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d.velop AG

shear

Annual financial statements for the financial year from January 1st, 2019 to December 31st, 2019

management report

1. Fundamentals of the company

d.velop AG (hereinafter also d.velop) positions itself as a leading provider of software and services for the continuous digitization of business processes and industry-specific specialist procedures.

In addition to an established portfolio of ECM (Enterprise Content Management) solutions for integrative information management, document management, archiving and workflow management, d.velop also offers digital delivery services, mobile app platforms and software-as-a-service solutions (SaaS). .

These are distributed via an international network of more than 300 specialized partners and are also offered directly by d.velop AG for strategic major customers. The provision or delivery of the d.velop solutions is increasingly taking place as software-as-a-service via cloud services, or also as so-called "managed services", ie in operating models in which d.velop is used in some areas or completely takes over the operation of existing infrastructures at customers.

Due to a sophisticated compliance management system, legal security and compliance with legal requirements are guaranteed at all times across all forms of provision.

The core element of the cloud strategy is the provision of easily obtainable apps via the "d.velop platform". The company focuses on the consistent development and expansion of a platform for document management and office automation in its area of competence. With the simultaneous establishment of an app builder program, a self-reinforcing cycle has been initiated since May 2019. The more than two million users in the d.velop customer base have direct access to a large number of value-adding applications, with this reach also making the platform increasingly interesting for app builders. Developments for the platform can be made by d.velop partners, d.velop itself,

In this way, d.velop helps companies and organizations to develop their full potential by providing digital services that connect people and comprehensively simplify and redesign processes and processes. Based on the self-image of being a real partner for the customer in digital change, the company also offers competent consulting services in all questions of digitization with its own team. With its portfolio, d.velop addresses many core aspects of digital transformation.

1.1. Marketing strategy (market areas)

Since it was founded, d.velop AG has successfully aligned itself with the requirements of its customers. Due to heterogeneous needs and competitive situation, eg in the branches or also individual departments of the customers, these are a decisive criterion for the d.velop AG within the scope of the customer segmentation of the ECM market. In addition, the technologies used by the customers form another decisive criterion in the context of customer segmentation.

d.velop AG therefore promotes a marketing mix for each customer segment and continuously optimizes the industry and department-specific characteristics of the price, product, communication and distribution policy.

As part of the distribution policy, d.velop AG relies not only on the direct distribution channel, but also on a significant expansion of the indirect distribution channel and on strategic company investments.

The direct distribution channel of d.velop AG addresses the upper middle class as well as large customers or organizations comparable in terms of size, such as hospitals or organizations in the public sector. Market cultivation takes place as part of a complete organizational restructuring of the company into small, agile work units, in particular by interdisciplinary market teams made up of sales staff, consultants and developers, as well as online on the basis of the d.velop platform.

d.velop AG has been successfully investing in the expansion of the indirect distribution channel for years and is thus focusing on the continuous further development of a value-added network in the market for ECM software (d.velop competence network). More than 300 partner companies are integrated into the value-added network of d.velop AG, which market products and services of d.velop AG on the basis of corresponding partner contracts. In addition, the value-added network of d.velop AG will be expanded as part of the d.velop platform strategy to include “App Builder” partners. On the one hand, the d. velop AG company thus has the opportunity as a d.velop "App Builder" to realize additional monetization via the d.velop platform. On the other hand, the number of service offers for end customers that can be obtained via the d.velop platform is being greatly expanded.

The strategic investments of d.velop AG expand in particular the industry-specific competencies in the market segments eGovernment and Health Insurance as well as the technological competence in the areas of artificial intelligence and cloud development & operations.

Based on this strategic group structure, individual, comprehensive market addressing is possible.

The customer segmentation of the ECM market of the d.velop group ensures a sustainable, customer-oriented design of the software solutions of the d.velop AG. The objective of realizing digital business processes in the respective company and organization requires a high level of industry, specialist and technological expertise. This requirement can only be successfully implemented with an appropriate focus on the respective customer segments

Customer's Industry	department of the customer	Customer's technology
Retail	Finance	SAP
Media & Telecommunications	Human Resources	information
Logistics	quality management	legend
Finance	Legal	Salesforce

Customer's Industry	department of the customer	Customer's technology
eGovernment	Sales	MS Dynamics NAV/-AX
automotive	marketing	MS SharePoint / MS Office 365
healthcare	Production	Microsoft Dynamics 365
welfare	administration	On-premises/Hybrid/SaaS
Health Insurance	Research & Development	...
Life Sciences	...	
...		

1.2. Cross-industry market developments

In the context of increasing social digitization and against the background of constantly changing requirements for the scope of services and forms of provision of digital services, there are also increasingly profound effects on the market for enterprise content services. These are expressed, among other things, in the form of increased use of corresponding cloud-based services. These changes are expressed horizontally across all industries without having a specific focus on a special market. Even if it can be stated that heavily regulated industries and to a certain extent also public institutions, Municipalities and cities are reacting somewhat more cautiously to the general trend towards SaaS from the public cloud. However, there are alternatives and hybrid approaches for these market segments.

In 2019, the results of a regular evaluation of data and information from customer surveys by partners and employees were published for the first time as part of the "d.velop autumn forecast for 2020" with five main trends in the market for business software. The study was carried out by the d.velop labs founded in 2018. From the main trends identified, two overarching aspects can be identified: trends in the field of digitization with “platform economy”, “cloud and SaaS (software as a service)” and “innovation culture and change management”, as well as trends from the field of AI (artificial intelligence) with "AI in application practice" and "Compliance with regard to AI, ethics and law". What all five trends have in common is that companies can open up new fields of innovation in order to secure and expand their business by dealing with them in a forward-looking and responsible manner. d.velop explicitly addresses these topics as part of its strategy.

According to the Bitkom study "Digital Office in SMEs 2019", the provision of functionalities as cloud applications is on the upswing. The industry association notes that there is potential for medium-sized companies in particular. According to Bitkom, well over half of the companies now operate their ECM solutions in the cloud, with the “private cloud” model clearly predominating. As a result, cloud solutions have replaced on-premises use (44%) as the leading operating model in medium-sized companies since this year, while on-premises still predominates at 66% of installations in larger companies.

Basically, the software market is subject to significant and permanent changes, which d.velop actively addresses with four focus areas, which are anchored in both the development and the go-to-market strategy. These are:

- **Software as a Service (SaaS) / d.velop platform:**d.velop gives customers great flexibility, whether they want to work in the classic way with systems implemented in the company, raise their installation to the cloud, obtain targeted encapsulated services as an SaaS solution or want to use a hybrid operation. d.velop has succeeded in winning new OEM partnerships for a cloud-based document management service in addition to the further developed d.3ecm suite as an on-premises platform. In addition, dedicated integrations, for example in the cloud solutions from Sage and Salesforce, are being further developed. Here, large numbers of customers can be converted and operated with significantly less effort on the d.velop offer.
- **Compliance and legal certainty:** Independent data protection audits have shown that d.velop is well positioned for the new EU General Data Protection Regulation (EU-DSGVO) and that this results in improved unique selling points. With the publication of its own product (GDPR compliance center), d.velop also takes into account the customer's need for technological support in compliance with the GDPR.
- **Digital Workplace:** Since work processes are becoming more and more mobile and are also subject to further changes, the requirements for business software are also changing. The Digital Workplace includes collaboration functions, the context-sensitive proactive provision of information, as well as mobile apps and cloud solutions. d.velop meets this trend with its solutions, which correspond to the necessary usability and functionality innovations of IT workplaces in a digitized world.
- **Enterprise Content Services:** This further development of the classic ECM is the answer to the fact that the trend among users is increasingly towards smart apps, convenient online access and the integration of functionalities in leading applications. At the same time, the demands on mobility, degree of availability and digital collaboration across location boundaries are increasing. In view of these expanded requirements, d.velop supplements the conventional ECM model with additional delivery methods and now offers its d.3ecm system as an enterprise content services platform both on-prem and in hybrid or completely cloud-based SaaS models.

