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arago GmbH

Frankfurt am Main

Annual financial statements as of December 31, 2016 and management report

Management report for the 2016 financial year

I. Business profile

1. Business model

Arago GmbH is held by private and institutional investors.

Arago GmbH is headquartered in Frankfurt am Main. In addition, arago GmbH has a branch in Exeter, Great Britain, as well as a newly founded subsidiary, arago US, Inc. in Wilmington, Delaware with offices in New York, United States of America.

The company specializes in the automation of IT operations. The core business of arago GmbH is the development and licensing of software products that enable customers to optimize their external and internal processes. State-of-the-art technologies such as artificial intelligence (AI) and machine learning are used to automatically operate the entire IT stack, from the infrastructure to individual applications and heterogeneous IT environments. HIRO (known as Autopilot until February 24, 2016), arago's core product, is a knowledge-based automation solution that enables companies to reduce their operating costs and use their creativity and time more efficiently.

The German sales organization of arago GmbH covers the entire EMEA area. The American sales organization at the arago USA location covers North and South America.

2. Research and Development

Research and Development

The arago research group was outsourced as a special department that focuses on long-term strategic projects. This is intended to secure the company's technological leadership. The size of the research group remained constant with 4 members in the 2016 financial year.

The HIRO story was developed and used as an interactive web service to support sales in the pre-sale phase. It quantifies the benefits of HIRO in production by presenting the automation that has been achieved in arago's IT operations. It also helps to assess the automation potential of new customers.

The basis for the exponential teaching was the visualization of how efficiently HIRO was taught to operate our cloud services.

The ambitious Freeciv project was initiated as a showcase for the application of HIRO as General AI (Artificial Intelligence) in a complex, non-IT related problem. The first milestone was reached after the technical setup, the integration with the game client and the implementation of the knowledge of the basic functionality of the game. The second milestone comprised the HIROic Challenge, in which we collect expert knowledge from the Freeciv community. This was concluded by the tournaments between 11 HIRO instances trained by experts. The Freeciv project resulted in broad and very positive media coverage,

The arago development team grew from 17 to 26 members in the 2016 financial year. Their activities focused primarily on the core product HIRO, the knowledge community and the implementation of additional technologies.

The release of the standard connection environment HIRO Connect contains links to the ITIL processes Incident, Change, Ticketing and Configuration Item (incident, change, ticketing and configuration element).

The HIRO portal release offers simple self-licensing. It contains a self-assessment for organizations, how HIRO is used within the organization and what the automation does. It also includes calls for action and warnings to guide the customer if something is underutilized. The HIRO training statistics give a good insight into how well an organization is trained to work with HIRO.

The Arago ID release was equipped with a power map introspection and a revised and structured user interface.

The HIRO Community was set up again to enable users to create knowledge together.

Work on HIRO Engine 2 began. The aim is to design a scalable, modern reasoning engine.

The releases of HIRO 5.4 and 5.4.1 were made with new functions such as machine learning as a service, self-monitoring and self-healing, in-memory data grid integrity metrics. In addition, great efforts have been made to improve performance and reduce small errors (paper cuts).

II. Annual report

1. Macroeconomic and industry-specific situation

The inflation-adjusted gross domestic product (GDP) in Germany rose by 3.3% compared to the previous year and thus more strongly than in the two previous years, when GDP growth was 1.7% (2015) and 1.5% (2014).¹

In 2016, consumer prices in Germany rose by an annual average of 0.48% compared to the previous year. The inflation rate was accordingly higher than 2015 (0.2%) and lower than 2014 (0.9%).²

The average unemployment rate in Germany fell further from 6.4% in 2015 to 6.1% in 2016.³

Arago GmbH's customers come from different industry sectors worldwide. The current market share of arago GmbH is still low, which means that the general economic data hardly reflect the course of business.

