

## search result

Geutebrueck GmbH	Accounting/	Annual financial statements for the financial year	04.08.2020
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**Geutebrueck GmbH****Windhagen****Annual financial statements and management report as of December 31, 2019****MANAGEMENT REPORT FOR THE 2019 FINANCIAL YEAR****I. Economic report****1 Presentation of the course of business including the business result****1.1 Economic Environment**

The overall economic situation in Germany in 2019 was characterized by stagnating economic development. Adjusted for inflation, gross domestic product increased by just 0.6%. From an international perspective, the global economy continued to post positive, albeit slower, growth in most industrialized and emerging countries. The IMF indicates slower global economic growth of around 2.9% for 2019, a large part of which is attributable to China, which is not an interesting sales market for the company. Despite the ongoing overall economic growth, some of Geutebrück GmbH's target markets, including Turkey, MENA and CIS, have not been able to recover and are still characterized by great uncertainty.

**1.2 Macroeconomic and industry-related conditions**

Overall, it can be seen that decisions and implementation in classic project business are becoming more and more time-consuming. The number of co-decision-makers in user organizations has risen massively, because in addition to security departments, IT, purchasing and management, data protection officers and risk managers are playing an increasingly important role.

In our market, cyber security and artificial intelligence in particular continue to emerge as the driving themes. While IT security is becoming increasingly important against the background of both data protection and the increasing number of attacks in the field of cyber crime, artificial intelligence has so far only been really productive in a few applications. We ourselves implemented a first project in the field of beverage empties counting for a Swiss customer and thus successfully developed and implemented a first productive algorithm, which was realized with the help of artificial intelligence and deep learning. The roll-out across all customer locations will take place in the course of 2020. Other successful areas of application in the CCTV market are face recognition, where AI-based algorithms deliver very good results. Many other functions are widely promoted in the market, such as person recognition. In safety-critical applications, however, these algorithms are currently not very reliable.

Due to the massive market entry of suppliers from the Far East, especially from China, with standard products of acceptable quality, the market for "simple" requirements is becoming more and more price-driven. Smaller systems without special and individual technical requirements are sometimes sold below price by the competition on the market. In larger projects, special developments and solutions are often required, which lead to a significantly higher consulting intensity. The classic safety engineer or safety installer is increasingly unable to provide this consulting service and is therefore excluded from more complex projects. Demanding end customers are increasingly looking for direct contact with the manufacturer.

**1.3 Sales Development**

A significant increase in sales compared to the previous year was planned for 2018. The strategy process that began in 2016 has shown continuous results, especially in the form of a massive increase in opportunities in the project pipeline, but has not yet had the planned impact on the key business figures. The expected sales growth, particularly in Europe and Germany, could not be realized to the extent planned. On the contrary, sales declines were posted there, partly due to project postponements (e.g. the completion of a major project in Kourou, France, was postponed to 2020 due to construction work), partly due to regional market weaknesses (especially in Western Europe, the economic development and political uncertainty, keyword Brexit, had a negative impact) and partly due to a lack of sales capacities (the restructuring of the sales team through training and new hires is taking more time than planned). The steady decline in sales in the standard business has not yet been compensated for by newly acquired project business. had a negative impact) and partly also due to a lack of sales capacities (the restructuring of the sales team through training and new hires is taking more time than planned). The steady decline in sales in the standard business has not yet been compensated for by newly acquired project business. had a negative impact) and partly also due to a lack of sales capacities (the restructuring of the sales team through training and new hires is taking more time than planned). The steady decline in sales in the standard business has not yet been compensated for by newly acquired project business.

In Germany, sales have fallen significantly, which is mainly due to a lack of sales activities in the second half of 2019. This is clearly visible in the project pipeline and is due to misguided sales management. Accordingly, the sales management for all of Europe including Germany was reassigned in April 2019, which has since been clearly reflected in an increasing number of opportunities with a massive increase in value in the project pipeline. However, the effects of this measure on sales will only be noticeable in 2020 due to the terms in the project business of 6-18 months.

In Europe there was a renewed decline in sales compared to the previous year, which can be attributed to various factors. Once again, the French subsidiary recorded significant project declines compared to planning and the previous year. The personnel changes made in sales were only partially effective, which also further delayed the implementation of the new strategy. Furthermore, contrary to the planning, a major project in the amount of €800 thousand was not finally invoiced, since the final acceptance by the customer was postponed to the following year 2020 due to construction-related reasons.

In the CIS region, the Russian government's consistent policy of sanctions against Western products remains a barrier to business. The reaction here was to sell the Russian sales subsidiary to a local business partner, which enabled the market risk for local costs to be externalised.

The Turkish market has fallen far short of expectations, which has led to a complete reorganization of the subsidiary. The main cause was the unstable local political situation, which was reflected in the continuous devaluation of the Turkish lira against the euro, but also in the emotional rejection of European products and an increased preference for Chinese brands.

The Benelux and UK regions also developed disappointingly, the exclusive partner in the UK has not yet been able to realize the necessary expansion of sales capacities. Increases in sales overseas, both in the USA and in Australia, the Middle East and Mexico, could not fully compensate for the declines and project postponements in Germany and Europe, so that sales fell overall. The two sales organizations newly founded by the subsidiary Geutebrück International GmbH in Malaysia (as a 100% subsidiary) and India (there as a 50/50 joint venture with a local system integrator) for increased processing of the local markets were not able to work as planned in the year they were founded make significant sales contributions. The previous sales partner organization in South Africa was reorganized and the shares in this company were taken over 100% by the subsidiary Geutebrück International GmbH. In 2019, however, no significant sales could be generated in this region either.

