KPMG

# AUSTRIACARD AG,
# Vienna

# Auditor’s report over the Consolidated financial statements as of 31 December 2019

**This report is a translation of the original report in German, which is solely valid.**

30 June 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
10168761

# Index of appendices

# Auditor's Report

## Report on the Consolidated Financial Statements

### Audit Opinion

We have audited the consolidated financial statements of

AUSTRIACARD AG,
Vienna, Austria,

and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2019, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

### Basis for our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process.

## Auditor’s Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement - whether due to fraud or error - and to issue an auditor’s report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result 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 taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We 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 may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty about the entity’s ability to continue as a going concern, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate to the supervisory board regarding, among other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

## Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

### Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements.

### Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

## Engagement Partner

The engagement partner is Mr Gerhard Wolf.

Vienna, 30 June 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Gerhard Wolf
Wirtschaftsprüfer
(Austrian Chartered Accountant)

(translated)

**Annex I**

# ANNUAL FINANCIAL REPORT 2019

## CONTENTS

# A) GROUP MANAGEMENT REPORT

## 1. GROUP PROFILE

AUSTRIACARD HOLDINGS Group (also "AUSTRIACARD HOLDINGS" or "the Group"), founded in 1897 and headquartered in Vienna with its parent company AUSTRIACARD AG (also "the Company"), is an international group active in the business areas of "Digital Security" (DS) under the brands AUSTRIACARD and TAG SYSTEMS as well as "Information Management" (IM) under the brand INFORM, driven by historic values of service rendering, innovation and perseverance in sustainable growth for all stakeholders. In 2019, € 67.6 million (2018: 61.5 million) of revenues were generated in the Digital Security segment and € 72.5 million (2018: 68.0 million) were generated in the Information Management segment. On a consolidated level and accounting for intra-group eliminations, the Group achieved revenues of € 135.0 million in 2019 (2018: 123.8 million).

With more than 120 years of history in the field, AUSTRIACARD HOLDINGS Group is one of the leading B2B (business-to-business) providers of secure data solutions in Europe and a market leader in Austria, Scandinavia, Central and Eastern Europe and South Eastern Europe. AUSTRIACARD HOLDINGS has also a market leading position in the provision of payment products to the new Banks, the Challenger Banks, hence a high future growth potential on world-wide scale. The Group has a very strong pan-European operational footprint, from the United Kingdom to Greece and Turkey, with six production facilities and eight personalization centres in Europe, as well as two additional personalization centres in South America and the USA (at the construction phase), which allow to serve its customers, wherever they are, in the best way. Its reliability is confirmed by the confidence of its customers across 50 countries in highly sensitive areas of Financial Institutions, Government, Public Sector & Infrastructure, Telecommunications as well as Industry & Retail. The Group's international customer base benefits from a complementary product and service offering ranging from bill printing, direct mailing and document processing to payment cards and ID cards increasingly bundled with online, mobile and digitalization solutions.

Through our entrepreneurial activity, we envision making a difference in the lives of our employees, shareholders and customers with a sense of responsibility and respect towards society and the environment. Our mission is to enable our customers' digital transformation path with edge technologies in Digital Security, Information Management and Internet of Things (IoT), in a meaningful, timely and friendly way.

The principles of AUSTRIACARD HOLDINGS are based on the commitment to personal care and support of customers. The passion for innovation and well-served customers have been the driving motor of the Lykos family over four generations. The Group has been tried and tested through turbulent and significant times in recent Greek history and the history of Europe. It has been trusted continuously for more than 120 years for its high quality products, impeccable services and ethos of integrity. From print services to modern digital documentation, trust, reliability and security have been the core values by which our customers have known us.

Our history demonstrates a commitment to progress and innovation, accompanied by a strong sense of responsibility and respect towards, not only our customers, employees and stakeholders, but also towards society and environment.

## 2. GROUP BUSINESS ACTIVITY

### 2.1. Digital Security

The Group's entities and operations in the Digital Security segment, including TAG SYSTEMS after the acquisition of the latter in December 2019, report to the respective parent company AUSTRIA CARD-Plastikkarten und Ausweissysteme Gesellschaft m.b.H. ("**AUSTRIACARD GmbH**" and, collectively with its subsidiaries, "**AUSTRIACARD**"). AUSTRIACARD GmbH was founded in 1981 as a personalization center for eurocheques and eurocheque cards and has been developed into a leading European company in the area of smart cards, payment and identification solutions. The Digital Security segment provides end-to-end secure data solutions across the entire value chain and offers personalization services and highly innovative products for the highly sensitive areas of Financial Institutions, Government, Public Sector & Infrastructure, as well as Industry & Retail. Those products and services are based on high security standards and range from dual interface payment cards and government electronic identification cards to innovative mobile payment solutions as a certified trusted service management provider, host card emulation and tokenization services.

AUSTRIACARD's activities comprise primarily the certified production of smart cards and personalization services, including value-added services ranging from card design to research and development - related consulting. AUSTRIACARD's operations are certified by, among others, VISA and MasterCard, and, consequently, maintain the highest EMV (Europay International, Mastercard, Visa) standards in terms of physical and logical security based on recurring mandatory audits by these international payment institutions. AUSTRIACARD has a very strong pan-European operational footprint, from the United Kingdom to Greece and Turkey, with three production facilities located in Andorra, Austria and Romania and eight personalization centres located in United Kingdom, Spain, Austria, Poland (2), Romania, Greece and Turkey, as well as two additional personalization centres in South America and the USA (at the construction phase), with additional sales offices in Norway, Germany Croatia, Serbia, Jordan and UAE.

The production process for smart cards consists essentially of printing on plastic foils, which are laminated then to cards, as well as the structuring of the surface of the card and the integration of a number of security features into the card based on the individual need of the particular clients. AUSTRIACARD's production processes also include the highly sensitive embedding of chips into cards as well as antennas for contactless payment functionalities based on state-of-the-art NFC (near field communication) applications. AUSTRIACARD has developed its own flexible and highly secure chip operating system ("ACOS" & "AMIGOS") which are regularly updated based on new requirements from VISA, MasterCard, Common Criteria and which serve as the basis for flexible functionalities offered to its customers. AUSTRIACARD further personalizes smart cards digitally and physically for major international financial institutions, companies in the transport and infrastructure sectors, as well as major public sector bodies, on the basis of its certifications by, among others, VISA and MasterCard.

In addition to the production and personalization of smart cards, including software applications based on the latest technological developments, AUSTRIACARD is also developing various new solutions to support and enable mobile and online transactions as a certified Trusted Services Manager ("TSM") and provider of Host Card Emulation ("HCE"), Mobile Wallets and tokenization solutions. AUSTRIACARD's ability to introduce and adapt new technologies is based on its research and development department's deep knowledge of chip operating systems for the payment and identification industries.

AUSTRIACARD sold approximately 60.4 million (2018: 49.4 million) cards to its clients in 2019 and estimates that it is among the top worldwide EMV-based smart card manufacturers and is the market leader in Scandinavia, Austria, Central and Eastern Europe and South Eastern Europe, having also the market leading position in the provision of payment products to the new Banks, the Challenger Banks, hence a high future growth potential on world-wide scale.

## 2.2. Information Management

The entities and operations in the Information Management segment report to the respective parent company, INFORM P. Lykos S.A., founded in 1897 in Greece ("**INFORM**") and market products and solutions under the brand INFORM. INFORM has been listed on the Athens Stock Exchange since 1994, and is the market leader in South Eastern Europe in the area of Information Management, with production facilities in Athens (Greece), Bucharest (Romania) and Tirana (Albania) and it also innovates with the provision of highly specialized digital transformation solutions to its customers.

INFORM provides services and solutions to sensitive Industries such as Financial Institutions, Government, Public Sector & Infrastructure, Telecommunications as well as Industry & Retail. Highly recognized in the market of printing products, such as business forms, paper rolls, security and commercial printing (from standard ink on paper to complex data structures, where the document is conceived as a strategic unit of information) and supports companies and governments across the whole document life cycle. This includes data collection and classification, verification, coding, storing as well as the physical or digital export of formatted data using Omni-channel communication solutions.

INFORM also operates in the market for business process outsourcing, offering physical and digital statement and bill printing, fulfilment, electronic bill presentment, card personalization, loyalty software applications and print management services, as well as integrated customized solutions, covering the highly sensitive and demanding requirements of its customers. INFORM also provides highly specialized and technologically advanced solutions, in order to support its customers in their own digital transformation. An indicative example of the implementation of a digital transformation project is the Digital on Boarding (DoB) solution for National Bank of Greece. Through this application, every citizen has the opportunity to open a bank account, issue a Debit card and obtain credentials to Internet & Mobile Banking. This new solution has already attracted the interest of 30,000 customers of National Bank of Greece and has also attracted the interest of other Banks in Cental, Eastern and South-Eastern Europe. DoB is complementary to other digital solutions that have already been implemented, such as Customer Communication Management, Enterprise Document Management and Scanning & Archiving solutions. INFORM, following its strategy to expand new digital services, continuously innovates with the provision of highly specialized and technologically advanced digitalization solutions, such as Robotic Process Automation, Natural Language Understanding and Cognitive Analytics Solutions, in order to support existing and new customers in their own digital transformation.

## 2.3. Nautilus

In 2018 the Group started its initiative to provide security in the world of Internet of Things ('IoT') under the brand of NAUTILUS and has grouped its activities in the new IoT Division at AUSTRIACARD AG level. NAUTILUS' mission is a future where assets and solutions flow intelligently in their value chains, by transforming the "Internet of Things" ecosystem. Through continuous research and development, service excellence, teamwork, innovation and integrity, NAUTILUS seeks to be pioneering leaders across multiple market segments. Our passion for innovation drives us to provide high quality services that can be applied to a wide spectrum of industries, from Supply Chains 4.0 to Industrial Applications, Security and Defence segments. Nautilus continued this initiative and is currently developing high-end solutions in the fields of assets tracking and control. With this objective, the Group started also a partnership with Innovus, a wholly-owned subsidiary of Vodafone, in early 2019. The cooperation aims at combining AUSTRIACARD HOLDING's legacy in payments, Government systems and hardware embedded security encryption and security know-how with Vodafone Innovus' world-level multi sectoral IoT applications.

# 3. GROUP BUSINESS PERFORMANCE

## 3.1. Economic, market and industry environment

Global growth decelerated markedly in 2019, with continued weakness in global trade and investment according to the Global Economic Prospects report issued by World Bank in January 2020. Global GDP growth is estimated to have dropped from 3.0% in 2018 to 2.4% in 2019. In the Euro area growth slowed notably in 2019 and is estimated at 1.1% compared to 1.9% in 2018. With the appearance of the Corona virus pandemia in early 2020, the economic outlook changed dramatically. Globally as well as for the Euro Area a severe recession in 2020 and a recovery in 2021 are currently expected.

The payment cards market is growing while non-chip cards and simple smart cards are replaced by dual interface cards. Substantial growth is coming from recently founded so-called Challenger Banks that grow rapidly on global scale and which use payment cards as a mean to facilitate growth. At the same time there is a trend to mobile payments which opens new product segments as secure communication and authorisation is crucial for such services. Over the last decade, Financial institutions have become more cost conscious due to the reduction of margins in their core business paired with increasing regulatory pressures which causes gradually eroding sales prices in the payment card market. Also the Digital Security industry is experiencing a phase of consolidation which was highlighted in 2017 by the merger of Oberthur and Morpho, now "Idemia", and by the takeover of Gemalto by Thales as well as by Paragon acquiring Thames and AUSTRIACARD acquiring TAG Systems in 2019.

In the Information Management segment the security printing market is growing as well. The boundary between physical and online delivery is disappearing due to increasing environmental awareness but also due to the growing online penetration and easier handling and thus creating new opportunities. Also a migration from printing to digital communication and interactive data management is taking place. The competition in the transactional printing is more local with few international players. As the market place is evolving new opportunities arise in the market sectors that we already operate such as financial institutions or utility companies leading for example in the outsourcing their formerly internal printing services. Additionally there is an intensified trend to launch new or complimentary services that aim in reaching through various communication channels their end customers providing customized and interactive communication. As a Division we are aiming at addressing these needs by transforming our services and products to any form of communication needed in the digital era and therewith reducing the dependence on paper "communication" solutions.

## 3.2. Significant events of the financial year

Business-wise and operationally after 2018, 2019 was the second year of growth in a row after several years of streamlining and restructuring the Group's organization. Information Management Division was able to successfully deliver the ordered paper ballots for Nigeria and Digital Security Division to increase payment card production capacity in Romania and sales in Europe. Also Digital Security started the roll out of the new Austrian picture e-health-card with AMIGOS, a chip operating system especially designed for ID cards, which was developed in-house by AUSTRIACARD.

AUSTRIACARD HOLDINGS was very active pursuing M&A-based growth by making three acquisitions that will foster the Group's growth going forward. INFORM Romania significantly strengthened its position in the Romanian Information Management market by acquiring at the end of Q1 2019 the Output Management Outsourcing business of Star Storage and in Q4 2019 a majority stake in the SISTEC Group. The former expanded INFORM's customer base and product and service offering. The latter contributed substantially to further develop INFORM's offering of digital services and solutions by adding new services such as Document Flow Automation, Digital Archiving, Physical Archiving and Collection-Distraction & Recycling of Physical Documents.

In December 2019 Digital Security acquired the Andorra-based payment card manufacturer TAG SYSTEMS which also provides first-class personalization and fulfilment services through three personalization centers in Europe (UK, Spain and Poland) as well as two additional personalization centers in South America and the USA (at the construction phase). TAG SYSTEMS has also the market leading position in the provision of payment products to the new Banks, the Challenger Banks, hence a high future growth potential on world-wide scale. Digital Security Division essentially doubled its size, improved its geographic reach and significantly expanded its customer portfolio. As a result, thanks to the combined strength of AUSTRIACARD and TAG SYSTEMS, Digital Security is in a great position for further growth going forward.

The following table shows key performance indicators for the Group and its Divisions for financial year 2019 as presented in these financial statements compared to pro forma key performance indicators which have been calculated supposing that all acquisitions had taken place as of 1/1/2019. Based on these assumption the Group would show € 184 million revenues compared to € 135 million, 92 million compared to 60 million sold cards and € 21 million adjusted EBITDA compared to € 13 million actually presented in these financial statements. The main part of these increases relate to the acquisition of TAG SYSTEMS Group as it was only first time consolidated as of 31 December 2019. Also the relation of net debt leverage to adjusted EBITDA improves from 4.7 times EBITDA to 2.9 times EBITDA based on these pro-forma results.

| **Pro forma Key performance indicators** | **2019 actual** | **2019 pro forma** | **Deviation absolute** | **Deviation in %** |
|---|---|---|---|---|
| **Number of cards sold** | **60,384,226** | **92,033,795** | **31,649,569** | **52.4%** |
| **Revenue** | | | | |
| Digital Security | 67,551,572 | 113,479,007 | 45,927,435 | 68.0% |
| Information Management | 72,486,002 | 75,521,600 | 3,035,598 | 4.2% |
| Corporate | 0 | 0 | 0 | n/a |
| Total Revenues (consolidated) | **134,966,335** | **183,929,367** | **48,963,033** | **36.3%** |
| **adjusted EBITDA** | | | | |
| Digital Security | 7,582,726 | 14,453,491 | 6,870,765 | 90.6% |
| Information Management | 6,206,052 | 7,234,597 | 1,028,545 | 16.6% |
| Corporate | (749,365) | (749,365) | 0 | 0.0% |
| Total EBITDA | **13,040,072** | **20,938,723** | **7,898,651** | **60.6%** |
| **Net Debt** | | | | |
| Digital Security | 40,665,214 | 40,665,214 | 0 | 0.0% |
| Information Management | 20,007,241 | 20,007,241 | 0 | 0.0% |
| Corporate | 765,617 | 765,617 | 0 | 0.0% |
| Total Net debt | **61,438,072** | **61,438,072** | **0** | **0.0%** |
| **Net Debt / EBITDA** | | | | |
| Digital Security | 5.4 | 2.8 | (2.5) | -47.5% |
| Information Management | 3.2 | 2.8 | (0.5) | -14.2% |
| Corporate | (1.0) | (1.0) | 0.0 | 0.0% |
| Total Net debt / EBITDA | **4.7** | **2.9** | **(1.8)** | **37.7%** |

## 3.3. Business performance of AUSTRIACARD HOLDINGS Group

| | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| **Revenues** | **134,966,335** | **123,768,553** | **11,197,781** | **9.0%** |
| Costs of material & mailing | (75,289,177) | (70,651,076) | (4,638,100) | 6.6% |
| **Gross profit I** | **59,677,158** | **53,117,477** | **6,559,681** | **12.3%** |
| *Gross margin I* | *44.2%* | *42.9%* | *1.3%* | |
| Production costs | (29,870,514) | (27,277,149) | (2,593,366) | 9.5% |
| **Gross profit II** | **29,806,644** | **25,840,329** | **3,966,315** | **15.3%** |
| *Gross margin II* | *22.1%* | *20.9%* | *1.2%* | |
| Other income | 1,588,388 | 1,999,103 | (410,716) | -20.5% |
| Selling and distribution expenses | (10,792,480) | (10,017,589) | (774,891) | 7.7% |
| Administrative expenses | (9,179,264) | (8,127,790) | (1,051,474) | 12.9% |
| Research and development expenses | (4,663,629) | (4,288,255) | (375,374) | 8.8% |
| Other expenses | (689,910) | (477,805) | (212,106) | 44.4% |
| + Depreciation & amortization | 6,970,323 | 7,098,846 | (128,523) | -1.8% |
| **adjusted EBITDA** | **13,040,072** | **12,026,840** | **1,013,232** | **8.4%** |
| *adjusted EBITDA margin* | *9.7%* | *9.7%* | *-0.1%* | |
| - Depreciation & amortization | (6,970,323) | (7,098,846) | 128,523 | -1.8% |
| **adjusted EBIT** | **6,069,749** | **4,927,994** | **1,141,755** | **23.2%** |
| Financial income | 85,361 | 44,548 | 40,813 | 91.6% |
| Financial expenses | (2,831,380) | (2,497,711) | (333,668) | 13.4% |
| **Net finance costs** | **(2,746,019)** | **(2,453,163)** | **(292,855)** | **11.9%** |
| **adjusted Profit (Loss) before tax** | **3,323,730** | **2,474,830** | **848,900** | **34.3%** |
| Non-recurring expenses | 0 | (6,723,216) | 6,723,216 | -100.0% |
| **Profit (Loss) before tax** | **3,323,730** | **(4,248,386)** | **7,572,117** | **-178.2%** |
| Income tax expense | (1,834,498) | 1,552,068 | (3,386,566) | -218.2% |
| **Profit (Loss)** | **1,489,232** | **(2,696,318)** | **4,185,551** | **-155.2%** |

AUSTRIACARD HOLDINGS Group revenues reached € 135.0 million increasing by € 11.2 million or 9.0% compared to 2018. The increase is mainly related to payment card renewals in Austria and CEE as well as to supplying paper ballots for elections in Nigeria which increased revenues in the Asian & Africa region substantially.

| Revenues by region | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| Western Europe | 27,840,706 | 25,917,052 | 1,923,654 | 7.4% |
| Central & Eastern Europe | 89,965,511 | 86,996,224 | 2,969,288 | 3.4% |
| Asia & Africa | 17,160,118 | 10,855,278 | 6,304,839 | 58.1% |
| **Total** | **134,966,335** | **123,768,553** | **11,197,781** | **9.0%** |

Gross profit I increased by € 6.6 million or 12.3% to € 59.7 million while Gross margin I was also improved by 1.3 percentage points to 44.2% from 42.9% in 2018. This improvement is essentially related to a better sales mix in terms of products and regions.

| **Operating expenses excl. D&A** | **2019** | **2018** | **D '19-'18** | **D '19-'18 %** |
|---|---|---|---|---|
| Production costs | (29,870,514) | (27,277,149) | (2,593,366) | 9.5% |
| Selling and distribution expenses | (10,792,480) | (10,017,589) | (774,891) | 7.7% |
| Administrative expenses | (9,179,264) | (8,127,790) | (1,051,474) | 12.9% |
| Research and development expenses | (4,663,629) | (4,288,255) | (375,374) | 8.8% |
| + Depreciation & amortization | 6,970,323 | 7,098,846 | (128,523) | -1.8% |
| **Total** | **(47,535,564)** | **(42,611,936)** | **(4,923,627)** | **11.6%** |
| **Operating expenses as a % of Revenues** | **35.2%** | **34.4%** | | |

Operating expenses excluding depreciation & amortization as presented in the table above increased by € 4.9 million and from 34.4% as a percentage of revenues in 2018 to 35.2% in 2019. This increase mainly stems from the substantial organic and inorganic growth as well as from one-off expenses related to M&A activity.

