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iteratec GmbH Munich (formerly: Unterhaching)	Accounting / financial reports	Annual financial statements for the business year from 01/01/2017 to 12/31/2017	08.10.2018
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iteratec GmbH**Munich (formerly: Unterhaching)****Annual financial statements for the business year from 01/01/2017 to 12/31/2017****Management report****I. Company basics**

iteratec is the independent software and IT service provider with the highest competence density. Over 280 employees relieve companies in the entire DA-CH area in handling complex IT tasks. Iteratec relieves its customers with high quality advice and tailor-made solutions. The spectrum of tasks ranges from the development of IT and digitization strategies through technology and innovation consulting to the individual programming of complete systems.

Eberhardt and Goerke have developed their own process model that provides for an iterative and incremental creation of the project results. At that time, in the mid-1990s, there were no other iterative models such as B. the later popular Rational Unified Process (RUP), still agile methods such as Scrum. The latter is based on such an iterative approach as iteratec developed it almost 20 years ago, and today it is practically the basis of the vast majority of development projects worldwide. It is also spreading rapidly. iteratec is one of the first protagonists for the use of iterative and agile methods in software development,

Short distances, flat hierarchies and a culture of open doors promote team spirit in the company. The iteratec project teams are always a balanced mixture of experience and committed pioneering spirit. Customers know and appreciate that. Customers such as Audi, BMW, Daimler, Lufthansa, Deutsche Bahn, Otto and many other well-known companies appreciate the high level of expertise of the team and entrust iteratec with challenging and diverse projects.

The greatest possible competence is a necessary prerequisite for long-term top performance in a very dynamic and highly demanding market. "Competence that takes the strain" - under this motto, iteratec always strives to support its customers and to deliver innovative and at the same time appropriate solutions for complex tasks. Iteratec's customers are increasingly confronted with technological changes. These are very often initiated by innovations in information technology. Prominent examples of this are;

- the increasing digitization in all economic and private areas of life,
- the networking between the companies and thus the relocation of business processes across company boundaries,
- dealing with cloud computing,
- the increasing requirements in the area of IT security,
- the topics: machine learning, data analytics and big data,
- the technical networking of intelligent devices (Internet of Things, Industry 4.0 ...).

These technologies will lead to massive changes in the economy and society in the future. They enable companies to have opportunities, but in many cases also represent business-critical risks. Iteratec helps its customers in dealing with these technologies and changes in such a way that the customers can use these technologies profitably, in turn for their customers.

The business areas in detail:**Technology consulting**

A solid further development of IT requires well-founded decisions about the use of technologies, architectures and tools, iteratec supports you in the selection as well as in evaluations and market research. Best practices shorten the decision-making process. Iteratec creates the basis for further improvements with technical reviews.

- Selection and evaluation of technologies
- Tool and product selection
- Design and evaluation of software architectures
- Implementation of innovation projects together with the iteratec Innovation Lab
- Creation of MVP's (Minimum Viable Products)
- Creation and verification of technical concepts
- Coaching and training of project teams

Implementation of IT projects

On the basis of professional project management, iteratec develops appropriate software systems in different technologies. From the conception to the rollout, iteratec takes over all work steps. Modern software engineering with high quality standards through all phases of the life cycle is just as important as a tailor-made migration of the old systems.

Projects are under high cost and time pressure. Iteratec ensures project success with project experience, its own process model and iteratec engineering. The takeover of complete software and infrastructure projects round off the offer.

- Conception, implementation and further development of software systems
 - Implementation of strategic, professional and technical concepts
 - Software development
 - Integration and migration of individual or product-based software landscapes
- Design and construction of infrastructures

II. Economic report

1.) Macroeconomic and industry-specific framework conditions

1.1) Overall view of the German economy 2017 ¹

The good economic development from 2016 and the associated solid and steady economic growth continued in 2017 and even increased.

