

## search result

Surname	area	information	V. date
3B Scientific GmbH Hamburg	Accounting/ Financial Reports	Annual financial statements for the financial year from January 1st, 2019 to December 31st, 2019	02/15/2021

**3B Scientific GmbH****Hamburg****Annual financial statements for the financial year from January 1st, 2019 to December 31st, 2019****Management report for the financial year from January 1 to December 31, 2019****I. Company Fundamentals****1. Company's business model**

3B Scientific GmbH specializes in the production and marketing of didactic materials for medical and scientific education.

As an international company, 3B Scientific GmbH with its affiliated companies in Germany and abroad is today the world's leading group of companies in the anatomy market. The product range also includes physical-technical teaching aids, medical simulators, acupuncture needles and therapy products.

The headquarters of 3B Scientific GmbH is located in Hamburg. In 2019, the company had branches in Coburg, Dresden and Klingenthal.

At the end of 2019 we moved into a new office in Hamburg-Mitte. From 2020, the company's headquarters and the headquarters for sales and administration will be located there. The central warehouse, logistics and development department will remain at the previous location in Hamburg-Bergedorf.

The company has another production and sales location through its Hungarian subsidiary, 3B Scientific Europe Kft.

3B Scientific GmbH is a 100% subsidiary of 3B Scientific Luxembourg Sàrl, Luxembourg. The 3B group of companies, owned by 3B Scientific Holdings, LLC in the USA, has legally independent branches in Brazil, China, France, Great Britain, Italy, Japan, Russia, Spain, South Korea, Thailand, Turkey and the USA. At the headquarters of the Chinese 3B company there is a production facility that works for 3B Scientific GmbH within the framework of wage provision. 3B Scientific GmbH controls a large part of this group of companies and continues to play a central role in the future development of the 3B Group.

**2. Research and Development**

The subject of our development work is the innovative further development of existing products and the new development of future products. The focus here is increasingly on expanding the digital product range.

The acquisitions of 3B Scientific Holdings LLC in 2019 and 2020 provide access to developments and resources from Cardionics and iSimulate for the new and further development of products from 3B Scientific GmbH. Ongoing new developments are aimed at supplementing the product portfolio of the extended 3B Group.

The research and development team comprised 11 employees in 2019.

**II. Economic report****1. Macroeconomic, industry-related framework conditions**

Due to the low birth rates, the market situation in the industrialized countries is essentially still characterized by the need to cover replacement and supplementary needs, which means that we are still exposed to cut-throat competition. The situation in the eurozone continued to be characterized by public budget cuts.

According to the management, the market for medical simulators, which is now important for 3B Scientific GmbH, is growing steadily and in all sales areas in which 3B Scientific is active, based on customer feedback.

**2. Course of Business**

In the 2019 financial year, the shareholder of 3B Scientific GmbH pushed ahead with the further development of the 3B Scientific group of companies with the aim of improving cooperation between the group companies. In this context, the product range was again optimized and expanded, particularly in the area of simulation.

The concentration of sales activities in Hamburg and the abandonment of the sales location in Wesseling led to the planned significant synergy effects in 2019. With the move to the new office in Hamburg, the organizational prerequisites were met to further improve the cooperation between employees.

The relocation of production capacities from the Hamburg site to the subsidiary 3B Scientific Europe Kft. in Budapest in 2018 still had indirect effects on the company in 2019. Productivity at the Hungarian site has not yet reached the expected level, so production costs have not yet been reduced to the planned extent, with negative effects on the company's gross profit margin.

3B Scientific GmbH can look back on a financial year that was only partially successful. Revenues from direct business (excluding group companies) increased compared to the previous year. However, sales with the companies in the group fell significantly compared to the previous year. This is mainly due to the fact that the production plants in Hungary and China now buy their raw materials directly under the leadership of 3B Scientific GmbH.

In addition, before the production was relocated to Hungary, the companies of the 3B Group had to keep increased inventories in 2018 and thus slightly increased sales. After the relocation was completed, a group-wide initiative to reduce inventories was launched, which, conversely, also led to lower sales compared to 2018.

**3rd layer****3.1. earnings situation**

The company's key financial performance indicators have developed as follows:

	2019	2018
	kEUR	kEUR

	2019	2018
	kEUR	kEUR
raw result	15,023	16,607
operating result	-205	-811
annual result	-676	-1,295

At EUR 15 million, the gross profit (total performance less cost of materials) is EUR 1,584 thousand below the previous year's level. The reason for this, in addition to the slight fall in sales and other operating income, is in particular a changed product mix, which has led to a reduction in higher-margin own products and a higher proportion of through-traded products.