1.3. Innovation management - organizational development

While the digital transformation of d.velop AG opens up a number of business opportunities in the market segments described above, d.velop AG itself has successfully completed a program to focus on an agile, self-adapting and self-organizing form of organization in order to quickly adapt to the increasingly rapid market changes and to be able to anticipate. The following goals of organizational development were defined and achieved:

- Realignment of the innovation management of d.velop AG through new organizational units and teams with the aim of validating potential new markets as well as new offers and/delivery models quickly and efficiently (Lean StartUp).
- Promotion of an agile, self-adaptive and self-organizing organizational system which, among other things, cultivates flexible, independent work in market- and customer-centric teams (lean management).

In this context, new cross-functional teams were formed in 2018, which deal with market development and the provision of solutions in defined markets or service areas, and are responsible for their successful marketing. The areas of internal service provision and core services are also geared towards teamwork in self-organizing teams in order to be able to interact better with teams close to the market in a consistently customer-centric orientation. The new organization started productively and operationally in the first quarter of 2019 and was successfully established. The first completely new, innovative,

Overall, the company follows the philosophy of "corporate entrepreneurship", i.e. the promotion of entrepreneurship among employees in their own company.

1.4. shareholder structure

With the contribution of the majority of shares in d.velop AG to a holding company (d.velop holding GmbH), important strategic decisions were made in 2016. With this new structure, the d.velop group focuses on a sustainable, dynamically developing market.

The contribution of a total of 83.6% of the shares of d.velop AG to this holding secures and strengthens the successful orientation of d.velop AG in recent years and creates a reliable basis for future successful positioning of d.velop AG in terms of content and technologically rapidly changing markets. d.velop AG itself holds 1,837 shares (2.2%) and 275 shares (0.3%) are held by the subsidiary CODIA Software GmbH. The remaining 13.9% of the shares are held by third parties.

At the beginning of 2016, a domination and profit and loss transfer agreement was concluded between d.velop holding GmbH and d.velop AG.

1.5. Holdings / d.velop competence network (d.cn)

As of December 31, 2019, d.velop AG had a total of 10 (previous year 11) direct company investments of different corporate law characteristics (51% to 100%). In January 2019, all shares (48.0%) in d.velop Life Sciences GmbH were sold by d.velop AG. The business relationship with d.velop Life Sciences GmbH was alternatively represented by a long-term supplier contract. At the end of August 2019, d.velop AG was able to increase its stake in d.velop digital solutions GmbH to 100% by purchasing additional shares.

Sector and product-specific as well as regional market segments are addressed through company investments and strategic partnerships. The strategic objective of using a network to realize a corresponding range of competences as well as customer proximity has shown itself to be very positive in the development of the network to date. The market acceptance as well as the potential in terms of competence and resource sharing predestine this network model as an expandable and sustainable model for further company growth in the core market (DA-CH) as well as in other countries.

In 2019, the adjusted turnover of the d.velop group was around €65 million (previous year: €60 million). Further increases in group sales are expected for the following years, since the market potential overall can still be significantly expanded.

In addition to the companies in which d.velop AG holds corresponding shares, more than 300 other partner companies are integrated into the network, which market products and services of d.velop AG on the basis of corresponding partner contracts.

This d.velop network structure (d.cn) is to be consistently further developed in 2020 as part of a strategic orientation (Corporate Strategy 2020) and adapted to the changed market and technology conditions.

2. Economic report

2.1. macroeconomic situation

In its annual report 2019/20, the German Council of Economic Experts examined the overall economic development under the title: "Mastering structural change".

In Germany, the long-lasting upswing has come to an end for the time being. On the one hand, this development reflects the global economic slowdown; on the other hand, various structural factors that impede growth could be reflected. The German Council of Economic Experts sees the need for economic policy to strengthen the growth potential of the German economy, particularly against the background of structural change, in particular due to technological progress in the course of digitization and the necessary move towards a new climate policy.

The German economy is in a downturn. So far, however, a broad and deeper recession is not to be expected: “In the current year (2019), real gross domestic product (GDP) is likely to grow at a rate of 0.5%, noticeably less than in previous years. It is to be expected that the weak economic momentum will last at least into the coming year and that growth will remain weak at 0.9% (calendar-adjusted 0.5%) in 2020.”

At the time the report was published, however, the German Council of Economic Experts was not yet able to take into account the effects of the coronavirus crisis on the world markets, but is already speaking of a downturn.

Against this background, the International Monetary Fund (IMF) on March 4, 2020, according to a dpa report, significantly lowered its previous forecasts based on the global level.

Growth will be lower in 2020 than in the previous year, said IMF boss Kristalina Georgieva. According to an IMF estimate from January, the global economy grew by around 2.9 percent in 2019. At the time, the IMF was still forecasting an increase of 3.3 percent for 2020. According to the IMF, a gradual recovery should set in in the second half of the year. In 2021, the global economy should then grow by 5.8 percent.

Nevertheless, the course of business so far in 2020 shows a significantly increased demand for d.velop solutions and services from the cloud that support a home office situation, probably also caused by the pandemic. That is why the group is cautiously optimistic about the 2020 financial year, despite the overall economic forecast. However, the situation remains to be observed and measures and strategies constantly reviewed.

According to the German Council of Economic Experts, an efficient research and innovation policy is required for the innovative capacity of the German economy. Expenditure on research and development in Germany amounts to more than 3% of GDP. Last but not least, these are supported by a tried and tested system of state research funding from basic to applied research. The Council recommends an expansion here, where it makes sense to organize at European level.

2.2. industry situation

The d.velop group consists of d.velop AG and the strategic d.velop holdings. This group structure enables a comprehensive, customer-oriented set-up (see above), which enables market addressing to be tailored to the respective customer requirements. The significant national markets for the d.velop group in 2019 were again Germany, Austria, Switzerland and to a lesser extent neighboring EU countries, in particular the Netherlands, Italy and the United Kingdom.

In its study "Global Content Services Platforms Market" in April 2019, the analyst firm KBV Research predicted an increase to a market volume of up to 63.2 billion dollars for the global market for "Content Services Platforms", which also includes the offers of d.velop to 2024, with a CAGR of 19.4% over the forecast period. There is definitely potential for further growth.

The study "Digital Office in SMEs 2019" by the Bitkom industry association states that around 30% of all medium-sized companies state that they want to invest in integrated ECM software in the near future (initial, expansion and replacement investments). The proportion of companies planning to introduce integrated ECM software for the first time is very high at 23% (2017: 18%) and suggests even stronger growth in medium-sized companies than has been recorded in the last two years.

In the "Bitkom Digital Office Index 2018 - Summer 2018" study, the association identified enormous marketing potential, especially for companies in Germany, with regard to ECM solutions in the areas of billing, transmission, receipt and the replacement of letter post with digital communication. In addition, there is still no market saturation in established areas of ECM solutions such as scanning, archiving and document management. According to Bitkom Research, only 41% of the companies surveyed used solutions for archiving and document management in 2018.

Overall, numerous changing factors are affecting the ECM market. The most important developments for the 2019 financial year and beyond are presented below on the basis of the "Digital Office Trend-Check 2018" study by the Bitkom industry association:

- Digital transformation of the working world: In the course of digitization, more and more data is being generated. Data growth is taking place disproportionately in the area of unstructured content. ECM, with its decades of expertise in structuring unstructured databases, is therefore of key importance in the future IT strategy of customers.
- Security and data protection: Against the background of digitization in all areas of life and work, data protection and data security are equally important for private consumers and companies. The issue of trust and security in relation to business-critical or sensitive data and documents has different facets. On the one hand, commercial and tax law require storage for 6 or 10 years (depending on the type of document). On the other hand, companies are of course well advised to keep all those documents and other documents not only for tax purposes, but also to prevent risks under civil law in such a way that that they can provide evidence in the event of a dispute. These facets have long formed the core discipline of ECM systems, but at the same time are subject to continuous change due to changing legal requirements such as the EU GDPR.
- Cooperation and networking: Business collaboration means the change in internal company communication from command & follow to transparent, interactive and open cooperation. In this cooperation, unstructured information (i.e. texts, images, videos, etc.) is usually exchanged along business processes in companies or between companies in a partner network. With ECM, the focus is above all on the joint development of documents, so that ECM systems provide functions that ensure that work is always carried out on the current content.
- Big Data and Analytics: Data is repeatedly referred to as the crude oil of the 21st century. Due to the pool of documents in ECM systems, which has often been maintained for many years, analysis of the documents opens up great potential for use. One could say that ECM has embodied Big Data for many years, but is only able to refine the crude oil with the help of new cognitive technologies, i.e. to make it available in a context-related and accessible way.
- Cloud and "Everything as a Service": The entry of new processes and technologies such as big data and artificial intelligence into the ECM application area requires a high-performance and scalable computer and network infrastructure as well as corresponding services that can only be provided via the cloud. In this respect, the cloud is the enabler for intelligent ECM.