Price-adjusted GDP grew by 2.2% in 2017 compared to 2016, making the German economy the eighth year in a row. Compared to previous years, the pace could be increased again. In 2016, GDP had already increased significantly by 1.9% and in 2015 by 1.7%. A longer-term view shows that German economic growth in 2017 was almost one percentage point above the average of the last ten years of + 1.3%. The largest increase in price-adjusted gross value added was achieved in the information and communication service area, at 3.9% (compared to 3% in the previous year). Iteratec's activities are fully assigned to this service area.

The main reasons for the positive growth impulses in 2017 came primarily from Germany; such as B. the increase in private consumption expenditure by 2%, that of the state consumption expenditure by 1.4% and the increase in gross fixed capital formation by 3%. This now also applies to the entire EU with 28 countries with a real increase in GDP of 1.8%.

In connection with the good economic development, a new high in the number of people in employment since reunification was reached again in 2017. The economic output was achieved on average in 2017 by around 44.3 million people in employment based in Germany. That was about 640 thousand people or 1.5% more than a year earlier with 43.6 million people in employment. This means that the increase in employment in 2017 was significantly higher than in 2016, when the number of people in employment grew by around 500 thousand people or 1%. This increase results from an increase in employment subject to social security contributions.

1.2) Overall view of the German ICT industry and software market in 2017 ²

According to statistics from the industry association BITKOM, total sales in the ICT industry increased by 2.2% to around € 161 billion compared to 2016. Business in the software area showed the strongest growth with an increase of 6.3%. Information technology remains the most important pillar of growth with a share of 53% in the ICT market and an increase of 3.9% compared to 2016.

Software and IT services, which include IT consulting and project business, account for around 38% of total sales in the ICT sector, at € 62 billion. The increase in sales compared to 2016 was 3.9%.

¹ Source: Federal Statistical Office

² Source: BITKOM

According to statistics from the industry association BITKOM, the number of employees in Germany in the ICT industry increased by around 45,000 to 1,134,000 in the reporting year compared to 2016. This trend is expected to continue and a further 42,000 new ones in 2018 Jobs are created and also filled. According to Bitkom President Achim Berg, the job growth could be even higher if more skilled workers were available.

2.) Course of business and situation

2.1.) Company development

iteratec has been growing continuously since it was founded in 1996 and has been generating profits every year since then. The positive economic development was not only continued in the year under review, it was even increased considerably. The increase in total output from 2016 to 2017 was 16.8% (compared to the increase from 2015 to 2016 of 12.7%). The gross profit increased by 15.6% (compared to the increase from 2015 to 2016 of 9.8%). The level of growth depends primarily on the recruitment of new, highly qualified employees. Due to enormous efforts in personnel acquisition, a number of highly qualified IT specialists and consultants were newly hired in 2017. New hires usually lead to increased internal expenses as part of the induction process. Despite the increase in the number of employees, the overall occupancy rate could be kept at roughly the same level as in 2016.

The use of external partners in projects is not iteratec's business model. The focus is on the customer's requirements. In individual cases, certain special skills are required that are not fulfilled by the company's own employees. Personnel requirements in the projects often have to be met at very short notice. Due to increasing competition from other larger system houses and from user companies, recruiting employees became even more difficult in the year under review. Overall, the needs from the projects were higher than the available permanent employees. This gap could only be closed by increasing the use of external forces. The share of external services in total output therefore increased to 14.4% in the year under review compared to 13.5% in the previous year. The total share of sales in 2017 was around € 5.3 million compared to € 4.3 million in 2016, which is 1 million higher (+ 24.8%). Among other things, this led to the decision to open a new branch in Breslau (Wrocław / Poland) in the reporting year. In particular due to the very high number of highly qualified graduates in the field of computer science, the labor market situation in Wrocław is even more relaxed compared to Germany and Austria. In addition, due to the geographical location of Wrocław and the historical development of the city and the region,

The business figures in detail:

The gross profit in the reporting year was € 32,200 thousand compared to € 27,853 thousand in 2016.