The increase in IT spending on software in Germany was forecast to be 5.7% compared to the previous year.⁴ According to estimates, global IT spending on software should increase by 5.3% compared to 2015.⁵

¹ <https://www.statista.com/statistics/295444/germany-gross-domestic-product/>

² <http://www.inflation.eu/inflation-rates/germany/historic-inflation/cpi-inflation-germany-2016.aspx>

³ <https://www.statista.com/statistics/227005/unemployment-rate-in-germany/>

⁴ <http://www.pcworld.com/article/2897032/german-it-spending-forecast-to-rise-on-eve-of-industrys-biggest-trade-show.html>

⁵ [http://www.informationweek.com/strategic-cio/digital-business/gartner-it-spending-will-top-\\$35-trillion-in-2016/d/d-id/1323962](http://www.informationweek.com/strategic-cio/digital-business/gartner-it-spending-will-top-$35-trillion-in-2016/d/d-id/1323962)

2. Business developments in 2016

For arago GmbH, 2016 was a year of transition with significant business growth, additional resources and management growth, as well as operational improvements. These changes included:

- Hire of Alfred Ermer as the new COO (Chief Operating Officer), who is in charge of sales, implementation and customer service.
- Conclusion of software license agreements between arago or its subsidiary with banks and service providers in Europe, India and the United States of America, among others, with contractual commitments of over EUR 1.0 million per contract.
- Increasing recognition of arago as a present market force.

3. Location of the company

a) Financial benefits

In the 2016 financial year, sales amounted to EUR 7,415 thousand (previous year: EUR 3,204 thousand) and were 131% above the previous year. The growth results mainly from the sale of HIRO software licenses at the level of arago GmbH or its subsidiary arago US, Inc. in 2016. In 2015, no software licenses were sold.

Taking into account the increase in sales due to the new definition of sales in accordance with Section 277 of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG), the total sales of arago GmbH exceeded the planned sales.

The net loss of EUR 9,878 thousand was 25% higher than in the previous year (net loss of EUR 7,890 thousand). The main reason for this development is the value adjustment of internal company receivables in the amount of EUR 5,060 thousand. The gross margin (sales revenues less cost of materials in relation to sales revenues) rose from 42% to 80%. The main reason for this development is the sale of the HIRO software licenses and the cost allocation agreement between arago GmbH and arago US, Inc., which came into effect on January 1, 2016.

Personnel costs increased significantly by 31% from EUR 5,853 thousand in 2015 to EUR 7,638 thousand in 2016. The expansion of our personnel capacities is related to the global market launch of HIRO and the expansion of our research and development capacities.

b) Financial position

The financial position reflects our current stage in both the technology and investor cycles. Our equity amounts to EUR 12,742 thousand, including the net loss of EUR 9,878 thousand for the 2016 financial year.

Liquid funds decreased by EUR 991 thousand from EUR 14,870 thousand to EUR 13,878 thousand. This development is due to the operating losses mentioned above. Advance payments from customers had a positive effect on cash and cash equivalents.

Our cash and cash equivalents are used to fund our go-to-market strategy as well as investing in long-term research and development initiatives that add value over the long term.

The company has credit facilities of EUR 1,000 thousand that have not yet been used. The total amount of cash and cash equivalents as of December 31, 2016 includes restricted cash in the amount of EUR 2,826 thousand.

c) net assets

Trade accounts receivable rose by EUR 590 thousand from EUR 553 thousand to EUR 1,143 thousand due to the growth in the HIRO software business.

The receivables in the amount of EUR 5,060 thousand against the subsidiary arago US Inc. were written down. Part of these receivables consisted of a loan from arago US, Inc. in the amount of EUR 1,750 thousand.

The subscribed capital amounts to EUR 114 thousand and the capital reserve to EUR 26,983 thousand. The equity ratio as of December 31, 2016 was 71.3% (previous year: 94.6%). The balance sheet total fell from EUR 23,899 thousand to EUR 17,868 thousand, in particular due to the devaluation of the receivables from arago US, Inc. in the amount of EUR 5,060 thousand and the decrease in liquid funds.

4. Financial performance indicators

In 2016, sales increased significantly. The return on sales was -133.2% compared to -246.3% in 2015. The return on equity was -77.5% in 2016 (compared to -34.9% in 2015).

5. Overall statement

2016 was a year of transition for arago. Initial customer successes have led to the focus of our efforts, and important organizational changes have been made to optimize long-term growth. Overall, the 2016 financial year was mediocre.

IV. Opportunity and risk report and outlook

1. Outlook

In view of the economic situation, the latest services and our pipeline, arago GmbH expects a significant increase in bookings and financial services over the next 18 months.

