established contacts in different markets and listened to M&A consultants. Within a very short time, there were more ideas in the mix than we could ever have handled with the best will in the world, given the resources available. And new ones are appearing all the time.

In the next step – which then became an ongoing process – we sought to assess the ideas and identify the projects that were the most feasible based on the available expertise, access to markets and investment required. The potential revenue volume naturally also played a decisive role in this evaluation process. Where we were not immediately wholeheartedly convinced by ideas, we set them to one side with the option of reconsidering them at a later date.

Make and buy

From the very outset, we not only followed up ideas that would lead to internally developed products, but also specifically looked for potential venture partners. The first convincing candidate was found in Termotek AG.

As a specialist supplier of laser cooling systems, Termotek operates in a field of technology that dovetails incredibly well with technotrans' core skills. The only difference is that our cooling equipment is in a performance category that starts beyond where Termotek's ends. As well as venturing into an interesting growth market, a close association with technotrans offers scope for exploiting huge synergy benefits. Termotek will moreover be able to share technotrans' international network. It will now be able to call upon a worldwide sales and service organisation that will broaden its access to customers in Europe, the USA and Asia.

The partnership with Termotek AG was formally sealed in summer 2010. The expectations that had been placed on it were fulfilled in the months that followed, leading to the acquisition of a majority interest in the company at the start of 2011.

Good things come to those who wait

Not only have events conspired to try our patience of late. It has often taken much longer than expected to put certain ideas into practice.

The first step is to come up with a suitable concept for solving a particular problem, when the potential customer frequently does not even realise that that problem exists. Then the right contacts have to be established inside other companies with which technotrans does not necessarily have any ties at the outset. Following various meetings, once the potential customer has agreed to try out our idea a prototype is built and placed at the customer's disposal for practical trials lasting several months. Modifications are often made during this test phase to adapt the equipment optimally to actual operating requirements.

Feedback from the market has invariably been heartening; technotrans' employees have often been praised for their dedication and technical expertise, with the result that their sheer motivation makes the lengthy wait all worth while. But we have also had to cope with various setbacks whenever a good idea has proved impossible to realise for whatever reason, or if the potential customer has not been sufficiently convinced to rally to a cause they were unable to identify with. In all such cases we were glad we had not leaned too far out of the window in proclaiming these activities to the whole world up front.

A closer look at the prospects

Certain topics are now sufficiently mature to have been given a separate website at the start of 2011. At www.ttis.technotrans.de interested parties can find out more about our core skills and how we can use these to their advantage.

Take tool manufacturing, for example: machine tools often involve the use of a cooling lubricant that then becomes contaminated with residue from the material that has been machined. We offer various ways of filtering and separating these, depending on the application. Thanks to the partnership with Termotek, we can even offer combined temperature control and filtration solutions for the application in the laser technology.

Another interesting area of application is industrial cooling. We are working on water treatment solutions. Then there is plastics engineering, where we have ultra-high-performance precision temperature control units to offer. Or special cooling systems for digital printing presses and ink supply systems for flexographic printing.

On the right track

technotrans is aiming to gain access to applications away from the printing industry for its own technologies in order to assure the company sustained growth over the medium to long term. Our experience of recent months has confirmed to us that we are on the right track: the areas that our activities concentrate on focus very closely on technotrans' core skills and are particularly appropriate thanks to their long-term prospects. To achieve our goal of generating around 30 percent of revenue outside the printing industry in three to five years' time, we simply need to concentrate on our own strengths and keep progressing along our chosen path. If acquisitions that complement our activities might accelerate that progress, we will equally consider such options.

SERVICES DIVISION

TECHNOTRANS EQUIPMENT AND SYSTEMS OFTEN HANDLE PROCESSES THAT ARE OF CRITICAL IMPORTANCE TO OUR CUSTOMERS. A MALFUNCTION COULD THEREFORE OFTEN HAVE MAJOR CONSEQUENCES FOR THE ENTIRE PRODUCTION PROCESS. THE SERVICES DIVISION CONSEQUENTLY ENSURES THAT THESE FAULTS ARE RECTIFIED AS SWIFTLY AS POSSIBLE SO THAT THE SYSTEM IS UP AND RUNNING AGAIN WITH MINIMUM DELAY.

In the case of larger projects, customer support often starts with the installation process. With complex units such as ink supply systems, our experts take charge of expertly assembling the components and equipment and support the customer through to their commissioning. They of course also familiarise and train the users to ensure that production gets off to a smooth start.

Assistance is a question of expertise
If an emergency nevertheless occurs, printers contact either the printing press manufacturer or technotrans. In the former case, the effectiveness of the assistance available obviously depends very much on the expertise of the manufacturer's support staff. In the interests of maximum customer satisfaction, we therefore also provide training for staff at the printing press manufacturers to equip them to provide instant, expert assistance. And anyone who has a grasp of the technology will also be a knowledgeable ambassador of technotrans in the market.

Where users of our equipment and systems contact technotrans directly, it is therefore vital to get them up and running again as swiftly as possible and to assure optimum availability of the machinery in every eventuality through intelligent parts logistics. As an initial point of contact for customers, we have set up a hotline on which specialists are available to customers 24/7 to solve emergencies. They may even propose unconventional solutions to keep a system running at least temporarily until a permanent repair can be carried out.

Rapid supply of parts all around the globe
If necessary, an efficient parts logistics process then cuts in. Key components are almost always held in stock at the subsidiaries and can therefore be dispatched rapidly to the customer. Together with the customer, the decision is then taken on whether its own personnel can change the part or whether a technotrans service engineer needs to be sent out. Our objective is to design our equipment in such a way that these tasks can be performed as easily as possible by the customer. We want to reserve service engineer callouts for only the really tough cases.

Customers are also increasingly making use of internet-based support. technotrans' service engineers can for instance use various interfaces to diagnose the status of equipment and recommend how process stability can be optimised. In other cases, internet support operates in tandem with engineers working in situ on the press. Such advances save considerable amounts of time and money, and also protect the environment by reducing the amount of travel required.

Service contracts reduce downtimes

To prevent malfunctions from occurring in the first place, technotrans offers attractive service contracts. Regular inspections ensure that equipment is always perfectly adjusted for maximum efficiency, quality and productivity. Customers then need concern themselves neither with changing consumables according to schedule, nor with the timely replacement of important wearing parts. The goal of minimising breakdowns and keeping presses running ideally uninterrupted is therefore comfortably achieved.

The expertise that we have built up at the 19 locations that comprise our international service network of course needs to be continually kept up to date. We therefore devote particular attention to internal training for service personnel, to ensure that they are always fully abreast of product developments.

Tailormade assistance

In close consultation with our major customers, services are tailored to their individual needs. Some prefer to involve technotrans right from the installation process and request user support from the point of commissioning on. Others want to be the sole point of contact for printers throughout the warranty period, only consulting technotrans when special questions that they are unable to answer themselves arise. Some of our major customers therefore attach considerable importance to the support our local subsidiaries provide, while others are content with centrally organised assistance and parts arrangements.

Structures you can rely on

Developing and maintaining the international network has been a key aspect of technotrans' success in recent years, because our customers are international corporations and expect such a presence in their major suppliers' markets, too. This structure furthermore remains an important argument whenever we reveal new applications for our technologies. It also gives companies such as Termotek the opportunity to adopt a more global outlook without needing to invest in their own structures. In Asia and America in particular, they can thus access new markets for their technologies while offering a local service.

No need to handle everything in-house

To complement technotrans' product-based services, there is the Technical Documentation business unit. gds AG has been operating as an independent company since 2009 and already has a branch in Switzerland. In the "documate" service area, gds employees develop and produce technical documentation such as operating, maintenance, training and service documents on behalf of high-profile customers. The process involves researching the relevant information together with experts at the customer, and presenting it in text and diagram form in keeping with editorial principles, statutory requirements and standards. The documentation is translated into all languages required. One very important aspect is structuring complex matters carefully and explaining them clearly, because the manufacturer's liability risk often follows on directly from its obligation to provide documentation.

Compiling documentation is now a highly specialised task for which many of our customers no longer wish to set aside internal resources. More than once, gds has initially been commissioned to produce the documentation for individual projects to spread the load on internal capacity at times of peak demand, and has then gradually taken on more and more documentation work, ultimately leading to the wholesale outsourcing of these tasks. In such cases, there is often a member of gds on site at the customer to interface with the customer.

gds has also acquired a strong reputation as a developer and supplier of intelligent software under the "docuglobe" and "docuterm" brands, the former of which has already reached Version 7. Its products are already used as tools by many renowned customers in the compilation of technical documentation.

DO FISH NEED TO DRINK WATER?

Luca, age 5

It all depends. Neither saltwater nor freshwater fish have ever heard of the principle of osmosis. But they still respond correctly without knowing it. Saltwater fish need to drink all the time – but freshwater fish would burst if they drank.

technotrans is familiar with the subtleties of this realm of fine materials, right down to the tiniest molecule. When we prepare cleaning and processing fluids, for instance, we filter them until they are good-as-new again, with the aid of coarse, fine, deep, ultra or nanofiltration. That guarantees quality and saves money. Let's raise a good glass of water to that!

GLOBAL COMPACT

SUSTAINABILITY AND SOCIAL RESPONSIBILITY ARE NOW CONCEPTS THAT EXPRESS WHAT SOCIETY IN GENERAL EXPECTS FROM COMPANIES, AND ARE OF GROWING IMPORTANCE FOR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS. PEOPLE WANT THEIR SUPPLIER, THEIR EMPLOYER OR THE COMPANY IN WHICH THEY ARE INVESTING TO EMBRACE HIGH MORAL STANDARDS AND BEHAVE IN A CORRECT MANNER. THE UNITED NATIONS THEREFORE LAUNCHED ITS GLOBAL COMPACT TEN YEARS AGO.

This initiative arose out of the conviction that companies can play an important role in improving justice and fairness for people worldwide. Over 8,000 companies and institutions worldwide have since signed up to it. The Global Compact requires participants to acknowledge, support and implement a range of basic principles spanning human rights, labour standards, environmental protection and anti-corruption measures, within their sphere of influence. The participating companies are moreover obliged each year to give account of their efforts to implement and promote the ten principles. The technotrans Board of Management decided in 2006 that the company was to become a member of the Global Compact and that all managers at the international companies were to be obliged to uphold its principles.

technotrans considers it only natural that it should subscribe to the principles of the Global Compact. We would not tolerate breaches of its principles in our own company. In 2010 we again promoted the principles where we are able to exercise a positive influence through our business activities. In the first instance we advocate the development of technologies for environmental protection and push for their acceptance.

Last year the technotrans Group again carried out a number of measures designed to publicise environmentally friendly technologies and motivate our customers worldwide to pay greater heed to the environment in their production operations. In choosing the projects through which we aim to open up markets outside the printing industry in future, we in addition identified areas where our technologies can help to save energy, for instance, or use water more sparingly.

We invested a significant amount in accessing these new markets in 2010 and are confident of being able to publish further results in the next few months. Following the major advances of last year, which included the awarding of “Environmental Technology (ET) Service Provider” status to our Hong Kong subsidiary and our admission to the “Energy Efficiency – Made in Germany” initiative, we request you to look out for the next few months’ announcements for news of this year’s developments.

The 2010 United Nations Climate Change Conference in Cancún demonstrated how great the challenges of the future are. But it also showed that the international community is united in its belief that change is needed – even if the compromises reached go too far for some, and not far enough for others. All companies worldwide must work towards the attainment of these goals. technotrans will do its part in tackling these challenges.

Companies operate in a competitive environment that is characterised by ever scarcer resources and rising raw material prices. Resource-protecting production processes could therefore become vital to the survival of companies. The rising prices of emission certificates are obliging companies to adopt emission-reducing technologies. In developing such solutions, technotrans is helping to make production more environment-friendly.

Sustainability is a high priority for the company. We are convinced that companies will lose the ability to succeed if they are unable to reconcile economic interests with ecological and social objectives. Meeting certain standards may moreover enhance their own appeal, for example as prospective employers of well-qualified individuals, and may provide a basis for partnerships with other sustainably minded companies.

This desire to reconcile social with economic responsibility lay behind the idea of becoming patron of a local orphanage following the opening of our subsidiary in India. This move was applauded throughout the entire group and prompted a whole host of fundraising campaigns such as a sale of IT equipment that had been taken out of service, with the proceeds going to the orphanage.

Compliance with and promotion of the basic values of the Global Compact in respect of human rights, labour standards, environmental protection and anti-corruption measures are part of the compliance audits that are conducted regularly at all group companies. The audits thus ensure that these basic values are the measure of all actions and are put into practice day in, day out. The Board of Management stresses that the company continues to support the Global Compact and promote both the initiative itself and its principles.

DECLARATION OF CONFORMITY AND CORPORATE GOVERNANCE REPORT

The German Corporate Governance Code contains the recognised standards of responsible corporate management. Once a year, the Code is updated by the government commission to reflect national and international developments. The Board of Management and Supervisory Board report below on corporate governance at technotrans AG and explain departures from the recommendations and suggestions of the Code.

Responsible corporate management is a high priority at technotrans. One fact which serves to illustrate this clearly is the low number of departures from the 82 suggestions and 16 recommendations with which the Code expects companies to comply, over and above the statutory requirements. The most recent declaration of conformity from September 2010 reads as follows:

> The Board of Management and the Supervisory Board declare that the recommendations of the Government Commission on the German Corporate Governance Code as set forth in the version dated May 26, 2010 have been complied with in the 2010 financial year and will be complied with in the future with the exception of the following recommendations:

- Articles 5.1.2. and 5.4.1.
  (Composition of the Board of Management and Supervisory Board)
  When deciding on the appointment of new members of corporate bodies, in future the emphasis will be on the qualifications of the candidates and not on their gender.

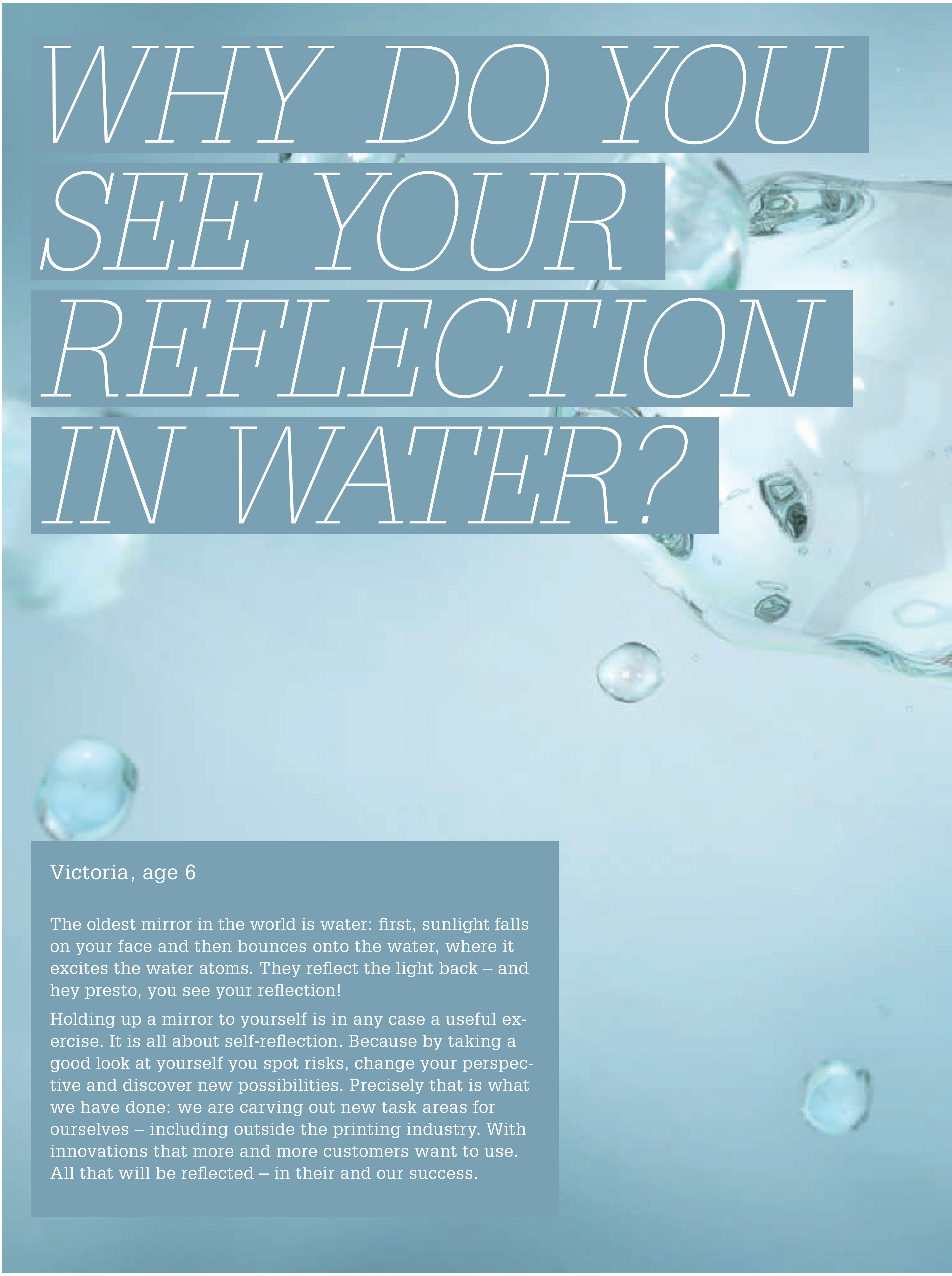
- Article 5.4.6
  (Composition and disclosure of the remuneration of Supervisory Board members)
  The members of the Supervisory Board receive total remuneration comprising fixed and variable components, as specified in the articles of incorporation by the Shareholders' Meeting. No performance-related remuneration including components based on the long-term performance of the company has been envisaged. The total remuneration is disclosed in the Notes section of the financial statements, categorised by fixed and variable components. To protect the privacy of the Supervisory Board members, the amounts are not broken down by individual.

The first departure concerns the recommendation also to achieve diversity in the composition of the Board of Management and Supervisory Board, and in particular to strive for adequate representation of women. The Board of Management and Supervisory Board are convinced that the principle of equality is observed when filling posts and will therefore continue to consider potential candidates first and foremost on the strength of their qualifications. Targets e.g. for certain quotas to be met in the boards' composition have therefore deliberately not been adopted in view of the specific situation of the company.

The second departure relates to the disclosure of the Supervisory Board's remuneration. The total remuneration of members of the Supervisory Board is indicated in the Notes section of the financial statements, categorised by fixed and variable components, as specified in the articles of incorporation by the Shareholders' Meeting. To protect the privacy of the Supervisory Board members, the amounts are merely not broken down by individual.

In addition to the recommendations, the Corporate Governance Code contains suggestions, compliance with which is not binding. Nor are explanations for departures from the suggestions required. technotrans departs from these suggestions in only one case: that the remuneration of the Supervisory Board should contain long-term incentivising components. The present remuneration system as approved by the Shareholders' Meeting does not contain any such components, which would be difficult to formulate.

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

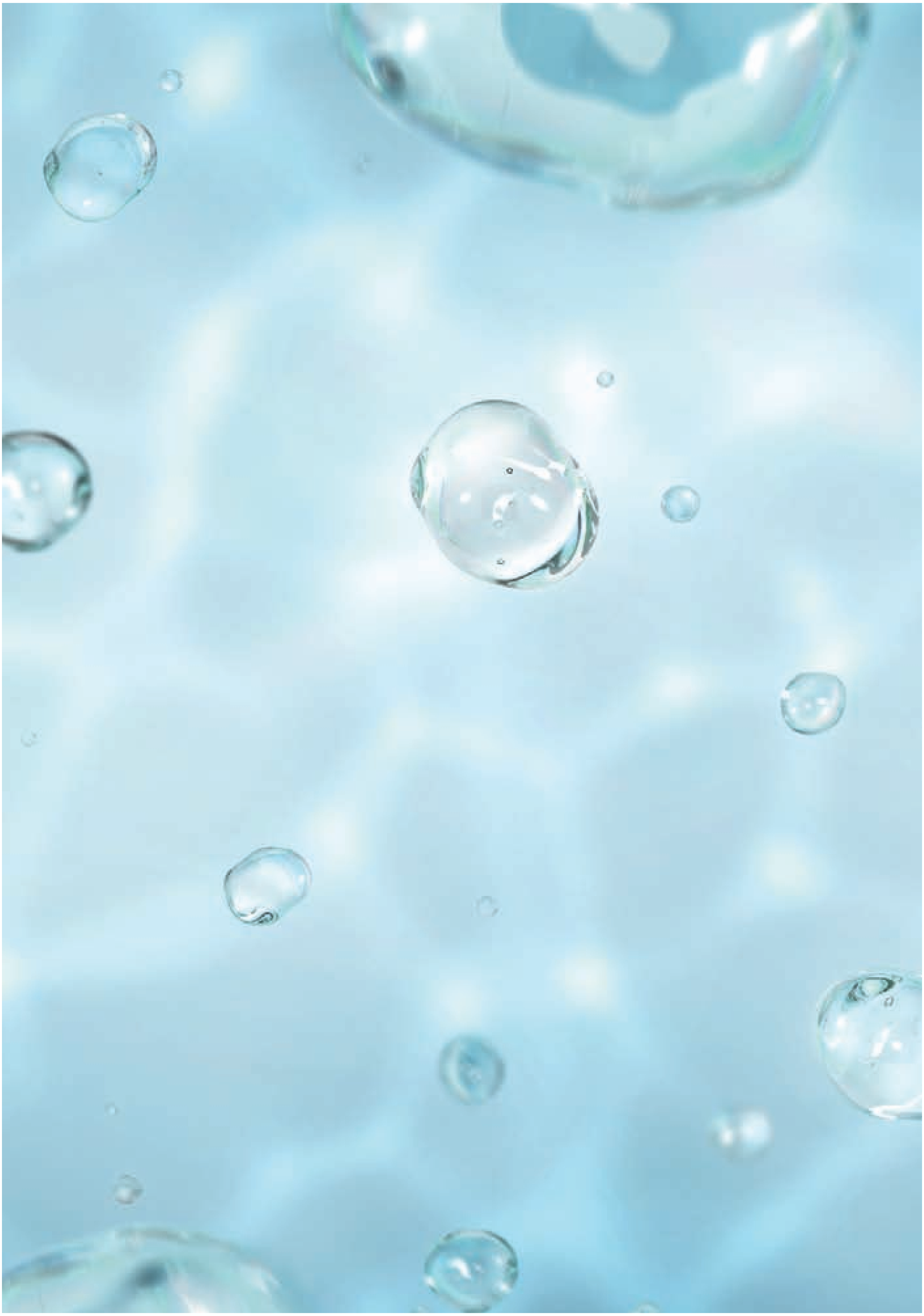


WHY DO YOU SEE YOUR REFLECTION IN WATER?

Victoria, age 6

The oldest mirror in the world is water: first, sunlight falls on your face and then bounces onto the water, where it excites the water atoms. They reflect the light back – and hey presto, you see your reflection!

Holding up a mirror to yourself is in any case a useful exercise. It is all about self-reflection. Because by taking a good look at yourself you spot risks, change your perspective and discover new possibilities. Precisely that is what we have done: we are carving out new task areas for ourselves – including outside the printing industry. With innovations that more and more customers want to use. All that will be reflected – in their and our success.



CONTENTS

GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES AND ECONOMIC ENVIRONMENT

THIS MANAGEMENT REPORT AS WELL AS THE FOLLOWING SECTIONS OF THE ANNUAL REPORT UP TO PAGE 162 ARE A TRANSLATION OF THE GERMAN ORIGINAL. IN THE CASE OF DOUBT, THE GERMAN VERSION SHALL PREVAIL.

THE 2010 FINANCIAL YEAR MARKS AN IMPORTANT TURNING POINT FOR THE TECHNOTRANS GROUP: FOLLOWING THE DRAMATIC SLUMP IN REVENUE IN 2009 THAT WAS PROMPTED BY THE INTERNATIONAL FINANCIAL AND ECONOMIC CRISIS, CAPACITIES WORLDWIDE WERE SUCCESSFULLY ADJUSTED TO THE NEW, LOWER VOLUME OF BUSINESS. THIS MEANT THAT IT WAS ONCE AGAIN POSSIBLE TO REPORT CONSISTENTLY POSITIVE OPERATING RESULTS THROUGHOUT 2010. MEANWHILE IT ALSO STAGED A CONCERTED DRIVE TO TAKE FORWARD THOSE PROJECTS DESIGNED TO OPEN UP NEW APPLICATION AREAS FOR ITS ESTABLISHED TECHNOLOGIES IN OTHER INDUSTRIES. THE ACQUISITION OF A MAJORITY INTEREST IN TERMOTEK AG, WHICH WAS COMPLETED AT THE START OF 2011, REPRESENTS AN INITIAL IMPORTANT MILESTONE ALONG THE PATH TO EARNING 30 PERCENT OF REVENUE OUTSIDE THE PRINTING INDUSTRY WITHIN A TIME FRAME OF THREE TO FIVE YEARS. THIS, TOGETHER WITH FURTHER MODERATE GROWTH IN THE PRINTING INDUSTRY, SHOULD HELP THE COMPANY APPROACH ITS FORMER LEVELS OF REVENUE AND PROFIT.

Important Products, Services and Business Processes

technotrans AG still applies its core skills in liquid technology – temperature control, measuring and metering, filtering and separating, as well as the accompanying control and process engineering – predominantly in the printing industry. As a leading systems supplier, technotrans can offer a wide range of equipment and systems that are crucially important to the quality and efficiency of printing presses. Its aim is now to gain access to additional sales markets for its existing core skills.

The company’s business is divided into two segments: Technology and Services. In the Technology segment, which generates around two-thirds of total revenue, the company places the emphasis on developing and selling applications for offset printing, but will also focus increasingly on other markets in the future.

The Technology segment is complemented by the Services segment. technotrans’ activities are rounded off by an extensive range of services. These include providing customer support for the installation, maintenance and operation of systems.

The principal business processes encompass the development, assembly, testing and sale of equipment. Manufacturing penetration is relatively low because the components used in its equipment are usually sourced from specialist suppliers.

The company is broadening its product range in close collaboration with existing and potential customers and opening up new application areas in order to safeguard its long-term growth.

In the Technology segment, for example, new applications in the area of laser cooling have been accessed since 2010 through the partnership with Termotek AG. The Services segment has ventured into the field of Technical Documentation through the subsidiary gds AG, with its practical software solutions and services used by a diverse portfolio of customers from many different sectors. Activities outside the printing industry will bring in around 15 percent of revenue in 2011.

Principal Markets and Competitive Position

With 19 locations, numerous joint undertakings and around 670 employees, the technotrans Group enjoys a presence in all major markets worldwide. The company's largest clients are currently the world's leading printing press manufacturers, with the three German manufacturers Heidelberger Druckmaschinen AG, Koenig & Bauer AG and manroland AG between them accounting for over 60 percent of the world market. They are reflected in technotrans' customer portfolio in line with their shares of the market. Printing press manufacturers frequently equip their printing presses ex works with technotrans equipment. Customers away from the printing industry include many well-known groups that manufacture laser applications for a variety of purposes, have their technical documentation compiled by gds or compile it themselves using gds' software solutions.

Alongside technotrans AG, those serving the market for peripheral equipment to the printing industry include a large number of smaller companies, predominantly with a regional focus. In terms of size and international presence, only Baldwin Technology Company, Inc. (USA) enjoys a comparable position. Whereas technotrans enjoys a stronger market position in the area of sheet-fed offset printing, Baldwin has focused its product range more strongly on web offset printing.

Principal Legal and Economic Factors

With the exception of patents and licences, legal factors normally exercise only a secondary influence on the development of the technotrans Group.

On the other hand various general parameters have considerable influence on the development of the technotrans Group: global economic development, the development of the capital goods industry in general and especially the development of the printing press industry, but also increasingly the development of the future market for laser applications, as well as the development of other areas of mechanical engineering and medical technology in which the company will play an increasingly active role.

