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Z-LASER GmbH Freiburg im Breisgau	Accounting/ Financial Reports	Annual financial statements for the financial year from January 1st, 2021 to December 31st, 2021	03/17/2023

**Z-LASER GmbH**

Freiburg in Breisgau

**Annual financial statements for the financial year from January 1st, 2021 to December 31st, 2021****Balance sheet as of December 31, 2021**

(according to § 327 HGB)

**active side**

	EUR	Previous year EUR
A. Fixed assets		
I. Intangible assets	51,568.67	25,363.65
II. Tangible assets	894,181.79	782,935.94
III. financial assets	256,039.46	103,204.47
	1,201,789.92	911,504.06
B. Current Assets		
I. Inventories	3,145,974.14	2,824,861.34
II. Receivables and other assets	1,972,032.40	1,713,639.99
III. Cash on hand, bank balances	1,298,845.86	718,598.11
	6,416,852.40	5,257,099.44
C. Prepaid expenses	38,468.04	25,884.30
	7,657,110.36	6,194,487.80

**passive side**

	EUR	Previous year EUR
A. Equity		
I. Drawn capital	100,000.00	100,000.00
II. Capital Reserve	250,000.00	0.00
III. retained earnings:		
Other retained earnings	450,000.00	450,000.00
IV. Profit carried forward	3,378,214.94	2,699,993.29
V. Net Income	988,871.81	678,221.65
	5,167,086.75	3,928,214.94
B. Provisions	1,417,101.00	1,621,748.59
C. Liabilities	1,071,122.61	619,524.27
D. Accruals and Accruals	1,800.00	25,000.00
	7,657,110.36	6,194,487.80

**Profit and Loss Account for the period from January 1, 2021 to December 31, 2021**

**(according to § 327 HGB)**

	EUR	EUR	Previous year EUR
1. Raw Score		10,042,527.71	8,071,723.25
2. Personnel expenses:			
a) Wages and salaries	5,134,272.53		4,180,847.14
b) Social security contributions and expenses for pensions and for assistance	871,462.56		763,916.42
- of which for pensions EUR 13,984.08 (previous year EUR 7,675.61)		6,005,735.09	4,944,763.56
3. Depreciation of intangible assets and property, plant and equipment		293,939.04	271,599.85
4. Other operating expenses			
- Expenses from currency translation	69,001.45		125,448.47
- rest	2,222,798.58		1,727,951.43
		2,291,800.03	1,853,399.90
		1,451,053.55	1,001,959.94
5. Other interest and similar income	1,558.28		316.24
- thereof from affiliated companies EUR 1,528.53 (previous year EUR 310.49)			
6. Depreciation of Financial Assets	0.00		1,222.97
7. Interest and Similar Expenses			
- Expenses from discounting	8,658.00		10,319.00
- rest	7,416.18		1,733.38
	16,074.18		12,052.38
		-14,515.90	-12,959.11
		1,436,537.65	989,000.83
8. Income taxes		447,029.17	309,528.18
9. Earnings after tax		989,508.48	679,472.65
10. Other Taxes		636.67	1,251.00
11. Net Income		988,871.81	678,221.65

**Notes as of December 31, 2021****(according to § 327 HGB)****I. General information on the annual financial statements and on accounting and valuation methods****1. General**

The annual financial statements of Z-LASER GmbH, Freiburg im Breisgau ("Company"), district court Freiburg i.Br. HRB 3451 was created in EUR in accordance with the provisions of the Commercial Code (HGB) and the Law on Limited Liability Companies (GmbHG) applicable to corporations. The income statement has been prepared using the nature of expense method. The company is a medium-sized corporation within the meaning of Section 267 HGB.

**2. Accounting and valuation methods**

The annual financial statements contain all assets, debts, prepaid expenses, special items, 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 of the German Commercial Code.

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

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. Unless expressly required by law, 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.

Purchased intangible fixed assets are valued at acquisition cost less scheduled straight-line depreciation. The useful life is regularly taken as a basis of two to six years, unless a different period, e.g. B. results from the term of a patent.

Property, plant and equipment are stated at acquisition or production cost less scheduled straight-line depreciation based on use. In addition to the directly allocable costs, the manufacturing costs of self-constructed plants also include a proportionate share of overheads and depreciation. The useful life of movable property, plant and equipment is 3 to 20 years. For low-value assets, the company applies the provisions of Section 6 (2) of the Income Tax Act. Accordingly, low-value assets with acquisition costs of up to EUR 800 are fully depreciated in the year of acquisition, with disposal also being assumed in the year of acquisition.

Financial assets are stated at acquisition cost, taking into account the lower of cost or market principle.

If the value of fixed assets determined according to the above principles is higher than the value to be attributed to them on the balance sheet date, this is taken into account through unscheduled depreciation. If the reasons for unscheduled depreciation carried out in previous financial years no longer exist, the value is reversed, unless goodwill was acquired for a consideration.

Assets that are used exclusively to meet obligations from pension commitments and that are not accessible to all other creditors are measured at fair value and offset against the respective underlying obligation. For details, please refer to the statements under the disclosures on the balance sheet.