2.2.) Financial position

The balance sheet total as of December 31, 2017 was € 20,980 thousand (2016: € 17,564 thousand). Of this amount, € 2,309 thousand is attributable to fixed assets, € 18,450 thousand to current assets and € 221 thousand to prepaid expenses. The ratio of fixed assets to total assets is around 11% (2016: 4.3%).

Investments in fixed assets amounted to around € 2,122 thousand (2016: € 428 thousand).

In addition to equity of € 10,017 thousand (2016: € 9,074 thousand), the liabilities side consists of provisions of € 6,350 thousand and liabilities of € 4,613 thousand. Of the provisions, € 315 thousand was attributable to pension provisions, € 519 thousand to tax provisions and € 5,516 thousand to other provisions. Own funds account for 47.7% (2016: 51.7%) of the balance sheet total. No deferred taxes are reported.

The trade payables amount to 4.4% of the balance sheet total and are completely covered by liquid funds.

Against the background of the future planned development of business operations, adequate equity capital remains a goal of the shareholders.

2.3.) Financial position

The company's financial position in the year under review is in order. The cash flow from operating activities: € 697 thousand (2016: € 1,140 thousand), netted with your cash flow from investing activities: minus € 2,095 thousand (2016: minus € 425 thousand), resulted in a change in cash and cash equivalents of minus 2,398 thousand. € (2016: minus € 285 thousand).

2.4.) Profit situation

The annual surplus was € 1,943 thousand compared to € 1,367 thousand in 2016. This is an increase of 42%. At the same time, the EBIT rate increased from 7.3% in 2016 to 8.5% in 2017.

Iteratec had 252 permanent employees on the reporting date, December 31, 2017, compared to 235 employees on December 31, 2016. The number of employees according to commercial law (Section 267 Paragraph 5 and 285 No. 7 HGB) was 300 in 2017 compared to 227 in the previous year.

Personnel costs increased to € 23,141 thousand in 2017 compared to € 20,369 thousand in the previous year. The appropriate return on equity expected by the shareholders is guaranteed.

III. Branch report

Iteratec has branches in Frankfurt, Hamburg, Stuttgart and Vienna as well as a subsidiary, kobaltblau AG (formerly iteratec AG), in Switzerland (Zurich) and iteratec Sp. Z oo based in Breslau (Wrocław / Poland).

IV. Forecast report

Increasing investments in the ICT sector can also be expected in 2018.

The technological innovations and the increasing digitization of business processes and business models are leading to an increased demand for IT experts in the current year. Iteratec's competency density as well as the increasing internal promotion of innovative strength offer the best basis for serving this demand with highly qualified IT experts and consultants. However, the acquisition of personnel will become even more difficult and is still the greatest challenge for a future-proof business development.

Against the background of the challenges and the operational risks, iteratec expects a further increase in sales for the 2018 financial year. The growth in total output in the current year will probably be in the range of 6% - 8%. The growth forecast of 6% - 8% in the previous year was exceeded in the reporting year (increase of 16.8%).

The order backlog as of the balance sheet date was around € 15 million.

A comparable result is calculated for the 2018 financial year as in the reporting year.

The company continues to expect positive development in the following years.

V. Opportunities and risks of future development

1.) Risk report

Risks from the general market situation

According to the BITKOM press report of February 14, 2018, digitization continues to create new jobs in Germany. In 2018, 40,000 additional jobs are expected to be created in the ICT industry. The Bitkom digital association announced this on the basis of current calculations. According to this, 1,134,000 people will be employed in the industry at the end of 2018. This corresponds to an increase of 3.8% compared to the end of 2017. The areas of software and IT services are growing the most. Overall, the industry recorded stable growth. Sales are expected to increase by 1.7% to 164 billion euros in 2018.

The expected disruptive changes harbor considerable risks for established business models and thus call into question the right to exist of companies and even entire industries. If companies are not able to react to the changes with the necessary flexibility and resilience, they run the risk of losing their core business content (e.g. through the loss of customer relationships). On the other hand, there are also opportunities for new business content that is increasingly shaped by technology. The digital transformation will create winners and losers.