As a result of the increase in revenues and maintaining the EBITDA margin, adjusted EBITDA rose by € 1.0 million or 8.4% and reached € 13.0 million in 2019. The lower balance of Other income and Other expenses is due to lower capitalized R&D expenses and higher impairment charges for obsolete inventory and unrecoverable receivables. Adjusted Operating result (adjusted EBITDA excluding Other income and Other expenses) increased by € 1.6 million or 15.6% from € 10.5 million in 2018 to € 12.1 million in 2019.

Adjusted Profit before tax increased by € 0.8 million or 34.3% to € 3.3 million in 2019 from € 2.5 million in 2018 as a result of an increased adjusted EBITDA which was partially compensated by higher financial expenses in 2019. Due to the absence of Non-recurring expenses in 2019, the Group registered a Profit of € 1.5 million compared to a Loss of € 2.7 million in 2018. The non-recurring expenses in 2018 mainly related to the impairment of redundant production systems in offset and digital printing from the Information Management Division.

## 3.4. Report on segments

### 3.4.1. Digital Security

| | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| **Revenues** | **67,551,572** | **61,511,125** | **6,040,448** | **9.8%** |
| Costs of material & mailing | (32,149,323) | (28,920,656) | (3,228,667) | 11.2% |
| **Gross profit I** | **35,402,249** | **32,590,468** | **2,811,781** | **8.6%** |
| *Gross margin I* | *52.4%* | *53.0%* | *-0.6%* | |
| Production costs | (16,841,023) | (15,481,252) | (1,359,770) | 8.8% |
| **Gross profit II** | **18,561,227** | **17,109,216** | **1,452,010** | **8.5%** |
| *Gross margin II* | *27.5%* | *27.8%* | *2.6%* | |
| Other income | 1,013,940 | 1,430,064 | (416,124) | -29.1% |
| Selling and distribution expenses | (6,547,031) | (5,969,052) | (577,979) | 9.7% |
| Administrative expenses | (4,396,511) | (4,128,212) | (268,299) | 6.5% |
| Research and development expenses | (3,857,975) | (3,766,705) | (91,270) | 2.4% |
| Other expenses | (388,376) | (180,733) | (207,644) | 114.9% |
| + Depreciation & amortization | 3,197,452 | 2,828,643 | 368,810 | 13.0% |
| **adjusted EBITDA** | **7,582,726** | **7,323,221** | **259,505** | **3.5%** |
| *adjusted EBITDA margin* | *11.2%* | *11.9%* | *-0.7%* | |
| - Depreciation & amortization | (3,197,452) | (2,828,643) | (368,810) | 13.0% |
| **adjusted EBIT** | **4,385,273** | **4,494,578** | **(109,305)** | **-2.4%** |
| Financial income | 73,627 | 30,619 | 43,008 | 140.5% |
| Financial expenses | (953,452) | (620,139) | (333,313) | 53.7% |
| **Net finance costs** | **(879,825)** | **(589,520)** | **(290,305)** | **49.2%** |
| **adjusted Profit (Loss) before tax** | **3,505,448** | **3,905,058** | **(399,610)** | **-10.2%** |
| Non-recurring expenses | 0 | (25,277) | 25,277 | -100.0% |
| **Profit (Loss) before tax** | **3,505,448** | **3,879,781** | **(374,333)** | **-9.6%** |

The Digital Security segment recorded revenues of € 67.6 million in 2019 increasing by € 6.0 million or 9.8% compared to last year. The increase results from strong product and personalization sales in essentially areas and is mainly related to higher payment card renewals in Austria and CEE. The number of sold cards increased by 10.9 million or 22.1% from 49.4 million sold cards in 2018 to 60.4 million in 2019.

Gross profit I grew by € 2.8 million from € 32.6 million to € 35.4 in 2019 while the the Gross margin I slightly decreased by 0.6 percentage points to 52.4% due to a different sales mix.

| **Operating expenses excl. D&A** | **2019** | **2018** | **D '19-'18** | **D '19-'18 %** |
|---|---|---|---|---|
| Production costs | (16,841,023) | (15,481,252) | (1,359,770) | 8.8% |
| Selling and distribution expenses | (6,547,031) | (5,969,052) | (577,979) | 9.7% |
| Administrative expenses | (4,396,511) | (4,128,212) | (268,299) | 6.5% |
| Research and development expenses | (3,857,975) | (3,766,705) | (91,270) | 2.4% |
| + Depreciation & amortization | 3,197,452 | 2,828,643 | 368,810 | 13.0% |
| **Total** | **(28,445,087)** | **(26,516,579)** | **(1,928,508)** | **7.3%** |
| **Operating expenses as a % of Revenues** | **42.1%** | **43.1%** | | |

Operating expenses excluding depreciation & amortization as presented in the table above were increased due to organic growth and one-off expenses related to M&A activity by in total € 1.9 million or 7.3% to € 28.4 million in 2019. On the other side, due to sales growth, OPEX as percentage of revenues was decreased from 43.1% in 2018 to 42.1% in 2019.

Adjusted EBITDA increased by 3.5% or € 0.3 million to € 7.6 million as the higher Gross profit was partially compensated by increased Operating expenses and a reduced balance of Other income and Other expenses. The latter is related to lower capitalization of R&D activity and higher allowances for doubtful receivables and obsolete inventory. Adjusted operating result (adjusted EBITDA excluding Other income and Other expenses) rose in 2019 by € 0.9 million or 14.5% from € 6.1 million in 2018 to € 7.0 million.

As a result of a higher Depreciation and amortization and Financial expenses, adjusted Profit before tax decreased by 10.2% or 0.4 million from € 3.9 million in 2018 to € 3.5 million in 2019. The increase in Financial expenses mainly results from foreign exchange losses.

### 3.4.2. Information Management

| | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| **Revenues** | **72,486,002** | **67,980,744** | **4,505,258** | **6.6%** |
| Costs of material & mailing | (47,558,470) | (47,009,927) | (548,543) | 1.2% |
| **Gross profit I** | **24,927,532** | **20,970,817** | **3,956,715** | **18.9%** |
| *Gross margin I* | *34.4%* | *30.8%* | *3.5%* | |
| Production costs | (13,284,695) | (12,117,847) | (1,166,848) | 9.6% |
| **Gross profit II** | **11,642,837** | **8,852,970** | **2,789,867** | **31.5%** |
| *Gross margin II* | *16.1%* | *13.0%* | *2.9%* | |
| Other income | 1,285,834 | 1,277,885 | 7,949 | 0.6% |
| Selling and distribution expenses | (4,521,662) | (4,022,374) | (499,288) | 12.4% |
| Administrative expenses | (4,423,201) | (3,702,791) | (720,409) | 19.5% |
| Research and development expenses | (677,741) | (520,447) | (157,294) | 30.2% |
| Other expenses | (740,911) | (696,856) | (44,055) | 6.3% |
| + Depreciation & amortization | 3,640,895 | 4,261,712 | (620,816) | -14.6% |
| **adjusted EBITDA** | **6,206,052** | **5,450,099** | **755,953** | **13.9%** |
| *adjusted EBITDA margin* | *8.6%* | *8.0%* | *0.5%* | |
| - Depreciation & amortization | (3,640,895) | (4,261,712) | 620,816 | -14.6% |
| **adjusted EBIT** | **2,565,156** | **1,188,387** | **1,376,769** | **115.9%** |
| Financial income | 14,743 | 15,935 | (1,191) | -7.5% |
| Financial expenses | (1,456,542) | (1,359,204) | (97,338) | 7.2% |
| **Net finance costs** | **(1,441,798)** | **(1,343,269)** | **(98,529)** | **7.3%** |
| **adjusted Profit (Loss) before tax** | **1,123,358** | **(154,882)** | **1,278,240** | **-825.3%** |
| Non-recurring expenses | 0 | (6,697,939) | 6,697,939 | -100.0% |
| **Profit (Loss) before tax** | **1,123,358** | **(6,852,822)** | **7,976,180** | **-116.4%** |

The Information Management segment recorded revenues of € 72.5 million increasing by € 4.5 million or 6.6% compared to last year. Key contributors to sales growth were the production of security ballots for the presidential elections in Nigeria as well as the acquisitions of SISTEC and STAR STORAGE's customer contracts.

Gross profit I grew by € 4.0 million or 18.9% and the Gross margin I by 3.5 percentage points from 30.8% to 34.4% because of a more favourable sales mix since the low-value added ATH.ENA project of 2018 was substituted by the profitable project of providing security ballots for the presidential elections in Nigeria in 2019.

| Operating expenses excl. D&A | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| Production costs | (13,284,695) | (12,117,847) | (1,166,848) | 9.6% |
| Selling and distribution expenses | (4,521,662) | (4,022,374) | (499,288) | 12.4% |
| Administrative expenses | (4,423,201) | (3,702,791) | (720,409) | 19.5% |
| Research and development expenses | (677,741) | (520,447) | (157,294) | 30.2% |
| + Depreciation & amortization | 3,640,895 | 4,261,712 | (620,816) | -14.6% |
| **Total** | **(19,266,403)** | **(16,101,748)** | **(3,164,656)** | **19.7%** |
| **Operating expenses as a % of Revenues** | **26.6%** | **23.7%** | | |

Operating expenses excluding depreciation & amortization as presented in the table above were increased by € 3.2 million or 19.7% from € 16.1 million to € 19.3 million and as a percentage of revenue from 23.7% in 2018 to 26.6% in 2019. Among the most important factors of this increase are the incorporation of the two acquired businesses in 2019, the production of security ballots for the presidential elections in Nigeria, the development of new digital solutions and expenses for the development of IoT projects, which were recharged to AUSTRIACARD HOLDINGS.

Adjusted EBITDA increased by 13.9% or € 0.8 million and reached € 6.2 million while the adjusted EBITDA margin rose from 8.0% to 8.6%. As a result of a lower Depreciation and amortization and the absence of non-recurring expenses, Information Management achieved a positive Profit before tax of € 1.1 million compared to a Loss before tax of € 6.9 million in 2018. The non-recurring expenses in 2018 mainly related to the impairment of redundant production systems in offset and digital printing.

## 3.5. Financial position

| Statement of financial position | 31/12/2019 | 31/12/2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| Non-current assets | 114,173,887 | 85,750,697 | 28,423,190 | 33.1% |
| Current assets | 77,259,176 | 50,156,159 | 27,103,017 | 54.0% |
| **Total assets** | **191,433,063** | **135,906,856** | **55,526,207** | **40.9%** |
| Total Equity | 56,491,112 | 57,280,600 | (789,488) | -1.4% |
| Non-current liabilities | 44,637,543 | 42,121,779 | 2,515,764 | 6.0% |
| Current Liabilities | 90,304,409 | 36,504,477 | 53,799,931 | 147.4% |
| **Total Equity and Liabilities** | **191,433,063** | **135,906,856** | **55,526,206** | **40.9%** |

Total assets increased by € 55.5 million from € 135.9 million as of 31 December 2018 to € 191.4 million as of 31 December 2019 which is mainly related to M&A related additions as well as to a loan repayment being delayed by our financing partner from December 2019 to January 2020 which on the other side increased our cash position. Mainly as a result of the increase in Total assets, the Group's equity ratio declined from 42.1% to 29.5% as of 31 December 2019. Equity slightly shrunk by € 0.8 million due to negative OCI effects and dividend payments.

| **Working Capital** | **31/12/2019** | **31/12/2018** | **D '19-'18** | **D '19-'18 %** |
|---|---|---|---|---|
| Inventories | 19,159,713 | 16,223,263 | 2,936,450 | 18.1% |
| Contract assets | 9,155,966 | 8,107,821 | 1,048,145 | 12.9% |
| Current tax assets | 330,016 | 284,067 | 45,950 | 16.2% |
| Trade receivables | 21,318,188 | 13,958,774 | 7,359,414 | 52.7% |
| Other receivables | 5,028,654 | 4,524,458 | 504,196 | 11.1% |
| | 54,992,537 | 43,098,383 | 11,894,154 | 27.6% |
| Current tax liabilities | (404,419) | 0 | (404,419) | n/a |
| Trade payables | (20,988,007) | (16,370,991) | (4,617,016) | 28.2% |
| Other payables | (8,368,303) | (3,958,591) | (4,409,713) | 111.4% |
| Contract liabilities | (2,710,618) | (1,372,700) | (1,337,919) | 97.5% |
| Deferred income | (149,908) | (269,245) | 119,337 | -44.3% |
| | (32,621,255) | (21,971,526) | (10,649,729) | 48.5% |
| **Net Working Capital** | **22,371,282** | **21,126,857** | **1,244,425** | **5.9%** |

As of 31 December 2019, Net working capital increased by € 1.2 million or 5.9% to € 22.4 million due to M&A related additions.

| **Statement of cash flows** | **2019** | **2018** | **D '19-'18** | **D '19-'18 %** |
|---|---|---|---|---|
| Cash flows from operating activities | 12,765,396 | 10,078,054 | 2,687,342 | 26.7% |
| Cash flows from investing activities | (24,324,432) | (4,614,017) | (19,710,415) | 427.2% |
| Cash flows from financing activities | 26,843,453 | (1,792,182) | 28,635,634 | -1,597.8% |
| **Net increase (decrease) in cash and cash equivalents** | **15,284,416** | **3,671,855** | **16,848,601** | **-1,077.1%** |
| | | | | |
| **Capital expenditure excluding leases** | **(24,177,519)** | **(4,064,616)** | **(20,112,902)** | **494.8%** |

The Group's cash flow from operating activities increased substantially by € 2.7 million or 26.7% from € 10.1 million in 2018 to € 12.8 million in 2019. This increase is essentially linked to improved operating results.

Net cash flow from investing activities was a net outflow of € 24.3 million compared to a net outflow of 4.6 million in 2018. The M&A related outflow, net of acquired cash, amounts to € 18.9 million while additions to tangible and intangible assets including leased assets increased to 7.8 million in 2019 from € 5.1 million in 2018. The investments mainly relate to investments in machinery, capacity increase of our production facility in Romania as well as to (self-developed) software.

Net cash flow from financing activities was a net inflow of € 26.8 million compared to a net outflow of € 1.8 million in 2018 and mostly relates to acquisition related financing.

| **Net Debt** | **31/12/2019** | **31/12/2018** | **D '19-'18** | **D '19-'18 %** |
|---|---|---|---|---|
| Cash and cash equivalents | (22,266,639) | (7,057,776) | (15,208,863) | 215.5% |
| Loans and borrowings | 83,704,711 | 48,821,099 | 34,883,611 | 71.5% |
| **Net Debt** | **61,438,072** | **41,763,323** | **19,674,749** | **47.1%** |

Net Debt increased by € 19.7 million from € 41.8 million as of 31 December 2018 to € 61.4 million as of 31 December 2019 as a result of the M&A activities in 2019. Due this increase and the fact that the 2019 earnings of the acquired businesses are mostly not reflected in the Group's 2019 Income Statements, the leverage of the Group measured by Net debt / adjusted EBITDA is presented as 4.7x as at 31 December 2019 compared to 3.5x in 2018. Taking into consideration the pro forma key performance indicators mentioned under paragraph 3.2 Significant events of the financial year, which have been calculated supposing that all acquisitions had taken place as of 1/1/2019, the net debt leverage of the Group substantially improves to 2.9x.

