



750
+ 11.000
Perspectives

Annual Report
2006



750
+ 11.000

Perspectives

We are technotrans!

In this Annual Report, the tenth since the company went public in 1998, we introduce you to many of the employees of the technotrans Group. They are the human face of the company, and also cornerstones of our success.

The idea behind this concept came from a photo competition that was held within the company. Under the motto of "typically technotrans", employees from all over the world submitted entries that they believed best illustrated the special, unique nature of the group. Some of those competition entries also featured the people who work for the company. What could be more logical, therefore, than to build on this idea and invite our talented amateur photographers to take pictures of employees, providing a photographic record of the size, international make-up and diversity of the company for the next Annual Report. Christian Behrens and Heng Meng Wong have been instrumental in creating "Employees Picturing Employees".



The Company

technotrans is a technology and service company that concentrates successfully on applications derived from its core skill of liquid technology. With 16 locations and more than 700 employees, technotrans is active in all major markets worldwide.

For many years now, technotrans has concertedly been exploring new segments and areas of application that are related to its core skill. In close cooperation with its customers, the company is steadily broadening its range of products and thus tapping new market potential. Its strategy focuses on sustained, earnings-driven development.

technotrans' business activities comprise two segments: in the Technology segment, the company concentrates on applications for offset printing. As a leading systems supplier of equipment to the printing industry, the product range comprises a wide range of systems and equipment for controlling and monitoring liquid technology processes in printing. Major printing press manufacturers worldwide are our key customers. They frequently equip their printing presses ex works with technotrans equipment. Various products aimed directly at end users worldwide have in addition been developed in recent years, because they further automate procedures at printers or help to use resources more efficiently.

This segment in addition includes other product areas related to this core skill.

The Technology segment is complemented by the Services segment. technotrans' activities are rounded off by an extensive range of services. These include providing support for customers in connection with the installation, maintenance and operation of systems, and compiling technical documentation, including for companies in other sectors.

Key Data acc. to IFRS

		2006	2005	2004	2003	2002
Earnings						
Revenue	TEUR	151,272	129,787	117,259	106,737	117,012
Technology	TEUR	115,723	99,871	89,545	81,405	80,623
Services	TEUR	35,549	29,916	27,714	25,332	25,528
Gross profit	TEUR	50,445	44,408	39,103	23,684	37,695
EBITDA ¹	TEUR	18,794	16,687	14,799	416	10,897
Earnings before interest and tax (EBIT)	TEUR	15,666	13,008	11,071	-4,892	5,626
Net profit for the period	TEUR	9,988	7,525	6,670	-10,989	2,620
as % of revenue	%	6.6	5.8	5.7	-10.3	2.2
Net profit per share (IFRS)	EUR	1.48	1.13	1.01	-1.66	0.40
Dividend per share	EUR	0.70	0.55	0.45	0.30	0.20
Balance sheet						
Issued capital	TEUR	6,762	6,684	6,600	6,600	6,600
Equity	TEUR	53,937	46,932	40,674	36,288	51,720
Equity ratio	%	60.0	53.9	53.5	50.1	55.9
Return on equity	%	19.8	17.2	17.3	-25.0	4.9
Balance sheet total	TEUR	89,876	87,066	76,086	72,391	92,541
Working capital ²	TEUR	35,523	29,607	27,024	24,318	21,981
Capital employed ³	TEUR	66,546	60,299	55,934	55,305	74,365
ROCE ⁴	%	24.7	22.5	19.9	-7.5	7.3
Employees						
Number of employees (average)		724	682	628	593	639
Personnel expenses	TEUR	39,913	34,904	32,344	29,322	31,920
as % of revenue	%	26.4	26.9	27.6	27.5	27.3
Revenue per employee	TEUR	209	190	187	180	183
Cash flow						
Cash flow ⁵	TEUR	12,297	14,829	11,595	6,491	10,077
Free cash flow ⁶	TEUR	8,201	4,382	9,364	5,394	7,470
Share						
Number of shares at end of period		6,761,783	6,683,601	6,600,000	6,600,000	6,600,000
Share price (max)	EUR	24.90	18.43	14.69	12.64	17.85
Share price (min)	EUR	17.01	13.21	9.90	3.81	4.81

¹ EBITDA = EBITA + depreciation on intangible and tangible assets

² Working capital = current assets – current liabilities

³ Capital employed = interest-bearing liabilities + equity

⁴ ROCE = EBIT / Capital employed

⁵ Cash flow = cash from operating activities acc. to cash flow statement

⁶ Free Cash flow = cash from operating activities + cash used for investments acc. to cash flow statement

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**Dear Shareholders,
Dear Business Associates,**

We are able to look back on an interesting and successful 2006 financial year. Thanks to the favourable climate in the industry, we were able to increase our revenue to a new record level, and at a much steeper rate than we had actually planned. Instead of our original target of just over € 140 million, our revenue reached € 151.3 million in 2006. We succeeded in further improving the company's profitability in the third year of the current economic upswing. The net income for 2006 rose to € 10 million, representing growth of more than 30 percent. Both figures give us cause for satisfaction, but are no excuse for resting on our laurels.

In the past year we therefore again took steps to optimise the company's processes and structures with an eye to the future. These measures included closing our Californian branch and merging it with the operations at our other location in North America, in Chicago. The new premises there now provide an ideal basis for more efficient processes and for serving customers' requirements in that important market more effectively. Our biggest customers, printing press manufacturers, were able to visit the site to witness the improvements during the first few weeks of the new year.

We furthermore increased our international presence during the past financial year. Our new subsidiary in Brazil, which opened in April, will serve the South American market as a sales and service office. The growth rates in that region are well above the global average and reflect its interesting potential for the future. In 2007, the next moves will be in Eastern Europe – Russia, to be more precise – as well as in the Arab world, in Dubai, and in Australia; in each case we are planning to increase our presence via subsidiaries of our own.

On the product side, we have likewise done the groundwork for remaining on course for growth. In entering the new product area of cleaning systems, we have extended the range of products available to the printing industry and will therefore be an even more attractive systems supplier to printing press manufacturers. In this connection we are of course particularly pleased to take our long-standing partnership with the rotoclean company to a new level after closing of the acquisition of the company early 2007.

Even in good years, it seems there are always certain issues that cast a shadow over what has otherwise been a very good performance. These include the unsatisfactory development of our CD/DVD product area, which obliged us to write off the remaining goodwill at the end of the year. Notwithstanding this, we will continue to observe closely how Micro Technologies as a whole develops in the future. Our recent projects have served to confirm our belief that there is still some potential in this area.

The other such issue is the fact that we have decided to terminate the distribution arrangements with IST Metz GmbH in the USA, after several years of close sales partnership. The consequence for technotrans is that we will have to accept a high single-digit millions fall in revenue, though the effect on profitability will be positive. We of course remain fundamentally interested in the product area of dryers.

The current environment, dominated by strong consolidation tendencies, is forcing the market players to address to the issue actively. We adopted the logical course of action in intending to acquire rotoclean. With outstanding technology at its disposal, rotoclean has in its own terms emerged as a serious participant in the cleaning systems market within the space of just a few years. technotrans will extend its expertise in the field of cleaning systems with this complementary product, its worldwide sales and service structure providing a ready-made basis on which to tap the global market. rotoclean would furthermore strengthen technotrans' position as a systems supplier for the printing industry because it would be possible to offer customers even more products from a single source and thus further reduce the number of different contacts along the chain that extends from procurement to service.

technotrans is able to look back on a decidedly successful past. In 2007, we will have been supplying dampening solution circulators for 30 years and ink roller temperature control units for 20 years. technotrans became a stock corporation ten years ago, and tapped the potential of the capital market for accelerating its expansion through the ensuing IPO in 1998. As a public company, our strategy likewise for the future focuses on sustained, profitability-oriented growth.

Most of the members of the team who we are relying on to shape the future are featured at some point in this Annual Report. By adopting the motto "Employees Picturing Employees", we want it to convey some of the diversity, international make-up and size of our group. This team again performed quite exceptionally in the 2006 financial year, handling a rate of growth that was much higher than that originally anticipated. We are indebted to them and are convinced that together we will just as successfully master the challenges that await us.

As matters stand, 2007 too promises to be a challenging year that will offer us both ample potential and enticing prospects. Printing press manufacturers' order books remain very full, our market entry in Russia, Dubai and Australia will substantially increase our market presence, and the new products will start to generate revenue. These all point towards a positive development as the year progresses and provide a sound basis for 2008, the year of the next drupa.

With such a prospect, we would be delighted at your continued involvement in technotrans.



Heinz Harling



Dirk Engel



John A. Stacey



Henry Brickenkamp

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Technology

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Global Compact

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Services

... Alex Erpenbeck > Su...
 ... Mazin Tawfik > Jörg Dreischulte
 ... Frank Diekmann > Reinhard B...
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 ... Daniel Freese > Lukasz Jakimiuk > Pamela Pan > Marcel Rau > James Smith > Karl-Heinz Doms > Michael Luby > Philip Bond > Nabil F...
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Anke Pleiger, Germany, Sassenberg > Sandra Dutra de Moraes, Brasil, Sao Paulo > Susanne Steigleder, Germany, G...

... Delbrugge > Boris Scherf > Michael Krull > Pascal Dauriac > Michael Schilling
 ... arner > Jens Ebmeyer > John Cackler > Matthias Laudick > Vadoude Abdoul > T...
 ... > Frank Sommer > Peter Böcker > Zbigniew Bauer > Ivica Jovanovski > Bruno G...
 ... Isabelle Briquet > Ludger Schiemann > Patrick Behrendt > Daisuke Matsuzaki
 ... > Loretta Ngai > Julia Robben > Ludger Austerhoff > Marco Camerucci > Wilf...
 ... ! Janßen > Grant Shi > Arndt Rausch > Markus Adler > Guido Hemme > Heir...
 ... so Silva > Dieter Wallner > Susanne ...-Kauth > Jamie Boggis > Kathari



Keding, Germany, Gersthofen > Nikolaj Ulrich, Germany, Sassenberg > [Karin Wessel](#) > Stefan Eying, Germany, Sassenberg > [Sabine Modler](#) > Markus Klein, Germany, Sassenberg

Germany
Sassenberg

Germany
Gersthofen



technotrans started focusing on applications in the printing industry as far back as the early 1980s. Our core skill is liquid technology, and our equipment and systems are today used for controlling various liquid technology processes in the printing process. Our aim is to be the world market leader in every product area, an ambition that we have already achieved in many cases. Our biggest customers are printing press manufacturers worldwide. They equip the majority of their presses with our equipment ex works, as standard. Our strategy of "more technotrans per printing press" is geared up to growth. We are specifically tapping fresh potential by steadily broadening our product portfolio.

Technology



eressa Mok, China, Hong Kong > Ivica Jovanovski > Caroline Wilkins, Great Britain, Colchester > Yvonne Ritzer, Germany, Sassenberg > Roman Hensel, Germany, Sassenberg

Germany
Sassenberg

"technotrans is steadily broadening its product range, always with the focus on its core skill.

We use our expertise to make sure our equipment and systems always meet our customers' expectations."



Printed documents are encountered in almost every area of everyday life: daily newspapers, promotional mail, billboards by the roadside, the glossy brochures of a car manufacturer, the elegant packaging of a bottle of perfume, the catalogue to accompany an art exhibition, and the book you enjoy reading of an evening. Around 65 percent of all printed products are produced using the offset printing method. Offset is the fastest way of obtaining eye-catching quality at low cost, and is therefore so often the printing method of choice.

The world market for printing presses is dominated by German companies

German manufacturers continue to dominate the market for these printing presses, with around two-thirds of the global market served by Heidelberg Druckmaschinen AG, Koenig & Bauer AG and MAN Roland AG. They are followed by one American manufacturer and several Japanese companies. Their customers, printers worldwide, vary considerably in structure, covering the whole spectrum from family firms with one printing press to the production shops of major media corporations with hundreds of employees. Their investment budgets are correspondingly diverse, with larger projects easily running into hundreds of millions of euros.

The printed results are created by ink and dampening solution

Put simply, the actual printing process involves the printing press itself, one or more printing plates bearing the motif to be printed, as well as paper, ink and dampening solution. As it passes through the printing press, the paper is printed with one colour by each printing unit, with ink applied only to those areas where it is required. The other, non-printing areas of the printing plate are wetted with the aforementioned dampening solution to ensure that no ink can be applied to them.

The first product with which technotrans became world market leader was a device that prepares the dampening solution for the printing press and supplies it in the right quantity and formulation, and at the right temperature. Dampening solution consists of water, alcohol and a number of chemical additives; because it is being passed in a circuit in tandem with the printing press, it constantly has to be cleaned of paper dust and ink residues and reconditioned before it can be returned to the printing press.

Liquid technology as the starting point for a broad range of products

Systems supplier benefiting from trend towards outsourcing

Certain printing press manufacturers actually built their own dampening solution circulators many years ago. In the course of time, however, it became apparent that it was better to buy in this equipment. This trend towards outsourcing is one of the key factors that have transformed technotrans into a systems supplier for the printing industry. By building such equipment in larger quantities we are able to produce it at lower cost, while devoting more development resources to this specific product than one printing press manufacturer alone could justify.

By making liquid technology its core skill, technotrans then gradually expanded the product range. Its range now includes ink roller temperature control units that maintain the ink rollers in the printing press at a stable temperature, because the oil-based ink responds very sensitively to temperature fluctuations that would cause the print quality to deteriorate. technotrans also manufactures ink supply systems for printing presses. For sheet-fed offset printing there is an extensive range of systems varying in performance, and in the web offset and newspaper printing area the installation includes the ink store and the highly specialised pumps, as well as the pipework system to the ink duct of the press, the metering technology, the software-based control circuitry and consumption calculation.



Germany, Sassenberg > Andreas Hämmerle, Germany, Gersthofen > Jürgen Wagemann > Daniel Tempel, Germany, Sassenberg > Trieu Nguyen > Matthias Dröge, Germany, Sas

Germany
Sassenberg

USA
Mt. Prospect

The technotrans product range now includes for example a model range of spray dampening systems that apply the dampening solution to the printing plate, highly efficient filtration systems for a wide variety of applications, varnish preparation systems that impart the gloss on printed products, and an array of special measuring and metering systems which all focus on the liquids involved in the technological processes of a printing press.

By entering the field of cleaning systems, technotrans is gaining access to a product field with a market volume equal to that of its entire current product portfolio. Here too, we will remain true to our core skill. But whereas the overwhelming majority of our systems have previously been located outside the printing press and have only been connected to it through appropriate interfaces, blanket cleaners are an integral part of the printing press. At defined intervals they clean the cylinders, which become contaminated during the printing process, thereby decisively enhancing process stability and print quality.

technotrans already started development work on its own blanket cleaner in 2004. The system is based on the principle of a cloth soaked in a cleaning fluid being moved up against the cylinder, from which it then collects paper dust and ink residues. The contaminated cloth is then rolled up and a fresh cloth from the supply roll is used for the next cleaning process. This new product, known as the contex.c, was tested successfully on a particular press built by one printing press manufacturer. In parallel with these field tests, we made the preparations at our new Gersthofen plant for starting production following its approval by the customer.

New blanket cleaners product line ready to go into volume production



senberg > Darren Callaghan, Great Britain, Colchester > [Thorsten Weiss](#) > Mickael Lefevre, France, St. Maximin > [Emilie Heno-Marie](#) > Heinz Schondorf, Germany, Sassenberg

Germany
Sassenberg

France
St. Maximin

Acquisition of rotoclean would extend cleaning systems product range

Through the acquisition of rotoclean, our cleaning systems range would in the future feature a further product that has already earned an outstanding reputation in the marketplace thanks to its unique technology. This system involves brushes rotating over the cylinders' surface, which is moistened with a solvent, thus removing contamination. Because the brushes move along the cylinder on a rail, this system is extremely flexible to use and offers considerable advantages particularly on the very wide web presses that are used in newspaper printing, for example.

technotrans has also already reached the prototype stage with the development of its own brush-type cleaning system. The first installation of contex.b was completed before the end of the year, and the relevant findings from the day-to-day running of this printing press will decisively shape the next development steps.

It is no exaggeration to state that technotrans, as a systems supplier to the printing industry, now has a unique product range at its disposal. We are already the market leader in numerous areas, and in other areas we have our sights set firmly on that target. And past experience has shown that when we set ourselves targets, we achieve them.

technotrans comprehensively assumes responsibility as partner

technotrans is already an important, highly regarded partner to the major printing press manufacturers. By extending our product range, we are enabling them to increasingly concentrate on their own core skills, while at the same time outsource product areas that fall outside that scope. We develop solutions hand in hand with them, and we design, standardise, build and supply top-quality state of the art technology according to schedule. Finally, we then assume responsibility for the service side of matters, worldwide and over a period of many years.



> Michael Blake, Germany, Sassenberg > Dirk Lücke > Minoru Ueki, Japan, Yokohama > Karin Jansen, Germany, Sassenberg > Johannes Stuckert > Tony Peng, China, Beijing

Germany
Sassenberg

Germany
Sassenberg

Partnership with customers based on long-standing collaboration

Obviously such a close partnership-based relationship between technotrans and printing press manufacturers is no chance occurrence. Quite the opposite: it is the product of many years of close collaboration at every level. For instance, our development engineers are normally already involved in the design process of new printing press types. Their role in this is to ensure that the right technotrans equipment and devices are available when the press goes into volume production. Conversely, it is equally common for us to run our product ideas by the printing press manufacturers in advance, with whom we then join forces to launch them onto the market. The idea of long-term partnership extends as far as the placing of orders, generally in the form of framework agreements. Over the term of these delivery agreements, we then hold joint discussions on technical, quality and cost aspects. This ensures that even some years down the line, we are still supplying products that meet the customer's requirements in every respect. It is thus a cause for great satisfaction when our customers deem us worthy to be described as a "strategic partner".

We want to keep strengthening our market position in the future. Based on our strategy of "more technotrans per printing press", we are tapping fresh market potential that will in the long term keep technotrans growing faster than the printing industry in general. We will generate this growth in the first instance under our own momentum, but are fully aware of the opportunities that may come our way. We will of course seize such opportunities where appropriate, to continue playing an active role as a supplier of the printing industry amid a market that is experiencing a process of consolidation.



The potential of microstructures for industrial applications

Accompanying our priority area of activity in the printing industry, we have been successfully transferring our core expertise to other markets for many years. Since the mid-1990s, technotrans has for example been manufacturing production facilities for CDs and DVDs, and over half of all such discs in the world are still produced using our equipment. We responded early on to the downturn in investment in this area by refining our technology for use in other areas. Like CD and DVDs, our systems can also be used for producing microstructures that find use in such areas as medical technology and automotive engineering. We have already supplied it to a large number of research establishments and university departments. We will be very interested to see whether the recent flurry of enquiries about industrial applications leads to a rise in market volume for a very interesting area of activity.

Focused and receptive to every opportunity

technotrans is fully aware of its own strengths and core skill. We will apply these methodically in our future developments and retain a clear focus in refining them. technotrans, a company based in the Münster region, is both innovative and flexible enough to be receptive to all the opportunities that present themselves to the company, even if this initially obliges us to look beyond our own horizons. We will, however, not charge head first down the path of diversification in pursuit of modish trends and short-term returns for our shareholders. Even with its exposure to international business affairs, that would not be in the nature of this Westphalian enterprise. Long may it remain so.



Sassenberg > Soumia Harbil, France, St. Maximin > Cliff Whalley > Iven Schmücker, Germany, Sassenberg > Desmond Chan > Dirk Wieschebrock, Germany, Sassenberg > F

Great Britain
Colchester

China
Hong Kong



Bernd Große-Ausber, Germany, Sassenberg > **Henry Brickenkamp** > Sean Matthews, USA, Mt. Prospect > **Christian Tammen** > Guido Mittelstrasser > Martin Faber, Germany, Gers

Germany
Sassenberg

Germany
Sassenberg

Germany
Gersthofen



technotrans equipment and systems are used in controlling processes that are of key importance to customers. If a technotrans device fails, the production process will generally grind to a halt. It is therefore of prime importance both for the customer and for ourselves to take all possible measures to minimise the likelihood of breakdowns in advance and – if the worst should come to the worst – to provide comprehensive, expert assistance in getting systems running smoothly again as soon as possible.

Services



Michael Krämer, Germany, Sassenberg > Stefan Holtkamp, Germany, Sassenberg > Simone Piderit, Germany, Sassenberg > **Simone De Finis** > Dieter Hauschke, Germany, Sassenberg

Italy
Legnano

"The international sales and service network is constantly being extended.

In dialogue with our customers on site, we advise on the use of innovative technologies and provide technical support."



technotrans equipment is subjected to exhaustive functional testing before it is shipped. In that way, we ensure that all equipment performs its designated task absolutely perfectly and responds to the diverse situations encountered in everyday production in the intended manner. Apart from a few wearing parts and consumables that need changing on a regular basis, our equipment is built to last the lifetime of the printing press.

A worldwide presence, for maximum customer benefit

Our equipment will usually be shipped together with the printing press to its final point of use at a printer anywhere in the world. In order to keep all these customers constantly supplied with the necessary consumables and wearing parts, technotrans has established a worldwide logistics network to ensure that all the required components reach the customer within 24 hours. To that end, but also of course primarily to maintain direct contact with customers, technotrans now has bases in 16 locations worldwide and is gradually expanding these structures. This enables us to provide rapid on-the-spot assistance in an emergency, regardless of whether an operating error or another unforeseeable occurrence is the cause, and keep the interruption as brief as possible for the customer's sake.

Optimum customer support worldwide

Our engineers are constantly available in person, round the clock and worldwide, to solve customer problems expertly and efficiently. This not only gives customers the reassuring feeling of receiving optimum support; the printing press manufacturer, too, knows that he can rely on technotrans' after-sales service. We are now able to diagnose many customers' systems and processes via the internet. Here again, the aim is to alert users to impending problems as early as possible with the aid of our remote analyses, and thus pre-empt a potential malfunction.

Practical input that benefits both sides

Even where there are no emergencies to be dealt with, our service engineers call in at customers on a regular basis. They perform preventive maintenance, retrofit technological innovations or train the personnel in how to operate the equipment. This interaction with users in the field also keeps us supplied with valuable feedback that inspires further improvements or product innovations, which our development specialists can then transform into market-mature products. The dialogue in fact works in both directions: the service employee or a member of the sales force will often be able to give customers the ways and means of optimising the efficiency of existing systems. Or they will be able to demonstrate how new products could further automate various processes and enhance the quality of the printed results.

Further expansion for the international network

The Product Support Service will gain increasing importance along with the steady rise in the number of devices and systems that technotrans is shipping every year. This perception has prompted us to tailor our structures to this future level of demand, in particular by establishing a team in China that is already geared up to this task. We have moreover already made preparations for serving customers in Russia, Australia and Arab countries with local personnel. We have thus ensured that customers – whether printers or printing press manufacturers – will continue to reaffirm their choice of technotrans technology every day they use it.

However, technotrans' services incorporate other facets, too, which have evolved into a core skill in their own right over the years. We are referring here to Technical Documentation, which now serves an ever growing circle of customers under the market name of "global document solutions".



berg > Bernhard Isernhinke, Germany, Sassenberg > **Thessa Roderig** > Karin Sendker, Germany, Sassenberg > **Pui Hun Choy** > Jürgen Eder, Germany, Sassenberg > Stefan

Germany
Sassenberg

Singapore

Technical documentation, which encompasses user guides, service manuals and training documents for the users of technical equipment, needs to satisfy exacting requirements that can soon become a daunting challenge for companies with international operations. We built up the relevant expertise in-house early on and have now attained an exceptionally high level of professionalism in the compilation of technical documentation. Other companies are eager to tap into this expertise wherever it is more economical to outsource the task rather than to attempt to acquire and nurture the necessary expertise in-house.

A track record of success with services and software

Part of our exceptional professionalism stems from the fact that we ourselves developed the tool we use to produce technical documentation. The docuglobe software is based on the word processing program Microsoft Word and enables the user to compile and manage individual sections of the documentation as modules. The modules are collated with the aid of a kind of object list and then published in whatever output medium the customer wishes to use. This modular approach ensures that content that appears in several different documents need only be managed and updated at one point. The same applies to compiling foreign-language documentation. Here again, each module need only be translated once; it is then automatically used wherever it is needed. These and many other details that have been inspired by practical requirements have made docuglobe the tool that many hundreds of editors all over the world use for their day-to-day work. Version 5, which has been available since January 2007, incorporates countless further suggestions from users. The program's areas of application have been broadened quite considerably as a result, and even software developers have now started using docuglobe – all of which augurs well for attracting yet more customers to this product.



Stefan Laukötter, Germany, Sassenberg > Si Do Nguyen > Alicia Chiquello > Karl Li, China, Hong Kong > Rene Kusma > Emily Chin, Singapore > Jutta Schulze Westhoff, Germany

USA
Mt. Prospect

USA
Mt. Prospect

Germany
Sassenberg

03

Global Compact

In our globalised economy, the participants in trade and industry enjoy considerable liberty and need to agree on only very few rules. It is left to the initiative of the individual company whether to define its own code of conduct enshrining the rules of behaviour and crystallising shared values – or whether to subscribe to an umbrella network that has already specified certain generally valid principles. technotrans opted for the latter course in 2006 and became a member of the United Nations "Global Compact" initiative.

"As a global player, technotrans is promoting established values and principles on a worldwide scale.

We are for instance stepping up the use of environmentally friendly technologies, and strive for a spirit of fairness and co-operation in our dealings with all our business partners."



> Allison Amelianovich > Chester Heng, Singapore > **Martin Hofmann** > Linda Greppmeier, Germany, Gersthofen > Jörg Dreischulte, Germany, Sassenberg > Eugen Ledowski
USA
Mt. Prospect

Germany
Gersthofen



This globally valid code was launched by the former UN Secretary-General Kofi Annan, and brings together companies on all continents that wish to subscribe to shared global principles of social responsibility and environmental protection. It was Annan's conviction that corporate social responsibility has an important role to play in promoting sustainability and in pioneering equality of opportunity in many different respects in the globalised economy. The Global Compact initiative has set itself the goal of promoting ten governing principles of corporate activity, which its members adopt voluntarily and in doing so help to further the objectives of the United Nations.

technotrans promoting the 10 principles of the United Nations

The ten principles are based on the globally acknowledged Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. The Global Compact's participating companies are obliged to give regular account of their efforts to implement and promote the ten principles. technotrans undertook to fulfill this obligation in a letter to the United Nations dated October 23, 2006.