Since technological change is also largely shaped by the use of IT, this will lead to an even greater need for IT experts in the future. Software houses and IT service providers who can meet this need and actively shape it with innovative solutions are more likely to be among the winners.

It is therefore strategically absolutely necessary that iteratec continues to be an innovation driver in the context of the digital revolution. iteratec is currently meeting the demands of customers and the market to shape and advance technical innovation and the utilization of technologies. To ensure that this is also guaranteed in the future, measures have been implemented to increase our own innovative strength and also to make corporate management more flexible.

This includes, among other things:

- The creation of freedom for all employees to work independently and without control on innovative ideas and topics.

The iteratec team has these skills and is given the necessary freedom to develop new ideas for its customers. For this purpose, iteratec has its own hackathons (called iterathons) or participates in those of the customers. In the meantime, many of the resulting ideas have become valuable contributions to the company's success (for example the now award-winning OpenSpeedMonitor, the Synapse tool or the iteraHub, an iteratec internal communication platform). In order to give these innovative ideas even more space, iteratec successfully continued the Innovation Frei-Day in 2017.

- Development of a student lab.

Initial ideas for attracting more students and interns from previous years were consistently pursued and implemented in 2017. The Studi-Lab established in 2016 was enlarged and further expanded in 2017. This employs an average of around 50 students and interns. The students are trained within the framework of innovation and research projects by iteratec colleagues or even experienced students and are integrated bit by bit into the professional software development projects.

- The continuous further development of the corporate culture and corporate values.

The iteratec value system is based on openness, fairness, transparency, appreciation and justice. In order to further develop these values in dialogue with all colleagues of the company and to make values tangible, iteratec initiated the seminar format Augenhöhe @ iteratec. It is about the iteratec management culture. The seminar is offered to all iteratec employees regardless of age, professional experience, training, role, length of service, etc. and is carried out by the founders themselves.

- The establishment of internal innovation processes.

Starting at the beginning of 2017, an innovation core team was established in the company under the direct operational management of a managing director. The main task of this core team is to bundle all of the innovation activities and translate them into specific projects. Lean start-up methods are used here.

All measures contribute to creating a working atmosphere in which creativity and innovation are promoted in the best possible way. At the same time, we are increasing the attractiveness of iteratec in universities and technical colleges.

Operational risk

Iteratec's good reputation on the market, recommendations from existing customers and the expansion of networks in the industry led to an increase in inquiries from existing customers and new customers to trust iteratec's services in 2017. Overall, we succeeded in expanding our customer base by around 27 new customers in the year under review. On the other hand, around 32 customer projects from 2016 were successfully completed without follow-up orders to iteratec GmbH. Of these, however, around 12 customers placed follow-up orders with the sister company kobaltblau Management Consultants GmbH in the year under review. The total customer base is thus nominal and adjusted for customers,

The distribution of sales by industry in the reporting year was as follows:

- Automotive	42%
- Finance & Insurance	12%
- Transport & logistics	10%

- Energy	11%
- Trade	4%
- aviation	4%
- rest (industry, public sector, IT, ...)	17%

The dependency on individual customers was further reduced in the last financial year. In addition, the total share of sales with customers from the automotive industry was reduced from 47% in 2016 to 42% in the reporting year. Operational risks due to a focus on this industry could thus be largely eliminated, especially since the German automotive industry has been in an excellent competitive position worldwide for many years. It is countering the expected change in the direction of self-driving vehicles and a higher proportion of electromobility with considerable innovations in technological change and digitalization. Iteratec is also involved in various projects.

Despite a good mix of industries, it is important for iteratec to further diversify the industry and customer base in the future. The expertise and good reputation gained in the field of innovation and technology from the automotive industry is a good starting point for gaining the trust of new customers.