The operating result could be improved by 607 kEUR to - 205 kEUR. Based on a EUR 1,548 thousand lower gross profit, this is due in particular to the EUR 1,395 thousand lower personnel expenses and EUR 779 thousand lower other operating expenses. The other operating expenses include a credit to the Hungarian production company for non-productive times in connection with the relocation of production in the amount of EUR 563 thousand.

The net result for the year improved to EUR -676 thousand, with the financial result remaining almost unchanged compared to the previous year, in a comparable amount to the operating result.

### 3.2. financial position

From the point of view of the management, the financial situation is stable. Financial management is designed to always settle liabilities within the payment period and to collect receivables within the payment terms.

Liabilities to banks decreased by EUR 2,672 thousand to EUR 6,358 thousand as of the balance sheet date. The repayment of liabilities to banks was made possible by the inflow of a shareholder loan, which was used in full to repay the overdraft facility. Liabilities to shareholders increased accordingly. The shareholder loan has no contractual term, but can be canceled by either party at short notice. Based on the agreements in the existing financing contract with the banks and on the basis of the discussions with the shareholder, the management assumes that

Equity decreased to EUR 6,422 thousand as a result of the negative result. The equity ratio is around 30%; the company continues to be financially stable.

As of December 31, 2019, the company had liquid funds of EUR 1.2 million.

### 3.3. financial position

The balance sheet total fell by a total of EUR 354 thousand (1.6%) compared to the previous year's reporting date.

Fixed assets increased by 3.6 million to 6.4 million due to investments.

The reason for this is in particular the increase in financial assets by EUR 3,027 thousand as a result of the granting of a loan to the Hungarian subsidiary and an increase in the book value of the Hungarian subsidiary due to a capital increase carried out in 2019.

In addition, the necessary investments in intangible assets and property, plant and equipment were also made in 2019 in order to create the necessary resources for the company to be able to provide its services and products competitively.

Investments in intangible assets and property, plant and equipment totaled EUR 1,176 thousand and were mainly made in the area of internally generated intangible assets with EUR 143 thousand, with licenses/software with EUR 278 thousand, with IT systems with EUR 126 thousand and with EUR 258 thousand in the operating and office equipment.

Inventories as of December 31, 2019 fell by around 10.7% to around EUR 8.2 million compared to the previous year, which is mainly due to a reduction in inventories as part of process optimization. The aim was to significantly reduce the capital tied up in inventories while at the same time being able to deliver.

	2019	2018	difference
	EUR 8,166 thousand	EUR 9,144 thousand	-978 thousand

As of the 2019 balance sheet date, the company had equity of around EUR 6.4 million. Compared to the previous year's reporting date, the equity ratio fell slightly by 2.6 percentage points to around 30% due to the deficit.

Liabilities have decreased by EUR 49 thousand.

## 4. Non-financial performance indicators / HR and social area

As of December 31, 2019, the number of permanent employees fell to 178.

The number of temporary workers and homeworkers increased from 27 to 29 employees.

The decline is mainly due to the completed relocation of production from the Hamburg site to the subsidiary in Budapest.

In 2019, expenses for improving the qualifications of our employees were below the previous year's level at EUR 26 thousand. This is due to the reduction in employees.

## 5. Forecast, opportunity and risk report

### 5.1. risk report

Management sees one of its main tasks as recognizing risks and eliminating them as far as possible, or at least minimizing them.

#### Operational Risks

Operational risks such as B. Production downtimes, we counteract by operating several independent production facilities as well as preventive maintenance measures and the provision of important spare parts.

We counteract the risk of price changes or delivery bottlenecks by observing the market, acting with foresight and keeping stocks accordingly.

We are working on limiting staff turnover, retaining good employees, selecting the right applicants, hiring trainees and giving our employees better qualifications through internal and external further training alongside their work. We also want to position ourselves even more strongly as an attractive employer. In this way, we are counteracting the expected shortage of skilled workers.

#### Exchange rate and interest rate risks

3B Scientific GmbH mainly invoices in euros and USD, as well as in British pounds and Chinese renminbi. Purchases are made in a similar currency distribution. Historically, this broad distribution has resulted in an equalization of currency gains and losses over at least a number of years. We assume that this will continue to be the case. Against this background, the management has not planned any further currency hedging measures.

The liabilities assumed at the end of 2019 are based on EURIBOR. The increase in the EURIBOR therefore has a direct impact on the interest payments to be made for these liabilities. In view of the overall economic situation and the current low level of interest rates, we currently do not expect any significant increases in interest rates in the medium term.

#### quality risks

We incorporate our daily experience into changing organizational precautions and measures, thus ensuring the consistently high quality of our work and our products. All precautions and measures are subject to recurring effectiveness checks.

#### Other Risks

Our products continue to be copied and there are anti-competitive practices. On the other hand, we take legal action in cases where other measures do not work.