As a systems supplier to the printing industry, this currently remains the principal market for technotrans. The investment propensity of printers worldwide very much depends on their capacity utilisation and the availability of financing for their investments. Printed products for advertising, such as brochures, account for the lion's share of the worldwide printing market. Advertising spending is often cut back drastically in economically difficult times, leading to inadequate capacity utilisation at printers and therefore making them reluctant to invest. A trend has moreover been observed in recent years that the contents of printed matter are migrating to other, electronic media.

Strategy and Corporate Steering Objectives

Indicators

technotrans AG and its group companies are steered first and foremost on the basis of revenue and earnings ratios (EBIT margin), broken down by segment. Corporate planning as a whole is furthermore based on cash flow.

Growth Strategy

technotrans is a technology and service company that concentrates successfully on applications derived from its core skill of liquid technology and actively seeks to identify new applications in that area. Its strategy focuses on sustained, profit-driven development.

Growth Targets

The technotrans Group is traditionally a growth company that realises its growth targets through organic growth as well as through specific acquisitions. After the disproportionately sharp fall in revenue in the printing industry in 2008–2009, the company will participate in the anticipated return to normal levels of business in the industry. In parallel, technotrans will continue to expand its product range gradually in order to tap fresh revenue potential.

It is generally expected that the printing industry will not regain the excellent investment volume of 2007, and that revenue in the sheet-fed offset area will recover from currently around 60 percent to between 75 and 80 percent of the pre-crisis level. For the web offset area, business is generally expected to remain flat at the current market volume of around 60 percent of the 2007 level, with at best slight growth of around 5 percent. The recovery will probably not match the dynamic performance in other industries, with a generally more subdued performance.

On the other hand we anticipate that applications away from the printing industry will provide a stronger impetus for growth. Along with the takeover of a majority interest in Termotek AG at the start of 2011, we have gained a foothold in an interesting growth market in the area of laser applications. According to experts, the market for laser applications will grow by an average of nine percent over the next five years. By tapping into technotrans' international sales and service network and exploiting the scope to extend its product range through collaborating with technotrans, Termotec should perform easily better than the market as a whole over the next few years, with annual growth in excess of 10 percent. That aside, we are pursuing a number of other highly promising projects in order to apply our core skills in other areas.

Our aim is for technotrans to generate 30 percent of its revenue outside the printing industry in three to five years' time.

Economic Environment

According to estimates by the IMF (International Monetary Fund), the economic recovery in 2010 led to an anticipated 4.8 percent economic growth. This growth was, however, very mixed: in emerging countries it was very dynamic, but on the other hand many industrial countries have not yet regained their footing and the upturn there was rather faltering. Positive effects were often the result of state programmes to stimulate the economy, most of which expired at the end of the year or had already come to an end. Within Europe, developments were dominated by news of the ailing finances of various member states of the European Monetary Union, but this by and large had no lasting adverse impact on the real economy.

The strong recovery in the German economy last year produced the highest rate of economic growth since reunification. According to the Federal Statistical Office, gross domestic product (GDP) for 2010 climbed by 3.6 percent. In the crisis-hit 2009 the German economy had slumped by 4.7 percent, the sharpest decline since the Second World War.

According to the Printing and Paper Technology professional association within the German Engineering Federation (VDMA), printing and paper technology has overcome the global economic crisis and in 2010 was able to report rising levels of incoming orders for the first time in two years. Nevertheless, this recovery was comparatively weak because the European and North American markets that are traditionally important for the industry showed barely any sign of an upturn. As an industry with a strong export emphasis, printing technology is increasingly dependent on demand from Asia, which quickly regained its accustomed strong rate of growth.

Overall, 34 percent of exports went to Asia. That region, and above all China – a market that accounted for 16 percent of total exports – had already performed relatively robustly throughout the global economic downturn. The market's healthy constitution and the demand that this engendered are also the main reasons for the rebound in incoming orders. At present demand from emerging countries is, however, currently limited to robust, smaller presses with a low level of automation.

With a worldwide export ratio of 32 percent according to the VDMA, the German printing and paper technology sector leads the way in mechanical engineering. The economic crisis has not endangered its international status. In fact, quite the contrary: to some extent the competition has been affected far worse by the economic difficulties. The world market share of German manufacturers of printing machinery (all types of printing press, parts and accessories) is now just under 37 percent after the crisis. Looking at the individual types of press that are particularly important for German manufacturers, a more contrasting picture emerges. German manufacturers' market share for sheet-fed offset presses is nearly 57 percent. Japan, the closest competitor, is on 16 percent. For web offset, German manufacturers are on 47 percent (France, largely driven by the Chinese-American-French manufacturer Goss: nine percent). Thanks to their technological lead and successful market work, the German printing press manufacturers are the principal suppliers of each of these technologies.

Unlike many other branches of industry, German printers registered only a moderate upturn in business in the course of the year. This still hesitant momentum can also be interpreted as an effect of creeping structural change: the content of printed products is increasingly migrating to other media, printers' capacity is remaining under-utilised and this is putting the brakes on their propensity to invest.

On the other hand the market for laser applications profited from the improved economic environment, especially in the Asian markets. Many areas of industry in which lasers are used, such as medical technology, the automotive sector and the toolmaking industry, recovered faster than expected and bolstered the industry.

The market for technical documentation likewise staged a notable rally in the course of 2010. The rising unit sales of manufacturing industries led to increased demand and greater readiness to outsource this type of work and invest in the corresponding equipment, e.g. software.

Exchange Rate Developments

The euro crisis was one of the main issues dominating the 2010 financial year. Between the crisis in Greece surfacing at the start of the year and June 2010, the euro fell from 1.51 US dollars (December 2009) to below 1.19. The single currency managed to move out of the line of fire for a while in the second half of the year, when the central bank of the USA, the Federal Reserve, considered further quantitative easing – the purchase of government bonds by the central banks; this then shifted the pressure onto the US dollar. In the second half of the year the US dollar recovered to over 1.40, slipping back from this level in the final two months of the year to close on 1.34. However, the market once more became preoccupied with the debt crisis in Europe towards the end of the year. Although specific intervention by the Japanese central bank to keep the yen low propped up the competitiveness of export-oriented industries in the course of the year, this did not prove to be a grave disadvantage for competitors from the eurozone.

In view of the company's structure and markets, exchange rates traditionally have only a limited impact on the operating performance of the technotrans Group because the overwhelming portion of its business is settled in euros.

Performance of the Sales Markets

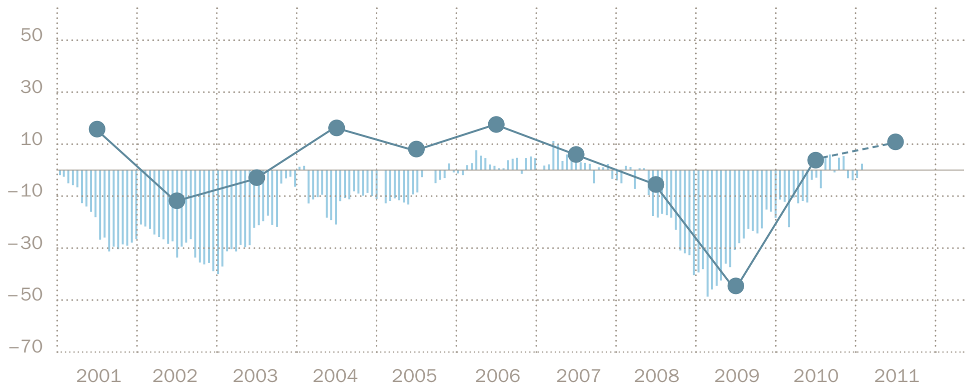
The printing industry as a whole made a slight recovery in the 2010 financial year but progress was much more faltering than in other industries because the weak economic environment in the industry forced printers worldwide to shed surplus capacity, and the number of printers again fell. The number of printing press manufacturers, too, remained in decline. 2010 saw the closure of Wifag Maschinenfabrik AG (Switzerland), a newspaper press manufacturer with a lengthy tradition, with Drent Goebel BV (Netherlands) having already gone to the wall in 2009 and the small-scale Japanese manufacturer Shinohara following at the start of 2011.

This consolidation is being accompanied by various structural trends: large print runs are becoming rarer and smaller print runs are on the increase, among other reasons because of customers' more extensive product ranges. The efficiency gains realised thanks to the latest generations of machinery are exacerbating the pressure on prices, because increased capacity does not tally with the general market trend. Pressure from many customers to switch to ecologically acceptable production methods is redefining the equipment priorities for printers. Growing internationalisation and low transport costs are ratcheting up the pressure of competition on printers in industrial countries. Last but not least, advertising and information are increasingly moving from print to electronic media. The newspaper industry is therefore particularly affected by consolidation worldwide.

For the above reasons, a continuing trend towards industrialisation can likewise be observed among printers. The most efficient operators tend to be larger, efficiency enhancements and the wider use of production facilities by printers are essential, and the spotlight has shifted to further process optimisation and the automation of production processes. 24/7 operations are increasingly becoming the norm.

Digital printing is benefiting from the trend towards smaller print runs. Wherever it makes sense economically, it is increasingly able to compete with offset printing because the gap between production speed, quality and material costs continues to close.

BUSINESS CONFIDENCE IN THE GERMAN PRINTING INDUSTRY (SEASONALLY ADJUSTED)



%-change in revenue on prior year of the technotrans AG

source: ifo-Konjunkturtest

Business confidence: the rating of -49 recorded in March 2009 was the lowest for the past ten years. The business confidence index has been roughly neutral since mid-2010, after two years in negative territory.

On the other hand the improved economic environment in 2010 meant that the market for industrial laser applications recovered markedly and benefited from the fact that lasers are used in a wide variety of industries. Because new applications for lasers are continually being developed and the technology is producing new laser types, the market as a whole is enjoying growth way above the average.

German Printing Industry

As a global player, technotrans sells its systems and equipment worldwide. The performance of the German printing industry therefore serves merely as one example of business confidence in the industry and the market of our biggest customers. Unlike other industries, the German printing industry has not yet returned to a stable course of growth after the crisis year of 2009. According to estimates by the German Printing and Media Industries Federation (bvdm), cumulative revenue for the year up to November 2010 was actually down -3.2 percent and production was flat at the previous year's level (+0.3 percent).

For 2010 as a whole, the bvdm expects revenue to remain down by 2.5 percent with overall revenue reaching € 21.2 billion. Producer prices for print services fell more sharply in 2010 than in the previous years. Financial performance continues to be diminished by rising raw materials prices and energy costs. Newspaper printers suffered a sustained downturn in revenue of -8.6 percent during the period under review, and the number of such businesses fell particularly sharply (-13.6 percent).

There has generally been a link between the growth rate for gross domestic product and the revenue performance of the printing industry. However, revenue for the latter has been falling steadily since 2007 (-0.7 percent), in other words even in years of economic growth. In 2010 the improved state of the German economy was reflected in the revival in advertising activity. The German Advertising Association expects to see 2.3 percent growth in overall advertising investment in 2010 to € 29.5 billion.

Around two-thirds of overall production of printed products is directly or indirectly dependent on advertising spending by industry. Over 70 percent of spending goes on printed advertising media. The German Advertising Association (Zentralverband der deutschen Werbewirtschaft) was expecting an overall fall of three to five percent for 2010.

Principal Events behind Business Performance

The 2010 financial year was initially dominated by the final stages of the consolidation measures kicked off in 2009, in the course of which for example the production operations at Gersthofen (Germany) and Mt. Prospect (USA) were transferred to the group headquarters in Sassenberg.

Negotiations with the principal banks on a new financing concept were brought to a successful conclusion in April. The concept has three pillars: the reconstruction of existing short-term loans as long-term loans, the safeguarding of working capital finance for three years, and providing future scope for increasing credit in response to demand. With the new financial concept, the company has managed to maintain its borrowing arrangements of around € 27 million at globally the previous level, and shift the emphasis of borrowing back towards medium to long-term maturities.

The partnership with Termotek AG was formally sealed and launched in July 2010. Cooperation with the company in the second half of the year and the prospects of this specialist supplier of laser cooling were considered so positive that the Board of Management took the decision at the start of 2011 to acquire 75.1 percent of the company's shares. Termotek is to be fully consolidated from January 1, 2011.

Thanks to the improving level of orders from printing press manufacturers, short-time at the German locations was cancelled from September 1, 2010 after a period of 18 months.

As a result of the plans to transfer the technical areas from Gersthofen to Sassenberg, at the end of 2010 a redundancy plan was agreed with the employees affected. This measure is to be completed by September 2011 at the latest.

Comparison of Actual and Forecast Business Performance

At the start of 2010 the economic recovery worldwide was still shrouded in considerable uncertainty. The upswing was expected to be rather faltering, and the propensity of printers to invest was not expected to improve until the second half of the year. In its plans for the 2010 financial year, the Board of Management therefore assumed that the technotrans Group would be able to increase its revenue in the 2010 financial year to around € 85 to 90 million; this would have represented growth of more than 5 percent.

The goal for the 2010 financial year was moreover to return to sustained profitability. In specific, the target was an EBIT margin of 3 to 5 percent.

With revenue reaching € 85.9 million and an operating result of € 3.0 million (equivalent to an EBIT margin of 3.5 percent), the targets for the 2010 financial year were achieved, the figures coming in at the lower end of the target range.

Overall Statement on the Economic Environment and Business Progress

The general economic situation as well as the performance of the industry in specific had an impact on the business performance of the technotrans Group. The moderate rise in revenue for printing press manufacturers in the course of 2010 led to a slight uplift in business. At the same time the measures taken during the crisis to improve and stabilise profitability achieved their effect. The result of the business performance reflects these internal and external influences to the extent anticipated.

Revenue growth in the Technology segment gained momentum in the second half of the year and thus made a major contribution towards the targets being achieved. Nevertheless, it should not be overlooked that revenue levels were substantially higher in the past. The Services segment was unable to match the growth rates of the Technology segment, with business remaining largely on an even keel, but it again stabilised technotrans’ entire business model thanks to its consistent profitability.

We moreover succeeded in turning to technotrans’ advantage the opportunities that are part and parcel of any crisis. For example, we achieved yet further improvements in our equipping rate for certain customers, secured long-term supply agreements and increased our market shares. One of the main reasons is that customers are increasingly choosing strong, stable partners who are able to guarantee long-term service and support for the systems they are buying. technotrans has therefore emerged from the crisis in a stronger competitive position.

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

COMPARATIVE FIGURES FOR PREVIOUS PERIODS ARE QUOTED IN BRACKETS. UNLESS OTHERWISE INDICATED, THEY REFER TO THE YEARS 2009 AND 2008 RESPECTIVELY.

Revenue

After the dramatic slump in revenue in 2009 brought on by the global financial and economic crisis, the technotrans Group's business performance regained stability in the course of 2010. Revenue reached € 85.9 million overall, representing a rise of 4.5 percent on the previous year (€ 82.2 million, 2008: € 141.7 million). After making a decidedly weak start to the financial year, the company gradually staged a modest recovery that became stronger as each quarter passed. Overall, the company thus posted revenue at the lower end of the original target range of € 85 to 90 million for the 2010 financial year.

The business recovery was particularly clear-cut in the second half of the year in the Technology segment, which realised overall revenue for 2010 of € 51.4 million after a 53.0 percent fall in revenue in the 2009 financial year to € 48.8 million (2008: € 103.8 million), thus growing by 5.3 percent. technotrans consequently participated in the slowly improving climate in the printing industry, but this cannot hide the fact that its volume in 2010 was way below the levels of revenue achieved before the crisis.

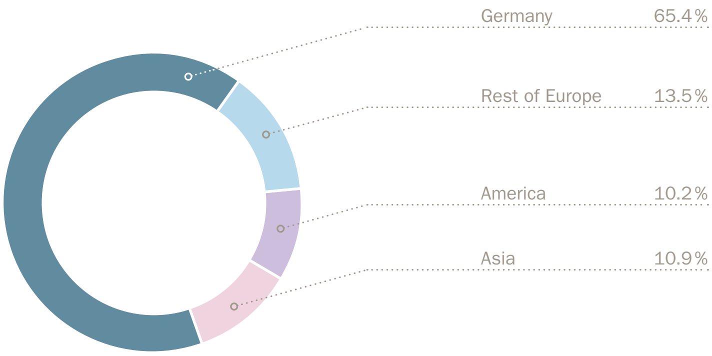
The Services segment likewise grew slightly by 3.3 percent to € 34.5 million in 2010 (€ 33.4, 37.8 million), underscoring its role as the stabilising factor within technotrans' business model. Whereas sales of parts put in a fairly positive performance, there was again a conspicuous lack of major projects in 2010 to provide a healthy volume of installation business. Our subsidiary gds AG, which operates in the area of Technical Documentation, was likewise able to make good the previous year's downturn in revenue and thus contribute to the growth of the Services segment.

Because of the only slowly improving environment, the cost-cutting measures were systematically maintained. The break-even point for operating business for the group was thus brought down to around € 80 million in annual revenue. A positive operating result (EBIT) was posted for each quarter of the financial year.

By Region

Because of its customer structure, technotrans traditionally generates a high proportion of its revenue in Germany. This proportion went back up in 2010 from 62.9 to 65.4 percent thanks mainly to the rising revenue of printing press manufacturers. The revenue share for other European countries fell from 15.9 to 13.5 percent as a result of the persistently difficult industry environment in industrial countries. Another growth driver was Asia, where technotrans increased its revenue share from 8.6 to 10.9 percent. On the other hand revenue in the USA continued to fall from 12.7 to 10.2 percent as a result of the transfer of production operations to the German location in Sassenberg. Business progress in South America/Brazil was also positive.

REVENUE BY REGION



Development in Prices

technotrans generates over half its revenue through business with the world's major printing press manufacturers. In most cases it was possible to parry pressure from them to reduce prices. In isolated cases, discounts were granted in exchange for additional revenue volume. It thus proved possible to keep prices largely stable, while increasing market shares. In some product areas that will not make a positive profit contribution for the foreseeable future due to the current market volume, prices were actually increased quite substantially.

Information on Order Backlog, Incoming Orders and Order Reach

technotrans' standard business with printing press manufacturers is based on release orders. Equipping of certain printing press models with technotrans technology is usually agreed in advance and the equipment is supplied as soon as the press is ready for delivery to their customers. The time frame between the release order and delivery is rarely more than two weeks. Information on incoming orders and order backlogs would therefore not be particularly meaningful.

Financial Performance

Because of the measures taken during the crisis and the gradual stabilisation of the industry's business fortunes, there was a year-on-year improvement in financial performance in 2010. The current level is nevertheless still well below the profitability that technotrans enjoyed in the past and that it aspires to achieve once more.

Gross Profit

Gross profit, in other words revenue less manufacturing costs, rose by 52.8 percent to € 25.5 million in 2010 (€ 16.7, 35.7 million). The previous year's figure was diminished by structural adjustments within the group as well as by a high one-off impairment loss. Gross profit for 2010 is again reduced by various non-recurring factors:

Among other factors, the decision taken in December 2010 to continue technotrans AG's consolidation efforts prompted a further adjustment in capacity at Gersthofen (costs of redundancy plan around € 0.7 million) and meant that a portion of the value of the property in Gersthofen was in addition depreciated by € 0.2 million. In 2010 overall, the factors weighing on gross profit were offset to some degree by positive factors affecting earnings, such as the reversal of provisions (in particular for guarantees).

The reported gross margin at year-end was therefore only 29.6 percent (previous year 20.3 percent). If the above effects are eliminated, it would have been about 31 percent. The material costs ratio fell slightly from 40.9 percent in the previous year to 39.7 percent in the 2010 financial year.

Earnings Before Interest and Taxes (EBIT)

Earnings before interest and taxes (EBIT) for the 2010 financial year totalled € 3.0 million (€ -11.9, 0.0 million), representing an EBIT margin of 3.5 percent. An EBIT margin of between 3 and 5 percent was expected at the start of the year under review. The prior-year result was dominated by a large number of non-recurring factors because of the crisis and any comparison is therefore of only limited meaning.

Despite the increased revenue, distribution costs overall remained slightly down on the previous year in 2010 at € 13.4 million (€ 13.7, 18.9 million).

Overall, the general administrative expenses of € 10.2 million (€ 10.9, 13.2 million) and the development costs of € 2.5 million (€ 2.8, 5.2 million) remained some 7 percent down on the previous year in 2010.

The balance of other operating income and expenses, which above all comprises foreign currency gains (€ 1.8 million) and losses (€ 1.6 million), was positive at € 3.6 million (previous year: negative at € -1.1 million). Other operating income includes 2010 the reversal of provisions of € 2.2 million (€ 2.0 million) as well as other income/reimbursements of € 1.6 million (€ 0.9 million).

No hedging instruments were used to reduce the influence of exchange rate fluctuations on the operating result.

Personnel expenses of € 30.8 million (€ 32.0, 41.6 million) were down 3.5 percent on the previous year. The personnel costs ratio fell from 38.9 percent in the previous year to 35.9 percent in 2010. This means it is still well above the levels achieved in earlier years (27 to 29 percent of revenue). It is our aim to restore those cost ratios as swiftly as possible. As a result of the gradual rise in business volume as the year progressed, short-time ceased at the German locations from September 1, 2010 and the savings that this measure brought could therefore only be realised up until that point.

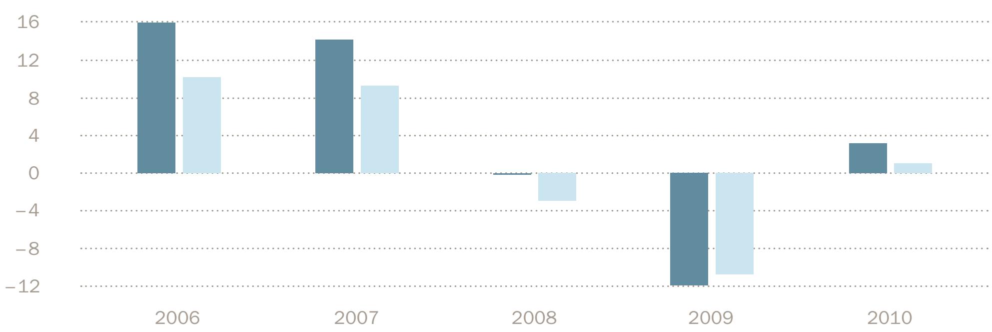
Depreciation and amortisation

Depreciation and amortisation for the financial year totalled € 3.3 million (previous year € 3.6 million, -5.7 percent). In 2010 depreciation and amortisation again exceeded investment in the financial year (€ 1.3 million, previous year € 1.3 million), showing that technotrans is in a position to adapt its replacement investment flexibly to the prevailing business circumstances.

Net finance costs

Financial liabilities were reduced from € 21.7 million to € 17.9 million in the course of the year. In the first half of the year technotrans was still able to use low interest rates to maximum advantage. In the second half interest expense rose only slightly, as expected, as a result of the new financing concept and the associated general shift in emphasis of maturities towards the medium to long term.

EARNINGS
IN € MILLION



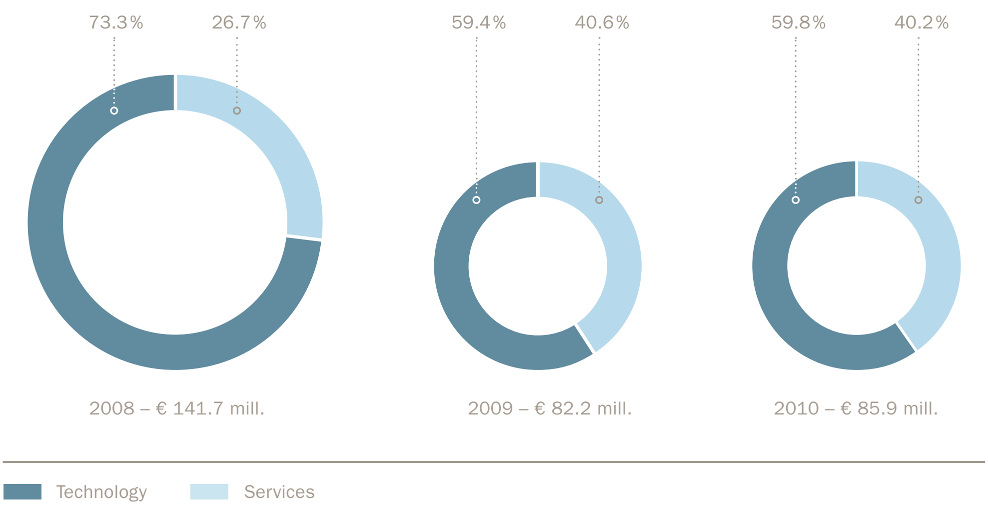
Earnings before interest and tax (EBIT) Net income

Tax Expense

In 2010, tax expense as a whole was only about € 0.4 million. With € 0.3 millions virtually no income tax had been due in 2009 because of the considerable net loss for the year of technotrans AG and various group companies. Conversely, deferred tax assets produced deferred tax income of € 2.7 million.

The net profit for the 2010 financial year returned to positive territory after a two-year break, at € 1.5 million (€ -10.3, -2.9 million). This corresponds to earnings per share, for shares outstanding, of € 0.24 (previous year € -1.65, -0.45).

REVENUE BY SEGMENTS



Segment Report

Revenue

The tentative recovery in demand for printing presses also had a positive effect on the revenue performance of the Technology segment. Particularly the upturn in sales of sheet-fed offset presses had an impact, whereas business with web offset presses if anything remained flat. After the nosedive in revenue by 53.0 percent in the 2009 financial year, revenue climbed by 5.3 percent in 2010 to € 51.4 million (€ 48.8, 103.8 million). Growth was driven by the emerging markets of Asia and South America, which fuelled demand mainly for smaller, less automated presses.

The Services segment likewise improved its position year on year, increasing revenue by 3.3 percent to € 34.5 million (€ 33.4, 37.8 million). On the other hand project business, where technotrans is generally also responsible for installation, remained weak. Parts business turned in a satisfactory performance. gds AG, which is active in the area of Technical Documentation, likewise contributed towards growth.

Earnings (EBIT)

The measures initiated during the crisis to stabilise and improve profitability began to have an effect in the 2010 financial year.

Whereas earnings before interest and taxes (EBIT) for the Technology segment had been deeply in the red in the previous year because of an array of non-recurring factors (€ -16.2 million), the low revenue volume in the 2010 financial year meant that the year still ended with a loss of € -2.6 million. This, too, should continue to improve along with the further rises in revenue planned.

On the other hand the Services segment enjoyed slight revenue growth of 3.3 percent and an advantageous product mix, with the result that EBIT improved by 31.7 percent to € 5.6 million (€ 4.2, 4.0 million). This equates to an EBIT margin of 16.2 percent, up from 12.7 percent in the previous year.

By Region

Because of the customer structure, the revenue of the Technology segment focuses very strongly on Germany. The revenue share earned there rose from 67.6 to 72.8 percent thanks to a revival in demand from printing press manufacturers. The revenue share in other European countries fell from 11.7 to 8.4 percent due to the persistently difficult conditions experienced by the industry in the end customer market. The significance of the Asian region as the driving force behind growth in 2010 is also reflected in the revenue performance; 12.5 percent of revenue was realised in that region (previous year 9.6 percent). The revenue share in America fell further from 11.1 to 6.2 percent, to no small degree because of the latest consolidation measures.

The regional revenue breakdown for the Services segment revealed a similar pattern. The revenue share of industrial nations was down slightly, Germany accounted for 54.4 percent as against 55.9 percent in the previous year, and Europe fell slightly from 22.0 to 21.1 percent. On the other hand Asia gained ground, from 7.1 to 8.4 percent, and America rose from 15.0 to 16.1 percent. In the latter instance the relocation of manufacturing operations meant that Services now account for a greater proportion of revenue.

Employees

At the end of 2010, 383 employees belonged to the Technology segment (previous year 381) and 240 employees to the Services segment (previous year 244). As in previous years, the general administrative areas have been distributed between the segments pro rata, according to revenue shares.

