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Geutebrueck GmbH

Windhagen

Annual financial statements for the financial year from January 1st, 2018 to December 31st, 2018**MANAGEMENT REPORT FOR THE 2018 FINANCIAL YEAR****I. Economic report****1 Presentation of the course of business including the business result****1.1 Economic Environment**

In 2018, the overall economic situation in Germany was characterized by a steady upswing, which slowed down significantly towards the end of the year. Price-adjusted, the gross domestic product increased by only 1.4%. From an international perspective, the world economy has also recorded positive growth in most industrialized and emerging countries. For 2018, the IMF indicates slower global economic growth of around 3.7%, 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 target markets of Geutebrück GmbH, including Turkey, MENA and CIS,

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. In addition to security departments, IT, purchasing and management, data protection officers and risk managers are playing an increasingly important role.

Cyber security and artificial intelligence in particular are emerging as new topics in our market. While IT security (also against the background of data protection) is becoming more and more important, artificial intelligence is only productive in a few products. We ourselves have successfully developed and tested the first algorithms using artificial intelligence as part of proof-of-concepts for customers.

Due to the massive market entry of suppliers from the Far East, especially from China, with standard products of acceptable quality, the market for "normal" 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.

1.3 Sales Development

A significant increase in sales compared to the previous year was planned for 2018. The strategy process that started in 2016 has made initial results possible, but not yet at the planned level. The expected sales growth was therefore only realized to a limited extent. Project business has not yet been able to overcompensate for the steady decline in sales of standard devices.

In Germany, sales increased slightly, albeit not to the extent planned. In Europe, there were further declines in sales compared to the previous year, which can be attributed to various factors. The French organization in particular has recorded massive declines compared to planning and the previous year, which are mainly due to personnel changes in sales and the later implementation of the new strategy. The declines seen in Germany in 2016 have now become visible in France with some delay. In the CIS region, the consistent policy of counter-sanctions remains a significant barrier to business.

The planned sales increases in the USA could not be realized due to a lack of specialist staff and the postponement of investment decisions by some key customers. The markets in the Asia-Pacific region, on the other hand, achieved their targets, resulting in overall growth in the MENA region and overseas.

1.4 Procurement Market

In order to continue to guarantee the high quality standard of its end products and to be able to meet the high expectations of customers, Geutebrück deliberately avoids the use of low-quality materials in purchasing in order to achieve cost savings. High-quality materials 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 inventories have increased slightly compared to the previous year. However, this item includes materials for a major project that have already been procured and made available, but will not be delivered until 2019. These inventories are financed through advance payments received for the entire project. The readiness for delivery was guaranteed at all times due to stringent procurement and inventory management.

1.5 Investments

Investments in intangible assets total EUR 3,287 thousand. These include investments in R&D of EUR 3,106 thousand for the further and new development of software products and EUR 181 thousand in investments in IT projects for process optimization.

In addition, a further EUR 809k was invested in the strategy process:

Consulting service:	215 thousand
Personnel development:	499 thousand
Marketing:	95 thousand

1.6 Funding

The investments in fixed assets and in the strategic orientation of the company were financed through the company's own cash flow and an additional loan. At the same time, the existing loan for the building from October 2015 was repaid 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 321 thousand (previous year: EUR 182 thousand) was invested in a desired fluctuation (separation costs and personnel search). The average number of employees in the 2018 financial year was reduced by 5 employees, with a number of additions and departures. Personnel costs rose slightly across all areas as part of standard salary adjustments.

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 part of complete solutions and will be supplemented by the new product platform. The first products based on this platform were already piloted at the end of last year (AI-based solutions) and more will be launched in the course of the year. 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, this grown structure will need until around the end of 2019 before it can completely and sustainably cope with the changed requirements. However, the first successes are already visible. In particular, it was possible to increase the operating gross profit ratio by 3 percentage points from 54.9% to 57.9%.

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.

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 2018. 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.

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 enables short-term interventions for corrections by the management.

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:

	12/31/2018		12/31/2017	
	kEUR	%	kEUR	%
assets				
Capital assets	13,441	58.2	11,303	51.0
current assets	9.133	39.5	9,062	40.9
cash liquidity	529	2.3	1,807	8.1
	23.103	100.0	22.172	100.0
		12/31/2018		12/31/2017
liabilities	kEUR	%	kEUR	%
equity capital	14,437	62.5	14,249	64.2
shareholder loan	329	1.4	656	3.0
Long-term liabilities	1,693	7.3	1,902	8.6
medium and short-term debt	6,644	28.8	5,365	24.2
	23.103	100.0	22.172	100.0

In the asset structure, the increase in intangible assets due to the capitalization of development work and the reduction in cash due to the high investments in the implementation of the strategy are significant.