The following measures were taken to reduce operational risks:

- Expansion of the customer base in various industries
- Strengthening the acquisition of medium-sized customers
- Expansion of the range of services in the field of innovation consulting and innovation development by opening the iteratec Innovation Lab for cooperation with customers
- Strengthening the iteratec brand by focusing on our core competencies and specifying our service portfolio
 - Stronger internal identification with our brand core
 - Consistent external presentation via the brand contact points
- Increase in hourly rates
- Reduction of the proportionate internal administration costs through increasing IT process support and greater focus on the needs of customers
- Targeted investment in promising topics such as B. machine learning, blockchain technology, IOT, cloud computing, ...
- Strengthening innovative strength through internal processes and freedom as well as partnerships with start-up companies and universities

Personnel risks

The need for IT specialists in 2017 was again not adequately covered by IT service providers. The same applied to iteratec. The project inquiries and opportunities exceed the available capacities. In addition to the general lack of qualified IT staff in Germany, iteratec places particularly high demands on its employees, which only a relatively small number of candidates can meet. The immense competition for highly qualified skilled workers in turn leads to higher expenses in the search for personnel as well as to an increase in personnel costs.

The basis for the success and constant growth of iteratec is the excellent team and the employee-oriented corporate culture. Iteratec regularly conducts employee surveys in order to be able to further develop the further training offer, health care and social benefits in a targeted manner. The company has received multiple awards in various categories as a "Great Place to Work". In addition to project business, the team is also very committed to the further development of the company and works independently on new ideas, for example as part of the Innovation Free Day and technologies.

The unavailability of our own qualified employees is one of the main risks for sustainable business development. A key measure to counteract this risk was the establishment of the new office in Breslau (Wroclaw / Poland) in the year under review. This was organizationally built up in 2017 so that operations could start in 2018. The availability of highly qualified and German-speaking IT experts at the Breslau location offers iteratec the opportunity to further expand the group of colleagues while maintaining the existing and very high competence requirements. Iteratec Sp. Z oo, based in Breslau (Wroclaw / Poland), already had four employees at the end of 2017.

Another essential measure to increase iteratec's attractiveness on the applicant market is the provision of appropriate, easily accessible and attractive workspaces. With great care and with the involvement of the employees, new business premises were searched for at a total of four locations in 2017 and designed to be appealing. Open work structures were created that promote collaboration and communication in the teams. At the same time, great importance was attached to enabling undisturbed work through appropriate noise protection measures. In 2017, the company moved into new business premises in Munich, Vienna, Stuttgart and Hamburg.

In addition, the measures already started in previous years were further strengthened:

- Development, specification and strengthening of the iteratec brand
- Greater relocation of development projects to virtual teams at different iteratec locations
- Intensification of employee acquisition through participation in recruiting fairs and support from personnel consultants
- Stronger active presence in digital media (especially Twitter, Facebook, XING, LinkedIn, ...)
- Intensification of personnel marketing
- Consistent application of a stringent applicant selection process
- Appropriate and fair salary models
- Making full use of employee benefits (e.g. health care programs, allowances for meals, travel expenses, JobRad, ...)
- Increasing presentation of the internal corporate culture to the outside world. (e.g. iteratec website: "iteratec insight")
- Intensification of the cooperation with universities and research institutions as well as the recruitment of working students and interns and the awarding and supervision of diploma theses
- Participation in employer branding competitions such as Great Place to Work

The measures resulted in further highly qualified employees being hired in 2017.

