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CONSOLIDATED BALANCE SHEET

ASSETS	Note	31/12/2017	31/12/2016
		€ '000	€ '000
Non-current assets			
Property, plant and equipment	(1)	25,477	17,734
Goodwill	(2)	23,144	23,144
Intangible assets	(3)	6,888	8,639
Other financial assets	(4)	231	92
Deferred tax	(26)	2,034	2,440
		57,774	52,049
Current assets			
Inventories	(5)	26,589	25,609
Trade receivables	(6)	24,182	17,787
Income tax receivable	(7)	83	180
Other financial assets	(8)	596	724
Other assets	(8)	1,285	1,167
Cash and cash equivalents	(9)	14,798	23,929
		67,533	69,396
Total assets		125,307	121,445

EQUITY AND LIABILITIES	Note	31/12/2017	31/12/2016
		€ '000	€ '000
Equity	(10)		
Issued capital		6,908	6,908
Capital reserve		19,097	19,097
Retained earnings		37,797	34,391
Other reserves		-6,440	-5,826
Net profit for the period		12,191	7,192
Total equity attributable to technotrans AG shareholders		**69,553**	**61,762**
Non-controlling interests in equity		197	118
		69,750	**61,880**
Non-current liabilities			
Borrowings	(11)	19,187	23,024
Provisions	(15)	1,206	1,178
Other financial liabilities	(12)	1,073	1,359
Deferred tax	(26)	1,833	2,215
		23,299	**27,776**
Current liabilities			
Borrowings	(11)	3,837	5,068
Trade payables	(13)	6,062	4,809
Prepayments received	(14)	5,805	6,928
Provisions	(15)	9,769	8,617
Income tax payable	(16)	3,203	1,060
Other financial liabilities	(17)	1,285	2,631
Other liabilities	(17)	2,297	2,676
		32,258	**31,789**
Total equity and liabilities		**125,307**	**121,445**

CONSOLIDATED INCOME STATEMENT

	Note	2017	2016
		€ '000	€ '000
Revenue	(18)	**205,095**	**151,792**
of which Technology		147,570	103,623
of which Services		57,525	48,169
Cost of Sales	(19)	-136,849	-100,570
Gross profit		**68,246**	**51,222**
Distribution costs	(20)	-26,453	-21,123
Administrative expenses	(21)	-18,596	-16,228
Development costs	(22)	-7,528	-5,534
Other operating income	(23)	3,907	2,849
Other operating expenses	(24)	-2,138	-1,455
Earnings before interest and taxes (EBIT)		**17,438**	**9,731**
Financial income		145	210
Financial charges		-620	-785
Net finance costs	(25)	**-475**	**-575**
Profit before tax		**16,963**	**9,156**
Income tax expense	(26)	-4,693	-1,894
Net profit for the period		**12,270**	**7,262**
of which:			
Profit attributable to technotrans AG shareholders		12,191	7,192
Profi/loss attributable to non-controlling interests		79	70
Earnings per share (€)	(27)		
basic / diluted		1.76	1.09

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	2017	2016
		€ '000	€ '000
Net profit for the period	(10)	**12,270**	**7,262**
Other results			
Items that were not be reclassified to Income Statement			
Revaluation of the net debt from defined benefit obligations	(15)	23	-33
Deferred tax		-10	10
		13	-23
Items that were or must be reclassified to Income Statement			
Exchange differences from the translation of foreign group companies		-292	-383
Change in the amount recognised within equity (net investments in a foreign operation)	(10)	-358	537
Change in the market values of cash flow hedges		-9	-17
Amount transferred to the Income Statement		60	77
Deferred tax		-15	-18
Change in the amount recognised within equity (cash flow hedges)	(32)	36	42
		-614	196
Other profit after tax		**-601**	**173**
Overall result for the financial year		**11,669**	**7,435**
of which:			
Profit attributable to technotrans AG shareholders		11,805	7,365
Profit/loss attributable to non-controlling interests		79	70

CONSOLIDATED CASH FLOW STATEMENT

	Note	2017	2016
		€ '000	€ '000
Cash flow from operating activities	(28)		
Net profit for the period		12,270	7,262
Adjustments for:			
Depreciation and amortisation		5,217	4,314
Share-based payment transactions	(10)	0	35
Income tax expenses	(26)	4,693	1,894
Gain (-) / loss (+) on the disposal of property, plant and equipment	(23, 24)	-253	-59
Foreign exchange losses (+) / gains (-)		-180	161
Net finance costs	(25)	475	575
Cash flow from operating activities before working capital changes		**22,222**	**14,182**
Change in:			
Inventories	(5)	-980	-460
Receivables and other current assets		-6,036	-1,521
Liabilities and prepayments		-2,127	59
Provisions	(15)	1,194	-49
Cash from operating activities		**14,273**	**12,211**
Interest received		14	394
Interest paid		-586	-488
Income taxes paid / income tax rebates		-2,292	-2,414
Net cash from operating activities		**11,409**	**9,703**
Cash flow from investing activities	(29)		
Cash payments for investments in property, plant and equipment and in intangible assets		-11,471	-1,642
Cash payments for the acquisition of consolidated companies		-248	-20,886
Proceeds from the sale of property, plant and equipment		460	176
Net cash used for investing activities		**-11,259**	**-22,352**

	Note	2017	2016
		€ '000	€ '000
Cash flow from financing activities	(30)		
Cash receipts from the sale of treasury shares		0	8,155
Cash receipts from the raising of short-term and long-term loans		0	20,000
Cash payments from the repayment of loans		-5,068	-5,953
Distribution to investors		-3,799	-3,136
Payment for the acquisition of non-controlling interests		0	-2,434
Net cash used in financing activities		**-8,867**	**16,632**
Net increase/decrease in cash and cash equivalents		-8,716	3,983
Cash and cash equivalents at start of period		23,929	19,978
Net effect of currency translation in cash and cash equivalents		-415	-32
Cash and cash equivalents at end of period	(9, 31)	**14,798**	**23,929**

STATEMENT OF MOVEMENTS IN EQUITY

(NOTES 10)	Issued capital	Capital reserve	Retained earnings
	€ ´000	€ ´000	€ ´000
01/01/2016	6,908	12,928	42,409
Net profit for the period	0	0	7,192
Other result	0	0	– 23
Overall result for the financial year	0	0	7,169
Distribution of profit	0	0	– 3,136
Acquisition of treasury shares	0	0	0
Issuance of treasury shares	0	6.169	– 3,405
Transactions with owners	0	6.169	– 6,541
Changes in ownership interests			
Acquisition of non-controlling interests without a change in control	0	0	– 1,454
Acquisition of subsidiaries with non-controlling interests	0	0	0
Total changes in ownership interests	0	0	– 1,454
Total transactions with owners of the company	0	6,169	– 7,995
31/12/2016 / 01/01/2017	6,908	19,097	41,583
Net profit for the period	0	0	12,191
Other result	0	0	13
Overall result for the financial year	0	0	12,204
Distribution of profit	0	0	– 3,799
Transactions with owners	0	0	– 3,799
31/12/2017	6,908	19,097	49,988

Other reserves				Total equity attributable to technotrans AG shareholders	Non-controlling interests in equity	Group equity
Exchange differences	Reserve for exchange rate differences from the financing of investments	Hedging reserve	Treasury reserve			
€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000
– 3,338	– 2,584	– 100	– 5,426	50,797	928	51,725
0	0	0	0	7,192	70	7,262
– 383	537	42	0	173	0	173
– 383	537	42	0	7,365	70	7,435
0	0	0	0	– 3,136	0	– 3,136
0	0	0	– 227	– 227	0	– 227
0	0	0	5,653	8,417	0	8,417
0	0	0	5,426	5,054	0	5,054
0	0	0	0	– 1,454	– 980	– 2,434
0	0	0	0	0	100	100
0	0	0	0	– 1,454	– 880	– 2,334
0	0	0	5,426	3,600	– 880	2,720
– 3,721	– 2,047	– 58	0	61,762	118	61,880
0	0	0	0	12,191	79	12,270
– 292	– 358	36	0	– 601	0	– 601
– 292	– 358	36	0	11,590	79	11,669
0	0	0	0	– 3,799	0	– 3,799
0	0	0	0	– 3,799	0	– 3,799
– 4,013	– 2,405	– 22	0	69,553	197	69,750

I. APPLICATION OF IFRS – BASIC NOTES

technotrans AG is a publicly traded corporation domiciled in Sassenberg, Germany. The company is entered on the register of the local Court of Münster under the number HRB 9086. These Consolidated Financial Statements of technotrans AG and its subsidiaries (the "group") at December 31, 2017 were approved for presentation to the Supervisory Board by resolution of the Board of Management of March 5, 2018. 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 315e 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) Consolidated Companies

The Consolidated Financial Statements include technotrans AG and its 21 subsidiaries, over which it exercises control. Control is routinely deemed to exist where a majority of voting rights is held. technotrans AG directly or indirectly holds a majority of voting rights in 20 subsidiaries. The group does not hold a majority of voting rights in SHT Immobilienbesitz GmbH & Co. Vermietungs KG, which exclusively holds and manages the factory premises in Bad Doberan that are let out to KLH Kältetechnik GmbH. However, based on the terms of the lease agreement the group essentially receives the entire income from this activity. The Board of Management consequently comes to the conclusion that SHT Immobilienbesitz GmbH & Co. Vermietungs KG is a subsidiary and is therefore to be included in consolidation. Subsidiaries that are of minor significance for the group and for the presentation of a true and fair view of the net worth, financial position and financial performance in view of their suspended or only minor level of business activity are fundamentally not included in the Consolidated Financial Statements. Three subsidiaries that are already in liquidation were not included in the Consolidated Financial Statements for reasons of minor significance.

At the meeting of shareholders on August 31, 2017 it was resolved to further consolidate Asia business at the Taicang location and therefore to terminate the business of KLH Cooling International Pte. Ltd., Singapore, to distribute the remaining equity to technotrans AG and then to wind up the company. The company still in liquidation was deconsolidated with effect from December 31, 2017. Deconsolidation had no material effect on the consolidated result.

With effect from September 30, 2017 EasyBrowse GmbH, Schwerin, was merged with Ovidius GmbH, Berlin. In addition, two new companies were established in the financial year: technotrans Grundstücksverwaltungs GmbH, Sassenberg, will be erecting the new business premises for Termotek GmbH at its Baden-Baden location in the 2018 financial year. With effect from January 1, 2018 technotrans japan K.K., Kobe, Japan, took over the business operations of the permanent establishment of technotrans Asia Pacific limited, Hong Kong/China, which has previously been situated in Japan.