## 3.6. Financial performance indicators

| Key performance indicators | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| Revenue | 134,966,335 | 123,768,553 | 11,197,781 | 9.0% |
| Gross profit I | 59,677,158 | 53,117,477 | 6,559,681 | 12.3% |
| Gross profit I margin | 44.2% | 42.9% | 1.3% | n/a |
| OPEX excluding depreciation | 47,535,564 | 42,611,936 | 4,923,627 | 11.6% |
| OPEX excluding depreciation as % on sales | 35.2% | 34.4% | 0.8% | n/a |
| adjusted Operating result[1] | 12,141,595 | 10,505,541 | 1,636,054 | 15.6% |
| adjusted Operating result margin | 9.0% | 8.5% | 0.5% | n/a |
| adjusted EBITDA | 13,040,072 | 12,026,840 | 1,013,232 | 8.4% |
| adjusted EBITDA margin | 9.7% | 9.7% | -0.1% | n/a |
| adjusted EBIT | 6,069,749 | 4,927,994 | 1,141,755 | 23.2% |
| adjusted EBIT margin | 4.5% | 4.0% | 0.5% | n/a |
| adjusted Profit before tax | 3,323,730 | 2,474,830 | 848,900 | 34.3% |
| adjusted Profit before tax margin | 2.5% | 2.0% | 0.5% | n/a |
| | | | | |
| Net Equity / Total Assets | 29.5% | 42.1% | -12.7% | n/a |
| Operating Cash Flow | 12,765,396 | 10,078,054 | 2,687,342 | 26.7% |
| Operating Cash Flow as % on sales | 9.5% | 8.1% | 1.3% | |
| Net Working Capital | 22,371,282 | 21,126,857 | 1,244,425 | 5.9% |
| Net Working Capital as % on sales | 16.6% | 17.1% | -0.5% | |
| Net Debt / adjusted EBITDA | 4.7 | 3.5 | 1.2 | |
| Total Liabilities / Net Equity | 2.4 | 1.4 | 1.0 | |
| Net interest expenses | 2,114,499 | 2,039,549 | 74,950 | 3.7% |
| adjusted EBITDA / Net interest expenses | 6.2 | 5.9 | 0.3 | |

## 3.7. Non-financial performance indicators

| Non-financial performance indicators | 2019 | 2018 | D '19-'18 | D '19-'18 % |
|---|---|---|---|---|
| Number of sold cards | 60,384,226 | 49,445,704 | 10,938,522 | 22.1% |
| Transactional printing - variable A4 sides printed | 945,917,563 | 983,654,573 | (37,737,010) | -3.8% |

[1] adjusted Operating result = adjusted EBITDA excluding Other income and Other expenses

## 4. FUTURE DEVELOPMENT AND RISKS

### 4.1. Future development

With extensive experience and know-how in the fields of information technology & data encryption for high-end secure communications, a complementary product portfolio, close long-term customer relationships as well as after the M&A related activity in 2019 which significantly extended our operational footprint, our Group is one of the leading B2B (business-to-business) providers of secure data solutions in Europe. AUSTRIACARD HOLINGS is also a market leader in Scandinavia, Austria, Central and Eastern Europe and South Eastern Europe, having also a market leading position in the provision of payment products to the new Banks, the Challenger Banks, and hence has a high future growth potential on world-wide scale. AUSTRIACARD HOLDINGS Group has significant up selling opportunities through the introduction of digital security services and expansion of its footprint in new geographies. The Group is working continuously in the following fields to create value for its stakeholders:

- New Customers & Markets
  - Increase market share in existing markets
  - Expand geographic footprint and acquire new customers primarily
    - Digital Security: in the Financial sector, including the Challenger Banks with a high future growth potential on world-wide scale, as well as in the Government sector
    - Information Management: in Financial, Telecom, Industry, Retail & Leisure sectors
  - Main regions of interest: Europe, Africa, Middle East, USA and South America

- New Solutions & Services
  - Capitalize on AUSTRIACARD HOLDINGS core competences (ACOS, cryptography, reliability, client access)
  - Expand Digital Security's innovative products (NFC, Mobile Wallets, TSM, HCE, Cloud solutions, Integrated Value Added Services)
  - Roll-out new services in Information Management converting current products to higher added value services (Customer Communication Management, Document Management, Scanning & Archiving etc.) as well as the provision of highly specialized and technologically advanced digitalization solutions such as Digital Onboarding, Robotic Process Automation, Natural Language Understanding and Cognitive Analytics Solutions, in order to support existing and new customers in their own digital transformation
- Efficiency Gains
  - Create operational and purchasing synergies, especially after the M&A related activity in 2019
  - Increase utilization of lower cost sites to enhance competitiveness and profitability
  - Improve efficiency and operational excellence
  - Invest in new technology to improve workflow, reduce costs and increase profitability

- Merger & Acquisitions, strategic partnerships
  - Extend product and service portfolio with innovative solutions
  - Increase regional footprint, client access and creating scale synergies

Additionally, in order for AUSTRIACARD HOLDINGS Group to maintain and to further increase its competitiveness, it needs to innovate constantly. Developing the right technology at the right time and having the necessary organizational structures in place is crucial. We seek to follow and cautiously anticipate market developments through carefully targeted investments. Maintaining and improving our R&D capabilities is mandatory for our future growth.

## 4.2. Outlook

Before the appearance of the COVID-19 pandemia we expected significant growth, both in terms of revenues and profit for 2020 compared to the pro-forma figures 2019. While neither Digital Security nor Information Management are particularly dependent on the economic cycle, it has to be expected that both industries will be negatively affected by the expected Corona virus related recession in 2020. The extent of the negative impact still remains unclear. However, it is reasonable to assume that sales to Retail and some other industries will be affected by lock-downs and decline more than sales to Financial, Telecom, Utility and Public sectors.

Now, due to the expected lower business activity in all sectors, we will not achieve our initial growth targets for 2020. Nonetheless, we are positive for the future since our services and products are still or even more demanded (e.g. payment cards), our main customers (Financial Institutions) are hardly affected by the pandemia and Challenger Banks will continue to grow.

For this reason and due to the additional annualized results stemming from the companies acquired in 2019, we expect that in 2020 we will achieve higher revenues and EBITDA than in 2019. Of course, forward-looking statements involve risks and uncertainties, since they are made on the basis of current knowledge and assumptions, so actual results may vary from expected performance.

## 4.3. Events after the balance sheet date

Due to a COVID-19 related country-wide, general lockdown commanded by the Andorran government, our card manufacturing plant in Andorra was closed from 18 March to 3 May 2020. As a countermeasure the most urgent product orders were transferred to the Group's other payment card manufacturing plants in Austria and Romania. Since 4 May 2020 the plant in Andorra is operating normally again.

In June 2020 Digital Security signed a consortium financing agreement with a total value of € 51 million with a duration of three to seven years. The purpose of this financing agreement is the refinancing of existing term and revolving capital loans as well as of the bridge loan for financing the acquisition of TAG SYSTEMS.

## 4.4. Significant risks and uncertainties

By striving for sustained and profitable growth, AUSTRIACARD HOLDINGS is exposed to risks. We seek to limit our exposure solely to unavoidable risks and closely monitor the effects of such exposure to limit the overall risk. Therefore, risk management is a fundamental part of our planning process and the implementation of our strategy. Risk policies and internal control and risk management were determined by management and are apparent in our monthly reporting. Monthly results are closely analysed; adequate measures to manage risks are determined and monitored in management meetings.

The markets in which both divisions, Digital Security and Information Management operate are characterized a high degree of competition. We respond to the intensive pricing pressure resulting from the competitive market situation with ongoing measures to increase efficiency and reduce cost, while in parallel we are continuously addressing new upselling opportunities, through the introduction of new innovative products & services and expansion of our footprint in new geographies.

## 4.5. Financial instruments, risks and strategies

The Group uses financial instruments for commercial, financing and investment purposes. The main risks arising from the financial instruments of the Group are, basically, the following:

- Market risk (exchange rate risk and interest rate risk)
- Credit risk
- Liquidity risk

### 4.5.1. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is using derivative financial instruments to manage currency risk.

*Currency risk*

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Euro (EUR) and RON (Romania). The currencies in which the Group's transactions are denominated are mainly Euro and RON and to a significantly lesser extent GBP (British Pound), USD (US Dollar), TRY (Turkey), ALL (Albania), PLN (Poland) and others.

Exposure to currency fluctuations arises also from converting the financial information of the Group's subsidiaries in Romania, Turkey, Albania and Poland from functional (local) to presentation currency and its incorporation in the Group's financial statements.

Management continuously monitors the development of relevant foreign exchange rates for current or upcoming transactions. In order to limit exposure to foreign exchange variances the Group aims at invoicing its customers and receiving invoices from suppliers as well as borrowing financial debt in the functional currency of the respective group component. As most costs of the Group accrue in Euro the Group also aims at fixing Euro sales prices for deliveries invoiced local currency. Where deemed necessary, the Group uses foreign currency derivatives to hedge future transactions, trade receivables and liabilities.

*Interest rate risk*

The Group is essentially financed using borrowings and loans with variable interest rates which are mostly linked to the Euribor. As the Group does not use derivatives for hedging, interest charges will – given the same level of net debt – increase if the Euribor increases. Management continuously monitors the development of net debt and interest rates.

### 4.5.2. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Credit risk is managed through credit examinations, credit limits and verification routines. If counterparty's credit-worthiness is questionable, advance payments or Letter of Credits are requested. The Group's main customers are banks and utility companies with sound credit ratings which reduces the Group's overall credit risk. In order to further decrease credit risk the Group uses non-recourse factoring for certain customers.

### 4.5.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity needs by monitoring the contractual payments for long-term and short-term financial debt as well as the working capital requirements. Liquidity needs are monitored on a monthly basis and based on 90 to 180 day forecasts. Net cash requirements are compared to available borrowing limits, to identify surpluses or deficiencies in liquidity.

## 5. PERSONNEL

The measures to reduce costs, improve efficiency and adjusting production capacities to current market conditions in both Divisions, Digital Security and Information Management, in the last years represented large challenges for AUSTRIACARD HOLDINGS Group. Successfully managing difficult market conditions and achieving operating growth has only been possible thanks to the strong contribution made by every single employee.

In 2020 the COVID-19 pandemia started in Europe and reminded everyone that health is the most important and cannot be taken for granted. In order to protect our employees we have implemented various measures to increase hygiene and avoiding close contacts at all factories of the Group.

Our employees' knowledge, capacity for innovation and high motivation are preconditions for the further internationalization and success of AUSTRIACARD HOLDINGS Group. Therefore, the Group aims to promote team spirit and motivation through initiatives such as the Austria Card Academy which is aimed at continued internal education and at improving internal cooperation.

As it is key that all employees understand and are aligned with the Group's objectives and work effectively together to reach these goals, a part of the annual remuneration of employees in management positions consists of variable performance components which are tied to meeting Group targets (EBITDA target per Division) and personal goals depending on the field of responsibility which are agreed on an annual basis.

In total the Group's headcount has increased from 800 as of 31/12/2018 to 1,229 as of 31/12/2019 mainly due to inorganic growth in Romania and the addition of TAG SYSTEMS.

| **Number of employees** | **31/12/2019** | **31/12/2018** | **D '19-'18** | **D '19-'18 %** |
|---|---|---|---|---|
| Digital Security Division | 707 | 431 | 276 | 64.0% |
| Information Management Division | 522 | 369 | 153 | 41.5% |
| **Total** | **1,229** | **800** | **429** | **53.6%** |

The average number of employees counted as full-time-equivalents was increased by 46 FTE from 786 FTE in 2018 to 832 FTE in 2019.

## 6. ENVIRONMENTAL MANAGEMENT

AUSTRIACARD HOLDINGS Group prevents pollution caused by all segments during production as far as possible by means of an effective environmental management system. This management system is based on statutory provisions and requirements, whereas Digital Security Division complies with EMAS (Eco Management and Audit Scheme) and Information Management Division with ISO 14001 (Environmental Management) and FSC (Forest Stewardship Council). The managers of the respective production and business premises are responsible for complying with these provisions. Furthermore, there are clear regulations governing the responsibilities for environmental protection issues.

## 7. RESEARCH AND DEVELOPMENT

AUSTRIACARD HOLDINGS Group's research and development strategy is focused on the following objectives:

- Market-oriented product innovations as a basis to continue the growth strategy
- Optimizing the use of resources and production processes.

Particularly in the Digital Security Division effective research & development is important as the product cycles are short and as the requirements of business partners and final customers are evolving. This is especially valid for the payment sector. We understand these changes as opportunities and rely on our R&D experts to enable us to propose unique services to our customer which will help us grow in the short and long run.

Main projects are currently the development of a biometric payment card where contactless payments are authorized by fingerprint and the continued development of our native operating systems "ACOS" for payment cards and "AMIGOS" for ID and Government solutions and cards. Capitalizing on the development of AMIGOS, the Group is already supplying the first picture e-health-card in Austria.

INFORM also innovates, with the roll-out new services in Information Management, converting current products to higher added value services (Customer Communication Management, Document Management, Scanning & Archiving etc.), and especially with the provision of highly specialized and technologically advanced digitalization solutions, such as Digital Onboarding, Robotic Process Automation, Natural Language Understanding and Cognitive Analytics Solutions, in order to support its customers and to attract new ones, supporting them in their own digital transformation journey.

In 2018 the Group started its initiative to provide security in the world of Internet of Things ('IoT') under the brand of NAUTILUS and has grouped its activities of its new IoT Division at AUSTRIACARD AG level. NAUTILUS's mission is a future where assets and solutions flow intelligently in their value chains, by transforming the "Internet of Things" ecosystem. Through continuous research and development, service excellence, teamwork, innovation and integrity, NAUTILUS seeks to be pioneering leader across multiple market segments. Our passion for innovation drives us to provide high quality services that can be applied to a wide spectrum of industries, from Supply Chains 4.0 to Industrial Applications, Security and Defence segments. Nautilus continued this initiative and is currently developing high-end solutions in the fields of assets tracking and control. With this objective, the Group started also a partnership with Innovus, a wholly-owned subsidiary of Vodafone, in early 2019. The partneship aims at combining AUSTRIACARD HOLDINGS's legacy in payments, Government systems and hardware embedded security encryption and security know-how with Vodafone Innovus' world-level multi sectoral IoT applications.

Vienna, 30 June 2020

Nikolaos Lykos
Chairman of the Management Board

Panagiotis Spyropoulos
Vice Chairman & Group CEO

# B) CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated statement of financial position

| | Note | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment and right of use assets | 13 | 80,291,775 | 74,402,936 |
| Intangible assets and goodwill | 14 | 29,294,500 | 8,341,064 |
| Equity-accounted investees | 15 | 2,200,165 | 0 |
| Other receivables | 17 | 756,654 | 666,191 |
| Investment property | | 0 | 232,761 |
| Other long-term assets | 5 | 863,651 | 688,173 |
| Deferred tax assets | 12 | 767,142 | 1,419,572 |
| **Non-current assets** | | **114,173,887** | **85,750,697** |
| Inventories | 16 | 19,159,713 | 16,223,263 |
| Contract assets | 5 | 9,155,966 | 8,107,821 |
| Current income tax assets | | 330,016 | 284,067 |
| Trade receivables | 17 | 21,318,188 | 13,958,774 |
| Other receivables | 17 | 5,028,654 | 4,524,458 |
| Cash and cash equivalents | 188 | 22,266,639 | 7,057,776 |
| **Current assets** | | **77,259,176** | **50,156,159** |
| **Total assets** | | **191,433,063** | **135,906,856** |
| **Equity** | | | |
| Share capital | 19 | 14,638,053 | 14,638,053 |
| Share premium | 19 | 6,999,933 | 6,999,933 |
| Other reserves | | 7,813,125 | 8,950,244 |
| Retained earnings | | 14,569,108 | 13,807,867 |
| **Equity attributable to owners of the Company** | | **44,020,219** | **44,396,097** |
| Non-controlling interests | 27 | 12,470,893 | 12,884,503 |
| **Total Equity** | | **56,491,112** | **57,280,600** |
| **Liabilities** | | | |
| Loans and borrowings | 21 | 26,387,914 | 34,581,171 |
| Employee benefits | 10 | 5,611,974 | 5,083,070 |
| Other payables | 22 | 8,273,265 | 9,017 |
| Deferred tax liabilities | 12 | 4,364,390 | 2,448,521 |
| **Non-current liabilities** | | **44,637,543** | **42,121.779** |
| Current income tax liabilities | | 404,419 | 0 |
| Loans and borrowings | 21 | 57,316,797 | 14,239,928 |
| Trade payables | 22 | 20,988,007 | 16,370,991 |
| Other payables | 22 | 8,368,303 | 3,958,591 |
| Contract liabilities | 5 | 2,710,618 | 1,372,700 |
| Deferred income | | 149,908 | 269,245 |
| Provisions | 23 | 366,357 | 293,023 |
| **Current Liabilities** | | **90,304,409** | **36,504,477** |
| **Total Liabilities** | | **134,941,952** | **78,626,256** |
| **Total Equity and Liabilities** | | **191,433,063** | **135,906,856** |

*The following explanatory notes constitute an integral part of these consolidated financial statements.*

# Consolidated income statement

The income statement of the Group for the year 1/1 – 31/12/2019 and the respective comparative figures of the previous year are the following:

| | Note | 2019 | 2018 |
|---|---|---|---|
| Revenues | 5 | 134,966,335 | 123,768,553 |
| Cost of sales | 7 | (105,159,691) | (97,928,225) |
| **Gross profit** | | **29,806,644** | **25,840,329** |
| Other income | 7 | 1,588,388 | 1,999,103 |
| Selling and distribution expenses | 7 | (10,792,480) | (10,017,589) |
| Administrative expenses | 7 | (9,179,264) | (8,127,790) |
| Research and development expenses | 7 | (4,663,629) | (4,288,255) |
| Other expenses | 7 | (689,910) | (477,805) |
| Non-recurring expenses | 6 | 0 | (6,723,216) |
| + Depreciation & amortization | 13, 14 | 6,970,323 | 13,702,198 |
| **EBITDA** | | **13,040,072** | **11,906,976** |
| - Depreciation & amortization | 13, 14 | (6,970,323) | (13,702,198) |
| **EBIT** | | **6,069,749** | **(1,795,223)** |
| Financial income | 8 | 85,361 | 44,548 |
| Financial expenses | 8 | (2,831,380) | (2,497,711) |
| **Net finance costs** | 8 | **(2,746,019)** | **(2,453,163)** |
| **Profit (Loss) before tax** | | **3,323,730** | **(4,248,386)** |
| Income tax expense | 12 | (1,834,498) | 1,552,068 |
| **Profit (Loss)** | | **1,489,232** | **(2,696,318)** |
| **Profit (Loss) attributable to:** | | | |
| Owners of the Company | | 1,436,299 | (1,887,987) |
| Non-controlling interests | | 52,933 | (808,331) |
| | | **1,489,232** | **(2,696,318)** |
| **Earnings (loss) per share** | | | |
| Basic and diluted | 9 | **0.10** | **(0.18)** |

*The following explanatory notes constitute an integral part of these consolidated financial statements.*

## Consolidated statement of comprehensive income

| | 2019 | 2018 |
|---|---|---|
| **Profit (Loss)** | **1,489,232** | **(2,696,318)** |
| **Other comprehensive income** | | |
| **Items that will never be reclassified to profit or loss** | | |
| Revaluation of property, plant and equipment | (554,829) | 0 |
| Related tax | 330,908 | 199,672 |
| Revaluation of defined benefit liability | (417,339) | (59,655) |
| Related tax | 93,574 | 13,447 |
| | **(547,686)** | **153,464** |
| **Items that are reclassified to profit or loss** | | |
| Cash flow hedges | (72,072) | 0 |
| Related tax | 18,018 | 0 |
| Foreign currency translation differences | (826,720) | (367,924) |
| | **(880,774)** | **(367,924)** |
| **Other comprehensive income, net of tax** | **(1,428,460)** | **(214,461)** |
| **Total comprehensive income** | **60,772** | **(2,910,779)** |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | 300,256 | (2,168,153) |
| Non-controlling interests | (236,484) | (742,625) |
| | **60,772** | **(2,910,779)** |

*The following explanatory notes constitute an integral part of these consolidated financial statements.*