We started scaling our business in 2017 and expect this to have continued positive effects on bookings, cash flow and revenue. Even if the result in 2017 was still negative, we expect positive impulses overall for 2018 because we are supporting our growth with increased sales and marketing activities.

In 2017, we achieved sales of EUR 10,294 thousand and an annual deficit of EUR 5,205 thousand as we continued to invest in research and development and products to promote long-term growth. The return on sales improved to -50.1%, the return on equity to -54.6%. The information is based on the preliminary annual financial statements prior to the audit.

A negative return on sales is therefore also assumed for 2018, although this is likely to be slightly above that of 2017. A slight increase in sales is also expected in 2018 compared to 2017.

We close 2017 with liquidity of EUR 8,300 thousand.

2. Opportunities and risk report

The company's internal control system ensures compliance with all laws and other provisions that apply to the company as well as the correctness and reliability of internal and external accounting. The internal control system also reviews the principles, processes and measures that have been introduced by management to implement decisions within the organization. The structural and process organization, internal systems, including Netsuite, are essential components of the internal control system.

The business activities are monitored by monthly reports, which are made available to the management, the shareholders and the advisory board.

a) Risk report

In the near future, the success of arago GmbH's business activities will continue to depend primarily on the spending behavior of customers and their willingness to invest in new, future-oriented IT products and solutions, as well as their willingness to conclude appropriate contracts soon.

Recognizing and responding to the constantly changing structures in terms of customer demand for IT products and services represents a potential risk.

Price and currency risks are limited by carefully drafting appropriate contracts.

Hiring skilled sales and service people to sell vertical solutions is a challenge. These employees must have specialist knowledge and extensive process knowledge of the various industries. Long training and recruitment phases increase the risk for the short-term development of sales.

The company has a solvent customer base. Payment defaults are the absolute exception.

The company is not aware of any particular risks that could impair positive business development and, in particular, long-term business success.

b) Opportunity report

The flexible and innovative product portfolio of arago GmbH, which enables customers to significantly increase their efficiency and save costs, ensures that the company is excellently positioned for the future and its customers in terms of change and long-term protection and development of their competitive edge in a global environment.

We will continue to meet our competitors in the market with experience, innovation, reliability and high quality standards.

According to the company management, the business of arago GmbH will develop positively, mainly due to

- a focus on AI research as the main driver of long-term value,
- the expansion and further development of the product portfolio,
- the increasing market interest in our solutions (as evidenced by the development of our pipeline),
- scaling our product through exponential teaching and learning as well
- the successes in the US market.

Frankfurt am Main, March 22, 2018

H.-C. Boos

G. Carbone

JP. Baert

Balance sheet as of December 31, 2016

assets

	December 31, 2016		December 31, 2015	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible Assets				
Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values		249,599.88		299,292.25
II. Tangible assets				
1. Technical systems and machines	14,564.42		13,579.00	
2. Other equipment, factory and office equipment	100,788.54	115,352.96	134,982.00	148,561.00
III. Financial assets				
1. Shares in affiliated companies	31,000.01		31,000.01	
2. Securities held as fixed assets	1,790,820.73	1,821,820.74	2,158,724.93	2,189,724.94
		2,186,773.58		2,637,578.19
B. Current Assets				
I. Inventories				
Prepayments made		8,832.00		35,082.00