Broad-based support from the management

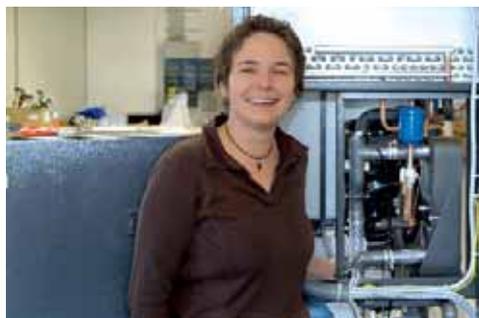
Following the resolution by the Board of Management to sign up to the initiative, the Global Compact was presented to the managing directors of the international subsidiaries at an international management meeting and the associated objectives discussed. It was unanimously agreed that the Global Compact was a suitable vehicle for placing diverse activities, convictions and common business practices within an umbrella framework. At the end of the event, all managers gave written declarations of their intention to observe the principles in their spheres of responsibility and to encourage third parties likewise to acknowledge them.

technotrans promoting the use of environmentally friendly technologies

The first such opportunity arose as early as November. The Asian Print Awards regularly commend companies throughout Asia for exceptional contributions to the printing and packaging industry. 2006 was the first year in which the technotrans-sponsored award for the most environmentally friendly printer in Asia was made. In his speech at the awards ceremony in Shanghai, the technotrans manager responsible emphasised how protecting the environment has already been an important issue to our group for many years, how this aspect is taken into account in a product's development, and how it helps customers worldwide to reduce consumption of resources and minimise any adverse impact on the environment. He explained how, in sponsoring the award, technotrans was now systematically promoting the use of environmentally friendly technologies to the best of its ability. It was this selfsame commitment that inspired technotrans to sign up to the Global Compact. In other words, over and above complying with the relevant laws and regulations technotrans is actively helping to minimise the environmentally relevant impact of the printing industry and encouraging others to do likewise. The entry form for the competition was sent out to more than 10,000 printers throughout Asia and this category generated the biggest response of any in the competition.

No place for discrimination in our corporate culture

In passing the General Equal Treatment Act, Germany has responded to European requirements and implemented them in national law. The act is intended to prevent discrimination in professional and working life. In particular, employees shall not be disadvantaged as a result of their race, ethnic background, gender, religion or beliefs, disability, age or sexual identity. There has never been any place in our corporate culture for discrimination or bias. Rather, technotrans has long been reaping rich rewards from emphasising diversity and individuality among its employees, offering them ample scope and opportunity to develop their personality within the framework of its company rules.



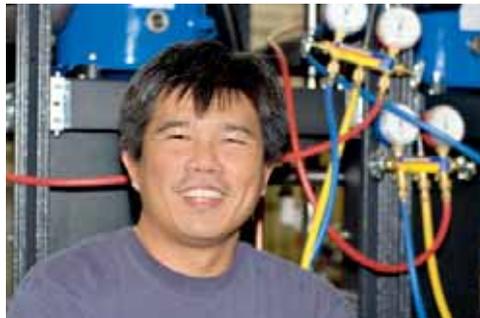
> Renate Brandt, Germany, Sassenberg > **Yvonne Wösthoff** > Ralf Minow, China, Beijing > Holger Rathke, Germany, Sassenberg > **Hung Le** > Thomas Wentura, Germany, Ge

Germany
Sassenberg

USA
Mt. Prospect

We nevertheless took the introduction of the new act as an opportunity to explain, via information events attended by our management employees, how to exclude any form of discriminatory bias in advance. A complaints office was in addition set up as a point of contact for any employees who feel that they are being discriminated against or disadvantaged.

These two courses of action are intended to highlight our sense of responsibility as a company and help promote the United Nations' objectives. We will continue to work towards sustainability and justice both in our immediate context and at our locations worldwide.



ofen > Viktor Hein, Germany, Sassenberg > [Dandy Uy](#) > Say Hong Lee, Singapore > Paul Lindqvist, Germany, Gersthofen > [Günther Kamphans](#) > Michael Reckamp, USA, Mt. Prospect

USA
Mt. Prospect

Germany
Sassenberg



Research and development is another cornerstone of our success. As a technology enterprise, there is nothing unusual in that. For a group whose growth strategy depends on the continual expansion of the product range, R&D is nevertheless the very basis on which its future success depends.

Research and Development



senberg > Andrea Endres, Germany, Gersthofen > Frank Diekmann, Germany, Sassenberg > Reinhard Buddenkotte, Germany, Sassenberg > Nina Maria Streiter > John Bonallo

Germany
Gersthofen

"The innovations of today
establish the basis for our
future success.

We help our customers to use
resources more sparingly, auto-
mate their processes and improve
their quality by making those
processes more reliable."

Research and Development

Developments by technotrans automate processes

Innovations set trends and define benchmarks. technotrans' engineers have repeatedly demonstrated this in recent decades. The cartridge-based ink supply system for sheet-fed offset presses is just one of many examples.

Printing presses are the epitome of advanced technology. They turn out printed products of very high standards with incredible precision and at breathtaking speeds. The men (and, statistically more rarely, women) who operate these machines need to be correspondingly well qualified. It was therefore all the more perplexing to us that in an age of increasing automation, people were still filling the ink into the ink ducts of their presses by hand, more or less by guesswork – just as many generations had been doing for centuries before them. At the end of the 1990s, technotrans' development engineers therefore teamed up with a printing press manufacturer to develop a system that performs this task entirely automatically and with ultimate precision. The product by the name of ink.line has since been installed on more than 12,000 presses worldwide.

Product range for automatic ink supply sets standards

ink.line is installed above the ink duct of the printing press and continually moves up and down, with an ultrasonic sensor measuring the amount of ink across the full width. ink.line only adds ink from a 2-kilogram cartridge of ink at the points where the ink is running short. The benefits are plain to see: the automated function allows the printer to concentrate on his core tasks. The cartridge principle moreover cuts ink consumption compared with the can, because it is emptied almost entirely. Experience has shown that about 10 to 15 percent of the material goes to waste in the conventional can. And the printer can keep unused ink for subsequent jobs, as it has not come into contact with air by virtue of the cartridge principle.

handy.fill proves its worth with Anicolor

This, together with systems by the name of easy.fill and handy.fill, gives technotrans an entire range of products for dispensing the ink from cartridges into the printing press's ink duct. It is continually working on refining them. Last year, for example, we unveiled the latest generation of ink.line with an automatic lid on the cartridge holder. The printer now no longer needs to keep an eye on the ink level inside the cartridge; the cover opens automatically when the cartridge is empty. Once it has been replaced with a full one, all it takes is the push of a button to return ink.line to fully automatic operation.

It is interesting to note that Heidelberger Druckmaschinen AG has likewise adopted the cartridge ink supply principle for its new Anicolor short inking unit. The new technology, which made its first appearance at IPEX 2006, reduces retooling times and waste by as much as 90 percent and thus makes specifically short runs more profitable. To make production using the new generation of presses efficient and standardised, particular attention was paid to the way the dampening solution is applied and the temperature of the ink rollers controlled – these again being technotrans developments. Following the enthusiastic response from within the trade, it is generally expected that further types of press featuring this innovative concept will appear on the market. It is possible that such new versions may be unveiled at drupa 2008, the world's largest trade exhibition for the printing industry.

In addition to these entirely new ideas, which eventually become established as the norm, technotrans' development engineers of course concern themselves with optimising established technology. The blanket cleaners that technotrans is currently launching are one such example. Over the past two years we have developed the cloth-based contex.c, a product that offers crucial advantages compared with previous concepts: the cleaning process is faster, returning the press to productive operation sooner, and contex.c uses less cleaning agent and less cloth. We are convinced that these arguments will win over many customers. One printer that was able to obtain extensive findings in using contex.c during the trial phase has already ordered further new presses equipped with technotrans blanket cleaners.



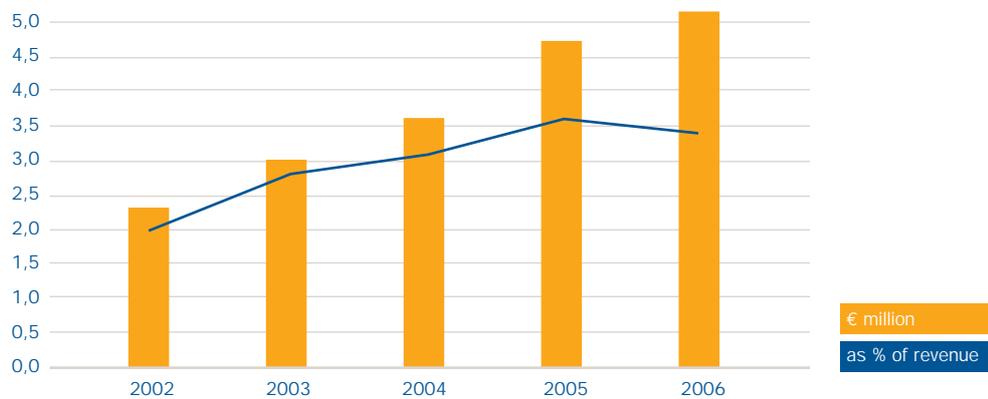
thofen > Kieran Bates, Great Britain, Colchester > **Ralph Aerdker** > Markus Greiwe, Germany, Sassenberg > **Abdul Rahman bin Ahmad** > Kathrin Muhmann, Germany, Sassenberg

Germany
Sassenberg

Singapore

The industry is looking ahead – to drupa 2008

Development work at technotrans is very much an ongoing process that encompasses a great many individual projects at any one time. It of course already includes a number of new products that are likewise destined to be unveiled at drupa 2008. Mindful of the issues that are of prime importance to customers worldwide, they will bring improvements in the areas of efficiency, standardisation and value for money. We are of course unable to divulge more at this stage.



Research and development spending



rg > Michael Ueding, Germany, Sassenberg > [Eva Grabe](#) > [Frank Penno](#) > Eugen Erlenbach, Germany, Sassenberg > [Klaus Wiedemann](#) > [Sabine Färber](#) > Michael Griffin, USA

[Germany](#)
[Sassenberg](#) [Germany](#)
[Sassenberg](#)

[Germany](#)
[Gersthofen](#) [Germany](#)
[Gersthofen](#)



Employees

It is no coincidence that the group's employees provide the theme for this Annual Report. They play a crucial part in the company's success and give the company a face. We are delighted to be able to introduce our team worldwide to the readers of this Annual Report.

Employees



Benjamin Arthkamp, Germany, Sassenberg > Randy Robbins Sr., USA, Mt. Prospect > [Sonja Mayr](#) > Christian Müller, Germany, Sassenberg > Gisela Lenfers, Germany, Sassenberg
Germany
Gersthofen

"technotrans' employees are team players.

By cooperating across all group companies and between all continents, we pool our expertise to the benefit of our customers."

Employees

Corporate structure creates scope for personal development

In a sense, technotrans represents the best of two worlds: the unbureaucratic, dynamic world of the typical mid-cap enterprise, and the professionalism and strategic focus of a major corporation. What this means for our employees is that they have ample leeway in their everyday work and are able to experience and capitalise on those much-vaunted short decision-making paths as they go about implementing their ideas. As a result, decisions are implemented more swiftly and flexibly, the employees are more motivated and they identify more strongly with their company and job.

Internationalism as routine, across all hierarchic levels

As members of an international group, they are accustomed to thinking in a way that transcends the confines of nationality, continent or mentality. Internationalism is not merely a topic to be addressed by senior management; it provides a welcome opportunity for lively exchanges away from all organisational hierarchies. Employees from the production line at Sassenberg have for example been able to contribute their expertise for the establishment of the production line at our new plant in America. Over and above the wholehearted support received from many other quarters, their expertise proved invaluable in familiarising the new workers at the Chicago plant with tried-and-tested working processes and quality standards as swiftly as possible. It is entirely conceivable that we will adopt a similar approach in 2007 while setting up the new production plant to serve the local market in China.

Employee motivation is a key concept if every individual is to contribute to the best of their ability towards the company's success. One reason why this works at technotrans is that a direct share of the company's success is a fixed component of the remuneration model at the German plants. Like annual bonuses, wage and salary increases are tied to the profitability of the group. The collectively negotiated pay increases are paid out once the EBIT margin reaches nine percent; from ten percent on they become a fixed component of pay, and if the EBIT margin is even higher the employees are entitled to a percentage of profits. This model, which was agreed in 2005, was approved by all our employees.

Innovative remuneration model that involves sharing in the company's success

They will reap the rewards if the company performs well, and know that their jobs are safe if the company encounters difficulties because there will be no added pressure on it from pay increases. Such mutually agreed arrangements are of course only possible where the management and employees deal with each other fairly and openly. They nevertheless prove that it is possible for employers and employees to reach a consensus, flying in the face of the notion that their differences are entrenched. What is all the more remarkable is that this agreement was reached at the present time, here in Germany, without any intervention by the state.

Tailormade employee benefits with perspectives

technotrans of course offers its employees the usual employees' benefits, but here too we are striving to go our own way. For some years now we have been subsidising private saving schemes for old age, for instance by enabling every employee who has been with the company for five years to take out an employer-financed direct insurance policy. This is supplemented by the various other forms of retirement benefits. We have forged an effective partnership with an independent provider who advises on and arranges the various technotrans-specific products and draws up personal concepts hand in hand with the employee.



Matthias Laudick > Jochen Schmitz, Germany, Sassenberg > Manfred Rickfelder > Shingo Muto, Japan, Yokohama > Tobias Kreimann, Germany

Germany
Sassenberg

Germany
Sassenberg

Personnel development places a strong emphasis on encouraging the individual

In another respect, too, tailored arrangements for employees are top of the agenda. technotrans of course implements a personnel development concept which ensures that all employees obtain the necessary key qualifications for their position. Over and above this, technotrans makes extensive use of tailored opportunities for development, whether by arranging specific coaching or holding specialist seminars. These ensure that all employees are able to pursue their career development on an ongoing basis and achieve their personal long-term objectives hand in hand with technotrans.

Training as an entrepreneurial responsibility

technotrans is naturally fully aware of its social responsibility as an employer. In view of the shortage of apprenticeships in Germany, it appoints more apprentices for the various vocations than it actually needs to cover its own future requirements. The aim is an apprenticeship quota of 10 percent of the total workforce – a target that we almost reached in 2006. As a growing company, technotrans has in the past broadly been in a position to offer employment to almost all apprentices who have successfully completed their training.

As a result of its growth, technotrans has in addition created new jobs worldwide. Following its international expansion, it recruited new employees at all levels to underpin the company's successful development in the future. On the basis of our forward-looking, long-term human resources planning, we have always been able to fill vacant posts promptly with suited candidates.



, Germany, Sassenberg > Wilhelm Schelhove, Germany, Sassenberg > **Viktor Pfaff** > Tomohiro Kubo, Japan, Kobe > **Cherifa Benyahia** > **Gwendolyne Adsuar** > Bernd Hanschke

Germany
Sassenberg

France
St. Maximin

France
St. Maximin

Our attractiveness as an employer is reflected in the above-average motivation of our employees. This results in a stable process of "give and take" which for instance is able to accommodate individuals' personal plans. Whenever employees wish to make the transition from bringing up a family to resuming their career (or vice versa), we will readily work hand in hand with them at devising a model that upholds the interests of both parties. This ensures that the company preserves the valuable resource of very experienced employees, who still feel a close involvement with technotrans even while they are not actively working for the company.

The Christmas party are legendary as an opportunity for all employees to get together

Team spirit not limited to working hours

It will come as no surprise to learn that, with such a positive atmosphere prevailing, the sense of community is not restricted to working hours. There are many and diverse examples of joint after-hours activities, from courses or leisure activities such as motorcycle tours to skiing trips and football tournaments in which the company's own team is playing. The annual highlight is the now legendary Christmas party at the Sassenberg headquarters, when all employees come together to celebrate the end of the year. When new employees are asked about their initial impression compared with other companies, it therefore comes as no surprise that they should describe the atmosphere at technotrans as "exceptionally friendly".

These framework conditions create a climate in which technotrans employees show exceptional commitment towards achieving their company's objectives. Their professionalism, expertise and team spirit in all countries and on all continents are a vital pillar of our success.



, Germany, Sassenberg > Loretta Ngai, China, Hong Kong > David Baker > Kirsty Madge > Karolin Brinkmann, Germany, Sassenberg > Ulrich Pelster > Peter Öckl, Germany, S

Great Britain Colchester Great Britain Colchester

Germany Sassenberg



rg > Jürgen Lanzinger, Germany, Gersthofen > Marco Coltro > Simone De Finis > Andrea Ziccardi > Marco Camerucci > Stefano Farina > Ingrid Schullern > Richard Wagner, G

Italy
Legnano

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Legnano



technotrans staged its initial public offering in March 1998. This move was one of the key factors that helped the company to maintain its course of growth so successfully, as it has more than trebled its revenue since the IPO. A clear strategy, an experienced management team and not least the employees, over 90 percent of who also hold shares in the company, have made this success possible. technotrans will continue to use the capital market as a means of achieving its growth targets. The measures it adopts are designed to secure the company's sustained, long-term positive development, in the interests of both investors and the company itself.

"The prospects for technotrans' shares are very promising.

As a young company, our strategy focuses on growth. We are expanding worldwide and at the same time increasing our investor base."



> Sascha Rose, Germany, Sassenberg > **Katharina Ittmann** > Stefan Baumeier, Germany, Sassenberg > Enzo Palmieri, Italy, Legnano > Tifaga Hodzic, Germany, Sassenberg >

Germany
Sassenberg

Shares

The stock market once more turned its attention to the shares of small and mid-cap companies in 2006. technotrans' shares likewise benefited from this trend, even if there were ample reasons for being engaged in the stock besides the general trend.

There is a stock market saying that stock traders are "dealing in the future". The robust global economy and the signs of an economic upturn in Germany, underpinned in particular by exports by Germany's capital goods industry, prompted in some cases a steep rise in the share prices of German mechanical engineering companies during the first few months of the year. Encouraged by a favourable climate, technotrans shares rose from an opening price of EUR 18 to a high of EUR 24.90 at the start of May. This rise was accompanied by the publication of our 2005 figures – which we again declared "better than planned" – and the three-month figures, which supplied evidence of our unfaltering dynamic growth.

technotrans shares reach year-high of € 24.90 in May

Nervousness of capital markets grows during first half

The sharp rise in share prices was accompanied by growing unease in market players. People began to talk of an overheating of the market and warn of a new bubble. The ensuing correction in the course of May and June was nevertheless unexpectedly sharp. Share prices yielded worldwide, and the MSCI World Index alone falling by around ten percent. technotrans' shares were unable to escape this slump and by mid-July had surrendered all their gains since the start of the year, bottoming at EUR 17.60. By the end of July, however, they had already recovered to more than EUR 20.

The remainder of the year saw a broadly steady rise in the share price, which was definitively substantiated in November when the targets for the full year were revised upwards.

Despite the extreme swings, 2006 was one of the most successful years on the stock market for technotrans since it became a listed company nine years ago, with its shares closing at EUR 23.50. This represents a gain of over 30 percent since the start of the year.

Increased investor relations work internationally

The promising development in the share price awakened interest in the company among investors and analysts who had not yet investigated our strategy and fundamental data. Board of Management and Investor Relations consequently found countless opportunities to attract new shareholders to technotrans AG at roadshows, conferences and company visits. There was a noticeable rise in interest from outside Germany in the year under review. Contacts with Benelux, Switzerland, Austria, the UK, the USA and even New Zealand promoted international diversification of the investor base.

Upward revision of targets in second half comes as no surprise to experts

Two questions in particular dominated discussions with those investors who had been following the company for some time. First, its economic development for the 2006 financial year as a whole. In light of the booming printing press industry and the distinctly conservative targets for the financial year, it became clear after publication of the first-half results at the latest that the targets needed revising upwards, assuming the overall situation in the industry was not going to change drastically. The new guidance announced along with publication of the nine-month report therefore came as no real surprise to those familiar with the company.



Share price January 1, 2002 to February 2007 (yellow: technotrans, black: TecDAX)

Fresh inspiration from entry into new product area of cleaning systems

The second issue that interested investors and analysts in equal measure was the new product area of cleaning systems and the prospects that this move offers. Based on the management's aim of doubling the company's revenue by 2010, the various scenarios that lead to that goal were discussed. As technotrans has already successfully developed new product areas in the past, the path for taking the company into this new dimension could evidently be presented plausibly. Given the Board of Management's track record and in view of the fact that technotrans already enjoys an excellent position as systems supplier to the printing industry, investors rated the company's prospects as overtly positive.

Index – a medium-term objective

As a company listed in the TecDAX All Share Index, the index for technology stocks at the Frankfurt Stock Exchange, it is of course our ambition and objective one day to be admitted to the TecDAX, the group of the 30 largest and most solvent companies. Currently ranked in 36th place in terms of market capitalisation, we believe such a goal is not beyond our reach. Merely the trading volume of technotrans shares are well short of what would be needed to be admitted to the elite club when the index's composition is reviewed. technotrans is way down in 74th place for that criterion. The stable investor structure and the long-term emphasis of the shareholders appear in the first instance to be a drawback. However, as our index affiliations have no significant bearing on our shareholders' investment decisions, we do not attach great importance to this issue. We are working on the basis that this question will resolve itself if the company continues to develop successfully.

On top of maintaining dialogue with institutional investors, we attach great importance to keeping the many private investors well informed. There is no difference whatsoever in the extent and timing of the information that technotrans provides the capital market for these two groups. The effect of this open-handed approach is often much in evidence at our shareholders' meetings. This event in 2006 was again notable for its relaxed mood and sense of harmony. The few speakers had only praise and acknowledgement for the company's corporate bodies. The votes on the agenda items were correspondingly emphatic.



Germany, Sassenberg > Michael Risau, Germany, Sassenberg > **Andre Thiel** > Michael Bruchhaus, Germany, Sassenberg > **Wolfgang Rudolph** > Holger Klocke, Germany, Sassenberg

Germany
Sassenberg

Germany
Sassenberg

Underlying data point to a good 2007

Highly promising perspectives

"The technology sector will profit from the continuing growth in the global economy in 2007", wrote Deutsche Bank strategists at the start of 2007, while the relevant companies' shares were marking the start of the year with an initial surge. The parameters for technotrans' shares to maintain their good performance were likewise right: the printing industry's order books are full, and the economic forecasts foresee a broad-based upswing. Might the company even achieve a 30 percent rise in the share price for a third successive year? We'll see.

Key figures

Securities Identification Number (ISIN)	DE0007449001
Listed since	March 1998
Trading segment	Prime Standard
Index	Technology All Share
Total shares	6,761,783
Free float	100%
Share price, high/low (2006)	24.90 (May 2) / 17.01 (January 13)
Analysts (as at 12/2006)	DZ Bank – buy HSBC Trinkaus - overweight M.M. Warburg – buy NordLB – buy Sal. Oppenheim – buy WestLB – buy
Market capitalisation (Dec. 31, 2006)	€ 158.901.900.50
Average trading volume (daily, 2006)	10,200 shares



berg > James Zhong, China, Beijing > Fred Retzlaff, Germany, Sassenberg > Anne Beckmann > Grant Shi, China, Beijing > Sonja Bischof > Dorothee Arenhövel, Germany, Sas

Germany
Sassenberg

Germany
Gersthofen



Sassenberg > Viktor Herter, Germany, Sassenberg > **Joe Krutek** > Grant Bowden, USA, Mt. Prospect > **Markus Esch** > Ruben Segura, USA, Mt. Prospect > Sandro Mulargia, Ge

USA
Mt. Prospect

USA
Mt. Prospect



The Government Commission first presented the "German Corporate Governance Code" in February 2002. It combines the principal statutory requirements on the management and supervision of listed companies with recognised standards of responsible corporate management. The code is revised each year, and the version dated June 2006 contains 81 recommendations and 20 suggestions. Once a year, companies must publish declarations of conformity in which they provide information on which recommendations of the Code they depart from. The Board of Management and Supervisory Board are moreover required to report on the company's corporate governance in the Annual Report.

"technotrans' corporate bodies work together closely and constructively.

The standards of responsible corporate management are an integral aspect of their approach."



> Peter Benton, Great Britain, Colchester > **Wolfgang Hanel** > Séverine Duclos, France, St. Maximin > Klaus Beike, Germany, Sassenberg > Shinichi Miyamoto, Japan, Yokohama

Germany
Sassenberg

Corporate Governance

Responsible corporate management is naturally treated as a high priority by technotrans' corporate bodies. This is also reflected in the fact that virtually all the Code's recommendations and suggestions are adopted, over and above the statutory requirements. The declaration of conformity by the Board of Management and Supervisory Board, which was placed on the company's website in September 2006, was accordingly short:

The Board of Management and the Supervisory Board declare that the recommendations of the Government Commission on the German Corporate Governance Code as set forth in the version dated June 12, 2006 have been complied with in the 2006 financial year and will be complied with in the future

with the exception of the following recommendations:

- Point 3.8 (D&O insurance for Board of Management and Supervisory Board – no excess)
- Point 4.2.3 (Cap on stock options – not envisaged under the current options scheme)
- Point 5.4.6 (Disclosure of remuneration paid to members of the Supervisory Board, but anonymously)

Good reasons for exceptions

The above three departures from the recommendations of the Corporate Governance Code are to some degree attributable to the precedent established by earlier decisions by the corporate bodies. For example, when the stock options scheme was approved by the Shareholders' Meeting in 2001, the decision was taken not to impose a cap on the potential gains of participants. The scheme, which was limited in duration to five years, ultimately laid down ambitious targets and the entire workforce throughout the group, rather than simply the most senior level of management, was entitled to participate from the outset. Details of the stock options scheme's form are to be found in the Notes to the annual financial statements on page 137 ("Equity"). In view of the turbulence experienced by stock markets in recent years, the motivating incentive provided by the stock options proved to be very limited.

No cap on gains from stock options – for all employees

Transparency when trading in treasury shares

The exercising of options, as well as other transactions involving shares in technotrans AG by members of its corporate bodies, referred to as insider dealing and directors' dealings, are both reported promptly to the supervisory authorities and published on the company's website. In the past financial year, a total of 9,512 shares were bought and sold by such transactions. Of the total of 8,462 shares purchased, 3,300 were acquired within the context of the stock options scheme. The total numbers of shares held by members of the Board of Management, Supervisory Board and related parties at the end of 2006, 2005 and 2004 are shown on page 164.

The D&O insurance policy, which is a kind of third-party insurance cover for the Board of Management and Supervisory Board, does not envisage an excess in technotrans' case. Neither would the insurance cover be significantly cheaper, nor can it be assumed that the Board of Management and Supervisory Board of technotrans would exercise even greater care when making decisions if mistakes were to carry financial consequences in addition to the potential loss of the members' jobs and damage to their career prospects.