#### 1.4 Procurement Market

In order to continue to guarantee the high quality standard of our end products and to be able to meet the high expectations of our customers, we deliberately avoid using low-quality products and components when purchasing materials in order to achieve cost savings. High-quality components and products are still used and long-term and reliable partnerships with suppliers are maintained.

The purchase of materials is subject to a certified and strict quality assurance process. National and international supplier evaluations are carried out regularly, with the entire value chain being subject to a continuous improvement process.

Material stocks have decreased significantly compared to the previous year. On the one hand, there was a significant outflow of materials for a major project that was invoiced in 2019, on the other hand, inventory levels were consistently cleaned up. In the course of the year, the assembly and production of assemblies was outsourced to external service providers, which also eliminated the procurement of electronic components and parts. These measures have also led to a reduction in inventories. A consistent streamlining of the product range and the increased use of consignment warehouses and extended payment terms have also contributed to the reduced inventories and simplified financing of these. The readiness for delivery was guaranteed at all times due to stringent procurement and inventory management.

#### 1.5 Investments

It was deliberately decided not to make use of the option to capitalize internally generated intangible assets. As a result, investments in intangible assets did not increase any further. On the contrary, the value of these assets was corrected by a further €1.25 million in addition to the scheduled depreciation of €1.0 million. This correction results from a comparison with the intermediary of external development resources, which corrected its calculations for the years 2016 to 2018 for developments for the G-SIM and G-SEC products. The development services themselves were not objectionable, but the agent's surcharges on these services were corrected.

A further €1,560k was invested in the final development of the new strategic product platform, including the first application, of which €1,080k was external and a further €480k was internal development costs. A further €280,000 flowed into the refactoring, i.e. the technical update of the existing G-SIM software.

In addition, funds of EUR 595 thousand were again invested in the strategy process:

Consulting service:	180 thousand
Personnel development:	150 thousand
Marketing:	265 thousand

In addition, two sales organizations were newly established as subsidiaries of Geutebrück International GmbH, for which Geutebrück GmbH provided capital reserves of €280 thousand.

In addition, Geutebrück International GmbH was granted a capital reserve of €60,000, which was made available to the sales subsidiary in South Africa it had taken over to ensure the start-up and maintenance of operations as part of a loan.

#### 1.6 Funding

The investments in fixed assets and in the strategic direction of the company were financed through the company's own cash flow and through another long-term loan. At the same time, the existing loan for the building from October 2015 was repaid in full as planned. In addition, the repayment of the loans from 2017 and 2018 started as planned. The company was able to meet its financial obligations at all times during the past financial year.

#### 1.7 Personnel and social area

In order to ensure the necessary qualifications in the area of personnel within the various company areas, over EUR 524 thousand (previous year: EUR 321 thousand) was invested in a desired fluctuation (separation costs and personnel search). The average number of employees in the 2019 financial year was reduced by 7 employees, with a number of additions and departures. Personnel costs increased slightly compared to the previous year due to the focusing of resources and the separation of capacities that were no longer required due to the new strategic and technological orientation.

#### 1.8 Financial and non-financial performance indicators

##### 1.8.1 Strengths and weaknesses of the company

In order to further adapt the product range to the customer-specific requirements of complex projects and to create the basis for future new service models using the cloud (Software as a Service) and using artificial intelligence (AI), both the existing software systems G-SIM and G-Core and in the development of a new strategic product platform. A number of independent customer and partner laboratories have confirmed the high performance and usability of the existing G-Core and G-SIM product series in comparison tests with competitors. These will continue to be a key component of complete solutions and will be supplemented by the new product platform. A second project based on this platform in combination with existing existing software was rolled out to a customer in Australia as planned. The need for the AI-based solutions tested in 2018 was proven by numerous project inquiries and will lead to concrete installations in 2020. Our development and product range is therefore ideally positioned for the complex project business.

The bottleneck in the company is still the sales structure, which was further adjusted and optimized as part of the company's strategic orientation in order to create the possibility of addressing and advising end users more directly. As forecast in the previous year, the year under review was again characterized by the necessary adjustments to the sales structure in order to be able to fully and successfully cope with the changed requirements in the long term. The systematic and globally coordinated approach to global user key accounts has been optimized through a clear definition and demarcation of the areas of responsibility between end customers and partner sales.

Furthermore, two new teams were founded: The sales department advises users in planning and project planning and creates concrete offers so that the sales staff can focus on acquisition. The project management ensures the smooth implementation of commissioned projects in coordination with all internal and external teams involved and ensures that the customer's change requests during the course of the project are not only successfully taken into account technically, but also economically. The continuously increasing number of opportunities in the project pipeline proves the effectiveness of this division of labor between pre-sales and project management.

##### 1.8.2 Internal organization and decision-making

The company has a matrix organization. Management positions are established on a subject- and project-related basis. In cases of doubt, the decision is made by the specialist authority together with the company management. At the end of 2019, work began on organizing development in cross-functional teams based on agile principles. Corresponding processes for optimized decision-making based on economic criteria together with pre-sales, sales and product management were introduced.