Inventories are stated at acquisition or production cost using permissible valuation simplification methods or at lower applicable values. In addition to the directly attributable costs, the production costs also include production and material overheads as well as depreciation.

Receivables are stated at the nominal value or at the lower of cost or current market value. In the case of receivables, recognizable individual risks are taken into account through value adjustments. The general credit risk is taken into account with a general value adjustment of 2% (previous year 2%) for receivables.

Cash and cash equivalents are valued at the lower of cost or current market value.

The option to capitalize deferred taxes for the overall resulting tax relief is not exercised. Deferred tax assets and liabilities are netted in the balance sheet. Deferred taxes are calculated at a tax rate of 30.9% (previous year 30.9%).

For the valuation of the pension obligations, please refer to the explanations under the disclosures on the balance sheet.

The other accruals take into account all identifiable risks and uncertain obligations and are recognized at the settlement amount necessary according to prudent business judgement, taking into account expected future price and cost changes. Provisions with a remaining term of more than one year are discounted using the average market interest rate specified by the Deutsche Bundesbank for the same period.

The remaining assets and liabilities are valued at their nominal value or settlement amount.

Receivables and liabilities in foreign currencies are valued at the exchange rate on the day of the transaction as part of the initial valuation. Losses from exchange rate changes up to the balance sheet date are always taken into account, gains from exchange rate changes are only taken into account for remaining terms of one year or less.

## II. Information on the balance sheet and profit and loss account

### 1. balance sheet

#### Capital assets

The development of fixed assets is shown in the appendix to the notes.

#### share ownership

As of December 31, 2021, the company held investments within the meaning of Section 271 (1) HGB in the following companies:

Surname	Seat	Shareholding	Equity 12/31/2021	Results for the 2021 financial year
Z-LASER Italia Srl	Cologno Monzese, Italy	77.5%	EUR 640,595.00	EUR 173,006.00
Z-LASER AMERIQUES INC.	Montreal, QC/Canada	100.0%	CAD -259,080.00	CAD 107,313.00 *)
Z Laser Inc.	Atlanta, GA/USA	100.0%	\$1,000.00	\$0.00 **)

\*) Conversion rate as of December 31, 2021 1 EUR = 1.4393 CAD, annual average rate 2021 1 EUR = 1.4826 CAD

\*\*\*) Exchange rate as of December 31, 2021 1 EUR = 1.1326 USD, annual average rate 2021 1 EUR = 1.1827 USD

The company was incorporated on June 2, 2020 with a registered capital of USD 1,000.00 and has not yet started operations.

#### Receivables and other assets

Receivables and other assets include receivables from affiliated companies in the amount of EUR 620 thousand (previous year: EUR 614 thousand).

Of the receivables and other assets, an amount of EUR 21k (prior year: EUR 28k) has a remaining term of more than one year.

#### Equity capital

From the 2021 financial year, the items "profit carried forward" and "net income" will be reported within equity instead of the item "distributable profit" reported in the previous year. In the balance sheet as of December 31, 2021, the prior-year figure was adjusted accordingly.

#### Provisions for pensions and similar obligations

The projected unit credit method was used as the actuarial calculation method. The calculation was based on the following assumptions:

	12/31/2021
Interest rate (according to the simplification rule § 253 para. 2 sentence 2 HGB)	1.87%
Expected wage and salary increases	0.0%
Expected pension increases	0.0%
Underlying mortality tables	Heubeck 2018 G

The difference between the valuation of the pension provisions based on the corresponding average market interest rate from the past ten financial years and that from the past seven financial years is EUR 17 thousand.

The following offsets were made for disclosure in the balance sheet:

	12/31/2021
	kEUR
Pension obligations at the settlement amount	394
Cover assets at fair value (acquisition costs EUR 30 thousand)	30
Balance sheet disclosure of pensions and similar obligations	364
Expenses and income from discounting and from the plan assets to be offset were offset as follows:	
	2021
	kEUR
income	0
expenditure	9
Disclosure in the income statement (under interest and similar expenses)	9
The fair value of the plan assets was determined using actuarial methods.	

**liabilities**

The information on liabilities is shown in the table below:

	remaining term			Total amount
	up to 1 year	more than 1 year up to 5 years	more than 5 years	12/31/2021
	EUR	EUR	EUR	EUR
Liabilities to credit institutions	151,858.24	52,153.59		204,011.83
	(previous year EUR 18k)	(previous year EUR 41k)		(previous year EUR 59 thousand)
Liabilities to shareholders	92,750.72	0.00		92,750.72
	(previous year EUR thousand -)	(previous year EUR -)		(previous year EUR thousand -)
Other liabilities	774,360.06	0.00		774,360.06
	(previous year EUR 561k)	(previous year EUR -)		(previous year EUR 561k)
	1,018,969.02	52,153.59	0.00	1,071,122.61
	(previous year EUR 579k)	(previous year EUR 41k)	(previous year EUR -)	(previous year EUR 620k)
			Type & Shape of	
			secured by liens and similar rights EUR	Security
Liabilities to credit institutions			*	
Liabilities to shareholders				
Other liabilities				Usual Reservations of Title

\* Global assignment of trade accounts receivable, bank deposits assigned as security, motor vehicles assigned as security

**III. Other Information****Other Financial Obligations**

Financial obligations from fixed-term rental and leasing contracts exist, insofar as they are not recognized, in the amount of EUR 3,236 thousand.

