

# Interim Report

January 1 –  
September 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 14 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 third quarter and the first nine month of 2004

### Dynamic revenue growth

On the back of a very successful first half, we succeeded in posting a further improvement in revenue and earnings in the third quarter. Revenue at the nine-month mark totalled € 84.9 million, exactly 10 percent up on the prior-year figure (€ 77.2 million). Compared with the third quarter of the previous year (€ 27 million), growth actually reached 11.3 percent, with revenue rising to € 30.1 million. The driving force behind this growth was once again the Print segment which, compared with the corresponding prior-year period, expanded by 17 percent during the first nine months of the year. In all, these figures are at the upper end of the target range for the current financial year.

### Profitability again reaches record level

The earnings situation, too, has without exception progressed positively. Gross earnings after nine months improved by 12.9 percent to € 29.5 million (previous year: € 26.2 million). The operating profit was up 59.7 percent to € 8.1 million (previous year € 5.1 million), despite the cost factors of this year's Drupa and a slight rise in development expenditure. The operating margin reached 11.3 percent in the third quarter – impressive proof of our sustained, earnings-driven growth strategy. The net profit after nine months is in excess of € 4.7 million (+ 129 percent, previous year € 2.1 million), equivalent to earnings per share of € 0.72 (previous year € 0.31).

## The segments

### Print: positive development outstrips targets

The Print segment made better progress than planned during the first nine months of 2004. Revenue increased by 17 percent to € 59.1 million (previous year € 50.5 million), with growth actually touching 18.6 percent in the third quarter. In addition to a marked recovery in demand for core business (dampening solution preparation and ink roller temperature control), the new products which were exhibited for the first time at the Drupa attracted considerable interest.

This positive development in revenue again had a disproportionately very high impact on earnings. The result for the segment improved from € 1.6 million in the previous year to € 4.7 million nine months into the current financial year, representing a rise of 183 percent, and is attributable in the first instance to economies of scale and improved capacity utilisation. The rate of return for the segment was further improved, reaching 7.9 percent at the nine-month mark in spite of expenditure for this year's Drupa.

### Micro Technologies: progress falls short of expectations

At the nine-month mark, revenue for the Micro Technologies segment amounted to just under € 6 million and therefore fell short of expectations by some € 1.5 million. The number of projects handled is roughly unchanged from the previous year, but the average contract value of each project was lower. This area is moreover suffering from the adverse effect on exports of the weak US dollar. As matters stand, we do not expect to be able to make up for this shortfall in revenue compared with the original plans by the end of the year (revenue target for 2004: over € 10 million), as projects are already being delayed until the next financial year at the request of customers. The downturn in the sales market for optical storage media cannot currently be compensated for by the growth market for microstructure technology. This development in the 2004 financial year has no impact on the company's overall goal, as the Print segment has performed far better than expected.

## Segmental Reporting

		Print €'000	MicroTech €'000	Services €'000	Other €'000	Total €'000
<b>External revenue</b>	<b>01 - 09/04</b>	<b>59,074</b>	<b>5,943</b>	<b>19,884</b>	<b>0</b>	<b>84,901</b>
	01 - 09/03	50,473	7,559	19,128	0	77,160
	01 - 09/02	62,847	7,539	19,238	0	89,624
<b>Operating profit after Goodwill</b>	<b>01 - 09/04</b>	<b>4,661</b>	<b>- 661</b>	<b>3,751</b>	<b>351</b>	<b>8,102</b>
	01 - 09/03	1,648	- 457	3,715	168	5,074
	01 - 09/02	3,086	62	3,100	140	6,388

As in the second quarter of 2004, the Micro Technologies segment nearly moved into profit from the current level of revenue. After nine months, this segment posted an overall loss of € 661,000. As one of our top priorities, we are currently working on measures to improve profitability in this area, with the aim of ideally avoiding having to post a year-end loss.

### Services: growth at a high level

The Services segment enjoyed a 10 percent rise in revenue on the third quarter of the previous year (€ 6.4 million) to over € 7 million. The growth trend after the first nine months of 2004 continued at an overall rate of 4 percent.

After contributing € 3.7 million towards total earnings in the previous year, the Services segment has again accounted for € 3.8 million or almost half the total figure. The rate of return after three quarters has reached a very healthy 18.9 percent.