## Consolidated statement of changes in equity

| | For the year ended 31 December 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | |
| | Share capital | Share premium | Translation reserve | Revaluation reserve | IAS 19 reserve | Cash flow hedge reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2019** | **14,638,053** | **6,999,933** | **(3,174,881)** | **12,397,503** | **(272,378)** | **0** | **13,807,867** | **44,396,097** | **12,884,503** | **57,280,600** |
| Profit (Loss) | 0 | 0 | 0 | 0 | 0 | 0 | 1,436,299 | **1,436,299** | 52,933 | **1,489,232** |
| Other comprehensive income | 0 | 0 | (656,066) | (102,384) | (323,538) | (54,054) | 0 | **(1,136,043)** | (292,418) | **(1,428,460)** |
| **Total comprehensive income** | **0** | **0** | **(656,066)** | **(102,384)** | **(323,538)** | **(54,054)** | **1,436,299** | **300,256** | **(239,485)** | **60,772** |
| Distribution of dividends | 0 | 0 | 0 | 0 | 0 | 0 | (840,000) | **(840,000)** | (20,120) | **(860,120)** |
| Acquisition of non-controlling interests | 0 | 0 | (1,076) | 0 | 0 | 0 | 164,942 | **163,866** | (154,006) | **9,859** |
| **Balance at 31 December 2019** | **14,638,053** | **6,999,933** | **(3,832,024)** | **12,295,119** | **(595,916)** | **(54,054)** | **14,569,108** | **44,020,219** | **12,470,893** | **56,491,112** |

| | For the year ended 31 December 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | |
| | Share capital | Share premium | Translation reserve | Revaluation reserve | IAS 19 reserve | Cash flow hedge reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2018** | **14,638,053** | **6,999,933** | **(2,804,056)** | **12,256,561** | **(226,170)** | **0** | **16,100,808** | **46,965,130** | **14,620,420** | **61,585,550** |
| Profit (Loss) | 0 | 0 | 0 | 0 | 0 | 0 | (1,887,987) | **(1,887,987)** | (808,331) | **(2,696,318)** |
| Other comprehensive income | 0 | 0 | (374,900) | 140,942 | (46,208) | 0 | 0 | **(280,166)** | 65,706 | **(214,460)** |
| **Total comprehensive income** | **0** | **0** | **(374,900)** | **140,942** | **(46,208)** | **0** | **(1,887,987)** | **(2,168,153)** | **(742,625)** | **(2,910,779)** |
| Distribution of dividends | 0 | 0 | 0 | 0 | 0 | 0 | (519,000) | **(519,000)** | (641,901) | **(1,160,901)** |
| Acquisition of non-controlling interests | 0 | 0 | 4,075 | 0 | 0 | 0 | 114,045 | **118,120** | (351,391) | **(233,270)** |
| **Balance at 31 December 2018** | **14,638,053** | **6,999,933** | **(3,174,881)** | **12,397,503** | **(272,378)** | **0** | **13,807,867** | **44,396,097** | **12,884,503** | **57,280,600** |

## Consolidated statement of cash flows

The statement of cash flows of the Group for the year 1/1 – 31/12/2019 and the respective comparative figures of the previous year are the following:

| | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit (Loss) before tax | | 3,323,730 | (4,248,386) |
| **Adjustments for:** | | | |
| -Depreciation & amortization | 13, 14 | 6,970,323 | 7,098,846 |
| -Net finance cost | 8 | 2,746,019 | 2,453,163 |
| -Net gain on sale of property, plant and equipment | | (1,057) | (27,764) |
| -Foreign exchange differences | | (106,012) | (29,518) |
| -Impairment losses property, plant and equipment | | 0 | 6,603,352 |
| -Decrease in fair value of investment property | | 0 | 1,682 |
| -Change in long term employee benefits & provisions | 10 | 185,746 | 129,693 |
| -Other | | 130,982 | 14,631 |
| | | 13,249,732 | 11,995,698 |
| **Changes in:** | | | |
| -Inventories | 16 | 2,090,168 | (1,708,978) |
| -Contract assets | 5 | (854,364) | (2,226,947) |
| -Trade and other receivables | 17 | (2,535,150) | 1,080,853 |
| -Contract liabilities | 5 | 1,254,843 | 948,517 |
| -Trade and other liabilities | 22 | 2,026,680 | 2,400,971 |
| **Cash generated from operating activities** | | **15,231,910** | **12,490,114** |
| Taxes paid | | (224,234) | (77,907) |
| Interest paid | | (2,242,280) | (2,334,152) |
| **Net cash from (used in) operating activities** | | **12,765,396** | **10,078,054** |
| | | | |
| **Cash flows from investment activities** | | | |
| Interest received | | 18,277 | 30,516 |
| Proceeds from sale of property, plant and equipment | | 0 | 21,586 |
| Proceeds from sale of investment property | | 134,873 | 0 |
| Acquisition of subsidiaries and business, net of cash acquired | | (18,854,382) | 0 |
| Acquisition of property, plant and equipment & intangible assets | 13, 14 | (5,323,137) | (4,064,616) |
| Acquisition of other long-term assets | | (300,063) | (601,503) |
| **Net cash from (used in) investing activities** | | **(24,324,432)** | **(4,614,017)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Acquisition of non-controlling interests | | 0 | (233,000) |
| Proceeds from loans and borrowings | 21 | 39,724,200 | 19,832,525 |
| Repayment of borrowings | 21 | (10,193,158) | (18,144,579) |
| Payment of lease liabilities | 21 | (1,827,470) | (2,089,729) |
| Dividends paid to non-controlling interest | | (20,120) | (638,398) |
| Dividends paid to owners of the Company | | (840,000) | (519,000) |
| **Net cash from (used in) financing activities** | | **26,843,453** | **(1,792,182)** |
| | | | |
| **Net increase (decrease) in cash and cash equivalents** | | **15,284,416** | **3,671,855** |
| | | | |
| **Cash and cash equivalents at 1 January** | | **7,057,776** | **3,430,108** |
| Effect of movements in exchange rates on cash held | | (75,554) | (44,186) |
| **Cash and cash equivalents at 31 December** | | **22,266,638** | **7,057,776** |

*The following explanatory notes constitute an integral part of these annual financial statements.*

# Notes to the consolidated financial statements

## Basis of preparation

### 1. Reporting Entity

AUSTRIACARD AG (the 'Company') is domiciled in Austria. AUSTRIACARD AG was established at September 29th, 2010 and since March 12th, 2014 is the ultimate legal parent of AUSTRIACARD HOLDINGS Group. The Company's registered office is in Lamezanstraße 4-8, 1232, Vienna, Austria. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is an international group active in the business areas of "Digital Security" under the brand AUSTRIACARD and TAG SYSTEMS and "Information Management" under the brand INFORM.

### 2. Basis of accounting

The accompanying consolidated financial statements (hereinafter "financial statements") have been prepared by Management pursuing §245a of the Austrian Commercial Code in accordance with the International Financial Reporting Standards (hereinafter ≪IFRS≫) as adopted by the European Union (EU). The financial statements have been prepared on historic costs basis, as modified following the adjustment of certain assets and liabilities at fair values. These financial statements are presented in euro, which is the functional currency of the Company.

Amounts and percentage rates in these consolidated financial statements were rounded, and the addition of these individual figures can therefore produce results that differ from the totals shown.

Details of the Group's accounting policies and methods, including changes during the year are included in Notes 32 and 33.

### 3. Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses and the notes to the financial statements. Actuals may differ from these estimates. Judgments, estimates and assumptions are based on the experience from previous years and other factors, included the expectations of future events that are considered reasonable under the particular conditions. Management considers the following accounting estimates and assumptions discussed below to be its critical accounting estimates.

#### i. Testing for impairment of goodwill and non-current other assets

Management tests at least annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on the higher between value-in-use calculations and fair value less costs to sell. The preparation of these calculations requires the use of estimates, as for example planning of future cash flows and derivation of the discount rate.

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an impairment indicator is identified, the fair value of the non-financial asset is appraised – if necessary by an external appraiser – and compared with the carrying amount. If the carrying amount exceeds the fair value, impairment is recognized.

#### ii. Accounting treatment of proclaimed fine for alleged violation of Romanian competition law

In 2016, the Competition Council of Romania imposed a fine of approximately € 0.8 million on Inform Lykos, S.A., Romania (ILR), a subsidiary of the Group. As management is convinced that the Group has complied with the competition law and that the verdict is unjustified and disproportional, it has appealed against this verdict. In 2017 the first Court of Appeals rejected the requests filed by ILR. In answer to that verdict, ILR filed an appeal at the Romanian high Court of Cassation and Justice. The first hearing is scheduled for 5 November 2020.

Taking into account similar cases of other companies, Group management considers possible that ILR will be sentenced to pay a fine which however should be significantly lower than the original verdict. , a provision of € 0.3 million for this lawsuit is included in the consolidated financial statements. The difference between the provision and the total amount of the imposed fine of € 0.5 million is to be considered as contingent liability.

#### iii. Acquisition of subsidiaries: Determination of fair values of identifiable acquired assets and assumed liabilities

In the company acquisitions made in 2019, customer relationships were decided as the main identifiable intangible assets. Customer relationships were determined using the "multi-period excess earnings" method. These calculations require the use of estimates, such as planning future sales and expenses and deriving the discount rate.

For further information concerning acquisition of subsidiaries, please refer to note 26**Fehler! Verweisquelle konnte nicht gefunden werden.**.

## Performance of the year

### 4. Operating segments

#### i. Basis for segmentation

The identification of reportable segments is based on information that is regularly used by the Group's chief decision maker to allocate resources and assess performance. The CEO is the Group's chief decision maker. The Group's CEO reviews the internal report on a monthly and year to date basis. The accounting basis for the internal report is consistent with the IFRS financial reporting.

Internal reporting to the CEO is based on business areas which comprise two strategic segments, which are the reportable segments, the Digital Security Division and the Information Management Division. These segments offer different products and services, and are managed separately because they require different technology and marketing strategies.

#### ii. Intersegment transactions

Transactions between the segments involve mainly the sale of goods and provision of services and are eliminated in the column "Eliminations". Intragroup transactions between the segments generally reflect ordinary market conditions.

#### iii. Information about reportable segments

Information related to each reportable segment is set out below. Segment adjusted EBITDA is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments.

| Reportable segments | Operations |
|---|---|
| **Digital Security** | Production, development and personalization of Smart Cards for Banks, Public Organizations and Retail chains holding international certificates by, among others, Visa and MasterCard. |
| **Information Management** | Printing management, production of secured documents, production of prepaid cards and business process outsourcing, services of printing and posting statements, electronic presentation of statements and printing management for Banks, Telecommunication companies, Public sector and Industrial/Trade companies. |

Income and expenses as well as assets and liabilities that are not attributable to one of the operating segments presented above are summarized in column "Corporate". Assets and liabilities being used by both operating segments are allocated proportionally based on use.

| 2019 | Reportable Segments: Digital Security | Reportable Segments: Information Management | Reportable Segments: Total reportable segments | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|
| Revenues | 62,893,817 | 72,072,518 | 134,966,335 | | | 134,966,335 |
| Intersegment revenues | 4,657,755 | 413,485 | 5,071,240 | 0 | (5,071,240) | 0 |
| **Segment revenues** | **67,551,572** | **72,486,002** | **140,037,574** | **0** | **(5,071,240)** | **134,966,335** |
| Costs of material & mailing | (32,149,323) | (47,558,470) | (79,707,793) | 0 | 4,418,616 | (75,289,177) |
| **Gross profit I** | **35,402,249** | **24,927,532** | **60,329,781** | **0** | **(652,623)** | **59,677,158** |
| Production costs | (16,841,023) | (13,284,695) | (30,125,718) | 0 | 255,204 | (29,870,514) |
| **Gross profit II** | **18,561,227** | **11,642,837** | **30,204,064** | **0** | **(397,420)** | **29,806,644** |
| Other income | 1,013,940 | 1,285,834 | 2,299,774 | 0 | (711,386) | 1,588,388 |
| Selling and distribution expenses | (6,547,031) | (4,521,662) | (11,068,693) | 0 | 276,213 | (10,792,480) |
| Administrative expenses | (4,396,511) | (4,423,201) | (8,819,711) | (384,860) | 25,307 | (9,179,264) |
| Research and development expenses | (3,857,975) | (677,741) | (4,535,717) | (475,940) | 348,028 | (4,663,629) |
| Other expenses | (388,377) | (740,911) | (1,129,288) | (20,540) | 459,917 | (689,910) |
| + Depreciation & amortization | 3,197,452 | 3,640,895 | 6,838,348 | 131,975 | 0 | 6,970,323 |
| **adjusted EBITDA** | **7,582,726** | **6,206,052** | **13,788,777** | **(749,365)** | **660** | **13,040,072** |
| - Depreciation & amortization | (3,197,452) | (3,640,895) | (6,838,348) | (131,975) | 0 | (6,970,323) |
| **adjusted EBIT** | **4,385,273** | **2,565,156** | **6,950,430** | **(881,340)** | **660** | **6,069,749** |
| Financial income | 73,627 | 14,743 | 88,371 | 0 | (3,010) | 85,361 |
| Financial expenses | (953,452) | (1,456,542) | (2,409,994) | (424,365) | 2,980 | (2,831,380) |
| **Net finance costs** | **(879,825)** | **(1,441,798)** | **(2,321,623)** | **(424,365)** | **(30)** | **(2,746,019)** |
| **adjusted Profit (Loss) before tax** | **3,505,448** | **1,123,358** | **4,628,806** | **(1,305,705)** | **629** | **3,323,730** |
| Non-recurring expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit (Loss) before tax** | **3,505,448** | **1,123,358** | **4,628,806** | **(1,305,705)** | **629** | **3,323,730** |
| Income tax expense | (273,383) | (1,048,326) | (1,321,709) | (512,790) | 0 | (1,834,498) |
| **Profit (Loss)** | **3,232,066** | **75,032** | **3,307,098** | **(1,818,495)** | **629** | **1,489,232** |
| Segment assets | 103,364,354 | 71,994,946 | 175,359,305 | 70,650,554 | (54,576,791) | 191,433,063 |
| Segment liabilities | 75,065,680 | 42,326,049 | 117,391,729 | 12,541,719 | (5,008,503) | 134,941,952 |
| Capital expenditure incl. finance lease | 23,831,370 | 10,858,339 | 34,689,709 | 455,553 | 0 | 35,145,262 |
| Depreciation & Amortization | 3,197,452 | 3,640,895 | 6,838,348 | 131,975 | 0 | 6,970,323 |
| Impairment on property, plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 |

| 2018 | Reportable Segments: Digital Security | Reportable Segments: Information Management | Reportable Segments: Total reportable segments | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|
| Revenues | 56,201,935 | 67,566,619 | 123,768,553 | 0 | 0 | 123,768,553 |
| Intersegment revenues | 5,309,190 | 414,125 | 5,723,315 | 0 | (5,723,315) | 0 |
| **Segment revenues** | **61,511,125** | **67,980,744** | **129,491,869** | **0** | **(5,723,315)** | **123,768,553** |
| Costs of material & mailing | (28,920,656) | (47,009,927) | (75,930,583) | 0 | 5,279,507 | (70,651,076) |
| **Gross profit I** | **32,590,468** | **20,970,817** | **53,561,285** | **0** | **(443,808)** | **53,117,477** |
| Production costs | (15,481,252) | (12,117,847) | (27,599,099) | 0 | 321,951 | (27,277,149) |
| **Gross profit II** | **17,109,216** | **8,852,970** | **25,962,186** | **0** | **(121,857)** | **25,840,329** |
| Other income | 1,430,064 | 1,277,885 | 2,707,949 | (37) | (708,808) | 1,999,103 |
| Selling and distribution expenses | (5,969,052) | (4,022,374) | (9,991,426) | (200,778) | 174,615 | (10,017,589) |
| Administrative expenses | (4,128,212) | (3,702,791) | (7,831,003) | (402,384) | 105,597 | (8,127,790) |
| Research and development expenses | (3,766,705) | (520,447) | (4,287,153) | (148,858) | 147,756 | (4,288,255) |
| Other expenses | (180,733) | (696,856) | (877,588) | (2,925) | 402,709 | (477,805) |
| + Depreciation & amortization | 2,828,643 | 4,261,712 | 7,090,354 | 8,491 | 0 | 7,098,846 |
| **adjusted EBITDA** | **7,323,221** | **5,450,099** | **12,773,319** | **(746,491)** | **11** | **12,026,840** |
| - Depreciation & amortization | (2,828,643) | (4,261,712) | (7,090,354) | (8,491) | 0 | (7,098,846) |
| **adjusted EBIT** | **4,494,578** | **1,188,387** | **5,682,965** | **(754,982)** | **11** | **4,927,994** |
| Financial income | 30,619 | 15,935 | 46,554 | 0 | (2,006) | 44,548 |
| Financial expenses | (620,139) | (1,359,204) | (1,979,343) | (520,341) | 1,973 | (2,497,711) |
| **Net finance costs** | (589,520) | (1,343,269) | (1,932,789) | (520,341) | (33) | (2,453,163) |
| **adjusted Profit (Loss) before tax** | **3,905,058** | **(154,882)** | **3,750,176** | **(1,275,323)** | **(23)** | **2,474,830** |
| Non-recurring expenses | (25,277) | (6,697,939) | (6,723,216) | 0 | 0 | (6,723,216) |
| **Profit (Loss) before tax** | **3,879,781** | **(6,852,822)** | **(2,973,040)** | **(1,275,323)** | **(23)** | **(4,248,386)** |
| Income tax expense | (508,855) | 1,545,249 | 1,036,394 | 515,674 | 0 | 1,552,068 |
| **Profit (Loss)** | **3,370,927** | **(5,307,573)** | **(1,936,647)** | **(759,649)** | **(23)** | **(2,696,318)** |
| | | | | | | |
| Segment assets | 65,771,773 | 66,891,570 | 132,663,343 | 59,648,496 | (56,404,983) | 135,906,856 |
| Segment liabilities | 30,822,952 | 36,733,806 | 67,556,758 | 12,822,010 | (1,752,512) | 78,626,256 |
| Capital expenditure incl. leases | 3,339,259 | 1,732,397 | 5,071,656 | 73,311 | 0 | 5,144,967 |
| Depreciation & Amortization | 2,828,643 | 4,261,712 | 7,090,354 | 8,491 | | 7,098,846 |
| Impairment on property, plant and equipment | 0 | 6,603,352 | 6,603,352 | 0 | 0 | 6,603,352 |

### iv. Geographic Information

| **Non-current assets by country** | **2019** | **2018** |
|---|---|---|
| Greece | 25,918,943 | 29,752,029 |
| Romania | 34,399,507 | 26,650,266 |
| Austria | 26,299,745 | 27,060,940 |
| Other countries | 27,555,692 | 2,287,462 |
| **Total** | **114,173,887** | **85,750,697** |

## 5. Revenues

### A. Revenues from contracts with customers

| **2019** | **Digital Security** | **Information Management** | **Eliminations** | **Total** |
|---|---|---|---|---|
| **Revenues by region** | | | | |
| Western Europe | 30,060,705 | 2,130,507 | (4,350,506) | 27,840,706 |
| Central & Eastern Europe | 25,737,734 | 64,951,135 | (723,358) | 89,965,511 |
| Asia & Africa | 11,753,132 | 5,404,360 | 2,626 | 17,160,118 |
| | **67,551,572** | **72,486,002** | **(5,071,240)** | **134,966,335** |
| **Type of revenue** | | | | |
| Revenues from sale of goods | 59,095,760 | 34,984,759 | 795,650 | 94,876,169 |
| Revenues from services | 6,555,413 | 26,910,396 | (605,157) | 32,860,652 |
| Revenues from licenses & royalties | 4,619 | 0 | 0 | 4,619 |
| Revenues from sale of merchandise | 1,895,780 | 10,590,847 | (5,261,732) | 7,224,895 |
| | **67,551,572** | **72,486,002** | **(5,071,240)** | **134,966,335** |
| **Timing of revenue recognition** | | | | |
| Products and services transferred over time | 65,655,792 | 61,895,155 | 190,493 | 127,741,440 |
| Products transferred at a point of time | 1,895,780 | 10,590,847 | (5,261,732) | 7,224,895 |
| | **67,551,572** | **72,486,002** | **(5,071,240)** | **134,966,335** |

| **2018** | **Digital Security** | **Information Management** | **Eliminations** | **Total** |
|---|---|---|---|---|
| **Revenues by region** | | | | |
| Western Europe | 24,035,833 | 2,037,621 | (156,402) | 25,917,052 |
| Central & Eastern Europe | 27,268,033 | 65,478,218 | (5,750,028) | 86,996,224 |
| Asia & Africa | 10,207,259 | 464,905 | 183,114 | 10,855,278 |
| | **61,511,124** | **67,980,744** | **(5,723,315)** | **123,768,553** |
| **Type of revenue** | | | | |
| Revenues from sale of goods | 53,224,169 | 28,864,490 | (744,682) | 81,343,977 |
| Revenues from services | 5,607,476 | 24,302,018 | (396,081) | 29,513,413 |
| Revenues from licenses & royalties | 21,202 | 0 | 0 | 21,202 |
| Revenues from sale of merchandise | 2,658,277 | 14,814,236 | (4,582,553) | 12,889,961 |
| | **61,511,125** | **67,980,744** | **(5,723,315)** | **123,768,553** |
| **Timing of revenue recognition** | | | | |
| Products and services transferred over time | 58,852,847 | 53,166,508 | (1,140,763) | 110,878,593 |
| Products transferred at a point of time | 2,658,277 | 14,814,236 | (4,582,553) | 12,889,961 |
| | **61,511,125** | **67,980,744** | **(5,723,315)** | **123,768,553** |

### B. Contract assets and receivables

| | 2019 | 2018 |
|---|---:|---:|
| Trade receivables | 21,318,188 | 13,958,774 |
| Contract assets | 9,155,966 | 8,107,821 |
| | **30,474,154** | **22,066,595** |

The contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on made-to-order printing and payment products.