**organs of society****Managing directors**

Mr. Dipl.-Ing. (FH) Kiran Ramakrishnan, graduate engineer and sole managing director, since December 20, 2021;

Mr. Dipl.-Ing. dr Hans Ebinger, physicist and sole managing director, until December 20, 2021.

**Employees**

In the 2021 financial year, an average of 100 employees were employed in the following groups:

	2021	2020
Employee	62	49
Wage earners	38	45
	100	94

**Appropriation of earnings**

For the appropriation of the balance sheet profit as of December 31, 2021, the profit carried forward to new account is proposed.

**Consolidated financial statements, parent company**

Z-LASER GmbH, Freiburg im Breisgau, is included in the consolidated financial statements prepared by Exaktera, LLC, Wilmington, Delaware/USA (smallest group of companies); it will also be included in any consolidated financial statements prepared by Union Park Capital, Boston, Massachusetts/USA (largest group of companies). The consolidated financial statements may be available at the headquarters of the two parent companies.

**Freiburg im Breisgau, August 1st, 2022****Z-Laser GmbH, Freiburg im Breisgau****The Board****Kiran Ramakrishnan, Managing Director****development of the capital assets****(according to § 327 HGB)**

	Acquisition or production costs			As of December 31, 2021 EUR
	As of January 1st, 2021 EUR	additions EUR	departures EUR	
I. Intangible assets	286,520.71	49,186.74	0.00	335,707.45
II. Tangible assets	286,520.71	49,186.74	0.00	335,707.45
1. Technical installations and machines	1,905,919.35	238,017.25	3,829.68	2,140,106.92
2. Other equipment, fixtures and fittings	729,708.90	101,278.73	85,459.17	745,528.46
3. Payments on account and assets under construction	0.00	43,973.84	0.00	43,973.84
	2,635,628.25	383,269.82	89,288.85	2,929,609.22
III. financial assets				
1. Shares in affiliated companies	85,699.41	0.00	0.00	85,699.41
2. Loans to affiliated companies	25,062.98	166,766.77	13,931.78	177,897.97
3. Cooperative Shares	255.65	0.00	0.00	255.65
	111,018.04	166,766.77	13,931.78	263,853.03
	3,033,167.00	599,223.33	103,220.63	3,529,169.70
		depreciation		
			Changes in depreciation	
	As of January 1st, 2021 EUR	depreciation of the financial year EUR	in connection with departures EUR	As of December 31, 2021 EUR
I. Intangible assets	261,157.06	22,981.72	0.00	284,138.78
	261,157.06	22,981.72	0.00	284,138.78
II. Tangible assets				
1. Technical installations and machines	1,338,819.69	184,842.19	2,763.03	1,520,898.85
2. Other equipment, fixtures and fittings	513,872.62	86,115.13	85,459.17	514,528.58
3. Payments on account and assets under construction	0.00	0.00	0.00	0.00
	1,852,692.31	270,957.32	88,222.20	2,035,427.43
III. financial assets				
1. Shares in affiliated companies	0.00	0.00	0.00	0.00
2. Loans to affiliated companies	7,813.57	0.00	0.00	7,813.57
3. Cooperative Shares	0.00	0.00	0.00	0.00
	7,813.57	0.00	0.00	7,813.57
	2,121,662.94	293,939.04	88,222.20	2,327,379.78
		book values		
		As of December 31, 2021 EUR	As of December 31, 2020 EUR	
I. Intangible assets		51,568.67	25,363.65	
		51,568.67	25,363.65	
II. Tangible assets				

book values

	As of December 31, 2021	As of December 31, 2020
	EUR	EUR
1. Technical installations and machines	619,208.07	567,099.66
2. Other equipment, fixtures and fittings	230,999.88	215,836.28
3. Payments on account and assets under construction	43,973.84	0.00
	894,181.79	782,935.94
III. financial assets		
1. Shares in affiliated companies	85,699.41	85,699.41
2. Loans to affiliated companies	170,084.40	17,249.41
3. Cooperative Shares	255.65	255.65
	256,039.46	103,204.47
	1,201,789.92	911,504.06

## Management report as of December 31, 2021

### I. Company Fundamentals

#### A. Company's Business Model

Z-LASER GmbH ("company") is entered in the commercial register under HRB 3451, district court of Freiburg. The object of the company is the development, manufacture and sale of optoelectronic devices, in particular laser sources and beam systems. The company's registered office is at Merzhauser Strasse 134 in 79100 Freiburg, where the company operates in rented business premises.

Furthermore, Z-LASER GmbH holds the majority of shares in Z-LASER Italia Srl in Brugherio, Italy, and all shares in Z-LASER America Inc. in Ile Perrot, Quebec, Canada, both of which essentially operate as sales companies. In June 2020, another subsidiary, Z-LASER Inc., was founded in Atlanta, Georgia, USA, whose sole owner is Z-Laser GmbH; this subsidiary was not yet active in 2021.

