

## Interim Report 1.1. – 31.3.1999

Dear shareholders,

This interim report informs you of business progress in the first three months of the 1999 financial year.

technotrans has had a good start to the new year, with our turnover and result continuing to show dynamic growth. Only one year after its acquisition the subsidiary technotrans systems gmbh, Augsburg, has already proven itself capable of emulating the group's renowned high levels of profitability. The CD Equipment Division continues to make very good progress and to surpass our expectations. We are registering further growth stimuli from the new subsidiaries technotrans technologies pte, Singapore, which commenced operations at the start of 1999 and is responsible for the Asia-Pacific region, and from technotrans italia srl, which was recently established and will serve our important Italian market from its base in Milan.

The first Shareholders' Meeting following the initial public offering took place on April 30, 1999. In addition to passing a resolution on a DM 2.- dividend for the past financial year, payable on May 3, 1999, the share capital was increased and converted into euro, and individual share certificates (for accounting purposes each representing EUR 3 of the share capital) were introduced.

In its capacity as a system supplier of peripheral equipment to printing press manufacturers, technotrans fully equips leading makes of printing press, ex works. Its technologically advanced dampening solution preparation systems and ink roller temperising systems for offset presses have secured technotrans a global market share easily in excess of 40 percent. Its principal partners are Heidelberger Druckmaschinen AG, MAN Roland and Koenig & Bauer AG. Since 1995, technotrans has in addition been utilising its expertise in liquid technology for its CD production systems. Services round off the company's range of core activities. .

technotrans has already presented consolidated financial statements in accordance with IAS in recent years. In common with the consolidated annual financial statements, this quarterly report is likewise prepared on the basis of the IAS. As in the previous year, we

have satisfied the requirements of IAS 34, which regulates interim reports.

### Turnover and result

Turnover amounted to EUR 17.751 million in the first quarter of 1999, a year-on-year increase of 38.7 percent or EUR 4.950 million. Even after elimination of technotrans systems gmbh, which was not included in the consolidated results for the prior-year period, the increase is still a healthy 17.0 percent. Gross profit rose by a disproportionately high rate, to EUR 6.722 million, largely as a result of the rising turnover contributions of the Service and CD Equipment segments. Profit from operations reached EUR 2.041 million, thus exceeding the figure for the corresponding period of last year by 17.3 percent. The tax ratio has risen to 45.6 %; in the prior-year quarter, taxes on income were only minimal as a result of the costs of the initial public offering. The group has performed much better than expected, reporting a consolidated net profit of EUR 1.289 million. The result per share is EUR 0.64. These figures coincide with the DVFA result, as goodwill no longer needs to be eliminated according to the new DVFA principles.

Turnover for the Printing Industry segment totalled EUR 14.132 million, an increase of 28.3 percent on the previous year's figure. The main pillars of this growth are the new Augsburg-based subsidiary, not yet included in the prior-year figures, and also various products, launched within the past three years and well-received by customers, which serve to underline the capabilities of the technotrans Group as a system supplier. Despite high advance costs for new product launches and the continuing expansion of R&D activities, the result for this segment is an impressive 13.5 percent.

The CD Equipment segment has easily outstripped our expectations. Turnover of EUR 1.050 million is reported for the first quarter of this year, as against EUR 244,000 in the corresponding prior-year period. This represents an increase of 330 percent. Whereas the result for the previous year was negative, we are able to report a first-quarter profit for this segment of EUR 128,000. The profit-turnover ratio is a highly respectable 12.2 percent, and we interpret this development as a fitting endorsement of our decision to develop and expand this field of business.

The Service segment expanded by two-thirds in the first quarter of 1999, with turnover boosted to EUR 2.546 million. This highly promising service sector now accounts for 14.3 percent of the group's total turnover. It is simultaneously the most profitable area of business: the rate of return for the segment is 15.2 percent and there is still further scope for improvement, as the subsidiary technotrans systems gmbh, based in Southern Germany, has not yet achieved the average rate for the group.

#### Balance sheet structure

According to the International Accounting Standards (IAS 34), the comparative figures as at the end of the previous financial year are to be quoted in financial statements in interim reports. Compared with 31.12.1998, the balance sheet total has increased by only 6.9 percent. Inventories and receivables have risen as a result of business expansion at the start of 1999. The equity ratio remains virtually unchanged at 74.2 percent, providing a healthy basis for continuing growth.

#### Personnel

The employee total is rising: in the first quarter of 1999, the group employed an average of 368 people, as opposed to 350 for the 1998 financial year as a whole. With turnover per capita running at EUR 48,000, we are well on target for bettering the prior-year figure by quite some way. Personnel expenditure in relation to turnover has fallen slightly, to 22.4 percent.

#### Investment, research & development

The completion and equipping of the new technocenter were the priority in our investment activities in the first quarter of 1999. This building, erected primarily for R&D activities, now ensures that our development teams have a full range of facilities at their disposal, including their own printing press, enabling them rapidly to develop new, marketable products and innovative processes for both the Printing Industry and CD Equipment sectors. Compared with the corresponding prior-year quarter, R&D expenditure has increased by around 45 percent. Totalling EUR 939 million in the period under review, it is above par for the industry at 5.3 percent of turnover. Details of R&D priorities are outlined in the section "Outlook".