While d.velop is already excellently positioned for many of the developments described above, significant investments and dedicated innovation management are still necessary to ensure long-term growth and profitability.

Overall, d.velop also expects market growth for the 2020 and 2021 financial years in the DACH region, but at the same time the provision and service models will change with increasing speed towards rental/subscription models.

The platinum award of the platform d.velop cloud at the Readers' Choice Award 2016, the silver award in the following year 2017 and the gold award 2019 of the trade magazine "Cloud Computing Insider" in the category Cloud ECM/DMS underpins the future-oriented orientation of the company to alternative, cloud-based procurement and billing models. The strategic positioning is also underpinned by the "Best of 2017" award in the Innovation Award IT of the Initiative Mittelstand in the field of cloud computing and in 2018 in the category Business Intelligence.

The independent analyst firm Experton Group (ISG) has named the digital d.velop document service foxdox four times in a row as a leader in the "Cloud Vendor Benchmark" and most recently in 2019 in the "ISG Provider Lens" in the category "SaaS - Enterprise Cloud Filesharing". . As a cloud provider, d.velop clearly set itself apart from international players in the cloud market in terms of competitive strength and portfolio attractiveness.

The company has also received several awards as a recommendable employer, including the "Top Company" and "Open Company" seal from the employer rating portal kununu, as a top 10 employer in North Rhine-Westphalia 2015, in the top 50 most family-friendly companies (October 2017) in cooperation with the magazine freundin and as "Top Employer Mittelstand 2018" (Focus Business). Furthermore, the evaluation portal Kununu achieved 24th place in Germany in 2019 in relation to the IT and telecommunications sector and 121st place among all medium-sized companies in Germany. This means that d.velop has now been able to position itself very well as a top employer throughout Germany.

The market perception also does justice to the increasingly industry-oriented positioning and the ongoing internationalization. The renowned British ghp magazine named d.velop twice in a row at the ghp Technology Awards in 2018 and 2019 as "Best Healthcare ECM Solutions Provider Germany". This is also confirmed by the fact that d.velop was highlighted as an "Honorable Mention" as only one of seven companies worldwide in the "Gartner Magic Quadrant for Content Services Platforms 2018" for the remarkably successful focus on the EMEA area.

It can be assumed that d.velop AG will be able to assert itself and develop well in the future due to its broad and innovative positioning. The proven product range of innovative solutions for administration and production optimization, the extensive problem-solving skills of the employees and the broad customer base lead to a currently good market position and an excellent starting point for the coming years.

2.3. business development

Against the background of the overall economic situation and the current situation of focused industries, d.velop AG was able to significantly expand its market position in 2019. Overall, the consistently implemented strategic measures for market development, such as the expansion of marketing, indirect sales (partner network - d.velop competence network) and direct sales showed further lasting effects. In total, more than 1,500 new customers could be won in the entire d.velop network, so that the number of customer installations had increased to over 10,400 in the course of the year up to the publication of this report. In total, more than 2.5 million users worldwide work with solutions and products from d.velop AG.

The proportion of new customers acquired by d.velop partners was around 90% in 2019, almost the same as in the previous year. The new customers acquired through partners are in terms of company size in the segment of medium-sized companies, resp. to be assigned to comparable administrations, whereas the customers acquired directly by d.velop can be assigned to the segments of the upper middle class and the large customers. The partner programs and concepts that have been further developed in recent years have had a lasting positive effect in the 2019 financial year.

In addition to the core brand d.3ecm, the positions of the d.velop product lines ecspand as an ECM solution for the Microsoft SharePoint market and foxdox, especially for the digital delivery of documents, were also significantly expanded in 2019.

With the ecspand product line, d.velop has been successfully offering powerful ECM extensions for the Microsoft SharePoint market for years. Well-known national and international companies also decided in 2019 for Microsoft SharePoint extensions from d.velop.

Further customers were won for the legally secure delivery services available with foxdox, so that after entering the market in 2015, the market development for this new, future-oriented method could be continuously promoted positively.

2019 also marked the presentation of "the "d.velop platform", a cloud platform based on the d.3ecm system, which offers both standardized and individualized ECM services in the form of software-as-a-service. With d. velop cloud, which is provided on secure servers hosted in Germany, d.velop opens up access to new solution fields and expands the service portfolio in the direction of managed services.

From today's perspective, the long-term nature of the system applications, the considerable marketing potential in the existing customer environment and innovative new solution components for the product lines d.3ecm, ecspand and foxdox ensure the sustainability of strategic corporate growth.

The sales of d.velop AG improved by 3.9% in the 2019 financial year compared to the previous year. The annual surplus before profit transfer amounts to EUR 5,018 thousand (previous year EUR 6,135 thousand).

Against the background of the corona epidemic, which is having a corresponding impact on macroeconomic events in the first quarter of 2020, it can be stated that d.velop solutions and services are in very high demand due to the need to catch up in the context of digitization and the situation is becoming a clear one increased new orders and sales. However, against the background of an expected overall economic recession, the situation remains to be monitored and measures and strategies constantly reviewed.

2.4. situation of society

2.4.1. earnings situation

In the 2019 reporting year, sales increased by 3.9% to EUR 50.3 million (previous year EUR 48.4 million). Customer demand is showing an increasing shift from license to subscription models, which lead to recurring revenues. While license sales were 5.9% below the previous year's value, significant increases were achieved in recurring revenues compared to 2018 (cloud/SaaS + 160.0%, software rental + 38.8%, software maintenance/services + 9.3%). Service revenues were 1.0% slightly below the previous year's level.

As in previous years, personnel costs are an outstanding cost item. Compared to the previous year, personnel costs increased by EUR 3,084 thousand to EUR 29,038 thousand in 2019, in particular due to the hiring of new employees. It can be assumed that with a consistent focus on the strategic objectives, corresponding increases in sales can be achieved in the following years, especially in the revenue groups software, cloud/SaaS and software maintenance/services. This will result in a more favorable development of the personnel cost ratio in the future, without neglecting the strategic importance of a qualified workforce.

In the 2019 financial year, d.velop AG was able to generate an annual surplus before profit transfer of EUR 5,018 thousand. The result is EUR 1.1 million below the previous year’s figure for 2018 (EUR 6,135 thousand).

2.4.2. asset position and capital structure

The balance sheet total of d.velop AG increased by EUR 2,607 thousand or 12.4% to EUR 23,628 thousand (previous year EUR 21,021 thousand) in the reporting year.

The share of fixed assets in the balance sheet total is 39.4% (previous year 35.3%). Fixed assets include intangible assets of EUR 520 thousand (previous year EUR 958 thousand). Property, plant and equipment in the amount of EUR 2,080 thousand (previous year EUR 2,289 thousand) mainly relates to operating and office equipment. Financial assets are reported as of the balance sheet date in the amount of EUR 6,713 thousand (previous year EUR 4,181 thousand). The increase is mainly due to the acquisition of further shares in d.velop digital solutions GmbH. In addition to the shares in affiliated companies and participations in the amount of EUR 5,412 thousand (previous year EUR 2,894 thousand), loans to affiliated companies and participations in the amount of EUR 1,300 thousand (previous year 1

Current assets increased in the year under review by EUR 613 thousand to EUR 13,638 thousand and accounted for 57.7% (previous year 62.0%) of the balance sheet total. Inventories were reduced by EUR 272 thousand in the year under review and amounted to EUR 1,408 thousand on the balance sheet date. Receivables and other assets increased by EUR 574 thousand to EUR 11,138 thousand. This includes receivables from tenant loans in the amount of EUR 1,629 thousand (previous year EUR 1,426 thousand). Liquidity in the form of bank deposits amounted to EUR 1,092 thousand as of the balance sheet date (previous year EUR 781 thousand).