Financial Position

Principles and Aims of the Financial Management System

As previously, the purpose of the financial management system is to ensure that technotrans is of its own accord able to generate both the financial resources required to fund the organic growth of its operations and the investments required in this connection. This objective was again achieved in the 2010 financial year. Investment spending was once more restricted to maintenance investment in 2010.

technotrans makes use of selected derivative financial instruments exclusively to hedge interest rate risks for non-current financial liabilities. The company in addition steers the financing required within the group by way of the credit facilities available to technotrans AG. There are no exchange rate factors affecting external financial liabilities. Within the group, short-term and long-term lending between the group companies exists to some degree in order to maintain adequate liquidity locally. Substantial liquidity holdings (cash and cash equivalents) moreover exist in EUR, USD and GBP. No instruments for the hedging of foreign currency positions or liabilities were used in 2010.

technotrans’ capital structure comprises a sound equity base and a demand-led level of borrowing. The long-term financing that is raised for corresponding past investment projects (real estate, acquisitions) is generally collateralised by land charges. The company has in addition secured short and medium-term flexible credit facilities in the form of revolving credit lines. At the balance sheet date, the average weighted interest rate for borrowing is approx. 3.8 percent. For the future it can be assumed that technotrans will be in a position to meet its requirements over and above its internally generated financial resources in partnership with its principal banks, for instance if it needs to make major acquisitions. There are no plans to go to the capital market.

technotrans does not use off-balance-sheet financial instruments (such as sale-and-leaseback).

Negotiations with the principal banks on a new financing concept were brought to a successful conclusion in the 2010 financial year. The concept has three pillars: the reconstruction of existing short-term loans as long-term loans, the safeguarding of working capital finance for three years, and providing future scope for increasing credit in response to demand. With the new financial concept, the company has managed to maintain its borrowing arrangements of around € 27 million at globally the previous level, and shift the emphasis of borrowing back towards medium to long-term maturities.

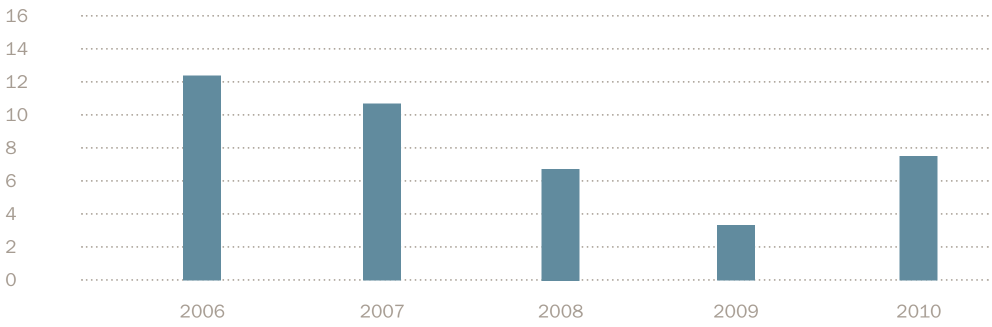
There were no restrictions on the availability of the loans made in 2010. Based on the borrowed funds currently available, the financial and liquidity planning of technotrans AG assumes there will be adequate liquidity for business operations in 2011 to meet the anticipated payment obligations.

Cash Flow

On the basis of a net income for the year of € 1.5 million (previous year € -10.3 million), the cash flow from operating activities before changes to net current assets totalled € 6.6 million (€ -4.4 million).

The reduction in inventories by a further € 1.3 million further helped the development in the cash flow; on the other hand it was reduced by the slight downturn in liabilities and provisions.

CASH FLOW FROM OPERATING ACTIVITIES
IN € MILLION



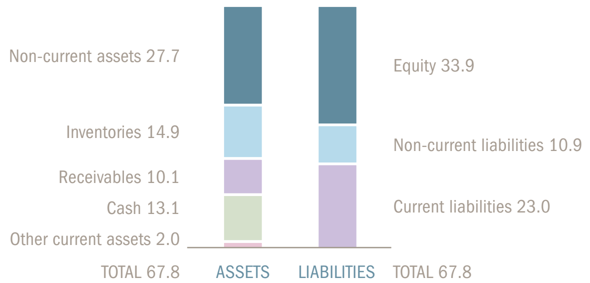
Overall, the net cash from operating activities amounted to € 7.4 million (€ 3.6, 6.7 million). This positive operating cash flow was sufficient to cover investment spending (€ 1.3 million). The free cash flow amounted to € 6.3 million (€ 2.4, 0.4 million). As expected, it therefore developed positively over the year as a whole.

The amount in loans raised of € 3.0 million contrasted with repayments of loans totalling € 6.8 million, and the net cash used in financing activities amounted to € -3.8 million.

Cash and cash equivalents at year-end rose by € 2.8 million or 27.7 percent to € 13.1 million (€ 10.3 million).

Net Worth

BALANCE STRUCTURE
IN € MILLION



Balance Sheet Total, Equity Ratio
The balance sheet total for the technotrans Group was yet again down by a slight 2.1 percent as at December 31, 2010 at € 67.8 million (€ 69.2, 87.6 million). The equity ratio improved to 50.0 percent as against 45.2 percent in the previous year.

Assets Side
The non-current assets fell by 7.6 percent from € 30.0 million to € 27.7 million, mainly as a result of depreciation and amortisation. A further impairment of € 0.2 million was applied to the property in Gersthofen.

Current assets overall rose by 2.1 percent from € 39.2 million to € 40.1 million. Over the same period inventories fell from € 16.0 million to € 14.9 million. With a slight increase in revenue, trade receivables again fell by 4.8 percent to a current level of € 10.1 million (€ 10.7, 21.3 million), again a result of tighter accounts receivable management amid difficult economic times. Cash rose to € 13.1 million, the highest level for four years (€ 10.3, 6.9 million).

Equity and Liabilities Side

Within equity and liabilities, equity improved from € 31.3 million to € 33.9 million mainly as a result of the net income for the year.

The liabilities at the balance sheet date totalled € 33.9 million (€ 37.9, 45.8 million). They consist of non-current liabilities, which climbed from € 6.5 million to € 10.9 million, and current liabilities, which fell from € 31.4 million to € 23.0 million. These changes are attributable to the new financing concept, which has moved the emphasis of maturities back to the medium and long-term categories.

The principal changes within the current category likewise mainly affected financial liabilities (€ -8.0 million) and trade payables (€ -1.4 million). On the other hand prepayments received rose (€ +0.5 million). Provisions were down mainly because of the reversal of provisions for guarantees. At December 31, 2010 income tax payable amounts to € 0.9 million. For the most part it is made up of tax liabilities of technotrans AG relating to previous years.

At the balance sheet date, technotrans had financial liabilities totalling € 17.9 million (€ 21.7, 21.1 million). Only current bank overdrafts are exposed to an interest rate risk, and an amount of € 2.0 million was in use at the balance sheet date. The non-current financial liabilities stem principally from investments in intangible assets and property, plant and equipment; they are protected in part by land charges. Details of the structure of financial liabilities are provided in the Notes to the Consolidated Financial Statements (Section 11).

At the balance sheet date, technotrans had unused borrowing facilities in place amounting to € 6.8 million. The long-standing business ties with our banks have remained steady throughout the crisis. However, the current environment provides no guarantee that they will be willing or able to continue to fill the role of our financing partner to the extent to which we are accustomed. As a listed company, technotrans moreover has access to capital market instruments.

Net Debt and Gearing

The group’s net debt, in other words the ratio of interest-bearing liabilities less cash, now amounted to € 5.9 million (€ 12.4, 18.7 million) at the reporting date and was therefore further reduced. Gearing, in other words the ratio of net debt to equity, improved to 17.4 percent (39.5, 41.9 percent).

Provisions

Provisions fell from € 7.7 to 7.2 million in 2010.

The long-term provisions of around € 1.1 million comprised both personnel-related obligations (partial retirement and pensions) and pro rata provisions for impending losses from long-term rental agreements. The short-term provisions (€ 6.1 million, previous year € 6.7 million) largely consist of other obligations towards personnel (€ 2.9 million), payments to be made under warranty (€ 2.2 million) and other provisions (€ 1.0 million).

Off-Balance-Sheet Financial Instruments

No off-balance-sheet financial instruments are used in the technotrans Group.

Annual Financial Statements of technotrans AG

At the reporting date of December 31, 2010 the balance sheet total of technotrans AG amounted to € 68.5 million (previous year € 64.9 million). The equity ratio was 47.2 percent (previous year 41.5 percent). Revenue of € 66.6 million was earned in the past financial year (previous year € 64.5 million). The reported net income for the year is € 1.8 million (previous year € -19.6 million).

Investment and Depreciation

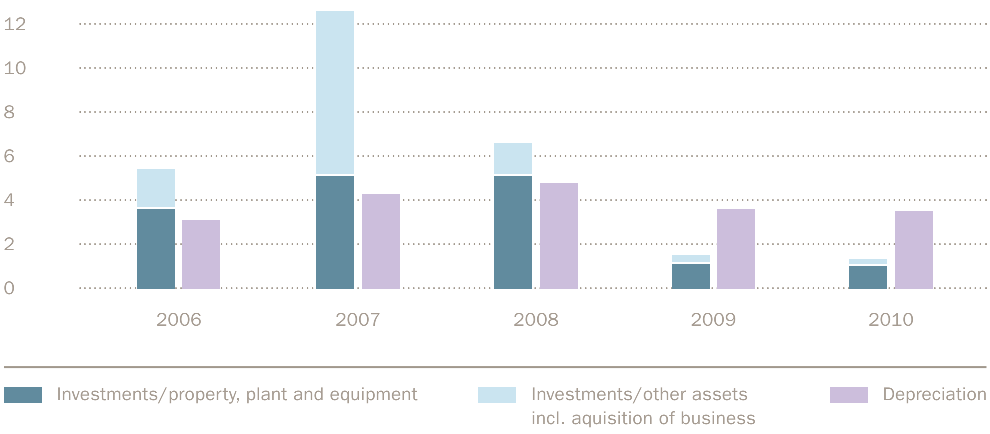
Investments in fixed assets again amounted to only € 1.3 million in the 2010 financial year (€ 1.3, 6.5 million). In line with business, spending was therefore restricted to a reasonable minimum level. Investment spending was mainly for replacement purchases such as company vehicles and IT equipment. Because of the low level of manufacturing penetration, the scaling-back of investment spending has no impact on the efficiency of the production plant.

The only expenditure on self-constructed intangible assets that were not capitalised is the development expenditure reported in the Income Statement (2010: € 2.5 million, 2.9 percent of revenue).

Depreciation and amortisation for the 2010 financial year totalled € 3.3 million (previous year € 3.6 million). The main sources of depreciation and amortisation are the mySAP software, the new building at Sassenberg and the international sales and service network.

At the time of compiling this report, the purchase of a majority interest in Termotek AG had already been completed. The fixed component of the purchase price was financed from operating cash flow (cash component) and with treasury shares. The variable purchase price component will be due only later, depending on the income realised by Termotek AG from 2011 to 2013 (earn-out component). No further definite investments that would require an exceptional level of financing are currently planned for fixed assets or intangible assets.

INVESTMENT AND DEPRECIATION
IN € MILLION



Overall Statement on Business Progress

The aim of achieving revenue of € 85 to 90 million in the 2010 financial year was achieved, with revenue coming in at € 85.9 million. The fact that actual revenue was at the lower end of this range reflects the only tentative recovery in the printing industry throughout the year.

The measures to stabilise and improve profitability bore fruit in 2010, with the result that a positive operating result was once again reported in each individual quarter. We achieved the target of an EBIT margin within the range of 3 to 5 percent, at 3.5 percent. We have set ourselves the goal of a substantial improvement for next year.

The net income for the group reached € 1.5 million, equivalent to € 0.24 per share outstanding. The Board of Management proposes not to distribute a dividend for 2010 and instead to use this profit to promote the future growth of the company.

Operating cash flow was again positive at € 7.0 million in the past financial year, among other reasons thanks to successful working capital management. After interest (€ -0.9 million net), income taxes (€ +1.3 million) and investment (€ -1.1 million net) there remained a positive free cash flow of € 6.3 million.

The equity share is 50.0 percent. Net debt was successfully reduced to € 5.9 million.

After two years during which the consequences of the financial and economic crisis have profoundly changed the appearance of the Balance Sheet and Income Statement, technotrans has now regained a firm footing once more. In parallel with overcoming the crisis, it has successfully paved the way for tapping extra revenue potential outside the printing industry, too. The takeover of Termotek AG is an initial, visible step; others will follow. The company consequently finds itself on the right path to return to its traditional levels of revenue and earnings.

CORPORATE GOVERNANCE DECLARATION

The current version of the Corporate Governance Declaration can be found on the internet at http://www.technotrans.de/de/investor/corporate-governance/erklaerung-zur-unternehmensfuehrung.html (German only) and comprises the following components:

- 2010 Declaration of Conformity and 2011 Corporate Governance Report
- Information on Corporate Governance Practices
- Modus Operandi of the Board of Management and Supervisory Board
- Transparent Corporate Communications

OTHER INFORMATION

Remuneration of the Board of Management and Supervisory Board

Report on the Remuneration System of the Board of Management

The remuneration system of the Board of Management reflects the latest standards and statutory requirements.

The total cash remuneration of a Board of Management member comprises a fixed basic remuneration and a variable remuneration component. The variable remuneration component is equivalent to the fixed remuneration if the targets are fully met; in other words, in that instance the total cash remuneration comprises equal amounts of fixed and variable remuneration. The precise level of the variable remuneration component is determined by target attainment in a given financial year, taking revenue and net income for the year as the basis for the targets for budget planning purposes. If the agreed targets are exceeded, the variable remuneration component is increased, this increase being capped at a multiple of 2.5. The variable remuneration component (profit share) is paid out over a three-year period in instalments of 50, 30 and 20 percent and in relation to actual target attainment. There is no entitlement to a profit share in the event of a net loss for the year or if target attainment is less than 50 percent. The profit share is only paid out to the extent that the respective targets are attained in the subsequent years. The deferred profit share component may therefore fall, but it can no longer rise. If target attainment falls below 80 percent, the profit share component from previous years lapses. If a Board of Management member leaves the company, their entitlement to a profit share from previous years does not automatically lapse.

The company moreover provides fringe benefits in the form of contributions to a provident fund and a group accident insurance policy. In addition, company cars are available to the members of the Board of Management and they are reimbursed travel and other allowable expenses.
The amended policies for the D&O insurance cover taken out by the company for the Board of Management members envisage an excess representing one and a half times the fixed annual income with effect from the required deadline of July 1, 2010.

A cap has in addition been introduced for termination indemnities and will in future be a maximum of one year's salary.

The overall remuneration of each Board of Management member is approved by the Supervisory Board. No share-based payment components are envisaged. The Supervisory Board is authorised to adjust the remuneration parameters in the course of a given year only in the event of exceptional occurrences.

The Shareholders' Meeting of May 5, 2006 resolved that the disclosure of the remuneration of each individual member of the Board of Management pursuant to Section 314 (1) No. 6 A) Sentences 5 to 9 of German Commercial Code shall not be made for five years. The remuneration of the individual members of the Board of Management is nevertheless disclosed for the first time this year, and will in future be done on a regular basis:

	Henry Brickenkamp	Dirk Engel	Norman Sack
	€ '000	€ '000	€ '000
Fixed basic remuneration	200	160	29
Fringe benefits	34	27	1
Profit share, year under review	75	60	0
Severance payment			125
Total payment	**309**	**247**	**155**
Profit share entitlement for subsequent years, in relation to target attainment	75	60	0

Remuneration of the Supervisory Board

In accordance with the articles of incorporation approved by the Shareholders' Meeting, the members of the Supervisory Board receive remuneration comprising a fixed and a variable component, in addition to reimbursement of their expenses. The level of the variable remuneration component is based on the consolidated net income declared in the Consolidated Financial Statements. Both the fixed and the variable remuneration component are higher for the Chairman and Vice Chairman of the Supervisory Board than for the remaining members. Membership of the committees formed by the Supervisory Board in accordance with the Articles of Incorporation is likewise remunerated. The members of the Supervisory Board do not receive any stock options for their activities as non-executive directors.

In addition to the total remuneration stated for the Supervisory Board, the employees' representatives on the Supervisory Board receive remuneration in their capacity as employees, on the basis of their contracts of employment, as well as share-based payments.

In a departure from the recommendations of the German Corporate Governance Code, the remuneration is not reported by individual. The total remuneration of the Supervisory Board for the 2010 financial year amounted to € 97 thousand.

Disclosures and Explanatory Notes Relating to Takeover

1. The issued capital as at December 31, 2010 comprises 6,907,665 no par value and fully paid no par value shares each representing a nominal amount of € 1 of the share capital. The shares of technotrans AG are registered shares. Exclusively ordinary shares have been issued; the rights and obligations arising from them conform to the relevant statutory regulations. They are subject to restrictions on voting rights and transfer only in those cases laid down by law, and not pursuant to the articles of incorporation. The Board of Management has not been notified of any voting trust agreements between shareholders.

2. No direct or indirect interests in the capital amounting to more than ten percent of the voting rights are known.

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

4. Employees participating in the capital exercise their voting rights directly.

5. The statutory requirements pursuant to Sections 84, 85 of German Stock Corporation Law (AktG) on the appointment and dismissal of the members of the Board of Management are applied. The articles of incorporation of the company contain no regulations over and above Section 84 of German Stock Corporation Law. Pursuant to Section 179 of German Stock Corporation Law, amendments to the articles of incorporation require a resolution of the Shareholders' Meeting carried by a voting majority of 75 percent.

6. The Board of Management is, with the approval of the Supervisory Board, authorised to increase the share capital on one or more occasions by up to a total of € 3,450,000.00 until April 30, 2015, through the issue of new shares against contributions in cash or in kind. No use was made of this authorisation in 2010. The subscription right of shareholders may be excluded insofar as the requirements of Section 186 Paragraph 3 Sentence 4 of German Stock Corporation Law are met in the case of employee shares or the acquisition of companies or of participating interests in companies, if the acquisition or participating interest is in the properly understood interests of the company; the subscription right may moreover be excluded for the purpose of compensating for fractional amounts.

   The Board of Management is furthermore authorised until April 30, 2015 to acquire treasury shares of a nominal amount of up to € 690,000.00. If acquired by stock exchange dealings, the purchase price per share shall not exceed or undercut by more than 10 percent the average Xetra closing price (or, insofar as the Xetra closing price serves as the basis for this authorisation, the closing price determined by a successor system taking the place of the Xetra system) on the Frankfurt Stock Exchange on the five trading days preceding the acquisition. If acquired on the basis of a public offer to buy, the acquisition price per share shall not exceed or undercut by more than 10 percent the average Xetra closing price on the Frankfurt Stock Exchange on the five last trading days before initial disclosure of the offer.

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

The Board of Management is furthermore authorised to dispose of the acquired shares via the stock market or to third parties, by cash sale. In these cases the selling price shall not undercut the average Xetra closing price on the Frankfurt Stock Exchange on the five trading days prior to sale by more than 5 percent. The Board of Management is, with the approval of the Supervisory Board, moreover authorised to dispose of the acquired treasury shares in a manner other than via the stock market or by offering them to all shareholders if transfer to a third party takes the form of counter-performance in the context of the acquisition of companies or of participating interests. The price at which the acquired treasury shares are surrendered to a third party shall not significantly undercut the average Xetra closing price on the Frankfurt Stock Exchange on the last five trading days before the concluding of the agreement on the acquisition of the company or participating interest. The acquired treasury shares may also be used in fulfilment of obligations in respect of conversion options granted as a result of the issuing of convertible bonds. The subscription right of the shareholders is excluded for the use of treasury shares in the last three cases.

By December 31, 2010 a total of 690,000 treasury shares had been acquired via the stock market on the basis of the authorisation. At the end of 2008, 54,132 shares from this total, at the end of 2009 a further 39,618 shares and at the end of 2010 a further 28,620 shares were voluntarily distributed to the employees as part of their Christmas bonus. At the start of 2011 a further 19,000 shares were issued in connection with the acquisition of Termotek AG.

The Board of Management is in addition authorised, in accordance with the shareholders' resolution of May 8, 2009 and with the approval of the Supervisory Board, to issue bonds with a term of a maximum of 5 years on one or more occasions up until May 7, 2014 of an aggregate nominal amount of up to € 10 million and to grant the bearers of bonds conversion options on up to 690,000 treasury shares.

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

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

Shares

The shares of technotrans AG have been traded on the stock market since March 1998. As a company listed in the Prime Standard segment, we must meet the highest possible standards of transparency. These include quarterly financial reporting in German and English, publishing a corporate calendar, holding at least one Analysts Conference per year and publishing ad hoc information, including in English.

Transparency and credibility are the cornerstones of our communications with the capital market. We inform shareholders, analysts, media and the general public regularly and promptly in press releases and ad hoc information about our business performance and the situation of the company. All publications are also available on the internet. In addition to the written reports, individual aspects are explained and questions answered in telephone conferences or face-to-face talks. The result of this information policy that is candid and open to scrutiny is a relationship of trust with all capital market operators, based on a mutual respect, and we attach very high importance to it.

The shares of technotrans AG were converted from bearer to registered shares in October 2008. Since the changeover, we have been able to communicate directly with our company's shareholders. Having knowledge of the shareholder structure furthermore enables us to target our investor relations work even better.

technotrans shares started the 2010 financial year on € 5.74. Over the opening months of the year the trading price slipped to a year-low of € 4.25 in March. Over that period, the outlook of investors was still predominantly dictated by the acute crisis affecting the printing industry. The company's shares were able to break with this trend at the end of April to gain more than 7 percent compared with the start of the year. There followed a sideways shift over the months that followed. The share price performance was adversely affected in the first half of the year by the systematic sell-off by one investor (Kempen), whose offloading of shares did not meet with a matching level of demand on the market until late June. Nor did the entry of two new investors (Teslin and Baden-Württembergische Versorgungsanstalt), who both gave notice of exceeding the reporting threshold of 3 percent in that period, compensate for this effect.

A string of positive announcements – the conclusion of the financing negotiations, the partnership with Termotek, sound first-half figures and finally the ending of short-time from September 1 – served to boost confidence among investors. The trading price rose in the second half to reach its intraday year-high of € 7.90 by the end of October, thus having gained almost 40 percent since the start of the year. It lost some ground as 2010 drew to a close and finished the year on € 6.68. That still represents a gain of almost 20 percent over the course of the year, easily outperforming the TecDAX, which gained slightly less than 2 percent over the same period.

The shares are currently followed by six analysts. technotrans therefore attracts a disproportionately high level of attention from the capital market for a company with a market capitalisation of less than € 100 million. We are working on the assumption that interest will if anything increase along with entry into attractive new markets outside the printing industry.

SHARE PRICE

JANUARY 1, 2006 TO MARCH 4, 2011

Research and Development

Research and development is of decisive importance to the success of the company. Products and processes that it has created improve the printing process, help printers worldwide to save money and protect the environment and, through their innovative nature, often serve as the catalyst for new concepts that bring the company long-term growth. This is particularly true when tapping new applications for our core skills away from the printing industry.

The offices and laboratories are located primarily at the group's main base in Sassenberg. A total of around 38 employees based there are working steadfastly on new products, nurturing them from the initial idea, through the prototype stage and product qualification tests, to production maturity. Over recent years the R&D ratio (development spending in relation to revenue) has averaged between three and four percent; in the 2010 financial year it was only 2.9 percent. In view of the downturn in revenue following the economic crisis and the lower number of projects being carried out by printing press manufacturers, R&D spending fell correspondingly.

Activities in 2010 again focused on a number of projects being carried out in partnership with printing press manufacturers, in some cases not for launch until the drupa 2012 industry exhibition. Prototypes for various applications outside the printing industry were also developed and monitored in field tests. Once this field-test phase has been successfully completed, these products can start to produce revenue streams in 2011.

Development spending is fundamentally shown 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 such in the Balance Sheet. No development expenditure was recognised as an intangible asset in 2010 because it was not yet possible to assess the usefulness of the developments definitively. Nor does the Balance Sheet at December 31, 2010 contain any items under development expenditure recognised as an intangible asset.

In rare instances, external capacity is called upon for special development tasks and, much more rarely still, development work is financed in part with external support, usually by the party that will eventually be the customer. Once again, no public funds were claimed in 2010.

technotrans owns a large number of patents, licences and similar rights. This aspect has now acquired considerable significance bearing in mind the company's need to protect its own market position, it consequently now merits particular attention.

Purchasing and Procurement

The relationship between technotrans and its suppliers is characterised by a professional but open-handed approach based on a spirit of partnership. Many such relationships have evolved over many years, and in some cases stretch back decades. When working through the complex selection process we choose our suppliers not primarily on price, but rather on the strength of a large number of different aspects which together represent the most advantageous solution for the group. We are delighted that our long-standing business partners in our region are often demonstrably very competitive when compared with companies from supposedly low-wage countries, and that this form of local sourcing also helps to protect jobs in Germany.

Central procurement gained further importance in the past year, on the one hand as a result of the concentration of manufacturing operations at the Sassenberg location and on the other hand through the partnership with Termotek AG, which is to be integrated into the existing supplier structure. A large number of synergies that can rapidly boost the company's profitability have come to light in the process.

The changeover to material group management along with measures to optimise the number of components that we source from our suppliers were completed in 2010. We will thus be able to bundle articles efficiently and reduce the number of suppliers worldwide still further. We are monitoring the ratios of number of deliveries per € 1 million purchasing volume and number of articles per € 1 million purchasing volume. We believe there is still potential for further improvements in the short to medium term.

During the crisis, technotrans' low manufacturing penetration made it easier for the company to adjust to the lower production volume. In the same way that we reported falling requirements to our suppliers as early as possible to allow them to adjust their capacities accordingly, we gave them ample notice as requirements started to rise again in 2010. No serious problems in this respect were therefore encountered either when business was falling or rising. In addition, we monitor the economic performance of our key suppliers very closely so that we are able to guarantee punctual, high-quality deliveries throughout.

Production, Technology and Logistics

Production at technotrans first and foremost involves the assembly of components that are purchased from suppliers and used by us to build equipment and systems. The manufacturing penetration is therefore decidedly low, and for that reason in particular we have generally been readily able to adjust capacity in line with changing volumes of demand.

One particular challenge in the 2010 financial year was the transfer of operations from the production locations Gersthofen (Germany), which specialised in ink supply systems, and Mt. Prospect (USA), which made equipment specifically for the American market, to the main location in Sassenberg. Apart from comparatively small-scale operations in Beijing (China), the group's entire manufacturing operations are now concentrated there. The transfer not only brought together all technical and market expertise in one place, but also optimised worldwide logistics with regard to the stocking of components and parts.

Measures to improve the efficiency of production operations were moreover implemented in the past financial year. The aim is gradually to reduce and optimise the times taken by production and final inspection processes. This will also increase the company's responsiveness. Further measures will follow in 2011.

technotrans applies an integrated quality management system that contributes towards meeting customers' high expectations of our equipment and technologies. This includes selecting among potential suppliers and critically examining initial samples, performing incoming quality checks on components and carrying out ongoing production checks during the entire production process.

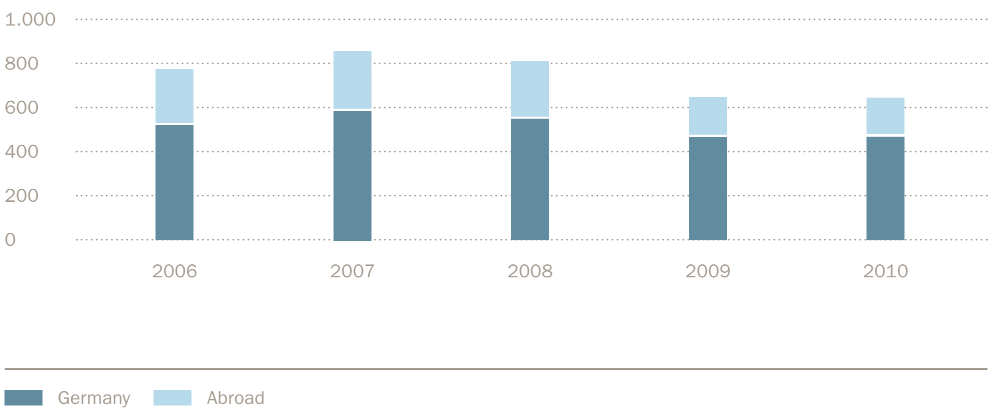
Prior to its dispatch, equipment is finally tested to establish that it is free from faults using a tried-and-tested process. Systems and equipment that have not yet reached production maturity are initially monitored intensively by a team of engineers during extensive field tests. There are also special facilities for running simulations in order to find out more about material characteristics over the entire lifetime of equipment, for example

Employees

Total and Changes

The number of employees in the technotrans Group fell slightly again in the course of 2010. Compared with 638 employees in the group at the 2009 balance sheet date, the total at the end of 2010 was 623, a decrease of 2.4 percent. Of the 15 jobs shed, 11 were in Germany. Outside Germany, the picture was mixed: while the workforce in Asia increased by 6, the number of employees in Europe (excluding Germany) and America fell by 10 overall. Short-time was still worked at the German locations for the first eight months of the 2010 financial year in order to bring capacity in line with the current volume of business. This meant that normally all workers only worked four days a week, and took short-time leave on the fifth day. The concept could be adapted flexibly, for instance to the factory shutdowns of major customers. Since September 1, 2010 fluctuations in capacity utilisation have once again been managed by time accounts and, where necessary, by the isolated use of temporary workers.

