

## Search Result

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**Market Logic Software AG**

Berlin

**Annual financial statements  
for the business year from 01/01/2018 to 12/31/2018**

**Balance sheet  
as of December 31, 2018**

**assets**

	December 31, 2018		December 31, 2017		scroll ↔
	EUR	EUR	EUR	EUR	
A. Fixed assets					
I. Intangible Assets					
Purchased software		11,744		32,723	
II. Tangible assets					
Factory and office equipment		298,890		284,688	
III. Financial assets					
Shares in affiliated companies		18,206		5,543	
		328,840		322,954	
B. Current Assets					
I. Receivables and other assets					
1. Accounts receivable from deliveries and services	1,204,791		597.714		
2. Receivables from affiliated companies	2,079,289		851.789		
3. Other assets	217,663	3,501,742.67	167.989	1,617,492	
II. Cash in hand, bank balances		2,306,321.00		17,297,951.72	
		5,808,064		18,915,443	
C. Prepaid expenses		361,806		136,757	
		6,498,710		19.375.155	

**liabilities**

	December 31, 2018	December 31, 2017
	EUR	EUR
A. Equity		
I. Drawn capital	247.873	244,884
II. Capital reserve	47,751,560	47,751,560
III. Balance sheet loss	-47,388,389	-33,973,299
	611.043	14,023,145
B. Other provisions	3,532,841	3,262,731
C. Liabilities		
1. Liabilities to banks	28	35,375
2. Trade accounts payable	893.841	630,594

	December 31, 2018		December 31, 2017	
	EUR	EUR	EUR	EUR
3. Other Liabilities			313,626	308.621
- of which from taxes EUR 278,290 (previous year EUR 259,970) -				
			1,207,494	974.589
D. Prepaid expenses			1,147,331	1,114,690
			6,498,710	19.375.155

**Income statement  
for the period from January 1 to December 31, 2018**

	scroll ↔	
	2018	2017
	EUR	EUR
1. Sales	15,554,011	12,266,476
2. Production costs of the services provided to generate the sales	-7,591,582	-6,515,110
3. Gross profit on sales	7,962,429	5,751,367
4. Distribution costs	-6,799,171	-5,247,201
5. General administration costs	-3,559,756	-3,345,699
6. Research and development costs	-12,602,575	-9,279,313
7. Other operating income	1,583,471	455.309
8. Other Interest and Similar Income	685	809
- of which from affiliated companies EUR 0.00 (previous year EUR 0.00) -		
9. Interest and Similar Expenses	0	-43,452
10. Taxes on income and earnings	-173	-8,463
11. Profit after tax = net loss for the year	-13.415.091	-11,716,644
12. Loss carryforward	-33,973,299	-22,256,655
13. Balance sheet loss	-47,388,389	-33,973,299

**Appendix  
for the 2018 financial year**

**A. General information**

Market Logic Software AG, based in Berlin (Market Logic Software), is a medium-sized corporation within the meaning of Section 267 (2) HGB. It is entered in the commercial register of the Berlin Charlottenburg District Court under the number HR B 151121. The object of the company is the development and marketing of business software for marketing information systems.

The annual financial statements were prepared on the basis of the accounting regulations of §§ 242 ff. HGB, taking into account the supplementary provisions for corporations (§§ 264 ff. HGB) as well as the relevant provisions of the AktG.

The cost of sales method in accordance with Section 275 (3) HGB is used for the income statement.

**B. Accounting and valuation principles**

**1. Principle of going concern**

The annual financial statements were prepared under the assumption of the going concern principle.

As of December 31, 2018, the company reported an annual deficit of EUR 13,415 thousand due to the continued, scheduled business expansion. Overall, this results in a cumulative balance sheet loss i. H. v. EUR 47,388 thousand. As of the reporting date, equity amounted to EUR 611 thousand.

With regard to the question of the threat to the company's continued existence, we refer to the discussion in the management report within the forecast, opportunity and risk report under section 3.

**2. Accounting and valuation methods**

The following accounting and valuation methods are essentially decisive:

The company's assets and debts have been valued individually taking into account the principle of prudence and assuming that the company will continue as a going concern. Foreseeable risks and losses were taken into account when preparing the balance sheet.

Internally generated intangible fixed assets are not recognized.