## Personnel

The number of group employees as an average for the first nine months rose from 598 in 2003 to 609 in 2004. This rise was initially much lower than revenue growth over the same period (+ 10 percent). 639 people were employed by the group on September 30, 2004 (previous year: 588, + 8.3 percent). Personnel were recruited in the first instance to the production area, where loan workers were in some cases offered permanent employment, and also with a view to building up expertise for our new cleaning systems product area.

Personnel expenditure rose only slightly on the previous year (+ 3.6 percent), and as a ratio of revenue it fell as expected (down 1.6 percentage points). Revenue per employee rose from € 129 to € 139 thousand.

## Cash flow and balance sheet

Cash flow reached € 7.8 million after nine months (previous year: € 5.7 million, + 36.4 percent). The free cash flow likewise improved, reaching € 6.6 million, a 41.4 percent increase on the corresponding prior-year figure. The higher net profit for the first nine months had a positive impact. The accumulation of inventories, partly in anticipation of further rises in revenue and partly as a result of deliveries for project business still to be billed, temporarily diminished the figure.

Cash remained stable at the accustomed high level of € 11.4 million. Long-term borrowings now amount to only € 10 million. The balance sheet total has now risen to € 79.6 million since the end of 2003 (+ 10 percent), in the first instance as a result of higher liabilities and higher provisions, which are appropriate during the launch phase of new products.

## Research and development

A slight rise in expenditure on research and development activities is due, among other things, to our entry into the new product area of cleaning systems. At the three-quarter mark of the current financial year, expenditure totalled € 2.7 million, a good € 700,000 more than at the corresponding point in the previous year, and represents a cost ratio of 3.2 percent of revenue for R&D. This expenditure on cleaning systems, in common with expenditure on microstructure technology facilities, is not capitalised as long as the recognition criteria are not met.

## Shares

Stock markets lost considerable ground in the first six weeks of the third quarter, and technotrans was likewise affected by this development. From a starting point of more than € 12, technotrans shares slipped below € 10, briefly reaching their year-low. The share price subsequently recovered as rapidly as it had fallen, regaining a level in the region of € 12 – 13.

Over the next few months we will be analysing technotrans' shareholder structure as part of an internal study, and will use the findings in addressing new investors in a focused manner. We are convinced that the company's prospects and the successful growth strategy represent an attractive opportunity for many small and mid-cap specialists, a fact that we want to put across more forcefully and specifically in the future.

## Directors' holdings

	Shares 30.9.2004	Options 30.9.2004
<b>Board of Management</b>		
Heinz Harling	61,704	4,200
Wolfgang Breme	300	3,150
John. A. Stacey	30,300	4,200
Ralph Teunissen	15,000	3,750
<b>Supervisory Board</b>		
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

technotrans' market has progressed healthily during the past 12 months, by and large independently of the prevailing economic context. The effects of this recovery, in particular on the largest segment Print, have exceeded our own expectations, with almost every region contributing. America and Asia are developing outstandingly, for example.

Nine months into the 2004 financial year, we are confident that the original earnings target of € 5.5 to 6 million will be achieved by the end of the year, with the actual figure towards the upper end of this range. Following a very strong third quarter, we moreover expect to be almost spot on with our revenue target of € 115 million. This would be technotrans' most profitable financial year since its IPO.

### The divisions

The outstanding progress of the **Print segment** should continue until the end of the current financial year, with the result that we are likely to end the year with revenue on a par with 2002. That being the case, we will have succeeded in making good the drastic reversal of 2003 in the very next year. Thanks to our adjusted cost structures, this growth will be reflected particularly in improved earnings.

technotrans has thus regained its traditional course of growth, and as matters stand we expect this trend to hold up in the next financial year, too. We will disclose details together with the annual accounts, but it is fundamentally possible to state that the underlying conditions are currently very much in our favour: the surge in orders precipitated by this year's Drupa is likely to last for a few more months, the new products have got off to a successful start and are offering the prospect of above-average growth, and the venture into the new product area of cleaning systems should start bringing in revenue in the second half of 2005.