### C. Contract liabilities

| | 2019 | 2018 |
|---|---:|---:|
| **Balance at 1 January** | **1,372,700** | **424,182** |
| Prepayments received | 4,233,400 | 1,357,485 |
| Recognition as revenue | (3,770,782) | (408,955) |
| Acquisition through business combinations | 901,600 | 0 |
| Effect of movements in exchange rates | (26,299) | (14) |
| **Balance at 31 December** | **2,710,618** | **1,372,700** |

Contract liabilities essentially relate to prepayments received for the delivery of customer-specific printing and payment products.

### D. Costs to fulfill a contract

| | 2019 | 2018 |
|---|---:|---:|
| **Balance at 1 January** | **688,173** | **100,819** |
| Costs to fulfil a contract accrued during the year | 296,455 | 612,651 |
| Realized as an expense | (45,455) | 0 |
| Transfer | (75,522) | 0 |
| Effect of movements in exchange rates | 0 | (25,297) |
| **Balance at 31 December** | **863,651** | **688,173** |

Costs to fulfill a contract are included in Other long-term assets in the Statement of financial position.

## 6. Non-recurring expenses

| | 2019 | 2018 |
|---|---:|---:|
| Staff leaving indemnities | 0 | 119,864 |
| Impairment of intangible & tangible assets | 0 | 6,603,352 |
| Other | 0 | 0 |
| **Total** | **0** | **6,723,216** |

In reporting year 2019 there are no non-recurring expenses reported. In previous year machines with total book-value of € 6.9 million were impaired resulting in an impairment charge of € 6.6 million presented in non-recurring expenses of financial statements 2018.

## 7. Income and expenses

### A. Other Income

| | 2019 | 2018 |
|---|---|---|
| Government grants | 7,478 | 6,804 |
| Gain on sale of equipment | 1,057 | 27,101 |
| Rental income from property leases | 64,798 | 55,178 |
| Reversal of accruals | 10,256 | 132,059 |
| Capitalised development expenses | 1,421,150 | 1,644,316 |
| Other income | 83,649 | 133,645 |
| **Total** | **1,588,388** | **1,999,103** |

### B. Other Expenses

| | 2019 | 2018 |
|---|---|---|
| Loss of the customer contract term | 43,700 | 21,924 |
| Impairment loss on trade receivables and contract assets | 275,040 | 170,159 |
| Losses from write-downs of inventories | 142,988 | 70,761 |
| Property and other taxes | 31,263 | 33,938 |
| Decrease in fair value of investment property | 0 | 1,682 |
| Other expenses | 196,919 | 179,341 |
| **Total** | **689,910** | **477,805** |

### C. Expenses by nature

The following table presents Costs of sales, Administrative expenses, Selling and distribution expenses and Research and development expenses by nature of expense.

| | 2019 | 2018 |
|---|---|---|
| Employee compensation and expenses | 30,009,341 | 27,375,504 |
| Costs of inventories recognized as expense | 52,983,856 | 49,680,225 |
| Mailing costs | 22,305,321 | 20,970,852 |
| Third party fees | 4,368,645 | 3,236,068 |
| Commissions paid | 1,100,925 | 1,133,093 |
| Utilities and maintenance expenses | 5,282,208 | 4,718,068 |
| Rentals from property and machinery | 228,113 | 415,402 |
| Tax and duties | 336,081 | 335,092 |
| Transportation expenses | 2,126,897 | 1,826,241 |
| Inks and similar consumable materials | 2,251,001 | 1,975,317 |
| Depreciation & amortization | 6,970,323 | 7,098,846 |
| Other expenses | 1,832,353 | 1,597,152 |
| **Total** | **129,795,063** | **120,361,858** |

## 8. Net Finance costs

| | 2019 | 2018 |
|---|---|---|
| Interest income under the effective interest method | 41,151 | 35,614 |
| Financial assets at fair value through profit or loss – net change in fair value | 44,210 | 8,934 |
| **Finance income** | **85,361** | **44,548** |
| Interest expense on Financial liabilities measured at amortized cost | 2,155,650 | 2,075,163 |
| Commissions of letters of guarantee | 148,522 | 162,100 |
| Foreign exchange losses | 330,628 | 73,866 |
| Financial assets at fair value through profit or loss – net change in fair value | 0 | 26,969 |
| Other financial expenses | 196,580 | 159,614 |
| **Finance costs** | **2,831,380** | **2,497,711** |
| **Net finance costs recognized in profit or loss** | **(2,746,019)** | **2,453,163** |

## 9. Earnings per share

### A. Basic and diluted earnings or (losses)

| | 2019 | 2018 |
|---|---|---|
| Profit (loss) attributable to the owners of the Company | 1,436,299 | (1,887,987) |

### B. Weighted-average number of ordinary shares

| | 2019 | 2018 |
|---|---|---|
| Issued ordinary shares at 1 January | 14,638,053 | 14,638,053 |
| Effects in the year | 0 | 0 |
| **Weighted-average number of ordinary shares at 31st December** | **14,638,053** | **14,638,053** |

# Employee Benefits

## 10. Employee benefits

- **Greece**

Obligations resulting from this program concern compensation of staff retirement arising from the provisions of Law 2112/20, as amended by Law 4093/12. According to Greek legislation, establishing and funding is not provided in the form of contributions, specific fund (reserve) to cover the severance compensation laws 2112/20 and 3026/54, as amended by Law 4093/12, and for other related benefits. As a result a special fund is not created, from which the settlement of the liability could be made. The compensation provided by the laws 2112/20 and 3026/54, as amended by Law 4093/12 are exclusively one-off indemnities which are given only in cases of normal retirement, redundancy and for those subject to Law 3026/54, in death and voluntary retirement under conditions. There are no funding requirements. Employers are not required to contribute to the plan.

- **Austria**

*Pension plans*

The company provides unfunded defined pension plans for two persons. One of them is retired and receives a percentage of his former salary on monthly basis. In case of death, the widow of the employee receives 60% of the benefit.  The second person is still active for the company and will receive a fixed amount per year after retirement.

*Severance*

Severance benefit obligations for employees hired before 1 January 2003 are covered by defined benefit plans. Upon termination by the Group or retirement, eligible employees receive severance payments equal to a multiple of their monthly compensation which comprises fixed compensation plus variable elements such as overtime or bonuses. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation.

Contribution-based termination benefits exist for employees whose employment started after 31 December 2002. These obligations for termination benefits are fulfilled by regular contributions to an employee benefit fund. Except for this, there are no further obligations for the Group and hence the recognition of a provision is not necessary.

### A. Movement in net defined benefit liability

| | Defined benefit obligation | |
|---|---|---|
| | **2019** | **2018** |
| **Balance at 1 January** | **5,083,070** | **4,937,599** |
| **Included in profit or loss** | | |
| Current service cost | 180,251 | 174,554 |
| Past service credit | 0 | 0 |
| Settlement/Curtailment/Termination loss/(gain) | 17,650 | 83,755 |
| Interest cost (income) | 89,188 | 80,528 |
| | **287,089** | **338,837** |
| **Included in OCI** | | |
| Remeasurement loss (gain): | | |
| – Actuarial loss (gain) arising from: | | |
| - demographic assumptions | 6,341 | 141,028 |
| - financial assumptions | 274,238 | (87,165) |
| - experience adjustment | 136,761 | 5,792 |
| | **417,339** | **59,655** |
| **Sum** | **704,428** | **398,492** |
| **Other** | | |
| Benefits paid | (177,338) | (253,021) |
| | **(177,338)** | **(253,021)** |
| **Balance at 31 December** | **5,610,161** | **5,083,070** |
| Acquisition through business combinations | 1,813 | 0 |
| **Balance at 31 December new** | **5,611,974** | **5,083,070** |

### B. Actuarial assumptions

The following were the principal actuarial assumptions at each reporting date (expressed as weighted averages).

- *Post-employment define benefit plans in Greece*

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 1.5% | 1.8% |
| Future salary increase | 1,0% | 1,0% |

The weighted-average duration of the defined benefit obligation for the fiscal year 2019 was:

| | 2019 | 2018 |
|---|---|---|
| Years | 16.1 | 16.8 |

- *Post-employment define benefit plans in Austria*

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.9% | 1.8% |
| Future salary increase | 2,1% | 2,7% |

The weighted-average duration of the defined benefit obligation for the fiscal year 2019 was:

| | 2019 | 2018 |
|---|---|---|
| Years | 10.1 | 10.4 |

### C. Sensitivity analysis

Reasonable possible changes at the reporting (and comparative) date to one of the relevant actuarial assumptions holding other assumptions constant would affect Define Benefit obligation as shown below:

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| *Effect in euro* | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (1 percentage point movement) | (372,361) | 424,894 | (352,590) | 403,068 |

## 11. Employee Expenses

| | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 23,733,493 | 21,531,377 |
| Social security contributions | 4,674,016 | 4,409,195 |
| Other expenses for personnel | 1,423,661 | 1,145,286 |
| Expenses related to defined benefit and contribution plans | 178,170 | 289,646 |
| **Total** | **30,009,341** | **27,375,504** |

## 12. Income taxes

| | 2019 | 2018 |
|---|---|---|
| Current taxes | (580,947) | (89,225) |
| Deferred taxes | (1,253,551) | 1,641,292 |
| **Income tax income (expense)** | **(1,834,498)** | **1,552,068** |

Deferred taxes recognized in profit and loss and in other comprehensive income include effects from the gradual reduction of the income tax rate in Greece from 29% in 2018 to 24% in 2023. The effects of the change in tax rates, which relate fully or partially to one position that was previously recognized in other comprehensive income are now recognized in other comprehensive income as well.

### A. Income tax reconciliation

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Earnings before tax** | | **3,323,730** | | **(4,248,386)** |
| Tax using the Company's domestic tax rate | 25.0% | (830,933) | 25.0% | 1,062,096 |
| Effect of tax rates in foreign jurisdictions | | 4,480 | | 128,221 |
| Change of tax rates | | (220,994) | | |
| Non-deductible expenses | | (202,349) | | (178,079) |
| Tax-exempt income | | 173,771 | | 73,982 |
| Tax incentives | | 1,356 | | 0 |
| Current-year losses for which no deferred tax asset is recognized | | (272,737) | | (132,251) |
| Recognition of tax asset on previously unrecognised tax losses | | 0 | | 584,058 |
| Change in temporary differences | | (487,092) | | 14,036 |
| Changes in estimates related to prior years | | 0 | | 5 |
| **Income taxes** | | **(1,834,498)** | | **1,552,068** |

### B. Movement in deferred tax balances

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Property, plant and equipment | 553,937 | 2,996,569 | 425,376 | 3,030,955 |
| Intangible assets | 173,484 | 2,429,694 | 0 | 987,184 |
| Investment property | 0 | 1,801 | 0 | 1,845 |
| Receivables | 237,247 | 9,924 | 318,993 | (2,354) |
| Other assets | 55,864 | 416,212 | 186,705 | 0 |
| Loans and borrowings | 0 | 10,089 | 0 | 9,610 |
| Employee benefits | 806,444 | 6,084 | 714,903 | 0 |
| Deferred income | 0 | 0 | 0 | 0 |
| Contract assets | 0 | 450,992 | (892) | 392,327 |
| Other liabilities | 336,188 | 582,274 | 422,589 | 766,396 |
| Tax loss carry-forwards | 1,126,121 | 0 | 2,072,233 | 0 |
| **Deferred tax assets /liabilities** | **3,289,284** | **6,903,638** | **4,139,907** | **5,185,962** |
| Set-off of tax | (2,522,141) | (2,539,248) | (2,720,335) | (2,737,441) |
| **Net deferred tax assets / liabilities** | **767,142** | **4,364,390** | **1,419,572** | **2,448,521** |

Deferred tax assets were not recognized on tax loss carryforwards of € 1,334,400 (31/12/2018: € 8,029,995) as of 31 December 2019. Deferred tax assets on tax loss carryforwards have been capitalized up to the extent that they are covered with expected usable tax profits in a given time frame. The time frame is five to seven years or shorter depending on the tax jurisdiction.

# Assets

## 13. Property, plant and equipment and right of use assets

### A. Reconciliation of carrying amount

| | Land and buildings | Plant and equipment | Fixtures and fittings | Under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2018** | **84,107,827** | **74,582,816** | **14,122,211** | **32,181** | **172,845,035** |
| Additions | 63,594 | 1,329,463 | 518,153 | 1,090,021 | 3,001,231 |
| Disposals | 0 | (334,036) | (70,047) | (33,997) | (438,080) |
| Transfers | 0 | 84,844 | 0 | (84,844) | 0 |
| Effect of movements in exchange rates | (50,276) | (147,372) | (108,577) | (1) | (306,226) |
| **Balance at 31 December 2018** | **84,121,145** | **75,515,715** | **14,461,740** | **1,003,361** | **175,101,961** |
| **Balance at 1 January 2019** | **84,121,145** | **75,515,715** | **14,461,740** | **1,003,361** | **175,101,961** |
| Initial recognition IFRS 16 | 545,954 | 629,923 | 17,742 | 0 | 1,193,619 |
| **New balance at 1 January 2019** | **84,667,099** | **76,145,638** | **14,479,482** | **1,003,361** | **176,295,580** |
| Additions | 250,674 | 2,300,714 | 703,034 | 908,510 | 4,162,932 |
| Disposals | 0 | (917,251) | (63,996) | (96,506) | (1,077,753) |
| Revaluations | (554,829) | 0 | 0 | 0 | (554,829) |
| Transfers | 1,743,346 | 1,468,173 | (39,463) | (1,328,134) | 1,843,921 |
| Acquisitions through business combinations | 3,445,472 | 10,197,592 | 3,857,561 | 630,665 | 18,131,290 |
| Effect of movements in exchange rates | (474,361) | (426,126) | (32,914) | (21,827) | (955,228) |
| **Balance at 31 December 2019** | **89,077,401** | **88,768.739** | **18,903,704** | **1,096,069** | **197,845,914** |
| **Accumulated amortization and impairment losses** | | | | | |
| **Balance at 1 January 2018** | **33,811,963** | **43,276,505** | **11,653,003** | **0** | **88,741,471** |
| Depreciation | 989,697 | 4,212,447 | 705,001 | 0 | 5,907,146 |
| Impairment | 0 | 6,603,352 | 0 | 0 | 6,603,352 |
| Disposals | 0 | (353,340) | (70,036) | 0 | (423,376) |
| Effect of movements in exchange rates | (5,099) | (62,170) | (62,298) | 0 | (129,567) |
| **Balance at 31 December 2018** | **34,796,561** | **53,676,794** | **12,225,669** | **0** | **100,699,024** |
| **Balance at 1 January 2019** | **34,796,561** | **53,676,794** | **12,225,669** | **0** | **100,699,024** |
| Depreciation | 1,102,845 | 3,387,818 | 832,566 | 0 | 5,323,228 |
| Transfers | 978,845 | 904,539 | (39,463) | 0 | 1,843,921 |
| Disposals | 0 | (728,341) | (63,252) | 0 | (791,592) |
| Acquisitions through business combinations | 1,629,722 | 6,332,656 | 2,839,163 | 0 | 10,801,541 |
| Effect of movements in exchange rates | (49,074) | (249,792) | (23,118) | 0 | (321,984) |
| **Balance at 31 December 2019** | **38,458,890** | **63,323,674** | **15,771,565** | **0** | **117,554,139** |
| **Carrying amounts** | | | | | |
| At 1 January 2018 | 50,295,864 | 31,306,311 | 2,469,209 | 32,181 | 84,103,565 |
| **At 31 December 2018** | **49,324,584** | **21,838,921** | **2,236,070** | **1,003,361** | **74,402,936** |
| **At 31 December 2019** | **50,618,501** | **25,445,065** | **3,132,139** | **1,096,069** | **80,291,775** |

### B. Right of use assets

Position ‚Property, plant and equipment and right of use assets' includes assets owned by the group as well as assets the group is obliged to use on base of contractual agreements (lease contracts in accordance with IFRS 16) and which are therefore recognised. Right of use assets defined as ‚Investment property" do not exist in the group.

The group leases building spaces, company flats, technical equipment, machines and cars. Following right of use assets are recognized in opening balance per 01/01/2019 and balance per 31/12/2019:

| | Land and buildings | Plant and equipment | Fixtures and fittings | Total |
|---|---|---|---|---|
| **Carrying amounts** | | | | |
| **Balance at 1 January 2019** | **545,954** | **8,003,239** | **17,742** | **8,566,935** |
| Additions cost | | 1,357,100 | 49,647 | 1,406,747 |
| Additions cost through business combinations | 1,554,302 | 3,760,314 | 91,113 | 5,405,729 |
| Depreciations | (114,006) | (1,733,812) | (20,727) | (1,868,545) |
| Additions depreciation through business combinations | 0 | (1,510,890) | 0 | (1,510,890) |
| Effect of movements in exchange rates | 2,097 | 5,542 | 944 | 8,583 |
| **Balance at 31 December 2019** | **1,988,347** | **9,881,493** | **138,719** | **12,008,559** |

Short-term leases, (lease term < 12 months) and leases for which the underlying asset is of low value are not recognized in the group. Lease payments associated with those leases of € 321.948 were recognised directly as an expense in business year 2019.