The intangible assets and the tangible assets are valued at the acquisition costs plus incidental acquisition costs and minus acquisition price reductions. Depreciation is carried out on a pro rata temporis basis over the normal useful life.

Low-value movable, wear-and-tear and independently usable assets with acquisition costs of up to EUR 250.00 (previous year EUR 150.00) are fully depreciated in the year of acquisition. For movable, wear-and-tear and independently usable assets with acquisition

costs over EUR 250.00 (previous years EUR 150.00) and up to EUR 1,000.00, a collective item was created in accordance with Section 6 (2a) EStG, which is depreciated over five years. Overall, the item is of minor importance.

The financial assets relate to the subsidiary Market Logic Inc., Dover, Delaware / USA, which was founded in the 2014 financial year. The shares are valued at acquisition cost. Unscheduled depreciation is carried out in the event of a permanent decrease in value.

Receivables and other assets are stated at their nominal value and, as in the previous year, all have a remaining term of up to one year. Value adjustments of EUR 11 thousand were made. Receivables in foreign currencies are shown at the mean spot exchange rate on the reporting date.

The liquid funds are stated at their nominal value.

For payments made by the company up to the balance sheet date, which relate to services for a certain time after the balance sheet date, prepaid expenses were recognized.

The share capital is valued at nominal value.

Identifiable risks have been taken into account when measuring the provisions. They were valued with the necessary settlement amount based on reasonable commercial judgment. Long-term provisions were discounted in accordance with Section 253 (2) sentence 1 of the HGB.

Liabilities are shown at the settlement amount.

## C. Notes to the balance sheet

### 1. Fixed assets

The development of the fixed assets as well as the information on the depreciation per item of the balance sheet are shown in the fixed asset schedule as an attachment to the notes.

List of shareholdings according to § 285 No. 11 HGB (shares in affiliated companies):

	Equity KEUR	Participation %	Result 2018 KEUR	Investment book value KEUR
Market Logic Inc., Chicago / USA	398	100%	125	6th
Market Logic Software Pvt Ltd., Pune / India	11	100%	-1	13th

### 2. Current Assets

Receivables and other assets include trade accounts receivable from third parties in the amount of EUR 1,205 thousand (previous year: EUR 598 thousand) with a remaining term of up to one year (previous year: up to one year).

There are receivables from affiliated companies in the amount of EUR 2,079 thousand (previous year: EUR 852 thousand) and result from license fees and the passing on of costs incurred.

The other assets in the amount of EUR 218 thousand (previous year: EUR 168 thousand) mainly contain tax refund claims and deposits.

### 3. Equity

#### Share capital

As of December 31, 2018, the share capital was composed of 247,873 registered no-par value shares. It is divided as follows:

	December 31, 2018 EUR
Common stock	55,677
Series A preference shares	4,451
Series B preferred shares	10,229
Series C preferred shares	8,656
Series D preferred shares	11,248
E series preferred shares	15,401
Series F preferred shares	17,536
Series G preferred shares	9,755
Preferred shares series H	14,633
Series I preferred shares	11,766
Series J preferred shares	47,860
Series J-2 preferred stock	40,661
	247.873

In accordance with the resolution of the Annual General Meeting on February 2, 2018 and a participation agreement concluded on May 16, 2017, the company's share capital was increased by EUR 2,989 to EUR 247,873 by issuing 2,989 series J preferred shares as part of a compensatory capital increase. The capital increase was entered in the commercial register on March 2, 2018.

#### Conditional capital

The Annual General Meeting on January 30, 2007 resolved to implement an employee participation program (2007 stock option program). In this context, the Management Board was authorized, with the approval of the Supervisory Board, to issue up to 6,975 subscription rights once or several times to future Management Board members and current or future employees as well as to members of the management bodies and employees of future affiliated companies. On the same day, the Annual General Meeting resolved to conditionally increase the company's share capital by up to EUR 6,975.00 by issuing up to 6,975 registered, restricted, no-par value shares (Conditional Capital 2007 / I). The conditional capital increase serves to redeem subscription rights, the issue of which the Management Board was authorized by the Annual General Meeting on January 30, 2007. The stock option program was closed by resolution of the Annual General Meeting on June 10, 2013. At the general meeting on the same day, a resolution was passed to reduce the conditional capital from EUR 6,975 to EUR 6,093 (conditional capital 2007 / I).