#### The euro and the new millennium

technotrans AG, technotrans systems gmbh and technotrans france sarl adopted the euro as their house currency as of January 1, 1999. The changeover proceeded smoothly. We do not anticipate any problems for the group in handling the turn of the millennium. We launched a special project on this matter last year, and are pleased to report that we became the first company in Germany to have our Y2K capability certified by the Rhineland Technical Inspection Association (TÜV Rheinland) on April 1.

#### Outlook

Despite the excellent prospects at the end of the first quarter, for the time being our expectations for the year as a whole remain relatively modest. Our current plans for the 1999 financial year overall envisage turnover of EUR 68.1 million; the consolidated net profit acc. to IAS will be above-average, probably reaching EUR 4.2 million, or EUR 2.12 per share; as matters stand, this will be in line with the DVFA result. The figures quoted are based on definite business plans for the group and are therefore particularly reliable.

We anticipate a noticeable slowdown in our core business in the second half of the year. There is nothing surprising in this, as the largest trade exhibition in the world for our branch of industry, the DRUPA, is due to take place next May. Experience has shown that end customers hold back with their investment decisions in the last few months before this exhibition. We will compensate for this reluctance to invest with new product launches that will help to boost the percentage content of technotrans products per printing press even further. We are moreover specifically stepping up business with end customers and are set to benefit from tapping new markets, for example in Asia.

As mentioned above, the CD Equipment segment is enjoying above-average growth, and we have therefore upped our turnover target for the current year to EUR 4 million, almost double the previous year's figure. A positive result is almost certain, and the rate of return for the segment is likely to remain on a par with the group average, running into double figures.

In addition to normal business expansion in the Service segment, we anticipate that the Singapore-based subsidiary technotrans technologies pte will prompt further growth. With our share of turnover currently only 3 percent in Asia, this is a market with immense potential

for us. The same can be said of our new subsidiary in Italy.

The focus of R&D activities in the year under review is "ecological printing". We have set ourselves the target of launching a completely new product line to tackle the question of recycling the washing agents required in the offset printing process. In the medium term, we estimate that there is scope for additional turnover in the order of EUR 10 to 15 million.

"Technical Documentation" has been established as one of our core skills for some time now. This involves the preparation of technical data for customers, ranging from data sheets and operating and maintenance instructions, to spare parts lists and specific training programmes, on whatever medium is preferred - whether paper, CD or the Internet. It is also conceivable that we could offer these services for areas of industry other than our own.

We have identified a number of earmarked innovations as projects and are tapping entirely new potential through them. We live in the information age, and technotrans has the expertise and the market position to play an active part in shaping this high-tech environment. Irrespective of whether information is available in print or in electronic form, our products are always involved.

#### Important dates

The next interim report will cover the first six months of 1999 and will be published on August 11.

technotrans AG  
Securities Identification No. 744 900

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**technotrans Group**  
**Key Data**

		1997	1998	01-03/98	01-03/99	Change
<b>Result</b>						
Turnover	'000 EUR	45,330	63,208	12,801	17,751	38.7%
Profit from operations	'000 EUR	7,421	9,139	2,047	2,401	17.3%
Net profit for the period	'000 EUR	3,624	3,312	300	1,289	329.7%
DVFA/SG* result	'000 EUR	3,753	4,001	1,121	1,289	15.0%
as % of turnover	%	8.3	6.3	8.8	7.3	
<b>Balance Sheet</b>						
Issued capital	'000 EUR	3,068	5,113	5,113	5,113	0.0%
Equity	'000 EUR	7,972	25,810	22,959	27,330	19.0%
Equity ratio	%	43.4	74.8	68.8	74.1	
Return on equity	%	45.5	12.8	1.3	4.7	
Balance sheet total	'000 EUR	18,358	34,493	33,369	36,862	10.5%
<b>Employees</b>						
Number of employees	persons	232	350	254	368	44.9%
Personnel expenditure	'000 EUR	9,453	14,346	2,789	3,970	42.3%
as % of turnover	%	20.9	22.7	21.8	22.4	
Turnover per employee	'000 EUR	195	181	51	48	-5.4%

**technotrans Consolidated Balance Sheet – 1<sup>st</sup> quarter 1999**

 (in '000 EUR) **31.03.1999** **31.12.1998**
**Assets**
**Current assets**

Cheques, cash on hand, postal giro balances, cash in banks	1,819	3,497
Inventories	11,951	10,664
Receivables and other assets	9,753	7,499
	<b>23,523</b>	<b>21,660</b>

**Non-current assets**

Property, plant and equipment	10,505	9,760
Longterm investments	0	103
Intangible assets	2,246	2,385
	12,751	12,248
Deferred taxes	551	572
	<b>13,302</b>	<b>12,820</b>

**Prepaid expenses**

	37	13
	<b>36,862</b>	<b>34,493</b>

**Equity and liabilities**
**Current liabilities**
**Non-current liabilities**
**Equity**

Issued capital	5,113	5,113
Capital and revenue reserves	18,585	18,358
Accumulated profit	3,632	2,339
	<b>27,330</b>	<b>25,810</b>