EMPLOYEES BY REGION SINCE 2006



Apprentices

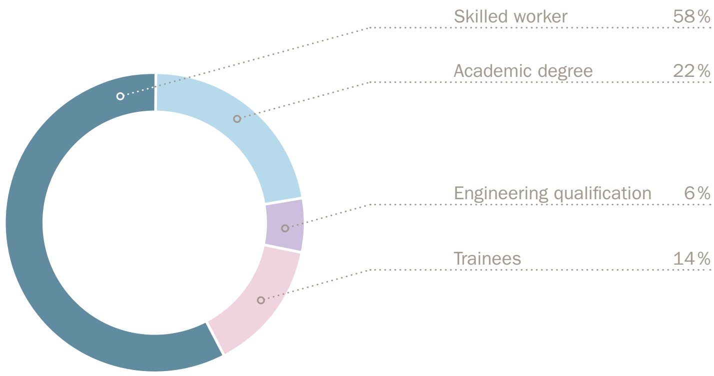
technotrans attaches considerable importance to vocational training. We believe we not only have a social responsibility to help young people up the first few rungs of their career ladder, but would also like to be able to recruit junior employees for the company from our own ranks. The number of apprentices rose from 34 to 40 in the course of the year, and 16 new apprentices were taken on in 2010, as opposed to only 11 in the previous year. The proportion of apprentices in relation to the overall workforce in Germany was 8.7 percent at the reporting date. The extensive range of vocational qualifications will furthermore include dual training courses such as the Bachelor of Engineering for the next intake of apprentices.

As well as high-quality training, we like to offer our youngest employees the opportunity to broaden their horizons and obtain their first taste of working abroad. In autumn 2010 five apprentices were therefore given the opportunity of placements in England, the Netherlands and Hungary. This practical work experience gave them an insight into the day-to-day operations of their host companies, as well as providing a perfect opportunity to learn the language and go on excursions to learn more about the country and its culture.

Qualifications and Age Structure

technotrans is a high-tech company, a fact that is moreover reflected in the qualifications of its employees. In addition to the apprentices, 58 percent of employees have taken training leading to recognised qualifications, 6 percent have an engineering qualification and over 22 percent have an academic background. technotrans is furthermore a young company: around 55 percent of the workforce are under 40 years old, and only 1.5 percent are over 60. The average age is 39; this figure is therefore virtually unchanged from the previous year.

QUALIFICATIONS OF THE EMPLOYEES



Remuneration Structure, Personnel Expenses

Personnel expenses totalled € 30.8 million in 2010 (€ 32.0, 41.6 million). The fall resulted on the one hand from further personnel cutbacks and on the other hand from the introduction of short-time at the German locations for the first eight months of the year. To a minor extent it was possible to reverse personnel-related provisions because of the new remuneration model. Costs of € 0.7 million were incurred for the redundancy plan for the employees at Gersthofen who will be leaving the company in the course of 2011. The revenue increases planned for the future (2011 onwards) and tight controls on costs should push the personnel costs ratio for the group (personnel expenses as a proportion of revenue) back down below 30 percent in the future.

Revenue per capita rose from € 122 thousand in 2009 to € 139 thousand in the 2010 financial year. This ratio is consequently still a far cry from the record levels and reflects how capacity of know-how carriers was not scaled back proportionally during the crisis; in fact considerable capacity was invested in developing new markets which will only start to contribute revenue in the future.

A new remuneration model has been in force at technotrans' German locations since the beginning of the 2010 financial year. As an initial step all posts in the company were recorded and evaluated, then assigned to function groups. Each of these grades includes a certain remuneration band. From this year on the size of pay adjustments is negotiated by the Works Council and the Board of Management. From January 1, 2011 employees received an average pay increase of 3.2 percent. After three years of no pay increases and additional personal sacrifices such as short-time, this adjustment is also intended as due acknowledgement of the employees' solidarity with the company. The increase actually awarded to each individual employee is dependent on their performance and pay. Employees who are in the lower zone of a band and perform averagely can receive larger pay increases than employees whose pay is in the upper zone of a band and performance is the same. To allow the structured assessment of employee performance, an assessment system was also introduced alongside the new remuneration model.

The new model preserves the link between profit-sharing and the EBIT margin. Upward of an EBIT margin of 5 percent, a bonus is paid out for employees who are not entitled to a profit share. As previously, the level of the profit share is determined by both individual and corporate performance.

Corporate Communications

Exhibitions, Shows

The technotrans Group again had stands at industry exhibitions worldwide. These included the IPEX (Birmingham, UK), which regularly takes place mid-way through the four-year drupa cycle. Other exhibitions attended were those in São Paulo (expoprint, Brazil), Chicago (graphexpo, USA) and Hamburg (ifra, Germany). While the IPEX was still largely dominated by the only cautious brightening of the industry's fortunes in industrial nations, the expoprint in particular evoked the optimistic, dynamic spirit of emerging countries, in this case in the South American region.

It is rare for exhibition stands to seal a deal directly, but technotrans of course benefits indirectly from the orders booked by the major printing press manufacturers. The primary function of exhibitions for us is therefore to support our major customers. They are also part of our push-and-pull strategy: particularly where end customers have scope for deciding for or against equipping their systems with technotrans technology, we want to impress the advantages of our solutions upon them at first hand. Convinced end customers in turn confirm to the printing press manufacturers that they are giving the market what it wants in fitting technotrans equipment.

As well as taking part in exhibitions, we attended various open house events organised by printing press manufacturers. Their main purpose is to nurture contacts with their sales organisation, which ideally acts as a multiplier for technotrans in the marketplace, and to pass on information to their end customers, who often come to these events with specific investment projects in mind, in order to find out about the latest developments.

In a new departure for technotrans, last year it also took part in shows that target markets other than the printing industry. It was represented on the "Maschinenbau OWL" stand of the region's mechanical engineering companies at the Hanover Industrial Exhibition, and by the joint stand with Termotek AG at the "K" plastics exhibition in Düsseldorf. Both events helped to establish new contacts and provide a deeper understanding of the requirements of other markets.

REPORT ON POST-BALANCE SHEET DATE EVENTS

Acquisition of 75.1 percent of the shares of Termotek AG

On January 6, 2011 the Board of Management resolved to acquire a majority interest in Termotek AG (Baden-Baden), a specialist supplier of laser cooling systems. The purchase becomes effective from the start of 2011 and the company will correspondingly be fully consolidated. Both companies had previously already been collaborating as partners. The Board of Management has come to the conclusion that the merger offers huge scope for synergies. It is furthermore expected that Termotek will play a significant role in implementing the strategy of earning extra revenue away from the printing industry. The company generated revenue of € 7.9 million in 2010 and is profitable. The purchase price comprises a cash component (€ 1.0 million), a shares component (19,000 shares of technotrans AG) and an earn-out component that will be based on the company's performance over the next three years.

Economic Development since the Start of the Year

The economic prospects have not changed significantly since the start of 2011. Hopes of an upswing in the global economy are based on the more dynamic performance of emerging countries, while industrial nations are for the most part only expected to recover tentatively. The investment propensity is already increasing again in various industries, though this trend cannot yet be detected in equal measure in the printing industry. The unrest in various countries of North Africa and the Middle East that dominated the headlines at the start of the year are not expected to have any major impact on the business operations of the technotrans Group.

Overall Statement

Apart from the acquisition of Termotek, no events of particular significance affecting the financial performance, financial position and net worth of the company occurred after the end of the 2010 financial year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

As a company with activities worldwide the technotrans Group is, within the context of its business processes, exposed to a wide range of risks that are part and parcel of any entrepreneurial activity. In order to seize specific opportunities, it is necessary to take assessable and manageable risks in a deliberate and controlled manner. As part of a systematic and efficient risk management system, principles of risk policy are drawn 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 worth, financial position and financial performance 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 an appropriate opportunity of a return.
- Risks are to be avoided as far as possible or, insofar as economically advisable, insured against, continually monitored and brought to the attention of the Board of Management, as well as the Supervisory Board if necessary, in the context of regular risk reporting. In the event of residual risks, countermeasures must be taken.

Risk management is designed to promote the awareness of opportunities and risks among technotrans employees, and to guard against potential risks. The necessary procedures and rules of communication within individual corporate divisions have been defined and established by the Board of Management. The superior in charge of each area of operations is responsible for compliance with the standards and directives on how to handle risks, and control is exercised through audits by Group Controlling as well as by the Board of Management. The risk management system including the ICS is moreover regularly updated and thus constitutes the basis for the systematic identification, analysis, evaluation, steering, documentation and communication of the various risk types and profiles. The same applies to our compliance programme. We do not tolerate any contravention of applicable law and to that end regularly examine and refine the internal set of rules as well as our own compliance organisation.

Organisation of the Risk Management System

Organisationally, risk management is integrated into the tasks of Group Controlling and ensures that reports are submitted on a regular basis to the Board of Management and the Supervisory Board, or Audit Committee. This organisational structure also makes it possible to identify tendencies and risks early on with the aid of indicators, and thus ensures that the Group Board of Management can immediately implement suitable measures if there is a negative shift.

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 non-central 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 to IFRS standards, 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 throughout the entire group, and integration into Group Accounting is by means of uniform reporting structures. To guarantee uniform reporting, there exist corporate guidelines such as financial reporting and consolidation manuals, compliance with which is examined in regular compliance audits. At intermittent intervals internal checks of the subsidiaries' financial reporting are performed in situ, examinations and plausibility checks are carried out on a test basis, and at the end of the financial year the local financial statements are audited 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. On the other hand even 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. Risks within technotrans AG and its subsidiaries are recorded promptly and non-centrally within the regular risk reports. These include changes to risks already identified, as well as new developments that could lead to the creation of additional risks. The risks are analysed, evaluated based on their probability and the potential loss involved, and matched up with appropriate measures. Residual risks are evaluated again and further measures are earmarked for them.

Risk Categorisation

Taking account of the potential impact of a loss and the probability of risks materialising, individual risk potentials are calculated for quantifiable risks. These are then placed in relation to the planned net profit for the period (plan EBIT) to obtain the assessment basis for the risk category (risk categories low, medium and high).

technotrans uses this as the basis for classifying its risks for 2011 as:

- low if the risk potential is assessed at a value of less than 10 percent of the plan result
- medium if the risk potential is assessed at a value of between 10 and 20 percent of the plan result, and
- high if the risk potential is assessed at a value of more than 20 percent of the plan result.

REPORT ON EXPECTED DEVELOPMENTS

THIS YEAR'S REPORT ON EXPECTED DEVELOPMENTS FOR THE FIRST TIME FOLLOWS GAS 5 PARA. 32 IN SHOWING EXPECTED DEVELOPMENTS TOGETHER WITH THE RISK REPORT, BECAUSE THIS EXPRESSES THE EXPECTED DEVELOPMENTS AND RISKS MORE CLEARLY.

Future Parameters

Global Economy

The future development of the technotrans Group is influenced by various general parameters such as global economic development, the development of the capital goods industry and the development of the printing press industry in specific. Over and above this, we intend to continue creating fresh potential for revenue through self-developed new products, both within but especially outside the printing industry. The development of the group will therefore also be shaped by the extent to which and the speed with which we succeed in implementing this strategy.

According to the latest publications by the International Monetary Fund (IMF), the global economy continues to make an unexpectedly strong recovery in 2011. It states that the global economy is gaining even more momentum with the result that it is expected to grow by 4.4 percent, 0.2 points more than initially assumed. The risks listed by the IMF include the high sovereign debt of many rich countries along with the financial reforms outstanding, the persistent weakness of the US real estate market, continuing high raw materials prices and the risk of bubble economies forming in emerging and developing countries as a result of huge inflows of capital.

The IMF talks of a two-speed global economic recovery: muted growth with high unemployment and recurring crises, such as those affecting the eurozone, are the dominant picture in industrial nations. The IMF believes that those countries will grow by 2.5 percent this year and next. On the other hand the economies of emerging and developing countries such as China and India will grow by around 6.5 percent in 2011 and 2012.

German Economy

The German Institute for Economic Research (DIW) forecasts 2.2 percent growth for the German economy in 2011, likely to slip back to 1.3 percent in 2012. The rapid speed with which the German economy pulled out of recession has already been slowing somewhat since summer 2010. The main reason for this slowdown is the lower growth rate of export demand. In particular demand for German investment and consumer goods from emerging countries will not attain the dynamism of 2010, which was driven by catch-up effects, even if it will remain an important growth driver in the future. Meanwhile demand from industrial nations is muted. Restored inventory levels and the expiry of economic stimulus programmes, along with continuing high levels of unemployment, are taking the edge off growth worldwide.

The DIW expects that exports to other European countries in particular will remain muted because of the relatively weak level of economic activity. Although the debt crisis has not yet filtered through into Germany's export volume to any significant degree, with the countries worst affected of only lesser importance to Germany's trade balance. Private consumption would probably fall markedly if the crisis deepens; this would then inhibit growth in Germany, too.

The German economy is increasingly driven by the sustained high level of domestic demand. The investment climate brightened in the course of 2010. In 2011 and next year, investment activity will increase further as a result of rising capacity utilisation and the availability of favourable terms for financing. Consumer demand, too, could grow more strongly and thus provide a broader basis for economic growth as a whole. Above all the relatively healthy state of the labour market is creating a positive mood among private consumers.

Risk: The actual economic development of the global economy and the German economy, but particularly of the export-oriented investment goods industry, could differ considerably from these forecasts. At the time of compiling this report we rate this risk as low and, if necessary, would moreover be able to adjust the company to changing circumstances at any time at short notice.

Relevant Market (Printing Industry)

According to the Printing and Paper Technology professional association within the German Engineering Federation (VDMA), printing presses, paper technology and paper processing started the new year with a healthy 24 percent increase in orders. Capacity (as at the end of October) is already 82.5 percent utilised. Printing and paper technology is one of the top exporting branches of German mechanical and plant engineering. As well as Asia, business is currently being bolstered above all by orders from South America. According to the VDMA the relative weakness of the traditional markets and Asia's strength are no mere snapshot effect; they highlight a shift in the markets that has been observed for some time now. However, this development has been given added momentum by the crisis. The proportion of deliveries to Asia rose from 17.1 percent in 2000 and 18.3 percent in 2005 to 33.2 percent in the course of 2010. Printing and paper technology businesses expect to see a further upswing in business in 2011 and anticipate an overall increase in revenue of five percent.

China has developed into a very important market for German printing and paper technology. It has become the host of an "extended workbench" for Western industrial nations, and many US publishers now have products printed on the other side of the Pacific. Chinese printers need high-calibre German technology specifically for higher-quality printed products that are destined for export. The member companies of the VDMA expect that China will continue to play a significant role in the future. This view is supported by market analysts, who forecast annual growth of around 9.5 percent for the Chinese printing and publishing industry, compared with 2 to 2.5 percent for the rest of the world. At present, demand from China is still currently limited to smaller, robust presses with only a low level of automation. Along with rising standards of quality and efficiency, demand will gradually fall in line with the international norm.

The order books of German printing press manufacturers have filled up well since mid-2010 but revenue has for the most part only risen by a modest degree. This could be an indication that longer delivery times are being agreed amid the continuing battle for orders. The dynamic growth that other branches of industry are reporting is therefore merely taking the form of a moderate recovery in the printing industry; given the positive environment there is every prospect of it continuing in 2011.

Around two-thirds of overall production of printed products is directly or indirectly dependent on advertising spending by industry. Over 70 percent of spending goes on printed advertising media. The German Advertising Association expects to see a slight rise in advertising investment in 2011 for the first time since the crisis; this could also have a positive impact on the revenue performance of German printers. The estimates indicate that print production here will grow by 1 to 2 percent in the medium to long term, while the growth rates in emerging countries will probably be much higher. The assessment of the business situation of German printers has improved significantly since mid-2010 but at the start of 2011 is still slightly in negative territory.

We anticipate that the newspaper market will remain in decline. We furthermore expect that the economic environment will promote a trend towards the industrialisation of printers with highly efficient, well-structured processes. The number of printers is expected to continue falling and the average size of such businesses will continue to grow. The aspect of sustainability is moreover expected to play an ever more important role in the awarding of contracts. Print jobs from the private as well as the public sector will increasingly be awarded to companies that operate energy-efficiently and with minimal CO_2 emissions.

By Region

The recovery of the economy in emerging countries is progressing faster and stimulating the propensity to invest more than in industrial countries. This, among other factors, will also motivate global brand manufacturers, as the customers of printers, to step up their activities in Asia. The price pressure on German companies will therefore if anything increase. The forecasts indicate that the export prospects of German printers will rise overproportionally in the future if the price and quality are right. The same should equally be true of other industrial countries and serves as an indication that this branch of industry is no exception to the process of globalisation.

Overall Statement

The economic recovery in 2011 will again be driven principally by demand in emerging countries, especially in Asia and South America. The more moderate growth of industrial nations is moreover exposed to a whole range of risks. We therefore expect that the restrained recovery of the past financial year will continue for the time being. Potentially growing confidence in the economic prospects and improved capacity utilisation could stimulate the investment propensity of printers worldwide in the second half of the year. The backlog of replacement investment that now enters its fourth year in 2011 could also contribute.

If this cyclical upswing takes shape, the drupa year 2012 could prove to be a good one for the printing industry.

Risk: As a systems supplier, technotrans realises a high proportion of its revenue from the leading printing press manufacturers worldwide. The disappearance of one of these customers from the market would potentially have a considerable impact on the financial position and financial performance of the company in the short term. However, we do not expect any lasting effects because this consolidation would probably not exercise any influence on overall sales of printing presses. We currently continue to rate the risk of a major debt default as moderate because both the potential volumes and the payment history of our customers have continued to improve thanks to intensified management of accounts receivable.

Future Development of the Group

Business progress clearly stabilised in 2010, following the drastic collapse in 2009, and thus served to increase our own confidence in our planning certainty for the new financial year. The economic prospects furthermore underpin our assumption that moderate revenue growth should continue in 2011.

Growth will be supported mainly by the Technology segment. After seeing its revenue halved in 2009, demand from the printing industry has gradually been recovering. Even assuming that the investment volume only recovers to 80 percent of the pre-crisis level in the medium term, this nevertheless offers technotrans scope for growth as a systems supplier. A cyclical upswing would offer further opportunities in the shape of replacement investment for the ageing installed base. However, for 2011 we are initially merely expecting the moderate growth (approx. 5 percent) of the previous financial year to be repeated.

The takeover of Termotek AG with effect from January 1, 2011 and its first-time consolidation this year will have a stronger impact on the growth of the technotrans Group.

We expect to see slight growth for the Services segment in 2011, coming first and foremost from business expansion for Technical Documentation. In the printing industry, parts business will probably merely remain flat, while we currently see no prospect of a recovery in project business that would lead to higher revenue from installation work. The growth that gds AG is targeting for 2011 is based partly on the strategy of broadening the range of services (translations) and is consequently subject to greater uncertainty. The Services segment continues to generate a relatively high proportion of overall revenue and thus plays an important part in keeping our business stable.

Our aim is to generate revenue of around € 100 million in the technotrans Group in the 2011 financial year (corridor of 5 percent: € 97.5 to 102.5 million). Based on the conditions described above, we believe this target is realistic.

Risk: If the economic or industry-specific developments expected or the targets for newly acquired businesses such as Termotek AG should prove to be inaccurate, the revenue and therefore also the earnings target could be missed. We assess this risk as moderate.

The measures to adjust to the lower level of revenue started to bear fruit in 2010 and operating profitability has stabilised. This trend should gather momentum in 2011. It will be helped by the decision to halt sales for the time being of products that are unable to make a positive profit contribution in the current market environment due to their low volume. In 2011 we will again be working intensively on further improvements, including enhanced efficiency, and will tap synergies following the takeover of Termotek. We will also gradually examine our structures and wherever possible streamline them, for example by relocating technical expertise on ink supply systems from Gersthofen to Sassenberg in the first half of the year.

Risk: The relocating of expertise fundamentally always harbours the possibility that this process will not prove successful, either because the designated persons are not up to the task or because know-how carriers leave the company unexpectedly early. Thanks to timely preparations, ongoing checks and the offer of incentives, we estimate this risk to be low.

Our aim is to move significantly closer to the original levels of margins in the 2011 financial year. Following an EBIT margin of 3.5 percent last year, we initially aim to increase the operating result in 2011 to an EBIT margin of 6 to 7 percent. For 2012, we have set ourselves the goal of moving towards the EBIT margin levels of earlier years of around 10 percent.

Risk: Attainment of the margin targets depends to a very great degree on the planned revenue performance. Furthermore, unplanned expenses e.g. for restructuring measures unexpectedly needed or unforeseeable additional quality problems could cause major shortfalls. There is no indication of either at the time of compiling this report and we rate the risk as low. In drawing up our plans for the 2011 financial year we have based our estimates on realistic planning assumptions and can if necessary take swift corrective action to exclude these risks as far as possible, or minimise their impact.

The interest expense for borrowed capital will rise slightly in the 2011 financial year as a result of the first-time consolidation of Termotek (financing of purchase price and financial liabilities acquired). The effective tax rate for the group is once again expected to be between 29 and 32 percent. The anticipated net income should therefore more than double, year on year, to reach € 3 to 5 million.

The improved profitability should also have a positive impact on cash flow, with the result that technotrans will again be able to finance operating business and the planned investments from cash flow in 2011. We expect that the forecast revenue growth will cause net working capital to rise proportionally. In addition to essential cash payments for maintenance investment – predominantly replacement investment for IT and plant and equipment – fixed assets will rise because of first-time consolidation. After interest and scheduled capital repayments, the overall free cash flow should nevertheless be only slightly down on the previous year's level.

Investment and Finance

The group's liquidity (€ 13.1 million on December 31, 2010) is adequate for financing current business in all group companies. We would use surplus financial resources first and foremost to further reduce the amounts owed to banks (€ 17.9 million), if need be by also making unscheduled capital repayments. Following the recent construction of extensions, investment spending will focus on maintenance investment for the foreseeable future. We continue to plan to finance this from cash flow.

For potential corporate acquisitions or equity investments, we would consider using external funding and equity instruments alongside our own cash, depending on the scale of the acquisition. Our banks have expressed an interest in supporting us if required; on the other hand, in the absence of specific takeover targets there are as yet no firm pledges.

Risk: A marked deterioration in the financial performance, financial position and net worth, in a departure from the plans for the 2011 financial year, could result in the credit clauses on certain financial ratios (covenants) being broken and in the worst case loans being called in. As matters stand we rate this risk as moderate.

As matters stand we would make the distribution of a dividend for the 2011 financial year dependent on whether the accounting requirements of the company allow this and whether there are any forthcoming investment projects to accelerate growth. It remains our intention to resume our traditional dividend policy provided the conditions are right, and distribute half of our consolidated net profit.

Various risks: There are fundamentally procurement and purchasing risks such as price stability, availability and quality. This risk is limited by careful management of business processes. There is furthermore the risk that customer expectations with regard to punctuality of delivery or quality will not be met. A large number of processes and mechanisms, such as the quality management system, are intended to anticipate and eliminate such shortcomings. We regard personnel risks as a possible shortage of know-how carriers, both as a result of fluctuation and due to shortages of suitable recruits on the labour market. A large number of key processes in the company are handled with IT support. This creates typical IT risks, which are countered by means of appropriate processes and precautionary measures. We rate these risks overall as low

.

Future Sales Markets

For slightly more than a year we have already been working on various projects through which we aim to access additional revenue potential for technotrans' core skills outside the printing industry. We are pursuing this strategy in the conviction that the framework of the printing industry no longer offers sufficient potential for our growth ambitions in the short to medium term. Our aim is to generate an additional 30 percent of revenue outside the printing industry in three to five years' time.

All such activities bear a common trait: we are concentrating on niche markets in which technotrans could play a significant role. The customer structures of these markets are comparable to the printing industry, and we are therefore concentrating on (major) customers in industry. The new products can be derived directly from our core skills and offer highly promising potential in the long term.

In recent months we have identified a variety of projects for the application of our core skills in other markets. These projects are at various stages of definition, ranging from analysis of the market, identification of potential customers and creating new contacts, through the development of prototypes, to their qualification in field tests. We are also continually examining suitable opportunities for acquisitions in order to accelerate the pace of growth. In view of their strategic importance we are investing considerable resources in developing these markets of the future and are convinced that they will generate further opportunities for growth over the next few months.

Risk: The more unknowns (market, customer, technology) there are, the greater the possibility that efforts to launch new products will not be a success. We tackle this risk by conducting a careful analysis of the underlying conditions before developing new products and carrying out a meticulous selection process of prototypes, and therefore rate it as low.

With regard to developing new sales markets, too, the Research & Development department is of considerable importance at technotrans. It is involved in projects from an early stage onwards and therefore contributes towards the verification of potential opportunities. The demands placed on Development traditionally increase particularly in the year prior to the drupa, the printing industry's biggest industry exhibition. We are already witnessing a rising level of activity among our customers, the printing press manufacturers. We are therefore planning to adjust R&D spending in line with the requirements.

As matters stand we expect that the price rises for certain raw materials will be offset by price reductions for other components, with the net effect that only moderate increases in purchase prices are expected for 2011 and that overall these will have no material impact on the financial performance.

Future Projects to Increase Efficiency and Optimise Processes

The transfer of the technical areas from Gersthofen to Sassenberg provisionally concludes the process of consolidating the production locations that started in 2009. We are convinced that in this case, too, the proximity of technical and manufacturing operations will help us to handle projects more efficiently. In addition, in 2011 we will devote increasing attention to further reducing the number of different product versions so as to reduce complexity. We furthermore intend to subject the processes in many areas of the company to an analysis and streamline them. This should not only increase our responsiveness, but also reveal hidden potential for profit.

By generating additional revenue as envisaged in our plans, we will improve the company's capacity utilisation and expect to achieve this with a diminishing number of employees in core business. Meanwhile the group's structures will be better utilised thanks to the activities in new markets, with the result that we currently envisage no further, immediate need to adjust them. If the revenue performance should unexpectedly not reach the level expected, we could initially reintroduce short-time at the German locations.

Development of the Group in the 2012 Financial Year

We still expect to see a moderate recovery in the printing industry sales market in the 2012 financial year. This expectation is based first on the assumption that the investment volume should further normalise after the slump of 2008-2009, and second that a cyclical upswing cannot be excluded as a result of replacement investment for the ageing installed base. 2012 is furthermore the year of the drupa, the world's biggest industry exhibition, which has often in the past prompted an increased volume of orders received by printing press manufacturers.

For 2012 we are also expecting other applications to make further significant contributions to revenue; these comprise on the one hand our own developments and on the other hand other potential acquisitions, which are however not yet definite. Overall, revenue growth climbing back well into the lower range of double-digit figures should therefore be feasible for 2012. This would pave the way for returning to our traditional levels of profitability. We believe an EBIT margin of around 10 percent is attainable in the course of 2012 if business expectations are realised in full.

Overall Statement

At the time of compiling this report, the global economy is expected to maintain a sound level of growth in 2011. The indications regarding the fortunes of the printing industry worldwide are likewise positive, even if its growth rate leaves much to be desired. The recovery has already taken on far more robust contours in other branches of industry.