### **Risks from the corona pandemic**

At a meeting of the heads of state and government on March 18, 2020, the President of the European Central Bank (ECB) Christine Lagarde expects a drastic slump in economic growth in the monetary union due to the corona crisis, which will have an impact of between 2% and 10% on growth could. According to this, a one-month lockdown could result in a minus of 1.3% for the gross domestic product (GDP) in the monetary union. A lockdown of 3 months would result in a minus of 5%.

3B Scientific GmbH is not currently noticing any significant cancellations of orders, but the general order intake from customers and from the companies affiliated with 3B Scientific in the group of companies has fallen compared to expectations and compared to the previous year. The background to this is that as a result of the corona pandemic, significantly lower sales than planned were achieved in all sales markets of the 3B Group (especially China, Italy, France and Spain) in the first months of 2020. This effect only had an impact on 3B Scientific GmbH with a certain time delay, as there were no orders from the affiliated companies to replenish their own warehouses on site. This effect was particularly noticeable in April. A slight recovery can already be seen in May, which has brought delivery volumes closer to pre-crisis levels. It can be assumed that demand will recover only slowly and will only return to the usual level in the fourth quarter.

Sales decline for Q1 yoy is 1.4% and 3.4% vs budget, although for the month of March 2020 sales were up 6.7% vs March 2019. The management assumes that the slight decline in sales for the 1st quarter compared to the previous year is only insignificantly due to the Corona crisis. As a result of the decline in orders explained above, in the further course of the 2020 financial year sales will also decrease significantly as a result of the corona pandemic compared to the previous year and compared to our own expectations for the 2020 financial year. In the long term, however, the management also sees the opportunity to make use of the necessary catch-up effects in the training of personnel, e.g

Production at the Hungarian subsidiary of 3B Scientific GmbH continued without restrictions until the end of May. Necessary declines were initially counteracted by reducing orders from the company's own suppliers and the situation was also used to replenish the company's stocks in critical areas. As a result of the relocation of production to Hungary and the resulting delays, some of the company's products were no longer available in sufficient quantities, contrary to our own strategy. For the future, however, short-time work cannot be ruled out for the Hungarian location.

Production at the 3B Group company in China, which manufactures exclusively for 3B Scientific GmbH, was already fully resumed in mid-March after restrictions at the beginning of the year.

The production of 3B Scientific GmbH at the German locations is unaffected by delivery disruptions.

Due to the reduced demand, there have been isolated days off in production since the beginning of April 2020 and in administration since May 2020. Overtime and remaining vacation time will be reduced by the employees and short-time work will also be used from May. So far, short-time work can be carried out at a low level (15% on average), but this can be increased further if necessary.

At 3B Scientific GmbH, work in sales and administration has been switched to home office where possible. The new offices in Hamburg also make it possible to work while maintaining very generous distances, which plays a decisive role in the return to normal operations.

We are noticing considerable difficulties in delivering our products and an increase in freight rates. So far, these could be countered with increased effort and should quickly return to normal once the restrictions are relaxed.

Wherever possible, investments are made with a time lag of 3 months. However, investments in IT of around EUR 30 thousand were brought forward in order to be able to guarantee more work in the home office.

### **Liquidity and receivables risks**

Liquidity risks are currently not apparent for 3B Scientific GmbH due to the solid financing of the 3B Group despite the corona pandemic.

Even with the expected significant drop in sales, the company is able to service all liabilities according to their maturity with the funds and credit lines available by taking accompanying cost-cutting measures (postponement or cancellation of expenditure, increase in short-time work). The receivables of 3B Scientific GmbH are mostly against public institutions and dealers, as well as against companies of the 3B Group, which in turn supply public institutions. Default on these receivables appears unlikely at this point in time.

The liquid funds of the company (plus free credit lines) as well as the possibility of collecting the receivables from the affiliated companies of the 3B Group in cash do not make it necessary to use liquidity aid from the state or the shareholders, even with the adjusted corporate planning. Nevertheless, when assessing the liquidity risks of the company, the management assumes that this help can in principle be called upon at any time if the earnings and financial situation develop more negatively than planned or if the first four months of 2020 are taken into account.

Thanks to a well-functioning and effective receivables management, which we handle tightly, we have recorded an extremely low level of bad debts.

Based on the current corporate planning, the management of 3B Scientific GmbH therefore sees no problems as a going concern for the company.

### **overall picture**

No other significant risks are discernible and there are no risks that individually or cumulatively endanger the existence of the company.

### **5.2. opportunity report**

We offer products in the premium segment. Since our products are characterized by their good quality, we also see good sales opportunities in the future. We also intend to take the special requirements of the markets into account in product development. On the other hand, positioning in the higher price segment of the market also represents a risk. We limit this risk by further promoting the 3B brand on the market.