	December 31, 2016		December 31, 2015	
	EUR	EUR	EUR	EUR
II. Receivables and other assets				
1. Trade accounts receivable	1,143,418.47		553,830.10	
2. Receivables from affiliated companies	383.46		1,832,564.31	
3. Other assets	168,115.48	1,311,917.41	2,489,137.72	4,875,532.13
III. Securities				
Other securities		162,821.06		1,199,798.64
IV. Cash in hand and bank balances		13,878,285.32		14,870,101.34
		15,361,855.79		20,980,514.11
C. Prepaid expenses		313,424.48		276,084.16
D. Deferred Tax Assets		6,170.51		4,387.84
		17,868,224.36		23,898,564.30
liabilities				
		12/31/2016		12/31/2015
		EUR		EUR
A. Equity				
I. Drawn capital		113,819.00		113,819.00
II. Capital reserve		26,983,277.00		26,983,277.00
III. Retained earnings				
Other retained earnings		12,904.00		12,904.00
IV. Loss carryforward (previous year profit carryforward)		-4,490,377.93		3,400,084.70
V. Annual deficit		-9,877,666.27		-7,890,462.63
		12,741,955.80		22,619,622.07
B. Provisions				
1. Tax provisions		0.00		249,172.00
2. Other provisions		1,008,836.00		561,977.73
		1,008,836.00		811,149.73
C. Liabilities				
1. Advance payments received on orders		0.00		1,333.38
- of which with a remaining term of up to one year EUR 0.00 (previous year EUR 1,333.38) -				
2. Trade accounts payable		184,659.89		230,263.86
- of which with a remaining term of up to one year EUR 184,659.89 (previous year EUR 230,263.86) -				
3. Liabilities to affiliated companies		221,128.55		20,402.51
- of which with a remaining term of up to one year EUR 221,128.55 (previous year EUR 20,402.51) -				
4. Other Liabilities		227,463.33		143,513.75
- of which from taxes EUR 177,314.98 (previous year EUR 121,514.12) -				
- of which in the context of social security EUR 13,720.56 (previous year EUR 6,197.13) -				
- of which with a remaining term of up to one year EUR 227,463.33 (previous year EUR 143,513.75) -				
		633,251.77		395,513.50
D. Deferred income		3,484,180.79		72,279.00
		17,868,224.36		23,898,564.30

Income statement for the period from January 1 to December 31, 2016

	2016		2015 *	
	EUR	EUR	EUR	EUR
1. Sales		7,414,771.64		3,204,173.72
2. Other operating income		360,718.13		1,071,747.19
3. Cost of materials				
Expenses for purchased services		-1,511,177.34		-1,896,418.52
4. Personnel expenses				
a) Wages and salaries	-6,609,957.67		-5,039,849.35	
b) Social security and pension and support expenses	-1,027,820.80	-7,637,778.47	-813,546.99	-5,853,396.34

	2016		2015 *	
	EUR	EUR	EUR	EUR
- of which for pensions EUR 70,682.26 (previous year EUR 68,522.38) -				
5. Depreciation				
a) on intangible and tangible fixed assets		-180,262.97		-85,808.29
b) on current assets, insofar as these exceed the depreciation customary in the corporation		-5,059,643.99		0.00
6. Other operating expenses		-3,433,893.05		-4,422,081.90
7. Income from other securities and loans from financial assets		81,775.02		159,395.66
8. Other Interest and Similar Income		118,681.84		3,064.44
- of which from affiliated companies EUR 31,189.69 (previous year EUR 1,317.57) -				
9. Depreciation on financial assets and on securities held as current assets		0.00		-157,061.58
10. Interest and Similar Expenses		-12,805.07		-20,168.49
11. Taxes on income and earnings (expenses; previous year earnings)		-12,005.60		109,275.48
12. Profit after tax		-9,871,619.86		-7,887,278.63
13. Other taxes		-6,046.41		-3,184.00
14. Annual deficit		-9,877,666.27		-7,890,462.63

* Structure adapted to the presentation of Section 275 Paragraph 2 HGB in the version of the Accounting Directive Implementation Act (BilRUG)

Appendix for the 2016 financial year

of arago GmbH, Frankfurt am Main

GENERAL INFORMATION

The annual financial statements as of December 31, 2016 of arago GmbH were prepared on the basis of the accounting regulations of the Commercial Code as amended by the Accounting Directive Implementation Act (BilRUG). In addition to these regulations, the provisions of the GmbH Act had to be observed. The company is listed in the Commercial Register B of the Frankfurt am Main Local Court under the number HR B 100909.

The total cost method was used for the profit and loss account. According to the size classes specified in Section 267 HGB, the company is a medium-sized corporation.

ACCOUNTING AND VALUATION PRINCIPLES

Acquired intangible assets were valued at acquisition cost and, if they are subject to wear and tear, reduced by scheduled depreciation over their normal useful life. **Internally generated intangible assets** were not capitalized.