The Annual General Meeting on June 10, 2013 resolved to implement a new employee participation program (Stock Option Program 2013). In this context, the Management Board was authorized, with the approval of the Supervisory Board, to issue up to 7,656 subscription rights once or several times to current and future members of the Management Board and current and future employees of Market Logic Software AG by December 31, 2017. On the same day, the general meeting resolved to conditionally increase the company's share capital by up to EUR 7,656 by issuing up to 7,656 registered, restricted, no-par value shares (no-par value shares) (Conditional Capital 2013 / I). With resolutions of the Annual General Meeting on June 8, 2016 and June 22, 2016 July 2016, the authorization to issue subscription rights and the Conditional Capital 2013 / I were extended to up to EUR 13,907. The stock option program was closed by resolution of the Annual General Meeting on February 2, 2018. At the Annual General Meeting on the same day, a resolution was passed to reduce the conditional capital from EUR 13,907 to EUR 12,859 (Conditional Capital 2013 / I). The conditional capital increase serves to redeem subscription rights that (i) based on the authorization resolution of the General Meeting of June 10, 2013 under Item 5 Item IV., (ii) based on the authorization resolution of the General Meeting of June 10, 2013 under Item 5 Item IV. In the version of the resolution of the general meeting of 22.

The Annual General Meeting on February 11, 2019 resolved a conditional capital increase of up to EUR 5,592 (Conditional Capital 2019 / I). This is intended for the issue of a convertible bond with a total nominal amount of up to EUR 3,095,843.04 with the corresponding conversion right.

#### **Capital reserve**

The capital reserve has not changed compared to the previous year and remains at EUR 47,752 thousand.

#### **Stock options**

The Annual General Meeting on January 30, 2007 resolved to implement an employee participation program (2007 stock option program). In this context, the Management Board was authorized to issue up to 6,975 subscription rights once or several times to future members of the Management Board and current or future employees as well as to members of the management bodies and employees of future affiliated companies.

As of December 31, 2015, a total of 6,821 options had been issued to employees under the 2007 stock option program. The options can be exercised within a period of ten years after they have been issued, unless the exercise period is extended by three years before the exercise period expires.

The 2007 stock option program was closed by resolution of the general meeting on June 10, 2013; In the 2013 to 2018 financial years, no more options were issued under the 2007 stock option program.

The Annual General Meeting on June 10, 2013 resolved to implement an employee participation program (Stock Option Program 2013). In this context, the Management Board was authorized to issue up to 7,656 subscription rights to members of the Management Board and employees of the company once or several times. This option program was expanded by the Annual General Meeting on July 22, 2016 to 13,907 subscription rights.

As part of the 2013 stock option program (including the 2016 amendment), a total of 13,333 options were issued by December 31, 2018, of which 3,258 options were issued to members of the Management Board.

The 2013 stock option program was closed by resolution of the Annual General Meeting on February 2, 2018.

#### **Virtual stocks**

The Annual General Meeting on February 2, 2018 resolved to implement a further employee participation program based on virtual shares, so-called phantom stocks (2017 phantom stock program). In this context, the management board was authorized to issue up to 17,237 phantom stocks to members of the management board and employees of the company as well as to managing directors and employees of Market Logic Software Inc. on one or more occasions by December 31, 2022. A backing of the 2017 phantom stock program with conditional capital is currently not possible due to stock corporation law.

The Phantom Stock Program 2017 only provides for a delivery of one common share per phantom stock if the phantom stocks are exercised and only provided that the Management Board and the Supervisory Board come to the conclusion that a delivery of common shares is legally and is actually possible.

As part of the 2017 phantom stock program, 13,036 phantom stocks were issued to employees of the Company and Market Logic Software Inc. and 584 phantom stocks to members of the Management Board in the 2018 financial year. In the 2019 financial year, 250 phantom stocks have been issued to employees on normal terms to date; a further 2,479 phantom stocks on adjusted terms are currently being issued to an employee of Market Logic Software Inc. These amended conditions were resolved at the Annual General Meeting on February 11, 2019.

Of the 13,565 phantom stocks already issued, 7,326 phantom stocks have expired due to employee departures.

