Interim Report

January 1 – June 30

2004

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technotrans
technology and services

We are living in the Information Age. In whatever form information is being supplied, technotrans products are involved – worldwide. technotrans is active at 13 locations, in three areas of business: Print, Micro Technologies and Services. As a systems supplier, we fully equip all leading makes of printing press ex works, and our market share worldwide for technologically advanced plant is well in excess of 50 percent. technotrans electroforming systems for the manufacture of CDs and DVDs are the world market leaders by some distance. Core skills such as these are translated systematically into new areas of application: for example, applications for microstructure technology offer exceptionally good prospects of future growth, as do services, which suitably complement the technology segments and open up new potential.

The second quarter and the first half of 2004

Revenue growth gathers considerable pace

Revenue growth continued to gain momentum in the second quarter of 2004. The factor behind the increase of 15.5 percent compared with the previous year (Q1 2004: + 3.5 percent) to revenue of € 28.1 million (previous year: € 24.3 million) was the Print segment, which was up by almost € 3.5 million or 21.5 percent on the prior-year quarter alone. With consolidated revenue reaching € 54.8 million mid-way through 2004 (previous year € 50.1 million), the growth rate was 9.3 percent.

Growth in net earnings running into triple figures

The rise in revenue was reflected by a substantial improvement in earnings. Gross earnings at the six-month mark were up 15.4 percent to € 18.8 million (previous year € 16.2 million). In particular as a result of the DRUPA, which takes place only once every four years, distribution costs rose sharply in the first half (+ € 892,000 compared with previous year). In spite of this burden, the operating profit at the year's mid-point was up by 62.6 percent to € 4.7 million (previous year € 2.9 million). The rate of return for the segments at last returned to the excellent level of 9.4 percent (previous year 6.4 percent) in the second quarter.

Thanks to the ongoing repayment of financial liabilities, the interest burden continued to fall during this reporting period. The group posts a pre-tax profit for the first half of € 4.1 million (previous year: € 2.3 million), representing an increase of 77.3 percent on the position one year earlier. The net profit half way through the year is just under € 2.8 million (+ 180 percent), equivalent to earnings per share of € 0.42 (previous year € 991,000 or € 0.15 per share).

The segments

Print: best result since Q4 2001

Business progressed better than expected in the Print segment, which once again posted revenue of € 19.3 million in the second quarter in spite of the interruption of the DRUPA. This represents an increase of 21.5 percent on the prior-year quarter. With a total of € 38.6 million after the first six months, the overall increase on the previous year (33.2 million) is now 16.2 percent. Due to our customers' lead times, there is no evidence as yet in this figure of this year's DRUPA; experience has shown that this will only transpire within two or three quarters' time.

The positive development in revenue has had a disproportionately very high impact on earnings. The 16.2 percent rise in revenue compares with an improvement in the result for the segment from € 955,000 in the previous year to € 2.7 million in the first half of 2004, equivalent to almost a three-fold increase. Following a lengthy lean period, the Print segment has now once again generated well over half of consolidated earnings. The rate of return for the segment in the first six months was highly satisfactory, at 7.0 percent. Even if revenue is still well short of the final quarter of 2001 (€ 24.4 million), the second quarter of 2004 was the first time that earnings returned to something approaching level prior to the crisis in the industry.

Micro Technologies: second-quarter results again within the expected range

Six months into the year, revenue for the Micro Technologies segment of € 3.3 million was down on the previous year (€ 4.2 million, – 20 percent), but as expected it was possible to compensate in part for the weak first quarter. The volume of revenue from microstructure technology is still insufficient to compensate for stagnating sales in the traditional area of business (production plant for optical storage media) or to return to former rates of growth.

Segmental Reporting

		Print	MicroTech	Services	Other	Total
		€'000	**€'000**	**€'000**	**€'000**	**€'000**
External revenue	**01 – 06/04**	**38,605**	**3,338**	**12,844**	**0**	**54,787**
	01 – 06/03	33,212	4,172	12,730	0	50,114
	01 – 06/02	44,005	3,936	12,700	0	60,641
Operating profit	**01 – 06/04**	**2,707**	**–576**	**2,282**	**274**	**4,687**
after Goodwill	01 – 06/03	955	–424	2,306	45	2,882
	01 – 06/02	1,701	–325	2,119	152	3,647

With revenue reaching € 2.6 million in the second quarter, the result was almost back in the black. However, this area of business again posted a loss of € 576,000 at the year's mid-way point (previous year: loss of € 424,000). The usual increase in volume in the second half of the year should prompt a corresponding improvement in earnings.