Unterhaching, May 5th, 2018

Klaus Eberhardt, managing director

Mark Goerke, managing director

Michael Schulz, managing director

Balance sheet as of December 31, 2017

ASSETS

	December 31, 2017	December 31, 2016
	€	€
A. Fixed assets		
I. Intangible Assets		
EDP software	45,830.00	38,157.00
	45,830.00	38,157.00
II. Tangible assets		
Other equipment, factory and office equipment	2,188,347.00	652,723.00
Payments on account and assets under construction	0.00	26,783.56
	2,188,347.00	679,506.56
III. Financial assets	75,722.00	40,000.00
B. Current Assets		
I. Receivables and other assets		
1. Trade accounts receivable	9,024,443.17	6,208,101.17
2. Receivables from affiliated companies	645,156.15	757,341.25
3. other assets	3,411,329.58	1,835,730.91
	13,080,928.90	8,801,173.33
II. Cash in hand, bank balances	5,367,782.34	7,767,002.56
	5,367,782.34	7,767,002.56
C. Prepaid expenses	220,973.32	238,607.12
	20,979,583.56	17,564,446.57

LIABILITIES

	December 31, 2017	December 31, 2016
	€	€
A. Equity		
I. Drawn capital	200,000.00	200,000.00
II. Profit carried forward	7,874,199.41	7,506,840.19
III. Annual surplus	1,942,792.13	1,367,359.22
	10,016,991.54	9,074,199.41
B. Provisions		
1. Provisions for pensions and similar obligations	314,934.93	0.00
2. Tax provisions	518,702.00	0.00
3. other provisions	5,515,684.00	4,617,688.00
	6,349,320.93	4,617,688.00
C. Liabilities		
1. Advance payments received	1,350,579.47	946,752.00
2. Trade accounts payable	923,256.02	875,221.18
3. other liabilities	2,339,435.60	1,934,593.98
	4,613,271.09	3,756,567.16
D. Deferred Taxes	0.00	115,992.00
	20,979,583.56	17,564,446.57

Income statement for the period from 01/01/2017 to 12/31/2017

	2017	2016
	€	€
RAW EARNINGS	32,200,020.19	27,853,553.64
Personnel expenses	-23,141,354.31	-20,369,900.04
Depreciation on intangible assets and property, plant and equipment	-504,294.52	-272,623.29
Other operating expenses	-5,113,951.53	-4,933,048.45
	3,440,419.83	2,277,981.86
Interest and similar income	91,871.86	66,145.76
Depreciation on financial assets	0.00	-41,600.00
Interest and similar expenses	-408,886.95	-41,539.51
EARNINGS BEFORE TAXES	3,123,404.74	2,260,988.11
Taxes on income and earnings	-1,178,281.82	-873,785.50
RESULT AFTER TAXES	1,945,122.92	1,387,202.61
other taxes	-2,330.79	-19,843.39
ANNUAL PROFIT	1,942,792.13	1,367,359.22

Appendix for the financial year 2017

I. General information

Iteratec GmbH is based in Munich and is entered in the commercial register at the Munich Local Court (Reg. No. B 113519).

The company is a medium-sized corporation i. S. v. Section 267 of the German Commercial Code.

II. General information on the content and structure of the annual financial statements

The annual financial statements were prepared in accordance with the provisions of the Commercial Code in the version of the Accounting Directive Implementation Act (BilRUG).

The financial statements include the balance sheet, the income statement and the notes. The income statement is prepared using the total cost method.

III. Accounting and valuation principles

1. Intangible assets

The intangible fixed assets acquired against payment are valued at acquisition cost and are depreciated on a straight-line basis over their normal useful life.

2. Property, plant and equipment

Tangible fixed assets are valued at acquisition cost less scheduled depreciation. For items with a limited useful life, depreciation is determined using the straight-line depreciation method.

Additions to movable fixed assets are depreciated pro rata temporis.

Low-value assets with individual acquisition costs of up to € 150.00 are written off in full in the year of acquisition. Low-value assets with acquisition costs of more than 150.00 to 410.00 euros are shown in the schedule of assets and depreciated immediately.

3. Financial assets

Financial assets are valued at acquisition cost or the lower applicable value.

4. Inventories

Work in progress is shown under inventories. The evaluation was carried out with the production costs. The advance payments received are openly deducted from the inventories, exercising the option under Section 268 (5) 5.2 HGB. Insofar as the advance payments received exceed the partially completed services, these are shown as liabilities.