Germany, Sassenberg > Andrew Pietropaolo, USA, Mt. Prospect > Jens Dresen > Alexander Oberdörfer, Germany, Sassenberg > Mazin Tawfik > Mergup Özkan, Germany, Gersthofen

Germany
Sassenberg

Germany
Sassenberg

Finally, the third departure relates to disclosure of the Supervisory Board's remuneration. The overall remuneration for the members of the Supervisory Board, broken down according to fixed and variable components, is of course published in the Notes to the annual financial statements (see page 163). As the remuneration system has been approved by the Shareholders' Meeting as a component of the company's articles of incorporation, we believe that the additional knowledge gained by declaring the remuneration of each individual would not be of sufficient importance to merit such an intrusion into their private sphere. The 2006 Shareholders' Meeting fundamentally endorsed this line of argument and supported the resolution to suspend disclosure of the remuneration of each individual on the Board of Management for the period of five years. The Notes to the annual financial statements nevertheless naturally contain an explanation of the remuneration system; remuneration is merely not disclosed individually (see page 162).

Two departures from the Code's suggestions

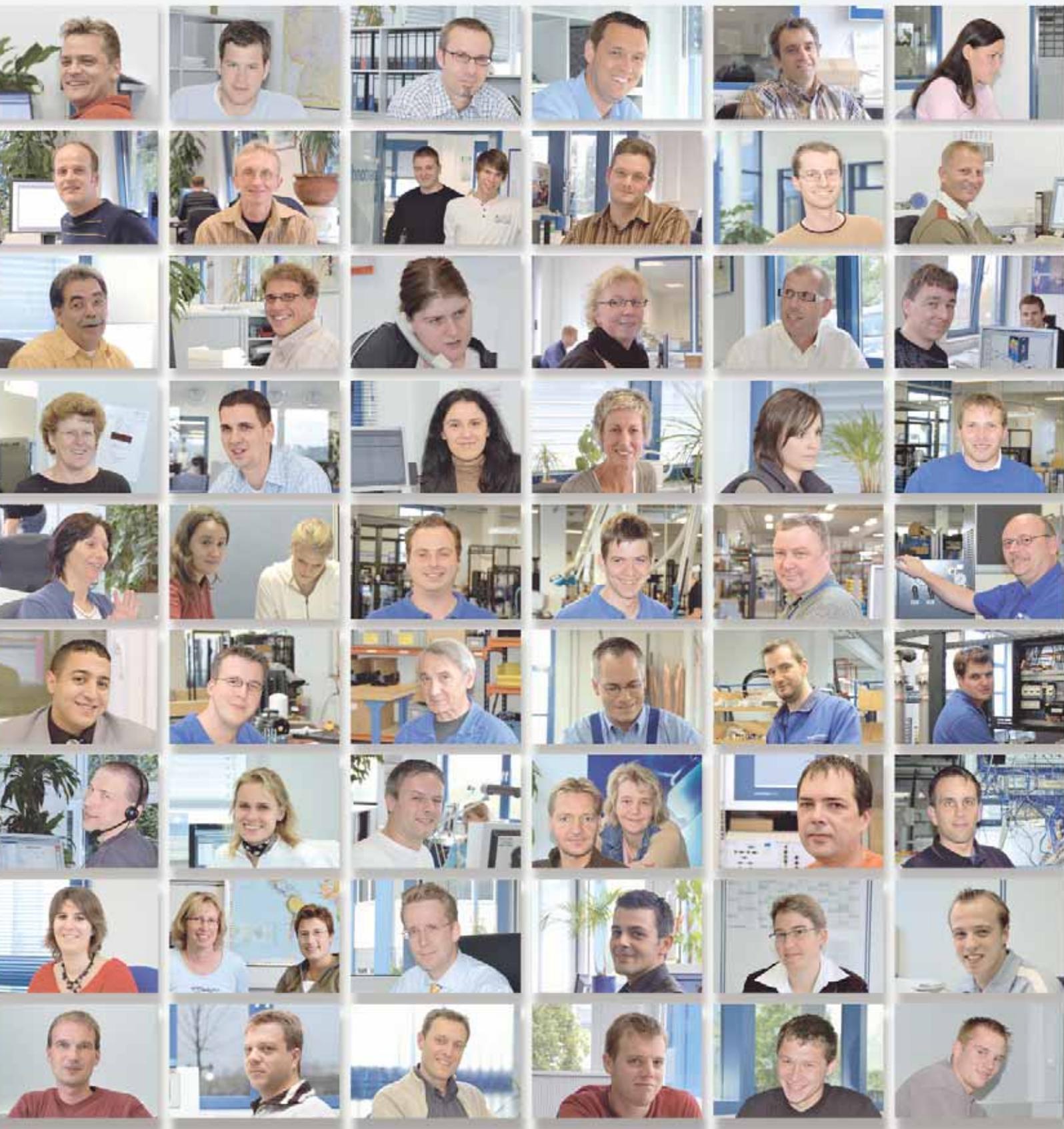
As well as the three departures from the Code's recommendations, there are two departures from the Code's suggestions, though companies are at liberty to decide whether to apply and comment on them. One of these departures relates to the creation of Supervisory Board committees. Particularly in the case of large supervisory boards, it makes sense to delegate individual tasks to committees. However, as the Supervisory Board of technotrans comprises only six members, only two committees have been created (Audit Committee and Personnel Committee). In a departure from the suggestions of the Code, the Chairman of the Supervisory Board also chairs the Audit Committee. A further departure again concerns the Supervisory Board's system of remuneration. A conscious decision, approved by the Shareholders' Meeting, was taken not to include any remuneration components with a long-term incentivising effect, as their elaboration could in practice have proved highly problematic.

The Code is an integral aspect of the committees' work

The recommendations and suggestions of both the Corporate Governance Code and the statutory requirements form an integral part of the binding rules by which the Board of Management and Supervisory Board must abide. In the interests of the shareholders, employees and company, ongoing checks on compliance with these standards are a regular feature of the corporate bodies' work and ensure that these aspects are always heeded in everyday work.



> Zafer Cetintas, Germany, Gersthofen > Kristina Walter > Heng Meng Wong > Grant Shi, China, Beijing > Diamantino Pires > Sabine Wohlers > Nikolay Markovic Taras, Ger
Germany Singapore France Germany
Sassenberg St. Maximi Gersthofen



Germany, Sassenberg > Olaf Patzelt, Germany, Sassenberg > John Dickson, USA, Mt. Prospect > Derek Knight, Germany, Sassenberg > Achim Bartel, Germany, Gersthofen



> Martin Rolf, Germany, Sassenberg > Martin Kaczmarek, USA, Mt. Prospect > Andrij Litke, Germany, Sassenberg > Brigitte Brockfeld, Germany, Gersthofen > Frank Sin



Monetti, USA, Mt. Prospect > Ian Bostock, Great Britain, Colchester > Andrea Günnewig, Germany, Sassenberg > Ahmed Pastrano, USA, Mt. Prospect > Anja Mo



litor, Germany, Sassenberg > Mario Hirsch, Germany, Gersthofen > Axel Thiel, Germany, Sassenberg > Wolfgang Eimer, Germany, Sassenberg > Randy Feltner, U



SA, Mt. Prospect > Vladimir Lechmann, Germany, Sassenberg > Manuel Happe, Germany, Sassenberg > Alexander Stuckert, Germany, Sassenberg > Andreas Har



ig, Germany, Sassenberg > Carmen Schulze Zunkley, Germany, Sassenberg > Dirk Pövinke, Germany, Sassenberg > Franz Werner Nübel, Germany, Sassenberg

> At the time of this Annual Report's compilation, the technotrans Group had 752 employees. The photographs were taken at the locations Sassenberg, Gers

ample visiting customers at the time the photos were taken. This report furthermore does not feature our employees in Brazil and Sweden, as well as at our service loc

tations, for example in China. Of the 1,230 photos taken, 435 were chosen for publication in the Annual Report.



> Robert Pramme, Germany, Sassenberg > [Mike Niemi](#) > Klaus Strobl, Germany, Gersthofen > [Mirko Nowotzin](#) > [Karin Meierhoff](#) > Steffen Arnold, Germany, Gersthofen

USA
Mt. Prospect

Germany
Sassenberg

Germany
Sassenberg



The Group Management Report has been compiled on the basis of German DRS, and the risk report in accordance with DRS 5. Disclosures pursuant to Section 315 Para. 4 of German Commercial Code have in addition been included. Pursuant to German RIC 1, the Balance Sheet is now laid out according to maturities and the Income Statement has been reclassified. The comparative figures for previous periods have been adjusted and are quoted in brackets. Unless otherwise indicated, they refer to the years 2005 and 2004 respectively. Reporting of segment information was changed in 2006: Print and Micro Technologies were combined into the new segment Technology.

This Management Report as well as the following sections of the Annual Report up to page 175 are a translation of the German original. In the case of doubt, the German version shall prevail.

Group Management Report



slaine Rossetti, Brasil, Sao Paulo > Chris Lamer, Great Britain, Colchester > Vaoude Abdoul, France, St. Maximin > Erika Stoll > Remzo Penava > Jens Ebmeyer, Germany, S

Germany USA
Sassenberg Mt. Prospect

"Information is the basis of forward-looking decisions.

The management needs transparency, the investors likewise. We invite you to read on."

Group
Management
Report

Business and strategy

The Group

As well as the parent technotrans AG, the technotrans Group at December 31, 2006 comprises 11 companies in Europe, America and Asia. The shares in each of these companies are owned in entirety by the parent company. A detailed list of participating interests is provided in the Notes to the Consolidated Financial Statements (II.a), Group). technotrans' business segments, Technology and Services, are reflected in the structure of the Segment Report. The most important segment concerns itself with the development, assembly and sale of equipment and systems for the printing industry. The group has a total of four production locations in Germany, the USA and China.

technotrans AG is run by four members of the Board of Management. The management of the subsidiaries and the heads of the various functions and product areas each report to one member of the Board of Management. The remuneration system for the Board of Management is explained in Section 37 of the Notes to the Consolidated Financial Statements. In addition to fixed remuneration components, the Board of Management members and management personnel worldwide receive performance-related remuneration components. The performance-related pay model is based on the one hand on revenue and earnings figures, and on the other hand on personal performance. The members of the Board of Management and all group employees are moreover able to participate in the stock options scheme. For details, see Section 11 (Equity) of the Notes to the Consolidated Financial Statements.

The Board of Management is overseen and monitored by the Supervisory Board, comprising six members, in accordance with legal requirements and the articles of incorporation. Details of the composition of the company's corporate bodies and of the distribution of responsibilities between the members of the Board of Management are provided in the section "Corporate Bodies".

Variable remuneration based on revenue and earnings targets

The segments

technotrans bases its reporting on two segments: Technology and Services. Liquid technology is the company's core skill.

The leading printing press manufacturers worldwide as customers

As one of the leading systems suppliers to the printing industry, technotrans' principal business processes encompass the development, assembly, testing and sale of peripheral equipment for offset printing presses. The components used in its equipment are usually sourced from specialist suppliers, as a result of which manufacturing penetration is low. The company's clients are primarily the world's leading printing press manufacturers, with the three German manufacturers Heidelberger Druckmaschinen AG, Koenig & Bauer AG and MAN Roland AG between them accounting for over 60 percent of the world market. They each account for a portion of technotrans' customer portfolio that is broadly in line with their respective market shares. They frequently equip their printing presses ex works with technotrans systems and equipment as standard features.

As part of the "more technotrans per printing press" strategy, the product range has steadily been extended over many years and now includes dampening solution circulators, ink roller temperature control units, ink supply systems, spray dampening systems, cleaning systems and filtration and reconditioning units for a wide range of applications, and therefore a large number of peripheral devices for sheet-fed offset, web offset and newspaper printing. The company's aim remains to continue extending this range in order to strengthen its position as a systems supplier to the printing industry and become the world leader – or strengthen an existing lead – in every product area.

The overwhelming majority of technotrans devices and systems are shipped by printing press manufacturers together with the printing press, to their customers worldwide. technotrans assures intensive support for these customers via its own international sales and service network, which is likewise steadily being expanded. We provide support that encompasses the installation and operation of systems as well as training in their use, guarantee a supply of consumables and spare parts, and provide assistance in the event of faults from our



Mt. Prospect > Hans Mlodoch, Germany, Sassenberg > **Helmut Specht** > Udo Krümpel, Germany, Gersthofen > **Pascal Dauriac** > Thomas Feuersträter, Germany, Sassenberg

Germany
Sassenberg

France
St. Maximin

bases worldwide, of which there are now 16. Customers are in addition advised on the use of innovative technologies that for instance help them to use resources more sparingly or automate production processes further, thus standardising them. To this end, technotrans has developed various products that usefully complement the products we supply to printing press manufacturers.

The economic health of printing press manufacturers substantially affects technotrans' own business. Their sales volume is in turn influenced by the state of the global economy. The propensity of printers worldwide to invest in capital goods rises and falls in line with the advertising expenditure of their customers. As well as increasing capacity, aspects such as enhanced efficiency and competitiveness play a part in investment decisions. The trend towards different formats, smaller print runs and the increasing use of colour has for instance spurred on demand for modern newspaper presses over the past few years.

technotrans' basic business in the Technology segment is developing in line with these parameters. The company is moreover constantly tapping fresh sales potential by broadening its product range. We in addition aim to increase our market shares by intensifying our contacts with additional printing press manufacturers worldwide, especially in Japan. By expanding our international network, we are also stepping up our presence in markets in which we have not yet been directly active. Whereas the printing industry worldwide is reporting average growth rates on a par with gross domestic product, technotrans' growth has often been much higher thanks to its successful growth strategy.

In the Technology segment, technotrans usually operates on the basis of framework agreements with a 12-month term with its biggest customers, the printing press manufacturers. We consequently enjoy a high degree of visibility for our short to medium term planning. For that very reason, however, individual incoming orders and orders in hand are not listed separately, as framework agreements do not lend themselves to this.

Expansion of international network creating new sales potential



Colin Starling, Great Britain, Colchester > Ronald Mannefeld > Michael Schlüter > Ronald Epperly, USA, Mt. Prospect > Gerhard Dück > Andreas Schmidt > Frank Sommer, Germany

Germany
Sassenberg

Germany
Sassenberg

Germany
Sassenberg

Germany
Sassenberg

Technical documentation also on behalf of external customers

The Services segment is benefiting from the steadily expanding installed base of the Technology segment, and has therefore been making a reliably constant contribution towards growth in consolidated revenue and earnings for many years. The segment has performed well even during times of economic slackness, as higher spending on repairs and maintenance becomes necessary due to a result of a reluctance to invest in new plant. technotrans is in addition uncovering fresh potential by expanding its range of services. Technical Documentation, for instance, has now evolved into the separate business area "global document solutions". It has been compiling technical documentation on behalf a large number of external customers, and the editing software docuglobe that has been developed over recent years is proving increasingly popular among companies from a wide range of industries as a tool for compiling and managing documents.

The method of control

technotrans practises a strategic group planning approach. It is reviewed every year and revised as necessary. At an operating level, technotrans AG and its subsidiaries compile detailed annual revenue and earnings plans for each segment. The objective – as reflected by the company agreement on the remuneration model – is to post an EBIT margin of at least 10 percent at group level. The original targets (revenue of more than € 140 million, net income for the year of € 8.5 to 9 million) were again easily exceeded in the 2006 financial year.

The group companies promptly submit monthly, quarterly and annual reports, in each case using a uniform reporting system which, in consolidated form, constitutes the basis for the published quarterly and annual reports of the Group. The reports submitted by the companies permit an in-depth analysis of their individual business progress as well as of deviations from targets, and in addition contain a forecasting component to enable appropriate corrective action to be taken at an early stage, where necessary. The members of the Board of Management maintain constant close contact with the local management of the individual companies in order to discuss business progress and prospects. The reporting and analysis tools used are being constantly refined, to allow additional, suitable key data on target attainment to be implemented. In the medium term a uniform worldwide IT platform is to be adopted as a means of further standardising business processes and simplifying reporting structures.



Germany, Sassenberg > Ronald Epperly, USA, Mt. Prospect > [Thomas Vollmer](#) > Peter Böcker, Germany, Sassenberg > [Markus Fuessel](#) > Zbigniew Bauer, USA, Mt. Prospect >

Germany
Sassenberg

Singapore

Research and Development

technotrans' growth strategy is based to a considerable degree on the steady expansion of the product range. The Research and Development Division makes a substantial contribution in this respect. The offices and laboratories are located primarily at the group's main base in Sassenberg. Around 40 employees based there are working steadfastly on new products, nurturing them from the initial idea, through the prototype stage and field tests, to production maturity. The R&D ratio (development costs in relation to revenue) is generally between three and four percent; in the 2006 financial year it was 3.4 percent. Including expenditure recognised as intangible assets the rate reached 4.3 percent.

Activities in 2006 focused on the further development of the new contex.c blanket cleaner, which was put through an intensive field test. The new release statuses of the dampening solution circulator and ink roller temperature control units alpha.line and beta.line, plus the new ink.line with new automatic cover, also reached production maturity. Yet other projects placed the spotlight on innovative measuring and metering techniques, as well as filtration techniques for a wide variety of applications. The drupa show, which is held only once every four years – the next occasion being 2008 – is a major factor influencing the printing industry's innovation cycle. In close coordination with printing press manufacturers, the development projects are therefore timed such that new products can be unveiled at that exhibition.

Next drupa industry exhibition to take place in 2008

The development costs are shown in the Income Statement. If the appropriate requirements are satisfied, development expenditure is recognised as an intangible asset pursuant to IAS 38 and reported as such in the Balance Sheet (2006: € 3.0, 2005: € 2.1 million). In rare instances, development capacity is insourced for special topics, and much more rarely still, development work is financed in part by third parties, usually by the printing press manufacturers. No public funds were used for this purpose in 2006.

technotrans owns a large number of patents, licences and similar rights. This area is becoming increasingly important for protecting the company's own market position by



> Bruno Giraud, France, St. Maximin > Uwe Rehorn, Germany, Sassenberg > [Jane Mazza](#) > Kai Benter, Germany, Sassenberg > [Christian Behrens](#) > Iwar Ulrich, Germany, Sas

[Great Britain](#)
[Colchester](#)

[Germany](#)
[Sassenberg](#)

legal means, and particular attention is consequently devoted to it.

Information on potential obstacles to the takeover of technotrans AG

Disclosures pursuant to Section 315 Para. 4 of German Commercial Code

1. The issued capital comprises 6,761,783 no-par-value and fully paid individual share certificates each representing an arithmetic amount of € 1 of the share capital. The shares of technotrans AG are bearer shares.
2. The shares issued are exclusively ordinary shares and are not subject to either legal or statutory restrictions with regard to voting rights or transfer. The Board of Management has not been notified of any voting trust agreements between shareholders.
3. No direct or indirect interests in the capital amounting more than ten percent of the voting rights are known.
4. All shares carry identical rights. No shares are equipped with special rights, in particular none imparting authority to control.
5. The voting rights of employees participating in the capital are exercised directly.
6. The statutory requirements pursuant to Sections 84, 85 of German Stock Corporation Law on the appointment and dismissal of the members of the Board of Management are applied. The articles of incorporation of the company contains no regulations over and above Section 84 of German Stock Corporation Law. Pursuant to Section 179 of German Stock Corporation Law, amendments to the articles of incorporation require a resolution by the Shareholders' Meeting with the approval of at least 75 percent of the votes.
7. The Board of Management is authorised until April 30, 2010 to raise the share capital by the issue of new shares on one or more occasions, against contributions, by up to a total of € 3,300,000, with the approval of the Supervisory Board. The Board of Management is furthermore authorised until October 31, 2007 to acquire technotrans shares of a nominal amount of up to € 660,000.
8. There are no key agreements by the parent company that are conditional on a change of control following a takeover bid.
9. No compensation has been agreed with the members of the Board of Management or employees in the event of a takeover bid.

Business progress in 2006

The global economic climate remained positive in 2006. Whereas the US economy noticeably lost momentum, as expected, other regions and above all Asia and South America made distinctly positive progress. The rise in investment spending fuelled by this upswing also resulted in a good year for Germany's mechanical engineering sector, which boosted production by 7 percent. After years of reticence, the domestic market likewise experienced buoyancy in 2006, whereas exports settled down ultimately at a high level. The German printing industry, too, benefited from this positive environment. The major printing press manufacturers reported a rise in incoming orders, revenues and earnings virtually across the board, with the growth rates in some cases running into double figures.

Demand from the market for the production of optical storage media declined yet again in 2006 compared with the previous year. The breakthrough of the new formats (HD-DVD and Blu-Ray) and the hoped-for surge in demand that this would trigger have still not materialised. The adoption of technology in the field of microstructure technology likewise failed to progress with the desired momentum and investment in industrial production technology in this area remains negligible.

The financial year was consequently on the whole positive from an economic viewpoint, and without major extraordinary incidents. The share price likewise made very good progress in the course of 2006, rising by over 30 percent from € 18.00 to € 23.50. For further details, see the Shares section in this Annual Report.

Revenue reaches new record level

The revenue of the technotrans Group reached a new record level of € 151.3 (129.8, 117.3) million. This year-on-year growth of 16.6 percent not only easily exceeded our own original targets (plus 8 percent to around € 140 million), but also the growth rates of most printing press manufacturers and competitors. Both segments contributed towards this satisfying development: the Technology segment grew from € 99.9 to € 115.7 million, equivalent to a rise of 15.9 percent. This increase was attributable in equal measure to volume growth for the established product lines and the recently launched products, such as filtration systems for various applications. Growth in the Services segment even touched 18.8 percent (2006: € 35.5, 2005: € 29.9 million).

The 2006 financial year yet again demonstrated that technotrans was not only able to profit from the positive climate, but also that its proven growth strategy – based on more technotrans per printing press and an expanded international network – has likewise born fruit. We are very satisfied with this development.

Financial performance

Two one-off effects influence earnings

Profitability, too, developed positively, mirroring revenue in exceeding our expectations (net income € 8.5 to 9 million, realised € 10 million). In view of the healthy business progress, the one-off effects, of which there were essentially two, did not pose a threat to the earnings target. First, the two American production locations were combined at a new location near Chicago in the second half of the year. The associated costs are spread across all major expense items, but fall predominantly within cost of sales to the tune of around € 1 million. Second, the impairment test to be performed at the end of the year on the remaining goodwill from the "Toolex" acquisition revealed a need for write-down in the order of € 1.2 million – no great surprise, in view of the continuing downturn in business in the CD/DVD sector. This effect has a corresponding impact on the consolidated gross profit. The comparative figures for 2005 included a reduction for impairment of around € 1 million for the old real estate near Augsburg.

Gross profit (revenue less cost of sales) nevertheless rose by 13.6 percent in 2006 to € 50.4 (44.4; 39.1) million. The gross margin reached a satisfactory level of 33.3 percent at year end; without the one-off effects it would have been broadly the same as in the previous year (34.2 percent). This reflects the significant efficiency gains as a result of the higher volumes, which largely compensated for opposite effects such as increased contracting-out, smaller production runs particularly for new products, the higher cost of materials for certain key components, and generally higher energy costs and levels of pay. Selling prices remained predominantly stable, and cost savings for individual product lines were passed on to major customers as a gesture of partnership.

Earnings before interest and tax (EBIT) rose by 20.4 percent, more steeply than revenue (+16.6 percent), to € 15.7 (13.0, 11.1) million. At this level, the one-off factors mentioned earlier were more than counterbalanced by the proportionally lower rise in distribution costs (up 7.2 percent to € 16.7 million) and administrative expenses (up 14.0 percent to € 13.5 million).



ek, USA, Mt. Prospect > [Martin Baumert](#) > [Helmut Petersmann](#) > [Isabel Osthoff](#) > Tom Carbery, USA, Mt. Prospect > [Bettina Offer](#) > Norbert Kreimer, Germany, Sassenberg

Germany
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Development costs edged up by a further 7.1 percent from the previous year's already relatively high level, to € 5.1 (4.8, 3.0) million. The R&D ratio (development costs in relation to revenue) of 3.4 percent was only marginally lower than in the previous year (3.7 percent). Pursuant to IAS 38, expenditure for development projects is to be recognised as an intangible asset and amortised over the useful life as soon as the qualifying criteria are met.

Other operating income and expenses comprise those sources of income and expense that cannot be allocated to other items in the cost of sales classification. They comprise mainly exchange rate gains and losses recognised in the income statement. The balance of other operating income and expenses in the year under review is again a positive result.

EBIT margin again above the target of 10 percent

The EBIT margin (ratio of EBIT to revenue) showed an overall improvement to 10.4 percent (10.0, 9.4 percent) in 2006 despite the one-off effects referred to above, and is consequently within the target range of more than 10 percent.

The balance of interest income and expense was slightly higher than in the previous year (2006: € -788 thousand, 2005: € -723 thousand). Whereas interest-bearing liabilities were further reduced, the interest particularly on the higher long-term provisions was in evidence (see section "Financial position").

technotrans thus generated an accounting profit of € 14.9 (12.3, 10.1) million in the 2006 financial year, representing a rise of 21.1 percent.



> Isabelle Briquet, France, St. Maximin > [Boris Munivrana](#) > Ludger Schiemann, Germany, Sassenberg > [Michael Chui](#) > Jenny Chang, Singapore > Daisuke Matsuzaki, Japan,

[Germany](#)
[Sassenberg](#)

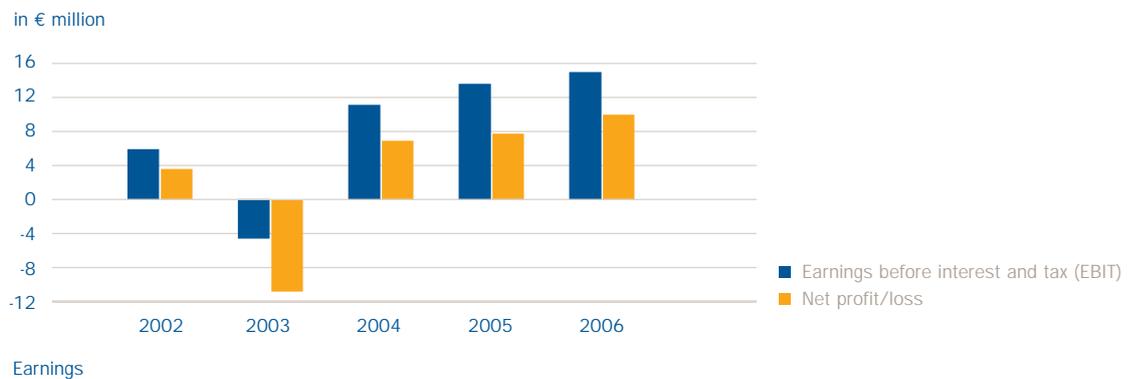
[China](#)
[Hongkong](#)

Income tax expense in 2006 was largely shaped by three positive effects: capitalisation of the corporation tax credit balance of € 0.6 million from previous years, the need to capitalise deferred taxes as a result of the tax loss carryforwards for subsidiaries (€ 0.3 million in total) and the partial tax effectiveness of the goodwill amortisation (€ 0.2 million). The above effects resulted in the income tax expense of € 4.9 million ultimately only remaining on a par with the previous year (€ 4.8 million) despite the higher earnings. This corresponds to an effective tax rate for 2006 (ratio of income tax expense to profit before tax) of only 32.9 percent (38.7 percent in previous year).