Companies

		Domicile	Interest	
			in %	
technotrans AG	DE	Sassenberg	parent company	
GWK Gesellschaft Wärme Kältetechnik mbH	DE	Meinerzhagen	98%	
Termotek GmbH	DE	Baden-Baden	100%	2)
KLH Kältetechnik GmbH	DE	Bad Doberan	100%	
SHT Immobilienbesitz GmbH & Co. Vermietungs KG	DE	Mainz	94%	1)
technotrans Grundstücksverwaltungs GmbH	DE	Sassenberg	100%	
gds GmbH	DE	Sassenberg	100%	2)
gds Sprachenwelt GmbH	DE	Hünfeld	100%	4)
Ovidius GmbH	DE	Berlin	56%	4)
technotrans graphics ltd.	GB	Colchester	100%	
technotrans france s.a.r.l. (Saint-Maximin und Madrid)	FR	Saint-Maximin	100%	
technotrans italia s.r.l.	IT	Legnano	100%	
technotrans scandinavia AB	SE	Åkersberga	100%	
technotrans middle east FZ-LLC	UAE	Dubai	100%	
technotrans america inc.	USA	Mt. Prospect	100%	
technotrans américa latina ltda.	BR	Indaiatuba	100%	
technotrans group (taicang) co. ltd.	CN	Taicang	100%	
technotrans technologies pte. ltd., (Singapur und Melbourne)	SG	Singapore	100%	
technotrans india pvt ltd	IN	Chennai	100%	5)
technotrans japan K.K.	JP	Kobe	100%	
technotrans Asia Pacific limited, (Hongkong und Tokio)	CN	Hong Kong	100%	
technotrans printing equipment (Beijing) co. Ltd.	CN	Beijing	100%	3)
GWK Heating and Cooling Technology (Shanghai) Co. Ltd.	CN	Shanghai	100%	6)
gwk Heating & Cooling Technology (Nanchang) Co. Ltd	CN	Nanchang	100%	6)

1) Limited partnership interest held by KLH Kältetechnik GmbH.
2) The domestic subsidiary has met the necessary conditions for taking advantage of the exemption provisions pursuant to Section 264 (3) of German Commercial Code and uses the option not to prepare and disclose the documentation pertaining to its annual financial statements.
3) Indirect interest held through technotrans Asia Pacific limited
4) Indirect interest held through gds GmbH.
5) Indirect interest held through technotrans technologies pte. Ltd.
6) Indirect interest held through GWK Gesellschaft Wärme Kältetechnik mbH; company is currently in liquidation and was not included in consolidation for reasons of minor significance.

b) Consolidation Methods

The Consolidated Financial Statements are based on the group companies' annual financial statements and interim financial statements (Commercial Balance Sheet II based on IFRS) prepared in accordance with standard recognition and measurement principles at December 31, 2017.

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 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. The non-controlling interests were measured at acquisition cost (partial goodwill method). Changes in the group's interest in a subsidiary that do not lead to a loss of control are reported as equity transactions. 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 recognised 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. Key exercises of judgment outside the context of estimates concern the definition of the cash-generating units, the consolidation of companies in which no majority of voting rights is held, and the measurement method for the non-controlling interests.

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. Responsibility for regularly monitoring all key fair value measurements, including the Level 3 fair values, rests with Group Controlling. Changes are reported to the Finance Director. Regular reviews of the key non-observable input factors and of fair value adjustments are carried out.

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.

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 as a result of acquisitions. Upon 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 its measurement, applying an appropriate measurement technique. The assumptions made here are regularly subject to forecasting uncertainty. Goodwill exists from corporate acquisitions in previous years. Goodwill is tested for impairment once a year or whenever any basis for impairment is identified. With regard to "key exercises of judgment in the context of financial reporting for 2017", see Note 2 "Goodwill" and Note 3 "Intangible Assets".

2) Assessment of the Value of Assets

At each balance sheet date the Board of Management 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 2017", see the Notes section, Note 1 "Property, Plant and Equipment", Note 2 "Goodwill" and Note 3 "Intangible Assets".

3) Recognition and Measurement of Provisions

For the recognition and measurement of other provisions, the level and likelihood of the call are estimated. The level of the actual call may differ from the estimates. The assumptions and estimates are in each case based on current knowledge and the available data. With regard to "key exercises of judgment in the context of financial reporting for 2017", see Note 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 Board of Management 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.

Apart from land, items of property, plant and equipment are depreciated according to the straight-line method, on the basis of their useful life. The 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 and equipment

Buildings	20 to 50 years
Land improvements, fixtures and fittings	10 to 15 years
Tools, plant and equipment	3 to 10 years
Hardware, vehicle fleet	3 to 6 years

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.

The reported **goodwill** constitutes the difference between the purchase price and the fair value of the net assets acquired through business combinations. Pursuant to IAS 36, goodwill is to be tested for impairment once a year or if any basis for a reduction for impairment is established. For the impairment test, from the acquisition date any goodwill acquired through a business combination is allocated to the group's cash-generating units which benefit from the synergy effects from the business combination. Insofar as necessary, the carrying amount is reduced to the "recoverable amount". Pursuant to IAS 36.124, such impairment is not reversed where the circumstances which led to it subsequently cease to apply.

Intangible assets, namely concessions, industrial and similar values acquired for consideration, and the customer base 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 in profit or loss or in other comprehensive income. In such cases, the corresponding taxes are likewise recognised in profit or loss or in other comprehensive income. 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 using 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. Deferred tax assets and liabilities are offset if a right to perform offsetting exists and the items relate to income taxes levied by the same taxation authorities and for the same company.

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-based 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.

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 or disposal from equity. Differences between the cost of the issued shares and their fair value upon their sale or issuance are offset against retained earnings or capital reserves.

Liabilities are fundamentally recognised at amortised cost. Liabilities in foreign currency are translated in accordance with IAS 21.21 and 23 (a). With the exception of the conditional purchase price payments from corporate transactions, financial liabilities are not measured at fair value through profit or loss. When initially recognised, they are measured at fair value including the transaction costs and subsequently at amortised cost, using the effective interest method. Conditional purchase price payments are measured at fair value. Changes in the fair value are recognised through profit or loss.

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 measured 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 litigation settlements are created in the amount of the expected call, alongside the costs of the proceedings.

Provisions for pensions and provisions for similar obligations are measured according to the projected unit credit method. Gains and losses resulting from changes in expectations regarding life expectancy, pension and pay increases expected in the future and the discount rate compared with the actual development during the period are recognised income-neutrally directly in other comprehensive income on the Statement of Comprehensive Income.

Derivative financial instruments are recognised at market value. At technotrans, derivative financial instruments were used exclusively for hedging interest rate risks at December 31, 2017. Where they qualify as cash flow hedges, the correspondingly effective adjustments to the market price are recognised within equity, with no effect on income. Financial instruments are reported if technotrans is a party to the contractual provisions of the financial instrument. Financial assets are reported at the settlement date except in the case of derivative financial instruments, which are reported at the trade date.

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 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 2017 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 recognised as the functional currency of the companies included in the Consolidated Financial Statements.

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 current rate, approximating to 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:

	Mean rates for the financial year		Mean rates at balance sheet date	
	2017	2016	31/12/2017	31/12/2016
USD	1.1297	1.1069	1.1993	1.0541
JPY	126.7112	120.1967	135.0100	123.4000
GBP	0.8767	0.8195	0.8872	0.8562
SEK	9.6351	9.4689	9.8438	9.5525
CNY	7.6290	7.3522	7.8044	7.3202
HKD	8.8045	8.5922	9.3720	8.1751
CHF	1.1117	1.0902	1.1702	1.0739
BRL	3.6054	3.8561	3.9729	3.4305
AED	4.1494	4.0638	4.3988	3.8612
INR	73.5324	74.3717	76.6055	71.5935

Changes in Recognition and Measurement Principles

The Consolidated Financial Statements of technotrans AG at December 31, 2017 include all standards and interpretations adopted by the European Union, the application of which is mandatory from January 1, 2017.

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

Standard/interpretation	**Adoption from** (financial years starting on or after ...)	**Content**	**Effects on the Consolidated Financial Statements**
Amendment to **IAS 7**: Disclosure initiative	January 1, 2017	The amendments are intended to improve information about changes in an entity’s debt. Following the amendment an entity will need to make disclosures on the changes in liabilities arising from financing activities where cash receipts and payments are shown under cash flow from financing activities in the cash flow statement. Accompanying financial assets are likewise to be included in the disclosures (e.g. assets from hedging transactions).	No significant
Amendment to **IAS 12**: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017	The amendments highlight accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	No significant
"Improvements to IFRS (2014 to 2016)"	January 1, 2017	Amendments to IFRS 12 were made under the “annual improvement project”.	No significant

During the 2017 financial year the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published further standards and interpretations as well as amendments to existing standards, the application of which was not yet mandatory in the 2017 financial year. The technotrans Group does not plan the early adoption of the following new or amended standards and interpretations, the adoption of which is only mandatory in later financial years.

a) EU endorsement has already taken place

Standard/interpretation	**Adoption from** (financial years starting on or after …)	**Content**	**Anticipated effects on the Consolidated Financial Statements**
IFRS 9: Financial Instruments	January 1, 2018	IFRS 9 replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement	See the comments below this table.
IFRS 15: Revenue from Contracts with Customers	January 1, 2018	IFRS 15 Revenue from Contracts with Customers specifies a comprehensive framework for determining whether, in what amount and at what time revenue is reported. It replaces existing guidelines on the reporting of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.	See the comments below this table.
IFRS 16: Leases	January 1, 2019	"IFRS 16 introduces a standard accounting model according to which lessees are required to account for leases. A lessee records a right-of-use asset that presents their right to the use of the underlying asset, as well as a liability from the lease that represents their obligation to make lease payments. There are exceptions for short-term leases and leases for low-value assets. Accounting by the lessor is comparable to the current standard – in other words, lessors continue to classify leases as finance or operating leases. IFRS 16 replaces the existing guidelines on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease."	See the comments below this table.
Amendment to **IFRS 4:** Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018	The changes concern the first-time adoption of IFRS 9 for insurers. Because of the different effective dates of IFRS and the new standard for insurance contracts, without these changes there would be increased volatility in results and double the conversion work for a transitional period.	None
Amendments to **IFRS 15**	January 1, 2018	The amendments contain clarifications to various rules of IFRS 15 and also simplifications for the transition to the new standard.	See IFRS 15
Improvements to IFRS (2014 – 2016)	January 1, 2018	In the context of the annual improvement project, amendments were made to two standards (IFRS 1 and IAS 28).	No significant

The expected effects of the changes to IFRS 9 on the Consolidated Financial Statements:
IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new model for expected credit losses for calculating the impairment of financial assets, as well as the new general hedge accounting requirements. It also adopts the guidelines on the recording and derecognition of financial instruments from IAS 39. The requirements on classification and measurement in IFRS 9 are to be applied retrospectively. No adjustment to prior-year periods is necessary. The hedge accounting requirements are to be applied prospectively.

IFRS 9 contains three principal classification categories for financial assets: "measured at amortised cost", "fair value through other comprehensive income" and "fair value through profit or loss". These new classification categories replace the IAS 39 legacy categories: "held to maturity", "loans and receivables" as well as "available for sale". The Board of Management does not expect adoption of the new classification requirements to have any material effects on accounting for financial assets.

IFRS 9 in addition has effects on the accounting and measurement of trade receivables. Unlike IAS 39, where impairment losses are only recognised for impairment already occurred but not yet known ("incurred loss model"), with IFRS 9 the future expected credit losses are decisive for the level of impairment ("expected loss model"). For these, the expected credit losses are determined based on the expected credit losses up to maturity. To determine the expected credit losses, customers are arranged in groups of similar credit risks. As well as a collective assessment, an individual assessment of the credit risks is made if the credit risk has increased significantly at the reporting date. Effects from the new adoption of IFRS 9 with effect from the time of first adoption at January 1, 2018 are to be recorded income-neutrally within equity. The group considers that the impairment for trade receivables within the scope of the impairment model of IFRS 9 has not changed materially.

The determination of the need for impairment losses for cash and cash equivalents is equally dealt with in IFRS 9. These are essentially deposited with banks or financial institutions selected based on long-standing positive experience and on bank ratings. The group assumes that its cash and cash equivalents exhibit a low credit risk on the basis of the external ratings of the banks and financial institutions.

Under IFRS 9, the group must ensure that hedge accounting is consistent with the goals and strategy of group risk management. The requirements of IFRS 9 are met for all types of hedge accounting that technotrans currently employs.

Currently exclusively interest rate swaps are used in the technotrans Group for hedging future interest payment streams. Under IAS 39, the interest rate swaps were accounted for at market price. Measurement gains and losses from market price changes were recognised income-neutrally within equity, under the hedging reserve. The amounts recognised within equity were recognised through profit or loss in the period in which the completed transaction influences the net income for the period. With IFRS 9, these amounts continue to influence the net income for the period at the time the hedged transaction influences the net income for the period.