Services: revenue and earnings remain very satisfactory

The Services segment again posted slight revenue growth at the half-way mark, to over € 12.8 million (2003: € 12.7 million). This is all the more remarkable for the fact that particularly the services provided for the DRUPA exhibition could not be invoiced in full.

The operating profit of € 2.3 million was almost on a par with the previous year. As expected, the rate of return in the second quarter fell as a result of the DRUPA, leaving an overall rate of return for the segment of 17.8 percent at the end of the first six months.

Personnel

The group's employee total as an average for the first six months fell from 606 in 2003 to 601 in 2004. Whereas the first half of 2003 had brought capacity adjustments that were not fully reflected in this figure, the rise in revenue since mid-2003 once again resulted in the recruitment of additional personnel. Whereas the group numbered only 577 employees on June 30, 2003, by June 30, 2004 the total had already risen to 606. This rise was due primarily to the extension of production capacity, particularly at the German sites.

Personnel expenditure in relation to revenue has barely changed year on year, though revenue per employee rose again from € 83 to € 91 thousand per employee. Following the increase in the overall level of business, this is a reflection of the higher capacity utilisation.

Cash flow and balance sheet

At the year's midway point, cash flow had risen to € 7.8 million (previous year: € 5.2 million), representing growth of 50 percent. The free cash flow likewise touched a record level of more than € 7.0 million (previous year € 3.9 million). This was the first quarter in which we achieved our long-term aim of generating free cash flow of the magnitude of EBITDA, and this consequently provides us with a comfortable basis on which to finance future growth.

Cash and cash equivalents have risen by over 36 percent since the start of the year, to almost € 12 million. The € 4.6 million increase in inventories is by and large attributable to the increased volume of business, and moreover includes services already rendered but where the customer has not yet been billed, as is reflected by the higher level of advances received (+ 2.3 million). Long-term debt now amounts to only slightly more than € 10 million. In all, the balance sheet total has risen to € 79.2 million (+ 9.5 million) since the end of 2003.

Research and development

Research and development spending amounted to € 1.8 million half way through the year (previous year € 1.2 million), equivalent to 3.25 percent of revenue. The Print segment currently accounts for the lion's share of spending, with the new products exhibited at the DRUPA being brought to production maturity. We in addition believe that the measures with which we aim to tap into the new product area of cleaning systems are particularly promising.

Shares

There was no uniform pattern to the stock markets in the second quarter of 2004. Although the broader economic data showed an improvement, high oil prices and unfavourable exchange rates prevented any positive trend from materialising on the stock exchange. Within this context, technotrans shares moved within a price range of € 11.50 and € 12.50. The company is, however, meeting with increasing interest among institutional investors. The number of enquiries for roadshows and company visits has risen appreciably in recent weeks. We are therefore confident that the brighter prospects for the company will likewise be reflected in the share price in the foreseeable future.

Directors' holdings

	Shares 30.6.2004	Options 30.6.2004
Board of Management		
Heinz Harling	61.704	4.200
Wolfgang Breme	300	3.150
John. A. Stacey	30.300	4.200
Ralph Teunissen	15.000	3.750
Supervisory Board		
Joachim Simmroß	10.000	0
Joachim Voss	0	0
Konrad Ellegast	0	0
Dr. Bertold Gaede	1.791	0
Andreas Harig	61.704	2.400
Hubert Oberscheidt	61.704	2.400

Outlook – The 2004 financial year

Revenue and earnings

The underlying economic situation has improved slightly since the start of the year, in particular at international level. The forecasts for German economic growth have likewise unanimously been revised upwards, albeit very cautiously. A mood of scepticism nevertheless continues to prevail in Germany, and no real sense of an economic recovery is able to take root. Largely independently of this, our market is progressing satisfactorily. Whereas the expectations being voiced before the DRUPA by the major German players were decidedly subdued, the outcome of the exhibition was ultimately far better than expected, with foreign investment proving a driving force. technotrans will benefit disproportionately from this buoyancy.

In our forecasts for the 2004 financial year, we have based our assumptions on the belief that the second half of the year will almost inevitably be better than the first half, not least thanks to the DRUPA. In order to achieve our revenue target of € 115 million, we would need to post revenue of € 60 million in the second half. As matters stand, we have no reason for doubting our ability to achieve this target. Based on the first-half earnings, we are equally confident about achieving our goal of a net profit of € 5.5 to 6 million.