In our view, governments will continue to make sustained efforts to invest in the public sector in terms of education and medical training, which promises good market opportunities for our product ranges.

The health care system has been strongly influenced by the current crisis. The management sees opportunities here to benefit from the planned improvements in the health systems as a result of the experiences during the corona pandemic. The management expects that there will be an enormous need for investment in this area once the crisis has been overcome.

3B Scientific GmbH is the main dealer for its own product range, but also for the companies Cardionics (auscultation trainer) and iSimulate (simulated patient monitors), which are new to the 3B Group. Since the takeover of Cardionics (July 2019) and iSimulate (January 2020) by the 3B Group, 3B Scientific GmbH has coordinated the sales business of these two companies. This means that 3B Scientific GmbH can also sell the successful simulators of these two group companies in addition to the previous product range.

The management therefore continues to assume long-term growth in sales and earnings over the next few years.

### **5.3. forecast report**

For the 2019 financial year, the management of 3B Scientific GmbH forecast low sales growth with stable gross profit and expected a clearly positive operating and annual result.

While the forecast slight increase in sales was only just missed (slight decline in sales in 2019), the forecast for the gross profit was significantly below due to the effects of the production relocation to Hungary and the slightly changed product mix. We refer to our comments on the earnings situation. The expectations for the operating and annual results could not be met either. In addition to the follow-up effects of the sales and gross profit development, this is also due to two unexpected special effects. On the one hand, the company had to give the Hungarian subsidiary a credit of around EUR 580 thousand due to unproductive hours as a result of the relocation of production, and on the other hand, the Chinese subsidiary was given a credit of around EUR 230 thousand for SAP licenses, since the Chinese Subsidiary has never used these, but

have been used by the company itself in recent years. Eliminating these two special effects, both the operating result and the annual result would have been positive, as expected. but have been used by society itself in recent years. Eliminating these two special effects, both the operating result and the annual result would have been positive, as expected. but have been used by society itself in recent years. Eliminating these two special effects, both the operating result and the annual result would have been positive, as expected.

We assume that the political uncertainties such as e.g. B. US trade policy or Brexit will continue to affect our export business. In addition, the corona pandemic will lead to a severe global recession. According to the International Monetary Fund (IMF), 2020 is likely to bring the worst recession since the Great Depression of the 1930s. Accordingly, the IMF assumes that the global economy will contract by at least 3% before a significant recovery is assumed for the 2021 financial year. A decline in GDP of between 6% and 7% is expected for Germany.

The industry in which 3B Scientific GmbH operates cannot escape this general negative trend, but according to the management, it is not particularly affected by the Corona Pandemic.

The wide range of products will also enable 3B Scientific GmbH to make comprehensive offers to its customers in the future. The company offers very good product quality and good customer service. We are constantly working on improving our product and service quality in order to maintain our own high standard. Numerous measures lead to a constant improvement in process flows and process reliability. The new structures and processes have already been established in many areas of the company and are showing the expected positive effects. The move to the new premises in Hamburg has led to a noticeable improvement in internal communication.

Taking into account the above statements, the management of the company expects overall performance and gross profit for 2020 to be well below the previous year as a result of the corona pandemic. Due to planned cost savings, further positive synergy effects from the relocation of production to Hungary and the non-recurring one-off charges from the credits to the Hungarian and Chinese subsidiaries, the management of 3B Scientific GmbH expects operating and annual results for the 2020 financial year to be well above the previous year.

**Hamburg, May 29, 2020**

*Todd A Murray*

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### Balance sheet as of December 31, 2019

#### assets

	12/31/2019	12/31/2018
	EUR	EUR
A. Fixed assets		
I. Intangible assets	821,187.56	544,858.82
- of which advance payments and assets under construction: EUR 0.00 (previous year: EUR 34,937.65)		
II. Tangible assets		
1. Land and buildings, including buildings on third-party land	418,327.68	473,029.68
2. Technical installations and machines	106,380.00	98,421.00
3. Other equipment, fixtures and fittings	960,901.44	619,852.00
4. Payments on account and assets under construction	92,657.64	43,024.28
	1,578,266.76	1,234,326.96
III. financial investments		
1. Shares in affiliated companies	1,352,611.86	775,118.49
2. Loans to affiliated companies	2,595,300.00	145,300.00
3. Holdings	25,829.60	25,829.60
	3,973,741.46	946,248.09
	6,373,195.78	2,725,433.87
B. Current Assets		
I. Inventories	8,165,783.52	9,143,631.67
II. Receivables and other assets	5,222,999.46	8,357,522.77
- thereof from affiliated companies: EUR 3,131,010.97 (previous year: EUR 6,325,650.91)		
III. Cash and bank balances	1,201,871.04	1,125,133.29
	14,590,654.02	18,626,287.73
C. Prepaid expenses	397,545.37	364,085.50
	21,361,395.17	21,715,807.10