Prepaid expenses increased by EUR 110 thousand to EUR 677 thousand in the year under review.

At the end of 2018, the share capital was EUR 83,422 and was divided into 83,422 no-par value shares. d.velop AG holds 1,837 treasury shares. Total equity as of December 31, 2019 is EUR 4,837 thousand. Due to the profit transfer, equity has not changed compared to the previous year. The equity ratio was 20.5% at the end of 2019 (previous year 23.0%).

The provisions increased by EUR 103 thousand to EUR 1,849 thousand in the year under review and essentially include personnel obligations, outstanding invoices, closing, auditing and consulting costs.

As of the balance sheet date, liabilities to banks amounted to EUR 4,257 thousand (previous year: EUR 2,579 thousand). Of this, EUR 3,000 thousand (previous year EUR 2,579 thousand) relates to loans and EUR 1,257 thousand (previous year EUR 0 thousand) to short-term bank liabilities (current account). The available current account lines were only used selectively and to a small extent in the year under review. There are sufficient lines at the banks.

As of the balance sheet date, other liabilities amounted to EUR 9,653 thousand (previous year EUR 9,320 thousand). This includes liabilities to affiliated and associated companies in the amount of EUR 5,749 thousand (previous year EUR 7,057 thousand).

As of the balance sheet date, deferred income was EUR 3,033 thousand (previous year: EUR 2,539 thousand). The deferral includes payments already received from customers for software maintenance and cloud services to be provided in the 2020 financial year.

2.4.3. financial position

As of December 31, 2019, the balance of cash and cash equivalents and current bank liabilities was EUR -164 thousand (previous year: EUR +781 thousand). Cash and cash equivalents thus decreased by EUR 945 thousand in the 2019 financial year. This is mainly due to the fact that investments in subsidiaries were financed from own funds. Solvency was secured at all times during the reporting period.

The planning scenarios drawn up for 2020 and 2021, even taking into account the most unfavorable framework conditions, only occasionally indicate a partial use of the available credit lines, so that an adequate credit line can be assumed. The company's financial situation remains stable.

2.5. Financial and non-financial performance indicators

2.5.1. Financial performance indicators

The financial performance indicators focus on:

- sales development
- operating profit and
- industry development.

The key figures order intake, return on sales and cash flow are used for internal corporate management. Incoming orders increased by 16.8% compared to the previous year. The return on sales fell by 2.8 percentage points compared to the previous year.

Despite the declining earnings development, d.velop AG was able to show an excellent earnings situation with EUR 5,018 thousand (previous year EUR 6,135 thousand) before profit transfer against the background of the shift effects due to the cloud transition.

2.5.2. Non-financial performance indicators

Development of the workforce

The number of employees was further expanded in 2019. As of December 31, 2019, d.velop AG employed a total of 459 people. As a result, the number of employees increased by a total of 28 thanks to the creation of new jobs. As in previous years, d.velop AG is also involved in the training of young people by investing further in additional, qualified training positions.

The development of available market potential and the consistent exploitation of existing market opportunities, as well as the strategic expansion of business activities, are largely dependent on the availability of suitably qualified employees. Consistent personnel management geared to these market conditions will also be one of the company's key objectives in the coming years.

Thanks to targeted qualification measures, the qualification level of the employees could be further expanded in line with company requirements. Expenditure on training increased by 41% in 2019 compared to the previous year. Employee turnover is still very low. As in previous years, peaks in resource requirements can be covered both by the d.cn (d.velop competence network) and by involving external development and project resources. Compared to the previous year, the use of external resources was further reduced in 2019 through more effective processes and optimized organizational structures in order to reduce the associated increased external service costs.

3. Forecast, opportunity and risk report

3.1. forecast report

economic outlook

A prognosis of the future business development against the background of the general economic development still seems difficult. With the consequences of the measures to contain the corona pandemic, a significant cooling of the economy worldwide, possibly a downturn, is to be expected. Furthermore, there are unpredictable influences of Brexit on the ECM market development in the UK and international trade conflicts. The trends from the first quarter of 2020, on the other hand, point to a non-cyclical development that will lead to growth in the market for digitization solutions in particular.

The social, political and global economic framework will have a significant impact on national economic developments. Although the ECM markets in the DA-CH region are not directly related to various political/economic conflicts, economic effects due to the measures to contain the corona pandemic and the associated willingness to invest of many domestic companies are indirectly related to the consequences of international developments and thus linked to expected recessions. However, we assume that the current situation and the even faster digital transformation will have a stronger impact on business development,

Business strategy and market opportunities

In the coming years, d.velop will continue to focus in particular on cross-industry trend topics (SaaS, compliance and legal certainty, digital workplace, enterprise content services, etc.). In order to meet the increasing demands of the markets, d.velop itself has gone through a program to focus on an agile, self-organizing and self-adaptive organizational system. This alignment has largely been completed and is beginning to show very positive effects. The promotion of an agile organizational structure pursues, among other things, the goal of cultivating flexible, independent work in market- and customer-centric teams (lean management).

In addition, the realignment of innovation management through new organizational units should ensure that potential new markets and new offers and/or delivery models are validated quickly and efficiently (lean startup). In this context, teams were formed that deal with market development and the provision of new solutions in defined markets or service areas, with the aim of being responsible for their successful marketing.

With this organizational structure and existing company participations and strategic partnerships, d.velop can address industry, solution and technology-specific market segments and corresponding competence spectrums as well as customer proximity can be realized. A targeted sharing of skills and resources predestines this network model as an expandable and sustainable model for further company growth in the core market (DA-CH) as well as in other countries.

As a result, the trend topics of the ECM market, the digitization challenges of the customers, as well as the growing legal requirements, or the demand for comprehensive process documentation and sustainable process transparency, a constantly exponentially growing data volume, a considerable rationalization pressure, as well as the development of new market segments, among others also on the basis of new system platforms/services, such as ECM cloud services can be reacted to flexibly and with the necessary competence.

It is important to recognize the marketing potential that is available both now and in the coming years and to place existing or new innovative products in rapidly growing and rapidly changing markets. Even if d.velop is already excellently positioned in many of the above areas, significant investments and inherent innovation management are still necessary to ensure long-term growth and profitability.

Sales and earnings forecast

The sales and earnings development for the following years will continue to be characterized by a very favorable market environment, due to the importance of digitization in almost all markets. In addition, new technologies open up new customer groups and new markets for ECM technologies, so that, taking into account the company's strategic orientation, a continuous expansion of business activities is expected in the medium term. The development of the earnings ratio before profit transfer is to be increased to over 15% in the coming years.

However, the shift of larger (license) investment projects in the direction of subscription models can have a temporarily dampening effect on sales growth rates. However, subscription models offer higher long-term potential for a more steady course and an increasing sales development.

For the 2020 and 2021 financial years, we expect a further increase in sales and EBIT compared to the previous year. The basis of this assessment is the order backlog of d.velop AG, which can be described as very satisfactory, as well as the analysis of the sales pipeline and the feedback from the d.velop partner network.

In the area of personnel, the plan is to continue to increase at a high quality level.

In general, it can be stated that various risks, which are described in the "Risk Report" section, also offer the company opportunities. Opportunities for future development lie in particular in:

- the extraordinarily good business dynamics that emanate from the digital transformation of customers
- the expansion of the d.velop network structure and the associated higher market penetration
- a stable financial situation
- Development or further development of innovative product lines

The business policy will essentially remain unchanged.