## C. Measurement of fair values

### i. Fair value hierarchy

The fair value of land and buildings is determined regularly by external independent appraisers, who have recognized professional qualifications and recent experience in the location and category of property assessed. If the difference of fair value compared to carrying amount is material, a revaluation is recognized. Based on data taken into account in the valuation technique, the measurement of fair value for these properties is at Level 3.

### i. Valuation technique and significant unobservable inputs

The carrying amount of the property using the cost model would have been € 31.9 million as at 31/12/2019 (31/12/2018: € 32.5 million).

*Land and buildings used for production in Greece*
The last revaluation was carried out in 2019 following a decision by the Board of Directors on the spin-off of the production, processing, development and trading sector of printed information systems. The study conducted by the independent appraiser based on market indications on similar properties, incorporating adjustments for factors specific to the property for revaluation, such as size of land and buildings, use, location and any encumbrances. The main input factors for the valuation are the fair value of land per square meter which was appraised at € 171 on average and the replacement cost per square meter which were appraised at € 307 on average. If these parameters were increased or decreased by 10% then the fair value would have changed +/- € 1.5 million.

*Land and buildings used for production in Romania*
The last revaluation was carried out as of 31/12/2016. For the valuation of the Group's property in Romania was used the same valuation technique, as that was used and described for the properties in Greece. The main input factors for the valuation are the fair value of land per square meter which was appraised at € 156 and the construction cost per square meter which were appraised at € 470 on average after adjustments for current condition of the real estate and market conditions. If these parameters were increased or decreased by 10% then the fair value would have changed +/- € 1.8 million.

*Land and buildings used for production in Austria*
The last revaluation was carried out as of 31/12/2017. The valuation was performed by an independent expert using the asset value method which comprises the land on which a building is located as well as the building and all related facilities. The valuation of the building and related facilities is based on production cost, including the factors that influence value (e.g. impairment due to age and maintenance condition) whereas the valuation of land is based on recent transactions of similar real estates. The main input factors for the valuation are the fair value of land per square meter which was appraised at € 280 and the construction cost per square meter which were appraised at € 1,074 on average after adjustments for current condition of the real estate and market conditions. If these parameters were increased or decreased by 10% then the fair value would have changed +/- € 1.6 million.

## D. Encumbrances

There are encumbrances on the Group's fixed assets (land and building located in Romania) for an amount of € 12,321,811 with a carrying amount of € 13,844,500 (31/12/2018: € 14,139,507). Carrying amount of loans securitized with pledge as at December 31st 2019 is € 7,348,870 (31/12/2018: € 1,838,217).

## 14. Intangible assets and goodwill

| | Goodwill | Software, patents, licenses | Internal development | Customer contracts | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2018** | **2,085,087** | **22,943,015** | **6,636,014** | | **31,664,116** |
| Additions | 0 | 1,178,313 | 940,126 | | 2,118,439 |
| Disposals | 0 | (5,948) | 0 | | (5,948) |
| Effect of movements in exchange rates | (297) | (27,284) | 0 | | (27,580) |
| **Balance at 31 December 2018** | **2,084,790** | **24,088,096** | **7,576,140** | | **33,749,026** |
| **Balance at 1 January 2019** | **2,084,790** | **24,088,096** | **7,576,140** | | **33,749,026** |
| Additions | 0 | 1,543,901 | 947,598 | 0 | 2,491,499 |
| Disposals | 0 | (12,049) | (845,080) | 0 | (847,129) |
| Transfers | 0 | 2,543,904 | (1,638,585) | 0 | 905,319 |
| Acquisitions through business combinations | 6,261,463 | 820,055 | 177,000 | 13,716,581 | 20,975,099 |
| Effect of movements in exchange rates | (7,949) | (48,582) | (971) | 0 | (57,502) |
| **Balance at 31 December 2019** | **8,338,304** | **28,935,325** | **6,216,102** | **13,716,581** | **57,206,311** |
| **Accumulated amortization and impairment losses** | | | | | |
| **Balance at 1 January 2018** | 0 | **20,819,279** | **3,422,800** | | **24,242,079** |
| Amortization | 0 | 727,525 | 464,176 | | 1,191,701 |
| Disposals | 0 | (5,948) | 0 | | (5,948) |
| Effect of movements in exchange rates | 0 | (19,865) | (4) | | (19,869) |
| **Balance at 31 December 2018** | **0** | **21,520,990** | **3,886,972** | | **25,407,962** |
| **Balance at 1 January 2019** | 0 | **21,520,990** | **3,886,972** | | **25,407,962** |
| Amortization | 0 | 926,031 | 631,460 | 89,636 | 1.647,126 |
| Disposals | 0 | (12,049) | (845,080) | 0 | (857,129) |
| Transfers | 0 | 2,543,904 | (1,638,585) | | 905,319 |
| Acquisitions through business combinations | 0 | 707,503 | 147,782 | 0 | 855,285 |
| Effect of movements in exchange rates | 0 | (45,971) | (141) | (640) | (46,751) |
| **Balance at 31 December 2019** | **0** | **25,640,408** | **2,182,407** | **88,996** | **27,911,811** |
| **Carrying amounts** | | | | | |
| At 1 January 2018 | 2,085,087 | 2,123,736 | 3,213,214 | | 7,422,037 |
| **At 31 December 2018** | **2,084,790** | **2,567,106** | **3,689,168** | | **8,341,064** |
| **At 31 December 2019** | **8,338,304** | **3,294,917** | **4,033,695** | **13,627,585** | **29,294,500** |

### A. Impairment test

In 2019 there was no need to test impairment of intangible assets (software licenses, capitalized development costs and customer relationships) whose useful life is determined. Impairment tests were performed for cash-generating units (CGU) which goodwill was allocated to.

| Cash-generating units and allocated goodwill | 31/12/2019 | 31/12/2018 |
|---|---|---|
| INFORM Romania | 3,104,745 | 1,997,105 |
| TAG SYSTEMS | 5,153,823 | 0 |
| Other | 79,736 | 87,685 |
| **Total** | **8,338,304** | **2,084,790** |

Initial consolidation of TAG SYSTEMS group of companies, which is now shown as a separate CGU, took place on 31 December 2019. For this reason, no impairment test was carried out for the goodwill resulting from the acquisition as of the balance sheet date.

### *INFORM Romania*

As at 31 December 2019 the estimated amount of CGU Romania exceeded its carrying amount by approximately € 8 million (2018: € 3.6 million). The following tables show key assumptions as well as the value by which key assumptions (discount rate and EBITDA growth rate) would need to change individually for the estimated recoverable amount following the value-in-use method to be equal to the carrying amount. The used discount rate represents the weighted cost of capital for the CGU. The assumed EBITDA growth rate for the next five years is based on internal budgets.

| **Key assumptions** | **2019** | **2018** |
|---|---|---|
| Discount rate | 10.6% | 10.2% |
| Growth rate residual value | 1.5% | 1.5% |
| Forecast EBITDA growth rate (average 5 years) | 2.0% | 6.8% |

| | **Change required for carrying amount to equal recoverable amount** | |
|---|---|---|
| **Sensitivity analysis** | **2019** | **2018** |
| *(in percentage points)* | | |
| Discount rate | 4.0 | 2.2 |
| Budgeted EBITDA growth rate | (5.6) | (3.6) |

## 15. Equity-accounted investees

At acquisition of TAG SYSTEMS-group the Digital Security-Division acquired not only 6 companies, which are now fully consolidated in AC-group, but also 3 companies, where the group has significant influence. Those investments are accounted using the at-equity method of accounting.

Following table aggregates the financial information of these investments, initially consolidated at-equity in the group per 31/12/2019. The table also shows the transition of aggregated financial information into carrying amount of investments at reporting date:

| | **Tag Nitecrest Ltd.** | **Seglan SL** | **Tag Cadena SAS** |
|---|---|---|---|
| | **31/12/2019** | **31/12/2019** | **31/12/2019** |
| **Percentage ownership interest** | **50.00%** | **25.00%** | **24.17%** |
| Non-current assets | 333,006 | 1,087,555 | 287,768 |
| Current assets | 8,565,735 | 1,456,197 | 502,515 |
| Non-current liabilities | (12,494) | 30,873 | 72,479 |
| Current liabilities | (7,991,930) | 359,237 | 10,674 |
| **Net assets (100%)** | **894,323** | **2,153,641** | **707,130** |
| Group’s share of net assets | 447,162 | 538,410 | 170,913 |
| Goodwill | 852,838 | 361,590 | -170,912 |
| **Carrying amount of interest in associate** | **1,300,000** | **900,000** | **1** |

## 16. Inventory

| | **31/12/2019** | **31/12/2018** |
|---|---|---|
| Raw materials and consumables | 15,389,025 | 11,580,134 |
| Work in progress | 0 | 8,224 |
| Finished and semi-finished goods | 1,573,684 | 2,000,205 |
| Merchandise | 1,231,467 | 881,676 |
| Prepayments for inventory purchase & goods in transit | 965,536 | 1,753,023 |
| **Total** | **19,159,713** | **16,223,263** |

In 2019, inventories of amount € 46,904,929 (2018: € 49,680,225) were recognized as cost during the period and included in "Cost of Sales". Expenses due to inventories having been written down to net realizable value amount to € 142,988 (2017: € 70,761). As at 31st December

2019, the carrying amount of inventories which were depreciated as a result of the measurement at net realizable value is € 1,967,670 (31/12/2018: € 1,153,249).

## 17. Trade and other receivables

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Trade receivables | 22,786,162 | 15,189,932 |
| Minus: Allowance for doubtful accounts | (1,467,973) | (1,231,158) |
| | **21,318,188** | **13,958,774** |
| Debtors-Prepayments to creditors | 106,213 | 140,092 |
| Personnel prepayments and loans | 89,955 | 68,843 |
| VAT and other Tax related receivables | 1,945,065 | 1,895,463 |
| Deferred expenses | 890,069 | 690,185 |
| Deposits | 22,166 | 30,654 |
| Other non-financial receivables and assets | 34,047 | 61,053 |
| *Other receivables - non financial instruments* | *3,087,515* | *2,886,289* |
| Accrued income | 660,540 | 130,474 |
| Securities at fair value through profit & loss | 710,362 | 639,169 |
| Factoring receivables | 817,024 | 1,454,335 |
| Other financial receivables and assets | 509,866 | 80,382 |
| *Other receivables - financial instruments* | *2,697,792* | *2,304,360* |
| **Other receivables** | **5,785,307** | **5,190,649** |
| **Total** | **27,103,496** | **19,149,423** |
| Non-current | 756,651 | 666,191 |
| Current | 26,346,842 | 18,483,232 |
| | **27,103,496** | **19,149,423** |

## 18. Cash and cash equivalents

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Cash at hand | 27,893 | 14,856 |
| Bank balances | 22,238,746 | 7,042,921 |
| **Total** | **22,266,639** | **7,057,776** |

# Equity and Liabilities

## 19. Equity

### A. Capital and share premium

During the extraordinary general meeting held on 22 September 2015 among others the following resolutions were adopted:

1. Authorization of the Management Board to increase, upon approval of the Supervisory Board, the company's nominal capital– also in several tranches – by up to € 7,319,026 by way of issuing up to 7,319,026 new shares – also under exclusion of legal subscription rights – within five years from the registration of the amendment of the Company's Articles of Association in the Austrian Commercial Register against cash contribution and/or contribution in kind. Further, the Management Board shall be authorized to determine with the consent of the Supervisory Board the type of shares, the issue price and the terms and conditions of said issue ("Authorized Capital 2015").
2. Authorization of the Management Board to issue, with the consent of the Supervisory Board, convertible bonds, which grants/foresee a subscription/conversion right respectively a subscription/conversion obligation of up to 7,319,026 no-par-value shares of the Company in total and authorization of the Management Board to exclude with the consent of the Supervisory Board legal subscription rights.
3. Resolution on the contingent capital increase of the Company's nominal capital of up to € 7,319,026 by issuing up to 7,319,026 new no-par-value shares (Contingent Capital 2015). This Contingent Capital 2015 serves the granting of subscription/conversion rights to creditors of convertible bonds.

   Resolution that the issue amount and the conversion ratio are to be determined in accordance with the provisions of the convertible bonds and that the issue amount of the shares must not be less than the pro rata amount of the Company's nominal capital.

## 20. Capital management

The Group's policy is to maintain a strong capital base so as to maintain a high level of confidence of shareholders, creditors and the market, as well as to sustain future development of the business. Management monitors the return on capital and aims at a medium-term performance of dividends to shareholders.

The board of directors tries to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital base. The Group monitors capital using a gearing ratio. This ratio is calculated as adjusted total liabilities divided by total equity.

| | **31/12/2019** | **31/12/2018** |
|---|---|---|
| Total liabilities | 134,941,952 | 78,626,256 |
| Minus: Cash and cash equivalents | (22,266,639) | (7,057,776) |
| **Adjusted total liabilities** | **112,675,313** | **71,568,480** |
| **Total equity** | **56,491,112** | **57,280,600** |
| **Adjusted total liabilities to Total equity** | **1,99** | **1.25** |

## 21. Loans and Borrowings

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Non-current liabilities** | | |
| Secured bank loans | 5,091,269 | 9,467,040 |
| Unsecured bank loans | 8,510,046 | 14,872,569 |
| Bonds | 6,000,000 | 6,000,000 |
| Finance lease liabilities | 6,786,598 | 4,241,561 |
| | **26,387,914** | **34,581,171** |
| **Current liabilities** | | |
| Secured bank loans | 13,224,641 | 4,805,257 |
| Unsecured bank loans | 41,353,265 | 7,767,105 |
| Finance lease liabilities | 2,738,891 | 1,667,566 |
| | **57,316,797** | **14,239,928** |
| **Total** | **83,704,711** | **48,821,099** |

For 3 credit lines with a total book value of EUR 7,867,937, the agreed loan covenants were not fully met as of the balance sheet date on 31 December 2019. The agreed equity ratio of more than or equal to 30% was missed by 0.5 percentage points, the agreed debt ratio of less than or equal to 4.5 was exceeded by 0.2. Due to the refinancing in June 2020 (see point 31), the breach of this loan agreement does not constitute a significant risk.

### A. Terms and maturity

| | Currency | Interest rate fixed/ variable | Range: Nominal interest rate | Range: Year of maturity | Carrying amount in Euro 31/12/2019 | Carrying amount in Euro 31/12/2018 |
|---|---|---|---|---|---|---|
| Secured bank loans | EUR | variable | EURIBOR + 3,50% | 2020 | 10,967,040 | 12,434,081 |
| | RON | variable | ROBOR + 2,55% - 2,90% | 2020-2024 | 7,384,870 | 1,838,217 |
| | | | | | **18,315,910** | **14,272,298** |
| Unsecured bank loans | EUR | variable | EURIBOR + 1,35% - 3,85% | 2020 - 2022 | 43,095,780 | 14,841,877 |
| | EUR | fixed | 1,64% - 2,00% | 2020 - 2024 | 6,767,532 | 7,598,725 |
| | TRY | fixed | | | 0 | 199,071 |
| | | | | | **49,863,311** | **22,639,674** |
| Bonds | EUR | variable | EURIBOR + 3,80% | 2021 | **6,000,000** | **6,000,000** |
| **Total** | | | | | **74,179,222** | **42,911,972** |

The secured bank loans (Romania) in RON are secured by land and buildings for an amount of € 12.3 million with a carrying amount of € 13.8 million. In addition the Company has secured the secured Euro bank loan with a first ranking pledge over the shares of INFORM P. LYKOS S.A, a subsidiary of the Company.

### B. Finance lease liabilities

| | Future minimum lease payments 2019 | Future minimum lease payments 2018 | Interest 2019 | Interest 2018 | Present value of minimum lease payments 2019 | Present value of minimum lease payments 2018 |
|---|---|---|---|---|---|---|
| Less than one year | 2,920,063 | 1,788,255 | 270,376 | 120,688 | 2,649,687 | 1,667,567 |
| Between one and five years | 7,087,433 | 4,477,363 | 529,332 | 255,208 | 6,558,101 | 4,222,155 |
| More than five years | 370,181 | 19,661 | 52,480 | 255 | 317,701 | 19,406 |
| | **10,377.677** | **6,285,280** | **852,188** | **376,152** | **9,525,489** | **5,909,127** |

For additional information on increase of lease liabilities due to initial recognition of IFRS 16 see chapter 31.A.

### C. Reconciliation of loans and borrowings

| | Secured Loans & Borrowings | Unsecured Loans & Borrowings | Bonds | Leasing | Sum |
|---|---|---|---|---|---|
| **1 January 2019** | **14,272,298** | **22,639,674** | **6,000,000** | **5,909,127** | **48,821,099** |
| Proceeds from loans and borrowings | 6,069,048 | 33,655,152 | 0 | 0 | 39,724,200 |
| Repayment of loans and borrowings | (2,003,098) | (8,190,060) | 0 | 0 | (10,193,158) |
| Repayment of finance lease liabilities | 0 | 0 | 0 | (1,827,470) | (1,827,470) |
| **Sum of changes due to cash flows from financing activities** | **(4,065,950)** | **24,465,093** | **0** | **(1,827,470)** | **27,703.573** |
| **Changes due to acquisition of control over subsidiaries** | **0** | **1,767,533** | | **2,988,986** | **4,756,519** |
| **Changes in exchange rate** | **(44,385)** | **(8,988)** | **0** | **19,669** | **(33,704)** |
| New lease liabilities | 0 | 0 | 0 | 2,435,176 | 2,435,176 |
| Interest expenses | 22,047 | 0 | 0 | 0 | 22,047 |
| **31 December 2019** | **18,315,910** | **22,639,674** | **6,000,000** | **9,525,489** | **83,704,710** |

| | Secured Loans & Borrowings | Unsecured Loans & Borrowings | Bonds | Leasing | Sum |
|---|---|---|---|---|---|
| **1 January 2018** | **18,538,650** | **22,842,968** | **0** | **7,070,846** | **48,452,465** |
| Proceeds from loans and borrowings | 0 | 13,832,525 | 6,000,000 | 0 | 19,832,525 |
| Repayment of loans and borrowings | (4,294,402) | (13,850,178) | 0 | 0 | (18,144,579) |
| Repayment of finance lease liabilities | 0 | 0 | 0 | (2,089,729) | (2,089,729) |
| **Sum of changes due to cash flows from financing activities** | **(4,294,402)** | **(17,652)** | **6,000,000** | **(2,089,729)** | **(401,784)** |
| **Changes in exchange rate** | **(2,825)** | **(185,642)** | **0** | **33,330** | **(155,138)** |
| New finance lease liabilities | 0 | 0 | 0 | 894,681 | 894,681 |
| Interest expenses | 30,874 | 0 | 0 | 0 | 30,874 |
| **31 December 2018** | **14,272,298** | **22,639,674** | **6,000,000** | **5,909,127** | **48,821,099** |

## 22. Trade and other payables

| | 31/12/2019 | 31/12/2018 |
|---|---:|---:|
| **Trade payables** | **20,988,007** | **16,370,991** |
| Social security | 1,170,080 | 938,344 |
| Wages and salaries payable | 230,629 | 132,426 |
| Accruals – personnel related | 3,004,469 | 1,273,194 |
| VAT payable and other taxes | 1,542,611 | 983,748 |
| Other non-financial payables | 348,850 | 58,455 |
| Other payables - non financial instruments | ***6,296,641*** | ***3,386,167*** |
| Dividends payable | 704,114 | 24,718 |
| Payables related to investments in non-current assets | 0 | 0 |
| Accruals | 1,260,697 | 505,686 |
| Other financial payables | 8,380,117 | 51,037 |
| Other payables - financial instruments | ***10,344,928*** | ***581,441*** |
| **Other payables** | **16,641,569** | **3,967,608** |
| **Total** | **37,629,575** | **20,338,598** |
| Non-current | 8,273,265 | 9,017 |
| Current | 29,356,310 | 20,329,581 |
| | **37,629,575** | **20,338,598** |

## 23. Provisions

| | Litigations | Total |
|---|---:|---:|
| **Balance at 1 January 2019** | **293,023** | **293,023** |
| Provisions made during the year | 0 | 0 |
| Provisions used during the year | 0 | 0 |
| Provisions reversed during the year | 0 | 0 |
| Acquisitions through business combinations | 80,410 | 80,410 |
| Effect of movements in exchange rates | (7,075) | (7,075) |
| **Balance at 31 December 2019** | **366,357** | **366,357** |

The largest part of provision for litigation concerns the case described in note 3.ii of these financial statements.