The **fixed assets** were valued at acquisition cost and, if depreciable, less depreciation. Scheduled depreciation was carried out on a straight-line basis over the expected useful life of the assets. Movable fixed assets up to a value of 410.00 euros were fully written off in the year of acquisition. The following useful lives are used as a basis:

- Software: 3 years
- Technical systems and machines: 10 years
- Factory and office equipment: 3-13 years

Financial assets were valued at acquisition cost or, if there is a probable permanent impairment, at the lower fair value on the balance sheet date. If the reason for an impairment no longer applies, a write-up is made up to the amount of the acquisition costs.

Payments on account for inventories are shown at their nominal value.

Receivables and other assets were reported at their nominal value. Individual value adjustments were made for identifiable risks. Write-ups in the area of current assets were made if the reasons for the write-downs made in previous years no longer existed.

In the case of **securities held as current assets**, the equity securities and other securities accounted for were shown at acquisition cost or at the stock market price if this was below acquisition cost on the reporting date.

The **other provisions** were created for uncertain liabilities. All identifiable risks were taken into account. The provisions were recognized in the amount of the settlement amount required according to prudent business judgment, taking into account future price and cost increases.

Liabilities were shown at the settlement amount.

Receivables and liabilities in foreign currencies were converted at the mean spot rate on the balance sheet date in accordance with Section 256a of the German Commercial Code. In the case of assets and liabilities with a remaining term of up to one year, unrealized conversion gains were also recognized.

As **prepaid expenses** expenditure shall be identified before the reporting date that represent expenses for a certain time after this date. As **deferred income** revenues are presented before the reporting date, which can be recognized as income until after the closing date.

Deferred taxes are formed in accordance with the provisions of Section 274 (1) of the German Commercial Code (HGB) on differences between commercial and tax law valuations.

INFORMATION AND EXPLANATIONS ON INDIVIDUAL ITEMS OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT:

Capital assets

The immediate depreciation of low-value assets in the financial year amounted to EUR 2 thousand (previous year: EUR 14 thousand). The development of the fixed assets and the depreciation in the 2016 financial year, including the historical acquisition costs and the accumulated depreciation, are shown in the schedule of assets (appendix to

the notes).

Current assets

All claims have a remaining term of up to one year.

Trade accounts receivable from affiliated companies in the amount of EUR 3,310 thousand and loan receivables in the amount of EUR 1,750 thousand were written down in full. In the previous year there were trade accounts receivable from affiliated companies in the amount of EUR 597 thousand and loan receivables in the amount of EUR 1,236 thousand.

The other assets include receivables from the tax authorities in the amount of EUR 131 thousand (previous year: EUR 2,422 thousand), which are mainly due to excessively high prepayments and tax refunds due to the loss carried back from the 2015 financial year to the 2014 financial year.

accruals

The other provisions mainly include provisions for commission payments and bonuses in the amount of EUR 272 thousand (previous year: EUR 109 thousand), for vacations not yet taken in the amount of EUR 206 thousand (previous year: EUR 179 thousand), for outstanding invoices in the amount of EUR 120 thousand (previous year: EUR 149 thousand) and for the preparation and auditing of the annual financial statements in the amount of EUR 62 thousand (previous year: EUR 84 thousand).

A provision of EUR 286 thousand was set up for phantom stocks granted to employees and other persons.

liabilities

As in the previous year, all liabilities have a remaining term of up to one year.

There are no liabilities secured by liens or similar rights.

The liabilities to affiliated companies relate exclusively to deliveries and services.

Accruals and deferrals

As of December 31, 2016, the company's balance sheet contained deferred income in the amount of EUR 3,484 thousand (previous year: EUR 72 thousand). As of the reporting date, this essentially includes a payment from a customer that was made in the 2016 financial year, but only results in income within a certain time after the reporting date.

Profit and Loss Account

Sales

In the 2016 financial year, sales totaled EUR 7,415 thousand (previous year: EUR 3,204 thousand). In accordance with the redefinition of sales in accordance with Section 277 of the German Commercial Code as amended by the BilRUG, income from services to affiliated companies is also shown for the first time under sales in the 2016 financial year (EUR 2,509 thousand), which in the previous year was reported in other operating income (EUR 646 thousand). They concern services that arago GmbH provides for arago US, Inc. These services were calculated in the 2016 financial year on the basis of the cost allocation and distribution agreement that came into effect on January 1, 2016.