Net income for 2006 likewise better than planned

technotrans' net income for the 2006 financial year reached almost € 10.0 (7.5, 6.7) million. This represents a 32.7 percent increase and is above the original targets (€ 8.5 to 9 million) for the year as a whole. The net rate of return, representing net profit as a ratio of revenue, amounted to 6.6 percent, compared with 5.8 percent in the previous year. Basic earnings per share according to IFRS, on the basis of a weighted, slightly higher number of shares (6.7 million, up from 6.6 million), also improved, to € 1.48 (1.13; 1.01).

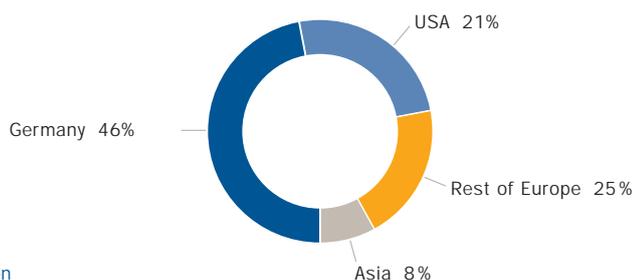
technotrans' financial performance in 2006 on the whole mirrors the very good business progress; even the one-off effects described were absorbed.



The financial performance of the segments

technotrans bases its reporting on two segments: Technology and Services. The former Print and Micro Technologies segments were combined into the single segment Technology at the start of 2006.

The Technology segment boosted its revenue for the financial year from € 99.9 to € 115.7 million, a rise of 15.9 percent. This segment consequently generated 76.5 percent of total revenue. The growth rate was more dynamic than that of both printing press manufacturers and competitors. As well as the positive mood within the industry, technotrans benefited from the rising sales volumes of the new product lines, which have only recently made their market debut. Project business for ink supply systems also made distinctly above-average progress. Whereas the parent company again enjoyed the highest rate of growth in absolute terms, in Europe the French subsidiary in particular – by virtue of having extended its activities to include the Iberian peninsula – and the Italian subsidiary posted disproportionately high growth rates; in Asia, the locations in China and Japan performed above the company average.



Revenue by region

Rate of return for Technology segment reaches 8.8 percent

The result for the Technology segment (EBIT) showed a rise of 28.2 percent at year-end, to € 10.2 (8.0, 5.3) million. The rate of return for the segment, representing the result for the segment in proportion to revenue for the segment, reached 8.8 percent (previous year 8.0 percent). Despite the one-off effects portrayed above, and in particular the reduction for impairment of the remaining goodwill from the "Toolex" acquisition in 2001, profitability improved thanks to volume growth and efficiency gains.

The Services segment increased its revenues by 18.8 percent in 2006 to € 35.5 (29.9, 27.7) million, thus growing faster than in previous years. This progress stems on the one hand from the steady rise in the number of devices and systems in the market, and on the other hand from the ongoing expansion of the international network. Furthermore, the Technical Documentation area posted yet another sharp rise in revenue both for services on behalf of third parties and from higher sales of its self-developed docuglobe software.

While the rate of return for the segment was initially diminished by the expansion of service structures, it recovered in the course of the year. The result for the Services segment thus rose to € 5.0 (4.8, 5.5) million, a gain of 4.0 percent. The overall margin reached 14.0 percent (previous year 15.9 percent) and offers further potential for improvement.

Financial position

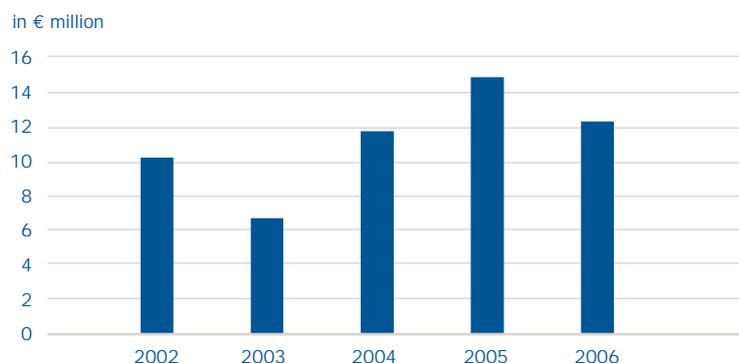
The development of cash flow

The purpose of the financial management system is to ensure that technotrans is of its own accord able to generate both the financial resources required to fund the organic growth of its operations and the investments required in this connection. This objective was again achieved in 2006.

Only slight change in current assets despite growth

On the basis of a net income for the year of € 10.0 million (7.5 million, +32.7 percent), the cash flows from operating activities before changes to net current assets rose by 13.5 percent to € 20.2 (17.8) million. Compared with the rise in revenue of 16.6 percent, the current assets changed only minimally in the year under review, diminishing cash flow by € 1.9 million. As the prepayments received were moreover around € 2.9 million lower compared with the previous year, when the level of project business was higher, cash from operating activities ultimately amounted to € 18.0 (previous year: 20,7) million.

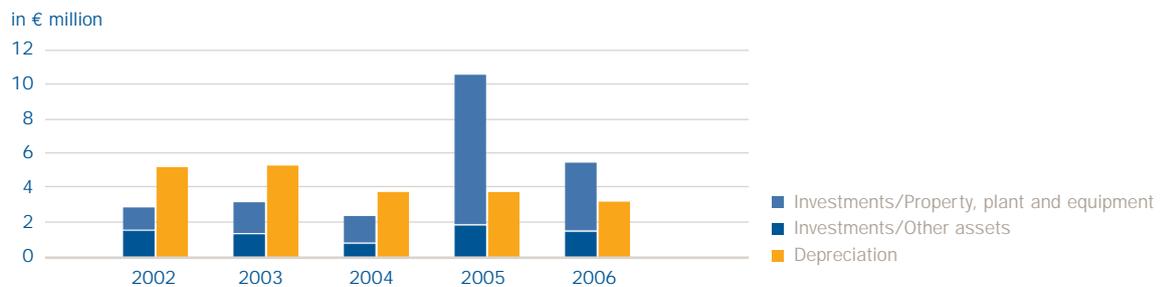
An overall cash flow from operating activities of € 12.3 (14.8) million was realised, down 17.1 percent on the previous year. Interest income of € 292 thousand (previous year € 211 thousand) and interest expense of € 658 thousand (previous year € 958 thousand) did not change materially compared to the previous year, as did income taxes paid (€ 5.3, previous year 5.1 million).



Cash flows from operating activities

Investment spending financed with ease from cash flow

Investment spending returned to a normal level in 2006 after the significant rise in the previous year for the new building in Gersthofen. In addition to the customary expenditure for the maintenance and extension of infrastructures, for example in the sphere of data processing equipment, the € 5.3 million total includes substantial investment in the subsidiaries, e.g. for equipping the new production location in the USA. The sale of the old real estate near Augsburg generated proceeds of € 875 thousand, which had still been reported in the balance sheet for the previous year as "non-current assets held for sale". Investment spending was financed without exception from cash flow. The free cash flow, representing net cash from operating activities less the net cash used for investment spending, achieved a comfortable level of € 8.2 (4.4) million.



Investment and depreciation

The company accrued € 1.3 million in 2006 from the exercise of stock options. On the other hand, financial liabilities amounting to € 3.3 million were repaid and € 3.7 million distributed to the shareholders for the 2005 financial year in the form of dividends.

Cash at the end of the period amounted to € 15.0 (12.8) million, representing a rise of € 2.3 million or 17.8 percent compared to the previous year.

Liabilities

The liabilities at the balance sheet date totalled € 35.9 (40.1, 35.4) million. They comprise current liabilities amounting to € 24.7 (28.7, 24.7) million and non-current liabilities remaining virtually unchanged at € 11.3 (11.5, 10.7) million. The major differences compared with the previous year result from the reclassification of one provision as long-term rather than short-term (€ 3.3 million) and the lower prepayments received (€ 3.5 as against € 6.4 million).

At the balance sheet date, technotrans had financial liabilities totalling € 9.8 (12.9, 14.6) million, of which € 3.3 (3.1, 5.5) million were classified as current liabilities. The latter comprise exclusively the current portion of the loans. Only bank overdrafts would be exposed to an interest rate risk, but no overdraft facilities were in use at the balance sheet date. The non-current financial liabilities stem principally from investments in intangible assets and property, plant and equipment, and from earlier acquisitions of participating interests; they are protected in part by land charges. Details of the structure of financial liabilities are provided in the Notes to the Consolidated Financial Statements (Section 12). Non-current financial liabilities were again reduced by means of scheduled repayments in 2006. technotrans is for the first time able to show a net cash item (interest-bearing liabilities – cash) of € 2.4 million in its year-end Consolidated Financial Statements.

At the balance sheet date, technotrans had unused (overdraft) borrowing facilities in place for € 15.8 million (after adjustment for exchange rate differences). Thanks to these financial arrangements, the Board of Management would be in a position to mobilise additional financial resources even for substantially larger investments, if required. As a listed company, technotrans moreover has access to capital market instruments.

No off-balance-sheet financial instruments are used.

Net cash item shown for first time



any, Sassenberg > Wladimir Heronime, Germany, Sassenberg > Jan Michael Tenbrock > Chao Li, China, Beijing > Huynh Van Tran > Hanh Le > Andre Peckruhn, Germany, Sas

Germany
Sassenberg

USA
Mt. Prospect

USA
Mt. Prospect

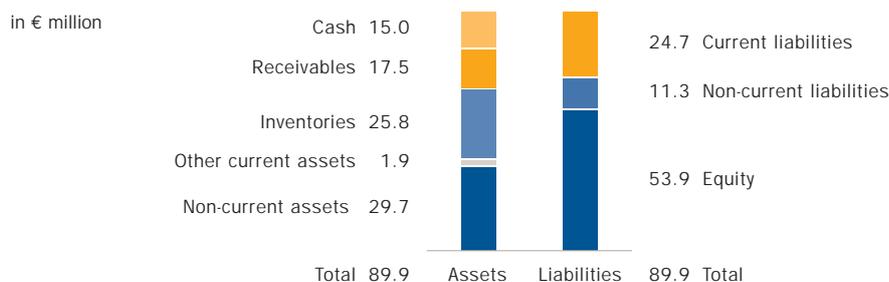
Provisions

The provisions amount to € 12.9 (10.5, 9.5) million, of which € 3.5 million come under the long-term category. The latter amount relates in essence to the provision for a patent dispute (see comments in "Risk report") which was reclassified as long-term in view of the duration of the proceedings and must be correspondingly compounded. The short-term provisions largely consist of obligations towards personnel (€ 4.0 million), payments to be made under warranty (€ 3.5 million) and other provisions (€ 1.8 million). There were changes within the provisions for personnel, including for higher anticipated performance-related pay, as well as for warranties, which reflect the increased probability of payments to be made under warranty following the launch of new products.

Capital structure

The total assets of the technotrans Group at December 31, 2006 showed only a slight rise of 3.2 percent to € 89.9 (87.1, 76.1) million. Equity rose by 14.9 percent to € 53.9 (46.9, 40.7) million, predominantly as a result of the net income achieved; this was offset in part by the dividend payment for the previous year. The equity ratio, which reflects equity as a proportion of total capital, has risen further and was 60.0 (53.9, 53.5) percent at the balance sheet date. The issued capital rose by 1.2 percent or 78,182 individual share certificates with no par value as a result of a capital increase from authorised but unissued capital from the exercise of stock options from the 2002 and 2003 tranche.

Equity ratio a comfortable 60 percent



Balance sheet structure



The item "Equity from unrealised gains/losses" (€ -7.6 million) in the first instance comprises exchange differences resulting from the difference between the exchange rate at the time of acquisition of foreign participating interests and the exchange rate at the balance sheet date. The differences have no effect on income unless these investments are sold.

Balance sheet indicators

	2006	2005	2004	Method of calculation
Asset structure	49.4 %	49.4 %	47.2 %	Non-current assets/current assets
Net debt	-2,440 T€	597 T€	2,647 T€	Interest-bearing financial liabilities – cash
Gearing	-4.5 %	1.3 %	6.5 %	(Interest-bearing liabilities – cash)/equity
Working capital	35,523 T€	29,607 T€	27,024 T€	Current assets – current liabilities
1st-degree liquidity	61.1 %	44.6 %	51.1 %	Cash/current liabilities
2nd-degree liquidity	137.2 %	109.4 %	117.8 %	(Cash + current receivables)/ current liabilities
3rd-degree liquidity	241.7 %	201.5 %	205.7 %	Current assets/current liabilities
Capital employed	66,546 T€	60,299 T€	55,934 T€	Interest-bearing liabilities + equity
Return on capital employed (ROCE)	24.7 %	22.5 %	19.9 %	EBIT/average capital employed



> Mario Göbeler, Germany, Sassenberg > Shinpei Sugino > Sergej Migulja, Germany, Sassenberg > John Cackler Jr > Anton Hartmann, Germany, Gersthofen > Dirk Lange, Germany, Sassenberg

Japan
Kobe

USA
Mt. Prospect

Significant investment and financial plans

technotrans intends to further harmonise its IT structures internationally and throughout the group in the short to medium term. The introduction of mySAP is designed to improve internal transparency on a group-wide scale, and standardise processes. The plan is to introduce the change initially at the two German plants at the turn of the year 2007/2008, and then gradually to include the subsidiaries.

To accelerate market penetration by its own products in the cleaning systems area, technotrans has conducted negotiations with a view to acquiring rotoclean GmbH and a large range of patents. This planned acquisition would reflect the long-standing strategy of actively shaping the process of consolidation in the market, provided the target is a good fit in technological or strategic terms. We intend to adhere to this policy. However, we will only disclose details of the relevant projects once they have assumed sufficiently clear contours.

Extensions planned for Sassenberg plant

In view of the dynamic growth of technotrans' business, we will probably invest in extending our capacity at Sassenberg in 2007. The Services areas in particular, which have grown by around 40 percent since they were last extended, call for this expansion.

We are convinced that, as matters stand, technotrans is and will be readily able to meet both its existing financial obligations and those financial obligations that it will shortly be entering into.



any, Sassenberg > Juan Martinez Garcia, France, St. Maximin > **Jamie Boggis** > Rolf Schöniger, Germany, Sassenberg > **Emma Lovell** > Katja Böckendorff, Germany, Sassenberg

Great Britain
Colchester

Great Britain
Colchester

Net worth

The total assets of € 89.9 (87.1, 76.1) million at the reporting date consists of non-current assets totalling € 29.7 (28.8, 24.4) million and current assets totalling € 60.2 (58.3, 51.7) million. The main changes to the non-current category concerned goodwill, which fell by over one-third to € 2.6 million as a result of impairment. Other intangible assets, on the other hand, rose from € 2.5 to € 3.4 million under the influence of the IFRS rule which foresees the recognition of development expenditure as an intangible asset. It is amortised over the anticipated useful life of the products, in other words over three to five years.

Cash and cash equivalents up 18 percent to € 15 million

The principal changes within current assets related to cash, which rose from € 12.8 to € 15.0 million. Both inventories and receivables remained virtually unchanged in spite of business expansion.

Future payment obligations from tenancy and lease agreements entered into totalled € 2.5 (0.8; 0.5) million at the end of the year; they result predominantly from rented business premises and from sporadic lease agreements for company vehicles.

No off-balance-sheet financial instruments are used.

Other intangible assets

Human assets: technotrans is a growth company, a fact that is also reflected in its employment figures. At the reporting date of December 31, 2006 the group employed a total of 752 persons, 58 or 8.4 percent more than at the corresponding points of the previous years (694, 661). The majority of the new jobs were created in Germany, where 45 new employees were recruited, bringing the total to 512 (467, 461). There were 240 employees at the foreign subsidiaries at year-end, 13 more than one year earlier. This figure was influenced significantly by the merger of the American plants, as a consequence of which a number of posts became surplus to requirement.



Thanks to the recruitment of new employees last year, it was possible both to increase production capacities and create and fill a number of key "second-tier" functions. Both developments improve the basis for maintaining the efficiency of the company's ongoing growth and for establishing the necessary long-term structures.

Personnel expenditure rose to € 39.9 (34.9, 32.3) million in 2006, though the rise of 14.4 percent was slightly lower than the revenue growth rate (16.6 percent). The personnel expenditure to revenue ratio was again slightly down at 26.4 (26.9, 27.6) percent. Revenue per employee reached a new record high of € 209 (190, 187) thousand.

The standard of qualifications of employees has remained virtually constant for many years: two-thirds of the workforce have undergone training leading to qualifications and a further 20 percent have an academic background. technotrans is mindful of its social responsibility and therefore offers more apprenticeships at its German locations than would be strictly necessary to cover its own requirements. Last year we almost achieved our goal of ten percent of our employees being apprentices.

The workforce of technotrans AG and therefore some 70 percent of the group's employees are paid in line with the collectively negotiated agreement for the metalworking industry or on the basis of agreements off the regular pay scale. Various fringe benefits such as bonuses and performance-related pay are dependent on the company's success. On the basis of a company agreement reached in 2005, the collectively negotiated pay increases are linked to the company's performance. Only if the EBIT margin reaches at least 10 percent are those increases paid out and pay levels adjusted. If the margin is higher, the employees will also receive a share of the company's earnings over and above that level, in the form of a bonus; if the margin is lower, the pay increase will only be paid out on a one-off basis or postponed. This model means that the employees directly share in the company's success. At the other international locations, the employees are remunerated in line with local conditions; management employees are generally given a contract incorporating individual incentives.

Remuneration model permits sharing in the company's success



ido Hemme, Germany, Sassenberg > Heinz Hartmann, Germany, Sassenberg > Josue Aguires > Sabi Sabev, USA, Mt. Prospect > Sigfredo Gomez > Rolf Maier, Germany, Gers

USA
Mt. Prospect

USA
Mt. Prospect

Exercising of stock options again possible

In 2006 employees were again able to exercise stock options from the options scheme launched in 2001, in this instance the options from the 2003 and 2002 tranches (strike price € 6.59 and € 16.49 respectively). The actual share price during the exercise period was around € 22.00. In line with local legislation, tax was payable as benefit in money's worth on the gains realised from this exercising of options, at each individual's marginal tax rate. 78,182 new shares in total were issued (capital increase from authorised but unissued capital).

Investor and capital market relations: technotrans has a dense and steadily growing network of relations in the capital market. Our investor relations work is based on the principles of credibility and transparency. technotrans' aim is to provide investors with all the information they need to form an opinion and make an investment decision. The members of the Board of Management regard this dissemination of information as one of their primary tasks and attend to it on an ongoing basis.

Customer and supplier relations: technotrans' relationship with customers and suppliers alike is characterised by a spirit of partnership. Many relationships have evolved over many years, and in some cases stretch back decades. Maintaining an open-handed dialogue with both groups has proved valuable even in difficult times. We give due consideration both to requests and to criticisms, because our aim is to engender a lasting relationship that is fruitful and successful for both parties concerned.



thofen > Lukasz Jakimiuk, Germany, Sassenberg > Kelvin Jin > Pamela Pan, China, Beijing > Bruce Zhao, China, Beijing > Roland Lee > James Smith, Great Britain, Colchest

China
Beijing

China
Hongkong

2006 was the most successful financial year for technotrans in the company's history. The financial performance, financial position and net worth described provide a representative picture of this welcome business progress.

Exceptional factors that had a significant influence on the financial performance in the past financial year included for instance the merger and relocation of the two American production locations and the reduction for impairment of goodwill. In all, however, these one-off factors did not pose a threat to the original revenue and earnings targets.

In conclusion, we can state that technotrans, a successful and soundly financed company, was in very good economic health at the time of writing this Management Report. Accounting measures had no material influence on its representation.

Report on post-balance sheet date events

At the time of preparation of this report, technotrans is involved in negotiations on the possible takeover of rotoclean GmbH, Freiburg, and on the acquisition of extensive patents for a special technology in the field of cleaning systems. This move would accelerate technotrans' entry into this new product area and give it a complementary range of products that finds use particularly in newspaper printing. If the acquisition is successfully brought to a conclusion, the integration of the company and of its technology into our Gersthofen plant near Augsburg, in Southern Germany, would probably be completed within a matter of weeks and entail no further financial burdens.

We moreover refer to the remarks under "Significant investment and financial plans".



Chchester > Karl-Heinz Doms, Germany, Sassenberg > Methodios Chousmekiaris > Jens Schulte, Germany, Sassenberg > Cindy Jiang > Sascha Berenbrinker, Germany, Sassenberg

Germany
Sassenberg

China
Beijing

Risk report

Through its business processes the technotrans Group is exposed to a wide range of risks that are part and parcel of any entrepreneurial activity.

German Stock Corporation Law (Section 91 II) requires the Board of Management of technotrans AG to set up an appropriate risk management system in order to identify at an early stage developments and trends that could pose a threat to the company's survival, and take appropriate countermeasures.

The risk management system

The technotrans Group implements a risk management system that is refined on an ongoing basis in order to identify and counter the risks to which the company is exposed. Its basis comprises the systematic identification, analysis, evaluation, steering, documentation and communication of the various risk types and profiles.

The opportunities management system

In addition to the risk management system, the technotrans Group uses an opportunities management system. Thanks to this system, we can adopt a structured approach to exploiting the ideas that are generated within the company and incorporate them in the Research & Development process in the form of task/technical specifications.

The strategy behind the risk management system

technotrans' risk policy is based on a number of principles. For example, actions or decisions must never involve a risk that could endanger the company's survival; risks to income must carry the promise of an appropriate return. Risks over and above this must be avoided as far as possible or – where economically justifiable – insured against.



erg > Michael Luby, USA, Mt. Prospect > [Tina Preuß](#) > Philip Bond, Great Britain, Colchester > [Emily Meyer](#) > Nabil Bouimezgane, France, St. Maximin > Klaus Beckmann, Ge

[Germany](#)
[Sassenberg](#)

[USA](#)
[Mt. Prospect](#)

The risk management system has the purpose of ensuring that the Board of Management and Supervisory Board are informed of potential residual risks early on, thus enabling them to take corrective action in good time. Its principal purpose is to permit early detection of all risks that could materially impair the financial performance, financial position and net worth of the group.

Organisation of the risk management system

In organisational terms, risk management comes under the task area of group controlling, which in addition ensures that reports are submitted to the Board of Management and, if necessary, the Supervisory Board. This organisational structure makes it possible to identify risks and trends in good time by means of key data for the group. In the context of their regular risk reporting tasks, the functional areas report any changes to risks already identified, as well as new developments that lead to the creation of new risks.

Based on the assessment of the likelihood of a risk materialising and the potential loss involved, risks are then classified and matched up with measures, the effectiveness of which is evaluated. Residual risks are evaluated again and further measures are earmarked for them if necessary. The management is informed promptly of the risk potential identified.

In view of its international spread, the technotrans Group has a uniform risk organisation worldwide. This structure enables it to identify group-wide risks promptly and to implement appropriate measures.

Risk categorisation

Identified risks within the technotrans Group are allocated to one of the following categories: General External Risks and Market Risks, Physical and Organisational Risks, Financial Risks, Legal Risks, and Strategic Risks. Taking account of the potential impact of a loss and the probability of risks materialising, risks are categorised as low, medium and high.



Germany, Sassenberg > Jenny Chang, Singapore > Roger Höner > Robert Holtwick, Germany, Sassenberg > Matthew ST Sunil > Susanne Bauer-Kauth, Germany, Sassenberg

Germany
Sassenberg

Singapore

The following section of the risk report explains the identified residual risks that were known to the Board of Management at the time of preparation of the Management Report.

Risk category: General External Risks and Market Risks

2006 again saw printing press manufacturers post a significant rise in revenue compared with the previous year. This positive development is also reflected in the rising revenue figures for the technotrans Group. In the Technology segment, technotrans generates around 60 per cent of its revenue from business with the five largest printing press manufacturers in the world. It would not be possible to compensate in the short term for the unexpected loss of one of these customers, and would indeed be difficult to do so in the medium term.

The risk potential at the market launch of new products is countered by careful strategic and operational planning. Through close cooperation with our customers and in partnership with suppliers or research establishments, we are creating the basis for ensuring that new products fulfil the exacting requirements of the market. This approach plays a major part in the company's success. A degree of residual risk nevertheless remains in launching new products onto the market. Implementing newly developed products can for example result in increased warranty outlay. The provisions for warranties earmarked for this purpose are measured on the basis of statistical experience. There remains the residual risk of the actual costs being higher than expected.

The likelihood of the aforementioned risks occurring is rated as not probable. Each of these risks nevertheless harbours the danger of a significant deterioration in the economic position of the technotrans group.

Taking account of the potential impact of a loss and the probability of risks materialising, the identified market risks are categorised as "medium".



> Diana Afonso Silva, France, St. Maximin > Björn Kunert > Dieter Wallner, Germany, Gersthofen > Hilmar Schiewe > Katharina Hildebrandt, Germany, Sassenberg > Sung N

Germany
Sassenberg

Germany
Sassenberg

Risk category: Physical and Organisational Risks

As part of its organisational structures, the technotrans Group operates a complex quality management system. This system assures the high standard of quality that technotrans customers expect and that technotrans ultimately also applies to itself. According to the principle of "quality before speed", technotrans assures its standard of quality by means of complex test methods. The occurrence of a quality risk that could endanger its survival is therefore rated as improbable.

The experience of recent financial years has shown that as business activities expand, the requirements to be met by the company's IT environment are also becoming increasingly tough. The task of IT is to provide comprehensive data to underpin management decisions as swiftly as possible. To assure satisfactory data quality, it is imperative to invest in the further optimisation of IT systems in the short to medium term.