The company management is informed continuously and according to plan in the context of regular meetings by the area, specialist department and project managers. The existing management information system was also further developed in 2019. In addition to a presentation of the daily company development and forecast calculation, a differentiated scenario calculation is now also carried out, so that the management is informed at all times about the most important developments and prospects and supports the decision-making process. The management structures were further streamlined and it was decided to appoint a management board consisting of four people and the management from the beginning of 2020. These four people are responsible for the four supporting pillars of the overall organization with the areas of "Technology", "Internal Services", "Sales Overseas and Business Development" as well as "Sales Europe and Sales Support Divisions". Regular weekly joint meetings

ensure close operational and strategic integration of the business units. The management is relieved of operational tasks in order to be more strategically active on the one hand and to have a stronger external effect on the other, to establish networks and to support international customer and partner acquisition at top decision-maker level. "Sales Overseas and Business Development" and "Sales Europe and Sales Support Divisions" are the four pillars of the overall organization. Regular weekly joint meetings ensure close operational and strategic integration of the business units. The management is relieved of operational tasks in order to be more strategically active on the one hand and to have a stronger external effect on the other, to establish networks and to support international customer and partner acquisition at top decision-maker level. "Sales Overseas and Business Development" and "Sales Europe and Sales Support Divisions" are the four pillars of the overall organization. Regular weekly joint meetings ensure close operational and strategic integration of the business units. The management is relieved of operational tasks in order to be more strategically active on the one hand and to have a stronger external effect on the other, to establish networks and to support international customer and partner acquisition at top decision-maker level.

### 1.8.3 Control System

The company is controlled by a system of forecasts and monthly and quarterly reports as well as by means of KPIs. Once a year, sales, cost, investment and action plans are prepared at the level of the department and team leaders for the following year, which show the development in small parts in a monthly or quarterly comparison. At the same time, an "open forecast" enables immediate changes in business activities, such as B. project postponements, to be included in the budget figures. As a result, the planning is continuously adapted to the latest information. This allows managers to intervene at short notice to make corrections.

## 2 Representation of the situation

### 2.1 Assets

The change in the asset and capital structure compared to the previous year is shown in the following overview:

#### assets

	12/31/2019		12/31/2018	
	kEUR	%	kEUR	%
Capital assets	10,776	54.5	13,441	58.2
current assets	8,332	42.2	9,133	39.5
cash liquidity	653	3.3	529	2.3
	19,761	100.0	23,103	100.0

#### liabilities

	12/31/2019		12/31/2018	
	kEUR	%	kEUR	%
equity capital	10,512	53.1	14,437	62.5
shareholder loan	401	2.0	329	1.4
Long-term liabilities	1,400	7.1	1,693	7.3
medium and short-term debt	7,448	37.8	6,644	28.8
	19,761	100.0	23,103	100.0

In the asset structure, the reduction in intangible assets due to the reduction in the production costs of development services is essential.

The financing was set up for the long term. The financing of the ongoing business and the implementation of the planned investments were ensured at all times. Equity has fallen compared to the previous year. In addition to the available liquid funds, there are sufficient binding loan commitments available. The financial position of the company can therefore be classified as good despite the high investments in strategic development.

### 2.2 Financial Condition

The cash flow statement shows the following picture:

	2019	2018
	kEUR	kEUR
Cash generated from operations	-1,993	1,486
Cash flow from investing activities	828	-3,225
Cash flow from financing activities	290	460
Cash-effective change in cash and cash equivalents	-875	-1,279
Cash funds at the beginning of the period	528	1,807
Cash funds at the end of the period	-347	528

### 2.3 Results of Operations

The following table shows the results of operations compared to the previous year:

	2019	2018	change in earnings	
	kEUR	kEUR	kEUR	%
gross profit	15,346	17,454	-2,108	-12.1
Operating profit before depreciation (EBITDA)	-1,799	1,435	-3,234	
Operating and investment earnings before interest and taxes (EBIT)	-3,674	332	-4,006	
neutral result	-442	-41	401	
income taxes	259	-34	293	
annual result	-3,926	188	-4,114	

The gross profit for the 2019 calendar year fell by EUR 2,108 thousand or 12.1% from EUR 17,454 thousand in the previous year to EUR 15,346 thousand. The gross profit ratio, on the other hand, rose from 55.3% to 57.3%.

The operating result before value adjustments and depreciation amounts to -1,448 kEUR. Adjusted for all one-off effects from expenses for development, personnel restructuring and strategic realignment in the amount of EUR 2,959 thousand (see Sections 1.6 and 1.7), the result is a positive EBITDA of EUR 1,511 thousand.

A negative operating and investment result before interest and taxes (EBIT) of EUR -3,674 thousand is reported. The annual result in the 2019 financial year thus amounts to EUR -3,926 thousand. As of December 31, 2019, the balance sheet shows equity of EUR 10,512 thousand, which means a reduction of 27.2% compared to the previous year.

## II. Report on the expected development with its main opportunities and risks (opportunity and risk report)

### 1 General risks

The company is not aware of any significant economic, legal or even existence-threatening risks.

### 2 Special Risks

#### 2.1 Interest Rate Risk

Since the interest-bearing external financing is limited to shareholder loans, several development loans and a working capital line and is all in the very low, single-digit percentage range, there is no interest rate risk.

#### 2.2 Liquidity Risk

The liquidity position of our company can be described as good. The investments made could be supported by ongoing business and low-interest long-term development loans. No financial bottlenecks are to be expected in the future either. The financing instruments in our company essentially include receivables, the aforementioned long-term loans and existing bank balances. Bad debt losses have so far only occurred to an insignificant extent. The goal of our finance and risk management is to protect the company against financial risks of any kind.