The ruling of the Federal Patents Court of July 21 in the long-running patent dispute with Baldwin has no negative effect on technotrans’ current positive development. technotrans' revocation action was rejected, but the Board of Management is planning to appeal against the ruling to the Federal Supreme Court.

The divisions

Our targets for the **Print segment** envisaged a rise in revenue of 8 to 10 percent for 2004. Given the prevailing mood in the industry and the recent crisis, this target may have appeared somewhat ambitious, but in the light of the current figures (growth of 16.2 percent in the first half), we are more than confident about achieving it.

We are also very optimistic about the medium-term progress of our company. The new products exhibited at the DRUPA met with a resoundingly positive market reception and we know that we are taking the company in the right direction strategically speaking, with our aim of “more technotrans per printing press”. The new product area of cleaning systems will moreover provide us with access to a market that can contribute significantly to the company’s growth over the next few years. In operating terms, we are not expecting to generate revenue until the second half of 2005, but from a strategic viewpoint this move is already very significant for technotrans at a time when it is poised to become the largest systems supplier for liquid technology systems.

Thanks to the undeniably bright prospects in our largest division, we are able to take a more relaxed view of developments in our smallest division, the **Micro Technologies segment** (CD/DVD and microstructure technology). On the strength of the current level of orders, we know that the second half of the year will be stronger than the first half, as planned. Yet merely because of the project-based nature of this business, as matters stand it is possible that the total volume will be “only” on a par with 2003. We remain convinced that we are entering a highly promising market of the future in microstructure technology. technotrans’ very strength is its ability to achieve a balanced rate of growth as the net outcome of its divisions' varying degrees of dynamism.

We moreover expect that the **Services segment** will make steady progress throughout the year and will maintain the high level already achieved.

As matters stand, we have many reasons for viewing the future with considerable optimism. We have paved the way for a successful and ultimately profitable future for our company. Even though the underlying conditions within our industry may still be slow to improve, we will make every effort to continue reaping the benefits of our own corporate boom.

Consolidated Balance Sheet

	30.6.2004 €'000	31.12.2003 €'000
Assets		
Current assets		
Cash	11,910	8,769
Trade receivables	17,372	16,973
Inventories	22,792	18,200
Income tax rebates	25	841
Prepaid expenses and other short-term receivables	1,860	1,374
	53,959	**46,157**
Non-current assets		
Property, plant and equipment	16,671	16,963
Intangible assets	2,614	3,034
Goodwill	4,259	4,470
Deferred tax	1,069	1,112
Other long-term assets	663	655
	25,276	26,234
	79,235	**72,391**
Equity and liabilities		
Short-term dept		
Short-term borrowings and short-term component of long-term borrowings	6,004	6,100
Trade payables	5,371	2,904
Advances received	4,042	1,696
Provisions	9,633	9,029
Income taxes payable	1.261	290
Other short-term dept	2,842	1,820
	29,153	**21,839**
Long-term dept		
Long-term borrowings	10,159	12,076
Deferred tax	1,468	1,604
Provisions for pensions	148	151
Other long-term dept	321	433
	12,096	**14,264**
Equity		
Issued capital	6,600	6,600
Capital reserve	36,419	36,412
Revenue reserve	–421	–493
Hedging reserve	–350	–425
Exchange differences	–5,352	–5,808
Accumulated loss/profit	1,089	2
	37,985	**36,288**
	79,235	**72,391**

Consolidated Income Statement

	1.4.–30.6.2004 €'000	1.4.–30.6.2003 €'000	1.1.–30.6.2004 €'000	1.1.–30.6.2003 €'000
Revenue	28,112	24,342	54,787	50,114
Print	19,358	15,931	38,605	33,212
Micro Technologies	2,609	2,145	3,338	4,172
Services	6,145	6,266	12,844	12,730
Cost of conversion	–18,814	–16,277	–36,030	–33,866
Gross profit	**9,298**	**8,065**	**18,757**	**16,248**
Distribution costs	–3,369	–3,020	–6,765	–5,873
Administrative costs	–2,658	–3,033	–5,447	–6,023
Research and development costs	–871	–590	–1,781	–1,168
Other operating income and expenses	391	565	227	559
Amortisation of goodwill	–153	–437	–304	–861
Operating profit	**2,638**	**1,550**	**4,687**	**2,882**
Interest revenue/expense	–197	–273	–433	–592
Foreign currency gains/losses	–65	33	–133	34
Profit before tax (and minority interest)	**2,376**	**1,310**	**4,121**	**2,324**
Income tax expense	–978	–762	–1,523	–1,122
Deferred tax	74	–115	181	–211
Extraordinary income/expenses	0	0	0	0
Net profit	**1,472**	**433**	**2,779**	**991**
Net profit per share (basic)	0.22	0.07	0.42	0.15
Net profit per share (diluted)	0.22	0.07	0.42	0.15
Weighted average shares outstanding (basic)	6,600,000	6,600,000	6,600,000	6,600,000
Weighted average shares outstanding (diluted)	6,600,000	6,600,000	6,600,000	6,600,000