3.2. Opportunity and risk report

The previous growth of d.velop AG, the considerable market potential due to favorable technological and legal framework conditions, as well as the current market and competitive environment represent not only opportunities but also risks to be evaluated and taken into account accordingly.

The opportunities and risks of different economic developments at national and international level as well as the increasing agility of the markets, which are becoming more and more complex, cannot currently be condensed into a clear overall view. Even if a significant downturn in the overall economic development can be assumed nationally and internationally in 2020, the increasing digitalization is opening up considerable market potential for the ECM market in German-speaking countries at the same time. The international markets, on the other hand, are very individual in terms of their requirements for solutions and compliance conditions,

With digital change, a revolutionary social and economic transformation is currently taking place. There are enormous opportunities here for d.velop to decisively support the inevitable digital transformation of companies with its solutions and many years of digitization expertise. There is considerable potential to be exploited here, especially when thinking holistically about B2B2C processes.

But there are also risks in this almost rapidly changing environment, which consist primarily of competitors marketing dedicated innovations for digital change more quickly, or the power of change - the speed of digital transformation at d.velop itself - not being sufficient.

While subscription models offer long-term potential for a more steady course and an increasing sales development, the shift of larger (license) investment projects in the direction of subscription models with regard to the revenue group software licenses can have dampening effects on the growth rates within short reporting periods. Ultimately, temporarily falling EBIT values can occur. Liquidity is guaranteed at all times based on the information available and the simulations carried out.

In summary, it can be said that possible sales and earnings risks cannot be completely ruled out, despite a broad market positioning and comprehensive controlling mechanisms.

Risk Management Objectives

By implementing a comprehensive risk management system, possible risks such as product, market, financial, personnel and competition risks as well as economic and legal risks should be identified and minimized at an early stage.

Implementation of risk management

Extensive controlling mechanisms have been introduced in recent years with the aim of establishing effective risk management for identifying and assessing any business risks based on product, market, project, sales, earnings or investment risks. The implementation of appropriate measures is already well advanced and already offers a comprehensive system for the quick and sustainable identification of possible hazards, which includes not only external but also internal risks.

Current status of risk management

Thanks to the measures that have already been taken, a large number of possible risks have already been significantly reduced. Alignment with the strategic guidelines is constantly verified by the respective department head in conjunction with the central controlling bodies. Central development and checking of key figures, analysis of deviations, definition of corrective measures are now fixed components of the established controlling system.

In addition, the company continues to use both its own and external experts for special issues in order to comprehensively counter the risks of outstanding issues on the basis of corresponding knowledge.

4. Other information

Research and Development Report

The central focus of research and development in 2019 was on the one hand the targeted improvement of features and usability for the various products and services and the associated increased user acceptance and the resulting increased market success.

This optimized "Product-Market-Fit" was achieved through close customer contact, improved cross-functional cooperation and increasing feedback functions. The continuous qualification of employees and the pursuit of methodical excellence helped to make further progress here.

On the other hand, the focus in the area of research and development was on the continuous expansion of the forms of provision for the d.velop software (SaaS, OnPrem and combinable as a hybrid) and on creating the technical requirements for the d.velop platform and thus for the transformation of d.velop .velop to a platform provider. The new technical framework for the d.velop platform with its "basic apps" and its open APIs contributes to the creation of innovations through specialist solutions and targeted extensions for d.velop customers no longer only within d.velop and the To create subsidiary and partner structures, but to open up to all complementary software providers and software developers.

This exponentially larger community of external "app builders" can create a significantly higher number of technical features for market-leading information management combined with collaboration and office automation and thus greater innovations and added value for customers than before. The newly created technical requirements for the d.velop platform include booking options for "apps" at the push of a button from the d.velop store and the automated provision of these specialist solutions within seconds. The acquisition and onboarding of external app builders was made easier by the API documentation, which has been freely available on the Internet since 2019, incl.

In particular, the hybrid form of provision created through the intelligent technical combinability of micro-services, regardless of the place of execution, makes it attractive for app builders to be able to reach the entire installed base of d.velop with the d.velop platform. At the same time, security audits also ensured that external apps did not have to accept any loss of security.

The forward-looking measures described above are reflected in investments of between 10% and 15% of sales in research/development.

The investments in artificial intelligence and the establishment of a new team of experts on this topic have already begun to pay off in 2019, e.g. through the development of automatic document separation without barcodes in the scanning process, and are being consistently pursued in order to also use artificial intelligence in the context of to make unstructured data and documents usable.

As part of the extensive renovations and further developments, it should finally be emphasized that d.velop has not only created a multi-client capable, auto-scaling SaaS offer in addition to the classic on-premises offer, which is characterized by its functional and economic advantages and the platform offer, but also the configurability and expandability of the SaaS offer was increased in 2019. In this way, both internally and through partners, comprehensive ECM solutions can be provided to customers as an SaaS offering without any compromises, which is reflected in the particularly strong increase in customers and sales in the SaaS revenue category.

Despite these significant advances in the SaaS form of provision, customers from the on-premises or hybrid form of provision also benefit greatly from the further developments, since thanks to extensive macro architecture and the latest technological knowledge, most parts of the software can be implemented independently of the form of provision and as a result strong synergies can be achieved.

Gescher, March 18, 2020

signed Christoph Pliete, CEO

Signed Mario Dönnebrink, Member of the Management Board

balance sheet

assets

	12/31/2019 EUR	12/31/2018 EUR
A. Fixed assets	9,312,859.30	7,428,760.94
I. Intangible assets	520,219.71	958,030.71
1. Purchased concessions, industrial property rights and similar rights and values, as well as licenses to such rights and values	520,219.71	948,030.71
2. advance payments made	0.00	10,000.00
II. Tangible assets	2,079,948.40	2,289,323.62
1. Land, land rights and buildings, including buildings on third-party land	46,517.04	56,136.50
2. Other facilities, fixtures and fittings	2,033,431.36	2,233,187.12
III. financial assets	6,712,691.19	4,181,406.61
1. Shares in affiliated companies	5,402,876.68	2,824,881.77
2. Loans to affiliated companies	676,357.90	663,068.23
3. Holdings	9,400.00	69,400.00
4. Loans to companies in which an investment is held	624,056.61	624,056.61
B. Current Assets	13,637,909.21	13,024,563.81
I. Inventories	1,407,991.62	1,680,360.22
1. Work in progress, work in progress	1,545,000.00	1,709,000.00
2. finished goods and goods	15,100.00	21,200.00
3. advance payments made	18,759.75	29,380.85
4. Advance payments received on orders, openly deducted	170,868.13	79,220.63
II. Receivables and other assets	11,137,687.53	10,563,210.71
1. Trade accounts receivable	8,082,264.45	7,586,183.36
2. Receivables from affiliated companies	1,330,683.29	1,049,393.17
3. Receivables from companies in which a participation is held	1,628,773.27	1,487,121.39
4. other assets	95,966.52	440,512.79
III. Cash on hand, Bundesbank balances, bank balances and checks	1,092,230.06	780,992.88
C. Prepaid expenses	677,392.45	567,555.48
Total assets, total assets	23,628,160.96	21,020,880.23

liabilities

	12/31/2019 EUR	12/31/2018 EUR
A. Equity	4,836,981.28	4,836,981.28
I. Drawn capital	83,422.00	83,422.00
1. Treasury shares - openly deducted from subscribed capital	-1,837.00	-1,837.00
2. Called-up Capital	81,585.00	81,585.00
II. Capital Reserve	558,271.65	558,271.65
III. retained earnings	4,197,124.63	4,197,124.63
1. other retained earnings	4,197,124.63	4,197,124.63

	12/31/2019 EUR	12/31/2018 EUR
IV. Profit/loss for the year	0.00	0.00
B. Provisions	1,848,537.13	1,746,030.00
1. Provisions for taxes	0.00	12,352.00
2. other provisions	1,848,537.13	1,733,678.00
C. Liabilities	13,909,790.50	11,899,301.97
1. Liabilities to banks	4,256,613.96	2,579,464.84
2. Trade Accounts Payable	2,633,162.55	1,326,557.85
3. Liabilities to affiliated companies	5,706,472.15	6,906,778.02
4. Liabilities to companies in which an investment relationship exists	42,044.75	150,562.55
5. other liabilities	1,271,497.09	935,938.71
from taxes	1,053,369.21	706,998.25
of which in the context of social security	17,550.79	16,431.44
D. Accruals and Accruals	3,032,852.05	2,538,566.98
Balance sheet total, total liabilities	23,628,160.96	21,020,880.23