As in previous years, the company is pursuing a very conservative risk policy in its financing management. Existing cash surpluses are used to repay short-term liabilities such as working capital lines, and the management strictly avoids any speculative financial investments. US dollar orders are partially hedged. To protect against the liquidity risk and to maintain solvency at all times, a continuous liquidity plan is drawn up, which is constantly adapted to current changes and serves as the basis for cash management. If default or credit risks are identified for financial assets,

#### 2.3. Risk reporting on the use of financial instruments

In order to hedge the exchange rate risk in transactions in US dollars, countervailing hedging transactions in the form of forward exchange transactions are regularly concluded. In addition, in some markets, especially in the USA, invoices are now issued directly in US dollars in order to neutralize the currency risk on the purchasing side. There is a general risk here that the US dollar exchange rate will affect purchase prices without generating sales in US dollars to the same extent. On the other hand, this is a risk that affects all market participants equally, since the most important components for video security technology are manufactured in North America and Asia and invoiced in US dollars. The aim of the company is to minimize exchange rate risk. There is no speculative use of financial derivatives.

#### 2.4. The Corona Pandemic

A particular risk arises from the global pandemic of the SARS-Cov-2 virus. The lockdown and exit restrictions measures adopted by national governments around the world entail risks for the company both in terms of sales and delivery. There is also a risk of infection in your own company and the subsequent forced closure of individual parts of the building or the entire building.

Accordingly, the management and the management board decided early on to order home office for a large part of the employees. In addition, on-site teams have been divided into smaller units, which work in different rooms isolated from each other. This ensures performance. The inventories of the required preliminary products were increased at an early stage.

The costs were reduced as far as possible by registering short-time work from April 1, 2020, so that business operations can be maintained while earnings are secured at the same time. At the same time, solutions based on our own and purchased products were implemented in March 2020, which are specially designed for the challenges of the corona pandemic and are specifically requested by users. The entire sales and marketing organization worldwide, including the international partners, is currently focusing its activities on specifically addressing existing and potential new customers in systemically relevant industries and areas of activity for the placement of these products.

The management board meets daily with the management as a corona crisis team in order to be able to react to changes in the current situation and to initiate necessary measures immediately.

### 3. Opportunity and Prognosis Report

The project-driven further development of the very successful G-Core and G-SIM product ranges, as well as the development of the new strategic platform and its integration into the product range were completed in 2019. In addition, resilience to IT security risks has been continuously improved. "Software-only" systems based on customer hardware were increasingly supplied, particularly in the case of virtualized systems. The accompanying services introduced at the beginning of 2018 for patch management and advice on customer hardware platforms have been expanded to include additional services in the areas of pre-sales advice, financing and remote services. This results in further earnings potential and a high level of customer loyalty over the system life cycle for the user. Due to the increased, continuous, direct contact with the end customer, follow-up sales are more likely, which will provide additional income. The increased flexibility through the delivery of systems based purely on software enables more individual solutions, which in turn opens up new sales opportunities.

The sales situation at the beginning of the year had risen significantly compared to the previous year until the outbreak of the corona pandemic, but dropped significantly from mid-March. A significant decrease compared to the previous year is to be expected. A corresponding plan correction was made. New revenue potential arises from solutions that specifically help companies and organizations to master the challenges of the pandemic. On the cost side, a significant reduction is planned compared to the previous year. External development costs will be reduced by two-thirds as the implementation of the new strategic platform was completed and internal development capacities were significantly expanded in 2019. A massive reduction in administrative costs, especially in the area of consulting, is also planned, since the strategic reorientation and the associated restructuring measures have been completed. Against the background of the current situation, the cost development is constantly checked and adjusted to the sales development with the help of short-time work and other measures.

In terms of sales, the regional markets are reacting very differently to the current situation. The sales increase of almost 7% across all regions that was carefully planned at the beginning of the year will not be realized against the current background.

However, despite the Corona-related conditions, demand on the German market is developing steadily and is even slightly positive in relation to the "Corona solutions". It is therefore to be expected that the sales increase planned for 2020 in this region, despite Corona, will not be fully realised, but will still be able to be achieved approximately, provided that the situation and the measures imposed by the German Federal Government do not escalate further.

A mixed picture emerges in Europe: Due to the continuing political uncertainty on the Russian, British and Turkish markets, these were already taken into account in the sales planning with a worst-case scenario at the beginning of the year. The restructuring of sales to address customers more directly in France is still being implemented and, as expected, led to a slight drop in income last year. Accordingly, a stagnating sales development was planned, while cost reduction potentials were identified and consistently used. Here, too, the situation caused by the Corona-related crisis must be classified as critical and will lead to a noticeable decline in sales.

Before Corona, the Spanish market developed slightly positively as planned, with customers from the logistics sector in particular seeing initial successes. However, due to the pandemic, it will no longer be a sales market in April and May. The Eastern European markets, in which a further slight increase in sales was planned, are also affected by the current crisis and are difficult to assess. However, the "corona solutions" are also in great demand here. Unfortunately, it is not to be expected that the European markets will recover completely this year, which is why a significant drop in sales in this region compared to the original plan can be expected.

The overseas markets must also be viewed in a differentiated manner: there is significant growth potential in the Middle East in particular, although the Saudi market in particular is currently being burdened by the collapse in the oil price. However, a politically-related preference for German products over Chinese, Israeli and other Asian suppliers is to be expected. The US market will probably be able to achieve the planned goals despite the Corona crisis, since the public sector is the main user there and will remain active as a critical infrastructure. In Australia, companies in the security industry were classified as systemically important, which means that work can at least continue in these areas despite the shutdown of the economy. Here, too, part of the sales is realized with customers who are also classified as critical infrastructure and are therefore still active. The effects of the crisis will therefore affect sales, but less negatively than was the case in the European markets.