As of December 31, 2021, the company employed 111 people, including 8 trainees.

Z-LASER GmbH is active in the following business areas:

- Laser for positioning
- Lasers for image processing
- laser projectors.

According to our industry knowledge, Z-LASER GmbH is one of the top 5 providers in Europe and North America in these fields of application.

Since the end of 2020, Z-LASER GmbH has been owned by Union Park Capital (UPC) from Boston in Massachusetts, USA. In December 2021, UPC acquired another laser and LED manufacturer headquartered in the USA. In the years that follow, UPC intends to group a portfolio of strategically appropriate companies around Z-LASER GmbH in order to build up a strong range of services for customers of industrial lasers and optical assemblies. In the medium and long term, this new ownership structure should help Z-Laser GmbH to play a stronger role in the world market and successfully continue the growth of the past decades.

#### B. Research and Development

Z-LASER GmbH develops lasers and laser projectors as well as customer-specific laser systems. The laser light is usually generated by a semiconductor laser diode and focused to the desired distance by suitable optics and projected onto the desired shape (line, cross, scale, etc.) or, in the case of a laser projector with galvanometric mirrors, moved on a specific path.

Z-LASER GmbH offers a wide range of standard products with a large number of variants (see [www.z-laser.com](http://www.z-laser.com)). This product portfolio is constantly being expanded and improved by the development department. Furthermore, Z-LASER GmbH offers the development of customer-specific laser assemblies, which are usually integrated into a customer's device or machine.

Since the technology used (laser, optics, electronics, software, etc.) is constantly evolving and since new applications for lasers are constantly emerging on the world market, the successful development of new laser systems is a very central and crucial activity at Z-LASER GmbH. Two departments deal with this activity:

- The development department with the disciplines optics, electronics, mechanical construction and software develops new laser products.
- The process technology department develops the manufacturing processes and systems required for these new products and oversees the start of series production of new products.

The most important development projects in the 2021 financial year were:

- The ramp-ups of customer-specific line lasers based on a MEMS mirror and the associated manufacturing technology
- The customer-specific development/variants of a 3D scanner family and the associated manufacturing technology
- The further development of a customer-specific fiber laser for metrological use

- The adaptation of the software and hardware of the ZLP2 laser projector to the needs of a new mechanical engineering customer.

At the end of the 2021 financial year, a total of 33 employees (including 3 trainees) and thus 29% of the workforce were working in the development and process technology departments. In particular, the structure in the software area for laser projectors is showing good results. In total, around EUR 1.9 million and thus 11.6% of annual sales were invested in research and development (personnel costs and material costs).

### C. Branch Offices

Apart from its location in Freiburg, Z-LASER GmbH has no other branches or locations.

## II. Economic report

### A. Macroeconomic and Industry Environment

#### General economic conditions

After Germany had to record a 5.0% decline in gross domestic product (GDP) in 2020 compared to the previous year due to the pandemic (destatis January 14, 2021), the economic forecasts for Germany for 2021 by the various institutions at the beginning of 2021 showed a range for the GDP growth (compared to the previous year) from +2.8% to +4.9% (overview tagesschau.de December 31, 2020). At the end of January 2021, the federal government had initially reduced its growth forecast to +3.0% (BMWi January 27, 2021), increased it to 3.5% at the end of April 2021 (BMWi April 27, 2021) and lowered it again to 2.6% in October 2021 (BMWi 27.10.2021). The German Council of Economic Experts expected GDP growth for Germany for 2021 to be +3, 1% (Sachverständigenrat March 17, 2021), but reduced this to 2.7% towards the end of the year (Sachverständigenrat November 10, 2021). In the meantime, the actual growth in price-adjusted German gross domestic product for 2021 has been calculated at 2.8% compared to the previous year (statista January 28, 2022). According to an estimate of the annual growth rate for 2021, GDP rose by 5.2% in both the euro area and the EU (eurostat 31/01/2022). The OECD expects the global economy to grow by 5.6% in 2021 (OECD December 1, 2021). Consumer prices in Germany increased by 3.1% on average in 2021 compared to 2020. The main reason for this was the high monthly inflation rates in the second half of 2021 (destatis January 19, 2022). reduced this to 2.7% towards the end of the year (Sachverständigenrat November 10, 2021). In the meantime, the actual growth in price-adjusted German gross domestic product for 2021 has been calculated at 2.8% compared to the previous year (statista January 28, 2022). According to an estimate of the annual growth rate for 2021, GDP rose by 5.2% in both the euro area and the EU (eurostat 31/01/2022). The OECD expects the global economy to grow by 5.6% in 2021 (OECD December 1, 2021). Consumer prices in Germany increased by 3.1% on average in 2021 compared to 2020. The main reason for this was the high monthly inflation rates in the second half of 2021 (destatis January 19, 2022). reduced this to 2.7% towards the end of the year (Sachverständigenrat November 10, 2021). In the meantime, the actual growth in price-adjusted German gross domestic product for 2021 has been calculated at 2.8% compared to the previous year (statista January 28, 2022). According to an estimate of the annual growth rate for 2021, GDP rose by 5.2% in both the euro area and the EU (eurostat 31/01/2022). The OECD expects the global economy to grow by 5.6% in 2021 (OECD December 1, 2021). Consumer prices in Germany increased by 3.1% on average in 2021 compared to 2020. The main reason for this was the high monthly inflation rates in the second half of 2021 (destatis January 19, 2022). 11.2021). In the meantime, the actual growth in price-adjusted German gross domestic product for 2021 has been calculated at 2.8% compared to the previous year (statista January 28, 2022). According to an estimate of the annual growth rate for 2021, GDP rose by 5.2% in both the euro area and the EU (eurostat 31/01/2022). The OECD expects the global economy to grow by 5.6% in 2021 (OECD December 1, 2021). Consumer prices in Germany increased by 3.1% on average in 2021 compared to 2020. The main reason for this was the high monthly inflation rates in the second half of 2021 (destatis January 19, 2022). 8% compared to the previous year (statista 01/28/2022). According to an estimate of the annual growth rate for 2021, GDP rose by 5.2% in both the euro area and the EU (eurostat 31/01/2022). The OECD expects the global economy to grow by 5.6% in 2021 (OECD December 1, 2021). Consumer prices in Germany increased by 3.1% on average in 2021 compared to 2020. The main reason for this was the high monthly inflation rates in the second half of 2021 (destatis January 19, 2022). 6% (OECD 1.12.2021). Consumer prices in Germany increased by 3.1% on average in 2021 compared to 2020. The main reason for this was the high monthly inflation rates in the second half of 2021 (destatis January 19, 2022).