# Financial instruments

## 24. Financial instruments – Fair values and risk management

### A. Accounting classifications and fair values

The financial instruments carried at fair value through profit and loss concerns an investment in a quoted mixed fund consisting of a mix of securities and equity investments as well as derivatives used for foreign currency hedging. Its fair value was derived from its marked value at the balance sheet date which represents a Level 1 fair value according to IFRS 13. The fair value of all other financial instruments approximates the carrying amount and corresponds to a Level 2 fair value according to IFRS 13.

| **31 December 2019** | **At amortized cost** | **FVTPL** | **FVTOCI** | **Non-financial instruments** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Trade receivables | 21,318,188 | 0 | 0 | 0 | **21,318,188** |
| Other receivables | 1,987,430 | 710,362 | 0 | 3,087,515 | **5,785,307** |
| Cash and cash equivalents | 22,266,639 | 0 | 0 | 0 | **22,266,639** |
| **Total** | **45,572,257** | **710,362** | **0** | **3,087,515** | **49,370.135** |
| **Liabilities** | | | | | |
| Loans and borrowings | 83,704,711 | 0 | 0 | 0 | **83,704,711** |
| Trade payables | 20,988,007 | 0 | 0 | 0 | **20,988,007** |
| Other payables | 2,022,856 | 8,250,0000 | 72,072 | 6,296,641 | **16,641,569** |
| **Total** | **106,715,574** | **8,250,000** | **72,072** | **6,296,641** | **121,334,286** |

| **31 December 2018** | **At amortized cost** | **FVTPL** | **FVTOCI** | **Non-financial instruments** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Trade receivables | 13,958,774 | 0 | 0 | 0 | **13,958,774** |
| Other receivables | 1,665,191 | 639,169 | 0 | 2,886,289 | **5,190,649** |
| Cash and cash equivalents | 7,057,776 | 0 | 0 | 0 | **7,057,776** |
| **Total** | **22,681,742** | **639,169** | **0** | **2,886,289** | **26,207,199** |
| **Liabilities** | | | | | |
| Loans and borrowings | 48,821,099 | 0 | 0 | 0 | **48,821,099** |
| Trade payables | 16,370,991 | 0 | 0 | 0 | **16,370,991** |
| Other payables | 581,441 | 0 | 0 | 3,386,167 | **3,967,608** |
| **Total** | **65,773,531** | **0** | **0** | **3,386,167** | **69,159,697** |

#### i. Derivative financial instruments and hedges

The following table shows the value of the derivative financial instruments held by the Group as of 31 December 2019, which were recorded as cash flow hedges:

| **Financial institution** | **Derivative** | **Beginning** | **End** | **Reference value GBP** | **Fixed FX rate** | **Market value 31/12/2016** |
|---|---|---|---|---|---|---|
| Unicredit Bank Austria AG | Outright callable GBP/EUR | 26/09/2019 | 29/05/2020 | 1,490,070 | 0.89 | -80,922 |

As of December 31st 2018 no derivative financial instruments were held by the Group.

### B. Risk Management

Risk management is coordinated at group level by the Board of Directors in close cooperation with Financial Directors of the Group's segments. It is focused primarily on ensuring short and medium-term cash inflows and solvency. The Group has exposure to various risks arising from financial instruments. The main types of these risks are the following:

- Credit risk
- Liquidity risk
- Market risk

#### i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Credit risk is managed through credit examinations, credit limits and verification routines. If counterparty's credit-worthiness is questionable, advance payments or Letter of Credits are requested. The Group's main customers are banks and utility companies with sound credit ratings which reduces the Group's overall credit risk. In order to further decrease credit risk the Group uses non-recourse factoring for certain customers. The carrying amount of financial assets and contract assets represents the maximum credit exposure.

| Trade receivables and Contract assets per country | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Greece | 2,888,506 | 4,018,718 |
| Albania | 136,361 | 188,525 |
| Romania | 9,253,268 | 8,016,135 |
| Austria | 4,625,268 | 3,866,983 |
| Turkey | 882,852 | 1,131,711 |
| Other countries | 12,687,777 | 4,844,525 |
| **Total** | **30,474,155** | **22,066,596** |

| Credit risk for Trade receivables and Contract assets | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| | Weighted average loss rate | Gross amount 2018 | Impairment loss allowance | Weighted average loss rate | Gross amount 2018 | Impairment loss allowance |
| Current - not past due | 0.1% | 24,264,397 | (28,646) | 0.2% | 17,768,540 | (35,234) |
| Past due 1 - 30 days | 0.2% | 3,496,247 | (6,040) | 0.0% | 2,333,622 | (966) |
| Past due 31-90 days | 0.1% | 1,739,222 | (1,954) | 0.0% | 819,608 | (0) |
| Past due 91-120 days | 1.0% | 186,901 | (1,869) | 0.0% | 217,213 | 0 |
| Past due more than 121 days – *credit impaired* | 63.6% | 2,267,073 | (1,441,176) | 55.6% | 2,169,339 | (1,205,525) |
| **Total** | | **31,953,840** | **(1,479,685)** | | **23,308,322** | **(1,241,726)** |

Allowance for impairment of Trade receivables and Contract assets

| | |
|---|---|
| **Balance at 1 January 2018** | **(1,984,197)** |
| Net remeasurment loss allowance (individual and collective impairments) | (169,130) |
| Other adjustments | 911,602 |
| **Balance at 31 December 2018** | **(1,241,726)** |
| Net remeasurment loss allowance (individual and collective impairments) | (315,264) |
| Amounts written off | 77,305 |
| **Balance at 31 December 2019** | **(1,479,685)** |

### ii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Contractual maturities of long-term bank loans are contingent on the Group's compliance with contractual covenants. These covenants concern, among others, financial ratios such as Net Debt / EBITDA and Total equity / Total liabilities which are verified on an annual or semi-annual basis. Group management monitors these ratios closely as in case of non-compliance, long-term loans could be called due by the lending financial institutions.

The Group manages its liquidity needs by monitoring the contractual payments for long-term and short-term financial debt as well as the working capital requirements. Liquidity needs are monitored regularly and based on a 90-180 days forecast. Net cash requirements are compared to available borrowing limits, to identify surpluses or deficiencies in liquidity.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted and include estimated interest payments.

| **31 December 2019** | **Carrying amount** | **Total** | **1 year or less** | **1–2 years** | **3–5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| Secured bank loans | 18,315,910 | **18,443,773** | 13,292,293 | 1,441,016 | 3,710,464 | 0 |
| Unsecured bank loans | 49,863,311 | **50,526,712** | 42,286,922 | 7,137,643 | 1,102,146 | 0 |
| Bonds | 6,000,000 | **6,462,000** | 231,000 | 6,231,000 | 0 | 0 |
| Finance lease liabilities | 9,525,489 | **10,377,175** | 2,919,003 | 2,738,210 | 4,087,640 | 632,323 |
| Trade payables | 20,988,007 | **20,988,007** | 20,988,007 | 0 | 0 | 0 |
| Other payables – financial instruments | 10,344,928 | **10,344,928** | 2,094,928 | 650,000 | 7,600,000 | 0 |
| | **115,037,645** | **117,142,595** | **81,812,152** | **18,197,869** | **16,500,250** | **632,323** |

| **31 December 2018** | **Carrying amount** | **Total** | **1 year or less** | **1–2 years** | **3–5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| Secured bank loans | 14,272,298 | **15,163,294** | 5,376,381 | 9,786,913 | 0 | 0 |
| Unsecured bank loans | 22,639,674 | **23,450,178** | 8,807,576 | 14,629,725 | 12,877 | 0 |
| Bonds | 6,000,000 | **6, 456,000** | 228,000 | 6,228,000 | 0 | 0 |
| Finance lease liabilities | 5,909,127 | **6,296,723** | 1,792,255 | 2,944,929 | 1,552,753 | 19,662 |
| Trade payables | 16,370,991 | **16,370,991** | 16,370,991 | 0 | 0 | 0 |
| Other payables – financial instruments | 581,441 | **581,441** | 581,441 | 0 | 0 | 0 |
| | **65,773,531** | **68,318,626** | **27,780,263** | **23,802,654** | **1,552,753** | **19,662** |

### iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is using derivative financial instruments to manage market risk.

*Currency risk*

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the euro (EUR) and RON (Romania). The currencies in which the Group's transactions are denominated are mainly Euro and RON and to a significantly lesser extent GBP (British Pound), USD (US Dollar), TRY (Turkey), ALL (Albania), PLN (Poland) and others.

Exposure to currency fluctuations arises also from converting the financial information of the Group's subsidiaries in Romania, Turkey, Albania and Poland from functional (local) to presentation currency and its incorporation in the Group's financial statements.

Management continuously monitors the development of relevant foreign exchange rates for current or upcoming transactions. In order to limit exposure to foreign exchange variances the Group aims at invoicing its customers and receiving invoices from suppliers as well as borrowing financial debt in the functional currency of the respective group component. As most costs of the Group accrue in Euro, the Group also aims at fixing to Euro sales prices of deliveries invoiced in local currency to the Euro. Where deemed necessary, the Group uses foreign currency derivatives to hedge future transactions, trade receivables and liabilities

| | Profit or loss net of tax | | Equity, net of tax | |
|---|---|---|---|---|
| | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** |
| **31 December 2019** | | | | |
| RON (10% movement) | (1,212,963) | 1,212,963 | (1,212,963) | 1,212,963 |
| TRY (10% movement) | 44,675 | (44,675) | 44,675 | (44,675) |
| **31 December 2018** | | | | |
| RON (10% movement) | (847,723) | 847,723 | (847,723) | 847,723 |
| TRY (10% movement) | 5,556 | (5,556) | 5,556 | (5,556) |

*Interest rate risk*

Financial assets are invested in bank deposits and money market funds with maturities no longer than three months, classified as cash and cash equivalents. Loans and borrowing are mainly Euribor-floating rate debt instruments. Financial expense and income can therefore be sensitive to interest rate fluctuations.

The following table presents the sensitivity of results and equity to a change in interest rates in the range of +/- 100bp for the years 2019 and 2018 would result the following changes in the income before taxes and equity of the Group:

| | Profit or loss | | Equity, net of tax | |
|---|---|---|---|---|
| | **100bp increase** | **100bp decrease** | **100bp increase** | **100bp decrease** |
| 31 December 2019 | (431,191) | 73,489 | (330,228) | 61,731 |
| 31 December 2018 | (222,088) | 18,382 | (171,248) | 17,070 |

# Other disclosures

## 25. List of Subsidiaries

| Company | Country | Residence main office | Participation percentage | Consolidation method | Participation relation |
|---|---|---|---|---|---|
| AUSTRIACARD AG | Austria | Vienna | Parent | Full | Parent |
| Inform P. Lykos S.A. | Greece | Athens | 70.79% | Full | Direct |
| Austria Card GmbH | Austria | Vienna | 100.00% | Full | Direct |
| Austria Card Polska Sp.z.o.o. | Poland | Warsaw | 100.00% | Full | Indirect |
| Austria Card SRL | Romania | Bucharest | 100.00% | Full | Indirect |
| Austria Card Turkey kart Operasyonlari AS | Turkey | Istanbul | 97.74% | Full | Indirect |
| Inform Lykos (Hellas) Single Member S.A. | Greece | Athens | 100,00% | Full | Indirect |
| Lykos Paperless Solutions S.A. | Greece | Athens | 99.91% | Full | Indirect |
| Terrane L.T.D. | Cyprus | Nicosia | 100.00% | Full | Indirect |
| S.C. Inform Lykos S.A. | Romania | Bucharest | 100.00% | Full | Indirect |
| Compaper Converting S.A. | Romania | Constanza | 97.44% | Full | Indirect |
| SISTEC NEXT DOCS SRL | Romania | Bucharest | 65,07% | Full | Indirect |
| SISTEC CONFIDENTIAL SRL | Romania | Bucharest | 65,45% | Full | Indirect |
| Inform Albania Sh.p.k. | Albania | Tirana | 75.50% | Full | Indirect |
| TAG Systems SAU | Andorra | Andorra la Vella | 100.00% | Full | Indirect |
| TAG Systems Smart Solutions SLU | Spain | Torres de la Alameda (Madrid) | 100.00% | Full | Indirect |
| TAG Systems Sp Zoo | Poland | Warsaw | 100.00% | Full | Indirect |
| TSG Norway AS | Norway | Nesna | 100.00% | Full | Indirect |
| TAG Systems NV | Curaçao - Netherlands Antilles | Curaçao | 100.00% | Full | Indirect |
| TAG Systems BV | Netherlands | Amsterdam | 100.00% | Full | Indirect |
| Tag Nitecrest Ltd | United Kingdom | Leyland (Lancashire) | 50.00% | At Equity | Indirect |
| Seglan SL | Spain | Madrid | 25.00% | At Equity | Indirect |
| TAG Cadena SAS | Colombia | La Estrella (Medellin) | 24.17% | At Equity | Indirect |

In business year 2019 the group of consolidated companies changed as follows:

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **As of beginning of the period** | **12** | **13** |
| Disposal because of liquidation | 0 | (1) |
| Disposal because of merger | (1) | 0 |
| Addidition because of spin-off | 1 | 0 |
| Addition because of acquisition (fully consolidated) | 8 | 0 |
| **As of end of the period – fully consolidated** | **20** | **12** |
| Addition because of acquisition (consolidated at equity) | 3 | 0 |
| **As of end of the period - total** | **23** | **12** |

## 26. Acquisitions through business combinations

**Acquistion of TAG SYSTEMS-group**

With the closing on December 5, 2019, the group acquired and owned 100% of the shares in the quality payment card manufacturer TAG SYSTEMS S.A. (Andorra) through its subsidiary Austriacard GmbH. TAG SYSTEMS S.A. operates through personalization offices in Europe (Poland, Spain, Great Britain), South America and the USA (under construction at the date of this report) and offers personalization and fulfillment services. The takeover serves to gain access to new markets and customer groups, to expand the Digital Security Division and thus generate significant economies of scale.

As part of the takeover, the previous owners of TAG SYSTEMS S.A., Andorra were transferred 26.6% of the shares in Austria Card GmbH, Vienna. After the transaction AUSTRIACARD AG ownes 73.4% of the shares in Austriacard GmbH. The inclusion in the consolidated balance sheet is 100%, since the sellers were granted a put option for their shares in Austria Card GmbH. The seller can exercise the option in 2024 at the earliest, whereby the price is to be determined on the basis of average EBITDA from previous years and an agreed multiplier minus net financial liabilities. In the course of the purchase price allocation, goodwill of € 2.6 million was identified, which reflects the strong growth potential of TAG SYSTEM.

**Acquisition of SISTEC NEXT DOCS S.R.L. and SISTEC CONFIDENTIAL S.R.L.**

At the end of October 2019 the Group acquired and owned two new subsidiaries situated in Romania, SISTEC NEXT DOCS S.R.L. and SISTEC CONFIDENTIAL S.R.L. with a participation rate of 65.07% and 65.45% respectively. The two companies were under common control and their acquisition involved a single transaction. The companies are active in the sector of providing document management services (including electronic archiving, workflow and business process development, scanning, internal form creation, indexing, process control and access), as well as physical archiving and certified secure document shredding. By this investment, INFORM extends the services range in its portfolio, currently being offered to existing customers, as well as the ability to enhance new customers by providing document management services, as the above mentioned, that are fully connected and complementary to existing INFORM activities related to data management reproduction in either hard copy or digital form. In the course of the purchase price allocation, goodwill of € 0.9 million was identified, which reflects the expansion of our service offering and the expected synergies.

**Acquisition of business of STAR STORAGE**

In the beginning of April 2019 the Group acquired the business activity of STAR STORAGE, Romania. The business acquired concerns the digital printing and distribution of statements for Banks, Insurance companies, Telecommunication companies, etc and the transfer of customer contracts, knowledge, employees and equipment that serves this activity. Goodwill of € 0.2 million was identified in the course of the purchase price allocation

Out of the different acquisitions in 2019 the group incurred acquisition costs of € 1.3 million, these costs have been included in "administrative expenses".

### A. Identifiable assets acquired and liabilities assumed, consideration transferred, goodwill

| | TAG SYSTEMS group | Total |
|---|---|---|
| Property, plant and equipment | 7,003,202 | 7,344,699 |
| Intangible assets and goodwill | 13,850,406 | 13,859,022 |
| Equity-accounted investees | 2,200,000 | 2,200,000 |
| Other long-term assets | 53,626 | 53,626 |
| Deferred tax assets | 40,165 | 40,331 |
| ***Non current assets*** | ***23,147,399*** | ***23,497,678*** |
| Inventories | 5,216,731 | 5,223,012 |
| Trade receivables | 12,535,843 | 12,919,692 |
| Other receivables | 695,871 | 1,045,754 |
| Cash and cash equivalents | 4,696,767 | 4,953,994 |
| ***Current assets*** | ***23,145,211*** | ***24,142,451*** |
| Loans and borrowings - LT | (4,436,960) | (3,436,960) |
| Other payables - LT | (1,813) | (65,432) |
| Deffered tax liabilities | (1,854,497) | (1,854,497) |
| ***Non-current liabilities*** | ***(5,293,270)*** | ***(5,356,889)*** |
| Loans and borrowings | (1,035,343) | (1,035,343) |
| Trade payables - ST | (10,952,420) | (11,060,559) |
| Other payables - ST | (2,333,298) | (3,344,212) |
| Contract liabilities | (901,600) | (901,600) |
| Provisions - ST | (80,410) | (80,410) |
| ***Current Liabilities*** | ***(15,303,071)*** | ***(16,422,124)*** |
| **Net assets** | **25,696,269** | **25,861,116** |
| **Total acquired net assets after deduction of NCI** | | **25,803,703** |
| Cash transferred | | 23,815,166 |
| Purchase price liabilities | | 8,250,000 |
| **Goodwill** | | **6,261,463** |

In the period from January 1, 2019 to December 31, 2019, the companies acquired in the year under review generated revenue of € 49.0 million and EBITDA of € 7.9 million. Since date of initial consolidation revenue of € 0.7 million and EBITDA of € 0.2 million is included in income statement of the group.