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 increased slightly 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:

	2018	2017
	kEUR	thousand
Cash generated from operations	1,486	2,923
Cash flow from investing activities	-3,225	-3,125
Cash flow from financing activities	460	878
Cash-effective change in cash and cash equivalents	-1,279	676
Cash funds at the beginning of the period	1,807	1.131
Cash funds at the end of the period	528	1,807

The outflow of funds is largely due to the investments.

2.3 Results of Operations

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

	2018	2017	change in earnings
--	------	------	--------------------

	2018	2017	change	earnings	%
	kEUR	kEUR	kEUR	kEUR	%
gross profit	17,454	16,647	807		4.8
Operating profit before depreciation (EBITDA)	1,435	1,180	225		21.6
Operating and investment earnings before interest and taxes (EBIT)	322	-204	536		
neutral result	-41	-1,753	1,712		
income taxes	-34	-263	229		87.1
annual result	188	-2,309	2,497		

The gross profit for the 2018 calendar year increased by EUR 807 thousand or 4.8% from EUR 16,647 thousand in the previous year to EUR 17,454 thousand. The gross profit ratio, on the other hand, fell slightly from 55.6% to 55.3%. This is mainly due to the changed product mix - because the hardware share of the systems sold continues to decrease while the software share increases at the same time, but also from the first successes in streamlining the partner structure.

Operating and investment earnings before interest and taxes (EBIT) of EUR 332 thousand are reported. After offsetting all taxes, an annual result of EUR 188 thousand was achieved in the 2018 financial year. As of December 31, 2018, the balance sheet shows equity of EUR 14,437 thousand, which represents an increase of 1.3% 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 the working capital line, 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 weigh on purchase prices, but no sales can be generated to the same extent in US dollars. 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 the exchange rate risk. There is no speculative use of financial derivatives.

3. Opportunity and Prognosis Report

The project-driven further development of the very successful product ranges G-Core and G-SIM, as well as the development of the new strategic platform and its integration into the product range were the focus in 2018. In addition, resilience with regard to IT security risks was 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 enable an expansion of project-specific cooperation and greater customer loyalty over the system life cycle at 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 is slightly down compared to the previous year, which is due to some project delays. A corresponding plan correction is not necessary, since the existing project lists suggest that the planned figures will be achieved in the course of the second half of the year. The situation continues to be closely monitored. A slight reduction in costs is planned. Various IT projects to optimize customer processes are also planned. However, the cost development is constantly checked and, if necessary, adjusted to the sales development.

Due to the continuing political uncertainty on the Russian, British and Turkish markets, these were reviewed using a worst-case scenario. The restructuring of sales that was completed in Germany to address the end customer more directly will also be implemented in France this year, which will temporarily lead to declining sales in this market, which were taken into account in the planning and will be offset by corresponding cost reductions in the subsidiary organization. The other markets are all developing positively, both as a result of improved sales support and increased marketing activities and the new products,

Due to the ever-increasing share of software in total sales, a high gross profit rate at the previous year's level can also be expected in 2019. As in 2018, a balanced result is also planned for 2019, since high investments in product and corporate development are planned. Based on a positive sales development and - as already mentioned - a gross profit rate that is well above plan, the prospects are positive that the EBT target for 2019 will be achieved. External costs for product development totaling almost EUR 1.5 million are planned for 2019.

From the middle of 2019, the main developments in the software area will be completed, so that the first income can be earned from this.

III. Research and Development

A total of almost EUR 3.4 million was invested in the further development of Geutebrück products in the 2018 financial year. The development resources were partially directed to the further development of the core product range. Product development continues to follow the relevant trends and customer requirements.

In addition, as part of the strategic reorientation, around EUR 3.1 million was spent on the further development of the strategic product platform of the future. Modules to supplement the existing products have already been generated from this development. As a result, the first pilot projects based on the new AI technologies were implemented at the end of 2018, and further modules will be launched in the course of 2019.