However, the German gross domestic product (GDP) fell by 0.7% in the 4th quarter of 2021 compared to the 3rd quarter of 2021. After economic output had grown again in the summer of 2021 despite increasing supply and material bottlenecks, the recovery of the German economy was halted by the fourth corona wave and renewed tightening of the corona protection measures at the end of 2021. Private consumption in particular decreased in the fourth quarter of 2021 compared to the previous quarter, while government consumer spending increased (destatis January 28, 2022).

#### Industry-related framework conditions

In 2021, the three business areas of Z-LASER GmbH sold their products primarily in the following sectors:

- construction industry
- medical technology

- plant construction
- Automobile industry, especially tire production.

The corona pandemic also left clear traces in almost all economic sectors in Germany in 2021. Production was severely curtailed in some areas, both in the service sectors and in the manufacturing sector. One reason for the restrained development of industrial production was the scarcity of input factors, i.e. raw materials and preliminary products. These were not available in sufficient quantities for production, partly due to a lack of transport capacity, or have become much more expensive.

Construction investments grew by just 0.5% in 2021 due to labor and material shortages, after five consecutive years of stronger growth. In the manufacturing industry excluding construction, which accounts for a good quarter of the overall economy, economic output rose by 3.0% in 2021 compared to 2020, but is still 5.5% below the pre-crisis level of 2019. In equipment - these are primarily investments in machines, equipment and vehicles - a price-adjusted 3.2% more was invested in 2021, albeit after a sharp decline in the crisis year 2020.

## **B. Course of business and situation**

### **1. Course of Business**

The 2021 financial year developed very well for Z-LASER GmbH and the good economic situation and strong demand resulted in new inquiries. The 2021 financial year was dominated by the effects of the COVID-19 pandemic. All trade fairs and business trips have been canceled as far as possible. The physical gathering of several people in a closed room was avoided. Meetings could only take place using video conferencing tools. Working from home worked well at Z-LASER GmbH and was very well accepted and implemented by the employees. The pandemic gave a strong boost to digitization.

Z-LASER GmbH achieved sales of EUR 16.3 million in 2021, which was 27.9% higher than in the previous year. Despite the ongoing corona pandemic and the associated delivery bottlenecks, Z-LASER GmbH was able to develop very well. There was a similar trend for incoming orders in 2021.

Broken down to the business units, the following picture emerged in terms of sales in 2021:

- Positioning segment EUR 4.3 million (+19%)
- Image processing business area EUR 6.3 million (+17%)
- Laser projectors segment EUR 5.7 million (+51%)

compared to the previous year. The positioning area recorded double-digit growth. The field of image processing is still very clearly affected by the crisis. The areas of the automotive industry and laser projectors were able to significantly increase their sales. The success of the laser projectors division is essentially due to the expansion of key customers. The poorer performance of the image processing area was due to the upheaval in the German automotive industry.

The operating result (profit for the year before taxes and interest) increased by around 45% in 2021 compared to the previous year, as did the profit for the year. The development for 2021 forecast in the previous year's management report was significantly exceeded in terms of both sales (forecast of EUR 14 million) and the operating result (forecast of 5% of sales).

Overall, the management assesses the business development of Z-LASER GmbH in the 2021 financial year as favorable.

### **2. Results of operations**

In the 2021 financial year, Z-LASER GmbH was able to increase sales (see above) by 27.9% to EUR 16,305 thousand (previous year EUR 12,747 thousand) and an increase in total output by 24.0% to EUR 16,159 thousand (previous year EUR 13,035 thousand) compared to the previous year. After the cost of materials increased slightly disproportionately (+25.1%) compared to total output in 2021, the gross profit for the 2021 financial year increased slightly less than proportionally by 23.2% to EUR 9,568 thousand (prior year EUR 7,765 thousand). The material usage ratio in relation to total output was 40.8% in 2021 (previous year: 40.4%).