#### **4. Other provisions**

The other provisions essentially include personnel provisions (EUR 3,031 thousand; previous year: EUR 3,084 thousand), outstanding supervisory board and advisory board remuneration (EUR 97 thousand; previous year: EUR 90 thousand) and provisions for outstanding invoices (EUR 400 thousand; previous year: EUR 85 thousand) ).

#### **5. Liabilities**

In the previous year, liabilities to banks consisted exclusively of liabilities to Investitionsbank Berlin from promotional loans granted.

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

#### D. Notes on the income statement

The sales revenues amount to EUR 15,554 thousand (previous year: EUR 12,266 thousand) and result from the development and marketing of corporate software. Sales of EUR 989 thousand were achieved in Germany and EUR 14,565 thousand abroad.

The items in the income statement contain expenses for purchased services in the amount of EUR 2,482 thousand (previous year: EUR 1,506 thousand). The increase results mainly from higher sales revenues and from temporarily increased hosting costs due to the product launch of the "Next Generation Platform".

The income statement includes personnel expenses totaling EUR 22,215 thousand (previous year: EUR 18,707 thousand). The personnel expenses are made up as follows:

	2018	2017
	KEUR	KEUR
Wages and salaries	19,538	16,422
Social security contributions and expenses for pensions	2,677	2,285
- of that for pensions -	32	34
	22,215	18,707

Expenses from currency conversion in the amount of EUR 81 thousand (previous year: EUR 68 thousand) and income from currency conversion in the amount of EUR 42 thousand (previous year: EUR 8 thousand) are reported in the annual financial statements.

#### E. Other information

##### Other financial obligations and auditor's fee

Other financial obligations exist for rental and leasing contracts amounting to EUR 5,175 thousand (previous year: EUR 5,021 thousand). The increase in these obligations compared to the previous year is mainly due to the contractually agreed increase in the rent for the company headquarters.

The total fee recorded as an expense for the auditor in the 2018 financial year amounts to EUR 20 thousand (previous year: EUR 20 thousand) and relates exclusively to audit services.

##### Employee

The company had an average of 313 employees in the 2018 financial year (previous year: 308).

##### Organs of the parent company

###### Board

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- Dr. Kay Iversen, engineer, Berlin
- Olaf Lenzmann, engineer, Recklinghausen
- Dr. Haiko van Lengen, Management Consultant (until December 31, 2018)

The total remuneration of the members of the Executive Board in the financial year was EUR 865 thousand (previous year: EUR 913 thousand).

##### Supervisory board

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- Dr. Bernd-Michael Rumpf, Chairman of the Supervisory Board, software entrepreneur, Steckborn, Switzerland
- Alexander Kafka, deputy chairman of the supervisory board, investment manager, Berlin
- Robert Hoog, independent management consultant, Leinfelden-Echterdingen
- Dr. Matthias Georg Allgaier, Managing Director, London, United Kingdom
- Dr. Thomas van Aubel, lawyer and partner in the law firm VAN AUBEL & Partner, Berlin
- Dr. Max Odefey, Managing Director at GENUI GmbH, Hamburg
- Arno Bohn, self-employed businessman, Freiburg
- Dr. Dinnies Johannes von der Osten, Managing Director at GoodVent Beteiligungsmanagement GmbH & Co. KG, Berlin

The remuneration of the Supervisory Board in the financial year amounted to EUR 28 thousand (previous year: EUR 30 thousand).

##### Scientific Advisory Board

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- Prof. Dr. Dr. hc mult. Heribert Meffert, Münster
- Prof. Dr. Hans-Willi Schroiff, Düsseldorf

- Prof. Dr. Manfred Kirchgeorg, Leipzig

The remuneration of the advisory board recognized as an expense amounted to EUR 15 thousand in the financial year (previous year: EUR 15 thousand).

#### F. Events after the balance sheet date

With regard to special events of importance after the end of the financial year, we refer to our comments on conditional capital in Section C.3. Beyond this, no further events of particular significance occurred.