Upon first-time adoption of IFRS 9, the group has the option of continuing to apply the accounting rules of IAS 39 for hedges instead of the requirements of IFRS 39. The group has decided to adopt the new requirements of IFRS 9.

IFRS 9 in addition requires extensive new disclosures, in particular on the credit risk and on expected credit losses as well as on hedge accounting.

Adoption of the new standard is mandatory for financial years beginning on or after January 1, 2018. The group intends to adopt the fully retrospective method for the transition.

The expected effects of the changes to IFRS 15 on the Consolidated Financial Statements:
Under IFRS 15, revenue realisation is to be assessed using a five-step model framework. This involves first identifying the customer contract and the separate performance obligations contained in it. Then the transaction price of the customer contract is to be determined and broken down according to the agreed separate performance obligations. Revenue realisation occurs in the amount of the pro

rata transaction price upon fulfilment of the individual performance obligation. The standard is to be adopted for the first time for financial years beginning on or after January 1, 2018. The group does not use the option of early first-time adoption of IFRS 15.

The technotrans group has conducted a detailed assessment of the effects of adopting IFRS 15. The material transactions and the related contracts with customers were investigated. As part of the investigation, the business transactions were appraised using the five-step model framework and the differences in quality from the accounting rules previously applicable and applied were assessed.

When goods are sold, revenue is currently recognised upon delivery and supply of the goods, and therefore at the point at which the customer accepts the goods as well as the accompanying risks and rewards incidental to the passage of ownership. Revenue is recognised at that point, provided the revenue and costs can be reliably measured, receipt of the fee is probable and there is no remaining right of disposal with regard to the goods. Under IFRS 15, revenue is recognised as soon as a customer acquires control over the goods. In the assessment of the group, currently the point of revenue realisation corresponds to the point of realisation under IFRS 15. We therefore expect no material changes compared with the previous practice under IAS 18.

Services are provided e.g. on the basis of a single agreement in various reporting periods. The entire fee for service contracts is broken down for the services based on the relative fair values. According to IFRS 15 the entire fee for the service contracts is spread over all services, based on their standalone selling prices. The standalone selling prices are determined on the basis of the list prices at which the group offers the services in separate transactions. Based on the group's assessment, the fair values and standalone selling prices of the services are broadly comparable. For that reason, we do not expect any material differences with regard to the point at which revenues for these services are recorded.

The group has completed its implementation projects on accounting for revenue from contracts with customers and does not expect any material changes compared with the previous practice under IAS 18. Additional quantitative and qualitative disclosures will be necessary compared to the current IAS 18 rules.

The group intends to apply the modified retrospective method, with recognition of cumulative adjustment amounts at January 1, 2018, in its Consolidated Financial Statements for the transition to IFRS 15. This means that the group will not apply the requirements of IFRS 15 for every comparative period shown.

The expected effects of the changes to IFRS 16 on the Consolidated Financial Statements: The group has completed an initial assessment of the possible effects on its Consolidated Financial Statements, but a detailed assessment has not yet been completed. The actual effects of the adoption of IFRS 16 on the Consolidated Financial Statements at the time of first adoption will depend on the future economic conditions, such as the interest rate for the group at January 1, 2019, the composition of the leases portfolio at that point, the group's assessment of the exercising of extension options and the extent to which the group uses practical expedients and recognition exemptions.

The standard has material effects on the presentation of the net worth, financial position and financial performance. Whereas payment obligations for operating leases were previously disclosed in the Notes, in future the resulting rights and obligations are to be recognised as right-of-use assets and lease liabilities. technotrans AG expects a significant increase in the balance sheet total at the time of first adoption in view of the rise in lease liabilities, as well as a similarly steep rise in fixed assets from the right-of-use assets to be capitalised. At December 31, 2017 the future minimum lease payments under non-cancellable operating leases for the business premises and for completed motor vehicle lease agreements amount to € 4,429 thousand. The increase in the lease liabilities additionally results in a corresponding rise in net borrowings. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. This will lead to an improvement in EBIT and to a rise in the operating cash flow in the Cash Flow Statement.

No significant impact is expected for the group's finance leases.

The group does not expect the adoption of IFRS 16 to have any material impact on compliance with the group's capital management targets or on the obligation to adhere to financial indicators (financial covenants) (cf. Note 10 "Equity").

The standard is to be adopted for the first time for financial years beginning on or after January 1, 2019. The group does not use the option of early first-time adoption of IFRS 16. The overall effects will be investigated in a group-wide project on the implementation of IFRS 16, but no reliable estimate of the quantitative effects will be possible until that project has been completed. No decision has yet been taken on which transitional method is to be used.

b) EU endorsement pending

In addition, the IASB published standards and interpretations that have not yet been adopted by the European Union. Of these, the following standards are of relevance for the group. The effects on the Consolidated Financial Statements are currently being examined.

Standard/interpretation	**Adoption from** (financial years starting on or after …)	**Content**	**Anticipated effects on the Consolidated Financial Statements**
Amendment to **IFRS 2**: Classification and Measurement of Share-based Payment Transactions	January 1, 2018	The amendments relate to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for tax to be withheld, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	None
Amendment to **IFRS 10** and **IAS 28**: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	The amendments address a known inconsistency between the rules of IFRS 10 and IAS 28 (2011) in the event of the disposal of assets to an associate or joint venture or the contribution of assets to an associate or joint venture.	None
Amendment to **IAS 40**: Transfers of Investment Property	January 1, 2018	The amendment of IAS 40 has the purpose of clarification. In which cases classification of a property as investment property starts or ends if the property is still under construction or development. The non-exhaustive list provided in IAS 40.57 meant the classification of non-completed properties was previously unclear. The list is now treated as explicitly non-exhaustive, so that properties not yet completed may likewise be subsumed under the rule.	None
IFRIC 22: Foreign Currency Transactions and Advance Consideration	January 1, 2018	IFRIC 22 addresses a question regarding IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies at what point the exchange rate is determined for the translation of foreign currency translation which include the payment or receipt of advance consideration. The exchange rate for the underlying asset, income or expense is accordingly the date of recognition of the asset or liability resulting from advance consideration.	No significant
IFRS 14: Regulatory Deferral Accounts	EU endorsement not envisaged	Due to the extremely limited group of users, the European Commission will not propose IFRS 14 for adoption into EU law. There is consequently no requirement to report on IFRS 14 in the disclosures to IFRS 8.30. The standard is only included in the table for the sake of completeness.	None

IFRS 17: Insurance Contracts	January 1, 2021	IFRS 17 replaces IFRS 4 and therefore for the first time establishes uniform principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts as well as investment contracts with discretionary participation features. Under the IFRS 17 measurement model, groups of insurance contracts are measured, based on the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks as well as a contractual service margin that leads to a recognition of profit according to service performance.	None
Amendments to **IFRS 9**: Prepayment Features with Negative Compensation	January 1, 2019	The amendments concern a limited adjustment to the relevant assessment criteria for the classification of financial assets. In certain circumstances, prepayment features with negative compensation may be recognised at amortised cost or at fair value with no effect on income instead of at fair value through profit or loss.	No significant
Amendments to **IAS 28**: Long-term Interests in Associates and Joint Ventures	January 1, 2019	The amendments contain a clarification that IFRS 9 is to be applied to long-term interests in associates or joint ventures which are not accounted for using the equity method.	None
IFRIC 23: Uncertainty over Income Tax Treatments	January 1, 2019	The tax treatment of certain matters and transactions may depend on future recognition by the taxation authorities or fiscal judicature. IAS 12 Income Taxes lays down how actual and deferred taxes are to be accounted for. IFRIC 23 supplements the rules in IAS 12 with regard to taking account of uncertainty over the income tax treatment of matters and transactions.	No significant
Amendments to **IAS 19**: Plan Amendment, Curtailment or Settlement	January 1, 2019	In future, if a defined benefit plan is amended, curtailed or settled, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	No significant
Improvements to IFRS (2015 – 2017)	January 1, 2019	In the context of the annual improvement project, amendments were made to four standards (IFRS 3, IFRS 11, IAS 12 and IAS 23).	No significant

III. NOTES TO THE CONSOLIDATED BALANCE SHEET

Consolidated Statement of Changes in Fixed Assets

2016		Cost						
		at January 1, 2016	foreign currency translation differences	Additions from corporate acquisition	Additions	Disposals	Transfers	at December 31, 2016
		€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000
Property, plant and equipment	(1)							
Property*		20,568	19	1	45	– 2	14	20,645
Technical equipment and machinery		5,329	4	1.685	65	– 704	0	6,379
Other equipment, operating and office equipment		10,749	– 24	1.932	951	– 2,068	– 14	11,526
Construction in progress		64	0	0	465	0	0	529
		36,710	**– 1**	**3,618**	**1,526**	**– 2,774**	**0**	**39,079**
Intangible Assets	(3)							
Goodwill	(2)	5,828	0	17,316	0	0	0	23,144
Concessions, industrial and similar rights		12,129	8	7,642	116	– 176	0	19,719
Development expenditure recognised as an intangible asset		8,570	8	0	0	0	0	8,578
		26,527	**16**	**24,958**	**116**	**– 176**	**0**	**51,441**

2017		Cost						
		at January 1, 2017	foreign currency translation differences	Additions from corporate acquisition	Additions	Disposals	Transfers	at December 31, 2017
		€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000
Property, plant and equipment	(1)							
Property*		20,645	– 29	0	8,046	0	465	29,127
Technical equipment and machinery		6,379	– 51	0	802	– 41	2	7,091
Other equipment, operating and office equipment		11,526	– 175	0	1,552	– 875	25	12,053
Construction in progress		529	0	0	504	0	– 492	541
		39,079	**– 255**	**0**	**10,904**	**– 916**	**0**	**48,812**
Intangible Assets	(3)							
Goodwill	(2)	23,144	0	0	0	0	0	23,144
Concessions, industrial and similar rights		19,719	– 42	0	200	– 18	0	19,859
Development expenditure recognised as an intangible asset		8,578	– 30	0	367	0	0	8,915
		51,441	**– 72**	**0**	**567**	**– 18**	**0**	**51,918**

* Land, land rights and buildings, including buildings on land owned by others

Accumulated depreciatio					Residual carrying amounts
at January 1, 2016	Foreign currency translation differences	Depreciation for the year	Disposals	at December 31, 2016	at December 31, 2016
€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000
9,589	16	685	– 2	10,288	10,357
4,779	7	218	– 699	4,305	2,074
7,642	– 24	1.093	– 1,959	6,752	4,774
0	0	0	0	0	529
22,010	**– 1**	**1,996**	**– 2,660**	**21,345**	**17,734**
0	0	0	0	0	23,144
10,124	6	1,955	– 173	11,912	7,807
7,375	8	363	0	7,746	832
17,499	**14**	**2,318**	**– 173**	**19,658**	**31,783**

Accumulated depreciatio					Residual carrying amounts
at January 1, 2017	Foreign currency translation differences	Depreciation for the year	Disposals	at December 31, 2017	at December 31, 2017
€ ´000	€ ´000	€ ´000	€ ´000	€ ´000	€ ´000
10,288	– 23	756	0	11,021	18,106
4,305	– 44	464	– 41	4,684	2,407
6,752	– 138	1,685	– 669	7,630	4,423
0	0	0	0	0	541
21,345	**– 205**	**2,905**	**– 710**	**23,335**	**25,477**
0	0	0	0	0	23,144
11,912	– 36	1,949	– 18	13,807	6,052
7,746	– 30	363	0	8,079	836
19,658	**– 66**	**2,312**	**– 18**	**21,886**	**30,032**

1) Property, Plant and Equipment

By deed of August 16, 2016 GWK Gesellschaft Wärme Kältetechnik mbH acquired the business premises in Meinerzhagen at a purchase price of € 7,150 thousand. The transfer of title and payment of the purchase price were subject to a condition precedent. Upon fulfilment of these conditions in the 2017 financial year, title was transferred to GWK Gesellschaft Wärme Kältetechnik mbH and the purchase price paid. In addition, in the year under review technotrans Grundstücksverwaltungs GmbH acquired a plot of land in Baden-Baden for € 880 thousand, on which the new building for the production plant of Termotek GmbH is to be erected in 2018.