A very differentiated picture emerges in Asia: while in India a complete shutdown is currently massively hampering business activities, in other Asian markets the corona-related measures are already being partially relaxed again. A reliable assessment of the overall situation is therefore currently difficult.

Overall, it is to be expected that many projects by private investors in non-systemically important industries will be postponed due to Corona, and in some cases even completely canceled for 2020. To this end, more investments will be made in systemically important sectors and in critical infrastructure as well as in the public sector. However, we assume that this investment activity will only partially compensate for the missing projects and that the sales situation in 2020 will be significantly below planning. "Corona solutions" that were brought to market very quickly offer additional sales potential, which is currently difficult to quantify, but is particularly the case with existing customers in systemically important sectors of the economy.

The management and the management board have therefore currently prepared the company for both extreme scenarios: On the one hand, for a corona-related massive drop in sales of around 25%, on the other hand, for achieving the planned sales with the help of the additional potential. Total sales at the end of the year will probably be between these two scenarios and thus within a corridor of 5 - 15% below the previous year.

Due to the ever-increasing share of software in total sales, a high gross profit rate at least at the previous year's level can also be expected in 2020. Originally, a balanced result was planned for 2020 with a slight increase in gross profit due to increased sales and significantly reduced costs. The effects of the corona-related changes are currently difficult to assess, but will probably lead to a slightly negative result at the end of 2020. Nevertheless, the company is well prepared for the crisis due to the measures taken, particularly in the area of costs, and the sales opportunities identified.

### III. Research and Development

A total of almost EUR 1.9 million was invested in the further development of Geutebrück products in the 2019 financial year. The internal development resources were continuously expanded and a transfer of know-how from the external development teams that developed the new strategic platform to internal was initiated. At the same time, the further development of the core product range was pushed forward, whereby in addition to new functionalities, a considerable part was invested in refactoring in order to bring the existing software up to the state of the art. In addition, product development continues to follow the relevant trends and customer requirements.

The implementation of the new strategic product platform was completed and a first project was rolled out on this basis in combination with existing existing products at a customer in Australia. The market launch of a product based on this platform to expand the existing range was thus successfully implemented. Other functions and modules are already being used in pilot projects and will be launched in 2020. However, the priorities shifted by the current crisis will influence planning. The short-term use of newly emerging market opportunities is currently in the foreground, so that the long-term planning is continuously adapted to the new requirements

Windhagen, April 8, 2020

*The Board*

## BALANCE SHEET AS OF DECEMBER 31, 2019

### ASSETS

	12/31/2019 EUR	12/31/2018 EUR
A. FIXED ASSETS	10,775,939.89	13,441,204.77
I. Intangible assets	3,879,256.39	6,361,212.29
II. Tangible assets	5,474,902.50	5,949,842.46
III. financial investments	1,421,781.00	1,130,150.02
B. CURRENT ASSETS	8,945,169.02	9,492,755.46
I. Inventories	2,192,359.69	3,049,906.15
II. Receivables and other assets	6,099,980.24	5,913,693.41
III. Cash on hand, bank balances	652,829.09	529,155.90
C. PREPAID EXPENSES	40,256.56	168,838.92
	19,761,365.47	23,102,799.15

### LIABILITIES

	12/31/2019 EUR	12/31/2018 EUR
A. EQUITY	10,511,544.10	14,437,117.34
I. Drawn capital	10,000,000.00	10,000,000.00
II. Retained Earnings	4,000,000.00	4,000,000.00
III. Balance sheet loss/profit	-3,488,455.90	437,117.34
B. PROVISIONS	2,257,124.00	2,700,984.53
C. LIABILITIES	6,992,697.37	5,705,697.28
D. DEFERRED TAX LIABILITIES	0.00	259,000.00
	19,761,365.47	23,102,799.15

## INCOME STATEMENT FOR FISCAL YEAR 2019

	2019 EUR	2018 EUR
1. Raw Score	15,709,372.40	17,862,251.83
2. Personnel expenses	11,469,039.07	11,331,346.32
a) Wages and salaries	9,553,412.50	9,396,192.17
b) social security contributions and pension expenses	1,915,626.57	1,935,154.15
- of which for pensions: EUR 138,569.20 (previous year: EUR 216,195.72)		
3. Depreciation of intangible assets and property, plant and equipment	1,827,506.52	1,252,729.23
4. other operating expenses	6,425,030.16	5,074,891.72
5. Results of Operations	-4,012,203.35	203,284.56
6. Income from participations	0.00	150,000.00

	2019 EUR	2018 EUR
- of which from affiliated companies: EUR 0.00 (previous year: EUR 150,000.00)		
7. other interest and similar income	50,184.22	30,749.28
8. Depreciation of Financial Assets	46,780.00	0.00
9. Interest and Similar Expenses	119,350.22	99,368.87
10. Financial Result	-115,946.00	81,380.41
11. Income taxes	-259,000.00	34,328.00
- thereof from deferred taxes: EUR -259,000.00 (previous year: EUR 39,000.00)		
12. Earnings after taxes	-3,869,149.35	250,336.97
13. other taxes	56,423.89	62,080.95
14. Loss/surplus for the year	-3,925,573.24	188,256.02
15. Profit carried forward from the previous year	437,117.34	248,861.32
16. Balance sheet loss/profit	-3,488,455.90	437,117.34

### Notes for the 2019 financial year

#### General Information

Geutebrück GmbH is based in Windhagen. It is entered in the commercial register of the district court of Montabaur under HRB 14475.