#### liabilities

	12/31/2019	12/31/2018
	EUR	EUR
A. Equity		
I. Drawn capital	2,720,000.00	2,720,000.00
II. Capital Reserve	111,461.63	111,461.63
III. profit carried forward	4,267,106.73	5,562,231.69
IV. Loss for the year	-676,279.27	-1,295,124.96
	6,422,289.09	7,098,568.36
B. Special item for investment grants	11,674.67	21,128.15
C. Provisions	1,905,901.51	1,525,836.09
D. Liabilities	13,021,065.05	13,070,274.50
- of which to banks: EUR 6,358,090.16 (previous year EUR 9,029,890.99)		

	12/31/2019	12/31/2018
	EUR	EUR
- of which to affiliated companies: EUR 604,346.40 (previous year EUR 405,569.62)		
- of which to companies in which an investment is held: EUR 230,151.82 (previous year: EUR 181,974.83)		
- of which to shareholders: EUR 3,710,017.47 (previous year: EUR 1,024,758.20)		
E. Accruals and Accruals	464.85	0.00
	21,361,395.17	21,715,807.10

#### Profit and Loss Account for the period from January 1st to December 31st 2019

	2019	2018
	EUR	EUR
1. Raw Score	15,022,801.99	16,606,874.43
2. Personnel expenses		
a) Wages and salaries	7,051,663.56	8,251,137.78
b) Social security contributions and pension expenses	1,478,154.09	1,674,224.51
	8,529,817.65	9,925,362.29
3. Depreciation of intangible assets and property, plant and equipment	468,488.21	484,356.19
4. Other operating expenses	6,229,093.80	7,008,480.17
	-204,597.67	-811,324.22
5. Income from long-term loans	58,509.90	8,717.99
6. Other interest and similar income	45,788.03	42,998.65
7. Interest and Similar Expenses	569,689.71	520,773.40
8. Income taxes	1,642.70	10,393.61
9. Earnings after tax	-671,632.15	-1,290,774.59
10. Other Taxes	4,647.12	4,350.37
11. Net Loss	-676,279.27	-1,295,124.96

#### Notes for the 2019 financial year

##### A. Accounting Policies

The provisions of the HGB for medium-sized corporations were applied to the accounting and valuation in the annual financial statements of 3B Scientific GmbH, Hamburg (Hamburg District Court, HRB 28859).

The presentation, structure, approach and valuation of the annual financial statements correspond to the principles of the previous year, with the exception of the first-time exercise of the capitalization option for internally generated intangible assets.

The profit and loss account is prepared according to the nature of expense method.

In the year under review, in exercising the right to choose in accordance with Section 248 (2) HGB, development work amounting to EUR 531k was reported as internally generated intangible assets for the first time. In this context, EUR 388 thousand was reclassified from property, plant and equipment under construction to self-constructed assets in the previous year. Valuation is at manufacturing cost less scheduled accumulated depreciation. The production costs essentially include software programming services used. Depreciation is made on a straight-line basis over the usual useful life of five years.

The purchased intangible assets are valued at acquisition cost less scheduled accumulated depreciation. Depreciation is made on a straight-line basis over the usual useful life.

Property, plant and equipment are stated at the acquisition or production costs that must be capitalized and, where depreciable, reduced by scheduled depreciation over the usual useful life. The production costs include material and production costs as well as special production costs plus appropriate parts of the necessary material and production overheads (including the depreciation of the fixed assets, insofar as it was caused by the production).

If the value of fixed assets determined according to the above principles is higher than the value assigned to them on the balance sheet date, this is taken into account through unscheduled depreciation. If it turns out in a later financial year that the reasons for this no longer exist, the amount of this depreciation is written up to the extent of the increase in value, taking into account the depreciation that should have been carried out in the meantime.

Financial assets are valued at the lower of cost or fair value.

On the respective balance sheet date, applying the provisions of IDW RS HFA 10, it is checked whether the fair value of the recognized financial assets within the meaning of Section 253 (3) sentence 3 HGB is likely to permanently exceed the reported book value. The discounted earnings value calculated for this essentially depends on the underlying corporate planning and the discount rate used. The earnings values are therefore largely dependent on the future results of the companies to be valued and the assumptions on which the estimate of the results is based.

Although these discretionary estimates were made on the basis of management's current knowledge, there may be deviations from these estimates in the actual development of the associated companies.

Raw materials, consumables and supplies are valued at acquisition cost including ancillary acquisition costs or lower fair value, with reasonable deductions being made for storage and utilization risks.