5. Receivables and other assets

Receivables and other assets are capitalized at their nominal values. Identifiable individual risks are taken into account by means of value adjustments, if necessary. The general credit risk is taken into account by means of a general bad debt allowance.

6. Liquid funds

Liquid funds are shown at their nominal values.

7. Active prepaid expenses

Expenditures before the reporting date are shown as prepaid expenses on the assets side, insofar as they represent expenses for a certain period of time after this day.

8. Equity

The subscribed capital corresponds to the share capital according to the articles of association as well as the entry in the commercial register and is paid in full.

9. Provisions for pensions

The pension provisions are valued according to the projected unit credit method. The interest rate on which the calculation is based is 3.68%.

If plan assets were withdrawn from access to all other creditors on December 31, 2017, they will be offset.

10. Other provisions

The other provisions have been set up for all identifiable risks and uncertain obligations based on prudent business judgment. Provisions with a remaining term of more than one year were discounted in accordance with the provisions of the BilMoG.

11. Liabilities

The liabilities are generally stated with their repayment or fulfillment amounts.

IV. Information on the balance sheet

1. Fixed assets

The composition and development of fixed assets is shown in the schedule of fixed assets in Appendix IV.

The company holds shares of at least 20% in the following companies:

	proportion of	Equity December 31, 2017	Annual result 2017
	%	T €	T €
kobaltblau Management Consultants AG, Zurich	* 100	-1,201	136
iteratec Sp.z oo, Wroclaw	100	-31	-67

* Iteratec AG, Zurich, was renamed kobaltblau Management Consultants AG in the reporting year.

2. Inventories

The unfinished services of T € 2,097 netted with the advance payments received (T € 2,097) result in a value of T € 0. The excess advance payments are shown under liabilities C. 1..

3. Receivables and other assets

As in the previous year, the customer receivables have a remaining term of up to one year. The other assets contain receivables with a remaining term of more than one year in the amount of T € 696 (previous year: T € 318).

4. Subscribed capital

The subscribed capital shown as share capital amounts to € 200,000.00.

5. Provisions

a) The pension provisions were valued according to the projected unit credit method (PUCM) based on an actuarial interest rate of 3.68%. An expectancy trend is not taken into account.

Reinsurance policies that serve exclusively to meet the pension obligations and are not accessible to all other creditors (plan assets within the meaning of Section 246 (2) sentence 2 of the German Commercial Code (HGB)) have a fair value of T € 3,771 with pension obligations of T € 4,086 offset.

In the previous year, this was shown as assets (T € 196) if plan assets exceeded the pension provisions.

The discounting of the pension provisions with the average market interest rate of the past ten years results in a difference of T € 832 in comparison to the discounting with the average market interest rate of the past seven years according to § 253 Paragraph 6 S. 1 HGB. This difference is for the distribution is blocked.

b) The other provisions essentially include provisions for bonuses in the amount of T € 2,157 (previous year: T € 1,478), vacation and overtime in the amount of T € 2,293 (previous year: T € 1,867) and services still to be provided in the amount of T € 842 (previous year: T € 1,013).

6. Liabilities

	As of December 31, 2017		
	with a remaining term		
	up to 1 year	up to 5 years	more than 5 years
	€	€	€
1. Advance payments received	1,350,579.47	0.00	0.00
	(Previous year: T € 947)		
2. Trade accounts payable	923,256.02	0.00	0.00
	(Previous year: T € 875)		
3. other liabilities	2,339,435.60	0.00	0.00
	(Previous year T € 1,935)		
- of which from taxes:	2,253,533.83	0.00	0.00
	(Previous year T € 1,829)		
- of which in the context of social security:	17,484.48	0.00	0.00
	(Previous year T € 14)		
	4,613,271.09	0.00	0.00

The liabilities are not secured by mortgages.