For that reason, too, we assume that the printing sector will continue to enjoy moderate growth in 2011. We discern prospects for more dynamic growth for applications in areas other than the printing industry. As well as starting to post revenue for products that we have developed under our own steam, our most recent acquisition Termotek AG, a specialist supplier of laser cooling systems, should contribute overproportionally to growth in 2011, its first year as a consolidated company. Our plans furthermore envisage Service business remaining on an even keel. Overall, we expect to post revenue of between € 97.5 and 102.5 million for 2011.

Along with rising revenue, we equally expect to see profitability improve. We are planning an operating result (EBIT margin) in the region of 6 to 7 percent for 2011.

Our revenue expectations are more optimistic for 2012, on the one hand because of a further improvement in demand from the printing industry and on the other hand thanks to the rising revenue contributions of applications outside the printing industry. It is entirely possible that growth rates will reach a low double-digit level in 2012. Profitability should likewise improve further as a result. If all our expectations materialise, an EBIT margin of around 10 percent could be achieved in the course of the year.

Risk: The overall risk situation remains under control and the Board of Management is not aware of any potential economic or legal threat to it as a going concern.

Disclaimer:

The Management Report contains future-related statements. Considerable variation between anticipated developments and actual results is possible due to any aforementioned or other element of uncertainty, or if the assumptions on the basis of which the forecasts are made prove to be incorrect.

CAN BOTH OF US RUN ACROSS WATER?

Mika, age 4, and Kian, age 5

Yes, you can run on water – if you are a tiny little insect! That's because of the surface tension created by the mutual attraction of the water molecules.

We, too, often exploit this surface tension, e.g. in the printing process. We use additives to influence it, thus fine-tuning the equilibrium between oil-based ink and dampening solution. In other areas, too, it often only takes a tiny droplet to make all the difference to results. That is why we meter with absolute precision – without external energy input, with consumption data monitoring or in a centralised dosing system. We can make many things possible. Except running across water, of course.

CONTENTS

FINANCIAL STATEMENTS

FURTHER INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31/12/2010	31/12/2009	31/12/2008
		€ '000	€ '000	€ '000
Non-current assets				
Property, plant and equipment	1	20,349	21,985	25,456
Goodwill	2	0	0	2,459
Intangible assets	3	2,053	2,650	3,343
Income tax receivable	7	327	402	420
Financial assets	4	651	622	677
Deferred tax	26	4,311	4,325	1,668
Total		**27,691**	**29,984**	**34,023**
Current assets				
Inventories	5	14,929	16,045	23,462
Trade receivables	6	10,140	10,654	21,258
Income tax receivable	7	380	566	240
Financial assets	8	727	447	543
Other assets	8	787	1,272	1,158
Cash and cash equivalents	9	13,125	10,274	6,928
Total		**40,088**	**39,258**	**53,589**
Total assets		**67,779**	**69,242**	**87,612**

EQUITY AND LIABILITIES	Note	31/12/2010	31/12/2009	31/12/2008
		€ '000	€ '000	€ '000
Equity	10			
Issued capital		6,908	6,908	6,908
Capital reserve		12,928	40,322	40,322
Retained earnings		28,514	13,243	16,775
Other reserves		– 15,983	– 18,839	– 19,337
Net profit/net loss for the period		1,517	– 10,347	– 2,852
Total		**33,884**	**31,287**	**41,816**
Non-current liabilities				
Borrowings	11	9,599	5,338	13,679
Provisions	15	1,112	975	4,545
Other financial liabilities	12	212	219	129
Deferred tax	26	10	12	31
Total		**10,933**	**6,544**	**18,384**
Current liabilities				
Borrowings	11	8,309	16,335	7,409
Trade payables	13	3,138	4,524	4,831
Prepayments received	14	2,457	1,976	2,914
Provisions	15	6,085	6,752	9,582
Income tax payable	16	909	144	667
Financial liabilities	17	359	359	264
Other liabilities	17	1,705	1,321	1,745
Total		**22,962**	**31,411**	**27,412**
Total equity and liabilities		**67,779**	**69,242**	**87,612**

CONSOLIDATED INCOME STATEMENT

	Note	2010	2009	2008
		€ '000	€ '000	€ '000
Revenue	18	85,887	82,210	141,677
of which Technology		51,388	48,808	103,840
of which Services		34,499	33,402	37,837
Cost of sales	19	– 60,430	– 65,551	– 105,932
Gross profit		**25,457**	**16,659**	**35,745**
Distribution costs	20	– 13,390	– 13,749	– 18,857
Administrative expenses	21	– 10,154	– 10,908	– 13,177
Development costs	22	– 2,467	– 2,839	– 5,189
Other operating income	23	5,646	4,189	3,044
Other operating expenses	24	– 2,056	– 5,281	– 1,604
Earnings before interest and tax (EBIT)		**3,036**	**– 11,929**	**– 38**
Financial income		30	48	232
Financial charges		– 1,192	– 826	– 1,451
Net finance costs	25	**– 1,162**	**– 778**	**– 1,219**
Accounting profit		**1,874**	**– 12,707**	**– 1,257**
Income tax expense	26	– 357	2,360	– 1,595
Net profit/net loss for the period		**1,517**	**– 10,347**	**– 2,852**
of which:				
Profit/loss attributable to technotrans AG shareholders		1,517	– 10,347	– 2,852
Profit/loss attributable to non-controlling shareholders		0	0	0
Earnings per share (€)	27			
(basic)		0.24	**– 1.65**	**– 0.45**
(diluted)		0.24	**– 1.65**	**– 0.45**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	2010	2009	2008
		€ '000	€ '000	€ '000
Net profit/net loss for the period		**1,517**	**– 10,347**	**– 2,852**
Other result	10			
Exchange differences from the translation of foreign group companies		819	97	– 1,376
Exchange rate differences from the net investment in a foreign business		64	– 492	962
Cash-flow hedges		3	13	– 12
Other profit after tax		**886**	**– 382**	**– 426**
Overall result for the financial year		**2,403**	**– 10,729**	**– 3,278**
of which:				
Profit/loss attributable to technotrans AG shareholders		2,403	– 10,729	– 3,278
Profit/loss attributable to non-controlling shareholders		0	0	0

CONSOLIDATED CASH FLOW STATEMENT

	Note	2010	2009	2008
		€ '000	€ '000	€ '000
Cash flow from operating activities	28			
Net profit/net loss for the period		1,517	-10,347	-2,852
Adjustments for:				
Depreciation and amortisation		3,349	3,551	4,761
Impairment loss acc. to IAS 36		200	4,093	7,454
Share-based payment transactions		194	200	187
Income tax expense		357	-2,360	1,595
Gain (-) / loss (+) on the disposal of property, plant and equipment		-39	127	38
Foreign exchange losses (+) / gains (-)		-190	-414	74
Financial income		-30	-48	-232
Financial charges		1,192	826	1,451
Cash flow from operating activities before working capital changes		**6,550**	**-4,372**	**12,476**
Change in:				
receivables and other current assets		715	10,294	-2,993
inventories		1,317	7,389	2,186
other non-current assets		-30	27	-38
liabilities		-1,040	-2,716	-2,624
provisions		-531	-6,399	-135
Cash from operating activities		**6,981**	**4,223**	**8,872**
Interest income		30	30	206
Interest expense		-896	-776	-1,245
Income taxes paid / income tax rebates		1,303	163	-1,086
Net cash from operating activities		**7,418**	**3,640**	**6,747**

	Note	2010	2009	2008
		€ '000	€ '000	€ '000
Cash flow from investing activities	29			
Acquisition of intangible assets and of property, plant and equipment		–1,254	–1,306	–6,460
Proceeds from the sale of property, plant and equipment		123	101	76
Net cash used for investing activities		**–1,131**	**–1,205**	**–6,384**
Cash flow from financing activities	30			
Buy-back of treasury shares		0	0	–7,461
Cash receipts from the raising of short-term and long-term loans		3,000	3,024	9,709
Cash payments from the repayment of loans		–6,765	–2,438	–1,567
Distributions to investors		0	0	–4,504
Net cash used in financing activities		**–3,765**	**586**	**–3,823**
Net effect of currency translation in cash and cash equivalents		329	325	–360
Net increase/decrease in cash and cash equivalents		2,851	3,346	–3,820
Cash and cash equivalents at start of period		10,274	6,928	10,748
Cash and cash equivalents at end of period	9, 31	**13,125**	**10,274**	**6,928**

STATEMENT OF MOVEMENTS IN EQUITY

(SEE NOTES, SECTION 10)	Issued capital	Capital reserve	Retained earnings
	€ '000	€ '000	€ '000
01/01/2008	**6,908**	**40,322**	**22,855**
Overall result for the financial year			
Net profit/net loss for the period	0	0	–2,852
Other result			
Exchange differences from the translation of foreign group companies	0	0	–984
Exchange rate differences from the net investment in a foreign business	0	0	0
Change in the fair value of cash flow hedges	0	0	0
Other result	**0**	**0**	**–984**
Overall result for the financial year	**0**	**0**	**–3,836**
Transactions with shareholders of technotrans AG			
Distributions	0	0	–4,504
Share buy-back	0	0	0
Issuance of treasury shares	0	0	–592
Transactions with shareholders of technotrans AG	**0**	**0**	**–5,096**
31/12/2008 / 01/01/2009	**6,908**	**40,322**	**13,923**
Overall result for the financial year			
Net profit/net loss for the period	0	0	–10,347
Other result			
Exchange differences from the translation of foreign group companies	0	0	–310
Exchange rate differences from the net investment in a foreign business	0	0	0
Change in the fair value of cash flow hedges	0	0	0
Other result	**0**	**0**	**–310**
Overall result for the financial year	**0**	**0**	**–10,657**
Transactions with shareholders of technotrans AG			
Distributions	0	0	0
Share buy-back	0	0	0
Issuance of treasury shares	0	0	–370
Transactions with shareholders of technotrans AG	**0**	**0**	**–370**
31/12/2009	**6,908**	**40,322**	**2,896**

Other reserves				Group equity
Exchange differences	Reserve for exchange rate differences from the financing of investments	Hedging reserve	Treasury shares	
€ '000	€ '000	€ '000	€ '000	€ '000
-9,043	**-1,689**	**-13**	**-2,468**	**56,872**
0	0	0	0	-2,852
-392	0	0	0	-1,376
0	962	0	0	962
0	0	-12	0	-12
-392	**962**	**-12**	**0**	**-426**
-392	**962**	**-12**	**0**	**-3,278**
0	0	0	0	-4,504
0	0	0	-7,461	-7,461
0	0	0	779	187
0	**0**	**0**	**-6,682**	**-11,778**
-9,435	**-727**	**-25**	**-9,150**	**41,816**
0	0	0	0	-10,347
407	0	0	0	97
0	-492	0	0	-492
0	0	13	0	13
407	**-492**	**13**	**0**	**-382**
407	**-492**	**13**	**0**	**-10,729**
0	0	0	0	0
0	0	0	0	0
0	0	0	570	200
0	**0**	**0**	**570**	**200**
-9,028	**-1,219**	**-12**	**-8,580**	**31,287**

STATEMENT OF MOVEMENTS IN EQUITY (CONTINUED)

(SEE NOTES, SECTION 10)	Issued capital	Capital reserve	Retained earnings
	€ '000	€ '000	€ '000
31/12/2009 / 01/01/2010	**6,908**	**40,322**	**2,896**
Overall result for the financial year			
Net profit/net loss for the period	0	0	1,517
Other result			
Exchange differences from the translation of foreign group companies	0	0	–1,558
Exchange rate differences from the net investment in a foreign business	0	0	0
Change in the fair value of cash flow hedges	0	0	0
Other result	**0**	**0**	**–1,558**
Overall result for the financial year	**0**	**0**	**–41**
Withdrawal from the capital reserve of technotrans AG	0	–27,394	27,394
Transactions with shareholders of technotrans AG			
Distributions	0	0	0
Share buy-back	0	0	0
Issuance of treasury shares	0	0	–218
Transactions with shareholders of technotrans AG	**0**	**0**	**–218**
31/12/2010	**6,908**	**12,928**	**30,031**

	Other reserves				Group equity
	Exchange differences	Reserve for exchange rate differences from the financing of investments	Hedging reserve	Treasury shares	
	€ '000	€ '000	€ '000	€ '000	€ '000
	–9,028	**–1,219**	**–12**	**–8,580**	**31,287**
	0	0	0	0	1,517
	2,377	0	0	0	819
	0	64	0	0	64
	0	0	3	0	3
	2,377	**64**	**3**	**0**	**886**
	2,377	**64**	**3**	**0**	**2,403**
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	412	194
	0	**0**	**0**	**412**	**194**
	–6,651	**–1,155**	**–9**	**–8,168**	**33,884**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT REPORT
BY DIVISION

		Technology	Services	Consolidated/ not accocated	Group
		€ '000	€ '000	€ '000	€ '000
External revenue	**2010**	**51,388**	**34,499**	**0**	**85,887**
	2009	48,808	33,402	0	82,210
	2008	103,840	37,837	0	141,677
Internal revenue	**2010**	**8,378**	**7,343**	**–15,721**	**0**
	2009	8,226	7,494	–15,720	0
	2008	17,524	7,448	–24,972	0
Inter-segment revenue	**2010**	**0**	**874**	**–874**	**0**
	2009	0	703	–703	0
	2008	0	1,493	–1,493	0
Segment result	**2010**	**–2,554**	**5,590**	**0**	**3,036**
	2009	–16,175	4,246	0	–11,929
	2008	–4,309	4,021	250	–38
Segment assets	**2010**	**31,402**	**18,234**	**18,143**	**67,779**
	2009	36,527	17,149	15,566	69,242
	2008	58,704	19,652	9,256	87,612
Investment	**2010**	**750**	**504**	**0**	**1,254**
	2009	776	531	0	1,307
	2008	4,542	1,918	0	6,460
Depreciation and amortisation	**2010**	**2,080**	**1,269**	**0**	**3,349**
	2009	1,615	1,936	0	3,551
	2008	3,796	965	0	4,761
Impairment loss acc. to IAS 36	**2010**	**200**	**0**	**0**	**200**
	2009	3,498	595	0	4,093
	2008	7,454	0	0	7,454

I. Application of IFRS – basic notes

technotrans AG is a publicly traded corporation domiciled in Sassenberg, Germany. These Consolidated Financial Statements of technotrans AG and its subsidiaries (the "group") at December 31, 2010 were approved for presentation to the Supervisory Board by resolution of the Board of Management of March 1, 2011. The task of the Supervisory Board is to examine the Consolidated Financial Statements and declare whether it will sign off the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared on the basis of Section 315a of German Commercial Code ("Consolidated financial statements to international financial reporting standards") in accordance with the International Financial Reporting Standards (IFRS) and the accompanying interpretations of the International Accounting Standards Board (IASB). All standards the application of which is mandatory, as adopted by the European Union, were applied.

The Consolidated Financial Statements are based on standard recognition and measurement principles. They are expressed in € thousand.

II. Group

a) Reporting entity

technotrans AG and all major companies (16 subsidiaries) that technotrans AG controls directly or indirectly are included and fully consolidated in the Consolidated Financial Statements. technotrans AG is deemed to exercise control over a company if it holds more than half the voting rights in it or is able to determine the financial and business policy of a company in other ways, such as to derive benefit from its activity.

One company (technotrans india) was included in consolidation for the first time in the year under review. On November 22, 2010 technotrans india pvt ltd was established with a share capital of INR 250,000 (equivalent to € 4 thousand). 100% of the shares were taken on by technotrans Asia pacific limited. The company's contribution to the net profit/net loss for the period was € -31 thousand.

On January 7, 2011 75.1 percent of the shares in Termotek AG, Baden-Baden, a specialist supplier of laser cooling systems, were acquired. The costs of acquisition of the shares in Termotek AG comprise a cash component, a shares component and a conditional purchase price payment. Because the first-time consolidation of this business combination is not yet complete at the time of preparation of the Consolidated Financial Statements, it is not possible to make any disclosures at this point on its impact on the Consolidated Financial Statements.

The balance sheet date for all companies included in the Consolidated Financial Statements is December 31.

Unternehmen		Domicile	Interest	Equity*	Revenue*	Profit after tax*
			%	€ ‘000	€ ‘000	€ ‘000
technotrans AG (Sassenberg and Gersthofen)	**D**	**Sassenberg**	**Parent company**	**32,309**	**66,616**	**1,771**
gds AG	D	Sassenberg	100	2,136	3,099	268
gds Schweiz GmbH	CH	Regensdorf	51	21	409	2
technotrans graphics limited	GB	Colchester	100	2,469	3,386	75
technotrans france s.a.r.l. (Saint-Maximin and Madrid)	F	Saint-Maximin	100	1,451	5,385	–17
technotrans italia s.r.l.	I	Legnano	100	1,497	2,484	238
technotrans scandinavia AB	S	Åkersberga	100	7,822	38	–284
technotrans rus 000	RUS	Moscow	100	13	11	–72
technotrans america, Inc.	USA	Mt. Prospect	100	2,249	8,418	113
technotrans américa latina ltda.	BR	São Paulo	100	–2,486	1,734	–610
technotrans Asia pacific limited	PRC	Hong Kong	100	–1,611	3,043	–587
technotrans printing equipment, (Bejing) co. Ltd.	PRC	Beijing	100	–310	1,427	–113
technotrans trading (Shanghai) co. Ltd.	PRC	Shanghai	100	–55	430	–6
technotrans japan k.k.	J	Yokohama	100	–9	0	–134
technotrans technologies pte ltd. (Singapur and Melbourne)	SGP	Singapore	100	360	3,614	272
technotrans middle east FZ-LLC	V.A.E.	Dubai	100	335	961	10
technotrans india pvt ltd	IN	Chennai	100	–27	53	–31

* EQUITY, REVENUE AND PROFIT AFTER TAX HAVE BEEN CALCULATED IN ACCORDANCE WITH THE REGULATIONS APPLICABLE LOCALLY FOR EACH SUBSIDIARY.

b) Consolidation methods

The Consolidated Financial Statements are based on the group companies' annual financial statements (Commercial Balance Sheet II based on IFRS) prepared in accordance with standard recognition and measurement principles at December 31, 2010.

Capital consolidation for the subsidiaries is performed according to the purchase method pursuant to IFRS 3. The costs of acquisition of the business combination in each case correspond to the fair values of the technotrans shares issued at the time of acquisition, the cash components paid and the liabilities arising and acquired at the time of acquisition. These costs of acquisition are distributed between the identifiable assets, liabilities and contingent liabilities of the acquiree by their recognition at the respective fair values at the time of acquisition. The positive differences remaining after purchase price allocation are recognised as goodwill. Goodwill is recognised as an asset and subjected to an impairment test annually. The costs associated with the business combination are recognised as an expense when they arise.

All intra-group receivables and liabilities, revenues, expenses and income as well as balances from intra-group supplies are eliminated on consolidation. Where necessary, deferred taxes are stated for consolidation processes affecting income.

c) Recognition and measurement principles

With the exception of certain financial instruments that are reported at fair value, the Consolidated Financial Statements are prepared based on historical cost.

Estimates and judgments 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 which exercise influence on the amounts reported and the disclosures made on them in the Notes. All estimates and assumptions are made to the best of our knowledge, in the interests of providing a true and fair view of the net worth, financial position and financial performance of the group. Such estimates and assumption-based policies involve uncertainty and may change in the course of time. The actual results may deviate from these assessments.

The assessments and underlying assumptions are examined on a regular basis. If a reassessment results in a difference, that difference is reported in the accounting period in which the reassessment was made if it relates to that period only. It is recorded in the accounting period in which the reassessment was made, as well as in subsequent periods if it also influences the subsequent periods.

Judgments and assessments made by the Board of Management that are subject to a significant degree of uncertainty and bring with them the risk of significant adjustments in future financial years concern the following matters in particular:

1) Accounting of acquisitions

Goodwill is reported in the Consolidated Balance Sheet following acquisitions. Upon the initial consolidation of an acquisition, all identifiable assets, liabilities and potential liabilities are stated at their fair value at the date of acquisition. Assets such as land, buildings, and plant and equipment are normally measured on the basis of independent appraisals, while the fair value of an intangible asset is determined internally according to its nature and the complexity of determining the fair value, using an appropriate measurement technique. The assumptions made here are regularly subject to forecasting uncertainty. No exercise of judgment was required here in 2010.

2) Assessment of the value of assets

At each balance sheet date the group is to assess whether there is any indication that the carrying amount of an item of property, plant and equipment or an intangible asset might be impaired. In that case, the recoverable amount of the asset in question is estimated. The recoverable amount corresponds to the higher of the fair value less the costs of disposal, or the value in use. In order to determine the value in use, the discounted future cash flows of the asset in question need to be determined. This estimate involves key assumptions about the underlying economic situation and future cash flows. Changes to these assumptions or circumstances could result in additional reductions for impairment in the future, or in reversals. With regard to “key exercises of judgment in the context of financial reporting for 2010”, see the Notes, Section 1 “Property, plant and equipment”.

3) Recognition and measurement of provisions

The determination of all provisions, and in particular of provisions for warranties and for impending losses from long-term rental agreements, inherently involves estimates. With regard to “key exercises of judgment in the context of financial reporting for 2010”, see the Notes, Section 15 “Provisions”.

4) Income tax expense

Because the group has operations and generates income in many different countries, it is subject to widely varying tax laws in a large number of tax regimes. Although the management believes it has made a reasonable estimate of fiscal imponderables, there can be no assurance that the outcome of such fiscal imponderables will correspond to the original estimate. Any differences could have an impact on the tax liabilities and the deferred taxes. At every balance sheet date, the group assesses whether the realisability of future tax benefits is sufficiently probable for the reporting of deferred tax assets. This requires the management among other things to assess the tax benefits that arise from the available tax planning strategies and future taxable income. The deferred tax assets reported could decrease if the estimates of planned taxable income are reduced or if changes to current tax laws restrict the realisability of future tax benefits.

The application of a specific IFRS is indicated in the notes to the individual items of the financial statements. The following methods of recognition and measurement were fundamentally applied:

Property, plant and equipment are reported at historical cost less depreciation and accumulated impairment losses. Retrospective costs of acquisition are capitalised where they increase the value of the property, plant and equipment. In the case of self-constructed assets, the cost of conversion is calculated on the basis of prime costs as well as the systematically allocable fixed and variable production overheads, including depreciation. Regular maintenance and repair costs are recorded as an expense after they have occurred.

Property, plant and equipment are depreciated according to the straight-line method, on the basis of their useful life. The residual value, useful life and method of depreciation are reassessed annually. Components of property, plant and equipment with a significant purchase value in relation to the total value are depreciated separately as appropriate. Upon sale or retirement, the costs and the corresponding accumulated depreciation for the assets are derecognised from the Balance Sheet; any gains or losses arising are recognised in the Income Statement.

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

	Years
Buildings	25 to 50
Land improvements, fixtures and fittings	10 to 15
Tools, plant and equipment	3 to 10
Hardware, vehicle fleet	3 to 5

Where there is a basis for impairment, property, plant and equipment are examined for impairment pursuant to IAS 36. Insofar as necessary, the carrying amount for property, plant and equipment is adjusted to the recoverable amount. If the circumstances which led to this measure subsequently cease to apply, this impairment is reversed at most by the net carrying amount that would have applied if no such reductions for impairment had been made. There is no investment property pursuant to IAS 40 (Investment Property).

Intangible assets, namely concessions and industrial and similar rights and values acquired for consideration, are carried at cost. They are amortised by the straight-line method, according to their useful life. The residual value, useful life and method of depreciation are reassessed annually.

Self-constructed intangible assets are recognised at cost. Development expenditure on the fundamental reengineering of a product is capitalised if the product is technically and economically realisable, the development is saleable, the expenditure can reliably be measured and the group possesses adequate resources to complete the development project. Pursuant to IAS 38.65 ff, it comprises the directly allocable prime costs as well as the production overheads that can be allocated directly to the creation, manufacture and preparation of the asset, where they arise between the start of the development phase and its conclusion. The conditions for capitalisation as laid down in IAS 38.21, 38.22 and 38.57 are met. Amortisation of development expenditure recognised as an intangible asset commences as soon as the asset is available for use. This usually coincides with the start of its commercial use. All self-constructed intangible assets acquired for consideration have a finite useful life.

The notes on property, plant and equipment apply analogously to any necessary impairment of intangible assets to the “recoverable amount”.

The **taxes** for the period comprise current and deferred taxes. Taxes are recognised in the Income Statement unless they refer to items that are recognised directly within equity or the other result. In such cases, the corresponding taxes are likewise recognised within equity or the other result.

In accordance with IAS 12, **deferred taxes** are accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts in the Commercial Balance Sheet and the Tax Balance Sheet (liability method) and in respect of tax loss carryforwards for creditable tax. Deferred tax assets for temporary differences as well as tax loss carryforwards are only reported to the extent that it is probable that sufficient taxable income will be available in the future to make use of these. The deferred taxes are measured on the basis of the locally applicable tax rates that apply or have been announced at the balance sheet date.

Deferred tax assets and liabilities are also recognised on temporary differences arising from business combinations, except for temporary differences on goodwill where the latter are fiscally disregarded.

The **inventories** recognised are always measured at cost of acquisition or cost of conversion, using the weighted average cost method, or at the net realisable value if lower. In accordance with IAS 2, cost of conversion includes the direct costs of material and direct costs of labour, as well as allocable fixed and variable production overheads arising in the manufacturing process, by way of target costing.

The net realisable value is the anticipated sales proceeds less the estimated costs of completion and the costs necessary to make the sale. If the reasons which have led to downward valuation cease to apply, a reversal is made.

Trade receivables and other current receivables are fundamentally reported at amortised cost, using the effective interest rate method. Reductions for impairment that are applied in the form of individual and group portfolio valuation allowances take adequate account of the credit risk. Objective failures result in the derecognition of the receivable in question. Non-current, non-interest-bearing receivables are discounted.

Cash and cash equivalents are reported at face value and converted into euros at the closing rates. They comprise cash on hand and demand deposits, as well as financial assets that can be converted into cash at any time.

Issued capital (no par value shares) is reported at the nominal amount.

Treasury shares If the company acquires treasury shares, these are offset against equity. The purchase and sale, issuance and retirement of treasury shares are not recognised within income, but as an addition to equity. Differences between the cost of the issued shares and their fair value upon their sale or issuance are offset against retained earnings.

Liabilities are fundamentally recognised at amortised cost. Liabilities in foreign currency are translated in accordance with IAS 21.21 and 23 (a). Borrowings are not recognised in the Income Statement at fair value. When initially recognised, they are therefore measured at fair value including the transaction costs and subsequently at amortised cost, using the effective interest method.

Provisions are created to cover obligations to third parties if obligations existing at the reporting date are likely to result in a future outflow of resources and the latter amount can reliably be estimated. They are recognised at the likely amount at which settlement will take place. Long-term provisions are discounted.

Provisions for warranties are created at the time of sale of the goods in question. Their level is based on past developments in warranties and on a consideration of all possible future warranty claims, weighted according to probability.

Provisions for impending losses from unfavourable contracts are formed if the economic benefit expected to result from the contract is less than the unavoidable costs for the fulfilment of the contract.

Provisions for pensions and provisions for similar obligations are measured according to the projected unit credit method. Actuarial gains and losses are recognised as income within administrative expenses in the year in which they occur.

Derivative financial instruments are recognised at market value. At technotrans, derivative financial instruments were used exclusively for hedging interest rate risks at December 31, 2010. Where they qualify as cash flow hedges, the correspondingly effective adjustments to the market price are recognised within equity, with no effect on income.

Revenues from the sale of goods are recognised in accordance with IAS 18.14 as soon as the significant risks and rewards associated with ownership of the products sold have been transferred to the buyer. Revenues from services are recognised as soon as the service has been performed.

Revenue from contracts comprising several contractual elements (e.g. sales of goods in combination with installation and commissioning services) are fundamentally realised upon acceptance by the customer.

Revenue is reported less reductions in proceeds such as bonuses, rebates and trade discounts.