**Berlin, June 28, 2019**

**Dr. Kay Iversen, board member**

**Olaf Lenzmann, board member**

#### Development of fixed assets in the 2018 financial year

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	Cost / manufacturing costs				1.1.2018 EUR	Accumulated depreciation for the financial year EUR	Book values		
	1.1.2018 EUR	supply transitions Euro	off transitions EUR	December 31, 2018 EUR			December 31, 2018 EUR	December 31, 2018 EUR	December 31, 2017 EUR
I. Intangible Assets									
Purchased software	95,655	1,250	0	96.905	62,932	22,229	85.161	11,744	32,723
II. Tangible assets									
Factory and office equipment	623.111	159,627	97	782.640	338.423	145.328	483.751	298,890	284,688
III. Financial assets									
Shares in affiliated companies	5,543	12,663	0	18,206	0	0	0	18,206	5,543
	724.309	173,539	97	897.751	401.355	167,556	568,911	328,840	322,954

### Management report for the 2018 financial year

#### 1 Basics of Society

##### 1.1 business model

With its "Market Insights Platform", Market Logic Software AG (hereinafter referred to as Market Logic) offers a software-as-a-service-based marketing system that enables companies to set up a consumer-centered organization. The software analyzes the company's market data and generates knowledge and insights into consumer behavior. Campaign management and planning as well as execution and evaluation of market research projects are also supported.

The AG is based in Berlin. The areas of software development and professional services are also located there. In addition, there has been an independent sales location in Chicago / USA since 2014. In 2018, a systematic expansion of the "Professional Services" area was started in Chicago, as projects increasingly require the use of employees on site. In 2018, an IT development site was also established in Pune, India, through the establishment of a further subsidiary. The "Custom Solutions" department and other technology areas are to be relocated there in the short term in order to support growth. Another sales location was established in Singapore in the year under review,

The central success factor for Market Logic are the employees, whose expertise, experience, motivation and team spirit form the basis for the sustainable success of Market Logic. On an annual average (2018), Market Logic Software employed 313 people (2017: 308).

After Europe and the USA had been the focus of expansion efforts in recent years, the focus in 2018 was also placed on the development of markets in the Asia-Pacific region.

##### 1.2 Goals and strategies

At the beginning of 2019, the company is about to introduce the "Next Generation Market Insights Platform", which represents a consistent further development of the previous core product of Market Logic. The focus of the targeted customer acquisition continues to be the 3,000 top companies in the consumer goods, health & pharmaceutical, retail, finance & insurance and telecommunications sectors. With the three offered solutions "Insights Portal", "Intelligence Portal" and "Market Insights Platform", the product is geared towards the special needs of the different customer segments. This clear segmentation is intended to tap into new customer groups in a focused manner.

##### 1.3 Control system transformation

Achievement of goals and management performance are formulated and checked quarterly as part of an integrated target system. For this purpose, Market Logic has created its own "Transformation" business unit, which accompanies and supports the continuous improvement process of each individual team.

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

Sales and EBIT are used as financial performance indicators for internal control. A key non-financial performance indicator is the number of new deals concluded in the reporting period.

In terms of a value-oriented management of Market Logic AG, key figures and goals are regularly checked for their orientation towards a sustainable increase in the company's value. The perspective of the shareholders and other stakeholders is taken.

### **1.4 Research and Development**

In 2018, research and development was dominated by the development of the new product platform "Next Generation Market Insights". The product launch is planned for the first quarter of 2019. With simplified basic functions and a completely revised UX design, the focus of the development activities should be on offering a faster and simplified entry-level solution for new customers and numerous new connection options for other marketing-relevant applications.

To relieve the R&D department at the company's headquarters in Berlin, the outsourcing of the Custom Solutions and Quality Assurance departments to the newly created location in Pune / India began in 2018.

## **2 Economic report**

### **2.1. Macroeconomic and industry-specific framework conditions**

According to the World Bank's semi-annual report published in January 2019, growth in the global economy in 2018, measured in terms of real gross domestic product (GDP), is expected to be +3.0%, which is almost the same as the previous year (+3.1%). The main growth factors were high investments due to a favorable financing environment, increasing profits and a stable business climate. When looking at the different geographic regions, the picture is mixed. While the upswing strengthened in the USA, growth in the European Union lost momentum in 2018. The commodity-exporting countries such as Russia continue to grow or, as in the case of Brazil, managed to increase this significantly and benefit from rising raw material prices. India and China were able to continue their high growth from previous years in 2018. In line with the weaker development of the European economies, the euro depreciated against the US dollar and Swiss franc, but also against commodity currencies such as the Russian ruble.