The additions within technical equipment and machinery as well as other assets, plant and other equipment mainly comprise replacement purchases.

As in previous years, no self-constructed assets were capitalised in the 2017 financial year. No write-downs or reversals were performed in the year under review. Property amounting to € 18,106 thousand (2016: € 10,357 thousand) belonging to the group is used as collateral for long-term loans (cf. Note 11 "Financial Liabilities").

2) Goodwill

The following table shows the residual carrying values of technotrans goodwill, broken down by segment:

	31/12/2017	31/12/2016
	€ '000	€ '000
segment technology: **Laser Cooling**	6,858	6,858
segment technology: **Plastic processing industry**	5,590	5,590
segment technology: **Cooling Technology**	2,966	2,966
	15,414	**15,414**
segment services: **Services**	6,969	6,969
segment services: **Translation Services**	585	585
segment services: **Software solutions for technical documentation**	176	176
	7,730	**7,730**
	23,144	**23,144**

In the 2017 financial year the goodwill arising from the acquisition of the shares of GWK Gesellschaft Wärme Kältetechnik mbH at September 9, 2016 in the amount of € 17,140 thousand was allocated to the cash-generating units in which the principal synergies from this business combination are expected to arise. The sum of € 1,615 thousand was allocated to the Laser Cooling group of cash-generating units and € 2,966 thousand to the Cooling Technology group of cash-generating units, both within the Technology segment. Based on the synergies, goodwill in the amount of € 6,969 thousand was allocated to the Services group of cash-generating units in the Services segment. The remaining pro rata goodwill amounting to € 5,590 thousand was allocated to the Plastics Engineering cash-generating unit within the Technology segment.

All six cash-generating units or groups of cash-generating units were tested for impairment according to IAS 36.10 in the 2017 financial year. For this, the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount is the higher of the two amounts of the fair value less proceeds of disposal, and the value in use. The fair value measurement was classified as a Level 3 fair value based on the input factors of the measurement technique used.

At technotrans, the recoverable amount corresponds to the value in use. The key assumptions made for this value in use were as follows: the starting point for the cash flow forecasts for goodwill was the budget for 2018 and revenue trends for the 2019 to 2022 financial years of the respective cash-generating units. No separate revenue plans for the cash-generating units in question were drawn up for subsequent financial years; instead, further average and constant revenue growth rates for the cash-generating units (long-term market trend for the respective industry) were assumed. Furthermore, the costs (materials, personnel and other costs) for each cash-generating unit were estimated on the basis of assumptions for the forecasting period; cost increases were suitably taken into account. All assumptions by the Board of Management are based on experience and reflect expectations concerning the relevant customers and industry.

The following table indicates the growth rates applied for the planning period, the average EBIT margins, the cost-of-capital rates used in discounting the forecast cash flows as well as the estimated constant growth rates after the planning period.

	revenue growth		average EBIT margin		after tax capital cost rate		terminal growth rate	
	2017	2016	2017	2016	2017	2016	2017	2016
Parameters used for the impairment test	%	%	%	%	%	%	%	%
segment technology: **Laser Cooling**	5.3	6.6	11.4	9.7	11.9	10.7	1.5	1.5
segment technology: **Plastic processing industry**	5.9		4.9		10.3		1.0	
segment technology: **Cooling Technology**	7.4		3.7		11.2		1.1	
segment services: **Services**	3.5		15.2		11.6		0.8	
segment services: **Translation Services**	4.2	5.0	17.7	15.0	10.9	9.9	1.5	1.5
segment services: **Software solutions for technical doumentation**	14.0	13.7	16.7	6.5	10.9	6.6	1.5	1.5

The values in use determined on the basis of these assumptions each exceed the carrying amounts of the cash-generating units.

3) Intangible Assets

Depreciation and amortisation of € 1,628 thousand (2016: € 1,508 thousand) concerns the intangible assets recognised in the course of purchase price allocation, all with a finite useful life.

Intangible assets arising from development activities are capitalised pursuant to IAS 38 if it is probable that future economic advantage will accrue from the use of the asset and the costs of the asset can be reliably determined. technotrans AG recognised intangible assets created through development in the amount of € 367 thousand in the 2017 financial year. In the previous year, only current development work was conducted and therefore no intangible assets were recognised.

The items capitalised were predominantly development projects for products outside the printing industry. These concern further development work in the spray lubrication application area as well as developments of cooling concepts that are used in the field of rapid charging of batteries in the e-mobility area.

Due to nonfulfilment of the requirements for recognition as stated in IAS 38, development costs amounting to € 7,528 thousand (2016: € 5,534 thousand) were recognised as an expense.

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 is allocated to the cost of sales, distribution costs, administrative expenses and development costs by means of cost centre accounting.

4) Other Financial Assets

	31/12/2017	31/12/2016
	€ '000	€ '000
Rent deposits	200	61
Other	31	31
	231	**92**

5) Inventories

	31/12/2017	31/12/2016
	€ '000	€ '000
Raw materials and supplies	14,423	13,019
Work in progress	8,408	8,698
Finished goods and merchandise	3,758	3,892
	26,589	**25,609**

Of total inventories, the amount of € 2,715 thousand (2016: € 5,632 thousand) is reported at the fair value, less production costs still to be incurred and distribution costs. Impairment of inventories totalling € 1,670 thousand (2016: € 1,143 thousand) was recognised as an expense in the 2017 financial year. Reversals of € 1,040 thousand (2016: € 946 thousand) in the same period led to an income, as higher net realisable values could be assumed than in the previous year.

6) Trade Receivables

In the Technology segment, receivables outstanding are owed mainly by major OEMs, as well as by end customers.

In the year under review, additions to the impairment of receivables totalling € 312 thousand (2016: € 86 thousand) were booked to distribution costs in the Income Statement. Impairment was applied in order to measure the receivables at fair value. This impairment reflects the actual credit risk. Impairment is applied in particular if the debtor is experiencing considerable financial difficulties. The amounts stated for trade receivables are fundamentally adjusted via a value adjustment account. Receivables are only derecognised once the debtor has opened insolvency proceedings or the receivable has become uncollectable.

The following table provides an overview of impairment of receivables:

	31/12/2017	31/12/2016
	€ '000	€ '000
Opening level	1,535	1,097
Addition of company acquisition	0	473
Allocated	312	86
Derecognition of receivables	-227	-45
Cash receipts for receivables written off	-62	-73
Exchange differences	-29	-3
Closing level	**1,529**	**1,535**

7) Income Tax Receivable

This mainly comprises ongoing income tax receivable.

8) Other Assets

	31/12/2017	31/12/2016
	€ '000	€ '000
Other financial assets		
Receivables from suppliers	265	192
Deposits	43	173
Other	288	359
	596	**724**
Other assets		
Prepaid expenses	731	669
Creditable input tax	208	194
Other	346	304
	1,285	**1,167**
	1,881	**1,891**

9) Cash and Cash Equivalents

Cash and cash equivalents comprise balances with banks and cash on hand. The fair value of cash and cash equivalents corresponds to the carrying amount. There were no marketable securities at the balance sheet date.

The development in cash and cash equivalents is shown in the Cash Flow Statement.

10) Equity

The development in equity is shown in the Statement of Movements in Equity. The equity of the group totalled € 69,750 thousand at December 31, 2017 (2016: € 61,880 thousand). Of this, € 197 thousand (2016: € 118 thousand) is attributable to non-controlling interests.

Issued Capital

At December 31, 2017 the issued capital (share capital) of technotrans AG comprised 6,907,665 issued and outstanding no par value registered shares. 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.

	Shared issued		Shares outstanding	
	2017	2016	2017	2016
Position at January 1	6,907,665	6,907,665	6,907,665	6,530,588
Issurance of treasury shares	0	0	0	374,915
Issued to employees (as remuneration component)	0	0	0	2,162
Acquisition of tresury shares	0	0	0	9,254
Issued to employees (as Christmas bonus)	0	0	0	9,254
Position at December 31	6,907,665	6,907,665	6,907,665	6,907,665

Authorised Capital

The Annual General Meeting on May 15, 2014 authorised the Board of Management to raise the share capital, with the consent of the Supervisory Board, by the issuance of new shares on one or more occasions by May 14, 2019, against contributions, by up to a total of € 3,450,000. No use was made of this authorisation in 2017.

Conditional Capital

At the Annual General Meeting on May 15, 2014 the Board of Management was, with the consent of the Supervisory Board, authorised to issue bearer and/or registered bonds with a term of a maximum of five years on one or more occasions up until May 14, 2019 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 consent 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 consent 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 2017 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 authorised capital (capital increase for contribution in kind) was paid into the capital reserve. The costs of the share issues were deducted.

The IFRS capital reserve corresponds to the capital reserve of the parent company according to the German Commercial Code. As a result of the change in 2009 to comply with the German Accounting Law Modernisation Act (BilMoG), in the event of disposal of treasury shares those amounts that would not have been allocated to the capital reserve under a purely IFRS approach must, after the change, likewise be allocated to the German Commercial Code capital reserve (devaluation from the period prior to the change). To maintain the German Commercial Code and IFRS capital reserves at identical levels, appropriate amounts are therefore withdrawn from the retained earnings and allocated to the capital reserve.

Retained Earnings

The retained earnings include profit carried forward and additional other reserves. Of these, an amount of € 691 thousand (2016: € 691 thousand) relates to the legal reserve of technotrans AG pursuant to Section 150 (2) of German Stock Corporation Act.

Pursuant to Section 268 (8) of the German Commercial Code, an amount of € 6 thousand (2016: € 9 thousand) due to the capitalisation of deferred taxes as well as an amount of € 19 thousand (2016: € 16 thousand) attributable to the difference pursuant to Section 253 (6) of the German Commercial Code from the measurement of the provision for pensions may not be distributed from the other retained earnings of the parent company.

Other Reserves

	31/12/2017	31/12/2016
	€ '000	€ '000
Exchange differences	-4,013	-3,721
Reserve for net investments in a foreign operation	-2,405	-2,047
Hedging reserve	-22	-58
	-6,440	**-5,826**

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 taxes (cf. Note 32 "Financial Instruments"). In the 2017 financial year, a gain of € 51 thousand (2016: € 60 thousand) was reported within equity with no effect on income. As in the previous year, no gains were realised. In return, deferred tax of € 15 thousand (2016: € 18 thousand) was booked with no effect on income.

technotrans AG has extended loans to its subsidiaries that are to be regarded as net investments in foreign businesses. 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. Exchange rate differences are only recognised through profit or loss upon liquidation or partial liquidation of the company.

In the 2017 financial year, currency translation losses from the above loans in the amount of € 358 thousand (2016: € 537 thousand gain) were netted directly within equity; because their liquidation or partial liquidation is not planned for the foreseeable future, as in the previous year no deferred taxes on these exchange rate losses were netted income-neutrally within equity in the financial year.

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. This item furthermore includes the differences resulting from the translation of the assets and liabilities of the international subsidiaries at the closing rate and from the translation of the expenses and income at the average rate for the year.

Treasury Shares

At the Annual General Meeting on May 15, 2014 the shareholders authorised the Board of Management to buy back treasury shares in accordance with Section 71 (1) No. 8 of German Stock Corporation Act. The scope of this authorisation is for the buying back of a portion of up to € 690,000.00 of the share capital (690,000 no par value shares, corresponding to 9.98 percent of the share capital at the time of the resolution) and is valid until May 14, 2019. 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. No transactions with treasury shares were conducted in the 2017 financial year.