The business of our American subsidiaries has developed particularly well. technotrans america in Chicago, for example, is set to book a 50 percent increase in revenue compared with 2003. Following the conclusion of several major projects over the next few months, we will take the opportunity in the new year to optimise our internal processes and logistics in light of the new level of business.

In the context of its strategic development plans, technotrans very early on focused on three segments with differing patterns of growth. The offsetting effect is again proving valuable in the current climate, with the very positive development in the Print segment more than able to compensate for the restrained progress in the **Micro Technologies segment**. As a result of the generally slack market for systems for the production of optical storage media, coupled with the postponement of projects until next year, we currently expect that this area will see its revenue fall short of its target by around € 2 million. The targets and figures for the group as a whole will nevertheless be achieved.

The **Services segment** is set to enjoy steady growth. This segment of course benefits in particular measure from any enlargement of the corporate structure, such as has recently been the case in the USA and Japan. We are therefore confident that it will serve as a useful building block for the successful development of the segment.

The figures for the 2004 financial year – along with the plans for the next financial year – are due for publication on March 8, 2005. As matters stand we are confident of being able to report figures towards the upper end of the range of our forecasts. With the outlook equally bright, we hope that you too will relish the prospect of reaping the rewards.

## Consolidated Balance Sheet

	30.9.2004	31.12.2003
	€'000	€'000
<b>Assets</b>		
<b>Current assets</b>		
Cash	11,414	8,769
Trade receivables	16,470	16,973
Inventories	24,552	18,200
Income tax rebates	26	841
Prepaid expenses and other short-term receivables	2,010	1,374
	<b>54,472</b>	<b>46,157</b>
<b>Non-current assets</b>		
Property, plant and equipment	16,635	16,963
Intangible assets	2,273	3,034
Goodwill	4,077	4,470
Deferred tax	1,063	1,112
Other long-term assets	1,060	655
	<b>25,108</b>	<b>26,234</b>
	<b>79,580</b>	<b>72,391</b>
<b>Equity and liabilities</b>		
<b>Short-term dept</b>		
Short-term borrowings and short-term component of long-term borrowings	5,838	6,100
Trade payables	4,687	2,904
Advances received	3,635	1,696
Provisions	10,130	9,029
Income taxes payable	275	290
Other short-term dept	3,291	1,820
	<b>27,856</b>	<b>21,839</b>
<b>Long-term dept</b>		
Long-term borrowings	10,449	12,076
Deferred tax	1,415	1,604
Provisions for pensions	154	151
Other long-term dept	319	433
	<b>12,337</b>	<b>14,264</b>
<b>Equity</b>		
Issued capital	6,600	6,600
Capital reserve	36,416	36,412
Revenue reserve	- 452	- 493
Hedging reserve	- 344	- 425
Exchange differences	- 5,550	- 5,808
Accumulated loss/profit	2,717	2
	<b>39,387</b>	<b>36,288</b>
	<b>79,580</b>	<b>72,391</b>

## Consolidated Income Statement

	1.7.-30.9.2004	1.7.-30.9.2003	1.1.-30.9.2004	1.1.-30.9.2003
	€'000	€'000	€'000	€'000
Revenue	30,114	27,046	84,901	77,160
Print	20,469	17,261	59,074	50,473
Micro Technologies	2,605	3,387	5,943	7,559
Services	7,040	6,398	19,884	19,128
Cost of conversion	- 19,350	- 17,265	- 55,380	- 51,003
<b>Gross profit</b>	<b>10,764</b>	<b>9,781</b>	<b>29,521</b>	<b>26,157</b>
Distribution costs	- 3,419	- 3,096	- 10,184	- 8,969
Administrative costs	- 2,903	- 3,444	- 8,350	- 9,467
Research and development costs	- 920	- 777	- 2,701	- 1,945
Other operating income and expenses	34	87	261	646
Amortisation of goodwill	- 141	- 359	- 445	- 1,348
<b>Operating profit</b>	<b>3,415</b>	<b>2,192</b>	<b>8,102</b>	<b>5,074</b>
Interest revenue/expense	- 346	- 278	- 779	- 870
Foreign currency gains/losses	65	- 153	- 68	- 119
<b>Profit before tax (and minority interest)</b>	<b>3,134</b>	<b>1,761</b>	<b>7,255</b>	<b>4,085</b>
Income tax expense	- 1,188	- 989	- 2,711	- 2,111
Deferred tax	23	307	204	96
Extraordinary income/expenses	0	0	0	0
<b>Net profit</b>	<b>1,969</b>	<b>1,079</b>	<b>4,748</b>	<b>2,070</b>
Net profit per share (basic)	0.30	0.16	0.72	0.31
Net profit per share (diluted)	0.30	0.16	0.72	0.31
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