The annual financial statements were prepared on the basis of the classification, accounting and valuation regulations of the German Commercial Code in the version valid on the balance sheet date. In addition to these regulations, the regulations of the GmbH law were observed.

The company is a medium-sized corporation within the meaning of Section 267 HGB. The annual financial statements were prepared in accordance with the structure regulations of §§ 266 ff. HGB using the nature of expense method for the profit and loss account.

#### Accounting and valuation methods

The present annual financial statements have been prepared in accordance with the provisions of the Commercial Code applicable to medium-sized corporations and the supplementary provisions of the GmbH Act, while retaining the classification and valuation principles used for the previous year's financial statements.

The annual financial statements contain all assets, debts, prepaid expenses, expenses and income, unless otherwise provided by law. The items on the assets side have not been offset against items on the liabilities side, and expenses have not been offset against income, unless this is expressly required by the provisions of Section 246 HGB.

The valuations of the opening balance of the financial year correspond to those of the closing balance of the previous financial year. The continuation of the company was assumed in the valuation. The assets and debts were valued individually.

It has been valued cautiously, in particular all foreseeable risks and losses that have arisen up to the balance sheet date have been taken into account, even if they only became known between the balance sheet date and the preparation of the annual financial statements. Profits are only taken into account if they have been realized by the balance sheet date. Expenses and income for the financial year have been taken into account regardless of the time of payment.

In detail, the following accounting and valuation methods are applied:

#### Capital assets

Acquired intangible assets are valued at acquisition cost less scheduled depreciation. The useful life is regularly taken as a basis of three to five years.

Self-created capitalized intangible assets are capitalized at production cost. In addition to the directly attributable costs, the production costs also include reasonable parts of the production, material and administrative overheads.

The useful life of the internally generated capitalized intangible assets can be reliably estimated. The useful life is assumed to be five years. Scheduled amortization begins with the licensing process for self-created software.

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation and any unscheduled depreciation. Property, plant and equipment are always depreciated using the straight-line method. Depreciation is pro rata temporis in the year of acquisition.

Movable fixed assets that can be used independently with acquisition or production costs of up to EUR 800.00 are fully depreciated in the year of acquisition and shown as disposals.

The useful life of property, plant and equipment is three to ten years, and 25 years for buildings.

Financial assets are valued at acquisition cost.

Non-scheduled depreciation is carried out on fixed assets if there is likely to be a permanent reduction in value. Write-ups due to the reversal requirement are made up to the amortized cost if the reasons for a permanent impairment no longer exist.

#### current assets

Inventories are stated at acquisition or production cost using permissible valuation simplification methods or at lower applicable values. In addition to the individual costs, the production costs also include appropriate parts of the production and material overheads as well as the depreciation of the fixed assets. Advance payments received are deducted openly.

Receivables and other assets are stated at the nominal value or at the lower of cost or current market value. Individual value adjustments on receivables are made according to the probability of default. The general credit risk is adequately taken into account by means of a general allowance for receivables.

Cash and cash equivalents are accounted for at their nominal value.

#### Deferred taxes

A surplus of deferred tax liabilities is recognized for temporary differences between the commercial law and tax valuations of assets, liabilities and prepaid expenses, as well as taking account of loss and interest carryforwards that can be taken into account, if a tax burden can be assumed overall in future financial years. If future tax relief is expected overall, no deferred tax assets are recognized. To the extent that the deferred tax assets correspond to the deferred tax liabilities, these are offset.

#### pensions and similar obligations

The benefit obligations from pension commitments were measured using the actuarial projected unit credit method based on biometric probabilities. Expected future salary and pension increases are taken into account when determining the settlement amount. For discounting, use is made of the option under Section 253 (2) sentence 2 HGB and the interest rate published by the Deutsche Bundesbank for a remaining term of 15 years is used. They are discounted using the average market interest rate for the past ten financial years, which is determined and published by the Deutsche Bundesbank.

#### Other Provisions

The other provisions take into account all recognizable risks and uncertain obligations, taking into account expected future price and cost increases.

### liabilities

Liabilities are recognized at their settlement amount on the balance sheet date.

### Derivative financial instruments and valuation units

Derivative financial instruments are used exclusively for hedging purposes and combined with the hedged underlying transactions to form valuation units, provided the requirements are met. When forming valuation units, the changes in value or cash flows from the underlying and hedging transactions are compared and only a negative surplus from the ineffective portion of the changes in market value is set aside. The unrealized gains and losses from the effective part balance each other out completely and are not recognized in the balance sheet or in the income statement (so-called freezing method). The accounting of derivative financial instruments for which no valuation unit is formed with the underlying transaction,

### Notes to the balance sheet

#### 1. Fixed assets

The development of fixed assets in the 2018 financial year is shown in the Geutebrück GmbH fixed assets schedule, which is included as an appendix to the notes.

#### 2. Receivables and other assets

Receivables and other assets include receivables from shareholders in the amount of EUR 0 thousand (previous year EUR 1 thousand) and receivables from affiliated companies in the amount of EUR 733 thousand (previous year EUR 785 thousand).

The item receivables from affiliated companies consists of deliveries and services in the amount of EUR 733 thousand (previous year: EUR 785 thousand).