Thank to their long-standing experience, certain employees in the group possess an outstanding level of knowledge comprising knowledge of the markets, technology, customers, competitors and products. The unexpected temporary or permanent loss of one of these colleagues represents a risk that we counteract by adopting a strong team emphasis and specifically promoting the sharing of expertise. The risk that technotrans could lose critical expertise in this manner is therefore estimated as low.

The company's growth goes hand in hand with rising demand for employees at all levels. In order to pre-empt human resources bottlenecks, capacity has thus been increased substantially throughout the group. technotrans' global presence calls for the systematic future expansion of the management structures within the group. Demand for very well trained specialists is consequently arising. There exists a potential risk in the area of personnel recruitment from the high demands being placed on such employees, which to some degree are necessitating considerably higher input. technotrans counters the risk from the recruitment of qualified employees in a variety of ways: applicants are offered attractive career prospects; we in addition attach importance to specifically training up our own young people, starting



with an extensive range of vocational qualifications. Taking account of the potential impact of a loss and the probability of risks materialising, the identified organisational risks are categorised as "low".

Risk category: Financial Risks

No financial risk that materially endangers the economic position of the technotrans Group exists. Regarding derivative financial instruments see Section 33 in the Notes to the Consolidated Financial Statements.

There is no significant risk from exchange differences because technotrans produces in both the eurozone and the dollar zone, performs billing in the respective currency of production in those regions and moreover maintains supplier relations between the production companies, thus creating a natural hedge.

technotrans guards against investment risks by an internal approval process. First the viability of the investment is assessed. The approval process is graded according to the size of the investment and its significance for the company.

Taking account of the potential impact of a loss and the probability of risks materialising, the identified financial risks are categorised as "low".

Risk category: Legal Risks

technotrans has for several years been involved in a dispute concerning the enforcement of a patent by a competitor. The most recent development was that technotrans filed a complaint with the Federal Supreme Court against the non-admission of an appeal against the ruling at the second instance of November 14, 2002 and lodged an appeal with the Federal Patents Court against the ruling in the revocation action. If the competitor were to succeed at the Federal Supreme Court, it could lodge a final and absolute claim for compensation, the level of which would, however, have to be determined in a further lawsuit.



Germany, Sassenberg > Karl Ertl, Germany, Sassenberg > **Tim Velandar** > Timothy Mummert, USA, Mt. Prospect > **Valeria Schenk** > Andreas Deißer, Germany, Gersthofen > R

USA
Mt. Prospect

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Mt. Prospect

Such a compensation claim was lodged with the Düsseldorf district court in May 2005, based on a ruling of the Düsseldorf Higher Regional Court that was not final and absolute.

To minimise the risk, a provision amounting at the time to € 3.3 million had already been created in the 2002 financial year; for further comments, see Section 16 in the Notes to the Consolidated Financial Statements. At the balance sheet date, the provision again amounted to € 3.3 million, based on the value of the matter in dispute of € 2.5 million at the second instance as well as remaining legal expenses of € 0.5 million. In view of the duration of the proceedings, the provision has now been reclassified as long-term and correspondingly compounded by € 0.3 million.

technotrans intends to conduct each of these legal proceedings with the utmost determination. Any forecast on the outcome of these proceedings would, however, be highly tentative at present. The calculation of the level of the provision is based on plausible assumptions, but the possibility cannot be excluded that the actual amount required in the event of the lawsuit finally being lost could be higher.

The likelihood of this residual risk materialising is estimated as not probable, but in the event of it materialising the economic position of the group could suffer a temporary, marked deterioration.

Taking account of the potential impact of a loss and the probability of risks materialising, the identified legal risks are categorised as "medium".

Risk category: Strategic Risks

In the context of its business activities, the technotrans Group is also confronted with strategic risks of a medium and long-term nature. To further enhance its competitiveness and meet market requirements worldwide, technotrans is steadily expanding its international business activities. In planning for this, the existing market potential is evaluated, the legal framework examined and the political situation in the country in question taken into consideration. The establishment of new locations ultimately depends on whether positive results for all these parameters can be obtained. Despite every precaution, misplaced assessments of the above parameters could hamper the future development of the group.

In addition to the risks identified in the context of risk management activities, the development of the global economy is an incalculable risk factor. As forecasts on economic developments exercise considerable influence on corporate planning and strategy, the possibility cannot be excluded that negative economic developments at variance with the forecasts could have a considerable impact on the economic situation of the group. However, we view the current economic climate as offering more opportunities than risks.

Taking account of the potential impact of a loss and the probability of risks materialising, technotrans categorises the identified strategic risks as "low".

There are currently no risks that could endanger the existence of the group. The Board of Management is not aware of any potential economic or legal threat to its existence.

Report on expected developments

The future development of technotrans depends critically on two factors: the development of the printing industry in general, and the degree of success with which its own growth strategy is implemented.

The development of the printing industry is intrinsically closely tied to that of the economy in general. The investment propensity of printers is growing, among other reasons in line with rising capacity utilisation, which in turn rises or falls as a function of industry's advertising spending. Economic upswings generally tend to be accompanied by higher advertising budgets, which conversely are one of the first areas for cutbacks in economically slack times.

Everything points to a good year for the printing industry in 2007

The experts anticipate that the global economy will continue to expand in the 2007 financial year. This, combined with the well-filled order books of major printing press manufacturers at the start of the new year, points to a favourable environment for technotrans, with business not expected to slacken off at least in the first half of the year. Consistent with our customers, we in fact believe that the whole of 2007 is likely to be a good year for the printing industry.



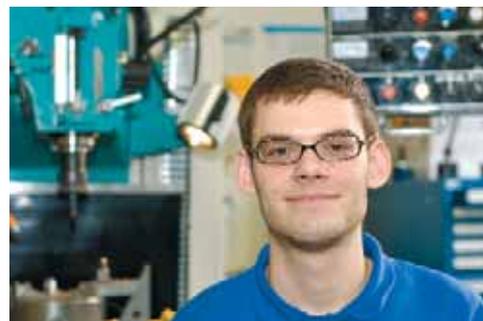
The world's largest and most important exhibition for the graphic arts industry, the drupa, will next be taking place in 2008. In the past this trade fair, which is held only once every four years, has always coincided with peaks in the amount being invested by the industry. We consequently believe that everything points towards 2008 likewise being a good year for printing press manufacturers.

Many printing press manufacturers already equip their presses ex works with technotrans systems and equipment. The number of printing presses built and the number of printing units are therefore in direct relation to our core business. For many years now, the company has moreover successfully been pursuing the strategy of raising the technotrans content per printing press by steadily increasing its product range. Thanks to this strategy, we have so far normally posted growth rates well above those of the other market players.

In entering the market for cleaning systems, technotrans has tapped vital potential for growth in the short and medium term. The relevant market is approximately equal in size to the market for the product lines currently in our range, and therefore offers the prospect of a doubling of revenue over the next few years. As with other product launches over recent years and decades, these new products will not contribute significantly towards revenue in the first years after their launch because we restrict them initially to a limited number of users before offering the product market-wide, to minimise any risk of quality problems. We will continue to work intensively on developing this product line further in 2007 to prepare for this second phase.

In parallel, the scheduled acquisition of rotoclean would give us control over an outstanding technology that would represent a major advance for us in the development of our own product range of cleaning systems. We therefore believe we are well on the way to achieving our growth targets with this new product area.

No significant contributions by the new product lines included yet in targets



ssenber... > Bernhard Krief, Germany, Sassenberg > Klaus Petrasch > Volker Winkenhoff, Germany, Sassenberg > Andre Lohmann > Waldemar Germoni, Germany, Sassenberg

Germany
Sassenberg

Germany
Sassenberg

For a number of years we have been involved in a sales partnership with IST Metz GmbH, where technotrans was acting as its exclusive distribution partner for UV dryers in the North American market. In view of changes to the business model, both companies jointly decided not to continue this partnership. The move means that technotrans will be forgoing trade revenue in the high single-digit millions from 2007, though this will have a positive impact on profitability because the margins for this business were unsatisfactory.

International expansion
to be continued

In 2007 the Services segment will continue to benefit from the steadily rising levels of technotrans equipment and systems in the market, and thus from greater sales potential for consumables and spare parts. Over and above this, technotrans is systematically entering new regions for sales and service activities in which we have not hitherto been present. We will be placing the spotlight on Russia, Australia and Dubai in 2007, each of them highly promising markets with considerable potential for the future.

The Technical Documentation area is on the one hand a successful service provider for external customers, and is thus tapping fresh revenue potential for the segment. On the other hand, sales of the self-developed "docuglobe" software for the compilation and management of documentation is likewise making highly promising progress and moreover making an above-average contribution towards profits. Both areas – Product Support Service and Technical Documentation – are consequently again expected to make an important contribution to the company's growth in 2007.

Overall, we expect the Technology segment to achieve average annual growth of between 8 and 10 percent in the medium term, whereas the Services segment should actually grow by at least 10 percent annually.



> Abraham Melgoza, USA, Mt. Prospect > Erich Brinkmann > Andreas Hämmerle, Germany, Gersthofen > Daniel Freese > Björn Tegelkamp, Germany, Sassenberg > Ke Van

Germany
Sassenberg

Germany
Sassenberg

Taking account of all the influencing factors described, we therefore currently expect revenue for the 2007 financial year to rise to € 155 to € 160 million. After adjustment for external factors (IST Metz), this would equate to organic growth of around 10 percent.

EBIT margin set to exceed 10 percent again in 2007

We do not currently perceive any factors among the cost items that could have a lastingly adverse effect on profitability. As a rule we are able to offset higher costs of materials and pay rises by ongoing efficiency improvements and furthermore to some degree pass them on to our customers. We therefore expect that higher volumes will lead to a further improvement in earnings before interest and taxes. We anticipate that the figure at the end of 2007 will again be above our long-term benchmark of an EBIT margin of 10 percent.

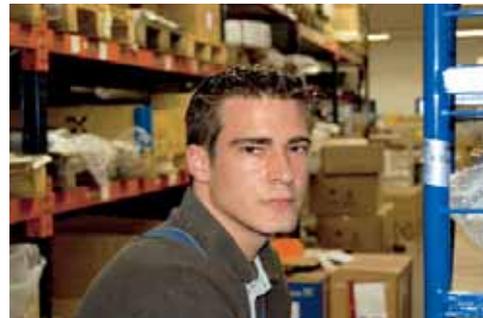
We expect that it will yet again be possible to finance growth in full from cash flow in 2007 and beyond. Capital expenditures over and above the normal long-term norm are described in the section "Significant investment and financial plans".

In view of the aforementioned factors, we expect to post net income for 2007 in the order of € 10.5 to € 11 million; this would equate to IFRS earnings per share (based on the total number of shares at the end of 2006) of between € 1.55 and € 1.63. For many years it has been our practice to distribute approximately half of the net income to shareholders. In keeping with this dividend policy, the envisaged improvement in earnings would again offer shareholders the prospect of an increase in the dividend.

technotrans paves the way for further revenue and earnings growth

As already explained, we believe everything is in place for 2008 likewise to be a positive year for the printing industry. While not allowing ourselves to be carried away by optimism, we will ensure that technotrans benefits to an above average degree, in terms of both revenue growth and a permanent boost to earnings. The flexibility that we have demonstrated in various respects in recent years provides the best guarantee that the technotrans Group will be able to maintain its very satisfactory overall progress in the years ahead.

Finally, as a formality we would like to point out to our readers that considerable variation between anticipated developments and actual results is possible due to any aforementioned or other element of uncertainty, or if the assumptions on the basis of which the forecasts are made prove to be incorrect.



er, Germany, Sassenberg > Don Dering > Abel Arias > Russell Matthews, USA, Mt. Prospect > Ronald Behrmann > Tom Hoffmann > Tim Osthues, Germany, Sassenberg > D
USA Mt. Prospect USA Mt. Prospect Germany Sassenberg Germany Sassenberg

... > Josef K...
 ...reas Brunke > Josef K...
 ... Cam Truong > Michael Ris...
 ...bert Dunker > Anja Dierkes >
 ... Michael Kramer > Helmut Kurfe...
 ...sch > Axel Thiel > Wolfgang Elm...
 ...ana Frohne > Cuc Mai > Holger Iv...
 ...lüber > Werner Krafczyk > Thomas...
 ... Gossen > Latrenda Moore > Hans...
 ... Maugg > Nicola Griggs > Karin Fre...
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 ...oi Sabev > Isabel Osthoff > Rolf A...
 ... > Jamie Boggis > Katharina Hilde...
 ...rder > James Tillett > Christian Pau...
 ...ris Göttermann > Nicole Arndt > Paul...
 ... > Ombretta Zanaboni > Dirk Holtermann > Martin...
 ...bs > Roland Lee > Said Mustafa Sarwary > Anette Arthke...
 ... Schmitz > Sascha Berenbrinker > Kizen Sasaki > Katharina...
 ... > Jeffrey Block > Hary Kosciesza > Franck Bancourt > Monik...
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 ... Nina Maria Streiter > Ross Broom > Andreas Schwab > Nikolai Lorar...
 ... Van Tran > Hubert Peick > Martin Kuhnke > Yvonne Wösthoff > Victoria...
 ...k > Kiyoko Isshiki > Emma Lovell > Dietger Hesekamp > Malik Brüggema...
 ...rn > Kenneth Castley > Hisayo Ohkubo > Judith Collin-Haj...k > Don Der...
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 ...r > Enzo Palmieri > Tifaga Hodzic > Stefan Poppenborg > Frank Penno...
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 ...rken > Dennis Mcmanus > Burkhard Mette > Linda Greg...eier > M...
 ... > Paul Lindqvist > Kristina Walter > Markus Florian > H...ig Le > R...
 ...reiwe > Trieu Nguyen > Kathrin Muhmann > Stefan Holler > Micha...
 ...er > Randy Robbins Sr. > Michael Underwood > Eva Grabe > Fran...
 ...bo > Bernd Hanschke > Karolin Brinkmann > Peter Öckl > Jürgen L...
 ...c Penno > Alois Scharf > Emilie Heno-Marie > Johann-Günther Gra...
 ...wel > Viktor Herter > Ludger Heisterkamp > Ruben Seg... > Grant...
 ...j > Yakup Barutcuoglu > Werner Vogt > Michael Fleetha... > Bernd...
 ...mann > Stefano Farina > Martin Kaczmarek > Andrej Li... > Brigit...
 ... > Bruce Zhao > Erich Renne > Christian Altenau > N...
 ... > Christian Behrens > Masakazu Tsushida > Matthias...
 ... Matthias Laudick > Vadoude Abdoul > Thessa Roderig...

**Independent
Auditors'
Report**

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... > Burkhard Me...
 ... Kristina Walter > Mark...
 ... > Kathrin Muhmann >
 ... > Sr. > Michael Underwood...
 ... Karolin Brinkmann > Peter...
 ... Emilie Heno-Marie > Johann-Gu...
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 ...ar > Richard Wagner > Volker Flaskamp > Carl La...
 ...armel Ng > Adrian Morawietz > Robert Hoffmann >
 ... Jen > Sandro Mulargia > Martin Wiens > Simon Gähr...
 ...wiertert > Andrew Pietropaolo > Alexander Oberdörfer >
 ... Brockfeld > Frank Simonetti > Ian Bostock > Andrea Gün...
 ... Punciman > Alexander Hein > Christopher Buckebrede > Michaela C...
 ...r > Zhi Jun Bai > Robert Pramme > Klaus Strobl > Steffen Arnold...
 ...r Bartmann > Marco Coltro > Burkhard Herzog > Minh Tran > Tim...

Consolidated Financial Statements

01

Consolidated Balance Sheet

	Note	31.12.2006	31.12.2005	31.12.2004
		€ '000	€ '000	€ '000
Assets				
Non-current assets				
Property, plant and equipment	(1)	22,126	21,340	16,609
Goodwill	(2)	2,566	4,022	3,722
Intangible assets	(3)	3,431	2,497	2,203
Income tax receivable	(7)	501	0	0
Other non-current assets	(4)	183	187	763
Deferred tax assets	(27)	896	751	1,096
		29,703	28,797	24,393
Current assets				
Inventories	(5)	25,756	25,528	21,690
Trade receivables	(6)	17,434	17,216	15,554
Income tax receivable	(7)	8	27	88
Other current assets	(8)	1,926	1,853	1,748
Cash and cash equivalents	(9)	15,049	12,770	12,613
		60,173	57,394	51,693
Non-current assets held for sale	(10)	0	875	0
		60,173	58,269	51,693
Total assets		89,876	87,066	76,086

	Note	31.12.2006	31.12.2005	31.12.2004
		€ '000	€ '000	€ '000
Equity and liabilities				
Equity	(11)			
Issued capital		6,762	6,684	6,600
Capital reserve		38,076	36,882	36,397
Revenue reserve		6,969	3,269	269
Equity from unrealised gains/losses		-7,629	-5,529	-8,613
Accumulated profit/loss		9,759	5,626	6,021
		53,937	46,932	40,674
Non-current liabilities				
Non-current financial liabilities	(12)	6,475	9,783	9,022
Long-term provisions	(16)	3,534	210	173
Other non-current liabilities	(13)	147	222	374
Deferred tax	(27)	1,133	1,257	1,174
		11,289	11,472	10,743
Current liabilities				
Current financial liabilities	(12)	3,298	3,087	5,540
Trade payables	(14)	5,496	5,443	3,910
Prepayments received	(15)	3,505	6,433	2,424
Short-term provisions	(16)	9,337	10,310	9,352
Income tax payable	(17)	1,363	1,114	1,583
Other liabilities	(18)	1,651	2,275	1,860
		24,650	28,662	24,669
Total equity and liabilities		89,876	87,066	76,086

Consolidated Income Statement

	Note	2006	2005	2004
		€ '000	€ '000	€ '000
Revenue	(19)	151,272	129,787	117,259
of which Technology		115,723	99,871	89,545
Services		35,549	29,916	27,714
Cost of sales	(20)	-100,827	-85,379	-78,156
Gross profit		50,445	44,408	39,103
Distribution costs	(21)	-16,712	-15,596	-13,499
Administrative expenses	(22)	-13,499	-11,842	-11,889
Development costs	(23)	-5,106	-4,768	-2,982
Other operating income	(24)	2,476	1,926	1,045
Other operating expenses	(25)	-1,938	-1,120	-707
Earnings before interest and tax (EBIT)		15,666	13,008	11,071
Interest income		292	211	196
Interest expenses		-1,080	-934	-1,183
Net finance costs	(26)	-788	-723	-987
Accounting profit		14,878	12,285	10,084
Income tax expense	(27)	-4,890	-4,760	-3,414
Net income for the year		9,988	7,525	6,670
Earnings per share (€)	(28)			
(basic)		1.48	1.13	1.01
(diluted)		1.47	1.12	1.00



> Ralf-Günter Lyx, Germany, Sassenberg > Thorsten Busza > Annette Radziejewski > Karin Frense > Xing Kai Jiao, China, Beijing > Van Cam Truong > Claus Subgang, German

Germany
Sassenberg

Germany
Sassenberg

Germany
Sassenberg

USA
Mt. Prospect

Segment Report by division

		Technology	Services	Other	Consolidated/ not allocated	Group
		€ '000	€ '000	€ '000	€ '000	€ '000
External revenue	2006	115,723	35,549	0	0	151,272
	2005	99,871	29,916	0	0	129,787
	2004	89,545	27,714	0	0	117,259
Internal revenue	2006	18,860	6,583	0	-25,443	0
	2005	16,278	6,502	0	-22,780	0
	2004	18,103	6,112	0	-24,215	0
Inter-segment revenues	2006	0	1,315	0	-1,315	0
	2005	0	1,085	0	-1,085	0
	2004	0	1,599	0	-1,599	0
Segment result	2006	10,202	4,969	495	0	15,666
	2005	7,960	4,779	269	0	13,008
	2004	5,324	5,467	280	0	11,071
Segment assets	2006	49,343	24,079	0	16,454	89,876
	2005	50,162	23,356	0	13,548	87,066
	2004	46,695	15,594	0	13,797	76,086
Segment liabilities	2006	17,426	6,160	0	12,353	35,939
	2005	18,247	6,359	0	15,528	40,134
	2004	14,411	3,156	0	17,845	35,412
Investment	2006	4,033	1,247	0	0	5,280
	2005	7,548	3,107	0	0	10,655
	2004	1,843	443	0	0	2,286
Depreciation and amortisation	2006	2,411	717	0	0	3,128
	2005	2,988	691	0	0	3,679
	2004	3,262	467	0	0	3,729
Impairment loss acc. to IAS 36	2006	874	350	0	0	1,224
	2005	1,020	0	0	0	1,020
	2004	0	0	0	0	0
Other non-cash expenses	2006	5,418	1,731	0	0	7,149
	2005	3,835	1,220	0	0	5,055
	2004	3,934	1,116	0	0	5,050

**Segment Report
by geographical
region**

		Germany	Rest of Europe	USA	Asia	Other	not allocated	Group
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
External revenue	2006	69,319	38,231	32,034	10,768	920	0	151,272
	2005	60,733	31,882	26,437	10,292	443	0	129,787
	2004	53,894	30,404	21,698	10,226	1,037	0	117,259
Segment assets	2006	48,667	7,384	13,534	3,643	194	16,454	89,876
	2005	46,583	9,067	15,447	2,421	0	13,548	87,066
	2004	46,325	1,558	12,533	1,873	0	13,797	76,086
Investment	2006	3,357	591	826	343	163	0	5,280
	2005	10,054	292	250	59	0	0	10,655
	2004	1,686	71	293	166	70	0	2,286



elbourne > Jan Bölting, Germany, Sassenberg > **Marcel Rau** > Bao Jian Wang, China, Beijing > **Yoko Kono** > Sylvia Havelt, Germany, Sassenberg > Judith Collin-Hajduk, USA,

Germany
Sassenberg

Japan
Yokohama

Cash Flow Statement

	Note	2006	2005	2004
		€ '000	€ '000	€ '000
Cash flow from operating activities	(29)			
Net income for the year		9,988	7,525	6,670
Adjustments for:				
Depreciation and amortisation		3,128	3,679	3,728
Impairment loss acc. to IAS 36		1,224	1,020	0
Share-based payment transactions		204	234	143
Income tax expense		4,890	4,760	3,414
Gain (-)/loss (+) on the disposal of property, plant and equipment		-38	100	-15
Foreign exchange losses (+)/gains (-)		38	-226	37
Interest income		-292	-211	-196
Interest expenses		1,080	934	1,183
Cash flows from operating activities before working capital changes		20,222	17,815	14,964
Change in receivables		-1,061	-605	827
Change in inventories		-846	-3,645	-3,928
Change in other non-current assets		515	698	-328
Change in liabilities		-1,749	5,481	2,229
Change in provisions		918	944	555
Cash from operating activities		17,999	20,688	14,319
Interest income		292	211	196
Interest expense		-658	-958	-1,110
Income taxes paid		-5,336	-5,112	-1,810
Net cash from operating activities		12,297	14,829	11,595
Cash flows from investing activities	(30)			
Acquisition of intangible assets and of property, plant and equipment		-5,280	-10,655	-2,286
Proceeds from the sale of property, plant and equipment		1,184	208	55
Net cash used for investing activities		-4,096	-10,447	-2,231
Cash flows from financing activities	(31)			
Proceeds from injection of equity		1,272	551	0
Cash receipts from the raising of short-term and long-term loans		0	6,340	114
Cash payments from the repayment of loans		-3,333	-8,340	-3,606
Distributions to investors		-3,676	-2,970	-1,980
Net cash used in financing activities		-5,737	-4,419	-5,472
Net effect of currency translation in cash and cash equivalents		-185	194	-48
Net increase in cash and cash equivalents		2,279	157	3,844
Cash and cash equivalents at start of period		12,770	12,613	8,769
Cash and cash equivalents at end of period	(9, 32)	15,049	12,770	12,613

Statement of Movements in Equity

(see Notes, Section 11)

	Issued capital	Capital reserve	Revenue reserve	Hedging reserve
	€ '000	€ '000	€ '000	€ '000
January 1, 2004	6,600	36,412	269	-425
Result from items netted directly within equity	0	0	0	102
Net income for the year	0	0	0	0
Overall result for the financial year	0	0	0	102
Distribution of profit	0	0	0	0
Other	0	-15	0	0
December 31, 2004 / January 1, 2005	6,600	36,397	269	-323
Result from items netted directly within equity	0	0	0	146
Net income for the year	0	0	0	0
Overall result for the financial year	0	0	0	146
Distribution of profit	0	0	0	0
Allocation to retained earnings	0	0	3,000	0
Exercise of subscription rights by employees (capital increase from authorised but unissued capital)	84	467	0	0
Other	0	18	0	0
December 31, 2005 / January 1, 2006	6,684	36,882	3,269	-177
Result from items netted directly within equity	0	0	0	125
Net income for the year	0	0	0	0
Overall result for the financial year	0	0	0	125
Distribution of profit	0	0	0	0
Allocation to retained earnings	0	0	3,700	0
Exercise of subscription rights by employees (capital increase from authorised but unissued capital)	78	1,194	0	0
December 31, 2006	6,762	38,076	6,969	-52

Reserve for exchange rate differences from the financing of investments	Reserve for share-based payment transactions	Exchange differences	Accumulated profit/loss	Group equity
€ '000	€ '000	€ '000	€ '000	€ '000
-762	29	-5,808	-27	36,288
-152	88	-1,685	1,358	-289
0	0	0	6,670	6,670
-152	88	-1,685	8,028	6,381
0	0	0	-1,980	-1,980
0	0	0	0	-15
-914	117	-7,493	6,021	40,674
311	143	2,484	-1,950	1,134
0	0	0	7,525	7,525
311	143	2,484	5,575	8,659
0	0	0	-2,970	-2,970
0	0	0	-3,000	0
0	0	0	0	551
0	0	0	0	18
-603	260	-5,009	5,626	46,932
-732	126	-1,619	1,521	-579
0	0	0	9,988	9,988
-732	126	-1,619	11,509	9,409
0	0	0	-3,676	-3,676
0	0	0	-3,700	0
0	0	0	0	1,272
-1,335	386	-6,628	9,759	53,937

Notes

I. Application of IFRS – basic notes

The consolidated financial statements of technotrans AG at December 31, 2006 are prepared in accordance with the International Financial Reporting Standards (IFRS). All standards the application of which is mandatory from January 1, 2006, as adopted by the European Union, were applied.

The consolidated financial statements are based on standard recognition and measurement principles. They are expressed in € thousand.

II. Group

a) Reporting entity

In addition to the parent company technotrans AG, Sassenberg (Germany), the consolidated financial statements include eleven fully consolidated subsidiaries in which technotrans AG directly or indirectly has a 100 percent interest. The balance sheet date throughout the reporting entity is December 31.