The economic situation in Germany in 2018 was characterized by weakening economic growth. According to calculations by the Bundesbank, the gross domestic product (GDP) was only 1.5% higher in 2018 than in the previous year (2017: + 2.2%). In particular, private consumption and the export economy showed a slowdown in growth over the course of 2018. The marketing of the "Market Insights Platform" aims at the marketing budget of potential customers. An important indicator for the future success of Market Logic is therefore the development of the marketing budgets of the major consumer goods companies worldwide. According to the 2018 CMO Survey, companies are assuming that their advertising budgets will also grow by an average of almost 5% in 2019, accompanied by an unabated shift from traditional advertising to digital media. At the same time, the misuse of user data and violations of the GDPR represent the greatest risk from the point of view of marketing managers. Risk management and data security are therefore central sales arguments for the new "Market Insights Platform".

### **2.2. Business development**

Overall, Market Logic had a successful year 2018. In particular, the establishment of a subsidiary in India and the opening of a representative office in Singapore as well as the development of the new product base "Next Generation Market Insights Platform" are positive highlights.

### **2.3. location**

#### **2.3.1. Earnings situation**

In 2018, sales increased by 27% to EUR 15.6 million compared to 2017 (2017: EUR 12.3 million). Sales growth was thus slightly below budget (growth target + 30%). This is primarily due to the launch of the new product platform planned for the first quarter of 2019, which has led to some customers being reluctant to buy. For 2019, after a successful product launch and a good global economy, a significant increase in sales of 28% is expected again. In terms of market positioning, there were no significant changes or special events in the reporting year, so that Market Logic continues to operate in a market environment that can still be described as stable. The number of new contracts concluded in the reporting period i. H. v. 60 is below the planned number of 80. Since long-term contracts with an average duration of three years are still being concluded, the overall order situation is characterized by great stability. However, it must be taken into account that in 2019 some important contracts will expire and have to be renewed. The new product features of the "Next Generation Market Insights Platform" and the successful conversion of these customers to the new product will play an important role. Since long-term contracts with an average duration of three years are still being concluded, the overall order situation is characterized by great stability. However, it must be taken into account that in 2019 some important contracts will expire and have to be renewed. The new product features of the "Next Generation Market Insights Platform" and the successful conversion of these customers to the new product will play an important role.

Selling expenses increased by EUR 1.6 million to EUR 6.8 million as a result of the increased sales. Research and development costs rose by 36% to EUR 12.6 million compared to the previous year as part of the development of the new platform. As a result, EBIT fell from EUR -11.8 million in the previous year to EUR -13.4 million and is thus below the planned value of EUR -8.1 million.

#### **2.3.2. Financial condition**

Due to the unchanged high development costs for the new "Next Generation Market Insights Platform" and expenses for international expansion, the balance sheet total as of December 31, 2018 fell to EUR 6.5 million compared to the previous year (December 31, 2017: EUR 19.4 million).

The cash and cash equivalents from the capital increase in June 2017 decreased compared to December 31, 2017 (EUR 17.3 million) to EUR 2.3 million. The shareholders have taken this development into account by issuing a convertible bond i. H. v. EUR 3.1 million was planned and has meanwhile also been carried out.

In the reporting period, the company generated a negative cash flow from operating activities of EUR 15.2 million. The main reason for this development is the net loss for the year of EUR 13.4 million. The cash flow from investing activities amounts to EUR -0.2 million and results from investments in the intangible assets and property, plant and equipment. The cash flow from financing activities amounts to EUR 0.4 million and is largely characterized by the removal of restrictions on the use of bank balances.

The company's liquidity was secured at all times during the reporting period.

### **2.3.3. Financial position**

The company's total assets amounted to EUR 6.5 million as of December 31, 2018, with EUR 0.3 million (5%) being attributable to fixed assets and EUR 6.2 million (95%) to current assets and prepaid expenses.

Trade accounts receivable increased by EUR 0.6 million compared to the previous year due to the increased sales revenue and due to the reporting date.

In addition, liquid funds amounting to EUR 2.3 million (35% of the balance sheet total, previous year 89% of the balance sheet total or EUR 17.3 million) are reported.