The basis for valuing work in progress and finished goods at production cost is formed by the imputed unit costs taken from company accounting and determined on the basis of planned normal employment. The unit costs contain direct and overhead material costs, direct and overhead production costs as well as special production costs.

The advance payments made are shown without sales tax.

Receivables and other assets are stated at nominal value. All identifiable individual risks are taken into account in the assessment. For the general credit risk, a general value adjustment of 1% has been made for receivables from deliveries and services.

The discounts contained in the accruals and deferrals are amortized on a straight-line basis over the fixed-interest period of the corresponding loan.

Special items for investment subsidies and investment grants contain government grants for investments in fixed assets. The reversal takes place pro rata according to the scheduled depreciation on the corresponding assets.

The pension obligations are determined according to recognized actuarial principles based on biometric probabilities (2018 G mortality tables by Prof. Dr. Klaus Heubeck) using the modified partial value method. Expected future pension increases are taken into account when determining the obligation. Annual adjustments of 1% are currently assumed for pensions. The rating does not take into account a turnover rate. When determining the discount rate for matching maturities, an average remaining term of 15 years is generally assumed for discounting in application of the option under Section 253 (2) sentence 2 HGB. The discount rate is based on § 253 para. 2 Clause 1 HGB on the average market interest rate of the past ten years of 2.71% determined by the Deutsche Bundesbank. As of December 31, 2019, discounting the provisions for pensions using the average market interest rate for the past ten years resulted in a reduction in the provisions for pensions of EUR 69k (difference) compared to discounting using the average market interest rate for the past seven years.

Assets that cannot be accessed by all other creditors, are unencumbered and protected against insolvency and are used exclusively to meet debts from pension obligations (plan assets) are offset directly against the corresponding debts in accordance with Section 246 (2) sentence 2 HGB.

The cover assets are valued at fair value. The fair value of the plan assets (reinsurance policies) corresponds to the amortized cost in accordance with Section 255 (4) sentence 3 HGB and amounts to EUR 579 thousand (previous year: EUR 563 thousand) (at a cost of EUR 446 thousand). The recognized pension obligations relate in full to former board members.

The other provisions take into account all recognizable risks and uncertain obligations and are valued at the settlement amount necessary according to prudent business judgement. Future price and cost increases are taken into account if there is sufficient objective evidence that they will occur. Provisions with a remaining term of more than one year are discounted at the average market interest rate for the past seven financial years, which corresponds to their remaining term and which was determined by the Deutsche Bundesbank on the balance sheet date.

Liabilities are recognized at the settlement amount.

Receivables and liabilities in foreign currencies with a remaining term of up to one year are converted at the average spot exchange rate on the balance sheet date. In this respect, unrealized gains and losses from currency translation are included in the present annual financial statements. With a remaining term of more than one year, the conversion is carried out using the exchange rate at the time of occurrence. In the event of exchange rate changes up to the balance sheet date, the valuation is always based on the exchange rate on the balance sheet date, taking into account the lower of cost or market principle on the assets side and the highest value principle on the liabilities side.

## B. Notes to the Balance Sheet and Profit and Loss Account

### I. Balance sheet

#### 1. Fixed assets

The separately presented development of fixed assets is an integral part of the notes.

#### 2. Prepaid expenses

This item includes discounts of EUR 112 thousand (previous year: EUR 134 thousand).

#### 3. Liabilities

Liabilities of EUR 6,345 thousand (previous year: EUR 6,345 thousand) have a remaining term of 1 to 5 years. Otherwise, the liabilities have a remaining term of less than one year.

Liabilities to banks are covered in full by pledging the bank balances of 3B Scientific GmbH totaling EUR 1,202k, global assignment of all receivables amounting to EUR 1,727k, assignment of movable assets by way of security in the amount of EUR 1,656k, assignment of industrial property rights and copyrights as security Pledged shares in American 3B Scientific LP.

### II. Profit and Loss Account

#### 1. Personnel expenses

The item "Social security contributions and expenses for pensions" includes expenses for pensions in the amount of EUR 66 thousand (previous year: EUR 84 thousand).

#### 2. Other operating expenses

Expenses relating to other periods in the amount of EUR 51 thousand are reported under other operating expenses. Of this amount, EUR 23k relates to legal advice costs, EUR 8k to closing costs and EUR 6k to transport costs.

Other operating expenses include exchange rate losses of EUR 195 thousand (previous year: EUR 102 thousand).

#### 3. Financial Result

The financial result includes interest expenses from the compounding of pension provisions in the amount of EUR 21 thousand.

Other interest and similar income relates to affiliated companies in the amount of EUR 46 thousand (previous year: EUR 40 thousand).

Other interest and similar expenses relate to affiliated companies in the amount of EUR 50 thousand (previous year: EUR 7 thousand).