Christian Beckmann, Germany, Sassenberg > Jürgen Säckler > Ombretta Zanaboni, Italy, Legnano > Rene Lawell > Christian Altenau, Germany, Sassenberg > Martin Prummer, G

Germany
Gersthofen

USA
Mt. Prospect

The following table shows the reporting entity:

Company	Production/ Sales+Service	Interest	Equity*	Revenue*	Profit after tax*	Employees, average for year
			€ '000	€ '000	€ '000	
technotrans AG, Sassenberg (and Gersthofen, production plant)	P/S	Parent company	61,312	115,809	9,005	491
globalprint AG, Sassenberg		100%	1,312	0	-34	-
technotrans graphics limited, Colchester, Essex, Great Britain	S	100%	3,442	6,666	368	31
technotrans france s.a.r.l., Saint-Maximin, France	S	100%	1,130	8,770	185	27
technotrans italia s.r.l., Legnano, Italy	S	100%	861	3,052	99	10
technotrans scandinavia AB, Stockholm, Sweden	S	100%	7,514	0	190	1
technotrans america, Inc., Mt. Prospect, Illinois, USA	P/S	100%	3,388	33,234	-775	114
technotrans américa latina ltda., Sao Paulo, Brazil	S	100%	5	25	-178	2
technotrans printing equipment (Beijing) Co. Ltd., Beijing/ People's Republic of China	P/S	100%	308	952	-65	14
technotrans china ltd., Hong Kong	S	100%	859	1,134	-11	7
technotrans japan k.k., Kobe, Japan	S	100%	68	4,944	39	14
technotrans technologies pte ltd., Singapore	S	100%	917	3,521	52	13

* Equity, revenue and profit after tax have been calculated in accordance with the regulations applicable locally for each subsidiary.

The reporting entity has grown compared with the previous year as a result of the initial consolidation of technotrans américa latina ltda., São Paulo, Brazil, which was established during the 2006 financial year.

b) Consolidation methods

The consolidated financial statements are based on the group companies' annual financial statements (Commercial Balance Sheet II based on the IFRS) prepared in accordance with standard principles as at December 31, 2006.

Capital consolidation for the subsidiaries is performed according to the purchase method. The acquirer in each case was technotrans AG. The costs of acquisition of the business combination in each case corresponded to the fair values of the technotrans shares issued at the time of acquisition, the cash components paid and the costs directly allocable to the business combination. These costs of acquisition were 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. Interim financial statements were available for this purpose. Any remaining differences have been recognised in fixed assets as goodwill, in the form of non-current assets.

Intra-group trade, expenditure and income, together with all receivables and liabilities between the consolidated companies, have been eliminated. Netting differences resulting from exchange rate changes have been recognised as income for the period where they occurred within the reporting period. Assets from intra-group trade which appear under fixed assets and inventories have been adjusted to eliminate any intermediate results.

Deferred taxes on eliminated intra-group trade and the equity impact of intra-group balances have been taken into account.



Andreas Müller, Germany, Sassenberg > Klaus Beckmann > Stephanie Meister > Ralf Hummitzsch, Germany, Gersthofen > Stefan Poppenborg > Anette Arthkamp > Marcel M

Germany
Sassenberg

Germany
Sassenberg

Germany
Sassenberg

Germany
Sassenberg

c) Recognition and measurement principles

The consolidated financial statements have been prepared on the basis of the cost of acquisition or cost of conversion, with the exception of derivative financial instruments, which were measured at fair value.

The preparation of the consolidated financial statements in accordance with IFRS necessitates making assumptions, estimates and judgments that have an effect on both the recognition and measurement principles to be applied and on the amounts recognised for assets, debts, income and expenditure. These assessments and associated assumptions are based on historical experience and a wide range of other factors that are considered to be plausible in the light of circumstances; they constitute the basis for the amounts stated for assets and liabilities that cannot be deduced directly and clearly from other sources. The actual results may deviate from these assessments.

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

Judgments and assessments made by the Board of Management that are subject to a significant degree of uncertainty and bring with them the risk of significant adjustments in future financial years are explained under the items Provisions (cf. Section 16). The Board of Management has coordinated the development, selection and reporting of such recognition and measurement principles, as well as its judgments and assessments, with the Audit Committee.

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 cost of acquisition or cost of conversion, less depreciation and impairment losses. Retrospective costs of acquisition are capitalised. 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. Borrowing costs are not recognised. Maintenance costs are recorded as a direct expense.

Property, plant and equipment are depreciated according to the straight-line method, on the basis of their useful life. The residual value, useful life and method of depreciation of items of property, plant and equipment are reassessed annually.

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, these reductions for impairment are reversed at most by the net carrying amount that would have applied if no such reductions for impairment had been made. There is no investment property pursuant to IAS 40.

All reported **goodwill** results from business combinations which were agreed and completed before March 31, 2004. Pursuant to IFRS 3.79, goodwill from the consolidation of capital has been amortised by the straight-line method over periods of 5 to 15 years, but predominantly 10 to 15 years, in accordance with its useful life, for the last time in the 2004 financial year. Insofar as necessary, the carrying amount is reduced to the "recoverable amount". Pursuant to IAS 36.124, such a reduction for impairment is not reversed where the circumstances which led to it subsequently cease to apply. Pursuant to IAS 21.47, goodwill is considered as an asset of the subsidiary in question and translated at the closing rate.



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

Self-constructed intangible assets – which in the case of technotrans comprise development expenditure recognised as an intangible asset – are recognised at cost. Pursuant to IAS 38.65 ff, these comprise the prime costs as well as all directly allocable fixed and variable production overheads that arise from the start of the development phase to 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 reductions for impairment of intangible assets to the "recoverable amount".

Deferred taxes are created for temporary differences between the amounts in the Consolidated Balance Sheet and the tax base. In accordance with IAS 12, deferred taxes are moreover capitalised on tax loss carryforwards provided their use is probable.

The **inventories** reported are always recognised 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 prime costs, as well as allocable fixed and variable production overheads by way of overhead calculation. Finance charges are not capitalised.



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.

Receivables are fundamentally reported at amortised cost, using the effective interest rate method. Provision is made for credit risks in the form of reductions for impairment. 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.

Issued capital (individual share certificates) is reported at the nominal amount.

Liabilities are fundamentally recognised at amortised cost. Liabilities in foreign currency are translated in accordance with IAS 21.21 and 23 (a).

Provisions are created to cover obligations to third parties if these obligations are likely to result in a future outflow of resources and their amount can reliably be estimated. They are recognised at the likely amount at which settlement will take place.

Provisions for pensions are recognised as a liability pursuant to IAS 19.64 using the Projected Unit Credit Method. Actuarial gains and losses are recognised in the Income Statement in the year in which they occur.

Derivative financial instruments are recognised at market price. At technotrans, derivative financial instruments were in use almost exclusively for hedging interest rate risks at December 31, 2006 and therefore qualify as cash flow hedges. Changes in the market price are consequently booked to equity with no effect on income.



[Revenues](#) from the sale of goods are recognised in accordance with IAS 18.14 if the significant risks and rewards have been transferred to the buyer. Revenues from services are received acc. to IAS 18.20 on the basis of the stage of completion, which is determined on the basis of costs incurred in relation to anticipated costs.

If a contract from a customer involves both the delivery of goods and the provision of a service, such as assembly and commissioning, revenue is always realised upon acceptance by the customer.

[Interest income and expense](#) is reported on an accrual basis in line with the effective interest method.

[Currency translation](#): the currency of the country in which the companies included in the consolidated financial statements are based has fundamentally been recognised as the functional currency. However, in the case of the Singapore subsidiary the euro is considered to be the functional currency, as its primary economic environment (revenues and expenses) is determined predominantly by the euro.

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

The assets and liabilities of foreign subsidiaries are translated at the mean rate at the balance sheet date (closing rate), and included in the consolidated financial statements. Expenses and income are translated at the mean rate for the year. The resulting differences are netted against equity ("Exchange differences"), with no effect on income.

Exchange rate differences from the net investment in a foreign subsidiary 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 for currency translation:

	Mean rates for the year			Mean rates at balance sheet data		
	Financial year					
	2006	2005	2004	31.12.2006	31.12.2005	31.12.2004
USD	1.2559	1.2444	1.2439	1.3181	1.1834	1.3640
JPY	146.0223	136.8820	134.4554	156.6500	139.1300	139.8300
GBP	0.6818	0.6838	0.6788	0.6714	0.6870	0.7071
SEK	9.2553	9.2816	9.1254	9.0430	9.3930	9.0200
CNY	9.8435	10.0304	10.1299	10.1230	9.3830	11.1206
HKD	9.7560	9.6808	9.6885	10.2484	9.1778	10.6041
BRL	2.7383	-	-	2.8234	-	-



Japan
Yokohama



Japan
Yokohama

d) Changes in recognition and measurement principles

technotrans bases its reporting on two segments: Technology and Services. At the start of the 2006 financial year, the two former reporting entities of the Print and Micro Technologies segments were combined into the Technology segment. The corresponding particulars for the previous years were adjusted in the segment report.

2006 in addition saw a change in the reporting structure, with both the Balance Sheet and the Income Statement classification adjusted. The new classification is in agreement with the rules of IAS 1 as well as the requirements of the stock exchange rules and regulations, and offers the necessary transparency with regard to the relevant indicators of the technotrans Group.

The Consolidated Financial Statements of technotrans AG at December 31, 2006 for the first time include all standards and interpretations adopted by the European Union, as listed in the Notes to the Consolidated Financial Statements for 2005, and the application of which is mandatory from January 1, 2006. Their initial application has no effect for accounting purposes.

The following published standards and interpretations as adopted by the European Union by December 31, 2006 that have not yet come into force or will become mandatory by January 1, 2007 have not yet been observed in these accounts (the numbers in brackets denote the relevant directive of the European Commission):

- IFRS 7: Financial Instruments: Disclosures (108/2006)
- IAS 1: Presentation of Financial Statements – particulars of capital (108/2006)
- IFRIC 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (708/2006)
- IFRIC 8: Scope of IFRS 2 Share-based Payment (1329/2006)
- IFRIC 9: Reassessment of Embedded Derivates (1329/2006)

These new standards and interpretations will probably have no accounting effect on the consolidated financial statements of technotrans AG in the period in which they are first applied, and merely entail supplementary disclosures.

III. Notes to the Consolidated Balance Sheet

1) Property, plant and equipment

	Land, land rights and buildings, including buildings on land owned by others	Other assets, plant and other equipment	Construction in progress	Property, plant and equipment
	€ '000	€ '000	€ '000	€ '000
Cost at January 1, 2004	15,937	10,932	76	26,945
Foreign currency translation differences	-101	-87	0	-188
Additions	178	1,333	140	1,651
Disposals	0	-487	0	-487
Transfers	0	21	-21	0
Cost at December 31, 2004/January 1, 2005	16,014	11,712	195	27,921
Foreign currency translation differences	183	182	3	368
Additions	2,368	1,761	4,866	8,995
Disposals	0	-984	-10	-994
Transfers	4,201	97	-4,358	-60
Reclassification of non-current assets held for sale	-2,183	0	0	-2,183
Cost at December 31, 2005/January 1, 2006	20,583	12,768	696	34,047
Foreign currency translation differences	-176	-120	-6	-302
Additions	958	2,512	108	3,578
Disposals	-58	-1,163	-80	-1,301
Transfers	0	528	-528	0
Cost at December 31, 2006	21,307	14,525	190	36,022

	Land, land rights and buildings, including buildings on land owned by others	Other assets, plant and other equipment	Construction in progress	Property, plant and equipment
	€ '000	€ '000	€ '000	€ '000
Accumulated depreciation at January 1, 2004	3,101	6,881	0	9,982
Foreign currency translation differences	-15	-50	0	-65
Depreciation for the year	560	1,285	0	1,845
Disposals	0	-450	0	-450
Accumulated depreciation at December 31, 2004/January 1, 2005	3,646	7,666	0	11,312
Foreign currency translation differences	30	105	0	135
Depreciation for the year	690	1,577	0	2,267
Disposals	0	-686	0	-686
Transfers	5	-37	0	-32
Impairment loss acc. to IAS 36	1,020	0	0	1,020
Reclassification of non-current assets held for sale	-1,309	0	0	-1,309
Accumulated depreciation at December 31, 2005/January 1, 2006	4,082	8,625	0	12,707
Foreign currency translation differences	-31	-63	0	-94
Depreciation for the year	681	1,633	0	2,314
Disposals	-24	-1,007	0	-1,031
Accumulated depreciation at December 31, 2006	4,708	9,188	0	13,896
Residual carrying amounts at December 31, 2004	12,368	4,046	195	16,609
Residual carrying amounts at December 31, 2005	16,501	4,143	696	21,340
Residual carrying amounts at December 31, 2006	16,599	5,337	190	22,126

Self-constructed assets totalling € 47 thousand (2005: € 41 thousand, 2004: € 12 thousand) were capitalised in the 2006 financial year. Depreciation is carried out over the following periods:

	Depreciation period, years
Buildings	25 to 50
Office furniture	10 to 15
Tools and fixtures	3 to 10
Hardware	3 to 5
Cars	3 to 5

No reversals were applied in the year under review. Land charges totalling € 17,250 thousand (previous year: € 17,250 thousand) have been registered as collateral for long-term loans (cf. Section 12, "Financial liabilities").

The impairment loss according to IAS 36 of € 1,020 thousand for the 2005 financial year is reported under the cost of sales (€ 714 thousand), the distribution costs (€ 51 thousand), the administrative expenses (€ 153 thousand) and the development costs (€ 102 thousand).

2) Goodwill

	Goodwill
	€ '000
Cost at January 1, 2004	10,628
Foreign currency translation differences	-219
Cost at December 31, 2004/January 1, 2005	10,409
Offsetting of the accumulated amortisation against the cost acc. to IFRS 3.79 (b)	-3,906
Foreign currency translation differences	300
Cost at December 31, 2005/January 1, 2006	6,803
Foreign currency translation differences	-232
Cost at December 31, 2006	6,571
Accumulated amortisation at January 1, 2004	6,158
Foreign currency translation differences	-62
Amortisation for the year	591
Accumulated amortisation at December 31, 2004/January 1, 2005	6,687
Offsetting of the accumulated amortisation against the cost acc. to IFRS 3.79 (b)	-3,906
Accumulated amortisation at December 31, 2005/January 1, 2006	2,781
Impairment loss acc. to IAS 36	1,224
Accumulated impairment loss at December 31, 2006	4,005
Residual carrying amounts at December 31, 2004	3,722
Residual carrying amounts at December 31, 2005	4,022
Residual carrying amounts at December 31, 2006	2,566

Pursuant to IFRS 3.79 (a), goodwill from the consolidation of capital was amortised by the straight-line method for the last time in the 2004 financial year. Pursuant to IFRS 3.79 (b), the accumulated amortisation at January 1, 2005 amounting to € 3,906 thousand was offset against the cost.

Amortisation for 2004 is reported in the Income Statement under Cost of sales (cf. Section 20).

The carrying amount for goodwill reported at December 31, 2006 is allocated to the cash-generating unit Print. It results from the acquisition of BVS Beratung Verkauf Service Grafische Technik GmbH, Stadtbergen (1998), now the Gersthofen plant of technotrans AG, and of Steve Barberi Company, Inc. and Farwest Graphic Technologies LLC, Corona, USA (2001), now merged with technotrans america, Inc., Chicago.

The cash-generating units to which goodwill was allocated were subjected to an impairment test pursuant to IAS 36.10 in the 2006 financial year. All impairment tests were performed on the basis of value in use. The key assumptions made for these values in use were as follows:

The starting point for the cash flow forecasts for the aforementioned goodwill were the revenue plans for the financial year 2007 to 2009. No separate revenue plans for the cash-generating units in question were drawn up for the subsequent seven financial years; instead, further average revenue growth rates (market trend) for the printing industry based on external analyses were assumed. It was furthermore assumed that the material, labour and other cost ratios will remain largely unchanged from the actual figures for 2006.

Discounting of the anticipated cash flows is based on interest rates of 12 percent.



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Sassenberg

Germany
Sassenberg

An impairment test pursuant to IAS 36.10 was moreover performed on the goodwill resulting from the acquisition of the Electroforming Division of Toolex in 2001. This test revealed a write-down of the goodwill amounting to € 1,224 thousand for the cash-generating unit Todex-Alpha Plating product series. The value in use of this product line undercut the carrying amount of the assets directly and indirectly allocable to it pursuant to IAS 36 by € 1,224 thousand.

There had already been a steady downturn worldwide in revenues for this product line in recent years (average -25 %), and this trend continued in 2006. Based on the findings on which the impairment test is based, it can be assumed that this trend will no longer change in future. Rather, the life of this specific product range is deemed to be limited in view of its areas of application for CDs/DVDs. The revenue plans for the next few years accordingly assume that there will be a double-digit downturn in business both for new systems and for replacement parts. For the cash-generating units, it was moreover assumed that there will be no significant changes in the ratios for the cost items (particularly materials and personnel) compared with the 2006 position. As a result of the price and cost ratios, the impairment test revealed that the cash flows will no longer be adequate in the future. The anticipated cash flows were discounted at a weighted 14 percent.

The impairment loss according to IAS 36 of € 1,224 thousand for the 2006 financial year is reported under the cost of sales. It was allocated to the goodwill of the cash generating unit.



3) Intangible assets

	Concessions, industrial and similar rights	Development expenditure re- cognised as an intangible asset	Intangible assets
	€ '000	€ '000	€ '000
Cost at January 1, 2004	3,323	3,242	6,565
Foreign currency translation differences	-12	-7	-19
Additions			
acquired separately	300	0	300
from internal development	0	172	172
Disposals	-88	0	-88
Cost at December 31, 2004/January 1, 2005	3,523	3,407	6,930
Foreign currency translation differences	40	13	53
Additions			
acquired separately	420	0	420
from internal development	0	1,241	1,241
Transfers	60	0	60
Cost at December 31, 2005/January 1, 2006	4,043	4,661	8,704
Foreign currency translation differences	-29	-10	-39
Additions			
acquired separately	339	0	339
from internal development	0	1,425	1,425
Disposals	-9	0	-9
Cost at December 31, 2006	4,344	6,076	10,420
Accumulated amortisation at January 1, 2004	2,492	1,039	3,531
Foreign currency translation differences	-8	-4	-12
Amortisation for the year	667	626	1,293
Disposals	-85	0	-85
Accumulated amortisation at December 31, 2004/January 1, 2005	3,066	1,661	4,727
Foreign currency translation differences	29	7	36
Amortisation for the year	470	942	1,412
Disposals	32	0	32
Accumulated amortisation at December 31, 2005/January 1, 2006	3,597	2,610	6,207
Foreign currency translation differences	-17	-7	-24
Amortisation for the year	310	504	814
Disposals	-8	0	-8
Accumulated amortisation at December 31, 2006	3,882	3,107	6,989
Residual carrying amounts at December 31, 2004	457	1,746	2,203
Residual carrying amounts at December 31, 2005	446	2,051	2,497
Residual carrying amounts at December 31, 2006	462	2,969	3,431

In agreement with the recognition criteria of IAS 38.57, development expenditure totalling € 1,425 thousand (2005: € 1,241 thousand, 2004: € 172 thousand) was recognised as an intangible asset in the year under review; it was allocable to the Technology segment. The development projects recognised as intangible assets in the 2006 financial year comprise exclusively development work not yet completed on cleaning systems for the printing industry (blanket and brush cleaners).

Development expenditure of € 5,106 thousand (2005: € 4,768 thousand, 2004: € 2,982 thousand) has been recognised as an expense in view of its failure to satisfy the criteria of IAS 38.57.

In addition to the cleaning systems, the spotlight of activities in 2006 was on the new release statuses of the dampening solution circulator and ink roller temperature control units alpha.line and beta.line, plus the new ink.line with new automatic lid. Yet other projects placed the spotlight on innovative measuring and metering techniques, as well as filtration techniques for a wide variety of applications.

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

Development expenditure recognised as an intangible asset is amortised over a useful life of 3 to 5 years.

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



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USA
Mt. Prospect

Germany
Sassenberg

4) Other non-current assets

Other non-current assets comprise:

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Trade receivables	0	0	632
Rent deposits	122	129	75
Other	61	58	56
	183	187	763

5) Inventories

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Raw materials and supplies	9,620	10,163	10,558
Work in progress	3,436	2,785	2,471
Finished goods and merchandise	12,700	12,580	8,661
	25,756	25,528	21,690

Of total inventories, € 5,237 thousand (2005: € 6,912 thousand, 2004: € 7,095 thousand) are reported at the fair value less distribution costs. Impairment losses on inventories totalling € 638 thousand (2005: € 728 thousand, 2004: € 926 thousand) were recognised as an expense in the 2006 financial year. No reversals were applied.

6) Trade receivables

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

In the year under review, reductions for impairment on receivables totalling € 153 thousand (2005: € 271 thousand, 2004: € 227 thousand) were booked to distribution costs in the Income Statement. There was no default interest invoiced but still outstanding at the balance sheet date. Reductions for impairment were applied in order to measure the receivables at fair value. These reductions for impairment are based on the one hand on the results of statistical evaluations of past debt defaults and on the other hand on the estimates of the account managers responsible. The following table provides an overview of reductions for impairment on receivables:

Reductions for impairment on receivables	2006	2005	2004
	€ '000	€ '000	€ '000
Opening level	1,040	943	945
Allocated	153	271	227
Derecognition of receivables	-190	-41	-172
Cash receipts for receivables written off	-89	-167	-30
Exchange differences	-76	34	-27
Closing level	838	1,040	943

7) Income tax receivable

At December 31, 2006 the corporation tax credit balance of technotrans AG from previous years still amounted to € 636 thousand, after inclusion of the dividend payment for 2006. On the basis of the redrafted Section 37 Para. 5 of German Corporation Tax Law, technotrans recognised this entitlement to a rebate within income at its present value (€ 501 thousand) for the first time. The rebate will be paid in ten equal annual instalments between 2008 and 2017; this income tax receivable has correspondingly been reclassified as non-current assets. The interest for determination of the present value is 4.0 percent.

8) Other current assets

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Receivables from suppliers	618	954	166
Creditable input tax from intra-EC deliveries	381	192	35
Prepaid expenses	600	510	946
Other	327	197	601
	1,926	1,853	1,748

9) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with current, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. There were no marketable securities at the balance sheet date. The development in cash is shown in the Cash Flow Statement.

10) Non-current assets held for sale

The non-current assets held for sale as still shown at the reporting date for 2005 consist of the old property (Stadtbergen plant) of technotrans AG.

The property was sold by notarised agreement of March 22, 2006 at a price corresponding to the residual carrying amount of € 875 thousand. Benefits and encumbrances passed to the acquirer on August 2, 2006 along with payment of the purchase price in full.

11) Equity

The development in equity is shown in the Statement of Movements in Equity. The equity of the group totalled € 53,937 thousand at December 31, 2006 (2005: € 46,932 thousand, 2004: € 40,674 thousand).

Issued capital

The issued capital (share capital) of technotrans AG is divided into 6,761,783 fully paid individual share certificates with no par value. Each individual share certificate represents an arithmetic 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. With the issued capital consisting of 6,683,601 individual share certificates at the start of the 2006 financial year, a further 78,182 no-par-value shares offered under conversion options were issued in the 2006 financial year via the stock options scheme from the authorised but unissued capital created at the Shareholders' Meeting on May 4, 2001.

Approved capital

The Shareholders' Meeting on May 13, 2005 authorised the Board of Management to raise the share capital by the issue of new shares on one or more occasions by April 30, 2010, against contributions, by up to a total of € 3,300,000, with the approval of the Supervisory Board. No use has been made of this authorisation.



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Authorised but unissued capital

The Shareholders' Meeting of May 4, 2001 approved the creation of authorised but unissued capital for the issuing of stock options to members of the Board of Management, employees of technotrans AG and the management and employees of subsidiary companies, pursuant to Section 15 of German Stock Corporation Law, with a term of 4 years. The resolution envisages an increase in the share capital of up to € 660,000 through the issue of new shares bearing profit entitlements from the start of the financial year in which they are issued. Following the issue of shares offered under conversion options in the 2006 financial year, there remains authorised but unissued capital of up to € 498,217.00 for the 204,473 stock options issued and still outstanding. The stock options issued must have been held for at least two years. The exercise period in each year shall be the sixth banking day and the nineteen subsequent banking days following an Ordinary Shareholders' Meeting. The options may be exercised for the last time after a further two years. A stock option may only be exercised if at least one of the two following performance targets has been reached at the time of exercise:

- The value of technotrans shares has risen in percentage terms by an amount equivalent to or higher than the Technology Allshare Performance Index in the period between the issuing and exercising of the stock option (external performance target).
- The consolidated revenue has risen by an average of at least 20 percent per year between the financial year preceding the year in which the stock options were issued (the "base year") and the financial year preceding the year in which the stock options are exercised, and the consolidated net income in the financial years following the base year and prior to the year in which the stock options are exercised totals at least 6 percent of the cumulative consolidated revenue (internal performance target).

An employee's stock options may be terminated by the Board of Management in the event of the employee leaving the company. The exercise prices and the movements in the number of stock options held by employees are as follows:

	2005 tranche	2004 tranche	2003 tranche	2002 tranche	2001 tranche	Weighted average exercise price
Cash exercise price	15.73	11.65	6.59 €	16.49 €	43.55 €	€
Options outstanding at January 1, 2003	0	0	0	113,960	97,385	28.96
Issued	0	0	97,156	0	0	6.59
Terminated	0	0	4,839	15,815	12,065	25.00
Options outstanding at January 1, 2004	0	0	92,317	98,145	85,320	21.55
Issued	0	100,075	0	0	0	11.65
Terminated	0	1,561	3,369	6,460	3,525	20.14
Options outstanding at December 31, 2004	0	98,514	88,948	91,685	81,795	18.86
Issued	119,130	0	0	0	0	15.73
Exercised	0	0	83,601	0	0	6.59
Terminated	3,138	6,113	951	5,042	0	13.78
Lapsed	0	0	0	0	81,795	43.55
Options outstanding at December 31, 2005	115,992	92,401	4,396	86,643	0	14.56
Exercised	0	0	1,853	76,329	0	16.26
Terminated	4,093	2,370	0	3,447	0	15.02
Lapsed	0	0	0	6,867	0	16.49
Options outstanding at December 31, 2006	111,899	90,031	2,543	0	0	13.82

A total of 78,182 stock options from the 2002 and 2003 tranches were exercised in the reporting period at an average weighted exercise price of € 16.26. The weighted average share price at the date of exercise was € 22.00. The company accrued a total of € 1,272 thousand in equity.