Financial income and charges are reported on an accrual basis in line with the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as part of the cost of that asset pursuant to IAS 23. No financing costs were capitalised in the 2010 financial year.

Currency translation: The financial statements of all foreign group companies prepared in foreign currency are translated according to the concept of the functional currency (IAS 21). The local currency of the country in which they are based is fundamentally recognised as the functional currency of the companies included in the Consolidated Financial Statements. However, in the case of the Singapore subsidiary the euro is considered to be the functional currency, as its primary economic environment (revenues and expenses) is determined predominantly by the euro.

Business transactions conducted by a group company in a currency other than its functional currency are translated into and reported in the functional currency for the first time at the spot exchange rate on date of the business transaction. At each subsequent balance sheet date, monetary items (cash, receivables and liabilities) that were originally in a currency other than the functional currency are translated at the closing rate; the resulting exchange rate differences are recognised in the Income Statement. Non-monetary items are translated at the historical rate.

The assets and liabilities of foreign subsidiaries are translated at the mean rate at the balance sheet date (closing rate), and included in the Consolidated Financial Statements. Expenses and income are translated at the mean rate for the year; the resulting differences are netted against equity, with no effect on income. Exchange differences compared with prior-year translation are likewise netted within equity, with no effect on income.

Exchange rate differences from the net investment in a foreign business (group company) are reported within equity with no effect on income; they are only recognised in the Income Statement upon disposal of the net investment.

The following rates were applied in currency translation:

RATES FOR CURRENCY TRANSLATION	Mean rates for the financial year			Mean rates at balance sheet date		
	2010	2009	2008	31/12/2010	31/12/2009	31/12/2008
USD	1.3257	1.3948	1.4708	1.3362	1.4406	1.3917
JPY	116.2400	130.3400	152.4500	108.6500	133.1600	126.1400
GBP	0.8578	0.8909	0.7963	0.8607	0.8881	0.9525
SEK	9.5373	10.6191	9.6152	8.9655	10.2520	10.8700
CNY	8.9712	9.5277	10.2236	8.8220	9.8350	9.4956
HKD	10.2994	10.8114	11.4541	10.3856	11.1709	10.7858
CHF	1.3803	1.5100	1.5874	1.2504	1.4836	1.4850
BRL	2.3314	2.7674	2.6737	2.2177	2.5113	3.2436
AED	4.9113	4.6813	5.4028	4.9615	5.3343	5.1340
RUB	40.2629	44.1376	36.4207	40.8200	43.1540	41.2830
INR	60.5878	–	–	59.7580	–	–

Changes in recognition and measurement principles

The Consolidated Financial Statements of technotrans AG at December 31, 2010 include all standards and interpretations adopted by the European Union, the application of which is mandatory from January 1, 2010.

The following standards and interpretations were to be applied for the first time:

STANDARD/ INTERPRETATION	**Applicable from** (financial years starting on or after ...)	**Content**	**Effects on Consolidated Financial Statements**
IFRS 3: Business Combinations	**July 1, 2009**	The amendments essentially comprise provisions on purchase price components, successive share purchases, goodwill and minority interest	None yet
Amendments to **IFRS 2:** Share-based Payment	**January 1, 2010**	The changes serve to clarify accounting for group cash-settled share-based payments.	None
IAS 27: Consolidated and Separate Financial Statements	**July 1, 2009**	IAS 27 specifies that purchases and sales of participating interests in connection with a change of control result in the measurement of the shares held or remaining in the group through profit and loss. Transactions with no change of control are reflected within equity.	None yet
IFRIC 12: Service Concession Arrangements	**March 29, 2009**	Deals with the question of how companies offering public services are to report the resulting rights and obligations.	None
IFRIC 15: Agreements for the Construction of Real Estate	**January 1, 2010**	Deals with financial reporting by companies developing real estate	None
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	**July 1, 2009**	Deals with the hedge accounting of net investments in a foreign operation	None
IFRIC 17: Distributions of Non-cash Assets to Owners	**November 1, 2009**	Concerns aspects of how a company is to measure assets other than cash that are distributed as dividend.	None
IFRIC 18: Transfers of Assets from Customers	**January 1, 2010**	Relevant for the energy sector.	None
Amendments to **IAS 39:** Reclassification of Financial Assets	**July 1, 2009**	The amendments serve to clarify the approach already in widespread use for determining qualifying hedged items.	None
Amendments to **IFRS 5:** Non-current Assets Held for Sale and Discontinued Operations	**January 1, 2010**	The amendments concern the classification of non-current assets and liabilities held for sale.	None
Amendments to **IFRS (2009)**	**January 1, 2010**	Amendments to several standards with the objective of adjusting the wording in individual IFRS in order to clarify the existing rules, as well as amendments that have an effect on reporting, recognition or measurement.	No significant

During the 2010 financial year the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published further standards, interpretations and amendments to existing standards, the application of which was not yet mandatory in the 2010 financial year.

The following standards and interpretations as adopted by the European Union by December 31, 2010 have not yet been observed in these accounts:

STANDARD/ INTERPRETATION	Applicable from (financial years starting on or after ...)	Content	Effects on Consolidated Financial Statements
IAS 24: Related Disclosures	**January 1, 2011**	The amendments to IAS 24 lay down the definition of a related party (an entity or a person) more precisely.	No significant
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	**July 1, 2010**	Explains requirements if an enterprise partly or wholly extinguishes a financial liability through the issuance of shares or other equity instruments.	None yet
Amendments to **IAS 32:** Classification of Rights Issues	**February 1, 2010**	Deals with the classification of certain shareholder contributions as equity or borrowed capital.	None
Amendments to **IFRIC 14:** Prepaid Contributions in respect of Minimum Funding Requirements	**January 1, 2011**	Provides guidance on the accounting of defined benefit plans in which existing plan assets exceed the pension obligations.	None

III. Notes to the Consolidated Balance Sheet

01 Property, plant and equipment

	Property*	Other assets, plant and other equipment	Construction in progress	Property, plant and equipment
	€ '000	€ '000	€ '000	€ '000
Cost at December 31, 2007/January 1, 2008	**20,678**	**15,153**	**1,940**	**37,771**
Foreign currency translation differences	36	-84	2	-46
Additions	2,942	2,124	36	5,102
Disposals	-263	-1,575	0	-1,838
Transfers	1,919	21	-1,940	0
Cost at December 31, 2008/January 1, 2009	**25,312**	**15,639**	**38**	**40,989**
Foreign currency translation differences	5	48	0	53
Additions	240	845	47	1,132
Disposals	-83	-995	0	-1,078
Transfers	0	61	-61	0
Cost at December 31, 2009/January 1, 2010	**25,474**	**15,598**	**24**	**41,096**
Foreign currency translation differences	57	192	0	249
Additions	22	921	21	964
Disposals	-68	-657	0	-725
Transfers	0	23	-23	0
Cost at December 31, 2010	**25,485**	**16,077**	**22**	**41,584**

* LAND, LAND RIGHTS AND BUILDINGS, INCLUDING BUILDINGS ON LAND OWNED BY OTHERS

The additions to property, plant and equipment in 2010 consist primarily of operationally necessary conversions and replacement investment at the Sassenberg location. In 2008 and 2009 they arose substantially from the investment in connection with the new building at Sassenberg and the transfer of production operations to there from Gersthofen and Mt. Prospect (USA).

	Property*	Other assets, plant and other equipment	Construction in progress	Property, plant and equipment
	€ '000	€ '000	€ '000	€ '000
Accumulated depreciation at December 31, 2007/January 1, 2008	**5,098**	**9,368**	**0**	**14,466**
Foreign currency translation differences	3	–70	0	–67
Depreciation for the year	864	1,973	0	2,837
Disposals	–217	–1,486	0	–1,703
Accumulated depreciation at December 31, 2008/January 1, 2009	**5,748**	**9,785**	**0**	**15,533**
Foreign currency translation differences	8	33	0	41
Depreciation for the year	829	1,863	0	2,692
Disposals	–25	–830	0	–855
Impairment loss acc. to IAS 36	1,700	0	0	1,700
Accumulated depreciation at December 31, 2009/January 1, 2010	**8,260**	**10,851**	**0**	**19,111**
Foreign currency translation differences	22	109	0	131
Depreciation for the year	803	1,626	0	2,429
Disposals	–65	–571	0	–636
Impairment loss acc. to IAS 36	200	0	0	200
Accumulated depreciation at December 31, 2010	**9,220**	**12,015**	**0**	**21,235**
Residual carrying amounts at December 31, 2008	**19,564**	**5,854**	**38**	**25,456**
Residual carrying amounts at December 31, 2009	**17,214**	**4,747**	**24**	**21,985**
Residual carrying amounts at December 31, 2010	**16,265**	**4,062**	**22**	**20,349**

* LAND, LAND RIGHTS AND BUILDINGS, INCLUDING BUILDINGS ON LAND OWNED BY OTHERS

Reductions for impairment amounting to € 0.2 million (2009: € 1.7 million) were applied to land and buildings in 2010. Of this figure € 0.2 million related to the Technology Segment. The decision in 2009 to concentrate all production capacity at Sassenberg prompted a change of use of the land and buildings at Gersthofen during the 2009 financial year. Only parts of the property continued to be used internally in the 2010 financial year. In view of this change of use, an impairment test was again performed for the property at the end of the 2010 financial year. The relevant recoverable amount for determining the impairment loss corresponds to the current value of the property. The internal valuation, taking into account a reassessment of its continuing utility, was conducted on the basis of an updated property valuation using the income capitalisation method based on the “Federal Ordinance on Principles for the Determination of the Current Values of Real Estate – WertV”. The impairment loss was reported under the cost of sales.

No self-constructed assets were capitalised in the 2010 financial year (2009: € 0 thousand, 2008: € 113 thousand). No reversals were applied in the year under review. Land charges totalling € 14,750 thousand (previous year: € 17,250 thousand) have been registered as collateral for long-term loans (cf. Section 11, “Borrowings”).

02 Goodwill

	€ '000
Cost at December 31, 2007/January 1, 2008	6,359
Foreign currency translation differences	105
Cost at December 31, 2008/January 1, 2009	6,464
Foreign currency translation differences	– 66
Cost at December 31, 2009 and December 31, 2010	**6,398**
Accumulated impairment at December 31, 2007 and December 31, 2008/January 1, 2009	4,005
Impairment loss acc. to IAS 36	2,393
Accumulated impairment at December 31, 2007 and December 31, 2010	**6,398**
Residual carrying amounts at December 31, 2008	**2,459**
Residual carrying amounts at December 31, 2009	**0**
Residual carrying amounts at December 31, 2010	**0**

At the end of the 2009 financial year an impairment test to IAS 36.10 revealed a full write-down of the goodwill (for the cash-generating unit Print) amounting to € 2,393 thousand. No goodwill is reported at the 2010 balance sheet date.

03 Intangible assets

	Concessions, industrial and similar rights	Development expenditure recognised as an intangible asset	Intangible assets
	€ '000	€ '000	€ '000
Cost at December 31, 2007/January 1, 2008	**12,693**	**6,370**	**19,063**
Foreign currency translation differences	-14	0	-14
Additions			
acquired separately	1,078	0	1,078
from internal development	280	0	280
Disposals	-5	0	-5
Cost at December 31, 2008/January 1, 2009	**14,032**	**6,370**	**20,402**
Foreign currency translation differences	25	0	25
Additions			
acquired separately	175	0	175
from internal development	0	0	0
Disposals	-8	0	-8
Cost at December 31, 2009/January 1, 2010	**14,224**	**6,370**	**20,594**
Foreign currency translation differences	70	0	70
Additions			
acquired separately	175	0	175
from internal development	115	0	115
Disposals	0	0	0
Cost at December 31, 2010	**14,584**	**6,370**	**20,954**
Accumulated amortisation at December 31, 2007/January 1, 2008	**4,093**	**3,695**	**7,788**
Foreign currency translation differences	-27	0	-27
Amortisation for the year	1,284	640	1,924
Impairment loss acc. to IAS 36	5,419	2,035	7,454
Disposals	-80	0	-80
Accumulated depreciation at December 31, 2008/January 1, 2009	**10,689**	**6,370**	**17,059**
Foreign currency translation differences	28	0	28
Amortisation for the year	861	0	861
Disposals	-4	0	-4
Accumulated amortisation at December 31, 2009/January 1, 2010	**11,574**	**6,370**	**17,944**
Foreign currency translation differences	37	0	37
Amortisation for the year	920	0	920
Accumulated amortisation at December 31, 2010	**12,531**	**6,370**	**18,901**
Residual carrying amounts at December 31, 2008	**3,343**	**0**	**3,343**
Residual carrying amounts at December 31, 2009	**2,650**	**0**	**2,650**
Residual carrying amounts at December 31, 2010	**2,053**	**0**	**2,053**

Investment in intangible assets increased as planned in the 2010 financial year. Appropriate additions were necessary for the further implementation of the ERP software mySAP throughout the group and for the acquisition of other software solutions (CRM). Amortisation rose according to schedule and consisted primarily of amortisation of the SAP software.

Development expenditure of € 2,467 thousand (2009: € 2,839 thousand, 2008: € 5,189 thousand) has been recognised as an expense due to nonfulfilment of the requirements for recognition as stated in IAS 38.57.

The spotlight of activities in 2010 was on various products from the ranges of dampening solution circulators and ink roller temperature control units as well as filtration systems, which have been optimised from both an economical and an environmental viewpoint. Further expenditure was incurred as a result of the adaption of processes and technologies familiar from the Print applications to new applications outside the printing industry. In this connection, metering and cooling technology was developed for applications in hitherto unfamiliar sectors.

There are no concessions, industrial and similar rights or development expenditure recognised as an intangible asset with an unlimited useful life. The useful life taken as the basis for the amortisation of software and development expenditure recognised as an intangible asset is three to five years.

In the Income Statement, the amortisation of development expenditure recognised as an intangible asset is allocated to the cost of sales using the function of expense method, according to the principle of causation. The amortisation of concessions, industrial and similar rights has been allocated to the cost of sales, distribution costs, general administrative expenses and development costs by means of cost centre accounting.

04 Financial assets

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Rent deposits	102	156	163
Market value of interest rate caps	0	1	0
Partial retirement bankruptcy cover	448	448	447
Other	101	17	67
	651	**622**	**677**

To provide cover in the event of bankruptcy pursuant to Section 8a of German Partial Retirement Law, corresponding funds totalling € 448 thousand were invested as fixed-term deposits and pledged in the employees' favour. The terms reflect the arrangements of each individual contract; the pledgee is obliged to release the credit balances over and above the total amount of its claims to be covered. The furnishing of security takes effect in the even of insolvency of the pledger pursuant to Section 8a of German Partial Retirement Law.

05 Inventories

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Raw materials and supplies	6,696	7,867	10,849
Work in progress	3,359	2,591	5,029
Finished goods and merchandise	4,874	5,587	7,584
	14,929	**16,045**	**23,462**

Of total inventories, € 6,106 thousand (2009: € 6,546 thousand, 2008: € 6,258 thousand) are reported at the fair value less production costs still to be incurred and distribution costs. Impairment of inventories totalling € 758 thousand (2009: € 1,470 thousand, 2008: € 877 thousand) was recognised as an expense in the 2010 financial year. In the same period, reversals led to an income of € 273 thousand (2009: € 0 thousand, 2008: € 45 thousand), as higher net realisable values could be assumed than in the previous year.

06 Trade receivables

In the Technology segment, receivables outstanding are owed mainly by major printing press manufacturers.

In the year under review, impairment on receivables totalling € 607 thousand (2009: € 832 thousand, 2008: € 405 thousand) was booked to distribution costs in the Income Statement. There was no default interest invoiced but still outstanding at the balance sheet date. Impairment was applied in order to measure the receivables at fair value. This impairment is based on the one hand on the results of statistical evaluations of past debt defaults and on the other hand on the estimates of the account managers responsible.

The following table provides an overview of impairment of receivables:

IMPAIRMENT OF RECEIVABLES	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Opening level	1,605	1,099	928
Allocated	607	832	405
Derecognition of receivables	–407	–161	–93
Cash receipts for receivables written off	–526	–133	–88
Exchange differences	–2	–32	–53
Closing level	**1,277**	**1,605**	**1,099**

07 Income tax receivable

This comprises ongoing income tax assets as well as a corporation tax credit balance from previous years.

At December 31, 2010 technotrans AG still had a corporation tax credit balance of € 445 thousand from previous years. This rebate (Section 37 (5) of German Corporation Tax Law) has been capitalised at the present value of € 389 thousand (2009: € 437 thousand, 2008: € 481 thousand). The rebate will be paid in eight equal annual instalments between 2010 and 2017; the income tax receivable has correspondingly been allocated pro rata to current and non-current assets. The interest for determination of the present value is 3.75 percent.

08 Other assets

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Financial assets			
Receivables from suppliers	387	287	459
Reinsurance for pensions	72	70	66
Other	268	90	18
Total	**727**	**447**	**543**
Other assets			
Prepaid expenses	495	758	500
Creditable input tax	224	400	399
Miscellaneous	68	114	259
Total	**787**	**1.272**	**1.158**
Total	**1.514**	**1.719**	**1.701**

09 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and cash on hand. This item in addition includes fixed-deposit credit balances with an original term of up to three months. The fair value of cash and cash equivalents corresponds to the carrying amount. There were no marketable securities at the balance sheet date.

10 Equity

The development in equity is shown in the Statement of Movements in Equity. The equity of the group totalled € 33,884 thousand at December 31, 2010 (2009: € 31,287 thousand, 2008: € 41,816 thousand).

Issued capital

At December 31, 2010 the issued capital (capital stock) of technotrans AG comprised 6,907,665 issued no par value registered shares, of which 6,340,035 were outstanding. The shares outstanding are fully paid. Each no par value share represents a nominal amount of € 1 of the share capital. All shares carry identical rights. No special rights or preferences are granted to individual shareholders. The same applies to dividend entitlements.

	Shares issued			Shares outstanding		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Position at January 1	**6,907,665**	**6,907,665**	**6,907,665**	**6,311,415**	**6,271,797**	**6,765,004**
Issued to employees (as Christmas bonus)	0	0	0	28,620	39,618	54,132
Buy-back of treasury shares	0	0	0	0	0	–547,339
Position at December 31	**6,907,665**	**6,907,665**	**6,907,665**	**6,340,035**	**6,311,415**	**6,271,797**

Approved capital

The Shareholders' Meeting on May 6, 2010 authorised the Board of Management to raise the share capital, with the approval of the Supervisory Board, by the issue of new shares on one or more occasions by April 30, 2015, against contributions, by up to a total of € 3,450,000. No use was made of this authorisation in 2010.

Conditional capital
At the Shareholders' Meeting on May 8, 2009 the Board of Management was, with the approval of the Supervisory Board, authorised to issue bearer and/or registered bonds with a term of a maximum of 5 years on one or more occasions up until May 7, 2014 of an aggregate nominal amount of up to € 10 million and to grant the bearers of bonds conversion options on up to 690,000 no par value registered treasury shares in accordance with the respective terms of the bonds (convertible bond terms).

The conversion options granted to the bearers of the bonds may cover shares in the company representing an amount of up to € 690,000.00 of the share capital. As well as in euros, the convertible bonds may be issued in the legal currency of an OECD country, limited to the corresponding euro countervalue.

The shareholders have a fundamental right to subscribe to bonds. The bonds may also be accepted by a bank or a consortium of banks with the obligation to offer them to the shareholders for subscription. In addition, however, the Board of Management is, with the approval of the Supervisory Board, authorised to exclude the statutory subscription right of the shareholders to the bonds within the limits laid down individually and specifically by the authorisation.

The Board of Management is authorised, with the approval of the Supervisory Board, to specify the further details of the issuance and features of the convertible bonds and their terms itself, meaning in particular the currency, interest rate, issuing amount, term and denomination of the convertible bonds, the conversion price and period, the exchange ratio and payment of the countervalue in money instead of exchange for treasury shares. This authorisation was not used in the 2010 financial year.

Capital reserve
The premium from the past share issues from the issuance of shares under conversion options from conditional capital and from the issuance of ordinary shares from approved capital (capital increase for cash) was paid into the capital reserve. The costs of the share issues were deducted.

In the 2010 financial year an amount of € 27,394 thousand was withdrawn from the capital reserve of technotrans AG pursuant to Section 150 (4) No. 2 of German Stock Corporation Law to square an accumulated loss and added to the other retained earnings of the group.

Retained earnings

The reported retained earnings comprise:

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Other reserves	28,514	13,243	16,775
Net profit/net loss for the period	1,517	– 10,347	– 2,852
	30,031	**2,896**	**13,923**

Of the retained earnings of technotrans AG, an amount of € 691 thousand relates to the legal reserve pursuant to Section 150 (2) of German Stock Corporation Law.

Other reserves are funded from accumulated profits by resolution on the appropriation of profits.

The difference of € 218 thousand between the cost of the shares and their fair value at the time of issuance, resulting from the issuance of treasury shares, was offset against retained earnings.

Pursuant to Section 268 (8) of German Commercial Code, an amount totalling € 3,129 thousand of the other retained earnings of the parent company may not be distributed due to the capitalisation of deferred taxes.

Other reserves

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Hedging reserve	–9	–12	–25
Reserve for exchange rate differences from financing of investment	–1,155	–1,219	–727
Exchange differences	–6,651	–9,028	–9,435
Treasury shares	–8,168	–8,580	–9,150
	–15,983	**–18,839**	**–19,337**

Pursuant to IAS 39, the negative market value of the interest rate swaps used was recognised in the hedging reserve with no income effect, following deduction of deferred tax assets (cf. Section 32 “Financial instruments”). In the 2010 financial year, a gain of € 5 thousand (2009: gain of € 18 thousand, 2008: loss of € 17 thousand) was reported within equity with no effect on income. In return, deferred tax of € 2 thousand (2009: € 5 thousand, 2008: € 5 thousand) was booked with no effect on income.

technotrans scandinavia AB and technotrans AG extended loans to technotrans america inc. and technotrans AG extended loans to technotrans américa latina ltda. and to technotrans Asia pacific limited, which are to be regarded as net investment in foreign operations. In addition, gds AG extended a loan to gds Schweiz GmbH and technotrans america inc. a loan to technotrans AG. Pursuant to IAS 21.32 and IAS 12.61A, the accumulated translation differences up to the balance sheet date and any taxes on these are netted directly within equity. In the 2010 financial year, currency translation losses of € 64 thousand (2009: gains of € 492 thousand, 2008: gains of € 962 thousand) were netted directly within equity; the taxes on these amounts in return netted within equity amount to € 0 thousand (2009: € 0 thousand, 2008: € 303 thousand).

The exchange differences include differences from the translation of the subsidiaries’ equity to be consolidated at the historical rate and at the rate on the balance sheet date. Exchange differences from the translation of accumulated profits for previous years are reported in the Statement of Movements in Equity, under accumulated profit.

Treasury shares

At the Shareholders’ Meeting on May 6, 2010 the shareholders authorised the Board of Management to buy back treasury shares in accordance with Section 71 (1) No. 8 of German Stock Corporation Law. This scope of this authorisation is for the buying back of a proportion of up to € 690,000.00 of the share capital (690,000 no par value shares, corresponding to 9.98 % of the share capital at the time of the resolution) and is valid until April 30, 2015. No shares were bought back during the period January to December 2010. Pursuant to IAS 32.33 the shares bought back are deducted from equity at their cost (including incidental costs). The buy-back is in line with the strategic objectives of the company. In the 2010 financial year, 28,620 no par value shares with a fair value of € 194 thousand were issued to employees by way of a Christmas bonus. At the reporting date of December 31, 2010 the total treasury shares, holding no voting rights or dividend entitlements, amounted to 567,630 ordinary shares. They represent 8.22 % of the share capital.

At the beginning of 2011 and in connection with the acquisition of 75.1 % of the shares of Termotek AG, 19,000 treasury shares were issued as part of the purchase price.

Capital management

At December 31, 2010 the equity ratio was 50.0 % (2009: 45.2 %). One of the most important financial objectives for technotrans AG is to assure its solvency at all times, and increase the long-term value of the group. The creation of adequate liquidity reserves is very important in this respect. The aim is always to have liquidity reserves amounting to at least 10 % of annual revenue. This objective is achieved by implementing various measures in order to reduce capital costs and optimise the capital structure, alongside practising effective risk management.

Methodologically, technotrans’ capital management approach is based on financial market oriented indicators, such as the rate of return (long-term target margin for EBIT: 10 %), the equity ratio (target: > 50 %) and gearing. technotrans is not subject to capital requirements laid down in the articles of incorporation. A sound capital structure provides technotrans with the stability that serves as the basis for a business model focusing on sustainability, and thus in the long term meets both the requirements of customer and supplier relations and serves the needs of the employees and shareholders.

technotrans’ financing structure was reorganised in the past financial year. A substantial portion of borrowed funds raised carry the obligation to adhere to certain financial indicators (financial covenants). The financial ratios (equity ratio, gearing and EBITDA margin) are to be calculated for the Consolidated Financial Statements on a rolling 12-monthly basis for the first time from December 31, 2010.

11 Borrowings

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Short-term borrowings	8,309	16,335	7,409
Long-term borrowings	9,599	5,338	13,679
Total borrowings	**17,908**	**21,673**	**21,088**

There were no hedged liabilities at the balance sheet date. Interest rate hedges exist only in the case of borrowings.

MATURITIES OF BORROWINGS	up to 1 year	1 to 5 years	over 5 years	Total	Interest p.a.	Collateral
	€ '000	€ '000	€ '000	€ '000	%	
€ fixed rate credit	487	1,731	0	2,218	nom. 3.50 %	Land charge
€ fixed rate credit	333	1,500	0	1,833	4.98 %	Land charge
€ fixed rate credit	667	3,000	0	3,667	4.92 %	Land charge
€ fixed rate credit	1,000	1,000	0	2,000	3.45 %	None
$ fixed rate credit	9	9	0	18	1.90 %	None
Variable € credit	813	1,844	515	3,172	3-month EURIBOR cover via interest rate swap (fixed rate: 2.81 %)	Land charge
Variable € credit	3,000	0	0	3,000	3-month EURIBOR cover via interest rate swap (fixed rate: 1.48 %)	Borrowing Base
Variable € credit	2,000	0	0	2,000	1-month EURIBOR + margin (currently 2.85 %)	Borrowing Base
Summe	**8,309**	**9,084**	**515**	**17,908**		

A substantial portion of borrowings is collateralised by land charges totalling € 10,750 thousand on the company premises in Sassenberg, and € 4,000 thousand on the company premises in Gersthofen. A collateral trust contract was concluded with participating lenders for the credit facilities under the borrowing base financing arrangements. In specific, this trust contract encompasses non-accessory security of technotrans AG (global assignment of trade receivables – carrying amount at December 31, 2010: € 4,478 thousand – and assignment of claims to inventories – carrying amount at December 31, 2010: € 12,337 thousand).

12 Other financial liabilities

The other financial liabilities largely comprise liabilities to employees.

13 Trade payables

All trade payables have a term of up to one year. They relate predominantly to technotrans AG.

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Trade payables	2,296	3,593	4,589
Outstanding purchase invoices	842	931	242
	3,138	**4,524**	**4,831**

14 Prepayments received

Prepayments received originate in the main from project business for technotrans AG and technotrans america, Inc. They are used for financing the finished goods included in the inventories but from which no revenue has yet been realised.

15 Provisions

	Obligations to personnel	Payments to be made under warranty	Other provisions	Provisions for pensions	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Opening level at January 1, 2010	**2,807**	**3,386**	**1,347**	**187**	**7,727**
Exchange rate movements	48	13	51	0	112
Used	1,670	953	1,129	0	3,752
Reversed	256	1,892	25	0	2,173
Allocated	2,392	1,658	1,214	19	5,283
Closing level at December 31, 2010	**3,321**	**2,212**	**1,458**	**206**	**7,197**
Long-term provisions	547	0	359	206	1,112
Short-term provisions	2,774	2,212	1,099	0	6,085

The obligations to personnel consist largely of gratuities, bonuses and performance-related pay for employees, as well as time credits. It is in the first instance uncertain when these obligations will have to be met. At December 31, 2010, 5 employees had taken out a partial retirement employment contract. The obligations from existing partial retirement employment contracts were measured on the basis of an actuarial appraisal and the provision amounts to € 441 thousand (2009: € 472 thousand, 2008: € 622 thousand). The new remuneration system of technotrans AG which was finalised at the end of 2009 means that there is a change to partial retirement obligations from potential partial retirement employment contracts, compared with previous years. Employees of technotrans AG who have passed their 57th birthday now no longer have an enforceable right to take out a partial retirement employment contract. Please refer to Section 4 with regard to bankruptcy cover.