Profit and Loss Account

	1/1/2019 - 12/31/2019 EUR	1/1/2018 - 12/31/2018 EUR
1. Revenue	50,325,446.14	48,438,020.89
2. Increase or decrease in inventories of finished goods and work in progress	-164,000.00	-661,000.00
3. other operating income	1,915,481.44	1,336,530.49
of which income from currency translation	1,321.56	2,781.34
4. Cost of Materials	7,550,405.28	7,007,568.94
a) Expenses for raw materials, auxiliary materials and supplies and for purchased goods	2,943,753.74	2,405,442.75
b) Expenses for purchased services	4,606,651.54	4,602,126.19
5. Personnel expenses	29,037,763.65	25,953,769.62
a) Wages and salaries	23,885,727.24	21,407,596.54
b) social security contributions and expenses for pensions and for assistance	5,152,036.41	4,546,173.08
of that for pensions	777,887.24	692,967.39
6. Depreciation	1,133,395.28	1,179,645.46
a) Depreciation of intangible assets and property, plant and equipment	1,133,395.28	1,179,645.46
7. other operating expenses	10,306,300.60	9,384,007.01
of which expenses from currency translation	5,381.46	3,485.13
8. Income from participations	1,266,634.29	841,698.48
thereof from affiliated companies	1,266,634.29	811,938.48
9. other interest and similar income	38,945.66	24,393.60
thereof from affiliated companies	4,491.09	6,681.04
10. Interest and Similar Expenses	125,917.04	119,763.89
11. Income Taxes	250,646.07	140,436.15
12. Earnings after taxes	4,978,079.61	6,194,452.39
13. other taxes	-40,072.47	58,960.07
14. Profits transferred on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement	5018152.08	6,135,492.32
15. Net Income/Loss	0.00	0.00

Appendix

General information on the annual financial statements

The annual financial statements were prepared in accordance with the provisions of §§ 242 ff. HGB, taking into account the supplementary provisions for large corporations.

Information identifying the company according to the register court

Company name according to the registry court: d.velop AG

Company headquarters according to the register court: Gescher

Register entry: commercial register

Registration court: Coesfeld

Registration number: HRB 4903

Information on accounting and valuation methods

Accounting and valuation principles

Acquired intangible assets were recognized at acquisition cost and, if they were subject to wear and tear, reduced by scheduled depreciation.

Property, plant and equipment were stated at acquisition or production cost and, where depreciable, reduced by scheduled depreciation.

Scheduled depreciation was carried out on a straight-line basis according to the expected useful life of the assets.

Financial assets were recognized and valued as follows:

- Shares in affiliated companies at cost
- Loans at face value
- Participations at cost

Where necessary, the lower value available on the balance sheet date was used.

Inventories were recognized at acquisition or production cost. If the daily values on the balance sheet date were lower, they were used.

Work in progress for projects that have not yet been finalized are valued according to the degree of completion of the projects or at the lower fair value. In addition to the directly allocable individual costs, the production costs also include overheads and general administration costs, insofar as they can be allocated to the project creation. Interest on borrowed capital was not included in the production costs.

Advance payments made are stated at their nominal value.

Insofar as advance payments received do not exceed the value of the work in progress, they will be offset against the work in progress in the amount of the settlement amount.

Receivables were assessed taking into account all identifiable risks.

The other provisions were formed for all other contingent liabilities. All recognizable risks were taken into account.

Liabilities were recognized at the settlement amount.

Basics of converting foreign currency items into euros

The annual financial statements contain items denominated in foreign currencies that have been converted into euros.

Receivables and liabilities in foreign currencies are valued at the average spot exchange rate on the balance sheet date. If the exchange rate on the day of the transaction was lower for receivables or higher for liabilities, this is used if the receivables or liabilities have a remaining term of more than one year. In the case of a remaining term of one year or less, in accordance with Section 256a of the German Commercial Code (HGB), the mean spot exchange rate on the balance sheet date remains the same.

Different accounting and valuation methods compared to the previous year

In the annual financial statements, the previously applied accounting and valuation methods were largely adopted.

There was no fundamental change in accounting and valuation methods compared to the previous year.

Balance sheet information

Affiliation Notices

Individual facts can be assigned to several balance sheet items in the present classification scheme. For the sake of clarity and clarity, the following explanation is given:

The affiliation notes relate to the following items and circumstances:

- Receivables from affiliated companies in the balance sheet at EUR 1,330,683.29 (previous year: EUR 1,049,393.17). In the financial year and in the previous year, these were exclusively trade accounts receivable.
- Receivables from companies in which an investment is held are reported in the balance sheet at EUR 1,628,773.27 (previous year: EUR 1,487,121.39). This relates to receivables from tenant loans in the amount of EUR 1,628,773.27 (previous year: EUR 1,425,900.95) and trade receivables in the amount of EUR 0.00 (previous year: EUR 61,220.44).
- Liabilities to affiliated companies in the balance sheet at EUR 5,706,472.15 (previous year: EUR 6,906,778.02). This relates to liabilities from profit transfers in the amount of EUR 5,018,152.08 (previous year: EUR 6,135,492.32) and in the amount of

  EUR 688,320.07 (previous year: EUR 771,285.70) for trade payables.
- Liabilities to companies in which an investment is held are reported on the balance sheet at EUR 42,044.75 (previous year: EUR 150,562.55). In the financial year and in the previous year, this exclusively relates to trade payables.

Asset schedule for the individual items of fixed assets

The breakdown and development of the asset values can be found in the asset schedule.

The financial year depreciation for each item in the balance sheet can be found in the asset schedule.

Information on receivables with a remaining term of more than one year

The amount of receivables with a remaining term of more than one year is EUR 2,190,607.49 (previous year: EUR 1,625,337.17). This relates to trade accounts receivable in the amount of EUR 579,841.36 (previous year: EUR 216,513.36) and receivables from companies in the amount of EUR 1,610,766.13 (previous year: EUR 1,408,823.81), with which a participation relationship exists.

Information on the portfolio, acquisition and sale of treasury shares

No treasury shares were acquired during the financial year.

No treasury shares were sold during the financial year.

As of December 31, 2019, the company held 1,837 treasury shares with a share in the share capital of EUR 1,837.00 or 2.20%.

As of December 31, 2019, Codia Software GmbH, Meppen, in which d.velop AG holds 77.56% of the shares, held 275 shares in d.velop AG with a share in the share capital of EUR 275.00 or 0.33%. in stock.

Information on the class of shares

The share capital of EUR 83,422.00 is divided into 83,422 no-par value shares.

The shares are registered.

Development of capital reserves

The capital reserves have not changed in the financial year.

Additional disclosures on retained earnings

The revenue reserves have not changed in the financial year.

Disclosures and explanations on provisions

The item other provisions includes the following not insignificant types of provisions:

Personnel obligations, outstanding invoices, advertising cost subsidies, annual financial statements and auditing costs, legal and consulting costs, litigation costs and expenses for archiving business documents.