The company's second-largest expense item, personnel expenses, amounted to EUR 6,006 thousand in 2021 (prior year: EUR 4,945 thousand) or 37.2% (prior year: 37.9%) of total output. The increase of 21.5% compared to the previous year is due to an increased number of employees and increases in pay. Other operating expenses (EUR 2,292 thousand; previous year EUR 1,853 thousand) increased in proportion to total output in the 2021 financial year and, as in the previous year, amounted to 14.2% of total output.

As a result of the above operational developments, the operating result in the 2021 financial year was 44.8% higher than in the previous year (EUR 1,451 thousand; previous year EUR 1,002 thousand). As in the previous year, the financial result (= interest result) at EUR -15 thousand (previous year: EUR -13 thousand) did not play a significant role in the earnings situation. Income taxes were incurred in 2021 in the amount of EUR 447 thousand (previous year EUR 310 thousand) and amounted to approx. 31% of the pre-tax result in both years.

Overall, a net profit of EUR 989 thousand (prior year: EUR 678 thousand) was achieved in the 2021 financial year (+45.8%). The return on sales for the 2021 financial year was 6.1% (previous year 5.3%) and the return on total capital was 14.5% (previous year 11.4%).

### **3. Financial condition**

The goals of the company's financial management are to ensure long-term liquidity and to provide sufficient funds to achieve corporate goals. As of December 31, 2021, cash and cash equivalents amounted to EUR 1,299 thousand (prior year: EUR 719 thousand) and thus 17.0% of the balance sheet total (prior year: 11.6%). In addition to a small amount of cash on hand, cash and cash equivalents exclusively relate to bank balances.

The increase in cash and cash equivalents in the 2021 financial year by EUR 580 thousand (+80.7%) resulted from the cash flow from operating activities in the amount of EUR 759 thousand, the cash flow from investing activities in the amount of EUR -574 thousand and the cash flow from financing activities in Amount of 395 thousand. The cash flow from investing activities in 2021 essentially includes investments in intangible assets and property, plant and equipment (EUR -432 thousand) and loans to subsidiaries (EUR -167

thousand). The cash flow from financing activities in 2021 relates to the payment into the capital reserve (EUR 250 thousand) and the increase in bank liabilities (EUR 145 thousand).

As of December 31, 2021, the company financed itself from equity (67.5%; previous year 63.4%) from liabilities (14.0%; previous year 10.0%) and provisions (18.5% ; previous year 26.2 %).

Two promotional loans from L-Bank were approved in the 2021 financial year and partially drawn down as of December 31, 2021.

As in the previous year, the company was able to meet its payment obligations at all times in the 2021 financial year.

The investment activities for the planned development of the company were adjusted to the requirements in the year under review. In the 2021 financial year, investments in intangible assets and property, plant and equipment amounted to EUR 432 thousand (previous year EUR 225 thousand).

The focus in the following financial years should primarily be on increasing profitability and an improved and increasing liquidity situation.

#### 4. Assets

Significant balance sheet items	2021 (T euros)	2020 (T euros)	change	in %
assets				
Capital assets	1,202	912	290	31.8%
inventories, accounts receivable	5,118	4,539	579	12.8
liquid funds	1,299	719	580	80.7%
liabilities				
Equity capital	5,167	3,928	1,239	31.5%
accruals	1,417	1,622	-205	-12.6%
liabilities	1,071	620	451	72.7%
total assets	7,657	6,194	1,463	23.6%

The balance sheet total as of December 31, 2021 increased compared to December 31, 2020 from EUR 6,194 thousand to EUR 7,657 thousand (+23.6%). In the case of assets, the increase relates primarily to cash and cash equivalents (+580 thousand euros), inventories (+321 thousand euros), fixed assets (+290 thousand euros) and trade accounts receivable (+209 thousand euros). In terms of capital, the main increases were equity (+1,239 thousand euros), advance payments received from customers (+160 thousand euros) and bank liabilities (+145 thousand euros).

As of December 31, 2021, equity increased by EUR 989 thousand compared to the previous year due to the net income for 2021 and by EUR 250 thousand due to a payment into the capital reserve. As of December 31, 2021, equity amounts to EUR 5,167 thousand (prior year: EUR 3,928 thousand); the resulting equity ratio is 67.5% (prior year: 63.4%). The only slight increase in the equity ratio is due to the sharp rise in total assets, despite the significantly higher equity.

Overall, the company was characterized by a positive and stable asset, financial and earnings position as of December 31, 2021.

#### C. Financial and non-financial performance indicators

The key financial and non-financial performance indicators are summarized as follows:

in kEUR	2021	2020	2019
revenues	16,305	12,747	14,125
Earnings before taxes (EBT)	1,436	988	1,083
net income	989	678	772
Equity capital	5,167	3,928	3,730
Number of employees (annual average)	100	94	97

#### D. Overall Statement

Z-LASER GmbH was able to prove its crisis resilience in 2021. Sales and order intake increased significantly. Thus, the annual result and the liquid funds could be brought to a good and higher level. Our assessment remains valid that our asset, financial and earnings situation is satisfactory but room for improvement. Z-LASER GmbH wants to further increase its profitability with the help of sales growth in focus industries.