Other assets include receivables with a remaining term of more than one year in the amount of EUR 449 thousand (previous year: EUR 725 thousand).

#### 3. Equity

The retained earnings include a profit carried forward of EUR 437 thousand (previous year: EUR 249 thousand).

After deduction of deferred tax liabilities, the capitalization of internally generated intangible assets results in an amount of EUR 616 thousand that is not available for distribution. The difference from the valuation of the provisions for pensions pursuant to Section 253 (6) sentence 1 HGB results in an amount of EUR 260 thousand that is not available for distribution. The amounts blocked for distribution totaling EUR 876 thousand are offset by freely available revenue reserves of EUR 4,000 thousand.

#### 4. Provisions for pensions and similar obligations

The settlement amount of the pension provisions in the year under review was EUR 1,400 thousand (previous year: EUR 1,693 thousand). The actuarial valuation of the settlement amount is based, among other things, on a discount rate of 2.71% (previous year: 3.21%), a pension trend of 2.00% (previous year: 2.00%) and a fluctuation of 2.0% per year. The probability of death is based on the "Richttafeln 2018 G" by Prof. Dr. Klaus Heubeck (Cologne 2018).

#### 5. Liabilities

Liabilities include liabilities to banks of EUR 4,604 thousand (previous year: EUR 3,250 thousand) and liabilities to shareholders of EUR 478 thousand (previous year: EUR 329 thousand), as well as liabilities to affiliated companies of EUR 17 thousand (previous year: EUR 0 thousand).

Liabilities of EUR 1,000 thousand (previous year: EUR 1,000 thousand) are secured by a time deposit lien.

The total amount of liabilities with a remaining term of up to one year consists of liabilities to banks of EUR 2,917 thousand (previous year: EUR 583 thousand), liabilities to shareholders of EUR 401 thousand (previous year: EUR 329 thousand), liabilities to affiliated companies in EUR 17 thousand (previous year: EUR 0 thousand) and other liabilities of EUR 1,971 thousand (previous year: EUR 2,126 thousand).

The total amount of liabilities with a remaining term of more than one year up to five years consists of liabilities to banks of EUR 1,688 thousand (previous year: EUR 2,667 thousand).

Liabilities to affiliated companies include trade payables.

### Notes to the Profit and Loss Account

#### Disclosure in accordance with Section 277 (5) HGB

The annual financial statements include expenses/income from the translation of receivables and liabilities in foreign currencies existing on the balance sheet date in the amount of EUR 20 thousand (previous year: EUR 15 thousand).

Interest and similar expenses include EUR 56 thousand from compounding provisions (previous year: EUR 59 thousand).

### Other Information

#### 1. Bodies of the company

Managing directors

Catherine Geutebrueck

Christopher Hoffman

In accordance with Section 286 (4) of the German Commercial Code, the total remuneration of the members of management is not disclosed.

#### 2. Workers

An average of 167 employees were employed in the year under review.

#### 3. Share Ownership

As of December 31, 2019, the company held shares in the following companies pursuant to Section 271 (1) HGB:

company	Seat	equity capital		Share of capital		annual result
				%		
Geutebrueck International GmbH	Windhagen	356	kEUR	100	0	kEUR
Geutebrück France SARL	Argenteuil	242	kEUR	99	-254	kEUR
Geutebrueck Eurasia Ltd.	Ankara	-816	kEUR	99	-148	kEUR

#### 4. Other Financial Obligations

As of the reporting date, the risks from off-balance-sheet transactions and other financial obligations are as follows:

	12/31/2019 EUR thousand
Obligations from multi-year leases	57
Obligations from multi-year lease agreements	321
	378

**5. Proposal for the appropriation of earnings**

Based on a net loss for the year of EUR 3,925,573.24 and taking into account the profit carried forward from the previous year in the amount of EUR 437,117.34, there is a balance sheet loss of EUR 3,488,455.90. Management proposes carrying the balance sheet loss forward to new account.

**6. Subsequent Reporting**

The outbreak of the coronavirus after the balance sheet date and the associated crisis situation in Europe initially had no impact on the net assets, financial position and results of operations presented in the annual financial statements.

The company has taken measures to reduce the risk of infection with the coronavirus affecting all employees and to be able to maintain business operations in the event of a wave of illness among employees. Nevertheless, in the latter case, we assume that business operations will be restricted, at least temporarily.

A sustained decline in demand at home and abroad due to the Corona crisis may adversely affect the 2020 financial year. Furthermore, it is to be expected that due to the current situation there may be delays and non-payment of payments on our receivables.

Due to the dependence on our upstream suppliers, we assume that the supply of goods will be adversely affected in the event of a further tightening of the necessary government measures.

In principle, we assume that we will continue as a going concern. Contrary to our above expectations, it cannot be ruled out that a significantly more negative development may occur if the crisis persists or worsens.

Windhagen, April 8, 2020

**Geutebrueck GmbH**  
*signed Katharina Geutebrück*  
*signed Christoph Hoffmann*

**Approval of the annual accounts**

The annual financial statements were approved on May 13, 2020.