**Prepaid expenses**

	13	5
	<b>36,862</b>	<b>34,493</b>

**Consolidated Income Statement**

	(in '000 EUR)	1 <sup>st</sup> quarter 1999	1 <sup>st</sup> quarter 1998	Change
Revenue		17,751	12,801	
Cost of conversion		-11,029	-8,034	
<b>Gross profit</b>		<b>6,722</b>	<b>4,767</b>	41.0%
Distribution costs		-1,543	-1,003	
Administrative expenses		-1,564	-1,078	
Research and development expenses		-939	-667	
Other operating expenses and income		-119	8	
<b>Profit for the Divisions</b>		<b>2,557</b>	<b>2,027</b>	26.2%
General expenses and income		-156	20	
<b>Profit from operations</b>		<b>2,401</b>	<b>2,047</b>	17.3%
Finance result		-31	-79	
<b>Profit before tax</b>		<b>2,370</b>	<b>1,968</b>	20.4%
Income tax expense		-1,097	-302	
Deferred taxes		16	111	
<b>Profit before extraordinary expense</b>		<b>1,289</b>	<b>1,777</b>	-27.5%
Extraordinary expense		0	-1,477	
<b>Net profit for the period</b>		<b>1,289</b>	<b>300</b>	330.2%
Net profit per share for the period (Euro)		0,64	0,15	331.6%
DFVA/SG result per share (Euro)		0,64	0,56	13.8%

## Consolidated Cash Flow Statement

	(in '000 EUR) 1 <sup>st</sup> quarter 1999	1 <sup>st</sup> quarter 1998
<b>Operating activities</b>		
Net profit before taxation	2,370	1,968
Adjustments for:		
Depreciation	523	233
Unrealised foreign exchange profit/loss (net)	50	65
Interest income	-4	-3
Interest expense	35	82
<b>Operating profit before working capital changes</b>	<b>2,974</b>	<b>2,345</b>
Increase (-) in receivables and other current assets *	-2,277	-658
Increase (-) in inventories	-1,287	-1,479
Increase (+) in trade payables and other current provisions and liabilities	1,430	679
<b>Cash generated from operations</b>	<b>840</b>	<b>887</b>
Interest paid	-35	-82
Income taxes paid	-1,097	-302
<b>Cash flow from operating activities</b>	<b>-292</b>	<b>503</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	0	-2,051
Acquisition of non-current assets	-1,003	-469
Proceeds from the sale of non-current assets	20	17
Interests received	4	3
<b>Cash flow from investing activities</b>	<b>-979</b>	<b>-2,500</b>
<b>Financing activities</b>		
Payment of (-) long-term borrowings	0	260
Proceeds from (+) short-term borrowings	-545	-888
Dividends paid to equity holders	0	-2,475
Payments into the issued capital	0	1,278
Payments into the capital reserves	0	15,850
Proceeds from the initial public offering	0	-1,502
<b>Cash inflow/cash flow (-) from financing activities</b>	<b>-545</b>	<b>12,523</b>
Effect of exchange rate changes on cash and cash equivalents	28	2
Change of liquid funds	-1,788	10,528
Increase in liquid funds resulting from changes in reporting entity	110	53
Liquid funds at beginning of period	3,497	255
<b>Liquid funds at end of period</b>	<b>1,819</b>	<b>10,836</b>

### Appropriation of Net Income

	(in '000 EUR)	Issued Capital	Reserves	Accumulated profit	Total
<b>January 1, 1998</b>		<b>3,068</b>	<b>1,912</b>	<b>2,992</b>	<b>7,972</b>
Exchange rate changes		0	58	0	58
Changes resulting from changes in reporting entity		0	0	-22	-22
Capital increase from company funds		767	-767	0	0
Capital increase from cash		1,278	15,850	0	17,128
Net profit for the period		0	0	300	300
Distribution of profit		0	0	-2,475	-2,475
Other		0	0	-3	-3
<b>March 31, 1998</b>		<b>5,113</b>	<b>17,053</b>	<b>792</b>	<b>22,958</b>
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<b>January 1, 1999</b>		<b>5,113</b>	<b>18,358</b>	<b>2,339</b>	<b>25,810</b>
Exchange rate changes		0	227	0	227
Net profit for the period		0	0	1,289	1,289
Other		0	0	4	4
<b>March 31, 1999</b>		<b>5,113</b>	<b>18,585</b>	<b>3,632</b>	<b>27,330</b>

### Segmental reporting

(in '000 EUR)		Printing Industry	+/-	CD-Equipment	+/-	Service	+/-	Other	Total	+/-
<b>External turnover</b>	01-03/99	14,132	28.3%	1,050	328.7%	2,546	68.6%	23	17,751	38.7%
	01-03/98	11,013		245		1,510		33	12,801	
<b>Segment result</b>	01-03/99	1,913	6.7%	128		388	14.8%	128	2,557	26.2%
	01-03/98	1,794		-191		338		86	2,027	