Provisions for warranties are created for current statutory, contractual and constructive warranty obligations towards third parties. The provisions were measured taking experience as the starting point, incorporating the circumstances at the balance sheet date. Based on the estimate of obligations at December 31, 2010 and the provisions used in the previous year, an amount of € 1,892 thousand was reversed in 2010.

The other provisions comprise costs for the preparation of the annual accounts, commission payments and other costs. The factor of uncertainty both in this case and for payments to be made under warranty is principally the amount in question. At December 31, 2010 they also include provisions for impending losses from long-term rental agreements amounting to € 425 thousand (2009: € 439 thousand). These have arisen following the decision to transfer production operations from the USA (Mt. Prospect) to the technotrans AG location in Sassenberg and correspondingly include a component for tenancy obligations.

A direct pension pledge has been made to four employees of the former BVS Beratung Verkauf Service Grafische Technik GmbH. The “defined benefit obligation” (DBO) for purposes of calculating the provisions for pensions was determined on the basis of an actuarial report, using the 2005 G reference tables published by Prof. Dr. Klaus Heubeck. The calculation was based on an interest rate of 4.21 percent (previous year: 5.25 percent) and a pension trend of 2.0 percent (previous year: 2.0 percent). The development in pay levels and employee fluctuation were not taken into account, as those eligible for pensions have since left the company. The interest costs for the DBO in 2010 amount to € 10 thousand (previous year: € 10 thousand), and the actuarial loss to € 9 thousand (previous year: € 22 thousand gain). All expenses are recognised within administrative expenses. No pension payments were made in 2010.

Three of the pension obligations are backed by capital-forming life assurance policies, which constitute non-qualifying insurance policies pursuant to IAS 19.7. Their fair value is € 72 thousand (2009: € 70 thousand, 2008: € 66 thousand) and is reported under financial assets (Section 4). The anticipated return on these policies is 5.6 percent p.a. The actual income in the 2010 financial year was € 2 thousand.

16 Income tax payable

Income tax payable in the year under review relates substantially to technotrans AG, technotrans technologies pte ltd, technotrans italia.s.r.l as well as gds AG. To cover potential additional tax demands based on the findings of a tax office investigation at technotrans AG for the financial year 2005 to 2008, income tax payable was recognised as a liability.

17 Other liabilities

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
Financial liabilities			
Debtors with credit balances	221	235	228
Current liabilities from derivative financial instruments	13	18	36
Other financial liabilities	125	106	0
Total	**359**	**359**	**264**
Other liabilities			
Sales tax	878	516	702
Operating taxes	295	413	445
Liabilities in respect of social insurance	440	245	190
Other	92	147	408
Total	**1,705**	**1,321**	**1,745**
Total	**2,064**	**1,680**	**2,009**

IV. Notes to the Consolidated Income Statement

18 Revenue

Revenue is recognised if the risks and rewards associated with ownership of the products sold have been transferred to the buyer. Where an acceptance procedure has been agreed with the customer, the revenue is not realised until the confirmation of acceptance has been received.

Revenue is shown broken down by division in the segment report. The geographical composition of revenue in 2010 was Germany € 56.2 million, rest of Europe € 11.6 million, America € 8.8 million and Asia € 9.3 million.

19 Cost of sales

The cost of sales comprises the cost of traded products and the cost price of merchandise sold. In accordance with IAS 2, it includes both costs which can be directly allocated, such as cost of materials and cost of labour, and also overheads, including pro rata depreciation and amortisation on property, plant and equipment used for production and on intangible assets. The costs of the field service and the expense arising in connection with warranty obligations are likewise reported under cost of sales. The other cost of sales mainly comprises translation costs, maintenance expense and rental expense.

With regard to the impairment loss in 2010, please refer to Section 1.

	2010	**2009**	**2008**
	€ '000	€ '000	€ '000
Cost of materials	34,115	33,652	62,581
Cost of labour	16,883	17,512	22,440
Subcontractors, personnel leasing	2,328	2,694	5,113
Travel expenses	1,570	1,798	2,987
Warranty	1,396	780	632
Depreciation and amortisation	854	901	2,098
Operating requirements	530	796	1,298
Impairment loss acc. to IAS 36	200	4,093	7,454
Other	2,554	3,325	1,329
	60,430	**65,551**	**105,932**

20 Distribution costs

The distribution costs include costs for the Distribution Department and for in-house services, and also the costs of advertising and logistics. This item also includes sales-related expenditure for commissions and impairment of receivables.

	2010	2009	2008
	€ '000	€ '000	€ '000
Cost of labour	8,191	8,386	10,031
Logistics costs	1,813	1,773	3,549
Travel expenses	797	725	1,155
Promotional and exhibition costs	783	696	1,837
Impairment of receivables	607	832	405
Depreciation and amortisation	260	317	335
Other	939	1,020	1,545
	13,390	**13,749**	**18,857**

The other distribution costs for the financial year consist primarily of expenses for commissions, rent and entertainment expenses.

21 Administrative expenses

The administrative expenses comprise personnel and material costs for management and administration, insofar as not charged to other cost centres as internal services.

	2010	2009	2008
	€ '000	€ '000	€ '000
Cost of labour	4,584	4,578	6,448
Depreciation and amortisation	2,063	2,221	2,173
Consultancy, audits	1,311	1,690	1,404
IT costs	891	881	1,155
Other	1,305	1,538	1,997
	10,154	**10,908**	**13,177**

In the 2010 financial year, the fees for the auditors recorded as an expense pursuant to Section 319 Para.1 Sentences 1, 2 of German Commercial Code amounted to € 394 thousand (2009: € 333 thousand, 2008: € 416 thousand), including € 53 thousand for the previous year's audit.

FEES FOR	2010	2009	2008
	€ '000	€ '000	€ '000
Auditing of the financial statements	311	265	298
Tax consultancy services	46	68	91
Other services	37	0	27
	394	**333**	**416**

The fees for the auditors of the Consolidated Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft and its subsidiaries, include fees and expenses for the auditing of the Consolidated Financial Statements and the auditing of the annual financial statements of technotrans AG as well as for services rendered for subsidiaries.

22 Research and development costs

No research costs were incurred. Development costs are charged as ongoing expenses until the criteria of IAS 38.57 are satisfied cumulatively. From that point on, development costs are recognised as an intangible asset (cf. Section 3 "Intangible assets").

23 Other operating income

	2010	2009	2006
	€ '000	€ '000	€ '000
Reversal of provisions	2,173	1,988	419
Foreign currency gains	1,832	1,335	908
Income unrelated to the accounting period	652	234	239
Insurance payments	194	84	49
Personnel-related revenue	102	81	108
Book profits on the disposal of assets	48	6	29
Derecognition of a subsequent purchase price liability	0	0	800
Other	645	461	492
	5,646	**4,189**	**3,044**

The income from the reversal of provisions results mainly from the reversal of provisions for payments to be made under warranty and from the reversal of provisions from obligations to personnel. Along with the introduction of a new remuneration model at technotrans AG, the provisions created in previous years could be reversed with an income effect.

24 Other operating expenses

	2010	2009	2006
	€ '000	€ '000	€ '000
Foreign currency losses	1,642	921	982
Other operating taxes	126	174	162
Expenses unrelated to the accounting period	109	90	83
Book losses on the disposal of assets	10	133	67
Expenses in connection with the settlement of the patent dispute	0	3,697	0
Other	169	266	310
	2,056	**5,281**	**1,604**

In 2009 the expenses necessitated by the termination (by out-of-court settlement) of a long-running patent dispute with a competitor were reported under other operating expenses to the extent that they were not covered by a provision formed.

25 Net finance costs

	2010	2009	2006
	€ '000	€ '000	€ '000
Financial income	30	48	232
Financial charges	– 1,192	– 826	– 1,451
Net finance costs	**– 1,162**	**– 778**	**– 1,219**

The interest income relates predominantly to bank credit balances. Interest income of € 16 thousand (2009: € 17 thousand, 2008: € 26 thousand) from the compounding of the corporation tax credit balance was in addition recognised.

The interest expenses comprise mainly interest charged on the group's borrowings. No borrowing costs were capitalised in the reporting period.

26 Income tax expense

	2010	2009	2008
	€ '000	€ '000	€ '000
Actual income tax expense			
Tax expense for the period	–345	–419	–2,875
Tax rebates unrelated to the accounting period	0	81	–31
Total	**–345**	**–338**	**–2,906**
Deferred tax			
Deferred tax expense	–271	–337	–328
Deferred tax income	259	3,035	1,639
Total	**–12**	**2,698**	**1,311**
Income tax expense	**–357**	**2,360**	**–1,595**

Income tax expense includes corporation income tax and trade earnings tax for technotrans AG, and also comparable taxes on income for the foreign companies. Other operating taxes are included in other operating expenses.

The deferred tax is attributable to temporally divergent valuations in the companies' tax balance sheets and the Consolidated Balance Sheet in accordance with the balance sheet liability method.

The reported deferred tax assets also include tax relief claims where it is anticipated that existing tax loss carryforwards will be used in subsequent years. The deferred tax is calculated on the basis of the tax rates applicable or expected at the time of realisation in the individual countries concerned.

The applicable domestic tax rate of 29.93 percent (previous year 29.63 percent) calculated for the year under review is based on a corporation tax rate of 15.0 percent (previous year: 15.0 percent), a solidarity surcharge of 5.5 percent (previous year: 5.5 percent) and an effective trade earnings tax rate of 14.1 percent (previous year: 13.8 percent).

The following capitalised deferred tax assets and liabilities relate to recognition and measurement differences for the individual items on the Balance Sheet and to loss carryforwards which can be used in future:

DEFERRED TAX	2010		2009		2008	
	Assets € '000	Liabilities € '000	Assets € '000	Liabilities € '000	Assets € '000	Liabilities € '000
Non-current assets	810	2	878	2	552	7
Inventories	375	17	432	15	589	247
Receivables	73	0	57	0	39	0
Provisions	93	112	133	104	282	104
Liabilities	61	0	4	9	4	24
Loss carryforwards	3,018	0	2,934	0	542	0
Cash-flow hedging	2	0	5	0	11	0
Total	**4,432**	**131**	**4,443**	**130**	**2,019**	**382**
Offsetting	**121**	**121**	**118**	**118**	**351**	**351**
	4,311	**10**	**4,325**	**12**	**1,668**	**31**

The deferred tax assets from inventories in essence stem from the elimination of intercompany profits, and the deferred tax assets from non-current assets result largely from temporary differences for intangible assets purchased.

There are tax loss carryforwards amounting to € 23,819 thousand for 2010. Deferred taxes amounting to € 3,018 thousand were recognised as an asset on an amount of € 10,069 thousand in agreement with IAS 12.34. No deferred tax assets were recognised on the remaining loss carryforwards of € 13,750 thousand and on deductible temporary differences of € 6,273 thousand. The loss carryforwards may be carried forward for 20 years in the USA (€ 6,183 thousand), for seven years in Japan (€ 688 thousand), for five years in China (€ 2,376 thousand) and for an unlimited period in other cases. In view of the Asian companies' uncertain earnings expectations, no deferred taxes were created in these instances.

The following table reconciles the theoretical tax expense with the actual income tax expense.

	2010	2009	2008
	€ '000	€ '000	€ '000
Applicable tax rate	**29.93 %**	**29.63 %**	**29.63 %**
Consolidated earnings before taxes on income	**1,874**	**-12,707**	**-1,258**
Theoretical tax expense/income	-561	3,765	373
Impairment (-) or reversal of impairment (+) on deferred tax assets on tax loss carryforwards and temporary differences	150	409	-142
Expense from the non-recognition of deferred tax assets on tax losses occurring in the financial year and temporary differences	-165	-897	-806
Tax effect			
from the use of deferred taxes on temporary differences and from tax loss carryforwards following impairment	0	0	18
from the non-tax-effective reduction for impairment of goodwill	0	-716	0
of non-deductibility of business expenses and tax-exempt income	-81	-138	-822
Differences compared with local tax rates	12	-69	-184
Tax effect from the use of unrecognised loss carryforwards	274	0	0
Changes to deferred tax resulting from tax rate changes	-16	5	-1
Other taxes not relating to the period	30	1	-31
Actual and deferred income tax expense/income	**-357**	**2,360**	**-1,595**

Actual and deferred tax amounting to € 2 thousand that was directly allocable to equity arose in the year under review from the change in cash flow hedges.

27 Earnings per share

The figure for basic earnings per share is obtained by dividing the net profit for the period by the weighted average number of ordinary shares outstanding in the financial year:

		2010	2009	2008
Net profit for the period	€ ‘000	1,517	–10,347	–2,852
Average number of ordinary shares outstanding in the year		6,312,748	6,273,425	6,369,270
Basic/diluted earnings per share	€	**0.24**	**–1.65**	**–0.45**

In the 2010 financial year there were once again no stock options that would have had a dilutive effect on earnings per share pursuant to IAS 33. The average number of ordinary shares outstanding corresponds to the annual average of ordinary shares outstanding plus potentially dilutive ordinary shares.

V. Notes to the Segment Report

Segment information is provided on the basis of the business segments for internal reporting purposes. Segmentation according to the Technology and Services Divisions is performed in agreement with the internal reporting structure of the technotrans Group.

The Technology segment generates revenue through sales of equipment in the area of liquid technology. The Services segment generates revenue through after-sales service activities, installation, maintenance, servicing and the supplying of spare parts, as well as through compiling technical documentation and producing and selling software for the compilation of documentation.

The revenue amounting to € 85,887 thousand (previous year: € 82,210 thousand) comprises € 42,762 thousand (previous year € 39,234 thousand) generated in Germany and € 43,125 thousand (previous year: € 42,976 thousand) generated internationally. It is broken down according to the registered office of the group company that realises the revenue.

The non-current assets allocable to the segments amounting to € 22,402 thousand (previous year: € 24,635 thousand) can be broken down by region as follows: Germany € 20,898 thousand (previous year € 22,683 thousand) and international € 1,504 thousand (previous year € 1,952 thousand).

The Segment Report itself is presented at the start of the Notes to the Consolidated Financial Statements.

The delivery prices for transactions between the segments are generally agreed on the same basis as transactions between a group company and a third party.

The Segment Report provides an analysis of earnings figures, assets and other key values. The segment information comprises both directly allocable amounts and amounts that can reasonably be split. The assets are distributed among those segments, the corresponding expenses and income for which likewise influence the segment result. The assets of € 18,143 thousand not allocated to the individual areas therefore refer to cash and cash equivalents (€ 13,125 thousand), current and non-current income tax receivable (€ 707 thousand) and deferred tax assets (€ 4,311 thousand).

No reconciliation between the segment and consolidated data is required, as the figures in the segment information coincide with those in the Consolidated Income Statement, Balance Sheet and Cash Flow Statement. The result for the segments corresponds to the earnings before interest and taxes (EBIT) in the Income Statement. The accumulated result for both segments of € 3,036 thousand, reduced by the net finance costs reported in the Income Statement of € -1,162 thousand, produces the accounting profit (€ 1,874 thousand).

The share of external revenue of the most important customer group of technotrans (comprising the printing press manufacturers) amounted to a total of € 45.4 million (53 percent) in 2010. The group of customers represents € 35.4 million (69 percent) of the revenue for the Technology segment and € 10 million (29 percent) of the revenue for the Services segment.

VI. Notes to the Cash Flow Statement

The Cash Flow Statement is structured according to cash flows from operating activities, investing activities and financing activities.

28 Cash flow from operating activities

The cash flows from operating activities (net cash) amounted to € 7,418 thousand (2009: € 3,640 thousand, 2008: € 6,747 thousand) in the past financial year. This includes cash from operating activities amounting to € 6,981 thousand (2009: € 4,223 thousand, 2008: € 8,872 thousand) as well as interest and income tax received and paid amounting to € 437 thousand (2009: € -583 thousand, 2008: € -2,125 thousand). The change in working capital in 2010 resulted overall in a positive cash flow contribution.

29 Cash flow from investing activities

The cash flows from investing activities comprise the acquisition of fixed assets (property, plant and equipment € 964 thousand and intangible assets € 290 thousand). The investment volume for the year under review was unchanged from the target level for 2010.

30 Cash flow from financing activities

Financial resources were boosted by the raising of new short-term and long-term loans amounting to € 3,000 thousand. The funds raised were in the first instance for refinancing in connection with the changed financing structure. Repayments totalling € 6,765 thousand on short-term and long-term loans were made during the year under review. These include scheduled repayments to both German and foreign banks. No repayments of liabilities from credit were made ahead of schedule.

31 Cash and cash equivalents at end of period

Cash comprises cash on hand, demand deposits and fixed-term deposits with a term of less than three months. It corresponds to the cash and cash equivalents shown on the Balance Sheet.

VII. Other particulars

32 Financial instruments

The financial instruments (financial assets and liabilities) are allocated to the following categories:

	Section	31/12/2010	31/12/2009	31/12/2008
		€ '000	€ '000	€ '000
Hedging instruments carried at fair value				
· Market value of interest rate caps / interest rate caps	4/17	**– 13**	**– 17**	**– 36**
Held-to-maturity investments				
· Reinsurance for pensions	8	**72**	**70**	**66**
Loans and receivables				
· Rent deposits	4	102	156	163
· Partial retirement bankruptcy cover	4	448	448	447
· Other non-current assets	4	101	17	67
· Trade receivables	6	10,140	10,654	21,258
· Receivables from suppliers	8	387	287	459
· Other current assets	8	268	90	18
· Cash and cash equivalents	9	13,125	10,274	6,928
		24,571	**21,926**	**29,340**
Financial liabilities measured at amortised cost				
· Borrowings	11	17,908	21,673	21,088
· Other financial liabilities	12	212	219	129
· Trade payables	13	3,138	4,524	4,831
· Debtors with credit balances	17	221	235	228
· Other current liabilities	17	125	106	0
		21,604	**26,757**	**26,276**

NET GAINS OR LOSSES ON FINANCIAL INSTRU-MENTS BY MEASUREMENT CATEGORY	From interest	From subsequent measurement			From disposal	2010	2009
		At fair value	Currency trans-lation	Impair-ment			
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Hedging instruments carried at fair value	0	0	0	0	0	0	– 10
Held-to-maturity investments	2	0	0	0	0	2	4
Loans and receivables	16	0	1	– 607	0	– 590	– 726
Financial liabilities measured at amortised cost	– 1,261	0	– 1	0	0	– 1,262	– 880
Total	**– 1,243**	**0**	**0**	**– 607**	**0**	**– 1,850**	**– 1,612**

Nature and extent of risks associated with financial instruments

The credit risk is the risk that one party to a financial instrument will cause a loss for the other party as a result of not meeting its obligations. The market risk is based on the fact that the fair value or future cash flows from a financial instrument fluctuate as a result of changes in the market prices. The market risk assumes a more specific form in interest rate risks and exchange rate risks. The liquidity risk denotes the risk of crystallising difficulties in fulfilling financial obligations, e.g. the risk of being unable to prolong loans or secure new loans to repay loans due.

Credit risks

The credit risk with regard to financial assets measured at fair value and with an income effect is limited to the carrying amount reported. The change in the carrying amount in the period under review is not attributable to a change in the credit risk, but is rather a consequence of interest rate changes on the capital, money and credit markets. In order to assess this statement, the rating of transaction partners was used; this remained unchanged or changed only insignificantly in the period under review.

A substantial part of the credit risk for technotrans relates to the risk of defaulting on trade receivables and theoretically also the risk of the banks with which technotrans has credit balances declaring bankruptcy. There are credit risks equivalent to the carrying amounts shown; no security or claims against credit insurers exist.

The bad debt risk entails a concentration of risk because the major printing press manufacturers worldwide account for a substantial portion of technotrans' receivables. technotrans has enjoyed a partnership based on trust with these customers for many years, and no significant bad debt losses have arisen from these receivables from customers over the past three years.

In the case of new customers, technotrans endeavours to limit the bad debt risk by obtaining credit information and monitoring credit limits with IT assistance. Here too there exists a degree of credit risk because customers operate largely within the printing sector.

In addition to observing credit limits, technotrans regularly agrees retention of title until goods or services have been paid for in full. technotrans does not usually demand security from customers.

The credit risks from trade receivables can be broken down by region, customer group and age structure as follows:

	31/12/2010	31/12/2009	31/12/2008
	€ '000	€ '000	€ '000
By region			
Germany	4,750	5,301	11,714
Other eurozone countries	1,956	2,582	4,761
Rest of Europe	563	469	833
North America	880	1,199	2,377
South America	249	63	31
Asia & Middle East	1,742	1,040	1,542
Total	**10,140**	**10,654**	**21,258**
By customer group			
OEM (major printing press manufacturers)	3,593	4,417	12,906
End customers	6,547	6,237	8,352
Total	**10,140**	**10,654**	**21,258**
Age structure of receivables (without impairment)			
Carrying amount	**10,140**	**10,654**	**21,258**
of which: neither impaired nor overdue	5,998	6,412	12,929
of which: not impaired and			
overdue by up to 30 days	2,032	1,768	4,620
overdue by between 31 and 60 days	608	866	1,448
overdue by between 61 and 90 days	355	307	485
overdue by more than 90 days	904	1,169	1,776

With regard to the trade receivables that are neither impaired nor overdue, there is no indication at the balance sheet date that the debtors will not meet their obligations to pay.

Liquidity risk

technotrans AG uses rolling financial and liquidity planning to determine its liquidity requirements. Continuing credit facilities amounting to up to € 6.8 million (2009: € 5.5 million, 2008: € 8.5 million) existed at the balance sheet date.

As a result of the restructuring of external financing, formerly short-term loans were converted into long-term loans, thus reducing the risk of a short-term liquidity bottleneck.

The following table shows the contractual due dates 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	€ '000	€ '000
At December 31, 2010							
Borrowings	17,908	19,330	1,975	6,948	3,637	6,223	547
Other non-current liabilities	212	212	n/a	n/a	135	n/a	77
Trade payables	3,138	3,138	3,138	n/a	n/a	n/a	n/a
Other current liabilities	359	359	359	n/a	n/a	n/a	n/a
Total	**21,617**	**23,039**	**5,472**	**6,948**	**3,772**	**6,223**	**624**
At December 31, 2009							
Borrowings	21,673	22,874	3,698	13,211	2,957	2,458	550
Other non-current liabilities	219	219	142	n/a	n/a	n/a	77
Trade payables	4,524	4,524	4,515	7	2	n/a	n/a
Other current liabilities	359	359	359	n/a	n/a	n/a	n/a
Total	**26,775**	**27,976**	**8,714**	**13,218**	**2,959**	**2,458**	**627**
At December 31, 2008							
Borrowings	21,088	23,228	6,839	1,255	8,500	5,563	1,071
Other non-current liabilities	129	129	129	n/a	n/a	n/a	n/a
Trade payables	4,831	4,831	4,780	51	n/a	n/a	n/a
Other current liabilities	264	264	264	n/a	n/a	n/a	n/a
Total	**26,312**	**28,452**	**12,012**	**1,306**	**8,500**	**5,563**	**1,071**

Market risks
At technotrans, only the fair values of the interest rate caps agreed (carrying amount and fair value € 0 thousand) and of the fixed-interest borrowings (carrying amount € 9,736 thousand) are fundamentally exposed to an interest rate risk. Potential interest rate fluctuations affect the carrying amount in the case of interest rate caps and reinsurance. technotrans pursues the objective of only being exposed to interest rate risks to a limited degree. Long-term, variable-rate loans are therefore hedged by the use of interest rate swaps or interest rate caps, which are not needed in the case of short-term loans.

The trade receivables as well as cash and cash equivalents are exposed to foreign currency risks. At December 31, 2010 the trade receivables were denominated for the most part in euros; other noteworthy components were denominated in US dollars (USD 1.2 million, equivalent to € 0.9 million) and Sterling (GBP 0.4 million, equivalent to € 0.5 million). At December 31, 2009 there had been foreign-currency receivables of USD 1.7 million (€ 1.2 million) and GBP 0.3 million (€ 0.3 million), and at December 31, 2008 of USD 3.3 million (€ 2.4 million) and GBP 0.8 million (€ 0.8 million).

Bank credit balances are held predominantly in euros. At December 31, 2010 the group held significant foreign-currency accounts in US dollars (USD 2.5 million, equivalent to € 1.9 million) and Sterling (GBP 1.6 million, equivalent to € 1.9 million). The foreign currency amounts quoted are held essentially by technotrans AG and the local national companies within the group. At December 31, 2009 there had been foreign-currency credit balances of USD 2.4 million (€ 1.7 million) and GBP 2.5 million (€ 2.8 million), and at December 31, 2008 of USD 1.6 million (€ 1.2 million) and GBP 1.6 million (€ 1.7 million).

Financial liabilities are denominated predominantly in euros.

Foreign currency risks are limited within the technotrans Group by the fact that production takes place principally within the eurozone, and that the currency of production usually corresponds to the currency in which the customer is invoiced. Where significant discrepancies occur, this exchange risk is usually hedged against by means of derivative financial instruments. There were no currency hedging transactions at December 31, 2010.

Sensitivity analysis

A potential 10 % appreciation in the euro compared with the principal foreign-exchange closing rates throughout the group would have had the following effects on equity and profit after tax, assuming that all other variables, and in particular interest rates remain unchanged:

	Effect on equity	Effect on profit after tax
	€ '000	€ '000
At December 31, 2010		
USD	204	10
GBP	224	7
At December 31, 2009		
USD	180	– 106
GBP	313	13
At December 31, 2008		
USD	293	– 29
GBP	280	41

The figures reflect the impact on the period under review of changes in both the closing rate and the average rate, in each case based on a 10 % change compared with the translation rates applied in the respective consolidated financial statements.

A corresponding weakening of the euro would have had the opposite effect.

Hedging instruments

At the balance sheet date, there existed the following derivative financial instruments for hedging against the interest rate risk for variable interest-bearing loans denominated in euros (cf. Section 11); including these derivative financial instruments, the financial assets and financial liabilities are not exposed to any significant interest rate risk.

	Nominal amount	Repaid	Balance	Fixed rate	Variable interest	Maturity	Fair value
	€ '000	€ '000	€ '000	% p.a.			€ '000
PayerSwap	3,688	516	3,172	2.81	3-month-EURIBOR	Sep. 2018	– 14
PayerSwap	3,000	0	3,000	1.48	3-month-EURIBOR	May 2013	1
Interest rate cap	2,000	1,200	800	4.50	6-month-EURIBOR	Sept. 2012	0

The fair values are obtained from the measurement of the outstanding items, disregarding any counter-cyclical trends in value from the positions. The fair values are calculated by major German banks on the basis of discounted cash flows (level 2 according to IFRS 7.27).

Interest rate swap

The nominal amount or principal amount, terms, interest payment dates, interest rate adjustment dates, due dates and currencies of the hedged item and hedging instrument are the same. The efficiency of the hedge pursuant to IAS 39.88 (b) is high, reaching almost 100 percent. The requirements of IAS 39.88 are moreover satisfied.

The interest rate swap is recognised as a cash flow hedge at the market price; measurement gains and losses from changes in the market price are recognised in the hedging reserve, under equity, with no effect on income. The fair value of the hedging instruments at the balance sheet date is recognised at € 13 thousand under the current "Other liabilities" (Section 17). The underlying loan transactions are measured at amortised cost, using the effective interest method.

The deferred tax on the negative market prices of € 4 thousand was netted against the hedging reserve with no effect on income, with the result that the amount remaining in the hedging reserve was reduced to € 9 thousand.

Interest expense of € 1 thousand (2009: € 1 thousand, 2008: € 28 thousand) from current swap transactions was recognised as an expense in the past financial year.