Capital Management

At December 31, 2017 the equity ratio was 55.7 percent (2016: 51.0 percent). 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 5 percent 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 return on sales (long-term target margin for EBIT: 10 percent), the equity ratio (target: > 50 percent) 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.

One unsecured loan carries the obligation to adhere to certain financial indicators (financial covenants). The financial ratios, equity ratio, gearing and EBITDA margin are determined for the Consolidated Financial Statements and were complied with in the 2017 financial year.

11) Financial Liabilities

	31/12/2017	31/12/2016
	€ '000	€ '000
Short-term borrowings	3,837	5,068
Long-term borrowings	19,187	23,024
	23,024	**28,092**

Of the decrease in financial liabilities, the amount of € 5,068 thousand is attributable to the scheduled repayment of loans. There were no hedged liabilities at the balance sheet date. Interest rate hedges exist only in the case of financial liabilities.

Terms to Maturity of Financial Liabilities

	up to 1 year	1 to 5 years	over 5 years	Total	Interest p.a.	Collateral
	€ '000	€ '000	€ '000	€ '000		
€ fixed rate credit	741	2,963	741	4,445	1.00%	None
Variable € credit	429	1,714	429	2,572	3-month EURIBOR + 1.59%	None
€ fixed rate credit	214	1,143	1,143	2,500	1.45%	Land charge
€ fixed rate credit	0	1,250	1,250	2,500	1.45%	Land charge
€ fixed rate credit	0	1,250	1,250	2,500	1.70%	Land charge
Variable € credit	572	714	0	1,286	3-month EURIBOR cover via interest rate swap (fixed rate: 2.63%)	None
€ fixed rate credit	316	947	0	1,263	1.45%	Land charge
Variable € credit	0	1,500	0	1,500	6-month EURIBOR + 1.25%	Land charge
€ fixed rate credit	300	900	0	1,200	1.65%	Land charge
€ fixed rate credit	36	143	603	782	4.50%	Land charge
€ fixed rate credit	245	429	0	674	3.31%	Land charge
€ fixed rate credit	422	105	0	527	2.00%	None
Variable € credit	157	275	0	432	3-month EURIBOR cover via interest rate swap (fixed rate: 3.40%)	Land charge
€ fixed rate credit	87	130	0	217	1.71%	Chattel mortgage
Variable € credit	140	0	0	140	3-month EURIBOR cover via interest rate swap (fixed rate: 2.81%)	Land charge
lease purchase	49	86	0	135	3.05%	Chattel mortgage
€ fixed rate credit	18	70	22	110	2.35%	Chattel mortgage
€ fixed rate credit	13	50	15	78	2.10%	Chattel mortgage
€ fixed rate credit	44	27	0	71	3.10%	Chattel mortgage
lease purchase	32	33	0	65	3.08%	Chattel mortgage
€ fixed rate credit	21	5	0	26	3.10%	Chattel mortgage
€ fixed rate credit	1	0	0	1	3.15%	Chattel mortgage
	3,837	**13,734**	**5,453**	**23,024**		

The secured bank loans are collateralised with land and buildings with a carrying amount of € 9,197 thousand (2016: € 9,775 thousand) and with property, plant and equipment with a carrying amount of € 857 thousand (2016: € 1.101 thousand).

No collateral was furnished for loans amounting to € 527 thousand (2016: € 1,009 thousand).

12) Other Financial Liabilities

	31/12/2017	31/12/2016
	€ '000	€ '000
Contingent purchase price Ovidius GmbH	1,065	1,104
Assumption of debt company acquisition GWK	0	248
Long-term liabilities from finance lease	8	7
	1,073	1,359

With regard to the conditional purchase price for Ovidius GmbH, please refer to Note 32 “Financial Instruments”.

With regard to the assumption of liabilities in the context of the corporate acquisition of GWK Gesellschaft Wärme Kältetechnik mbH, please refer to Note 17 “Other Liabilities”.

13) Trade Payables

As a result of business expansion, the portfolio of trade payables increased to € 6,602 thousand (2016: € 4,809 thousand) at the reporting date. All trade payables have a term of up to one year.

14) Prepayments Received

The prepayments received originate in the main from project business. They are used for financing the finished goods included in the inventories but from which no revenue has yet been realised. Of the prepayments received, € 3,910 thousand relates to project business of GWK Gesellschaft Wärme Kältetechnik mbH and € 625 thousand to technotrans AG.

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, 2017	5,633	1,404	2,482	276	9,795
Exchange rate movements	-80	-12	-16	0	-108
Used	3,113	567	1,048	11	4,739
Reversed	51	202	1,170	23	1,446
Compounding	6	0	0	3	9
Allocated	4,764	1,249	1,451	0	7,464
Closing level at December 31, 2017	7,159	1,872	1,699	245	10,975
Long-term provisions	957	0	15	234	1,206
Short-term provisions	6,202	1,872	1,684	11	9,769

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.

There exists a partial retirement employment contract with one employee. The obligation from this partial retirement employment contract was determined actuarially. The calculation is based on an interest rate of 1.4 percent (2016: 1.8 percent). Partial retirement obligations are covered against possible bankruptcy pursuant to Section 8a of the German Partial Retirement Act. To provide cover, cash was paid into a money market fund (Deka Investments) and pledged in favour of the employee. Under IAS 19.7 the assets constitute “plan assets” and are netted with the corresponding provision. Income from the plan assets is netted with the corresponding expenses. No income was realised in the 2016 and 2017 financial years. Cash of € 24 thousand was invested at December 31, 2017 (2016: € 63 thousand).

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.

In the course of its general business activities technotrans is involved in court and out-of-court litigation, the outcome of which cannot be predicted with certainty. Litigation may for example arise in connection with product liability cases and warranties. Where such risks arising are not already insured against, provisions are formed if a call is probable and the likely amount of the provision required can be estimated reliably. The provision of € 1,018 thousand reported at the 2016 balance sheet date was released in full to profit or loss as a result of a settlement reached in the 2017 financial year. At the 2017 balance sheet date, no provisions were formed for litigation settlements from product liability and warranties.

The miscellaneous other provisions comprise costs for the preparation of the annual accounts, commission payments and other costs. In this case, too, the factor of uncertainty is principally the amount in question.

A direct pension pledge has been made to employees of the former BVS Beratung Verkauf Service Grafische Technik GmbH. Pensions are already paid for all employees. 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 is based on an interest rate of 1.6 percent (2016: 1.0 percent) and a pension trend of 2.0 percent (2016: 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 2017 amount to € 3 thousand (2016: € 5 thousand). The actuarial gain amounts to € 23 thousand (2016: € 33 thousand loss). The actuarial gain was recognised in other comprehensive income. Pension payments amounting to € 11 thousand (2016: € 11 thousand) were made in 2017.

16) Income Tax Payable

In the year under review, income tax payable relates substantially to technotrans AG and its controlled companies as well as to GWK Gesellschaft Wärme Kältetechnik mbH.

17) Other Liabilities

	31/12/2017	31/12/2016
	€ '000	€ '000
Other financial liabilities		
Debtors with credit balances	418	434
Assumption of debt company acquisition GWK	248	248
Current liabilities from derivative financial instruments	33	83
Loans	0	1,102
Other financial liabilities	586	764
	1,285	2,631
Other liabilities		
Sales tax	821	1,073
Operating taxes	758	847
Liabilities in respect of social insurance	111	119
Other	607	637
	2,297	2,676
	3,582	5,307

In the context of the corporate acquisition of GWK Gesellschaft Wärme Kältetechnik mbH in the 2016 financial year, an entitlement of the remaining minority shareholder to distribution of a profit share in the amount of € 497 thousand was assumed. The entitlement was recognised as a liability upon first-time consolidation. The distributions are being made in two equal amounts in the 2017 and 2018 financial years. Payment of the amount of € 248 thousand reported in the previous year under other non-current liabilities will be due in April 2018.

The loan of € 1,102 thousand reported in the previous year was in respect of the leasing company of GWK Gesellschaft Wärme Kältetechnik mbH. This loan was repaid in the 2017 financial year with the acquisition of the property.

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. For deliveries, revenue is therefore realised in accordance with the agreed terms of delivery; for services, it is realised when the service has been performed.

Revenue is shown broken down by division in the segment report. € 176,935 thousand (2016: € 130,408 thousand) is the result of the sale of goods including sales of parts, and € 45,956 thousand (2016: € 21,384 thousand) from the provision of services. The geographical composition of revenue in 2017 was Germany € 110,338 thousand (2016: € 80,006 thousand), Rest of Europe € 48,048 thousand (2016: € 35,660 thousand), America € 23,993 thousand (2016: € 20,884 thousand), Asia € 22,242 thousand (2016: € 14,979 thousand) and Africa € 474 thousand (2016: € 262 thousand).

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 amount for inventories reported as an expense in the period under review broadly corresponds to the costs of materials (raw materials, consumables and changes in inventories of finished goods and work in progress). The costs of the field service and the expense arising in connection with warranty obligations are likewise reported under cost of sales. Other cost of sales is mainly comprised of other building costs.

	2017	2016
	€ '000	€ '000
Cost of materials	79,422	58,691
Cost of labour	39,104	28,191
Subcontractors, personnel leasing	8,436	7,077
Travel expenses	1,950	1,517
Warranty	1,947	987
Depreciation and amortisation	1,911	1,187
Tenancy and leasing costs	1,192	1,107
Maintenance	977	542
Operating requirements	889	626
Energy expenses	820	511
Other	201	134
	136,849	100,570

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. In addition, depreciation and amortisation of the intangible assets recognised in the course of purchase price allocation (customer relationships and brands) is reported under distribution costs. This item also includes sales-related expenditure for commissions and impairment of receivables

	2017	2016
	€ '000	€ '000
Cost of labour	15,267	12,125
Logistics costs	4,240	3,061
Depreciation and amortisation	1,971	1,879
Travel expenses	891	816
Promotional and exhibition costs	863	801
Tenancy and leasing costs	775	670
Sales commissions	663	389
Impairment of receivables	312	86
Other	1,471	1,296
	26,453	**21,123**

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.

	2017	2016
	€ '000	€ '000
Cost of labour	10,156	8,252
IT costs	1,956	1,557
Consultancy, audits	1,454	1,827
Depreciation and amortisation	920	911
Insurances	867	639
Tenancy and leasing costs	612	654
Travel expenses	395	445
Telephone and postage	331	325
Investor relation	312	274
Contributions	310	161
Other	1,283	1,183
	18,596	**16,228**

	2017	2016
	€ '000	€ '000
fees for		
Auditing of the financial statements	287	299
Tax consultancy services	4	14
Other services	0	13
	291	**326**

KPMG AG WPG has audited the annual financial statements and Consolidated Financial Statements of technotrans AG and conducted various annual accounts audits at subsidiaries. We received tax advice from KPMG AG WPG in connection with advice on international matters.

In the 2017 financial year, the fees for the auditors recorded as an expense pursuant to Section 319 (1) first and second sentences of the German Commercial Code amounted to € 291 thousand (2016: € 326 thousand). The figures for the 2017 financial year include the fees and expenses of the auditors of the Consolidated Financial Statements, KPMG AG WPG, for the auditing of the Consolidated Financial Statements and the auditing of the annual financial statements of technotrans AG, KLH Kältetechnik GmbH and GWK Gesellschaft Wärme Kältetechnik mbH.

22) 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 (see Note 3 “Intangible Assets”).