Other company income

The other operating income in the amount of EUR 361 thousand (previous year: EUR 1,072 thousand) essentially includes income from the disposal of financial assets in the amount of EUR 206 thousand (previous year: EUR 207 thousand). In the previous year, other operating income also included income from affiliated companies in the amount of EUR 646 thousand.

Other operating income also includes income from the reversal of provisions in the amount of EUR 68 thousand (previous year: EUR 12 thousand) and currency translation in the amount of EUR 7 thousand (previous year: EUR 76 thousand). The income unrelated to the accounting period amounts to EUR 4 thousand (previous year: EUR 12 thousand).

Depreciation

The depreciation includes depreciation on intangible assets of the fixed assets and tangible assets in the amount of KEUR 180 (previous year KEUR 86) as well as depreciation on assets of the current assets in the amount of KEUR 5,060 (previous year KEUR 0), which results from the devaluation of receivables result from deliveries and services as well as loan receivables.

Other operating expenses

The other operating expenses do not include any expenses from currency translation (previous year: EUR 39 thousand).

OTHER INFORMATION

- There are other financial obligations amounting to EUR 1,332 thousand. These obligations relate to rental (EUR 1,091 thousand) and leasing contracts (EUR 241 thousand). The rental and leasing contracts end between 2017 and 2020.

in EUR	December 31, 2016	of which up to 1 year	between 1 and 5 years
Obligations from rental and leasing contracts	EUR 1,332 thousand	EUR 413 thousand	KEUR 919

- The average number of employees during the financial year (excluding salaried employees, including 12 senior managers) was 101 (previous year: 78).

Names of the members of the corporate bodies

Members of the management

1. Hans-Christian Boos, Chief Executive Officer
2. George Carbone, Chief Financial Officer
3. Alfred Ermer, Chief Operating Officer (from October 1, 2016 to March 8, 2018)
- 4th Jeffrey Smith, Chief Executive Officer America (from September 11, 2017 to March 20, 2018)
5. Jean-Philippe Baert, Chief Operating Officer (from March 8, 2018)

The members of the management received total remuneration of EUR 353,746.45 in the 2016 financial year.

Members of the Advisory Board

1. Dr. Bernhard Walther, Chairman (until December 31, 2016)
2. Dr. Lucian Schönefelder, Dr. oec. and lic. Oec HSG, Chairman (from 01.01.2017)
3. Phillip Freise, Vice Chairman, Master of Business Administration
- 4th Martin Varsavsky, Master of Business Administration (left March 6, 2016)
5. Eric-Sandy Soong, Master of Business Administration (left March 31, 2017)
- 6th Alexander Geiser, Bachelor of Arts

In 2016, the members of the Advisory Board received remuneration of EUR 300 thousand.

Information on shareholdings in other companies with an amount of at least 20% of the shares:

At least 20% of all shares are held in the companies listed below:

Name of the company: arago automation consulting GmbH

Company headquarters: Frankfurt am Main

Amount of the capital share: 25,000.00 euros (corresponds to 100.00%)

Equity as of December 31, 2016: EUR 58,243.31 *

Annual surplus 2016: EUR 18,777.04 *

*) Data from unaudited annual financial statements as of December 31, 2016

Company name: arago US, Inc.

Company headquarters: Wilmington, Delaware (United States of America)

Amount of the capital share: USD 0.01 (corresponds to 100.00%)

Equity as of December 31, 2016: USD -4,707,398.94 *

Net loss for 2016: USD -3,289,071.63 *

*) Data from unaudited annual financial statements as of December 31, 2016

Duty to prepare consolidated financial statements

Arago GmbH is exempt from preparing consolidated financial statements and a group management report as of December 31, 2016 by making use of the size-dependent exemption provision of Section 293 (1) HGB.

Supplementary report

After the shareholders' resolution of August 24, 2016, arago automation consulting GmbH was liquidated on February 15, 2017. With the shareholders' resolution of March 8, 2018, it was decided to end the liquidation and to continue the company as an advertising company. With the same shareholder resolution, arago automation GmbH was renamed "arago da vinci GmbH".

On March 8, 2018, Alfred Ermer resigned from his position as managing director of arago GmbH. The entry in the commercial register took place on March 21, 2018.

Jeffrey Smith was dismissed as managing director of arago GmbH with a shareholder resolution of March 20, 2018. The entry in the commercial register took place on March 21, 2018.