Windhagen, April 26, 2019

The Board

BALANCE SHEET AS OF DECEMBER 31, 2018

ASSETS

	12/31/2018	12/31/2017
	EUR	EUR
A. FIXED ASSETS	13,441,204.77	11,303,406.58
I. Intangible assets	6,361,212.29	3,659,100.53
II. Tangible assets	5,949,842.46	6,514,156.03
III. financial investments	1,130,150.02	1,130,150.02
B. CURRENT ASSETS	9,492,755.46	10,535,560.73
I. Inventories	3,049,906.15	3,027,294.19
II. Receivables and other assets	5,913,693.41	5,701,472.36
III. Cash on hand, bank balances	529,155.90	1,806,794.18
C. PREPAID EXPENSES	168,838.92	333,344.00
	23,102,799.15	22.172.311.31

LIABILITIES

	12/31/2018	12/31/2017
	EUR	EUR
A. EQUITY	14,437,117.34	14,248,861.32
I. Drawn capital	10,000,000.00	10,000,000.00
II. Retained Earnings	4,000,000.00	4,000,000.00
III. retained profit	437,117.34	248,861.32
B. PROVISIONS	2,700,984.53	2,488,413.00
C. LIABILITIES	5,705,697.28	5,215,036.99
D. DEFERRED TAX LIABILITIES	259,000.00	220,000.00
	23,102,799.15	22.172.311.31

INCOME STATEMENT FOR FISCAL YEAR 2018

	2018	2017
	EUR	euros
1. Raw Score	17,862,251.83	16,708,377.71
2. Personnel expenses	11,331,346.32	11,223,787.96
a) Wages and salaries	9,396,192.17	9,301,167.06
b) social security contributions and pension expenses	1,935,154.15	1,922,620.90
- of which for pensions: EUR 216,195.72 (previous year: EUR 191,656.90)		
3. Depreciation of intangible assets and property, plant and equipment	1,252,729.23	1,383,989.83
4. other operating expenses	5,074,891.72	5,973,555.74
5. Results of Operations	203,284.56	-1,872,955.82
6. Income from participations	150,000.00	0.00
- of which from affiliated companies: EUR 150,000.00 (previous year: EUR 0.00)		
7. other interest and similar income	30,749.28	33,750.42
8. Depreciation of Financial Assets	0.00	41,999.00
9. Interest and Similar Expenses	99,368.87	122,748.80
10. Financial Result	81,380.41	-130,997.38
11. Income taxes	34,328.00	263,012.42
- thereof from deferred taxes: EUR 39,000.00 (previous year: EUR 220,000.00)		
12. Earnings after taxes	250,336.97	-2,266,965.62
13. other taxes	62,080.95	41,637.87
14. Net Income/Loss	188,256.02	-2,308,603.49
15. Profit carried forward from the previous year	248,861.32	2,557,464.81
16. Retained Earnings	437,117.34	248,861.32

Notes for the 2018 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). Accounting for derivative financial instruments

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 1 thousand (previous year EUR 0 thousand) and receivables from affiliated companies in the amount of EUR 785 thousand (previous year EUR 961 thousand).

The item receivables from affiliated companies consists of deliveries and services in the amount of EUR 785 thousand (previous year: EUR 961 thousand).

Other assets include receivables with a remaining term of more than one year in the amount of EUR 725 thousand (previous year: EUR 915 thousand).

3. Equity

The retained earnings include a profit carried forward of EUR 249 thousand (previous year: EUR 2,557 thousand).

After deduction of deferred tax liabilities, the capitalization of internally generated intangible assets results in an amount of EUR 5,848 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 6,108 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 1,693 thousand (previous year: EUR 1,569 thousand). The actuarial valuation of the settlement amount is based, among other things, on a discount rate of 3.21% (previous year: 3.68%), a pension trend of 2.00% (previous year: 2.00%) and a fluctuation of 0.0% 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 3,250 thousand (previous year: EUR 2,750 thousand) and liabilities to shareholders of EUR 329 thousand (previous year: EUR 656 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 583 thousand (previous year: EUR 500 thousand), liabilities to shareholders of EUR 329 thousand (previous year: EUR 656 thousand) and other liabilities of EUR 2,126 thousand (previous year: EUR 1,858 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 2,667 thousand (previous year: EUR 1,917 thousand).

The total amount of liabilities with a remaining term of more than five years is EUR 0 thousand (previous year: EUR 333 thousand).

6. Deferred tax liabilities

The deferred tax liabilities in the amount of 259 result from an overall consideration of the differences between commercial law and tax valuations of assets, debts and prepaid expenses. The resulting deferred tax liabilities essentially relate to deferred tax liabilities on the capitalization of internally generated intangible assets and deferred tax assets on pension provisions and other provisions. A tax rate of 28.60% is used as a basis for the valuation of deferred taxes

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 as of the balance sheet date in the amount of EUR 15 thousand (previous year: EUR -254 thousand).

Interest and similar expenses include EUR 59 thousand from the compounding of provisions (previous year: EUR 62 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 174 employees were employed in the year under review.