#### 4. Extraordinary Expenses

Extraordinary expenses of EUR 794 thousand (previous year: EUR 0 thousand) were incurred in the financial year, which are fully reported under other operating expenses. The extraordinary expenses relate to a credit of EUR 563 thousand to the Hungarian subsidiary for idle costs incurred as a result of the relocation of production and of EUR 232 thousand to a credit to the Chinese sister company for SAP licenses calculated in the past, which, contrary to the original plans, were exclusively used by 3B Scientific GmbH and not used by the sister company.

### C. Other information

#### 1. Shareholdings

As of the balance sheet date, the company held direct and indirect investments in the following companies within the meaning of Section 271 (1) HGB:

Surname	Seat	participation rate	currency	Equity 12/31/2019	Annual result 2019
Europe 3B Scientific es Forgalmazó Kft.	Budapest Hungary	100	HOOF	163,504,000	65,954,000
American 3B Scientific LP	Tucker, Georgia USA	33	USD	-4,381,461	-707.054
American 3B Management Corporation Inc.	Tucker, Georgia USA	33	USD	4,972	0

#### 2. staff

The average number of employees during the financial year is:

	Number
employee	120
worker	62
temporary workers	13

### 3. Contingent Liabilities and Other Financial Obligations

Contingent liabilities within the meaning of § 251 HGB exist for 3B Scientific GmbH within the framework of the overall financing of the 3B Scientific Group together with other companies in the group. In this context, the company is liable for the liabilities of American 3B Scientific, LP and Australian 3B Scientific Parent, LLC to banks totaling EUR 16.9 million (previous year: EUR 8.9 million). The risk of a claim arising from the provision of collateral for third-party liabilities is classified as low, since there are currently no indications that the affiliated company will not meet its obligations.

There are other financial obligations mainly from rental and leasing obligations in the amount of EUR 1,600 thousand. Of this, EUR 787 thousand is due in the 2020 financial year.

### 4. Supplementary report

The World Health Organization (WHO) declared an international health emergency at the end of January 2020. Since March 11, 2020, the WHO has classified the spread of the coronavirus (Covid-19) as a pandemic. The consequences of the corona crisis are expected to have a negative financial impact on 3B Scientific GmbH in the 2020 financial year. We refer to the corresponding statements in section "5.1. Risk Report" and in section 5.3. Forecast report" of the management report.

On February 25, 2020, Miles Sprott, Carsten Erpel and Hauke Schippmann were appointed as further managing directors.

There were no other events of particular importance after the end of the financial year that should be reported here.

### 5. Bodies of the company

Managing Director is:

- Todd A. Murray, Wilmette, Illinois / USA (since October 29, 2016)
- Carsten Erpel, Reinbek (since March 17, 2020)
- Miles Sprott, Hamburg (since March 17, 2020)
- Hauke Schippmann, Hörnerkirchen (since March 17, 2020)

According to Section 286 (4) HGB, the remuneration of the management in the 2019 financial year is not disclosed.

### 6. Group disclosures

The ultimate parent company of 3B Scientific GmbH, 3B Scientific Holdings, LLC, New Canaan, CT/USA, prepares consolidated financial statements including 3B Scientific GmbH.

#### Hamburg, May 29, 2020

#### 3B Scientific GmbH

##### Managing directors

*Todd A Murray*

*Miles Sprott*

*Carsten Erpel*

*Hauke Schippman*

#### Development of the fixed assets of 3B Scientific GmbH, Hamburg, in the 2019 financial year

	As of 01/01/2019 EUR	Acquisition/manufacturing costs			As of 12/31/2019 EUR
		additions EUR	transfers EUR	departures EUR	
<b>I. Intangible assets</b>					
1. Self-created industrial property rights and similar rights and values	387,816.17	143,316.27	0.00	0.00	531,132.44
2. Purchased industrial property rights and similar rights and assets	1,598,088.98	278,326.87	34,937.65	0.00	1,911,353.50
3. Assets under construction	34,937.65		-34,937.65	0.00	0.00
	2,020,842.80	421,643.14	0.00	0.00	2,442,485.94
<b>II. Tangible assets</b>					
1. Land and buildings, including buildings on third-party land	1,374,097.01	497.18	0.00	0.00	1,374,594.19
2. Technical installations and machines	784,489.81	32,737.22	0.00	0.00	817,227.03
3. Other equipment, fixtures and fittings	1,748,838.23	605,071.01	0.00	60,831.06	2,293,078.18
4. Payments on account and assets under construction	43,024.28	116,064.49	0.00	66,431.13	92,657.64
	3,950,449.33	754,369.90	0.00	127,262.19	4,577,557.04
<b>III. financial investments</b>					
1. Shares in affiliated companies	775,118.49	577,493.37	0.00	0.00	1,352,611.86
2. Loans to affiliated companies	145,300.00	3,000,000.00	0.00	550,000.00	2,595,300.00
3. Holdings	25,829.60	0.00	0.00	0.00	25,829.60
	946,248.09	3,577,493.37	0.00	550,000.00	3,973,741.46
	6,917,540.22	4,753,506.41	0.00	677,262.19	10,993,784.44
		Accumulated depreciation			
	As of 01/01/2019 EUR	additions EUR	departures EUR		As of 12/31/2019 EUR
<b>I. Intangible assets</b>					
1. Self-created industrial property rights and similar rights and values		0.00	35,408.44	0.00	35,408.44
2. Purchased industrial property rights and similar rights and assets		1,475,983.98	109,905.96	0.00	1,585,889.94
3. Assets under construction		0.00	0.00	0.00	0.00