	30.9.2004	30.9.2003
	€'000	€'000
<b>Cash flow from operating activities</b>		
Net profit	4,748	2,070
Adjustments for:		
Depreciation and amortisation	2,799	3,991
Deferred tax income/expenses	- 205	- 96
Profit/loss on the disposal of property, plant and equipment	- 17	- 593
Foreign exchange losses/gains	69	- 547
Cash flow from operating activities before working capital changes	7,394	4,825
Change in receivables	- 765	2,171
Change in inventories	- 4,960	- 2,506
Change in other long-term assets	- 456	29
Change in liabilities	5,502	638
Change in provisions	1,095	570
<b>Net cash from operating activities</b>	<b>7,810</b>	<b>5,727</b>
<b>Cash flow from investing activities</b>		
Acquisition of intangible assets and of property, plant and equipment	- 1,240	- 2,648
Proceeds from the sale of property, plant and equipment	47	1,600
<b>Net cash used for investing activities</b>	<b>- 1,193</b>	<b>- 1,048</b>
<b>Cash flow from financing activities</b>		
Cash receipts from the raising of short-term and long-term loans	0	- 68
Cash payments from the repayment of loans	- 2,086	- 1,802
Distribution to shareholders	- 1,980	- 1,320
<b>Net cash used in financing activities</b>	<b>- 4,066</b>	<b>- 3,190</b>
Change in cash from exchange rate movements	94	27
<b>Net increase in cash and cash equivalents</b>	<b>2,645</b>	<b>1,516</b>
Cash and cash equivalents at beginning of period	8,769	7,300
<b>Cash and cash equivalents at end of period</b>	<b>11,414</b>	<b>8,816</b>

## 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
<b>January 1, 2003</b>	<b>6,600</b>	<b>36,406</b>	<b>9,569</b>	<b>- 591</b>	<b>- 2,360</b>	<b>2,096</b>	<b>51,720</b>
Exchange rate movements	0	0	0	0	- 1,827	- 347	- 2,174
Payment into the revenue reserve	0	0	7	0	0	- 7	0
Change in market value of financial instruments	0	0	0	- 1	0	0	- 1
Net profit for the period	0	0	0	0	0	2,070	2,070
Distribution of profit	0	0	0	0	0	- 1,320	- 1,320
Other	0	2	- 178	0	0	0	- 176
<b>September 30, 2003</b>	<b>6,600</b>	<b>36,408</b>	<b>9,398</b>	<b>- 592</b>	<b>- 4,187</b>	<b>2,492</b>	<b>50,119</b>
<b>January 1, 2004</b>	<b>6,600</b>	<b>36,412</b>	<b>- 493</b>	<b>- 425</b>	<b>- 5,808</b>	<b>2</b>	<b>36,288</b>
Exchange rate movements	0	0	0	0	258	- 53	205
Payment into the revenue reserve	0	0	0	0	0	0	0
Change in market value of financial instruments	0	0	0	81	0	0	81
Net profit for the period	0	0	0	0	0	4,748	4,748
Distribution of profit	0	0	0	0	0	- 1,980	- 1,980
Other	0	4	41	0	0	0	45
<b>September 30, 2004</b>	<b>6,600</b>	<b>36,416</b>	<b>- 452</b>	<b>- 344</b>	<b>- 5,550</b>	<b>2,717</b>	<b>39,387</b>

**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.

**Note:**

Any forward-looking statements contained in this report represent our best judgment as to what will occur in the future. The Company's actual results could differ materially from those forecasted, depending on a number of competitive and economic factors, some of which are and will be outside the control of the Company.

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## technotrans financial calendar

### Publications and dates

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**

Interim Report 1 - 6/2005 **09.08.2005**

Interim Report 1 - 9/2005 **08.11.2005**

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