Taking into account the net loss for the 2018 financial year of EUR 13.4 million, the share capital of EUR 0.2 million, a capital reserve of EUR 47.8 million and the existing loss carryforward as of December 31, 2017 of EUR 34.0 million, the company reports equity of EUR 0.6 million (9% equity ratio).

Provisions increased by EUR 0.2 million from EUR 3.3 million to EUR 3.5 million. The main changes compared to the previous year result in particular from higher provisions for outstanding invoices.

Trade accounts payable increased by EUR 0.3 million to EUR 0.9 million due to effects on the reporting date.

### **2.3.4. Overall statement on the economic situation**

At the time this management report was prepared, the company's economic situation is essentially unchanged compared to the statements above. The Management Board is overall satisfied with the business development, but recognizes the necessity of a further inflow of liquidity for a continuation of the growth strategy as well as the general business activity.

## **3 Forecast, opportunities and risk report**

### **3.1. Forecast report**

For the coming year, the management expects sales to grow to EUR 20 million and the successful launch of the new "Next Generation Market Insights Platform". With the expansion to Asia, Market Logic wants to tap into new customer groups. An EBIT of EUR -8.1 million and the conclusion of 80 new contracts are planned for the 2019 financial year.

The workforce is also to be continuously expanded, with a focus on the USA (establishment of a professional services team) and India (further expansion of the team in Pune with the areas of Custom Solutions and Product Development).

### **3.2. Opportunity and risk report**

#### **3.2.1. market**

While the global economic outlook for 2019 is viewed as positive overall, an important market for Market Logic such as Great Britain is exposed to great uncertainties due to Brexit. There are primarily currency risks here. These are permanently monitored and assessed in the company. So far, however, no currency hedging measures have been taken. Overall, the risk is a minor risk for Market Logic.

#### **3.2.2. financing**

In its corporate planning, the Management Board assumes that sales will continue to rise from the 2019 financial year and that positive annual results (before interest and taxes) will be achieved from mid-2021. Due to the growth strategy being pursued, liquidity is currently dependent on further inflows of funds through various forms of equity, mezzanine and / or debt financing. In the 2019 financial year, a convertible bond in the amount of EUR 3.1 million was issued. Another financing round is to be carried out in 2019. Taking into account the convertible bond issued and without the further financing round, the financial resources are sufficient in accordance with the company's planning to secure the financing and thus the continued existence of the company until the end of 2019. I.e. For the forecast period up to the end of 2020, we expect that the liquidity inflows due to our own business activities will lag behind the liquidity outflows in several months and that third-party financing will therefore be necessary. Without further financing or cost reduction measures, the currently available liquidity will suffice according to planning until the end of 2019. In the third quarter of 2019, negotiations on further necessary alternative financing measures are to be held with shareholders and / or third parties. These circumstances indicate the existence of a material uncertainty, which can raise significant doubts about the company's ability to continue business operations and which represents a risk that could endanger the continued existence of the company. Overall, risk is a very important risk for Market Logic. which may raise significant doubts about the company's ability to continue as a going concern and which represents a risk that could jeopardize the company's continued existence. Overall, risk is a very important risk for Market Logic. which may raise significant doubts about the company's ability to continue as a going concern and which represents a risk that could jeopardize the company's continued existence. Overall, risk is a very important risk for Market Logic.

#### **3.2.3. product**

There are significant risks associated with the introduction of a new product such as the "Next Generation Market Insights Platform". On the one hand, there is the risk that the solution will show functional weaknesses when it is introduced. In the meantime, the new product has been successfully introduced to several customers in 2019, so that the technological risk appears manageable.

The introduction of a new product to existing customers also harbors an acceptance risk, because users are reluctant to distance themselves from familiar and learned processes. This psychological circumstance was taken into account in the UX design and processes were only changed very carefully. Initial reactions from users are extremely positive and minimize the risk of acceptance.



Finally, the so-called transformation risk is important when a product is launched. Numerous existing customers will have to be transferred to the new platform in 2019, which can put a lot of strain on the workforce and thus lead to unplanned costs.

Overall, the risk is a minor risk for Market Logic.

The new product with a simplified entry-level solution opens up new target groups and opens up Market Logic to medium-sized businesses. The expansion into Asia also opens up a new geographical market with great potential.