	Accumulated depreciation			As of 12/31/2019 EUR
	As of 01/01/2019 EUR	additions EUR	departures EUR	
	1,475,983.98	145,314.40	0.00	1,621,298.38
<b>II. Tangible assets</b>				
1. Land and buildings, including buildings on third-party land	901,067.33	55,199.18	0.00	956,266.51
2. Technical installations and machines	686,068.81	24,778.22	0.00	710,847.03
3. Other equipment, fixtures and fittings	1,128,986.23	243,196.85	40,006.34	1,332,176.74
4. Payments on account and assets under construction	0.00	0.00	0.00	0.00
	2,716,122.37	323,174.25	40,006.34	2,999,290.28
<b>III. financial investments</b>				
1. Shares in affiliated companies	0.00	0.00	0.00	0.00
2. Loans to affiliated companies	0.00	0.00	0.00	0.00
3. Holdings	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	4,192,106.35	468,488.65	40,006.34	4,620,588.66
		book values		
		As of 12/31/2019 EUR		As of 12/31/2018 EUR
<b>I. Intangible assets</b>				
1. Self-created industrial property rights and similar rights and values		495,724.00		387,816.17
2. Purchased industrial property rights and similar rights and assets		325,463.56		122,105.00
3. Assets under construction		0.00		34,937.65
		821,187.56		544,858.82
<b>II. Tangible assets</b>				
1. Land and buildings, including buildings on third-party land		418,327.68		473,029.68
2. Technical installations and machines		106,380.00		98,421.00
3. Other equipment, fixtures and fittings		960,901.44		619,852.00
4. Payments on account and assets under construction		92,657.64		43,024.28
		1,578,266.76		1,234,326.96
<b>III. financial investments</b>				
1. Shares in affiliated companies		1,352,611.86		775,118.49
2. Loans to affiliated companies		2,595,300.00		145,300.00
3. Holdings		25,829.60		25,829.60
		3,973,741.46		946,248.09
		6,373,195.78		2,725,433.87

### Independent Auditor's Report

The attached annual financial statements as of December 31, 2019 are the abridged version for disclosure purposes in accordance with Section 327 HGB. The following audit opinion was issued on the complete annual financial statements and the management report for the 2019 financial year:

To 3B Scientific GmbH, Hamburg

#### audit opinions

We have the annual financial statements of 3B Scientific GmbH, Hamburg, - consisting of the balance sheet as of December 31, 2019 and the income statement for the financial year from January 1 to December 31, 2019 and the appendix, including the presentation of the accounting and valuation methods - checked. In addition, we have audited the management report of 3B Scientific GmbH, Hamburg, for the financial year from January 1 to December 31, 2019.

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

- The attached annual financial statements correspond in all material respects to the German commercial law regulations applicable to corporations and, in compliance with the German principles of proper accounting, convey a true and fair view of the assets and financial position of the company as of December 31, 2019 and its earnings position for the financial year from January 1 to December 31, 2019 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 responsibilities under these regulations and principles are further described in the "Auditor's responsibility for the audit of the annual 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 have our other German professional responsibilities in compliance with these requirements. We believe that

#### 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, in accordance with the German principles of proper accounting, to be necessary in order to enable the preparation of annual financial statements that are free from material - intentional or unintentional - misstatements.

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 be able.

#### **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 § 317 HGB, taking into account the German principles of proper annual auditing established by the Institute of Public Accountants (IDW), will always uncover a material misstatement. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- We identify and assess the risks of material - 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 as well as 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.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements, in compliance with German legally required accounting principles, 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.

**Hamburg, May 29, 2020**

**Ebner Stolz GmbH & Co. KG**  
**auditing company tax consulting company**

*Sven Metzger, auditor*

*Thomas Wülfing, auditor*

**Approval of the 2019 annual financial statements**

By resolution of the shareholders' meeting on December 10, 2020, the annual financial statements as of December 31, 2019 were adopted.