Cash Flow Statement

	30.6.2004 €'000	30.6.2003 €'000
Cash flow from operating activities		
Net profit	2,779	991
Adjustments for:		
Depreciation and amortisation	1,888	2,498
Deferred tax income/expenses	–180	9
Profit/loss on the disposal of property, plant and equipment	–2	–587
Foreign exchange losses/gains	133	–824
Cash flow from operating activities before working capital changes	4,618	2,087
Change in receivables	146	2,891
Change in inventories	–4,376	– 1,523
Change in other long-term assets	4	35
Change in liabilities	6,720	1,297
Change in provisions	663	388
Net cash from operating activities	**7,775**	**5,175**
Cash flow from investing activities		
Acquisition of intangible assets and of property, plant and equipment	–765	–1,680
Proceeds from the sale of property, plant and equipment	7	411
Net cash used for investing activities	**–758**	**–1,269**
Cash flow from financing activities		
Cash receipts from the raising of short-term and long-term loans	0	85
Cash payments from the repayment of loans	–2,068	–1,524
Distribution to shareholders	–1,980	–1,320
Net cash used in financing activities	**–4,048**	**–2,759**
Change in cash from exchange rate movements	172	13
Net increase in cash and cash equivalents	**3,141**	**1,160**
Cash and cash equivalents at beginning of period	8,769	7,300
Cash and cash equivalents at end of period	**11,910**	**8,460**

Statement of Movements in Equity

	Issued capital €'000	Capital reserve €'000	Revenue reserve €'000	Hedging reserve €'000	Exchange differences €'000	Accumulated profit €'000	Equity €'000
January 1, 2003	**6,600**	**36,406**	**9,569**	**–591**	**–2,360**	**2,096**	**51,720**
Exchange rate movements	0	0	0	0	–1,972	246	–1,726
Payment into the revenue reserve	0	0	0	0	0	–7	0
Change in market value of financial instruments	0	0	0	–61	0	0	–61
Net profit for the period	0	0	0	0	0	991	991
Distribution of profit	0	0	0	0	0	–1,320	–1,320
Other	0	2	–187	0	0	0	–185
June 30, 2003	**6,600**	**36,408**	**9,389**	**–652**	**–4,332**	**2,006**	**49,419**
January 1, 2003	**6,600**	**36,412**	**–493**	**–425**	**–5,808**	**2**	**36,288**
Exchange rate movements	0	0	0	0	456	288	744
Payment into the revenue reserve	0	0	0	0	0	0	0
Change in market value of financial instruments	0	0	0	75	0	0	75
Net profit for the period	0	0	0	0	0	2,779	2,779
Distribution of profit	0	0	0	0	0	–1,980	–1,980
Other	0	7	72	0	0	0	79
June 30, 2004	**6,600**	**36,419**	**–421**	**–350**	**–5,352**	**1,089**	**37,985**

Explanation:

This interim report has been produced in accordance with the International Financial Reporting Standards (IFRS), in particular IAS 34 for interim reporting, and with the rules and regulations of the Frankfurter Wertpapierbörse ("Börsenordnung" § 63 Para 6) for the production of structured quarterly reports. In a departure from the directives of Deutsche Börse but in accordance with IAS 12.70, deferred tax is allocated exclusively to long-term items. The designations of certain items have moreover been brought in line with IFRS. Items with a total of zero are not shown where no figures are expected in the longer term on the basis of technotrans' business purpose.

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technotrans financial calendar

Publications and dates

Interim Report 1 – 9/2004	**09.11.2004**
2004 Annual Report / Annual Press Conference / Analysts Conference	**08.03.2005**
Interim Report 1 – 3/2005	**03.05.2005**
Annual Shareholders' Meeting	**13.05.2005**

For the latest version of this financial calendar and the individual reports, visit us on the Internet at www.technotrans.de

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