## 27. Non-controlling interests (NCI)

The following table presents summarized financial information on the listed Inform P. Lykos S.A. Group, which are subject to material non-controlling interests. The parent company of the Inform P. Lykos S.A. Group is Inform P. Lykos S.A., Athens. The Company directly holds 70.79% of the issued capital and the voting rights.

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **NCI percentage** | **29.21%** | **29.21%** |
| Non-current assets | 57,048,756 | 51,610,173 |
| Current assets | 24,687,795 | 25,299,040 |
| Non-current liabilities | (22,666,585) | (19,753,329) |
| Current liabilities | (19,659,464) | (16,980,477) |
| **Net assets** | **39,410,502** | **40,175,407** |
| Carrying amount of Non-controlling interests | 139,427 | 290,609 |
| Revenue | 72,486,002 | 67,980,744 |
| Profit (Loss) | 75,032 | (5,307,573) |
| Other comprehensive income | (829,644) | 208,079 |
| **Total comprehensive income** | **(754,612)** | **(5,099,494)** |
| Profit allocated to Non-controlling interests | 40,000 | 19,039 |

| | | |
|---|---|---|
| Other comprehensive income allocated to Non-controlling interests | (492) | 6,967 |
| Cash flows from operating activities | 4,681,258 | 6,040,392 |
| Cash flows from investment activities | (8,295,030) | (1,632,234) |
| Cash flows from financing activities | 1,510,841 | (549,514) |
| **Net increase (decrease) in cash and cash equivalents** | **(2,102,931)** | **3,858,645** |

## 28. Average number of employees

| | 2019 | 2018 |
|---|---|---|
| **Average number of employees during the period** | **1,230** | **800** |
| *Thereof White collar employees* | *491* | *378* |
| *Thereof Blue collar employees* | *739* | *422* |

At reporting date 244 employees were employed in fully-consolidated companies of TAG-group.

## 29. Related parties

For the purpose of this report, related parties are defined as the members of the Supervisory Board and of the Management Board as well as their closely related companies, subsidiaries, joint ventures and associates. Business transactions with related parties are carried out at ordinary arm's length conditions.

### i. Key management personnel compensation

Key management personnel compensation is as following:

| | 2019 | 2018 |
|---|---|---|
| Short-term employee benefits | 647,674 | 596,866 |

### ii. Key management personnel transactions

Directors of the Company control 96.18% of the voting shares of the ultimate Parent Company. No share base payments or post-employment benefits exist. None of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

### iii. Transactions with members of the Supervisory Board

In 2019 Mr. Ilias Karantzalis, Chairman of the Supervisory Board, invoiced € 20,000 (2018: € 12,000) for legal consulting services to the Group.

### iv. Transactions with associated companies

Balance sheet of 31/12/2019 includes trade receivables from associated companies of € 3,377,781. As these companies are initially recognised in group statements of 31/12/2019 the consolidated income statement of business year 2019 does not include any transactions with these companies.

## 30. Auditor's fees

| | 2019 | 2018 |
|---|---|---|
| Audit fees | 152,800 | 135,660 |
| Tax advisory | 16,564 | 34,421 |
| Other consultancy services | 17,254 | 10,000 |
| **Total** | **186,618** | **180,081** |

## 31. Subsequent events

Before the COVID-19 pandemic occurred, we expected significant sales and earnings growth in 2020 compared to the pro forma figures for 2019. Although neither the Digital Security nor Information Management segments are particularly dependent on the business cycle, it can be expected that both sectors will be negatively impacted by the expected corona-related recession in 2020. The extent of the negative effects is currently unclear. However, it is expected that business with retail and other industries that are severely affected by the curfews will decline more than business with financial institutions, telecommunications and utilities, or the public sector.

Due to the now expected lower business activity in all sectors, we will not achieve our original growth targets for 2020. Nevertheless, we are positive about the future, because our services and products are still or even more in demand (e.g. payment cards), our main customers (financial institutions) are hardly affected by the pandemic and the Challenger Banks will continue to grow. For this reason and due to the additional results of the companies acquired in 2019, we expect that we will achieve higher sales and higher EBITDA in 2020 than in 2019.

Of course, forward-looking statements involve risks and uncertainties because they are based on current knowledge and expectations and for this reason the actual results may differ from expectations.

Due to a COVID-19 related lockdown in Andorra, the card manufacturing plant in Andorra was closed from 18 March to 3 May 2020. As a countermeasure the most urgent product orders were transferred to the Group's other payment card manufacturing plants in Austria and Romania. Since 4 May 2020 the plant in Andorra is again operating normally.

In June 2020 Austria Card GmbH signed a consortium financing agreement with a total value of € 51 million with a duration of three to seven years. The purpose of this financing agreement is the refinancing of existing term and revolving capital loans as well as of the bridge loan for financing the acquisition of TAG SYSTEMS Group.

# Accounting policies

## 32. Changes in accounting policies

### New Standards, Interpretations, Revisions and Amendments to existing Standards that are effective and have been adopted by the European Union

The following amendments and interpretations of the IFRS have been issued by the International Accounting Standards Board (IASB), adopted by the European Union, and their application is mandatory from or after 01/01/2019.

| **Standard** | | **Effective date*)** | **Material impact on consolidated financial statements** |
|---|---|---|---|
| IFRS 9 | Amendments to IFRS 9: Negative prepayment penalties | 01/01/2019 | No |
| IFRS 16 | Leases | 01/01/2019 | No, see 31.A |
| IAS 28 | Amendment to IAS 28: Long-term investments in associated companies and joint ventures | 01/01/2019 | No |
| IFRIC 23 | Uncertainty over income tax treatments | 01/01/2019 | No |
| IAS 19 | Amendments to IAS 19: Plan amendments, curtailments- or settlements | 01/01/2019 | No |
| IFRS 3 | Annual Improvements to IFRS Standards 2015-2017 Cycle | 01/01/2019 | No |
| IFRS 11 | Annual Improvements to IFRS Standards 2015-2017 Cycle | 01/01/2019 | No |
| IAS 12 | Annual Improvements to IFRS Standards 2015-2017 Cycle | 01/01/2019 | No |
| IAS 23 | Annual Improvements to IFRS Standards 2015-2017 Cycle | 01/01/2019 | No |

*) Applicable to financial years beginning on or after the indicated date

### A. IFRS 16 Leases

In AUSTRIACARD IFRS 16 is applied since 1. January 2019. The Group has chosen modified retrospectively method for initial recognition, so no adjustment of the comparative information is made. The subsidiaries of the group are only affected as lessees, there are no contracts in the group where any subsidiary is included as a lessor. Due to IFRS 16 almost all leases are now recognised on balance sheet. The standard removes the former distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

When applying the modified retrospectively method to leases previously classified as operating leases applying IAS 17 a lessee may use one or more practical expedients. It is permitted to apply these practical expedients on a lease-by-lease basis. AUSTRIACARD used following expedients on date of initial recognition:

- Recognition of right of use assets at the date of initial recognition in the amount of the lease liability, calculated with present values of remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial recognition. As a result there is no effect on group equity per 1. January 2019.
- For existing lease contracts at date of initial recognition the group uses the expedient not to do a new assessment if contract is or contains a lease according to IFRS 16. Therefore definition of lease contract according to IAS 17 und IFRIC 4 is valid for those leases.
- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- No performance of an impairment review on right of use assets at initial recognition of IFRS 16. Instead of this the group did an assessment of whether leases are onerous applying IAS 37,Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application. No onerous contracts were identified in this process.
- Lease contracts for which the lease term ends within 12 months of the date of initial recognition were accounted for in the same way as short-term leases. Therefore for those contracts in most cases no lease liability was recognised. Costs associated with those leases are included in disclosure of short-term lease expenses.
- For leases for which the underlying asset is of low value no lease liability was accounted per 1 January 2019. Costs associated with those leases are included in disclosure of low-value lease expenses.

IFRS 16 transition notes:
Following table shows transition of minimum lease payments shown per 31 December 2018 into lease liabilities calculated per 1 January 2019:

| | **01/01/2019** |
|---|---|
| Minimum leasing payments on operating lease at 31/12/2018 | 1,410,786 |
| Discounted amount 01/01/2019 | 1,318,110 |
| + Finance lease liabilities recognised as at 31/12/2018 | 5,909,127 |
| - Recognition exemption: short term leases | (98,483) |
| - Recognition exemption: leases of low-value assets | (26,008) |
| **Finance lease liabilities recognised as at 01/01/2019** | **7,102,746** |

At initial recognition of IFRS 16 the incremental borrowing rate was used for discounting of lease payments. Weighted average incremental borrowing rate per 01/01/2019 was 8.1% for the group.

## 33. Significant accounting policies

Except for the changes explained in Note 31 the Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements.

### A. Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. At the date of acquisition the Group recognizes separately from goodwill, the recognized assets acquired, the liabilities incurred and any non-controlling participations to the merged subsidiary. The recognized assets and the liabilities incurred should satisfy the definitions of assets and liabilities in the Framework of Preparation and Presentation of Financial Statements at the date of acquisition, in order to fulfil the criteria of recognition by the acquisition method. The Group measures the transferred assets and the liabilities incurred at fair values at the date of acquisition. The consideration transferred in return for the acquisition is measured at fair value, which is calculated as the sum of fair value at the date of assets transferred by the Group, the liabilities incurred if any to the previous owners and participation rights issued by the Group.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

### B. Foreign currency

The items of financial statements of the Group companies are measured based on the currency of economic environment, in which each company operates (functional currency). The financial statements are presented in Euro which is the functional currency and the presentation currency of the parent company.

#### i. Foreign currency transactions

The Group companies record foreign currency business transactions using the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate in effect on the reporting date. Foreign currency differences are generally recognized in profit or loss.

#### ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro using the average exchange rate in effect at the date of transaction. Gain and losses on foreign currency translation are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

### C. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. The recognition of major categories of revenues is as follows:

- Sales of made-to-order / customer-specific goods

The Group has determined that for made-to-order card- and paper products, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts card- and printed products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms and are usually payable within 30 – 45 days. Uninvoiced amounts are presented as contract assets.

Revenue and associated costs are recognised over time – i.e. before the goods are delivered to the customers' premises. Progress is determined based on the cost-to-cost method.

- Sales of merchandise

Customers obtain control of products that are not produced but resold by the Group to the customer only when the goods are delivered to the agreed location. Invoices are generated at that point in time. Invoices are usually payable within 30 to 45 days.

Revenue is recognised when the goods are delivered to the location agreed with the customer.

- Sales of services rendered

Revenue arising from services is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

### D. Employee benefits

#### i. Pensions or similar obligations

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions to publicly or contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is recognized.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the balance sheet in respect of defined benefit plan is the present value of the benefit obligation as at balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on post-benefit employment plans are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

#### ii. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### E. Government grants & subsidies

Research premiums are provided by governments to give incentives for companies to perform technical and scientific research. These research premiums are presented in Other income in the income statements as when companies that have qualifying expenses can receive such premiums in the form of a tax credit irrespective of taxes ever paid or ever to be paid. These premiums are included in 'Trade and other receivables'. The Company records the benefit of this premium only when all qualifying research has been performed and the Group has obtained sufficient evidence from the relevant government authority that the premium will be granted.

At the same time, the research premiums represent government grants for capitalized expenses for internal development. The Group deducts the research premiums from the cost of internal development.

### F. Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

#### i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

#### ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

Deferred tax assets remaining after netting with deferred tax liabilities are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### G. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost of inventories does not include any financial expenses.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
Appropriate allowance is made for damaged, obsolete and slow moving items. Write-downs to net realizable value and inventory losses are expensed in other expenses in the period in which the write-downs or losses occur.

### H. Property, plant and equipment

Land and buildings used for operations and administrative purposes, are presented in the balance sheet at their revaluated values, less their accumulated depreciation and, if any, impairment following the Revaluation method as per IAS 16.

When the carrying amount of land or buildings is increased by a re-adjustment, this increase will be recorded in the statement of comprehensive income and then accumulated to equity as a readjustment surplus. In case the accounting value of buildings or land is reduced in the future following a readjustment, this reduction will be recorded in the statement of comprehensive income up to the amount of the existing credit balance of readjustment surplus. Any excess of impairment loss over this surplus will be recorded in the income statement.

The remaining categories of tangible assets are measured at historical cost less accumulated depreciation and, if any, accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated using the straight-line method over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | **Years** |
|---|---|
| Buildings | 20-50 |
| Plant, machinery, other equipment | 3-20 |

### I. Intangible assets and goodwill

| **Element** | **Measurement** |
|---|---|
| Goodwill | Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. |
| Research and development expenses | Expenditure on research activities is recognized in profit or loss as incurred.<br><br>Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost (less deductible research premium) less accumulated amortization and any accumulated impairment losses. |
| Other intangible assets | Other intangible assets, including software licenses that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. |

Amortization is calculated using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized but tested (at least) annually for impairment according to IAS 36. The estimated useful lives for current and comparative periods are as follows:

| | **Years** |
|---|---|
| Development costs | 2-5 |
| Software licenses | 5-10 |
| Customer contracts | 8-15 |

### J. Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

### K. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost.

#### i. Non-derivative financial assets and financial liabilities – Recognition, measurement and derecognition

The Group initially recognizes receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### ii. Non-derivative financial assets – Classification and subsequent measurement

| Element | Measurement |
|---|---|
| Financial assets at fair value through profit or loss | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

#### iii. Non-derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### L. Share capital

(a) Ordinary shares are classified as equity. Share capital represents the value of company's shares in issue. Any excess of the fair value of the consideration received over the par value of the shares issued is recognized as "share premium" in shareholders' equity.
(b) Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## M. Impairment

### i. Non-derivative financial assets

The Group recognizes loss allowances for ECLs on financial assets measured at amortised cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the Group's experience and informed credit assessment.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

## N. Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. Then the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

For lease contracts according to IFRS 16 lease term is determined as the non-cancellable period of a lease, together with both, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

At the commencement date, a right-of-use asset and a lease liability is recognised. Lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group uses the lessee's incremental borrowing rate. At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, as well as any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the lessee, and an estimate of potential restoration costs. After the commencement date, the-group measures the right-of-use asset applying a cost model. The depreciation requirements of IAS 16 are applied.

According to IFRS 16.5 the group elects not to apply IFRS 16 to short-term leases and leases for which the underlying asset is of low value (< about EUR 5.000,-). Lease payments associated with those leases are recognised directly as an expense.

Subsequent measurement of the lease liability is done by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. Right-of-use assets and lease liabilities shall be reassessed if one of the following cases occurs: 1. change in lease payments, 2. change in lease term, 3. change in the assessment of an option to purchase the underlying asset, or 4. change in the amounts expected to be payable under a residual value guarantee. At the effective date of the modification, the lessee has to remeasure the present value of the lease liability and the carrying amount of the right-of-use asset. Any gain or loss relating to the partial or full termination of the lease should be recognised in profit or loss. The remeasurement has to be done with a revised discount rate only in case of changes in lease term, changes in the assessment of the option to purchase the underlying assets or if the change in lease payments is due to floating interest rates. A lessee shall account for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets, and if the consideration for the lease increases by an adequate amount.

## 34. New Standards and Interpretations that have not been applied yet or have not been adopted by the European Union.

The following amendments and interpretations of the IFRS have been issued by the International Accounting Standards Board (IASB) but have not been applied yet or have not been adopted by the European Union:

| **Standard** | | **Effective date*)** | **Material impact expected on consolidated financial statements** |
|---|---|---|---|
| IFRS 3 | Amendment to IFRS 3: Definition of a business | 01/01/2020 | No |
| IAS 1 + IAS 8 | Amendments to IAS 1 + IAS 8: Definition of material | 01/01/2020 | No |
| IFRS 17 | Insurance contracts | 01/01/2021 | No |

*) Applicable to financial years beginning on or after the indicated date

Vienna, 30 June 2020

Nikolaos Lykos
Chairman of the Management Board

Panagiotis Spyropoulos
Vice Chairman & Group CEO

# General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the “contractor” on the one hand and the “client” on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client’s company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

## SECTION I

### 1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, consultation shall consist of the following activities:
a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.
b) examining the tax assessment notices for the tax returns mentioned under a).
c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
e) participating in appeal procedures with regard to the taxes mentioned under a).
If the contractor receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Provided the preparation of one or more annual tax return(s) is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant concessions, particularly those with regard to value added tax, have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the contractor the amount of the annual salary of the member of staff taken over.

### 2. Client‘s Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor’s products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor’s knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

### 3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

## 4. Reporting Requirements

(1) (Reporting by the contractor) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

## 5. Protection of Intellectual Property of the Contractor

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the contractor, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 (3) Austrian Income Tax Act 1988). Furthermore, professional statements made orally or in writing by the contractor may be passed on to a third party for use only with the written consent of the contractor.

(2) The use of professional statements made orally or in writing by the contractor for promotional purposes shall not be permitted; a violation of this provision shall give the contractor the right to terminate without notice to the client all contracts not yet executed.

(3) The contractor shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the contractor.

## 6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original professional statement of the change.

(2) The client has the right to have all errors corrected free of charge if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Item 7.

## 7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2$^{nd}$ Sentence ABGB is excluded.

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but no later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis. In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

## 8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

## 9. Withdrawal and Cancellation („Termination")

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2). The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion.

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 9. (4).

## 10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

## 11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

## 12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flat-rate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate at the amount stipulated in Section 456 1st and 2nd Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

## 13. Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papiers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

## 14. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law, excluding national referral rules.

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

## SECTION II

### 15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG:

If the consumer has not made his/her contract statement in the office usually used by the contractor, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the contractor as well as instructions on the right to withdraw from the contract, but no earlier than the conclusion of the contract. The consumer shall not have the right to withdraw from the contract

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15.

In order to become legally effective, the withdrawal shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the contractor to the contractor with a note which indicates that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within one week.

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and compensate the consumer for all necessary and useful expenses incurred in this matter,

2. the consumer shall pay for the value of the services rendered by the contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

If the contract is based on a cost estimate prepared by the contractor, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (3)

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit. a) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit. a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.