Information on liabilities

The remaining term and the collateral for the liabilities are shown in detail in the schedule of liabilities:

	total amount 12/31/2019 euros	of which with a remaining term of < 1 year euros	< 1 year euros	< 5 years euros	secured Amounts in euros	type of security
Liabilities to credit institutions	4,256,613.96	1,256,613.96	3,000,000.00	0.00	4,256,613.96	(a)
liabilities from goods and services	2,633,162.55	1,616,669.01	1,016,493.54	0.00	1,616,669.01	(b)
liabilities to affiliates	5,706,472.15	5,706,472.15	0.00	0.00	688,320.07	(b)
liabilities to Companies with which an investment relationship exists	42,044.75	42,044.75	0.00	0.00	42,044.75	(b)
other liabilities	1,271,497.09	1,271,497.09	0.00	0.00	0.00	
	13,909,790.50	9,893,296.96	4,016,493.54	0.00	6,603,647.79	

(a) Assignment of Security Claims, assignments by way of security, liens on transferable rights, negative pledges, financial covenant agreements

(b) usually retention of title

Contingent liabilities from off-balance sheet liabilities according to § 251 HGB

In addition to the liabilities listed in the balance sheet, the following contingent liabilities should be noted:

Contingent liabilities according to § 251 HGB	Euro
from guarantees, bills of exchange and check guarantees	1,021,033.95
from bank guarantees	13,300.00
from warranty contracts	3,916,000.00
	4,950,333.95

The above contingent liabilities are not recognized for the following reasons:

Claims arising from the contingent liabilities are not to be expected. The reasons for this are:

Due to the current creditworthiness and the previous payment behavior of the beneficiaries, we consider the probability of claims arising from the reported contingent liabilities to be low. We do not have any recognizable indications that would require a different assessment.

Contingent liabilities from other financial obligations not recognized in the balance sheet

In addition to the liabilities shown in the balance sheet, there are other financial obligations from rental and leasing contracts in the amount of EUR 9,694,653.00.

Obligations towards affiliated companies:

The total amount of other financial obligations not recognized in the balance sheet includes a lease agreement between the company and an affiliated company. The financial obligation from this amounts to EUR 7,104,000.00.

Obligations to associates:

The total amount of other financial obligations not recognized in the balance sheet includes rental agreements between the company and a company in which an investment is held. The financial obligation from this amounts to EUR 883,777.00.

Statement of Income Statement

Breakdown of Revenue

Pursuant to Section 285 No. 4 HGB, sales are broken down as follows:

areas of activity	2019 euros	2018 euros
software maintenance	21,241,478.07	19,439,934.64
Software Licenses	13,061,314.07	13,883,358.67
Services	11,708,111.90	11,820,517.42
software rental	1,843,300.94	1,328,426.86
purchased products	1,319,515.02	1,208,703.09
Cloud and SaaS	628,150.78	241,598.60
other income	571,906.23	558,098.37
Gross Revenue	50,373,777.01	48,480,637.65
Discounts/Bonuses	-48,330.87	-42,616.76
Revenue according to P&L	50,325,446.14	48,438,020.89

There is no breakdown according to geographical markets, since the majority of sales are made in Germany.

Explanation of income and expenses of exceptional magnitude or importance

In the case of income of exceptional magnitude or exceptional importance, the amount and type are:

Gains from the disposal of an investment in the amount of EUR 760,240.00 (reported under other operating income)

Other Information

Average number of employees during the financial year

The following employee groups were employed by the company during the financial year:

worker groups	number
full-time employees	340
part-time employees	55
casual employees	7
The total number of employees on average is thus	402

Names of the members of the Management Board and the Supervisory Board

During the past financial year, the following persons were members of the Management Board:

Mr Christoph Pliete	regular occupation:	Merchant
Mr. Mario Dönnebrink	regular occupation:	Merchant

The following persons belonged to the Supervisory Board:

Surname	regular occupation	Company in which the main professional activity is carried out
Dr. Helmut Bäumer (Chairman)	Lawyer	dr Rehse and Partner - Lawyers partnership
Mr. Christian Schroot (Deputy Chairman)	tax consultant	KRP Klaus Ribbert and Partners mbB tax consulting company
Mr. Andreas Banger (Member)	Bank manager retired	-
Mr. Ole Klose (Member)	Member of the Executive Board	Bernard Krone Holding SE & Co. KG
Mr. Walter Muyres (Member)	bank clerk	-
Prof. Dr. Klaus Niederdrenk (Member)	Professor (Department of Economics)	University of Applied Sciences in Munster

Compensation of the members of the Management Board and the Supervisory Board

With regard to the remuneration of the Management Board, we refer to the protective clause in accordance with Section 286 (4) HGB.

The Supervisory Board activities were remunerated with EUR 84,000.00.

Auditor's fee

The breakdown of the auditor's fee can be found in the consolidated notes of d.velop holding GmbH.

Information on shareholdings in other companies of at least 20 percent of the shares

According to Section 285 No. 11 HGB, the following companies are reported on:

Company name / Registered office	Share Amount	annual result	equity capital	figures out
d.velop GmbH, Vienna (Austria)	100.00%	EUR 33,940.18	EUR 149,427.67	2018
d.velop (Switzerland) AG, Zurich (Switzerland)	100.00%	-CHF12,009.87	CHF94,357.85	2018
d.velop business services GmbH, Gescher	100.00%	EUR 25,743.29	EUR 27,901.16	2018
d.velop campus GmbH & Co. KG, Gescher	100.00%	EUR 369,553.66	EUR 497,568.23	2018
d.velop campus administration GmbH, Gescher	100.00%	EUR 2,841.27	EUR 41,769.89	2018
d.velop digital solutions GmbH, Kiel (a)	100.00%	EUR 476,862.15	EUR 1,463,923.87	2018
Isthimos Immobilienverwaltungsgesellschaft mbH & Co. Autovermietung KG, Mainz (b)	94.00%	EUR 2,249.15	EUR 668.73	2018
Codia Software GmbH, Meppen	77.56%	EUR 395,109.47	EUR 1,280,471.95	2018
Classcon Consulting GmbH, Bocholt	75.07%	EUR 265,037.12	EUR 502,607.91	2018
d.velop solutions for documents GmbH, Sulzbach	51.00%	EUR 134,141.53	EUR 398,141.47	2018
d.velop Life Sciences GmbH, Gescher (c)	-	-	-	-

(a) The stake was increased by 50.00% from 50.00% to 100.00% in the financial year.

(b) Due to a different voting rights agreement, the company is to be considered as an associated company.

(c) The shares in the company were completely sold during the financial year.

Group affiliation

d.velop AG was included in the consolidated financial statements of d.velop holding GmbH, Gescher.

d.velop holding GmbH, Gescher prepares the consolidated financial statements for the largest and smallest group of companies.

The published consolidated financial statements are available from the Electronic Federal Gazette (District Court Coesfeld HRB 15582).

A domination and profit and loss transfer agreement has existed with d.velop holding GmbH since April 4, 2016. This was applied for the first time in the 2016 financial year.

Disclosures on Exempting Consolidated Financial Statements

Information on the parent company that prepares exempting consolidated financial statements:

Surname	d.velop holding GmbH
Seat	shear

In the exempting consolidated financial statements, there were no deviations from German law with regard to the accounting, valuation and consolidation methods.

Information about the existence of a participation in the company according to § 20 para. 1 or 4

AktG has been communicated to the company

The following announcement was published in the company register on January 22, 2016 in accordance with Section 20 (6) AktG:

d.velop holding GmbH (formerly: CP-Vermögensverwaltung GmbH), Gescher, has made the following notifications in accordance with Section 20 AktG:

- pursuant to Section 20 (1) AktG that she directly owns more than one fourth of the shares in d.velop AG,
- pursuant to Section 20 (3) AktG that it directly owns more than one fourth of the shares in d.velop AG even without addition pursuant to Section 20 (2) AktG, and
- according to § 20 para. 4 AktG that it directly owns a majority stake in d.velop AG.

The following announcement was published in the company register on May 24, 2019 in accordance with Section 20 (6) AktG:

Mr. Christoph Pliete, Gescher, made the following notifications in accordance with Section 20 AktG:

- pursuant to Section 20 (5) AktG that he no longer directly owns an interest pursuant to Section 20 (1) AktG amounting to more than one fourth of the shares in d.velop AG.