23) Other Operating Income

	2017	2016
	€ '000	€ '000
Income unrelated to the accounting period		
Reversal of provisions	1,085	86
Book profits on the disposal of assets	294	75
Other income unrelated to the accounting period	122	179
	1,501	**340**
Other operating income		
Foreign currency gains	283	558
Income from tenancy agreements	204	196
Personnel-related revenue	732	954
Insurance payments	109	117
Other	1,078	684
	2,406	**2,509**
	3,907	**2,849**

Reversals of provisions mainly comprise the reversal of the provision for litigation settlements from product liability and warranties in the amount of € 1,018 thousand (cf. Note 15 "Provisions").

The other income unrelated to the accounting period comprises for example cash receipts from previously impaired receivables, and the other operating income includes development cost contributions from customers. Foreign exchange gains predominantly comprise exchange gains realised through operating activities.

24) Other Operating Expenses

	2017	2016
	€ '000	€ '000
Expenses unrelated to the accounting period		
Book losses on the disposal of assets	41	16
Other expenses unrelated to the accounting period	47	63
	88	**79**
Other operating expenses		
Foreign currency losses	1,296	546
Other operating taxes	217	290
Other	537	540
	2,050	**1,376**
	2,138	**1,455**

Foreign exchange losses result mainly from unrealised changes in the measurement of bank credit balances in foreign currency as well as the measurement of intragroup assets and liabilities.

25) Net finance costs

	2017	2016
	€ '000	€ '000
Financial income	145	210
Financial charges	-620	-785
Net finance costs	**-475**	**-575**

The interest income in the amount of € 14 thousand (2016: € 25 thousand) is from interest on bank credit balances. Interest income from the compounding of the corporation tax credit balances for the last time amounted to € 2 thousand in the 2017 financial year (2016: € 5 thousand). In addition, € 65 thousand (2016: € 0 thousand) resulted from the measurement of the long-service obligations existing at the reporting date as well as € 64 thousand from the termination of the conditional purchase price obligation (cf. Note 12 “Other Financial Liabilities”). In the previous year, € 180 thousand was reported for the termination of the conditional purchase price for the KLH companies.

The interest expenses comprise mainly interest charged on the group’s financial liabilities. This item additionally includes interest expenses from compounding as well as from changes to the discount rate in the amount of € 34 thousand.

No borrowing costs were capitalised in the reporting period.

26) Income Tax Expense

	2017	2016
	€ '000	€ '000
Actual income tax expense		
Tax expense for the period	-4,881	-2,507
Tax expense unrelating to the accounting period	188	-21
	-4,693	**-2,528**
Deferred tax		
Occurrence or reversal of temporary differences	465	79
Reduction of the tax rate	-567	0
Recognition or utilization of deferred tax assets of previously unrecognized tax loss carryforward	-149	555
Recognition of non-recorded or impairment on deferred taxes on temporary differences	251	0
	0	**634**
	-4,693	**-1,894**

Income tax expense includes corporation income tax and trade earnings tax for the domestic companies, and also comparable taxes on income for the foreign businesses. 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 tax rate in Germany of 30.25 percent (2016: 30.26 percent) calculated for the year under review is based on a corporation tax rate of 15.00 percent, a solidarity surcharge of 5.50 percent and an effective trade earnings tax rate of 14.43 percent (2016: 14.44 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.

2017	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Balance at 31 December: Net	Balance at 31 December: Deferred tax assets	Balance at 31 December: Deferred tax liabilities
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current assets	-2,218	523	0	0	-1,695	342	2,036
Inventories	249	166	0	0	415	448	33
Receivables	124	170	0	0	294	294	0
Provisions	174	-6	-10	0	158	264	106
Liabilities	51	-17	-15	0	19	19	0
Loss carryforwards	1,845	-836	0	0	1,009	1,009	0
Tax assets (liabilities) before offsetting	**225**	**0**	**-25**	**0**	**200**	**2,376**	**2,175**
Offsetting						342	342
Net tax assets (liabilities)					**200**	**2,034**	**1,833**

2016	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Balance at 31 December: Net	Balance at 31 December: Deferred tax assets	Balance at 31 December: Deferred tax liabilities
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current assets	-350	470	0	-2,338	-2,218	341	2,559
Inventories	335	-86	0	0	249	277	28
Receivables	118	6	0	0	124	124	0
Provisions	64	69	10	31	174	280	106
Liabilities	62	7	-18	0	51	51	0
Loss carryforwards	715	168	0	962	1,845	1,845	0
Tax assets (liabilities) before offsetting	**944**	**634**	**-8**	**-1,345**	**225**	**2,918**	**2,693**
Offsetting						478	478
Net tax assets (liabilities)					**225**	**2,440**	**2,215**

The deferred tax liabilities from non-current assets include deferred tax liabilities totalling € 1,725 thousand (2016: € 2,225 thousand) in respect of the intangible assets recognised from the business combinations.

There are tax loss carryforwards amounting to € 12,760 thousand (2016: € 17,394 thousand) for 2017. Deferred taxes amounting to € 1,009 thousand (2016: € 1,845 thousand) were recognised as an asset on an amount of € 4,041 thousand (2016: € 5,466 thousand) in agreement with IAS 12.34. No deferred tax assets were recognised on the remaining loss carryforwards of € 8,719 thousand (2016: € 11,928 thousand) and on deductible temporary differences of € 983 thousand (2014: € 1,580 thousand). The loss carryforwards may be carried forward for 20 years in the USA (€ 1,617 thousand; 2016: € 4,942 thousand), for nine years in Japan (€ 86 thousand; 2016: € 109 thousand) and for an unlimited period in other cases. In view of negative earnings expectations of the companies in Asia, technotrans américa latina ltda. and technotrans scandinavia AB, no deferred taxes were created on the loss carryforwards.

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

	2017	2016
	€ '000	€ '000
Applicable tax rate	30.25%	30.26%
Consolidated earnings before taxes on income	16,963	9,156
Theoretical tax expense/income	-5,132	-2,771
Differences compared with local tax rates	72	-115
Impairment (-) or reversal of impairment (+) on deferred tax assets on tax loss carryforwards and temporary differences	251	555
Expense or income from the non-recognition of deferred tax assets on tax losses ocurring in the financial year and temporary differences	-22	194
Tax effect from the use of deferred taxes on temporary differences and from tax loss carryforwards following impairment	421	718
Tax effect of non-deductibility of business expenses and tax-exempt income	97	-496
Changes to deferred tax resulting from tax rate changes	-567	0
Other taxes not relating to the period	187	21
Actual and deferred income tax expense	-4,693	-1,894

In the year under review there were only deferred taxes recognised in other comprehensive income from the change in cash flow hedges in the amount of € -15 thousand (2016: € -18 thousand) and from the change in the pension obligation in the amount of € -10 thousand (2016: € 10 thousand). As in the previous year, exchange rate differences from net investments in a foreign business did not lead to any deferred tax in the 2017 financial year. The total deferred taxes recognised in other comprehensive income (€ 576 thousand; 2016: € 601 thousand) result from net investments in a foreign business in the amount of € 550 thousand (2016: € 550 thousand), from pension obligation in the amount of € 16 thousand (2016: € 26 thousand) and from cash flow hedges in the amount of € 10 thousand (2016: € 25 thousand).

27) Earnings Per Share

The figure for basic earnings per share is obtained by dividing the share of earnings attributable to the shareholders of technotrans AG by the weighted average number of ordinary shares outstanding in the financial year:

		2017	2016
Net profit for the period	€ '000	**12,270**	**7,262**
of which:			
Profit attributable to technotrans AG shareholders		12,191	7,192
Profit/loss attributable to non-controlling interests		79	70
Average number of ordinary shares outstanding in the year		6,907,665	6,586,905
Basic/diluted earnings per share	in €	**1.76**	**1.09**

In the 2017 financial year there were once again no stock options that would have had a dilutive effect on earnings per share pursuant to IAS 33.

V. NOTES TO THE SEGMENT REPORT

		Technology	Services	Consolidated/ not allocated	Group
		€ '000	€ '000	€ '000	€ '000
External revenue	**2017**	**147,570**	**57,525**	**0**	**205,095**
	2016	103,623	48,169	0	151,792
Inter-segment revenue	**2017**	**0**	**1,583**	**-1,583**	**0**
	2016	0	1,443	-1,443	0
Segment result	**2017**	**8,142**	**9,296**	**0**	**17,438**
	2016	2,873	6,858	0	9,731
Depreciation and amortisation	**2017**	**4,114**	**1,103**	**0**	**5,217**
	2016	3,672	642	0	4,314

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 the sale of equipment and systems in the field of liquid technology, in the application areas of cooling and temperature control ("temperature control" Business Unit), filtering separating ("fluid conditioning" Business Unit) as well as spraying and pumping ("ink technology" Business Unit). 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 generated by gds Sprachenwelt GmbH from translation services is equally allocated to the Services segment.

Revenue in the 2017 and 2017 financial years was generated in the following areas:

	31/12/2017	31/12/2016
	€ '000	€ '000
Technology		
Business Unit "temperature control"	128,822	85,212
Business Unit "fluid conditioning"	9,757	8,530
Business Unit "ink technology"	8,991	9,881
	147,570	**103,623**
Service		
Spare parts	29,365	27,627
Product related services	21,440	14,442
Technical documentation (incl. translation services)	6,720	6,100
	57,525	**48,169**

The revenue amounting to € 205,095 thousand (2016: € 151,792 thousand) comprises € 110,338 thousand (2016: € 80,007 thousand) generated in Germany and € 94,757 thousand (2016: € 71,785 thousand) generated internationally. The latter component included € 18,087 thousand (2016: € 14,502 thousand) from the USA and € 7,699 thousand (2014: € 4,633 thousand) from China. Revenue is classified on the basis of the domicile of the customer with which the revenue is realised.

The non-current assets amounting to € 57,773 thousand (2016: € 52,049 thousand) can be broken down by region as follows: Germany € 55,800 thousand (2016: € 50,100 thousand) and international € 1,973 thousand (2016: € 1,949 thousand).

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 information comprises both directly allocable amounts and amounts that can reasonably be split. 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 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 € 17,438 thousand (2016: € 9,731 thousand), reduced by the net finance costs reported in the Income Statement of € -475 thousand (2016: € -575 thousand), produces the accounting profit of € 16,963 thousand (2016: € 9,156 thousand).

Within the group's total revenues, one customer of the Technology and Services group segments accounts for € 23 million of the group's total revenues.

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 € 11,409 thousand (2016: € 9,703 thousand) in the past financial year. This includes cash from operating activities amounting to € 14,273 thousand (2016: € 12,211 thousand) as well as interest and income tax received and paid amounting to € -2,864 thousand (2016: € -2,508 thousand). The change in working capital in 2017 resulted in a negative cash flow contribution overall.

29) Cash Flow from Investing Activities

The cash flows from investing activities comprise cash payments for investments in property, plant and equipment amounting to € 10,904 thousand (2016: € 1,526 thousand) and for investments in intangible assets of € 567 thousand (2016: € 116 thousand).

Furthermore, the first profit share amounting to € 248 thousand was distributed to the remaining minority shareholder in the year under review. In the context of the acquisition of GWK Gesellschaft Wärme Kältetechnik mbH, an entitlement of the remaining minority shareholder to distribution of a profit share in the amount of € 497 thousand was assumed.

30) Cash Flow from Financing Activities

Repayments amounting to € 5,068 thousand (2016: € 5,953 thousand) on short-term and long-term loans were made during the year under review. In addition the amount of € 3,799 thousand (2016: € 3,136 thousand) was distributed to shareholders.

31) Cash and Cash Equivalents at End of Period

Cash comprises cash on hand and demand deposits. 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. No offsetting of financial assets and liabilities was performed.