3. Share Ownership

As of December 31, 2018, the company held shares in the following companies in accordance with Section 271 (1) HGB:

company	Seat	equity capital		Share of capital		annual result	
				%			
Geutebrueck International GmbH	Windhagen	36	kEUR	100		0	kEUR
Geutebrück France SARL	Argenteuil	496	kEUR	99		-230	kEUR
Geutebrueck Eurasia Ltd.	Ankara	-741	kEUR	99		-401	kEUR
LLC "GBR"	Moscow	26		100		13	kEUR

4. Other Financial Obligations

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

	12/31/2018
	EUR thousand
Obligations from multi-year leases	30
Obligations from multi-year lease agreements	215
	245

5. Proposal for the appropriation of earnings

Based on a net profit for the year of EUR 188,256.02 and taking into account the profit carried forward from the previous year in the amount of EUR 248,861.32, there is a balance sheet profit of EUR 437,117.34. Management proposes to carry forward the balance sheet profit to new account.

6. Subsequent Reporting

There were no events of particular importance after the end of the financial year.

Windhagen, April 2, 2019

Geutebrueck GmbH

signed Katharina Geutebrück

signed Christoph Hoffmann

Approval of the annual accounts

The annual financial statements were approved on May 2, 2019.

	ACQUISITION AND PRODUCTION COSTS			
	01/01/2018	Additions	Departures	12/31/2018
	EUR	EUR	EUR	EUR
I. Intangible assets				
Self-created industrial property rights and similar rights and values	2,924,105.89	3,286,538.72	0.00	6,210,644.61
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	3,743,481.35	0.00	569,553.56	3,173,927.79
	6,667,587.24	3,286,538.72	569,553.56	9,384,572.40

	ACQUISITION AND PRODUCTION COSTS			
	01/01/2018 EUR	Additions EUR	Departures EUR	12/31/2018 EUR
II. Tangible assets				
land and buildings	9,890,231.90	0.00	0.00	9,890,231.90
Other equipment, factory and office equipment	2,260,409.29	121,523.53	74,360.64	2,307,572.18
	12,150,641.19	121,523.53	74,360.64	12,197,804.08
III. financial investments				
Shares in affiliated companies	1,450,640.62	0.00	0.00	1,450,640.62
Securities held as fixed assets	1,000,000.00	0.00	0.00	1,000,000.00
	2,450,640.62	0.00	0.00	2,450,640.62
	21,268,869.05	3,408,062.25	643,914.20	24,033,017.10
DEPRECIATION ACQUIRED				
	01/01/2018 EUR	Additions EUR	Departures EUR	12/31/2018 EUR
I. Intangible assets				
Self-created industrial property rights and similar rights and values	0.00	103,510.74	0.00	103,510.74
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	3,008,486.71	480,916.22	569,553.56	2,919,849.37
	3,008,486.71	584,426.96	569,553.56	3,023,360.11
II. Tangible assets				
land and buildings	4,230,524.84	343,897.96	0.00	4,574,422.80
Other equipment, factory and office equipment	1,405,960.32	324,404.31	56,825.81	1,673,538.82
	5,636,485.16	668,302.27	56,825.81	6,247,961.62
III. financial investments				
Shares in affiliated companies	1,320,490.60	0.00	0.00	1,320,490.60
Securities held as fixed assets	0.00	0.00	0.00	0.00
	1,320,490.60	0.00	0.00	1,320,490.60
	9,965,462.47	1,252,729.23	626,379.37	10,591,812.33
NET CARRYING VALUES				
			12/31/2018 EUR	12/31/2017 EUR
I. Intangible assets				
Self-created industrial property rights and similar rights and values			6,107,133.87	2,924,105.89
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values			254,078.42	734,994.64
			6,361,212.29	3,659,100.53
II. Tangible assets				
land and buildings			5,315,809.10	5,659,707.06
Other equipment, factory and office equipment			634,033.36	854,448.97
			5,949,842.46	6,514,156.03
III. financial investments				
Shares in affiliated companies			130,150.02	130,150.02
Securities held as fixed assets			1,000,000.00	1,000,000.00
			1,130,150.02	1,130,150.02
			13,441,204.77	11,303,406.58

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, 2018 and the income statement for the financial year from January 1, 2018 to December 31, 2018 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, 2018 to December 31, 2018.

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, 2018 and its earnings position for the financial year from January 1, 2018 to December 31, 2018 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) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions,

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 conclude that there is a material uncertainty, we are required to draw attention to the related disclosures in the financial statements and management report in the auditor’s report or, if such disclosures are 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 30, 2019

Treuhand Weser-Ems GmbH
auditing company

Signed Graunke, auditor

Signed Witte, auditor