According to the separate notification above, d.velop holding GmbH (formerly: CP-Vermögensverwaltung GmbH), Gescher, directly owns more than a fourth part of the shares in d.velop AG within the meaning of § 20 Para. 1 AktG and directly a majority stake in d.velop AG within the meaning of Section 20 Para. 4 AktG.

events of particular importance

The following events of particular importance occurred after the end of the financial year, which are not included in either the balance sheet or the income statement:

In connection with the corona pandemic, a slowdown in the overall economic situation is to be expected in 2020. This can result in risks for the company from loss of income and delays in the implementation of customer projects. It is currently not yet possible to conclusively assess these risks in terms of the probability of their occurrence and the magnitude affecting liquidity and earnings.

According to the current state of knowledge, however, the above imponderables do not give rise to doubts as to the ability of the company to continue as a going concern.

After the end of the fiscal year, no further events occurred that are of material importance and could lead to a different assessment of the company.

Resolution on the appropriation of profits

At an extraordinary general meeting on March 29, 2016, the general meeting of the company approved the control and profit transfer agreement dated February 18, concluded with d.velop holding GmbH (formerly: CP-Vermögensverwaltungs GmbH), Gescher (Coesfeld District Court HRB 15582) as the controlling company approved in 2016.

According to § 2 paragraph 1 of the domination and profit transfer agreement, d.velop AG undertakes to transfer its entire profit determined according to commercial law to the parent company during the contract period.

The contract became effective upon entry in the commercial register on April 4, 2016. As a result, d.velop AG has to transfer the entire profit of the 2019 financial year to d.velop holding GmbH. The right to profit transfer arises at the end of the relevant financial year of the subsidiary and is due at this point in time. It must be fulfilled no later than four weeks after the subsidiary's annual financial statements have been approved.

Signature of the management

Gescher, March 18, 2020

signed Christoph Pliete, CEO

Signed Mario Dönnebrink, Member of the Management Board

fixed asset schedule

	Acquisition, manufacturing costs 01.01.2019 euros	Additions euros	departures euros	Transfers in euros	Acquisition and production costs 12/31/2019 euros
Capital assets					
Intangible assets					
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	7,078,264.48	57,808.36	684.00	10,000.00	7,145,388.84
advance payments made	10,000.00	0.00	0.00	-10,000.00	0.00
Total intangible assets	7,088,264.48	57,808.36	684.00	0.00	7,145,388.84
Property, plant and equipment					
Land, land rights and buildings, including buildings on third-party land	169,377.97	0.00	0.00	0.00	169,377.97
Other equipment, factory and office equipment	6,636,923.51	428,464.05	232,795.36	0.00	6,832,592.20
Total property, plant and equipment	6,806,301.48	428,464.05	232,795.36	0.00	7,001,970.17
financial assets					
Shares in affiliated companies	2,824,881.77	2,577,994.91	0.00	0.00	5,402,876.68
Loans to affiliated companies	663,068.23	63,289.67	50,000.00	0.00	676,357.90
holdings	69,400.00	0.00	60,000.00	0.00	9,400.00
Loans to companies in which an investment is held	624,056.61	0.00	0.00	0.00	624,056.61
Total financial assets	4,181,406.61	2,641,284.58	110,000.00	0.00	6,712,691.19
Total Fixed Assets	18,075,972.57	3,127,556.99	343,479.36	0.00	20,860,050.20

	accumulated depreciation 01.01.2019 euros	Depreciation fiscal year euros	departures euros	accumulated depreciation 12/31/2019 euros
Capital assets				
Intangible assets				
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	6,130,233.77	495,618.36	683.00	6,625,169.13
advance payments made	0.00	0.00	0.00	0.00
Total intangible assets	6,130,233.77	495,618.36	683.00	6,625,169.13
Property, plant and equipment				
Land, land rights and buildings, including buildings on third-party land	113,241.47	9,619.46	0.00	122,860.93
Other equipment, factory and office equipment	4,403,736.39	628,157.46	232,733.01	4,799,160.84
Total property, plant and equipment	4,516,977.86	637,776.92	232,733.01	4,922,021.77
financial assets				
Shares in affiliated companies	0.00	0.00	0.00	0.00
Loans to affiliated companies	0.00	0.00	0.00	0.00
holdings	0.00	0.00	0.00	0.00

	accumulated depreciation 01.01.2019 euros	Depreciation fiscal year euros	departures euros	accumulated depreciation 12/31/2019 euros
Loans to companies in which an investment is held	0.00	0.00	0.00	0.00
Total financial assets	0.00	0.00	0.00	0.00
Total Fixed Assets	10,647,211.63	1,133,395.28	233,416.01	11,547,190.90

	Book value 12/31/2019 euros	Book value 12/31/2018 euros
Capital assets		
Intangible assets		
Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	520,219.71	948,030.71
advance payments made	0.00	10,000.00
Total intangible assets	520,219.71	958,030.71
Property, plant and equipment		
Land, land rights and buildings, including buildings on third-party land	46,517.04	56,136.50
Other equipment, factory and office equipment	2,033,431.36	2,233,187.12
Total property, plant and equipment	2,079,948.40	2,289,323.62
financial assets		
Shares in affiliated companies	5,402,876.68	2,824,881.77
Loans to affiliated companies	676,357.90	663,068.23
holdings	9,400.00	69,400.00
Loans to companies in which an investment is held	624,056.61	624,056.61
Total financial assets	6,712,691.19	4,181,406.61
Total Fixed Assets	9,312,859.30	7,428,760.94

Supervisory Board Report

Dear shareholders,

dear shareholders,

The Supervisory Board reports on the 2019 financial year as follows:

In accordance with the provisions of the German Stock Corporation Act, the Supervisory Board advised and monitored the Management Board. There were a total of five Supervisory Board meetings on February 14, 2019, May 9, 2019, July 11, 2019 (before the Annual General Meeting for the 2018 financial year), September 30, 2019 and December 5, 2019.

Business in 2019 was extremely positive, which is reflected in the very good annual result.

In 2019, the Supervisory Board repeatedly dealt with the topic of "work and cooperation", i.e. the agile organizational form / the honeycomb organization. Furthermore, with the cloud issue and that more and more customers of the AG are moving from the business model purchase / rental to the cloud / SaaS. The focus is always on the participation of the AG in subsidiaries and the possible acquisition of new shares.

The cooperation between the supervisory board and the management board was very good and without any conflict. The Supervisory Board is provided with the relevant documents and information via foxdox prior to each meeting, so that it can prepare for the Supervisory Board meetings accordingly.

At the Annual General Meeting for the 2018 financial year, the company KRP audit GmbH – Wirtschaftsprüfungsgesellschaft, Ahaus, was also elected as the auditor for the 2019 financial year. The annual financial statements for 2019 were presented by the auditor Brands at the Supervisory Board meeting on April 21, 2020 and then discussed between the auditor, the Supervisory Board and the Management Board. After this discussion, the Supervisory Board approved the auditor's report and the result of his audits and raised no objections and **thus approved the 2019 annual financial statements, whereby the annual financial statements of d.velop AG as of December 31, 2019 are adopted.**

Apart from that, there are no special business transactions that need to be mentioned in the report of the Supervisory Board for the 2019 financial year. As the Supervisory Board, we would like to thank the employees and the Management Board for their good work and the excellent annual result for the 2019 financial year.

Coesfeld, May 5th, 2020

signed Dr. Helmut Bäumer, Chairman of the Supervisory Board

other report components

Information on the determination:

The annual financial statements were approved on April 21, 2020.

INDEPENDENT AUDITOR'S REPORT

To d.velop AG

audit opinions

We have the annual financial statements of d.velop AG - consisting of the balance sheet as of December 31, 2019 and the income statement for the financial year from January 1, 2019 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 d.velop AG for the fiscal year from January 1, 2019 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, 2019 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 Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis for the test results

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

Responsibility of the legal representatives and the supervisory authority 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 be able.

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

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

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements, whether intentional or unintentional, and whether the management report as a whole provides a suitable view of the company's position and, in all material respects, with the annual financial statements and is consistent with the findings obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report which contains our audit opinions on the annual financial statements and on the management report.

Adequate assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with § 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 misstatement – intentional or unintentional – 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.

Ahaus, April 20, 2020

KRP audit GmbH
auditing company

Signed Dipl.-Betriebswirt (FH) Jörg Brands, auditor