### **3.2.4. Overall view of the opportunity and risk situation**

In order to pursue the growth strategy it has embarked on, the group of companies needs further inflows of funds through various forms of equity, mezzanine and / or debt financing. Without further financing or cost reduction measures, the liquid funds will last until the end of 2019 on the basis of corporate planning.

In addition, we refer to our explanations on the principle of corporate activity in the appendix in section 2.

**Berlin, June 28, 2019**

**Board**

**Dr. Kay Iversen**

**Olaf Lenzmann**

### **Auditor's Report Independent Auditor**

To Market Logic Software AG, Berlin

#### **Examination Opinions**

We have prepared the annual financial statements of Market Logic Software AG, Berlin - consisting of the balance sheet as of December 31, 2018 and the income statement for the financial year from January 1 to December 31, 2018 as well as the notes, including the presentation of the accounting and valuation methods - checked. In addition, we have audited the management report of Market Logic Software AG for the fiscal year from January 1 to December 31, 2018.

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

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- The attached annual financial statements comply in all material respects with the German commercial law regulations applicable to corporations and give a true and fair view of the asset and financial position of the company as of December 31, 2018 as well as its earnings position for the financial year from January 1 to December 31, 2018 and
- the attached management report gives an overall accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

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

#### **Basis for the examination results**

We carried out our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the generally accepted German auditing standards established by the Institute of Auditors (IDW). Our responsibility under these regulations and principles is further described in the section "Auditor's Responsibility for the Audit of the Annual Financial Statements and Management Report" of our auditor's report. We are independent of the company in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe

#### **Significant uncertainty in connection with going concern**

We refer to the information in the notes under Section B.1 "Going concern principle" and to the information in the management report under Section 3.2.2. "Financing" and Section 3.2.4. "Overall view of the opportunity and risk situation". There, the legal representatives describe that for the company, which primarily develops and markets business software for marketing information systems, they also expect for the forecast period that the liquidity inflows due to its own business activities will lag behind the liquidity outflows to a considerable extent and, accordingly, financing from third parties Page is required. Without further financing or cost reduction measures, the currently available liquidity will be sufficient according to the planning of the legal representatives until the end of 2019. In the third quarter of 2019, negotiations on further necessary alternative financing measures are to be held with shareholders and / or third parties. These circumstances, which are presented in the information in the notes and in the management report, indicate the existence of a material uncertainty that can raise significant doubts about the company's ability to continue its business activities and that pose a threat to the continued existence of the company within the meaning of Section 322 (2) sentence 3 HGB represents. Our audit opinions have not been modified with regard to this matter.

#### **Responsibility of the legal representatives and the supervisory board 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 regulations applicable to corporations in all material respects, and for ensuring that the annual financial statements, in compliance with the German principles of proper bookkeeping, provide a true and fair view of the assets and finance - and the

company's earnings. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German principles of proper accounting to enable the preparation of the annual financial statements, When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue business operations. They are also responsible for disclosing issues relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides an accurate picture of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal regulations and accurately 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 legal regulations and to be able to provide sufficient suitable evidence for the statements in the management report .

The Supervisory Board is responsible for overseeing the company's accounting process for the preparation of the annual financial statements and the management report.

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

Our aim is to obtain sufficient certainty as to whether the annual financial statements as a whole are free of material - intended or unintentional - misrepresentation, and whether the management report as a whole gives an accurate picture of the company's position and, in all material matters, with the annual financial statements as well is in line with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, as well as issuing an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in accordance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions made by the addressees on the basis of these annual financial statements and management report.

During the examination, we exercise due discretion and maintain a critical attitude. Furthermore

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- We identify and assess the risks of material - intentional or unintentional - misrepresentations in the annual financial statements and the management report, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations will not be detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding 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 under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Systems of society.
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information.
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the company's ability to continue as a going concern can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements and in the management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances can mean that the company can no longer continue its business activities.
- We assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements, in compliance with German generally accepted accounting principles, provide a true and fair view of asset, financial and the company's earnings.
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture it provides of the company's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient, suitable audit evidence, we particularly review the significant assumptions underlying the future-oriented information from the legal representatives and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a considerable unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

**Leipzig, July 8, 2019**

**KPMG AG**  
**auditing company**  
*Dr. Schneider, auditor*  
*Sachs, auditor*

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