#### III. supplementary report

The management is not aware of any events of particular importance affecting the company that have occurred after the end of the financial year.

#### IV. Forecast Report

##### Overall Economic Development

The Russian war of aggression in Ukraine weighs on the outlook for the global economy and brings with it great political uncertainty. Persistently high prices for energy and raw materials as well as the loss of food and fertilizer exports from Ukraine and Russia are likely consequences. Economic growth will weaken significantly, particularly in the European Union. Above all, the high dependency on Russian energy imports poses a considerable risk for some member states. Last but not least, a delivery stop or an import embargo for Russian energy sources cannot be ruled out. Before the outbreak of war, global economic development was robust. The spread of the omicron variant of the coronavirus (SARS-CoV-2) had led to new highs in new infections in many countries. However, the economic effects of the pandemic waves are becoming increasingly smaller. On the other hand, the Russian war of aggression in Ukraine and the sanctions imposed in return are exacerbating the disruptions in global value and supply chains and increasing inflationary pressure.

These supply-side difficulties are likely to be met by continued robust consumer demand. In particular, contact-intensive services should continue to recover in the summer half of 2022. In the course of a further normalization of the consumption structure between goods and services, at least the bottlenecks caused by the pandemic should lose their influence in the course of 2022. Growth impulses are likely to result from the partial reduction in unplanned pandemic-related savings and a solid labor market (Sachverständigenrat March 30, 2022).

In the course of 2022, due to the Ukraine war, supply chain problems, inflation, etc., the growth forecasts of leading institutions for gross domestic product (GDP) for 2022 fell significantly, for example for Germany to 1.8% (Sachverständigenrat March 30, 2022), 1.6% (EU Commission May 16, 2022, in February still 3.6%) or 1.2% (IMF July 26, 2022), and for the euro area to 2.9% (German Council of Economic Experts March 30, 2022) or 2.7% (EU Commission May 16, 2022, still 4.0% in February). For the forecast, the German Council of Economic Experts assumes that energy prices will remain high in the forecast period, but that Russian energy supplies will not be stopped. Global GDP growth is only expected to be 3.2% (IMF July 26, 2022, in April still 3).

In the first few months of 2022, inflation in Germany reached a level not seen in decades, from 4.9% in January to 7.6% in June; the same applies to the euro zone, UK and USA. The reactions of the central banks that have already taken place or are still to be expected are not and will not be growth-promoting.

The mood in the German economy cooled down significantly in the course of 2022. The ifo business climate index fell to 88.6 points in July 2022, after 92.2 points<sup>1</sup> in June. This is the lowest reading since June 2020. Companies expect significantly worse business in the coming months. They were also less satisfied with their current business situation. High energy prices and the threat of gas shortages are having a negative impact on the economy. Germany is on the threshold of recession. In manufacturing, the index fell sharply. Pessimism about the coming months has reached its highest level since April 2020. This runs through almost all branches of industry. The companies also rated their current situation worse. New orders fell slightly for the first time in two years (ifo Institute July 25, 2022).

### **Future development of society and the industry**

We see ourselves as part of the photonics industry in a fundamentally growing market environment. This is mainly driven by the increasing automation of the industry and the sensors and displays required as a result. New applications for lasers are always being found, which are accessible to Z-LASER GmbH. Traditional fields of application (positioning lasers) for lasers are still in existence, but are increasingly being attacked by competitors from Asia. New laser sources (laser diodes with better visible wavelengths, VCSEL or similar) and optical elements (aspheric lenses, cheaper manufacturing methods, MEMS mirrors) allow the development of new and functionally improved products.

We are positive that business success in our industry will be determined by appropriately adapting products to new customer needs, appropriately utilizing new emerging technologies and working professionally with leading OEM customers. Accordingly, we invest in building a competent and motivated workforce, in technology and product development, and in more professional processes and procedures. Furthermore, we want to better understand the opportunities in our 3 business areas and focus our resources on realizing them.

In the 2022 financial year, growth is to continue, with the target of a turnover level of EUR 17 million. There is potential for the crisis to be followed by a multi-year recovery or upswing, provided the pandemic does not prevent this and the conflict in Ukraine does not escalate further. Accordingly, we expect a positive business climate in 2022 with a strong first half and a good second half, provided there is no recession. We want to use our good economic situation to further strengthen ourselves in 2022 through investments in personnel and product development and to lay the foundations for future growth.

Due to these investments and rising personnel costs, we expect an operating result (net income before interest and taxes) of around 8% of sales for the 2022 financial year, with the intention of significantly increasing this in the following years.

### **V. Opportunity and Risk Report**

In 2021, Z-LASER generated most of its sales in Europe. In the medium term we see significant opportunities in strengthening our market presence in North America and establishing new business partners and distributors in this region. Opportunities also arise from the inclusion in a group of strategically suitable companies around Z-LASER GmbH planned by the indirect shareholder Union Park Capital, in order to build up a strong range of services for customers of industrial lasers and optical assemblies.