	ACQUISITION AND PRODUCTION COSTS			
	01/01/2019 EUR	Additions EUR	Departures EUR	12/31/2019 EUR
I. Intangible assets				
Self-created industrial property rights and similar rights and values	6,210,644.61	0.00	1,249,773.00	4,960,871.61
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	3,173,927.79	0.00	16,105.85	3,157,821.94
	9,384,572.40	0.00	1,265,878.85	8,118,693.55
II. Tangible assets				
land and buildings	9,890,231.90	6,430.10	2,350.10	9,894,311.90
Other equipment, factory and office equipment	2,307,572.18	129,164.72	160,973.99	2,275,762.91
	12,197,804.08	135,594.82	163,324.09	12,170,074.81
III. financial investments				
Shares in affiliated companies	1,450,640.62	340,000.00	1,589.02	1,789,051.60
Securities held as fixed assets	1,000,000.00	0.00	0.00	1,000,000.00
	2,450,640.62	340,000.00	1,589.02	2,789,051.60
	24,033,017.10	475,594.82	1,430,791.96	23,077,819.96
		DEPRECIATION ACQUIRED		
	01/01/2019 EUR	Additions EUR	Departures EUR	12/31/2019 EUR
I. Intangible assets				
Self-created industrial property rights and similar rights and values	103,510.74	1,008,990.84	0.00	1,112,501.58
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	2,919,849.37	223,192.06	16,105.85	3,126,935.58
	3,023,360.11	1,232,182.90	16,105.85	4,239,437.16
II. Tangible assets				
land and buildings	4,574,422.80	343,804.96	0.00	4,918,227.76
Other equipment, factory and office equipment	1,673,538.82	251,518.66	148,112.93	1,776,944.55
	6,247,961.62	595,323.62	148,112.93	6,695,172.31
III. financial investments				
Shares in affiliated companies	1,320,490.60	46,780.00	0.00	1,367,270.60
Securities held as fixed assets	0.00	0.00	0.00	0.00
	1,320,490.60	46,780.00	0.00	1,367,270.60
	10,591,812.33	1,874,286.52	164,218.78	12,301,880.07
		NET CARRYING VALUES		
			12/31/2019 EUR	12/31/2018 EUR
I. Intangible assets				
Self-created industrial property rights and similar rights and values			3,848,370.03	6,107,133.87
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values			30,886.36	254,078.42
			3,879,256.39	6,361,212.29

	NET CARRYING VALUES	
	12/31/2019 EUR	12/31/2018 EUR
II. Tangible assets		
land and buildings	4,976,084.14	5,315,809.10
Other equipment, factory and office equipment	498,818.36	634,033.36
	5,474,902.50	5,949,842.46
III. financial investments		
Shares in affiliated companies	421,781.00	130,150.02
Securities held as fixed assets	1,000,000.00	1,000,000.00
	1,421,781.00	1,130,150.02
	10,775,939.89	13,441,204.77

The auditor's report relates to the annual financial statements as prepared. Disclosure takes place in an abbreviated form in accordance with §§ 325 ff. HGB.

## Independent Auditor's Report

### To Geutebrück GmbH

#### audit opinions

We have audited the annual financial statements of Geutebrück GmbH - consisting of the balance sheet as of December 31, 2019 and the income statement for the financial year from January 1, 2019 to December 31, 2019 and the notes, including the presentation of the accounting and valuation methods. In addition, we have audited the management report of Geutebrück GmbH for the fiscal year from January 1, 2019 to December 31, 2019.

According to our assessment based on the knowledge gained during the audit

- The attached annual financial statements comply in all material respects with the German commercial law regulations applicable to corporations and, in compliance with the German principles of proper accounting, convey a true and fair view of the assets and financial position of the company as of December 31, 2019 and its earnings position for the financial year from January 1, 2019 to December 31, 2019 and
- the attached management report conveys an overall correct picture of the company's situation. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

#### Basis for the test results

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code, taking into account the German generally accepted auditing principles established by the Institute of Public Auditors in Germany (IDW). Our responsibility under those requirements and standards is further described in the "Auditor's responsibility for the audit of the financial statements and management report" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe

#### Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law provisions applicable to corporations in all material respects, and for the fact that the annual financial statements, in compliance with the German principles of proper accounting, give a true and fair view of the assets, financial - and results of operations of the company. Furthermore, the legal representatives are responsible for the internal controls which they have determined to be necessary in accordance with the German principles of proper accounting in order to enable the preparation of annual financial statements,

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

In addition, the legal representatives are responsible for preparing the management report, which as a whole provides a suitable view of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report be able.

#### Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements, whether intentional or unintentional, and whether the management report as a whole provides a suitable view of the company's position and, in all material respects, with the annual financial statements and is consistent with the findings obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report which contains our audit opinions on the annual financial statements and on the management report.

Adequate assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code, taking into account the German principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- We identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is greater than that arising from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the given circumstances, but not with the aim of providing an audit opinion on effectiveness of these systems to society.
- We evaluate the appropriateness of the accounting methods used by the legal representatives as well as the reasonableness of the estimated values presented by the legal representatives and the related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that cast significant doubt on the Company's ability to continue as a going concern corporate activity can raise. If we come to the conclusion that there is a material uncertainty, we are required to draw attention to the related information in the annual financial statements and management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We base our conclusions on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
  - We assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements, in compliance with German generally accepted accounting principles, give a true and fair view of the assets, financial - and results of operations of the company.
  - We assess the consistency of the management report with the annual financial statements, its compliance with the law and the view it conveys of the company's situation.
  - we perform audit procedures on the future-oriented information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not provide a separate audit opinion on the future-oriented information and the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
- We discuss with those charged with governance, among other things, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Oldenburg, April 24, 2020

**Treuhand Weser-Ems GmbH**  
**auditing company**

*Graunke, auditor*

*Witte, auditor*

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