No new stock options were issued in the 2006 financial year. The outstanding 204,473 options have a weighted average term to maturity of around two years.

To recognise the stock options scheme in the accounts in accordance with IFRS 2, technotrans AG uses an option pricing model which calculates the fair value of a stock option on the basis of the Merton mode. The fair value was last determined in 2005. We refer to the Notes to the Consolidated Financial Statements for the 2005 financial year for detailed notes on the recognition, measurement and reporting in accordance with IFRS 2. Fair values of € 2.37 and € 2.95 were determined for the 2004 and 2005 tranches according to this method.

Capital reserve

The premium from the past share issues was paid into the capital reserve, latterly € 1,194 thousand from the issue of shares issued under conversion options from authorised but unissued capital in 2006. The costs of the share issues were deducted.

Pursuant to Section 150 (4) of German Stock Corporation Law, the capital reserve may only be used to square an accumulated loss (provided retained earnings are not simultaneously liquidated for the payment of dividends) or for a capital increase from company funds.

Revenue reserve

The reported revenue reserve comprises:	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Legal reserve	233	233	233
Uncommitted reserves	6,736	3,036	36
	6,969	3,269	269

Allocations to the legal reserve are to be made until the legal reserve and the capital reserve together represent one-tenth of the share capital. No further allocation to the legal reserve was therefore necessary in 2006. Use of the legal reserve to cover losses, implement capital increases from company funds and pay dividends is fundamentally excluded.

Uncommitted reserves are funded from accumulated profits by resolution on the appropriation of profits. In accordance with the resolution on the appropriation of profits of the Shareholders' Meeting on May 5, 2006, an amount of € 3,700,000.00 from the accumulated profit of technotrans AG was allocated to the uncommitted reserves with effect from December 31, 2005.

Equity from unrealised gains/losses

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Hedging reserve	-52	-177	-323
Reserve for exchange rate differences from financing of investment	-1,335	-603	-914
Reserve for share-based payment transactions	386	260	117
Exchange differences	-6,628	-5,009	-7,493
	-7,629	-5,529	-8,613

Pursuant to IAS 39, the negative market value of the interest rate swaps implemented was recognised in the hedging reserve, following deduction of deferred tax assets (cf. Section 33 "Financial instruments"). In the 2006 financial year, a gain of € 203 thousand (2005: € 238 thousand, 2004: € 165 thousand) was reported within equity with no effect on income. In return, deferred tax of € 78 thousand (2005: € 92 thousand, 2004: € 63 thousand) was booked with no effect on income.

technotrans scandinavia AB and globalprint AG extended loans to technotrans america, inc. and technotrans AG extended loans to technotrans japan k.k. which are to be regarded as net investment in foreign operations. Pursuant to IAS 21.32 and IAS 12.61, the accumulated translation differences up to the balance sheet date and the deferred taxes on these are netted directly within equity.

IFRS 2 stipulates that the issue of stock options be recognised in the Income Statement. At technotrans, the stock options granted to the employees under a stock options scheme are affected by this standard (cf. Section 11, Authorised but unissued capital). In the 2006 financial year, an expense of € 204 thousand (2005: € 234 thousand, 2004: € 143 thousand) was reported within equity with an income effect. In return, income tax of € 78 thousand (2005: € 91 thousand, 2004: € 55 thousand) was booked with an income effect.

Exchange differences from the translation of the accounts of subsidiaries from their functional currency into euros have been booked to equity with no effect on income. These also include the exchange differences from the translation of the subsidiaries at the historical rate and at the rate on the balance sheet date, as well as differences in the net profit for the year, translated at the rate on the balance sheet date and at the mean rate for the year.

Accumulated profit

A dividend of € 0.55 per share was distributed for the 2005 financial year. The amount distributed totalled € 3,676 thousand (2005: € 2,970 thousand, 2004: € 1,980 thousand) for 6,683,601 shares. A dividend of € 0.70 per share will be proposed to the Shareholders' Meeting for the 2006 financial year. This corresponds to a distributed amount of € 4,733 thousand for 6,761,783 shares.

12) Financial liabilities

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Bank overdrafts	0	0	2,461
Current portion of loans	3,298	3,087	3,079
Current financial liabilities	3,298	3,087	5,540
Non-current financial liabilities	6,475	9,783	9,022
Total financial liabilities	9,773	12,870	14,562

There were no hedged liabilities at the balance sheet date. Collateral has been provided 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	€ '000	€ '000
CHF fixed rate credit	485	1,091	0	1,576	4.95%	Land charge
€ fixed rate credit	227	1,929	1,730	3,886	nom. 3.50%	Land charge
Variable € credit	575	1,725	0	2,300	6-month EURIBOR cover via interest rate swap (fixed rate: 5.43 %)	Land charge
Variable € credit	2,001	0	0	2,001	6-Mon-EURIBOR cover via interest rate swap (fixed rate: 5.73 %)	None
USD fixed rate credit	10	0	0	10	7.29%	None
	3,298	4,745	1,730	9,773		

A substantial portion of financial liabilities is collateralised by land charges totalling originally € 10,750 thousand on the company premises in Sassenberg, and originally € 6,500 thousand on the company premises in Gersthofen. One loan with an original countervalue of € 4,000 thousand has been financed in Swiss francs. This resulted in an exchangerate gain of € 54 thousand (2005: exchange-rate gain of € 16 thousand, 2004: exchangerate loss of € 91 thousand) in the 2006 financial year. The interest and repayment dates of the CHF loan are March 15, June 15, September 15 and December 15 of each year. The term is 10 years, starting on May 29, 2000.

13) Other non-current liabilities

The other non-current liabilities consist of liabilities from derivative financial instruments and liabilities to employees.

14) Trade payables

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

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Trade payables	5,007	3,922	2,703
Outstanding purchase invoices	489	1,521	1,207
	5,496	5,443	3,910

15) Prepayments received

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

16) Provisions

	Obligations to personnel	Payment to be made under warranty	Other provisions	Provisions for patent proceedings	Provisions for pensions	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Opening level at January 1, 2006	3,115	2,598	1,597	3,000	210	10,520
Exchange rate movements	-73	-39	-43	0	0	-155
Used	3,032	2,233	1,452	134	0	6,851
Reserved	87	0	150	0	0	237
Allocated	4,071	3,189	1,876	416	42	9,594
Closing level at December 31, 2006	3,994	3,515	1,828	3,282	252	12,871
Long-term provisions	0	0	0	3,282	252	3,534
Short-term provisions	3,994	3,515	1,828	0	0	9,337

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.

The other provisions comprise costs for the preparation of the annual accounts, commission payments and other costs. The factor of uncertainty in this case and for payments to be made under warranty is principally the amount in question.

A competitor filed patent proceedings in 2000 (value of the matter in dispute € 2.5 million), but these were rejected at the first instance in March 2001. The court of appeal subsequently admitted the complaint in October 2002. technotrans has appealed to the Federal Supreme Court regarding the non-admissibility of this ruling, in which matter a decision is still pending. technotrans moreover lodged a revocation action against the enforcement of the competitor's patent with the Federal Patents Court, which was rejected in July 2004. This ruling is not final and absolute, as technotrans has lodged an appeal with the Federal Supreme Court, in which matter the decision is likewise pending. The Federal Supreme Court commissioned a report by an independent expert, which was completed on October 14, 2006. The expert arrives at different findings with regard to certain technical matters and is therefore in conflict with the appraisal submitted by technotrans. A hearing for these proceedings is not expected until 2008.

Whereas the aforementioned patent proceedings fundamentally focused primarily on forbearance and on the establishment of an obligation to pay damages, in May 2005 the competitor in addition instituted legal proceedings with the Düsseldorf district court for prospective damages (payout of the profit earned by the infringing party) amounting to € 32.7 million. technotrans submitted a statement of defence to the court within the required deadline, in January 2006. By court ruling dated April 28, 2006 these proceedings were suspended "in response to concurrent petitions by the parties until the ruling by the Federal Supreme Court on the appeal against non-admissibility lodged by technotrans AG". In view of the suspension, a ruling in the damages proceedings is not expected before 2009.

technotrans has analysed the wide range of scenarios that could arise as a result of the legal dispute and the level of damages. On the basis of these analyses and in accordance with IAS 37.40, an amount of € 2.5 million for a possible claim for compensation and an amount of € 0.5 million for legal expenses remain set aside, as the competitor's claim for compensation as set forth in its lawsuit is deemed to have only slight prospects of success. Now that no end to the proceedings is expected before 2009 following the court rulings in 2006, the "patent dispute" provision was reclassified as a long-term instead of short-term provision. An interest component has since been allocated to the provision, amounting to € 282 thousand in the 2006 financial year.

As is evident from the level of the compensation being claimed and the considerable complexity of all pending proceedings, the assessment of the level of the provision required is a matter of considerable uncertainty. The assumptions made are considered to be reasonable in the circumstances, even though an incorrect assessment in the event of the proceedings taking an unforeseen direction by the time the final instance is reached could result in a higher or lower compensation payment.

	31.12.2006	31.12.2005	31.12.2004	31.12.2003	31.12.2002
	€ '000	€ '000	€ '000	€ '000	€ '000
Pensionsrückstellungen	242	210	173	151	136

A direct pension pledge has been made to four employees of the former BVS Beratung Verkauf Service Grafische Technik GmbH, Stadtbergen. 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 of Prof. Dr. Klaus Heubeck. The calculation was based on an interest rate of 4.4 percent (previous year: 4.75 percent) and a pension trend of 2.0 percent (previous year: 2.0 percent).

The development in pay levels and employee fluctuation were not taken into account, as those eligible for pensions have since left the company. The interest costs for the DBO in 2006 amount to € 22 thousand (previous year: € 11 thousand), and the current service cost to € 20 thousand (previous year: € 26 thousand). The retirement benefit payments will probably commence in 2007.

Three of the pension obligations are backed by capital-forming life assurance policies, which constitute non-qualified insurance policies pursuant to IAS 19.7. Their fair value is € 61 thousand (2005: € 58 thousand, 2004: € 56 thousand) and is reported under other non-current assets (Section 4). The anticipated return on these policies is 4 percent p.a. The actual income in the 2006 financial year was € 2 thousand.

17) Income tax payable

Income tax payable for 2006 remained virtually unchanged from 2005 (€ 1,114 thousand) at € 1,363 thousand, in view of the higher advance payments. The calculated income tax expense of technotrans AG exceeds the advance payments made by € 1,156 thousand.

18) Other liabilities

	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000
Operating taxes	373	317	310
Liabilities in respect of social insurance	168	663	582
Sales tax	583	626	493
Accounts receivable on the credit side	218	390	96
Current liabilities from derivative financial instruments	59	160	230
Other	250	119	149
	1,651	2,275	1,860

See Section 33 "Financial instruments" in respect of current liabilities from derivative financial instruments.

IV. Notes to the Consolidated Income Statement

19) Revenue

If a contract from a customer involves both the delivery of goods and the provision of a service, such as assembly and commissioning, revenue is always realised upon acceptance by the customer.

Revenue is shown broken down by division and region in the segment information.

20) Cost of sales

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

	2006	2005	2004
	€ '000	€ '000	€ '000
Cost of materials	67,906	57,914	51,324
Cost of labour	21,040	18,822	17,396
Subcontractors, personnel leasing	4,649	2,596	2,917
Travel expenses	2,906	2,378	1,998
Depreciation and amortisation	1,111	1,603	1,806
Operating requirements	1,269	927	550
Impairment loss acc. to IAS 36	1,224	714	0
Other	722	425	2,165
	100,827	85,379	78,156

21) Distribution costs

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

	2006	2005	2004
	€ '000	€ '000	€ '000
Cost of labour	9,517	8,590	7,485
Logistics costs	3,299	3,112	2,500
Promotional and exhibition costs	1,321	1,096	1,295
Travel expenses	1,068	1,022	993
Reductions for impairment on receivables	153	271	227
Depreciation and amortisation	218	280	162
Other	1,136	1,225	837
	16,712	15,596	13,499

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

22) 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.

	2006	2005	2004
	€ '000	€ '000	€ '000
Cost of labour	6,775	5,338	5,795
Depreciation and amortisation	1,648	1,890	1,658
Consultancy, audits	1,936	2,175	1,578
IT costs	1,049	817	718
Other	2,091	1,622	2,140
	13,499	11,842	11,889

In the 2006 financial year, the fees for the auditors recorded as an expense pursuant to Section 319 Para.1 Sentences 1, 2 of German Commercial Code amounted to € 253 thousand.

Fees for	2006	2005	2004
	€ '000	€ '000	€ '000
Auditing of the financial statements	240	234	149
Tax consultancy services	13	38	27
Other services	0	16	33
	253	288	209

23) Research and development costs

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

24) Other operating income

	2006	2005	2004
	€ '000	€ '000	€ '000
Insurance payments	39	70	30
Reversal of provisions	188	25	55
Book profits on the disposal of assets	103	53	33
Income from tenancy agreements	43	28	10
Personnel-related revenue	67	95	77
Income unrelated to the accounting period	156	326	5
Foreign currency gains	1,288	880	327
Other	592	449	508
	2,476	1,926	1,045

Reversals of provisions were only reported under other operating income where they were not directly allocable to the functional areas under the cost of sales classification method. The item "Other" includes consolidation differences totalling € 83 thousand (2005: € 72 thousand, 2004: € 161 thousand) in the 2006 financial year.

25) Other operating expenses

	2006	2005	2004
	€ '000	€ '000	€ '000
Book losses on the disposal of assets	65	153	17
Other operating taxes	184	167	160
Expenses unrelated to the accounting period	96	23	33
Foreign currency losses	1,327	654	364
Other	266	123	133
	1,938	1,120	707

26) Net finance costs

	2006	2005	2004
	€ '000	€ '000	€ '000
Interest income	292	211	196
Interest expenses	-1,080	-934	-1,183
Net finance costs	-788	-723	-987

Borrowing costs are recognised as an expense in the reporting period in which they are incurred. No borrowing costs were capitalised in the reporting period.

27) Income tax expense

Actual income tax expense	2006	2005	2004
	€ '000	€ '000	€ '000
Tax expense for the period	-5,952	-4,506	-3,887
Tax rebates unrelated to the accounting period	716	86	86
	-5,236	-4,420	-3,801
Deferred tax			
Deferred tax expense	-618	-654	-648
Deferred tax income	964	316	1,034
Changes to deferred tax resulting from tax rate changes	0	-2	1
	346	-340	387
Income tax expense	-4,890	-4,760	-3,414

Income tax expense includes corporation income tax and trade earnings tax for technotrans AG, and also comparable taxes on income for the foreign companies. Other operating taxes are included in other operating expenses. The actual income tax expense, resulting from items debited or credited directly to equity (exchange differences from the financing of investments and share-based payments), amounts to expense of € 231 thousand (2005: income of € 284 thousand; 2004: expense of € 21 thousand).

The actual tax expense was reduced by € 153 thousand through the use of previously unused tax losses or temporary differences.

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 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.

	2006		2005		2004	
	Assets € '000	Liabilities € '000	Assets € '000	Liabilities € '000	Assets € '000	Liabilities € '000
Receivables	9	8	33	0	4	1
Inventories	572	284	357	202	545	177
Fixed assets	127	1,148	78	878	75	666
Provisions	186	12	167	16	177	12
Liabilities	12	19	5	2	30	0
Loss carryforwards	296	0	0	0	63	0
Exchange rate losses	0	0	0	159	0	318
Cash flow hedging	32	0	111	0	202	0
	1,234	1,471	751	1,257	1,096	1,174
Offsetting	338	338	0	0	0	0
	896	1,133	751	1,257	1,096	1,174

The deferred tax assets from inventories in essence stem from the elimination of intercompany profits, and the deferred tax liabilities from fixed assets result largely from the recognition of research and development expenditure as an intangible asset.

The following table shows a reconciliation of the deferred tax assets and liabilities in the Balance Sheet and the deferred taxes in the Income Statement:

	2006	2005	2004
	€ '000	€ '000	€ '000
Change in deferred tax assets from loss carryforwards	296	-65	63
Change in other deferred tax assets	187	-280	-79
Change in deferred tax liabilities	-214	-83	430
Change in deferred tax netted within equity	79	91	-30
Exchange rate movements	-2	-3	3
Deferred tax acc. to Income Statement	346	-340	387

The deferred income tax expense was reduced by € 296 thousand through the use of previously unused tax losses or temporary differences.

There exist tax loss carryforwards and deductible temporary differences at technotrans america Inc. (USD 7,629 thousand), technotrans scandinavia AB (SEK 32,716 thousand), globalprint AG (€ 207 thousand), technotrans japan k.k. (JPY 40,532 thousand) as well as technotrans printing equipment (beijing) co ltd. (RMB 1,467 thousand) and technotrans america latina ltda. (BRL 486 thousand). Based on the company-specific tax rates (38 percent USA, 28 percent Sweden, 26.4 percent Germany, 40 percent Japan, 33 percent China, 34 percent Brazil), the deferred tax assets amount to € 3,477 thousand. € 296 thousand of this have been recognised, as is consistent with IAS 12.34. The loss carryforwards may be carried forward for 20 years in the USA, for seven years in Japan, for five years in China and for an unlimited period in other cases.

The following table shows a reconciliation of the theoretical tax expense and the actual income tax expense. The applicable tax rate of 38.51 percent (previous year 38.56 percent) calculated for the year under review is based on a corporation tax rate of 25.0 percent (previous year: 25.0 percent), a solidarity surcharge of 5.5 percent (previous year: 5.5 percent) and an effective trade earnings tax rate of 16.48 percent (previous year: 16.55 percent).

	2006	2005	2004
	€ '000	€ '000	€ '000
Applicable tax rate	38.51%	38.56%	38.45%
Consolidated earnings before taxes on income	14,878	12,285	10,084
Theoretical tax income/expense	-5,730	-4,737	-3,877
Reduction for impairment (-) or reversal of reductions for impairment (+) on deferred tax assets on tax loss carryforwards	296	-65	0
Expense from the non-recognition of deferred tax assets on tax losses occurring in the financial year and temporary differences	-172	12	-121
Tax effect from the use of deferred taxes on temporary differences and from tax loss carryforwards following reduction for impairment	414	209	650
Tax effect of non-deductibility of business expenses and tax-exempt income	-491	-248	-283
Differences from foreign and deferred tax	77	-17	133
Capitalisation of the corporation tax credit balance pursuant to Section 37 of German Corporation Tax Law as a consequence of SE SE Introductory Legislation	636	0	0
Other taxes not relating to the period	80	86	86
Actual and deferred income tax expense	-4,890	-4,760	-3,412
Effective income tax rate	32.9%	38.7%	33.8%

28) Earnings per share

Earnings per share are calculated in accordance with IAS 33. The number of shares at the balance sheet date of December 31, 2006 (6,761,783 individual share certificates) does not correspond to the average weighted number of ordinary shares (6,731,143), as further ordinary shares (78,182 individual share certificates) were issued in the 2006 financial year (time proportional weighting: $16,989 \times 197/360 + 61,193 \times 225/360 = 47,542$ individual share certificates).

The basic earnings per share figure is therefore calculated by dividing the net profit for the period by the average number of ordinary shares outstanding for the year.

	2006	2005	2004
Net profit for the period (€ thousand)	9,988	7,525	6,670
Ordinary shares outstanding, average for year	6,731,143	6,644,123	6,600,000
Basic earnings per share (€)	1.48	1.13	1.01

The subscription rights issued on the basis of the existing stock options plan (cf. Section 11 "Equity") all have a dilutive effect pursuant to IAS 33.46. The exercise price of € 16.49 (2002), € 6.59 (2003), € 11.65 (2004) and € 16.32 (2005, € 15.73 plus € 0.59 pro rata share-based payment pursuant to IAS 33.47) for the options issued between 2002 and 2005 is below the average share price for the year under review of € 21.05. On this basis there are 74,129 potentially dilutive ordinary shares as a result of the following calculation:

Potentially dilutive ordinary shares (units)	=	Stock options issued (units)	x	$\left(1 - \frac{\text{Exercise price}}{\text{Avg. share price}}\right)$
2002 Tranche		Pro rata until exercised		
6,476	=	(76,329 x 141/360)	x	$\left(1 - \frac{16.49\text{€}}{21.05\text{€}}\right)$
2003 tranche				
1,747	=	2,543	x	$\left(1 - \frac{6.59\text{€}}{21.05\text{€}}\right)$
2003 tranche		Pro rata until exercised		
576	=	(1,853 x 163/360)	x	$\left(1 - \frac{6.59\text{€}}{21.05\text{€}}\right)$
2004 tranche				
40,204	=	90,031	x	$\left(1 - \frac{11.65\text{€}}{21.05\text{€}}\right)$
2005 tranche				
25,126	=	111,899	x	$\left(1 - \frac{16.32\text{€}}{21.05\text{€}}\right)$

On this basis, the diluted earnings are the net profit for the period divided by the average number of ordinary shares outstanding in the year plus the average number of potentially dilutive ordinary shares in the year:

	2006	2005	2004
Net profit for the period (€ thousand)	9,988	7,525	6,670
Average number of outstanding and potentially dilutive ordinary shares in the year	6,805,272	6,702,324	6,645,801
Diluted earnings per share (€)	1.47	1.12	1.00

V. Notes to the Segment Report

Segment information is presented according to both division and geographical region. Segmentation according to the Technology and Services Divisions is the primary reporting format and is performed in agreement with the internal reporting structure of the technotrans Group.

The Segment Report itself is presented in the tables after the Income Statement.

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

The Segment Report provides an analysis of operational figures, assets and liabilities and of other key values. The segment information comprises both directly allocable amounts and amounts that can reasonably be split. The assets and liabilities are distributed among those segments, the corresponding expenses and income for which likewise influence the segment result. The assets of € 16,454 thousand not allocated to the individual areas therefore refer to cash and cash equivalents, income tax receivable and deferred tax assets. The unallocated liabilities totalling € 12,353 thousand refer to amounts owed to credit institutions, liabilities from derivative financial instruments, income tax payable and deferred tax liabilities.

Non-cash expenses comprise the allocations to the provisions and also to the reductions for impairment on receivables respectively without counterclaim (offsetting) for availment.

In the Segment Report by regions, the external revenue per segment is based on the location of the customer, and the distribution of operating assets and investment is based on the location of the asset.

No reconciliation between the segment and consolidated data is required, as the figures in the segment information coincide with those in the Income Statement, Balance Sheet and Cash Flow Statement. The result for the segments corresponds to the earnings before interest and tax (EBIT) in the Income Statement.

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.

29) Cash flows from operating activities

The cash flows from operating activities (net cash) amounted to € 12,297 thousand (2005: € 14,829 thousand, 2004: € 11,595 thousand) in the past financial year. This includes cash from operating activities amounting to € 17,999 thousand (2005: € 20,688 thousand, 2004: € 14,319 thousand) as well as interest and income tax collected and paid amounting to € -5,702 thousand (2005: € -5,859 thousand, 2004: € -2,724 thousand). The change in working capital in 2006 results overall in a negative cash flow contribution, because a reduction in liabilities (and in particular in prepayments received), on top of the higher inventories and receivables as a result of the significant expansion in business, produced a change in cash. In addition to the depreciation, the impairment loss according to IAS 36 (reduction for impairment of the Toolex goodwill by € 1,224 thousand) constitutes a non-cash transaction in the Cash Flow Statement.

30) Cash flows from investing activities

The cash flows from investing activities result from the acquisition of intangible assets (€ 1,702 thousand, including development expenditure recognised as an intangible asset totalling € 1,425 thousand) and property, plant and equipment (€ 3,578 thousand). The entire investment volume for the year under review was at the target level for 2006.

The proceeds from the sale of property, plant and equipment in the 2006 financial year originate largely from the sale of the old property of technotrans AG (Stadtbergen plant, cf. Section 10).



31) Cash flows from financing activities

Repayments (after adjustment for exchange rate differences) totalling € 3,333 thousand on short-term and long-term loans were made during the year. These include scheduled repayments to both German and foreign banks. No repayments of liabilities from credit were made ahead of schedule.

32) Cash and cash equivalents at end of period

Cash comprises cash on hand and demand deposits with a term of less than three months.

VII. Other particulars

33) Financial instruments

Primary financial instruments comprise cash and receivables on the assets side. On the equity and liabilities side, they correspond largely to liabilities. The portfolio of primary financial instruments is shown in the Consolidated Balance Sheet; the total financial assets therefore indicate the maximum credit risk. Insofar as specific credit risks to the financial assets are discernible, these risks are accounted for by valuation allowances.

Exchange rate fluctuations may affect the value of a primary financial instrument. This risk is limited within the technotrans Group by the fact that production takes place in both the euro and US dollar zones, and that the currency of production usually corresponds to the currency in which the customer is invoiced. There is a further natural compensatory mechanism for exchange rate fluctuations in the fact that the production companies supply each other with products, thus acting as sales companies in their respective home countries. 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, 2006.

In the management of interest-rate risks, technotrans pursues the approach of securing long-term borrowings at fixed interest rates in order to avoid the risk of interest rates fluctuating along with the market price. Long-term variable-rate borrowings are therefore hedged by means of interest rate swaps.

At the balance sheet date, there existed the following derivative financial instruments for hedging against the interest rate risk for variable interest-bearing loans denominated in euros (cf. Section 12); including these derivative financial instruments, the financial assets and financial liabilities are not exposed to any direct interest rate risk.

	Nominal amount € '000	Repaid € '000	Balance € '000	Fixed rate % p.a.	Variable Interest	Maturity	Market price € '000
Interest rate swap	14,000	12,000	2,000	5.73	6-month EURIBOR	Oct. 2007	-19
Interest rate swap	5,750	3,450	2,300	5.43	6-month EURIBOR	Dec. 2010	-65

The market prices are obtained from the measurement of the outstanding items, disregarding any anticyclical trends in value from the positions. The market prices were calculated by a major German bank on the basis of discounted cash flows. After deduction of the interest differences already deferred in the current interest period, there remains a market price of € -84 thousand (2005: € -287 thousand, 2004: € -525 thousand).

The nominal amount or principal amount, terms, interest payment dates, interest rate adjustment dates, due dates and currencies of the hedged item and hedging instrument are the same. The efficiency of the hedge pursuant to IAS 39.88 (b) is high, reaching almost 100 per cent. The requirements of IAS 39.88 are moreover satisfied. technotrans is no longer exposed to interest rate risks as a result of having concluded interest rate swaps; conversely, neither can it profit from falling capital market rates.