Further interesting opportunities arise for Z-LASER GmbH in the development of customer-specific laser systems for OEM customers in the field of image processing. Key projects are ramping up and will generate significant revenues in 2022.

Furthermore, Z-LASER GmbH is working on improving the new ZLP generation of laser projectors. It features a modern software architecture and is intended, among other things, to open up the potentially high-volume market for assembly assistance systems.

In order to be able to take advantage of these opportunities, in 2022 we intend to continue using the promotional loans already approved in 2021.

The COVID-19 pandemic represents a turning point for the global economy. There is reason to hope that the pandemic will help to correct inefficient structures and business models and thus allow a new phase of growth in the coming years. We believe that innovative laser products will attract increasing customer interest because they can be used to increase the efficiency of production processes.

The company has a permanent risk management system that ensures the regular identification, analysis and evaluation of the main company-specific risks such as incoming orders, purchase price increases, supplier bottlenecks, external and internal pandemic effects and changes in the legal framework. The company management takes the necessary measures as part of risk management and risk management.

Furthermore, the development of the corona pandemic and its effects pose a risk, mainly because of its unpredictability, which currently appears to be smaller than in the past. A currently far greater risk is the negative overall economic development (see above) and the Ukraine crisis.

The cost increases currently occurring in almost all areas of the economy could lead to reduced profit margins if it is not possible to translate them into corresponding sales price increases. Supply bottlenecks at suppliers also represent a risk for the planned sales

generation and customer relationships.

The further positive development of Z-LASER GmbH presupposes that a technologically leading role in the business areas of the company can also be occupied in the future. In addition to recognizing future areas of activity, retaining and recruiting excellent employees is an important prerequisite for this. For this purpose, the necessary measures are taken to counter the risk of decreasing know-how.

Against the background of our high equity ratio, a new and financially strong investor and the long-term attractiveness of our business field, we do not expect any risks that would fundamentally endanger the continued existence of Z-LASER GmbH.

#### **VI. Risk reporting related to the use of financial instruments**

The company's risk management system also includes risk control in relation to financial instruments. The aim of risk management with regard to financial instruments is to eliminate risks in this regard, to the extent that this makes economic sense, whereby the management is aware that certain risks cannot be avoided or can only be avoided with disproportionate effort. The aim of minimizing risks in financial instruments is pursued through ongoing risk identification, assessment and management, particularly with regard to receivables and liabilities.

Due to the financial resources of the company, including credit commitments that have not yet been utilized, the liquidity risk is considered to be low.

We consider the risk of bad debts to be low. We minimize it through credit checks on new customers and ongoing claims checks on existing customers.

We rate our currency risk (above all the USD/EUR exchange rate) as moderate, since income and expenditure in US dollars are more or less balanced. Should the establishment of the US business succeed and thus the US dollar income increase, we will implement appropriate currency hedging.

The company only has a small amount of interest-bearing receivables and liabilities, so that the interest rate risk is considered low. The current bank liabilities are subject to fixed interest for the next few years, so that an interest rate risk only arises when the company is refinanced.

Financial hedging transactions are only concluded on a case-by-case basis. There were no derivative financial instruments in the 2021 financial year or as of the balance sheet date.

#### **Freiburg im Breisgau, August 1st, 2022**

**Z-Laser GmbH, Freiburg im Breisgau**

**The Board**

**Kiran Ramakrishnan, Managing Director**

In the aforesaid abridged annual financial statements intended for disclosure, the size-related simplifications pursuant to Section 327 HGB were utilized. We have issued the following audit opinion on the complete annual financial statements and the management report:

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

To Z-LASER GmbH, Freiburg im Breisgau

##### **audit opinions**

We have the annual financial statements of Z-LASER GmbH, Freiburg im Breisgau, - consisting of the balance sheet as of December 31, 2021 and the income statement for the financial year from January 1, 2021 to December 31, 2021 as well as the appendix, including the Presentation of the accounting and valuation methods - checked. In addition, we have audited the management report of Z-LASER GmbH, Freiburg im Breisgau, for the fiscal year from January 1, 2021 to December 31, 2021.

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 provisions 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, 2021 and its earnings position for the financial year from January 1, 2021 to December 31, 2021 and
- the attached management report as a whole provides an 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 appropriately presents the opportunities and risks of future development.

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

##### **Basis for the test results**

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

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

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

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

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

### **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 - intentional or unintentional - misstatements 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. Over and beyond

- We identify and assess the risks of material - intentional or unintentional - misstatements in the annual financial statements and in the management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as 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 the effectiveness of these systems of society.
- We evaluate the appropriateness of the accounting methods used by the legal representatives and the justifiability 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 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 evaluate the overall presentation, the structure and the 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 the German principles of proper accounting, give a true and fair view of the assets, financial and earnings situation 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 legal representatives 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.

**Stuttgart, August 1, 2022**

**Grant Thornton GmbH & Co. KG**  
**auditing company**

***Hämmerle, auditor***

***Gohlke, auditor***

The annual financial statements were approved on September 30, 2022.

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