	Section	31/12/2017	31/12/2016
		€ '000	€ '000
Hedging instruments and liabilities reported at fair value			
Market value of interest rate swaps	17	33	83
Non-current conditional purchase price	12	1,065	1,104
		1,098	**1,187**
Loans and receivables			
Rent deposits	4/8	243	234
Trade receivables	6	24,182	17,787
Receivables from suppliers	8	265	192
Other financial assets	8	319	390
Cash and cash equivalents	9	14,798	23,929
		39,807	**42,532**
Financial liabilities measured at amortised cost			
Borrowings	11	23,024	28,092
Other non-current financial liabilities	12	8	7
Assumption of debt company acquisition GWK	12/17	248	496
Trade payables	13	6,062	4,809
Loans	17	0	1,102
Debtors with credit balances	17	418	434
Other current financial liabilities	17	586	764
		30,346	**35,704**

Net Gains or Losses on Financial Instruments by Measurement Category

	From interest	From subsequent measurement			2017	2016
		At fair value	Currency translation	Impairment		
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Hedging instruments and liabilities reported at fair value	-25	64	0	0	39	166
Loans and receivables	14	0	-584	-312	-882	-280
Financial liabilities measured at amortised cost	-586	0	0	0	-586	-458
	-597	**64**	**-584**	**-312**	**-1,429**	**-572**

Classifications and Fair Values

The following table shows the carrying amounts of financial assets and liabilities, including their levels in the fair value hierarchy. It does not contain any information on the fair value for financial assets and financial liabilities that were not measured at fair value if the carrying amount represents a suitable approximation of the fair value. The various levels are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities

Level 2: Valuation factors other than quoted market prices that are observable directly (i.e. as prices) or indirectly (i.e. derived from prices) for assets or liabilities

Level 3: Valuation factors for assets and liabilities that are not based on observable market data

	31/12/2017		31/12/2016		
	Carrying amount	Fair value	Carrying amount	Fair value	Fair value hierarchy
	€ '000	€ '000	€ '000	€ '000	
Financial liabilities measured at fair value					
Market value of interest rate swaps	-33	-33	-83	-83	Level 2
Conditional long-term purchase price	-1,065	-1,065	-1,104	-1,104	Level 3
	-1,098	**-1,098**	**-1,187**	**-1,187**	
Financial assets and liabilities not measured at fair value					
Rent deposits	243	243	234	234	Level 2
Trade receivables	24,182	24,182	17,787	17,787	
Receivables from suppliers	265	265	192	192	
Other assets	319	319	390	390	
Cash and cash equivalents	14,798	14,798	23,929	23,929	
Borrowings	-23,024	-23,080	-28,092	-28,202	Level 2
Other non-current liabilities	-8	-8	-7	-7	Level 2
Assumption of debt company acquisition GWK	-248	-248	-496	-496	
Trade payables	-6,062	-6,062	-4,809	-4,809	
Loans	0	0	-1,102	-1,102	
Debtors with credit balances	-418	-418	-434	-434	
Other current liabilities	-586	-586	-764	-764	
	9,461	**9,405**	**6,828**	**6,718**	
	8,363	**8,307**	**5,641**	**5,531**	
Gains (+) or losses (-) not entered		-56		-110	

There were no transfers between the fair value hierarchy levels in the financial year.

The carrying amounts for the financial instruments (for example, cash and cash equivalents, trade receivables and payable as well as 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 applied 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 financial liabilities 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 current reference interest rates of banks at the balance sheet date were requested and used in determining fair values. In accordance with the term, the reference interest rates were between 1.10 percent and 2.80 percent. An appropriate risk premium was added.

The market values of the interest rate swaps are calculated on the basis of observable expected returns of major

German banks on the basis of the expected present value of the future cash flows.

In the context of the acquisition of the shares of Ovidius GmbH in the 2016 financial year, put/call options were agreed with the remaining minority shareholders. The calculation of the purchase price is fixed until 2021. The purchase price is dependent on the average revenue and earnings performance (EBIT) of the acquired company in the years 2017 to 2020. The fair value was determined on the basis of the multiples method, taking account of the planned financial indicators of the acquired companies for this period. From 2022, the purchase price is determined on the basis of the company valuation according to DCF methodology. The conditional purchase price was discounted using a risk-free cost-of-capital rate. The participating interest of gds GmbH in Ovidius GmbH may be increased to 100 percent through exercise. technotrans opted for the “anticipated acquisition method” to reflect the acquisition in accounting terms. Accordingly, the acquisition of the outstanding non-controlling interests was recognised upon initial consolidation in the form of a conditional purchase price liability of € 1,090 thousand. The adjustments to the conditional purchase prices are effected through profit or loss.

In the 2017 financial year a minority shareholder with an interest of 4.8 percent terminated their employment at EasyBrowse GmbH, which prompted gds GmbH to exercise its call option to acquire those shares. The option conditions produced a purchase price of € 0. Based on the current planning horizon, no significant changes in the conditional purchase price from this corporate acquisition are expected.

The fair value of these put/call options is € 1,065 thousand (2016: € 1,104 thousand). For the valuations (multiplier method) an expected average revenue amounting to € 2,356 thousand for the years 2017 to 2020 and an average EBIT margin of 8.0 percent, discounted with a risk-adjusted interest rate of 2 percent, were assumed. Material non-observable factors are the average revenues, the EBIT margins and the discount rate. Due to changes in the factors over time, the fair values may turn out to be higher or lower. A reduction in the EBIT margin of one percentage point would lead to a reduction of € 103 thousand in the fair value of the conditional purchase price payment. An average 10 percent reduction in revenue would lead to a reduction of € 96 thousand. The effects of the increase in the input factors would correspondingly work against the fair value to the same extent. Changes in the discount rate by one percentage point would lead to an increase of € 39 thousand or a decrease of € 37 thousand in the fair value.

Reconciliation of Level 3 Fair Values

The following table shows the reconciliation between the opening and closing amounts for Level 3 fair values.

	Conditional purchase prices
	€ '000
Position at January 1, 2016	**355**
Acquisitions	1,090
Payments	-175
Loss or income recognised as financial charges	
Change in fair value	-180
Interest costs	14
Position at December 31, 2016 / January 1, 2017	**1,104**
Loss or income recognised as financial charges	
Change in fair value	-64
Interest costs	25
Position at December 31, 2017	**1,065**

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

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. Banks are chosen on the basis of long-standing positive experiences and the banks' ratings.

There are credit risks equivalent to the reported carrying amounts of € 39,807 thousand (2016: € 42,532 thousand. The trade receivables are to some extent covered by credit insurance; the insured volume at the reporting date was € 7,731 thousand.

The bad debt risk includes a degree of risk concentration because OEMs in the various industries account for a substantial portion of receivables. technotrans generates a high revenue share with the world's leading printing press manufacturers. The printing industry continues to undergo a process of consolidation. No significant bad debt losses were incurred in the financial year.

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.

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:

	31/12/2017	31/12/2016
	€ '000	€ '000
By region		
Germany	11,196	8,215
Other eurozone countries	4,148	3,182
Rest of Europe	1,976	1,936
North America	3,557	2,490
South America	165	12
Asia and Middle East	3,140	1,952
	24,182	**17,787**
By customer group		
OEM Print	7,578	6,268
OEM (other)	6,888	4,033
End customers	9,716	7,486
	24,182	**17,787**
By age structure of receivables (without impairment)		
Carrying amount	**24,182**	**17,787**
of which: neither impaired nor overdue	18,884	14,202
of which: not impaired and		
overdue by up to 30 days	3,422	2,719
overdue by between 31 and 60 days	703	303
overdue by between 61 and 90 days	290	267
overdue by more than 90 days	883	296

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. It ensures that sufficient cash and cash equivalents are available at all times to settle liabilities. The group has an unsecured bank loan which is subject to an obligation to adhere to certain financial indicators (financial covenants). A future breach of those indicators could lead to the loan becoming repayable at an earlier date than indicated in the following table.

The future payment streams for contingent consideration (cf. Note 12) and from the interest rate swaps may differ from the amounts shown in the following table because interest rates or the relevant conditions are subject to change.

Except in the case of these financial liabilities, it is not expected that a payment stream included in the maturity analysis might arise significantly earlier or in a significantly different amount.

The cash and cash equivalents available are kept exclusively with banks with a very good credit rating. Continuing credit facilities amounting to up to € 17.0 million (2016: € 18.4 million) were also in place at the balance sheet date.

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, 2017							
Borrowings	23,024	24,547	2,095	2,102	4,334	10,549	5,467
Other non-current financial liabilities	1,073	1,144	n/a	n/a	8	991	145
Trade payables	6,062	6,062	6,054	8	n/a	n/a	n/a
Other current financial liabilities	1,252	1,252	1,252	n/a	n/a	n/a	n/a
Interest rate swaps	33	70	30	22	15	3	0
	31,444	33,075	9,431	2,132	4,357	11,543	5,612
At December 31, 2016							
Borrowings	28,092	30,060	3,436	2,081	4,193	12,283	8,067
Other non-current financial liabilities	1,359	1,359	n/a	n/a	255	1,104	0
Trade payables	4,809	4,809	4,800	9	n/a	n/a	n/a
Other current financial liabilities	2,548	2,548	2,548	n/a	n/a	n/a	n/a
Interest rate swaps	83	83	38	24	18	3	0
	36,891	38,859	10,822	2,114	4,466	13,390	8,067

Market Risks

technotrans pursues the objective of only being exposed to interest rate risks to a limited degree. Financial liabilities of € 17,094 thousand (2016: € 19,318 thousand) were therefore raised at a fixed interest rate. Long-term, variable-rate loans are hedged by the use of interest rate swaps, which are not needed in the case of short-term loans. Variable-rate loans amounting to € 1,858 thousand (2016: € 4,274 thousand) within this global loan amount (€ 5,930 thousand; 2016: € 8,774 thousand) are converted into fixed-rate loans by means of interest rate swaps. The group does not report any fixed-rate financial assets and liabilities at fair value through profit or loss, apart from the conditional purchase prices. Derivatives (interest rate swaps) are not intended as hedging instruments for fair values. A change in the interest rate at the reporting date would therefore not influence the gain or loss. The carrying amounts of the interest rate swaps are equally exposed to an interest rate risk.

The group is exposed to exchange rate risks in the context of its operating activities. At December 31, 2017 the trade receivables as well as the cash and cash equivalents were denominated mainly in euros; other noteworthy components were denominated in US dollars, Chinese renminbi, pounds Sterling and UAE dirhams. The foreign currency holdings quoted are held essentially by technotrans AG and the local national companies within the group.

		31/12/2017				31/12/2016			
		USD	CNY	GBP	AED	USD	CNY	GBP	AED
Trade receivables	in Thousand	3,635	4,252	194	322	2,107	4,034	342	668
	€ '000	3,031	545	219	73	1,999	551	399	173
Cash and cash equivalents	in Thousand	2,343	3,049	649	1,407	3,372	1,539	658	1,232
	€ '000	1,953	391	731	320	3,199	210	769	319

Financial liabilities are denominated predominantly in euros.

Net investments in a foreign business exist exclusively in Brazilian reals. Changes in exchange rates would have an equity effect.

Other 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, 2017.

Sensitivity Analysis

A potential 10 percent appreciation or weakening in the principal foreign-exchange closing rates against the euro 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	
	Increase	**Reduction**	**Increase**	**Reduction**
€ '000	+10 %	-10 %	+10 %	-10 %
At December 31, 2017				
USD	-630	630	-175	175
GBP	-68	68	-14	14
BRL	452	-452	10	-10
At December 31, 2016				
USD	-700	700	-215	215
GBP	-70	70	-15	15
BRL	469	-469	8	-8

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 percent change compared with the translation rates applied in the respective consolidated financial statements.

Market risks from interest rate fluctuations exist only for the interest rate swaps. A fall in the interest rate of one percentage point would have only a marginally negative impact on the valuation of the interest rate swap and therefore on equity.