The hedging instruments are recognised as cash flow hedges 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 € 25 thousand under "Other non-current liabilities" (Section 13) and at € 59 thousand under "Other liabilities" (Section 18). The underlying loan transactions are measured at amortised cost, using the effective interest method.

The deferred tax on the negative market prices of € 32 thousand was netted against the hedging reserve with no effect on income, with the result that the amount remaining in the hedging reserve was reduced to € 52 thousand. This means that the reporting of derivative financial instruments in the year under review produces no change to earnings.

The times to maturity at the balance sheet date are as follows:

	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total amount
	€ '000	€ '000	€ '000	€ '000
Interest rate swaps	2,574	1,726	0	4,300

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

Interest expenses of € 157 thousand (2005: € 281 thousand, 2004: 358 thousand) from current swap transactions were recognised as an expense in the past financial year.



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

	31.12.2006		31.12.2005		31.12.2004	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Cash and cash equivalents	15,049	15,049	12,770	12,770	12,613	12,613
Trade receivables	17,434	17,434	17,216	17,216	15,554	15,554
Income tax receivable	509	509	27	27	88	88
Other current assets	1,326	1,326	1,343	1,343	640	640
Other non-current assets	183	183	187	187	763	763
Current financial liabilities	-3,298	-3,506	-3,087	-3,175	-5,540	-5,654
Trade payables	-5,496	-5,496	-5,443	-5,443	-3,910	-3,910
Income tax payable	-1,363	-1,363	-1,114	-1,114	-1,583	-1,583
Other liabilities	-1,651	-1,651	-2,275	-2,275	-1,854	-1,854
Non-current financial liabilities	-6,475	-6,262	-9,783	-9,828	-9,022	-9,085
Other non-current liabilities	-147	-147	-222	-222	-374	-374
	15,570	15,575	9,619	9,486	7,375	7,198
Gains (+) or losses (-) not entered		5		-133		-177

For cash and cash equivalents, trade payables, income tax payable and other current and non-current financial liabilities – with the exception of the derivative financial instruments reported under them – it was assumed that their carrying amount provides the best indication of the fair value. For receivables with a time to maturity of up to one year, their nominal value less the reductions for impairment performed provide the most reliable estimate of the fair value. The fair value of receivables with a time to maturity of over one year is indicated by their discounted cash flows.

The fair value of interest-bearing liabilities is indicated by the discounted cash flows from repayments and interest payments. The fair values of derivative financial liabilities were calculated by a major German bank on the basis of discounted cash flows.

The yield curve for government bonds valid at the balance sheet date was taken as the basis for determining fair values. An appropriate risk premium was added. Discount rates of between 3.1 percent (CHF fixed rate credit) and 4.58 percent (€ fixed rate credit) were used for the current and non-current financial liabilities.

34) Contingencies and other financial commitments

	31.12.2006			31.12.2005	31.12.2004
	up to 1 year	1 to 5 years	Total	Total	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Other commitments	56	0	56	372	0
Tenancy and operating lease agreements	768	1,777	2,545	832	532
Maintenance agreements	328	0	328	271	269
	1,152	1,777	2,929	1,475	801

The other financial commitments 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 existing ERP data processing system. The future obligations from tenancy and lease agreements relate primarily to tenancy obligations for the business premises of subsidiaries. Expenses for tenancy and lease agreements amounted to € 825 thousand (2005: € 740 thousand, 2004: 718 thousand) in the year under review. technotrans has not concluded any lease agreements that constitute finance leases pursuant to IAS 17.

There exist potential liabilities amounting to € 56 thousand which need not be recognised as liabilities, from pending proceedings.

35) Personnel expenditure

	2006	2005	2004
	€ '000	€ '000	€ '000
Wages and salaries	33,157	28,911	27,133
Share-based payments	204	234	143
Social insurance	5,959	4,928	3,921
Expenses for retirement benefits and maintenance payments	593	831	1,147
	39,913	34,904	32,344

The item wages and salaries also includes payments made in connection with the termination of employment of € 513 thousand (2005: € 28 thousand).

Social insurance comprises expenditure for defined contribution plans (employer contributions to the compulsory state pension scheme) totalling € 1,780 thousand.

Share-based payments relate exclusively to those that are offset by equity instruments.

During the reporting period 7,589 ordinary shares in technotrans AG were distributed to employees, by way of a Christmas bonus; these shares had previously been acquired on the market. At the time of their issue, the total fair value of these shares was € 180 thousand.

36) Total employees, yearly average

	2006	2005	2004
	€ '000	€ '000	€ '000
Average number of employees	724	682	628
of which in Germany	491	468	436
of which abroad	233	214	192
Skilled workers	335	309	287
Academic background	147	158	137
Technical background	158	142	133
Trainees	39	35	22
Other	45	38	49

37) 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.

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

The members of the Board of Management receive cash remuneration, stock options under the technotrans AG stock options plan and certain non-cash benefits for their activities. The overall structure and the level of the cash remuneration are laid down by the Supervisory Board's Personnel Committee.

The cash remuneration comprises a fixed basic salary and a variable remuneration component. The level of the variable remuneration is dependent on the attainment of the overall company target of "consolidated net income according to IFRS". No employer's pension commitment has been made towards the members of the Board of Management, no loans have been granted to them and no surety obligations accepted on their behalf.



Payments to members of the Board of Management and Supervisory Board

	2006	2005	2004
	€ '000	€ '000	€ '000
Board of Management			
Regular payments			
of which fixed	585	573	602
of which variable	857	653	687
Termination benefits	483	0	0
Share-based payments	5	8	6
	1,930	1,234	1,295
Supervisory Board			
Regular payments			
of which fixed	69	75	75
of which variable	141	109	97
Share-based payments	0	0	0
	210	184	172

The regular payments to the Board of Management (fixed) include payments by the company for defined contribution plans totalling € 37 thousand (2005: € 41 thousand, 2004: € 47 thousand).

The Shareholders' Meeting of May 5, 2006 resolved that the disclosure of the remuneration of each individual member of the Board of Management pursuant to Section 285 Para. 1 No. 6 a) Sentences 5 to 9 of German Commercial Code shall not be made for five years.

In addition to the total remuneration stated for the Supervisory Board, two members of the Supervisory Board received fixed and variable remuneration in their capacity as employees, on the basis of contracts of employment, as well as share-based payments.

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			Options		
	31.12.2006	31.12.2005	31.12.2004	31.12.2006	31.12.2005	31.12.2004
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Board of Management						
Heinz Harling	63,804	62,754	61,704	2,100	4,200	4,200
Dirk Engel	370	0	0	600	600	0
John A. Stacey	14,600	14,600	30,300	2,100	4,200	4,200
Henry Brickenkamp	1,100	0	0	0	0	0
Supervisory Board						
Joachim Simmroß	10,000	10,000	10,000	0	0	0
Joachim Voss	0	0	0	0	0	0
Manfred Bender	0	0	0	0	0	0
Konrad Ellegast	700	700	700	0	0	0
Andreas Harig	62,920	62,304	61,704	1,200	2,400	2,400
Hubert Oberscheidt	62,917	62,304	61,704	1,200	2,400	2,400
Family members						
Britta Simmroß	3,000	3,000	3,000	0	0	0
Stephan Simmroß	6,000	6,000	6,000	0	0	0
Sabine Simmroß	2,000	2,000	2,000	0	0	0
Marian Harling	1,000	1,000	1,000	0	0	0
Helen Stacey	24	0	0	0	0	0
Catherine Griggs	36	0	0	0	0	0
Nicola Griggs	49	0	0	0	0	0



> Pier LiVolsi, USA, Mt. Prospect > Tino Brockfeld, Germany, Gersthofen > Michael Broßheit > Alexander Siemens, Germany, Sassenberg > Alexej Kusnezov > Dietmar Otten, G

Germany
Sassenberg

Germany
Sassenberg

38) Corporate governance

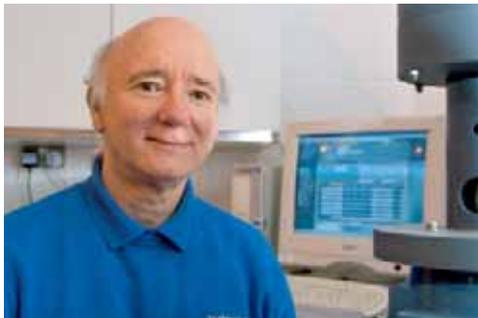
The Declaration of Conformity pursuant to Section 161 of German Stock Corporation Law has been submitted by the Board of Management and Supervisory Board and is published on the company's website (www.technotrans.de).

39) 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 February 22, 2007. These Consolidated Financial Statements are subject to approval by the Supervisory Board (Section 171 (2) of German Stock Corporation Law) or the Shareholders' Meeting (Section 173 (1) of German Stock Corporation Law).

technotrans is planning to introduce SAP standard software throughout the company. technotrans AG acquired rights of use for the software mySAP ERP by deed of January 31, 2007.

No further events of particular significance affecting the financial performance, financial position or net worth of the company occurred after the end of the 2006 financial year.



Great Britain
Colchester



Germany
Gersthofen

Germany, Sassenberg > Jonas Degow, Sweden, Akersberga > Mike Underwood > Andreas Klimek, Germany, Sassenberg > Manuel Gariracuambua > Nicole Rodefild, Germany, S

Corporate Bodies

02

Board of Management

Dipl.-Ing. Heinz Harling

Chairman of the Board

Joined the company in 1980 as Sales Manager, becoming Managing Director of technotrans gmbh in 1988; Chairman of the Board since December 1997, responsible for the functional areas Development, Design, Materials Management, Production and Company Development as well as Investor Relations

Other non-executive directorships:

Member of the Supervisory Board of Gämmerler AG

Member of the Advisory Board of Westfalia Automotive Holding GmbH

Dipl.-Kfm. Dirk Engel

Finance Director

Head of Group Accounts and Controlling since April 2004, Finance Director since August 8, 2006, with responsibility for the functional areas Accounts, Controlling, IT Management and Personnel

John Andrew Stacey

Member of the Board

Managing Director of technotrans graphics Ltd., Colchester/Great Britain, since 1990; in addition Member of the Board since January 2000 with responsibility for the international sales and service companies

Henry Brickenkamp

Deputy Member of the Board

Sales Director since July 2005, deputy member of the Board of Management since July 1, 2006, with responsibility for the areas Sales and Services, Quality Management and the product areas.

Burkard Rausch

Finance Director until August 8, 2006

Supervisory Board

Dipl.-Kfm. Joachim Simmroß, Chairman of the Supervisory Board

- › Member of the Supervisory Board of AIXTRON AG
- › Member of the Supervisory Board of WeHaCo Unternehmensbeteiligungs-Aktiengesellschaft
- › Member of the Supervisory Board of Commerz Unternehmensbeteiligungs-Aktiengesellschaft
- › Member of the Supervisory Board of GBK Beteiligungen AG
- › Member of the Advisory Board of HANNOVER Finanz GmbH
- › Member of the Advisory Board of BAG BiologischeAnalysensystem GmbH
- › Member of the Advisory Board of KAPPA opto-electronics GmbH
- › Member of the Advisory Board of Astyx GmbH

Dipl.-Kfm. Joachim Voss, Deputy Chairman of the Supervisory Board

- › Managing Director Public Customers, WestLB AG
- › Board of Directors of Finanziaria Canova
- › Member of the Supervisory Board of TFL International GmbH
- › Member of the Advisory Board of Westfalia-Automotive GmbH

Manfred Bender seit 11. April 2006

- › Finance Director of Pfeiffer Vacuum Technology AG, Aßlar

Dipl.-Kfm. Konrad Ellegast

- › Senior Consultant of Cerberus Deutschland GmbH
- › Member of the Supervisory Board of Basler AG
- › Member of the Supervisory Board of Hamburger Feuerkasse Vers.-AG (bis 12/2006)
- › Member of the Advisory Boards of Richard Bergner Holding GmbH & Co. KG and of C. Mackprang JR. GmbH & Co. KG

Dipl.-Ing. Andreas Harig

- › Head of the Product Division of technotrans AG

Hubert Oberscheidt

- › Service Manager of technotrans AG

Proposal for the Distribution of Accumulated Profit

03

The Board of Management proposes that the accumulated profit of € 9,390,037.08 as stated in the annual financial statements of technotrans AG be distributed as follows:

Distribution of a dividend of € 0.70 per individual share certificate on share capital of € 6,761,783.00 bearing dividend entitlements	€ 4,733,248.10
Allocation to retained earnings	€ 4,300,000.00
Net earnings brought forward	€ 356,788.98
Accumulated profit	€ 9,390,037.08

The dividend is payable on May 14, 2007.

Declaration pursuant to Section 297 Para. 2 Sentence 4 of German Commercial Code and Section 315 Para. 1 Sentence 6 of German Commercial Code

Pursuant to Section 297 Para. 2 Sentence 4 of German Commercial Code and Section 315 Para. 1 Sentence 6 of German Commercial Code, we give assurance that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the financial position and financial performance of the group, that business progress, including the business results and the situation of the group, is presented in the group management report in such a way as to give a true and fair view, and that the principal opportunities and risks of the group's anticipated future development are described.

Sassenberg, February 22, 2007



Heinz Harling



Dirk Engel



John A. Stacey



Henry Brickenkamp

Independent Auditors' Report

04

We have audited the consolidated financial statements prepared by technotrans AG – comprising the balance sheet, income statement, statement of movements in equity, cash flow statement and notes – as well as the group management report for the financial year from January 1 to December 31, 2006. The preparation and the content of the group management report in accordance with IFRS, as applicable within the EU, as well as in accordance with the supplementary requirements under commercial law pursuant to Section 315a, Para. 1 of German Commercial Code, are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and group management report on the basis of our audit.

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

Our audit has not led to any reservations.

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

Bielefeld, February 23, 2006
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rehnen

Rottmann



> Wilhelm Freitag, Germany, Sassenberg > **Parick Lee** > Scott Morehouse, USA, Mt. Prospect > **Martin Kaczmarek** > Nicole Mariniello, Germany, Sassenberg > Cornelia W
Singapore
USA
Mt. Prospect

Report of the Supervisory Board

05

The Supervisory Board again regularly advised the Board of Management on the running of the company and monitored its activities in the 2006 financial year, in accordance with legal requirements and the articles of incorporation. It was involved in decisions of particular significance for the company.

At its four meetings on March 7, May 4, September 19 and December 15, 2006 the Supervisory Board was presented with detailed written and oral reports by the Board of Management on business progress, the situation of the company and significant business occurrences, as well as the strategy and its status of implementation. The economic development of the company and of its subsidiaries was discussed in depth. One member of the Supervisory Board and one member of the Board of Management were each absent from one meeting, with apologies received; the remaining members of the Supervisory Board and Board of Management all attended every meeting.

The Chairman of the Supervisory Board moreover maintained regular contact with the Board of Management and in particular the Chairman of the latter, to discuss the company's strategy, business developments, significant business occurrences and risk management. He was furthermore informed promptly by the Chairman of the Board of Management of important occurrences that are of key significance in evaluating the situation, progress and management of the company.

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

Important topics in 2006 were:

- The strategic positioning and development of the company
- The financial statements for 2005
- The resolutions on amendments to the articles of incorporation, in particular in respect of the German Law on Corporate Integrity and Modernisation of the Right of Avoidance (UMAG), and the other agenda items of the Shareholders' Meeting
- The further development of new product lines
- The strategy of the company in the USA
- The emphasis of the information systems for the technotrans Group
- The targets for the 2007 financial year encompassing revenue, cost, earnings, investment and personnel targets, with the longer-range outlook
- The patent dispute with a competitor
- Aspects of the risk management system and of corporate governance.

The members of the Supervisory Board possess the necessary knowledge, skills and personal experience for performing their tasks in an orderly manner, are sufficiently independent and have sufficient time to act as non-executive directors. No conflicts of interest arose during the period under review.

Pursuant to point 5.6 of the Corporate Governance Code, the Supervisory Board conducted an efficiency audit by means of a structured approach. It was established as the outcome that the Supervisory Board is conducting its activities efficiently.

Two committees have been formed: the Audit Committee and the Committee for Board of Management Affairs (Personnel Committee). The Audit Committee met on three occasions and concerned itself with matters relating to the annual financial statements, the presentation of the accounts, controlling and risk management, assuring the independence of the auditors, commissioning the auditors with the audit, identifying the priority areas for the audit, and agreeing the fee. The Committee for Board of Management Affairs met four times and dealt in particular with drawing up the contracts with and agreeing the remuneration of the members of the Board of Management and with the recruitment of the new Finance Director, to which post the previous Head of Finance and Accounts of technotrans AG, Dirk Engel, was appointed in August 2006. The Sales Director of technotrans AG, Henry Brickenkamp, was furthermore appointed to the Board of Management, initially as a deputy member, with effect from July 1, 2006.

Manfred Bender, Finance Director (CFO) of Pfeiffer Vacuum Technology AG, ABlar, was appointed to the Supervisory Board by the relevant local court at the proposal of the company, initially until the Shareholders' Meeting on May 5, 2006, at which he was then elected to the Supervisory Board as a new member.

The Supervisory Board has no further remarks to add to the particulars in the Management Report pursuant to Section 315 Para. 4 of German Commercial Code on obstacles to a takeover of the company, and declares that the disclosures made there are complete and accurate.

The annual financial statements of technotrans AG and the consolidated financial statements at December 31, 2006, together with the combined management report for the company and the group, were discussed in detail with the auditors and the Board of Management by the Supervisory Board's Audit Committee and presented to the Supervisory Board for further examination before the meeting on March 5, 2007, together with the Board of Management's proposal on the distribution of the accumulated profit for the 2006 financial year.



The Supervisory Board meeting on March 5, 2007 was also attended by the auditors elected by the Shareholders' Meeting and appointed by the Supervisory Board, KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Bielefeld branch, represented by the two designated independent auditors. The financial statements of the company and group for the 2006 financial year have both been granted an unqualified audit certificate.

The Supervisory Board has

- following its own examination, raised no objections to the annual financial statements of technotrans AG, the consolidated financial statements and the management reports for the 2006 financial year, and has endorsed the findings of the auditors
- ratified the financial statements and management reports, which are hereby established
- approved the proposal by the Board of Management on the distribution of accumulated profit.

The Supervisory Board takes this opportunity to thank the Board of Management and all employees of the group for their considerable dedication, which paved the way for the company's highly positive progress in the 2006 financial year. Our particular thanks are due to the employees' representatives, who yet again cooperated constructively and openly with the company's corporate bodies, and to the shareholders, many of who have now been involved in technotrans AG for quite a number of years.

On behalf of the Supervisory Board



Joachim Simmroß
Chairman of the Supervisory Board

The Success Story

- 1970 Founding of the company
- 1973 Initial contacts with the audio media and printing industry
- 1977 Production of the first dampening solution equipment
- 1981 Development of a separate product line for dampening solution preparation systems
- 1987 Launch of the first ink temperature control systems
- 1990 Management Buy-out
 - technotrans graphics ltd. is founded in Colchester, Great Britain
 - Launch of the new system components concept for ancillary equipment on printing presses
 - technotrans is one of the world's three largest suppliers of dampening solution preparation systems
- 1992 technotrans becomes original equipment supplier for the Heidelberg Speedmaster and MAN-Roland 700 presses
- 1993 technotrans france s.a.r.l. is founded
- 1995 technotrans america inc. is established in Atlanta, Georgia, USA
- 1997 Transformation into a stock corporation
 - Founding of technotrans printing equipment (Beijing) Co. Ltd., People's Republic of China
- 1998 Takeover of BVS Grafische Technik GmbH, which is renamed technotrans systems GmbH
 - Initial public offering

- 1999 Founding of technotrans technologies pte. ltd. in Singapore
 Founding of the subsidiary technotrans italia s.r.l. in Milan
 Merger with the subsidiary technotrans systems GmbH to form technotrans AG
- 2000 Takeover of the American company Ryco Graphic Manufacturing, Inc. (Chicago) and merger with technotrans america inc.
- 2001 Takeover of the American Steve Barberi Company Inc. and its subsidiary, Farwest Graphic Technologies LLC, of Corona, near Los Angeles, California, USA; renamed technotrans america west, inc.
 Takeover of the Electroforming Division of Toolex International N.V., which now operates as technotrans scandinavia AB, Täby, Sweden
 Establishment of technotrans japan k.k., Kobe, Japan, as a sales and service company
 Establishment of technotrans china ltd., Hong Kong, as a sales and service company
- 2002 Transfer of activities from Atlanta to the principal American location in Chicago
- 2003 Consolidation of international production capacities and relocation of assembly from technotrans graphics ltd., Colchester, Great Britain, to Sassenberg
- 2004 Start of development work on the new cleaning systems product area and decision to extend the plant near Augsburg
 Opening of a further sales and service office in Yokohama, Japan
- 2005 Construction of new production plant at Gersthofen, near Augsburg and thus doubling the capacity in the South of Germany
 Entry into the new product area of cleaning systems, with first field-test installations of the contex.c blanket cleaner
 Integration of the Micro Technologies segment into the company's Technology Division
- 2006 Merger of the two American production locations in Chicago
 Establishment of the subsidiary in Brazil

Corporate
Calendar
2007/2008

2007

Annual Report 2006	March 6, 2007
Analyst Meeting and Annual Press Conference	March 6, 2007
Interim Report 1-3/2007	May 8, 2007
Annual Shareholders' Meeting	May 11, 2007
Interim Report 1-6/2007	August 6, 2007
Interim Report 1-9/2007	November 6, 2007

2008

Annual Report 2007	March 11, 2008
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Corey Hill > Sven Linnemann > Sonja Bischof > Peyton Schwartz > Christina Brinkmann > Heng Meng Wong > Markus Klein > Teresa Mok > Yvonne Ritzer > Detlef August > Caroline
niel Tempel > Matthias Dröge > Gregory Dusza > Darren Callaghan > Mickael Lefevre > Heinz Schondorf > Michael Blake > Minoru Ueki > Karin Jansen > Tony Peng > Martin Raubart
lok > Martin Faber > Michael Steinkuhl > Anni Pelster > Nancy Buck > Michael Krämer > Yannick Bodin > Wolfgang Rudolph > Anne Beckmann > Andrea Ziccardi > Stefan Holtkamp
> Steven Lopez > Thomas Limper > Bernhard Isernhinke > Karin Sendker > Jürgen Eder > Edwin Nijhof > Stefan Laudötter > Karl Li > Jutta Schulze Westhoff > Martina Assenmacher
er > Mazin Tawfik > Jörg Dreischulte > Eugen Ledowski > Melvin Smith > Sven Pannhorst > Gabriele Schwaner > Renate Brandt > Renate Heng > Günther Kamphans > Ralf Minow >
e > Andrea Endres > Frank Diekmann > Reinhard Buddenkotte > John Bonallo > Thomas Kottenstedte > Héloïse Barnay > Silke Röthaus > Daniel Beck > Ingrid Schullern > Dirk Höller
nael Griffin > Oner Cagatay > Admir Babic > Britta Schwieterjann > Henry Brickenkamp > Say Hong Lee > Uwe Sabri Keklik > Michael Chui > Karsten Revers > Benjamin Arthkamp >
nna Uhr > Markus Esch > Carmela Heinisch > Piotr Kuncze > Hedwig Fedrich > Jochen Schmitz > Methodios Chousmeklaris > Shingo Muto > Tobias Kreimann > Kelvin Jin > Wilhelm
> Johannes Stuckert > Peter Spieker > Andreas Brunke > Josef Reich > Matthias Kopp > Oregas Alcojol > Sascha Rose > Stefan Baumeier > Enzo Palmieri > Tifaga Hodzic > Stefan
as Lippermann > Van Cam Truong > Michael Risau > Björn Kunert > Michael Bruchhaus > Allison Amelianovich > Holger Klocke > James Zhong > Fred Retzlaff > Dorothee Arenhövel
ert Dunker > Anja Dierkes > Axel Conrads > Peter Benton > Séverine Duclos > Michael Schlüter > Klaus Beike > Shinichi Miyamoto > Dirk Hundorf > Jack Jiang > Yakup Barutcuoglu
rt Kurfer > Zafer Cetintas > Nikolay Markovic Taras > Olaf Patzelt > John Dickson > Derek Knight > Achim Bartel > Martin Rolf > Erich Brinkmann > Stefano Farina > Martin Kaczmarek
r > Vladimir Lechmann > Manuel Happe > Carmen Schulze Zumkley > Dirk Bovingloh > Pui Hun Choy > Sonja Kahle > Bruce Zhao > Erich Renne > Christian Altenau > Nolan Runciman
tckert > Daniel Delbrügge > Boris Scherf > Michael Krull > Pascal Dauriac > Michael Schilling > Christian Behrens > Masakazu Tsushida > Matthias Hübner > Zhi Jun Bai > Robert
assetti > Thomas Poppenberg > Chris Larner > Jens Ebmeyer > John Cackler > Matthias Laudick > Vadoude Abdoul > Thessa Roderig > Walter Bartmann > Marco Coltro > Burkhard
onald Epperly > Colin Starling > Diamantino Pires > Frank Sommer > Peter Böcker > Zbigniew Bauer > Ivica Jovanovski > Bruno Giraud > Uwe Rehorn > Kai Benter > Kirsty Madge >
eph Dudek > Tom Carbery > Norbert Kreimer > Isabelle Briquet > Ludger Schiemann > Patrick Behrendt > Daisuke Matsuzaki > Terri LoCoco > Igor Mamontov > Erich Heyer > Olaf
> Siegel > Ralf Brinkmann > Rolf Zeiler > Kirsten Kleine-Dingwerth > Loretta Ngai > Julia Robben > Ludger Austerhoff > Marco Camerucci > Wladimir Heronime > Klaus Petrasch >
rk Lange > Philippe Leroy > Rolf Schöniger > Katja Bockendorff > Yoko Kono > Michael Janßen > Grant Shi > Arndt Rausch > Markus Adler > Guido Hemme > Heinz Hartmann > Sabi
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Christian Behrens "I work in Design at Sassenberg, and like taking pictures as a hobby. So I was obviously really delighted to be asked to take part in this project. How often are you given the opportunity to indulge in your hobby, and contribute to your employer's Annual Report into the bargain? I'd also like to thank my colleagues, who were always so obliging in helping me with this task, and also our management for entrusting me with it in the first place. I think the results are a credit to the whole team."

Heng Meng Wong "As a service engineer for technotrans in Singapore, I get to travel around a great deal. As an amateur photographer, I usually have my camera with me. At first I thought all this picture-taking would get on my colleagues' nerves, but in the end we all really enjoyed it. We're pleased that Asia, an important market of the future, is given a high profile in the Annual Report."

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