With a shareholders' resolution of March 8, 2018 and entry in the commercial register of March 21, 2018, Jean-Philippe Baert was appointed managing director.

With the shareholders' resolution of May 30, 2017, it was decided to increase the share capital of arago GmbH to EUR 120,846.00. In addition to the contribution to the share capital of EUR 7,027.00, it was agreed to pay a premium of EUR 1,992,973.00 to the company's free capital reserve (Section 272 (2) No. 4 HGB).

There were no other events after the reporting date that would affect the accounting as of December 31, 2016.

Appropriation of earnings

The company's management will propose to the shareholders' meeting that the annual deficit for the period from January 1 to December 31, 2016, be carried forward to a new account.

Frankfurt am Main, March 22, 2018

The Board

Hans-Christian Boos

George Carbone

Jean-Philippe Baert

Development of fixed assets in the 2016 financial year

	1.1.2016 EUR	acquisition cost		12/31/2016 EUR
		Additions EUR	Disposals EUR	
I. Intangible Assets				
Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	307,494.69	62,375.16	0.00	369,869.85
II. Tangible assets				
1. Technical systems and machines	14,549.06	2,568.00	0.00	17,117.06
2. Other equipment, factory and office equipment	388,411.28	37,083.52	-13,837.57	411,657.23

	1.1.2016	acquisition cost		12/31/2016
	EUR	Additions EUR	Disposals EUR	EUR
	402,960.34	39,651.52	-13,837.57	428,774.29
III. Financial assets				
1. Shares in affiliated companies	31,000.01	0.00	0.00	31,000.01
2. Securities held as fixed assets	2,158,724.93	0.00	-367,904.20	1,790,820.73
	2,189,724.94	0.00	-367,904.20	1,821,820.74
	2,900,179.97	102,026.68	-381,741.77	2,620,464.88
Accumulated depreciation				
	1.1.2016	Depreciation in the financial year		12/31/2016
	EUR	EUR	Disposals EUR	EUR
I. Intangible Assets				
Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	8,202.44	112,067.53	0.00	120,269.97
II. Tangible assets				
1. Technical systems and machines	970.06	1,582.58	0.00	2,552.64
2. Other equipment, factory and office equipment	253,429.28	66,612.86	-9,173.45	310,868.69
	254,399.34	68,195.44	-9,173.45	313,421.33
III. Financial assets				
1. Shares in affiliated companies	0.00	0.00	0.00	0.00
2. Securities held as fixed assets	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	262,601.78	180,262.97	-9,173.45	433,691.30
Book values				
			12/31/2016 EUR	12/31/2015 EUR
I. Intangible Assets				
Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values			249,599.88	299,292.25
II. Tangible assets				
1. Technical systems and machines			14,564.42	13,579.00
2. Other equipment, factory and office equipment			100,788.54	134,982.00
			115,352.96	148,561.00
III. Financial assets				
1. Shares in affiliated companies			31,000.01	31,000.01
2. Securities held as fixed assets			1,790,820.73	2,158,724.93
			1,821,820.74	2,189,724.94
			2,186,773.58	2,637,578.19

Auditor's report

We have audited the annual financial statements - consisting of the balance sheet, income statement and notes - including the bookkeeping system and the management report of arago GmbH, Frankfurt am Main, for the financial year from January 1 to December 31, 2016. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our task is to provide an assessment of the annual financial statements, including the bookkeeping, and the management report on the basis of the audit we have carried out.

We have carried out our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit is to be planned and performed in such a way that inaccuracies and violations that have a material impact on the presentation of the asset, financial and earnings position conveyed by the annual financial statements in accordance with the principles of proper bookkeeping and the management report are given with sufficient certainty be recognized. When determining the audit activities, knowledge of the business activity and the economic and legal environment of the company as well as expectations of possible errors are taken into account. As part of the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the information in the books and records, the annual financial statements and the management report are assessed primarily on the basis of random samples. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained during the audit, the annual financial statements comply with the statutory provisions and, in compliance with the principles of proper bookkeeping, provide a true and fair view of the assets, financial and earnings position of arago GmbH. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 22, 2018

KPMG AG
auditing company

Höfter, auditor

Client, auditor