7. Deferred Taxes

There are deviations between the commercial and tax valuations for pension, vacation and overtime provisions, which lead to deferred tax assets of € 197 thousand. Activation does not take place due to the identification option in accordance with Section 274 (1) sentence 2 of the German Commercial Code (HGB).

V. Explanations of the income statement

Personnel expenses	€
The personnel expenses are made up as follows:	
a) Wages and salaries	19,805,218.91
b) social security contributions and expenses for pensions and benefits	3,336,135.40
	23,141,354.31

VI. Other Information

1. Contingent liabilities and other financial obligations

As of December 31, 2017, there were contingent liabilities from guarantees in the amount of € 776 thousand.

The other financial obligations from rental, leasing and maintenance contracts amount to a total of T € 12,565.

2. Management

- The managing directors in the 2017 financial year were Mr. Klaus Eberhardt, computer scientist, Oberhaching, Mark Goerke, mathematician, Munich, and Michael Schulz, computer scientist, Hamburg.
- Use is made of the safeguard clause in Section 286 (4) of the German Commercial Code (HGB).

3. Employees

In the year under review, the company had an average of 300 (previous year 227) employees.

4. Events of particular importance after the reference date

There were no events of particular importance.

Munich, April 30, 2018

Klaus Eberhardt

Mark Goerke

Michael Schulz

The annual financial statements as of December 31, 2017 were adopted by resolution of the shareholders' meeting on July 21, 2018.

Fixed asset movement schedule for the 2017 financial year

	01/01/2017	Acquisition and production costs		December 31, 2017
		Accesses	Departures	
	€	€	€	€
1. Intangible assets				
EDP software	194,474.42	38,684.29	2,559.79	230,598.92
II. Tangible assets				
Other equipment, factory and office equipment	2,115,646.36	2,047,941.23	500,307.93	3,663,279.66
Advance payments made, assets under construction	26,783.56	0.00	26,783.56	0.00
III. Financial assets				

	Acquisition and production costs			
	01/01/2017	Accesses	Departures	December 31, 2017
	€	€	€	€
Shares in affiliated companies	83,383.33	35,722.00	0.00	119,105.33
	2,420,287.67	2,122,347.52	529,651.28	4,012,983.91
		Accumulated depreciation		
	01/01/2017	Accesses	Departures	December 31, 2017
	€	€	€	€
1. Intangible assets				
EDP software	156,317.42	17,894.29	2,557.79	171,653.92
II. Tangible assets				
Other equipment, factory and office equipment	1,462,923.36	486,400.23	461,275.93	1,488,047.66
Advance payments made, assets under construction	0.00	0.00	0.00	0.00
III. Financial assets				
Shares in affiliated companies	43,383.33	0.00	0.00	43,383.33
	1,662,624.11	504,294.52	463,833.72	1,703,084.91
		Book values		
		December 31, 2017		December 31, 2016
		€		€
1. Intangible assets				
EDP software			58,945.00	38,157.00
II. Tangible assets				
Other equipment, factory and office equipment			2,175,232.00	652,723.00
Advance payments made, assets under construction			0.00	26,783.56
III. Financial assets				
Shares in affiliated companies			75,722.00	40,000.00
			2,309,899.00	757,663.56

Auditor's report

We have audited the annual financial statements, including the bookkeeping, and the management report of iteratec GmbH for the financial year from January 1 to December 31, 2017. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions in the articles of association are in the responsibility of the company's legal representatives. 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). According to this, 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 compliance with the principles of proper bookkeeping and the management report are given with reasonable assurance 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 evidence of 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 the assessment of the accounting principles used and the significant estimates made by the legal representatives as well as the appraisal of 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 the supplementary provisions of the articles of association and, in compliance with the principles of proper accounting, give a true and fair view of the company's asset, financial and earnings position. The management report is consistent with your 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.

Munich, May 10, 2018

OTG Ortenburg Treuhand GmbH
auditing company

Moritz Graf zu Ortenburg, auditor

The auditor's report relates to the complete annual financial statements.