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 (see Note 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
Payer-Swap	3,688	3,548	140	2.81	3-month EURIBOR	Sep. 2018	-2
Payer-Swap	4,000	2,714	1,286	2.63	3-month EURIBOR	Jan. 2020	-21
Payer-Swap	1,100	668	432	3.40	3-month EURIBOR	Aug. 2020	-10

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 13.82).

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. In cases where a hedge exists for a future transaction, it was accounted for as a hedging relationship only if it was considered very probable that this transaction would occur. 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 swaps are 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 € 33 thousand (2016: € 83 thousand) under the current “Other liabilities” (Note 17). The underlying loan transactions are measured at amortised cost, using the effective interest method.

The deferred tax on the negative market prices of € -15 thousand was netted against the hedging reserve in the financial year with no effect on income, with the result that the negative balance of the hedging reserve amounted to € 22 thousand at the reporting date.

	€ '000
Opening level at January 1, 2016	**-100**
Amount transferred to the Income Statement	77
Change of the market values of cash flow hedges	-17
Deferred tax on these not affecting income	-18
Level at December 31, 2016 / January 1, 2017	**-58**
Amount transferred to the Income Statement	60
Change of the market values of cash flow hedges	-9
Deferred tax on these not affecting income	-15
Closing level at December 31, 2017	**-22**

Reconciliation of Movements of Liabilities to Cash Flows from Financing Activities

	Liabilities	Equity	Total
	other financial liabilities	Retained earnings	
	€ '000	€ '000	€ '000
01/01/2017	**28,092**	**41,583**	**69,675**
Cash flow from financing activities			
Cash payments from the repayment of loans	-5,068	0	-5,068
Distribution to investors	0	-3,799	-3,799
Net cash used in financing activities	**-5,068**	**-3,799**	**-8,867**
Other changes			
Interest expences	586	0	586
Interest paid	-586	0	-586
Total other changes related to liabilities	0	0	0
Total other changes related to equity	0	13	13
31/12/2017	**23,024**	**37,797**	**60,821**

33) Future Payment Obligations

	31/12/2017				31/12/2016
	up to 1 year	1 to 5 years	over 5 years	Total	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Tenancy and operating lease agreements	1,886	2,592	113	4,591	5,622
Maintenance agreements	782	88	0	870	946
Other	91	8	0	99	7,253
	2,759	**2,688**	**113**	**5,560**	**13,821**

The future payment obligations are measured at their nominal amount; amounts in foreign currency were measured at the closing rate.

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

The future obligations from tenancy and lease agreements relate primarily to tenancy obligations for the business premises of subsidiaries and to the vehicle leasing agreements concluded. The expenditure for tenancy and lease agreements (minimum lease payments) in the year under review amounted to € 2,645 thousand (2016: € 2,484 thousand).

In the previous year the purchase price of € 7,150 thousand subject to a condition precedent agreed for GWK Gesellschaft Wärme Kältetechnik mbH for the business premises in Meinerzhagen was reported under other payment obligations. The purchase price was paid in 2017 with the fulfilment of the conditions.

34) Personnel Expenses

	2017	2016
	€ '000	€ '000
Wages and salaries	59,000	43,830
Christmas bonus (Christmas shares)	0	227
Other compensation components (Shares)	0	35
Social insurance	10,439	7,961
Expenses for retirement benefits and maintenance payments	1,149	887
	70,588	**52,940**

The wages and salaries item also includes payments made in connection with the termination of employment of € 115 thousand (2016: € 335 thousand).

Social insurance comprises expenditure for defined contribution plans (employer contributions to the compulsory state pension scheme) totalling € 5,131 thousand (2016: € 3,591 thousand).

In the 2016 financial year 2,162 ordinary shares were distributed to employees in the form of remuneration components for the last time; all shares had previously been acquired on the market under the share buy-back arrangements. Furthermore, 9,254 ordinary shares in technotrans AG were distributed to employees in the previous year by way of a Christmas bonus. These ordinary shares were acquired on the market in the 2016 financial year prior to issuance. No shares were issued to employees in the 2017 financial year.

35) Total Employees, Yearly Average

	2017	2016
Average number of employees	**1,293**	**990**
of which in Germany	1,132	831
of which abroad	161	159
Technicians/skilled workers	839	621
Academic background	272	225
Trainees	99	82
Other	83	62

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.

Since the 2011 financial year the remuneration system for the Board of Management has met 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.

In the year under review consultancy services in the amount of € 119 thousand (2016: € 143 thousand) were obtained from the law firm Hoffmann, Liebs, Fritsch & Partner, Düsseldorf, in which Dr Norbert Bröcker is a partner. All services were procured at arm's length terms.

Payments to Members of the Board of Management and Supervisory Board

	2017	2016
	€ '000	€ '000
Board of Management		
Regular payments		
of which fixed	724	717
of which variable	673	726
	1,397	**1,443**
Supervisory Board		
Regular payments		
of which fixed	79	79
of which variable	171	105
	250	**184**

In addition to the remuneration paid in the financial year, the members of the Board of Management are entitled to a profit share of € 500 thousand (2016: € 416 thousand) that is conditional on the attainment of future targets focusing on sustainability.

The regular payments to the Board of Management (fixed) include payments by the company for defined contribution plans totalling € 90 thousand (2016: € 90 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	
	31/12/2017	31/12/2016
Board of Management		
Henry Brickenkamp	47,037	47,037
Dirk Engel	20,000	20,000
Hendirk Niestert*	1,381	1,441
Dr. Andreas J.Schmid*	0	0
Dr. Christof Soest**	10,764	10,764
Supervisory Board		
Reinhard Aufderheide	380	3,380
Dr. Norbert Bröcker	250	250
Heinz Harling	64,854	64,854
Dr. Wolfgang Höper	0	0
Thomas Poppenberg	656	656
Dieter Schäfer	0	0
Family members		
Marian Harling	500	500

* Member of Board of Management since 01/02/2018
** Member of Board of Management until 31/12/2017

37) Corporate Governance

The Board of Management and Supervisory Board submitted the Declaration of Conformity pursuant to Section 161 of German Stock Corporation Act in September 2017 and provided permanent access to it for 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 5, 2018. These Consolidated Financial Statements are subject to approval by the Supervisory Board (Section 171 (2) of German Stock Corporation Act).

In January 2018 Henry Brickenkamp, member of the Board of Management of technotrans AG since 2006 and Chief Executive Officer since 2008, notified the Supervisory Board that he does not wish to extend his contract, which expires mid-way through the year, enabling him to follow up a new professional challenge. In light of the exit of Dr Soest (CTO) at the turn of 2017/2018, again in January the Supervisory Board appointed Mr Hendirk Niestert, who has been with technotrans since 2007 and was latterly in charge of Worldwide Service, as well as Dr Andreas J Schmid, previously a senior management member of the Schaltbau GmbH Group, to the Board of Management. Both took up office on February 1, 2018. Mr Niestert will be responsible primarily for the Sales, Service and Quality Management areas, and Dr Schmid for the Development, Controls, Business Units, Production, Purchasing and Logistics areas.

No further events of particular significance affecting the financial performance, financial position or net worth of the company occurred after the end of the 2017 financial year.

PROPOSAL OF THE APPROPRIATION OF PROFIT

The Board of Management and Supervisory Board will propose to the Annual General Meeting that the accumulated profit of technotrans AG of € 9,693,443.46 as reported in the individual financial statements be distributed as follows:

	€
Distribution of a dividend of € 0.88 per no par value share on share capital of € 6,907,665.00 bearing dividend entitlements	6,078,745.20
Profit carried forward	3,614,698.26
Accumulated profit	9,693,443.46

The dividend shall be payable on May 24, 2018.

Sassenberg, March 5, 2018

technotrans AG
The Board of Management

Henry Brickenkamp | Dirk Engel | Hendirk Niestert | Dr. Andreas J. Schmid

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 combined 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 5, 2018

technotrans AG
The Board of Management

Henry Brickenkamp | Dirk Engel | Hendirk Niestert | Dr. Andreas J. Schmid

INDEPENDENT AUDITOR`S REPORT

To technotrans AG, Sassenberg

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of technotrans AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as atDecember 31, 2017, consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of technotrans AG for the financial year from January 1 to December 31, 2017. In accordance with the German legal requirements we have not audited the content of the non-financial statement which is included in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017 and of its financial performance for the financial year from January 1 to December 31, 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill
Disclosure of the amount of goodwill and the parameters applied within the scope of the impairment test is provided in the notes to the consolidated financial statements, more precisely in the explanations on the balance sheet. (Section 2)

THE FINANCIAL STATEMENT RISK

As at December 31, 2017, goodwill totalled EUR 23.1 million thereby comprising 18% of the balance sheet total and a substantial portion of the assets. In the financial year 2016 goodwill increased by EUR 17.1 million as a result of the acquisition of gwk Gesellschaft Wärme Kältetechnik mbH. The allocation of the goodwill was completed in the financial year 2017. The goodwill was allocated to different Cash Generating Units (CGU) or groups of Cash Generating Units in the segments technology and service.

Goodwill is tested for impairment annually at the level of CGUs or groups of CGUs. The carrying amount is thereby primarily compared with the recoverable amount of the CGU or groups of CGUs. If the carrying amount exceeds the recoverable amount, an impairment is recorded.

The goodwill impairment test is complex and is based on a number of judgemental assumptions. These include, among others, the expected business and earnings development of the CGUs or groups of CGUs for the upcoming five years, the assumed long-term growth rates and the discount rate used. Additional judgemental assumptions exist in relation to the allocation of goodwill to CGUs or groups of CGUs.

On the basis of the impairment tests carried out, the Group has not identified the need for the recording of an impairment.

Especially due to the significant increase of goodwill there is the risk for the financial statements that required impairments were not sufficiently recognized. In addition, there is the risk that the disclosures in the notes associated herewith are not appropriate.

OUR AUDIT APPROACH

The Group explained the allocation of the goodwill attributable to the acquisition of gwk Gesellschaft Wärme Kältetechnik mbH to us and we assessed this on the basis of the expected synergies.

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions as well as the Group's valuation model. This included a discussion of the expected development of the business and results as well as of the assumed underlying long-term growth rates with the Group Controlling. In addition, reconciliations were made with the budget prepared by the Executive Board which was approved by the Supervisory Board. Furthermore, we assessed the consistency of the assumptions with external market assessments.

We also assessed the Group's planning accuracy by comparing projections for previous financial years with the actual results realised and analysed deviations. As changes in the capital costs can have a substantial impact on the results of the impairment test, we have compared the assumptions and parameters underlying the capital costs – in particular the risk-free rate, the market risk premium and the beta factor – with own assumptions and publicly available information.

To provide for the mathematical accuracy of the valuation model utilised, we recalculated the Group's calculations on the basis of elements selected in a risk-orientated manner.

Finally, we assessed whether the disclosures in the notes with respect to the recoverability of the carrying amount of the goodwill are appropriate.

OUR OBSERVATIONS

The allocation of the goodwill attributable to the acquisition of gwk Gesellschaft Wärme Kältetechnik mbH is appropriate.

The underlying valuation model used in the impairment test of goodwill is appropriate and consistent with the applicable accounting principles.

The Group's assumptions and parameters underlying the valuation are within an acceptable bandwidth and are, on the whole, balanced.

The disclosures in the notes associated herewith are appropriate.

Other Information

Management is responsible for the other information. The other information comprises:

- the non-financial statement and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements

of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 12, 2017. We were engaged by the supervisory board on September 21, 2017. We have been the group auditor of technotrans AG without interruption since the Initial Public Offering (IPO) of technotrans AG in the financial year 1998.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Blücher.

Bielefeld, March 12, 2018
KPMG AG
Wirtschaftsprüfungsgesellschaft

Blücher
Wirtschaftsprüfer
[German Public Auditor]

Schröder
Wirtschaftsprüfer
[German Public Auditor]