Interest rate caps

The interest rate caps do not qualify as cash flow hedges because they have been concluded for a fixed term, whereas the hedged loans (underlying transactions) allow early repayments, which technotrans intends to make subject to how the capital market is developing. These financial instruments are consequently recognised at fair value with an income effect. Measurement gains and losses are recognised in the Income Statement, at the amount of € 0 thousand in the 2010 financial year (2009: € 9 thousand loss).

The fair value of the interest rate cap is capitalised under other assets (Section 4).

The maturities at the balance sheet date are as follows:

	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total amount
	€ '000	€ '000	€ '000	€ '000
Zinsswap	813	4.844	515	6,172
Zinscaps	400	400	0	800

Hedging transactions are concluded only with banks with the highest credit rating. There exist binding rules on the use of such derivative financial instruments, in the form of scopes of action, spheres of responsibility and internal guidelines. There is a theoretical credit risk only in the event of the market price being positive. As the hedging transactions are concluded exclusively with banks with a top-class credit rating, it is improbable that these financial instruments carry a credit risk.

Compared to the carrying amounts, the financial assets and financial liabilities are attributed the following fair values:

	31/12/2010		31/12/2009		31/12/2008	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Market value of interest rate cap/ interest rate swap	-13	-13	-17	-17	-36	-36
Reinsurance for pensions	72	72	70	70	66	66
Rent deposits	102	102	156	156	163	163
Partial retirement bankruptcy cover	448	448	448	448	447	447
Other non-current assets	101	101	17	17	67	67
Trade receivables	10,140	10,140	10,654	10,654	21,258	21,258
Receivables from suppliers	387	387	287	287	459	459
Other assets	268	268	90	90	18	18
Cash and cash equivalents	13,125	13,125	10,274	10,274	6,928	6,928
Borrowings	-17,908	-17,868	-21,673	-21,894	-21,088	-21,074
Other non-current liabilities	-212	-212	-219	-219	-129	-129
Trade payables	-3,138	-3,138	-4,524	-4,524	-4,831	-4,831
Debtors with credit balances	-221	-221	-235	-235	-228	-228
Other current liabilities	-125	-125	-106	-106	0	0
Total	**3,026**	**3,066**	**-4,778**	**-4,999**	**3,094**	**3,108**
Gains (+) or losses (-) not entered		40		-221		14

The carrying amounts for the financial instruments (for example, cash and cash equivalents, trade receivables and payables, income tax payable and other receivables and liabilities) fundamentally reflect their fair values. For receivables with a maturity of up to one year, their nominal value less the reductions for impairment performed provide the most reliable estimate of the fair value. The fair value of receivables with a maturity of over one year is indicated by their discounted cash flows.

The borrowings are an exception, because differences exist between the carrying amounts and fair values. The fair value of interest-bearing liabilities is indicated by the discounted cash flows from repayments and interest payments. The fair values of derivative financial liabilities were calculated by a major German bank on the basis of discounted cash flows.

The current reference interest rates of banks at the balance sheet date were requested and used in determining fair values. An appropriate risk premium was added.

33 Potential liabilities and other financial commitments

	31/12/2010			31/12/2009	31/12/2008
	up to 1 year	1 to 5 years	Total	Total	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Tenancy and operating lease agreements	764	924	1,688	1,627	2,137
Maintenance agreements	527	138	665	745	509
Conditional purchase price of rotoclean	0	0	0	2,000	2,000
Partial retirement obligations	0	0	0	0	245
Other	335	0	335	0	5
Total	**1,626**	**1,062**	**2,688**	**4,372**	**4,896**

Potential liabilities and other financial commitments are measured at their nominal amount; amounts in foreign currency were measured at the closing rate. No potential liabilities and other financial commitments extending over more than five years exist at the balance sheet date.

The future obligations from tenancy and lease agreements relate primarily to tenancy obligations for the business premises of subsidiaries. The expenditure for tenancy and lease agreements (minimum lease payments) in the year under review amounted to € 1,126 thousand (2009: € 1,633 thousand, 2008: € 1,271 thousand). technotrans has not concluded any lease agreements that constitute finance leases pursuant to IAS 17.

The maintenance agreements relate in the main to the ERP data processing system.

In connection with the acquisition of the rotoclean company, a conditional purchase price component of up to € 2,000 thousand was agreed, the final level of which is dependent on the revenue generated by rotoclean products in the years 2007 to 2010. No further financial obligation resulted from this as at December 31, 2010.

34 Personnel expenses

	2010	2009	2008
	€ '000	€ '000	€ '000
Wages and salaries	26,899	26,524	34,804
Christmas bonus	194	200	187
Social insurance	3,217	4,611	5,829
Partial retirement entitlements	0	0	63
Expenses for retirement benefits and maintenance payments	533	640	745
Personnel expenses	**30,843**	**31,975**	**41,628**

The item wages and salaries also includes payments made in connection with the termination of employment of € 1,006 thousand (2009: € 1,472 thousand, 2008: € 1,141 thousand).

Social insurance comprises expenditure for defined contribution plans (employer contributions to the compulsory state pension scheme) totalling € 2,019 thousand (2009: € 1,989 thousand, 2008: € 2,167 thousand).

In the reporting period 28,620 (2009: 39,618, 2008: 54,132) ordinary shares in technotrans AG were distributed to employees, by way of a Christmas bonus; these shares had previously been acquired on the market under the share buy-back arrangements. At the time of their issuance, the total fair value of these shares was € 194 thousand (2009: € 200 thousand, 2008: € 187 thousand).

35 Total employees, yearly average

	2010	2009	2008
Average number of employees	**620**	**676**	**823**
of which in Germany	455	491	573
of which abroad	165	185	250
Technicians/skilled workers	406	465	565
Academic background	138	135	164
Trainees	40	42	51
Other	36	34	43

36 Related parties

“Related parties” include the members of the Board of Management and Supervisory Board of technotrans AG, as well as their close family members.

From the 2010 financial year the remuneration system for the Board of Management meets the latest standards and the statutory requirements of the Act on the Appropriateness of Management Board Compensation (German VorstAG). Please refer to the “Report on the Remuneration System of the Board of Management” in the Management Report for the group for information on the payment components.

PAYMENTS | TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD	2010 € ‘000	2009 € ‘000	2008 € ‘000
Board of Management			
Regular payments			
of which fixed	451	458	540
of which variable	135	0	0
Termination benefits	125	0	0
Total	**711**	**458**	**540**
Supervisory Board			
Regular payments			
of which fixed	78	78	78
of which variable	19	0	0
Total	**97**	**78**	**78**

In addition the members of the Board of Management are entitled to receive a profit share of € 135 thousand determined by future target attainment.

The regular payments to the Board of Management (fixed) include payments by the company for defined contribution plans totalling € 30 thousand (2009: € 31 thousand, 2008: € 37 thousand).

No employer’s pension commitment has been made towards the members of the Board of Management, nor have loans been granted to them or surety obligations accepted on their behalf.

The members of the Board of Management and Supervisory Board are listed separately in the section “Corporate Bodies”.

DIRECTORS' HOLDINGS | BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS)	Shares		
	31/12/2010	**31/12/2009**	**31/12/2008**
Board of Management			
Henry Brickenkamp	40,000	40,000	40,000
Dirk Engel	5,200	5,200	5,200
Supervisory Board			
Klaus Beike	494	441	370
Manfred Bender	0	0	0
Dr. Norbert Bröcker	250	250	250
Heinz Harling	64,854	64,854	64,854
Matthias Laudick	1,131	884	807
Dieter Schäfer (from October 22, 2010)	0	0	0
Joachim Voss (until October 21, 2010)	0	0	0
Family members			
Marian Harling	1,000	1,000	1,000

37 Corporate Governance

The Board of Management and Supervisory Board submitted the Declaration of Conformity pursuant to Section 161 of German Stock Corporation Law for 2010 in September 2010 and provided permanent access to it by shareholders and interested parties on the company's website (www.technotrans.de).

38 Events occurring after the balance sheet date

The date for release of the annual financial statements by the Board of Management pursuant to IAS 10.17 is March 1, 2011. These Consolidated Financial Statements are subject to approval by the Supervisory Board (Section 171 (2) of German Stock Corporation Law).

No events of particular significance affecting the financial performance, financial position and net worth of the company occurred after the end of the 2010 financial year, apart from the acquisition of a majority stake in Termotek AG, Baden-Baden.

39 Disclosures of interests reported pursuant to Section 21 (1) or (1a) of German Securities Trading Law

	Reported development			
	Threshold value*	Date on which exceeded or undercut	New interest in voting power	Disclosures on attribution
Reporting party	%	Date	%	
Objectif Small Caps Euro, Paris, France	> 5	17/05/2010	5.28	Lazard Frères Gestion SAS, Paris, Frankreich
technotrans AG, Sassenberg	> 5	12/03/2008	5.02	–
WestLB, Düsseldorf	< 5	18/11/2005	4.94	–
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen	> 3	02/06/2010	4.47	–
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	> 3	11/02/2011	3.75	Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen
Midlin NV, Maarsbergen, the Netherlands	> 3	15/01/2010	3.02	Teslin Capital Management BV, Maarsbergen, Niederlande

* ABOVE (>) OR BELOW (<)

CORPORATE BODIES

Board of Management

Dipl. Wirtsch.-Ing. Henry Brickenkamp
Board of Management Spokesman

Sales Director since 2005, deputy Board member from 2006, full Board member since 2007 and Board of Management Spokesman since May 2008. With responsibility for Sales and Service worldwide, Development, Design, Product Management, Business Units, Electrical Engineering, Patents, Marketing and Quality Management

Dipl.-Kfm. Dirk Engel
Finance Director

Head of Group Accounts since April 2004, Finance Director since August 2006, with responsibility for Accounts/Controlling, Materials Management, Production, Central Process Support, Personnel, IT and Investor Relations

Norman Sack (until 19/03/2010)

Members of the Supervisory Board

Dipl.-Wirt. Ing. Klaus Beike

technotrans AG, Sassenberg (employees' representative)

Manfred Bender

Chairman of the Board of Management of Pfeiffer Vacuum Technology AG, Aßlar
Member of the Supervisory Board of Volksbank Heuchelheim e.G.

Dr. Norbert Bröcker

Deputy Chairman of the Supervisory Board (since December 8, 2010)
Partner in Hoffmann Liebs Fritsch & Partner, Düsseldorf

Dipl.-Ing. Heinz Harling

Chairman of the Supervisory Board of technotrans AG
Member of the Advisory Board of Westfalia Automotive Holding GmbH
Member of the Supervisory Board of Gämmerler AG

Matthias Laudick

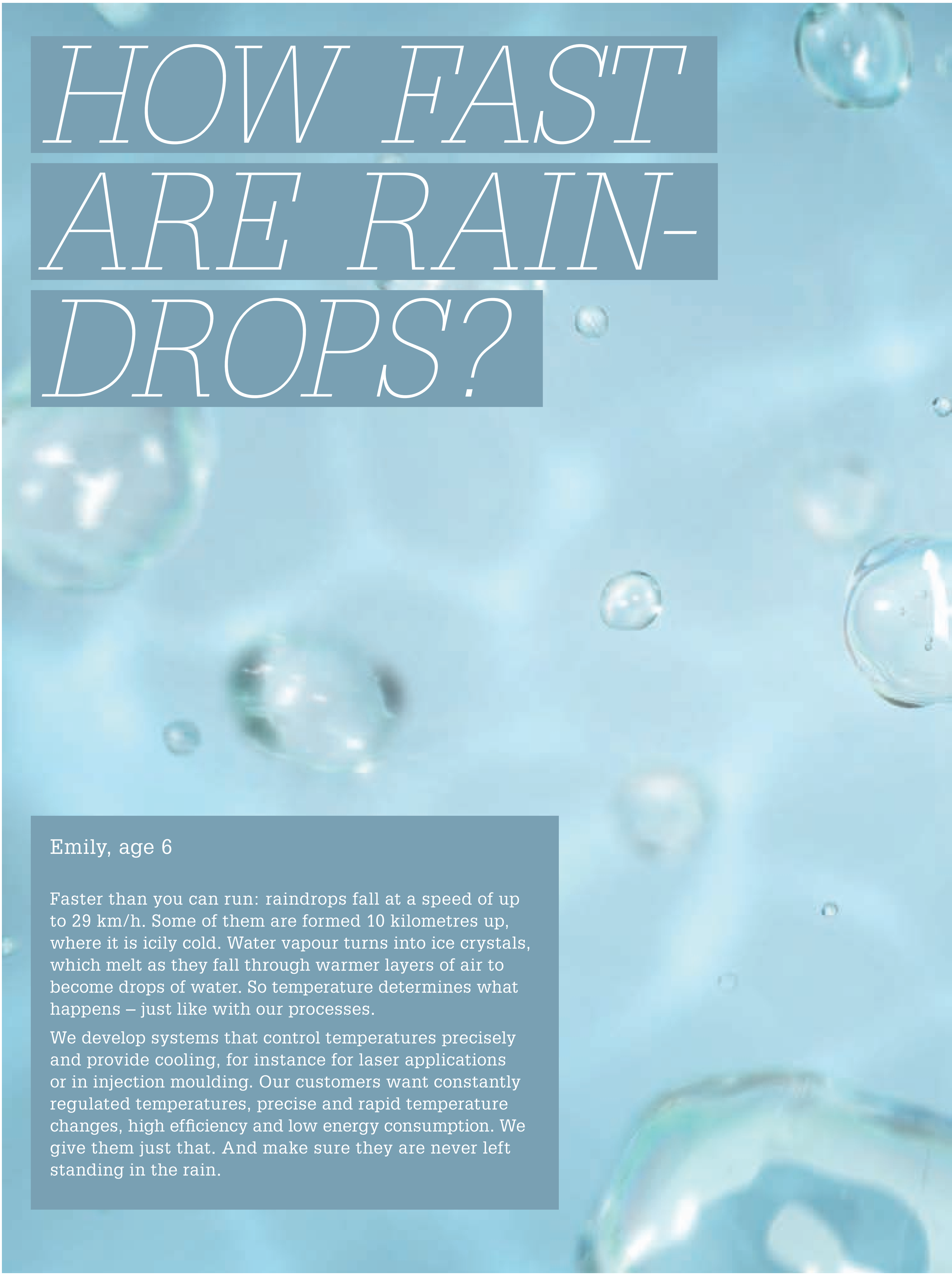
technotrans AG, Sassenberg (employees' representative)

Dieter Schäfer

Chief representative of the Werner & Pfleiderer Bakery Group, Bielefeld
Member of the Supervisory Board since October 22, 2010
Chairman of the Audit Committee since December 7, 2010

Dipl.-Kfm. Joachim Voss

Deputy Chairman of the Supervisory Board (until October 21, 2010)
Managing Director, WestLB AG, Düsseldorf
Chairman of the Supervisory Board of WestPensionskasse AG (on Supervisory Board until August 30, 2010)
Chairman of the Supervisory Board of WestPensionsfonds AG
Member of the Asset Management Capital Markets Retail Advisory Board, DekaBank



HOW FAST ARE RAIN-DROPS?

Emily, age 6

Faster than you can run: raindrops fall at a speed of up to 29 km/h. Some of them are formed 10 kilometres up, where it is icily cold. Water vapour turns into ice crystals, which melt as they fall through warmer layers of air to become drops of water. So temperature determines what happens – just like with our processes.

We develop systems that control temperatures precisely and provide cooling, for instance for laser applications or in injection moulding. Our customers want constantly regulated temperatures, precise and rapid temperature changes, high efficiency and low energy consumption. We give them just that. And make sure they are never left standing in the rain.

APPROPRIATION OF NET INCOME

The net income for the year of technotrans AG amounting to € 1,771,494.08 is to be netted against the existing loss carryforward. In addition, the sum of € 27,393,766.43 has been withdrawn from the capital reserve. The accumulated loss at December 31, 2010 is € 0.00.

No dividend will be distributed.

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 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 14, 2011

technotrans AG
The Board of Management

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by technotrans AG – comprising the balance sheet, income statement, statement of movements in equity, cash flow statement and notes – as well as the group management report for the financial year from January 1 to December 31, 2010. The preparation and the content of the group management report in accordance with IFRS, as applicable within the EU, as well as in accordance with the supplementary requirements under commercial law pursuant to Section 315a, Para. 1 of German Commercial Code, are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of German Commercial Code, observing the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that the audit be planned and performed such that it can be assessed with reasonable assurance whether the representation of the financial position and financial performance as reflected in the consolidated financial statements in keeping with the applicable accounting standards, as well as in the management report, contains any material misstatements and irregularities. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting controls system and the evidence supporting the amounts and disclosures in the consolidated financial statements and group management report are examined predominantly on a test basis within the framework of the audit. The audit includes assessing the individual financial statements included in the consolidated financial statements, the definition of the group, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, formed on the basis of our audit, the consolidated financial statements are in accordance with IFRS, as applicable within the EU, as well as with the supplementary requirements under commercial law pursuant to Section 315a Para. 1 of German Commercial Code and, on the basis of those requirements, give a true and fair view of the financial position and financial performance of the Group. The group management report is in agreement with the consolidated financial statements, on the whole provides a suitable understanding of the group's position and suitably presents the risks of future development.

Bielefeld, March 14, 2011

KPMG AG

Wirtschaftsprüfungsgesellschaft

Hunke	Droste
Auditor	Auditor

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of the company again regularly advised the Board of Management on the running of the company and monitored its activities in the 2010 financial year, in accordance with the statutory provisions and articles of incorporation. We were involved directly and at an early stage in all decisions that were of considerable significance to the company.

The exceptionally intensive cooperation between the Board of Management and the Supervisory Board in the course of the 2009 financial year, when the group's revenues nosedived as a result of the global recession, was maintained with the same intensity in 2010. The Board of Management regularly briefed us orally and in writing, both promptly and comprehensively, on the situation of the company and its subsidiaries, in particular on the business and financial position and on fundamental issues of corporate planning and strategy. Deviations in business progress from the plans and targets and the corresponding countermeasures were explained to us in detail and the strategic direction of the company was coordinated with us. In addition to myself, other Supervisory Board members maintained regular contact with the Board of Management, both outside the context of meetings and after the end of the financial year, in order to become acquainted with the current progress of business and to support the Board of Management in an advisory capacity. In addition, I held separate discussions with the Board of Management on the prospects for and future direction of the divisions. I was informed in a timely manner by the Spokesman of the Board of Management of important occurrences that are of material significance for evaluating the situation, progress and management of the company.

During the 2010 financial year the Supervisory Board considered the economic position and operational and strategic development of the company and its divisions at length in four meetings, which took place on March 8, May 5, September 21 and December 8, 2010, on the basis of the written and oral reports by the Board of Management. The Supervisory Board was informed of and discussed significant business occurrences within the company, as well as its strategy and the implementation thereof, and also its approach to risk management. The economic development of the company and of its subsidiaries was discussed in depth. All members of the Supervisory Board and Board of Management were present at all meetings.

The Supervisory Board approved those transactions which require its approval in accordance with the statutory provisions and the articles of incorporation. These include decisions and measures which are of fundamental significance for the financial position and financial performance of the company.

Important topics in 2010 were:

- The economic development of the company in light of the easing of the recession in the course of the year, and the measures to safeguard earnings
- The financial statements for 2009
- The resolutions and agenda items for the Shareholders' Meeting
- The strategic positioning and development of the company's divisions
- Liquidity planning and the new financing concept
- The future composition of the Board of Management and Supervisory Board
- The planned acquisition of a majority interest in Termotek AG, with an in-depth discussion of the associated opportunities and risks
- Budgeting for the 2011 financial year, which encompassed revenue, cost, earnings, investment and personnel targets, as well as rough targets for subsequent years
- Aspects of risk management, compliance and corporate governance

The members of the Supervisory Board are sufficiently independent and have sufficient time to act as non-executive directors. No conflicts of interest arose during the period under review. Pursuant to Article 5.6 of the German Corporate Governance Code, the Supervisory Board conducted an efficiency audit by means of a structured approach. It reached the conclusion that the Supervisory Board exercises its role efficiently, though it is to be noted that this examination regularly suggests details that could be improved upon.

To enable it to fulfil its duties more efficiently, the Supervisory Board formed three committees. The Nominating Committee (members: the shareholders' representatives on the Supervisory Board) proposes suitable candidates for elections to the Supervisory Board. Because Joachim Voss surrendered office with effect from October 21, 2010, the Nominating Committee looked for a suitable successor with the necessary qualification as a financial expert. Based on the proposal of the Nominating Committee, at its September meeting the Supervisory Board resolved to have Dieter Schäfer judicially appointed until the next Shareholders' Meeting. The appointment took effect from October 22, 2010.

The Board of Management and Supervisory Board take this opportunity to thank Joachim Voss, who has belonged to the supervisory body since 1996, for his dedication and constructive support for the company's development over the past fourteen years – first as a Member of the Advisory Board and then, following its transformation into a stock corporation, as Deputy Chair of the Supervisory Board and Chair of the Audit Committee.

There is in addition an Audit Committee (members: Joachim Voss succeeded by Dieter Schäfer; Manfred Bender; Heinz Harling) and a Personnel Committee (members: Heinz Harling; Dr Norbert Bröcker; Joachim Voss until October 21, 2010). The latter met twice in 2010.

The Audit Committee likewise met on two occasions, in both cases in the presence of the auditors and the members of the Board of Management, and concerned itself with matters relating to the annual financial statements, the presentation of the accounts and the audit by the FREP (Financial Reporting Enforcement Panel), controlling and risk management, fiscal matters, compliance, assuring the necessary independence of the auditors, commissioning the firm of auditors with the audit task, identifying the priority areas for the audit, and agreeing the fee. The interim reports to be published were discussed by the members of this committee.

The audit reports and documents for the accounts were sent to all Supervisory Board members in good time. They were discussed in depth by the Audit Committee and at the Supervisory Board meeting on March 14, 2011. The firm of auditors, represented by the two independent auditors appointed to carry out the task, attended both meetings. They reported on the principal findings of their audit and were available to answer further questions and provide supplementary information. The annual financial statements of the parent company and the consolidated financial statements for the 2010 financial year have both been granted an unqualified audit certificate. Following our own examination of the annual financial statements, the consolidated financial statements, the management report for the parent company and the group management report, we approved the auditors' findings and signed off the annual and consolidated financial statements at the meeting on March 14, 2011. The annual financial statements are thus established.

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 commitment in shaping the company's development in a difficult 2010 financial year. Our particular thanks are due to the employees' representatives, who yet again cooperated constructively and openly with the company's corporate bodies, and to the shareholders, many of who have now been involved in technotrans AG for quite a number of years.

On behalf of the Supervisory Board

Heinz Harling
Chairman of the Supervisory Board

WHO MAKES THE WAVES, AND WHERE ARE THEY?

Paul, age 4

When a small person jumps into the water, they make small waves. And when a big person... well, you can imagine the rest! But waves are mostly created by the wind. It transmits energy to the water particles, which then bump into each other like falling dominos until that energy becomes visible in the form of a wave. A chain reaction, therefore – one thing leads to another.

That serves as an example to us. By analogy, one idea can lead to another idea. Our ambition is to translate the potential of ideas into pioneering innovations. With the pressure to come up with developments steadily growing, we are getting faster and faster at this. And look forward to watching the movement of the many waves we have created.

THE SUCCESS STORY

1970	Founding of the company
1973	Initial contacts with the audio media and printing industry
1977	Production of the first dampening solution equipment
1981	Development of a seperate product line for dampening solution preparation systems
1987	Launch of the first ink temperature control systems
1990	Management Buy-out technotrans graphics ltd. is founded in Colchester, Great Britain Launch of the new system component concept for ancillary equipment on printing presses technotrans is one of the world's three largest suppliers of dampening solution preparation systems
1992	technotrans becomes original equipment supplier for the Heidelberg Speedmaster and MAN-Roland 700 presses
1993	technotrans france s. a. r. l. is founded
1995	technotrans america inc. is established in Atlanta, Georgia, USA
1997	Transformation into a stock corporation Founding of technotrans printing equipment (Beijing) Co. Ltd., People's Republic of China
1998	Takeover of BVS Grafische Technik GmbH, which is renamed technotrans systems GmbH Initial public offering
1999	Founding of technotrans technologies pte. ltd. in Singapore Founding of the subsidiary technotrans italia s.r.l. in Milan Merger with the subsidiary technotrans systems GmbH to form technotrans AG
2000	Takeover of the American company Ryco Graphic Manufacturing, Inc. (Chicago) and merger with technotrans america inc.
2001	Takeover of the American Steve Barberi Company Inc. and its subsidiary, Farwest Graphic Technologies LLC, of Corona, near Los Angeles, California, USA, renamed technotrans america west, inc. Takeover of the Electroforming Division of Toolex International N.V., which now operates as technotrans scandinavia AB, Tåby, Sweden Establishment of technotrans japan k.k., Kobe, Japan, as a sales and service company Establishment of technotrans china ltd., Hong Kong, as a sales and service company
2002	Transfer of activities from Atlanta to the principal American location in Chicago
2003	Consolidation of international production capacities and relocation of assembly from technotrans graphics ltd., Colchester, Great Britain, to Sassenberg.

2004 Start of development work on the new cleaning systems product area and decision to extend the plant near Augsburg
Opening a further sales and service office in Yokohama, Japan

2005 Constuction of new production plant at Gersthofen, near Augsburg and thus doubling the capacity in the South of Germany
Integration of the Micro Technologies segment into the company's Technology Division

2006 Merger of the two American production locations in Chicago
Establishment of the subsidiary in Brazil
Opening of a further sales and service office in Madrid, Spai

2007 Entry into the new product area of cleaning systems, with the first of the contex.c blanket cleaners installed at end customers
Establishment of the subsidiary in Dubai (UAE)
Establishment of the subsidiary in Moscow (Russia)
Opening of a further sales and service office in Melbourne, Australia
Opening of a further sales and service office in Shanghai, China

2008 Two employees' representatives are elected to the Supervisory Board (One-Third Employee Representation Act)
Extensive cost-cutting measures are implemented in response to the economic crisis, including the transfer of the cleaning systems product area to Sassenberg

2009 Further measures are taken in response to the dramatic slump in revenue prompted by the global economic crisis. The number of employees is reduced worldwide, short-time is introduced at the group's main location in Sassenberg, production operations are halted at the Mt. Prospect (USA) and Gersthofen (Germany) locations and transferred to Sassenberg, and the structures in Asia are consolidated.

2010 technotrans turns 40, but the economic environment has given little cause for celebrations so far.
The new structure of business units acts as a useful catalyst amid the search for applications for its own core skills outside the printing industry. Over 30 projects are defined and evaluated in the course of the year, with initial revenue streams from them expected for 2011.
Opening a further sales and service office in Chennai, India
The partnership formally sealed with Termotek AG mid-way through the year lives up to expectations. technotrans gains a foothold in a promising growth market with its entry into laser cooling.
The process of transferring the technical areas for ink supply systems from Gersthofen to Sassenberg gets under way at the end of the year. The proximity of sales and production operations is to lead to more efficient processes.

CORPORATE CALENDAR

Annual Report 2010	March 15, 2011
Analyst Meeting and Annual Press Conference	March 15, 2011
Interim Report 1-3/2011	May 10, 2011
Annual Shareholders' Meeting	May 12, 2011
Interim Report 1-6/2011	August 9, 2011
Interim Report 1-9/2011	November 8, 2011
Annual Report 2011	March 13, 2012

Concept and Design
cyclos design GmbH, Münster

Photography
Fotografie Wattendorff GmbH, Münster

3-D and Postproduction
cyclos design GmbH, Münster

Print
Rasch Druckerei und Verlag GmbH & Co. KG, Bramsche
printed with Heidelberger Speedmaster SM 102-10P6
with the following technotrans equipment:
beta.C 480G: dampening solution circulation, ink
roller temperature control system, alcosmart AZR,
beta.PS-C2-10/50: pump station, glycol cooling
and 2 x washstar

technotrans AG
Robert-Linnemann-Straße 17
48336 Sassenberg

Phone 02583 301-1000
Fax 02583 301-1030
info@technotrans.com
www.technotrans.com